



# **A study on aid to the environment sector in Vietnam**

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and  
Investment**

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## FOREWORD



**S**ometimes we find the best way forward begins by looking back. As the 1990s come to a close, it is appropriate that we do so now for the environment sector in Vietnam.

The decade began with a flurry of environmental activities both in Vietnam and around the world. In Vietnam, the Government approved the first *National Plan for the Environment and Sustainable Development: 1991-2000*. This was followed closely by the United Nations Conference on Environment and Development organised in Rio de Janeiro in 1992, and in Vietnam by the passage of the comprehensive Law on Environment and the establishment of the National Environment Agency during 1993-94.

These developments should be seen in the wider context of Vietnam that has seen dramatic growth in international support and investments during the past 15 years. Since the policy of economic renovation (*doi moi*) was adopted in the mid-1980s, many donor countries, UN agencies and international NGOs – not to mention the several hundred foreign companies – have established a presence in Vietnam. In 1998, disbursement of total foreign direct investments reached US\$ 1.7 billion, while disbursement of official development assistance reached US\$ 1.4 billion.

Although economic growth in Vietnam has been affected by the Asian economic crisis, the Government priorities of “industrialisation and modernisation” are changing the landscape of the country. For example, the contribution of industry to GDP has grown from 22% of the total in 1990 to 33% in 1998. But as we have seen time and again, rapid economic development often comes at the expense of the environment, saddling future generations with the need for rehabilitation.

For this reason, the Government vowed to pursue sustainable development, that is, development that allows us to meet our needs today while preserving a world where others can meet their needs tomorrow. Most donor organisations have provided their support in Vietnam with a view to promoting more sustainable development. As can be seen in this report, many donors have specifically targeted the environment sector. From 1985 to 2000, approximately US\$1 billion have been committed or disbursed under various donor programmes working to solve problems in natural resource management, urban and industrial pollution, as well as environmental education and training.

The lessons learned from donor support to the environmental sector in Vietnam are rich and varied. As can be seen in this study, there have been many successes in which we can take pride. But there have also been shortcomings. In any case, we are still not doing enough to protect the environment upon which our very lives depend. Reading and studying this document will benefit both international organisations working in the environment sector of Vietnam as well as the management institutions of Vietnam. In doing so, we can ensure that the past will indeed help us find the right path toward the future.

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## SUMMARY



## The Situation in a Snapshot

Vietnam has witnessed a massive infusion of Official Development Assistance, including aid to the environment, over the last 15 years, though the pattern and nature of aid during this time has changed dramatically.

The decade between 1985 and 1995 was dominated by the UN system and a number of bilateral donors – environment aid was delivered in a rapidly changing institutional and policy context, when the basic building blocks for environment protection and natural resource management were being put in place. The decade ended in new ministries, a clearer definition of roles and a range of new legislation. It also ushered in a new phase of ODA in which multilateral agencies and loans began to play an increasingly important role.

During both these phases, environment ODA to Vietnam has gone principally to the ‘green’, as opposed to the ‘brown’ or ‘blue’, sectors. If anything, this bias has become more entrenched over time. For example, from 1985 to 1995, the green sector received some 70% of total environment ODA, rising to 80% over the next five years. Over the entire period a sum of US\$ 2 billion was allocated to environmental projects.

The overriding emphasis on green aid reflects the needs of a predominantly poor rural population, dependent on natural resources – land, forest, water and fisheries – for sustenance. Since 1950, the total population has trebled, making Vietnam one of the most densely populated countries in Asia. To satisfy basic needs, communities have encroached on sensitive lands and degraded natural resources. During the past 30 years, people have begun to move from congested to less densely populated regions and from rural to urban areas seeking spare land and work. This migration has expanded the pattern of degradation.

It has also intensified urban environmental problems, although these remain localised; pollution from industry is still concentrated in a few areas. New industries have tended to be light with manageable environmental impacts. But all this is changing. Although Vietnam is one of the lowest consumers of energy per capita in Asia, the next decade will see a dramatic growth in energy consumption and production from fossil fuels and hydropower. These developments are likely to have profound environmental impacts. The urban areas, meanwhile, will absorb more than a third of the population. While total population will level out around 2050, migration from poor to better environmental and economic conditions will continue to be a major factor determining where and how natural resources are used.

In summary, too little aid has gone to tackling issues relating to population growth and movement. Past concentrations of environment aid in rural and natural areas was appropriate but the benefits of this help are not reflected in any significant improvement in the condition of natural resources. Although more food has been produced, the sustainability of the systems that have supported the increase is in question. Over the next

decade, green and blue aid will need to be much more focused on taking the pressure off critical habitats, with rehabilitation and sustainable management being the key themes. At the same time, the proportion of brown aid will need to grow so that environmental concerns are built into urban and industrial areas as they expand, rather than in response to crises. Aid to this sector should place greater emphasis on building links with the private sector and shaping its role in bringing about environment improvement.

## ODA Effectiveness

ODA to the environment presents a number of challenges and paradoxes; there is both too much and too little money currently being disbursed; there is an imperative to implement projects quickly, and conversely, to develop programmes and projects very gradually. Vietnamese 'ownership' and execution is critical to long-term success, but carries with it numerous problems.

In this mix of contradictions and complications it is easy to identify projects that have failed and to list the many problems ODA projects face in Vietnam. What is more difficult – and more useful – is to analyse when and why projects actually achieve their objectives.

ODA to the environment sector, while still a small percentage (roughly 10%) of overall aid, is currently increasing significantly. It is thus important to draw out the achievements and challenges of past projects and to begin discussing strategies for more effective environment aid delivery.

### **ODA has made a significant contribution to the environment sector.**

There is good news and there is bad news in the overall appraisal of environment ODA. The good news is that development assistance has made a very important and positive contribution in this field. In fact, most of the major advances in the sector could only have been made with international support. For a relatively small investment over a short period, the returns have been high. The impact has been most visible in policy and institutional development. Also, ODA has markedly enhanced awareness and skills in environment management among government officials.

**The scale of background trends mask ODA effects.** The bad news is that it is difficult to relate ODA achievements to the maintenance of resource stocks or to environmental quality. While there are specific cases of improved resource management associated with international support, there are as many cases where the long-term impact is difficult to assess. The history of ODA is too short to paint an accurate picture of its affects on natural systems; there is a considerable inertia between investment and results in this field. Besides the overall condition of natural resources is so poor that it is not easy to gauge the incremental benefits which ODA (and of course, government effort) may be having in slowing the degradation process.

## ODA to the Natural Resource Sector

### **Too much emphasis on production and not enough on sustainability.**

Donors and government have focused on ODA projects with an overriding emphasis on increased production, rather than on improved management of natural systems – that is, on maximum use rather than sustainable use.

Trends in the natural resources sub-sectors and the government's response through key policy reforms demonstrate the inherent environmental dangers of emphasising increased production and de-linking it from well developed policy and institutional frameworks capable of responding to emerging unsustainable patterns of use.

In focusing so heavily on production orientated ODA projects, both donors and government have failed to build environmental safeguards into Vietnam's natural resource development systems.

**Key natural systems are being neglected.** Regions containing high levels of Vietnam's remaining biodiversity wealth are not receiving the attention they warrant from government or donors. As a result, these areas are being exploited in unplanned and unmanaged ways. Much more emphasis needs to be placed on sustainable management of natural systems to balance the current preoccupation with rehabilitation of already degraded sites. The coastal zone and marine environment, in particular, have suffered from past neglect. Similarly, areas of current forest destruction are not well covered by environment ODA. Protected areas and buffer zones have a special role to play and need higher levels of support.

**A serious imbalance in investment strategies within the sector.** Around 80% of environment ODA is channeled through the Ministry of Agriculture and Rural Development (MARD). Yet, only 11.2% of total ODA entering MARD (both ongoing and pipeline) is provided as grants to the environment. A mere 4.9% of all loans being disbursed through the Ministry are for environment projects. Most significant, only 4% of all government contributions going to MARD ODA projects are being directed at the environment.

**Too much central level ODA can undermine capacities.** There is a risk that environment ODA is hindering the institutional change it is trying to promote by channeling most ODA through one Ministry – MARD. There is a need to decentralize projects to provincial or lower levels.

**Conflicting sectoral interests need to be addressed.** Government priorities often conflict across natural resource sub-sectors (for example, mangrove reforestation versus shrimp farming versus coastal zone protection; or protected areas versus rural development). ODA projects which attempt to recognise and address these cross-sectoral interests optimise their chances of success.

**Link policy with field-based learning.** Projects are more effective when they comprise institutional/policy components that are linked with field based components in a way that allows innovations in one to feed back to the other. Clusters of ODA project initiatives – within a single donor's portfolio or between donors – that build on and communicate lessons learned are more effective than individual projects operating in isolation.

**Build on local structures.** Vietnamese ownership, and ultimately project effectiveness, is enhanced by using Vietnamese structures and staff. In field based projects, flexible, participatory approaches focused on the village and commune level are proving to be effective.

**Consistent low level commitments work best.** Building trust through consistent commitments and multi-phase projects over long periods, are effective mechanisms for environment ODA delivery. On the other hand, large-scale, shorter term interventions face many problems.

Other priorities are to:

- precede all large ODA projects with a long preparatory phase for institution strengthening, capacity building and diverse small scale pilot activities;
- link field based projects with support to central and provincial policy-making;
- better manage natural systems and are attracting people, in addition to investing in rehabilitating barren lands that people are leaving; and,
- increase ODA to biodiversity regions of highest priority for conservation action.

## ODA to the Brown Sector

**Little donor attention has been paid to the urban and industrial sectors.**

The Ministries of Industry and of Construction, for example, have received only 2.7% of total environment ODA. What support has gone to this area is technology focused with few resources allocated to getting the policy context right. An exception is the World Bank's work on energy and pollution policy.

As a result, ODA has made little impact in incorporating sustainability concerns into planning and decision-making in the fields of industrial and urban development. As in other sectors, the overriding emphasis of investment is on use and increased production with only a passing concern for sustainable resource management and environmental quality. ODA has also had limited success in nurturing participation from communities and the growing private sector, or of promoting greater access to information on urban and industrial environment programmes. In summary, too many projects in this sector begin too big, too fast without adequate attention to first building the policy and institutional frameworks needed to absorb the aid effectively.

**Enhance community involvement.** Experiences in Vietnam show that community participation significantly improves the effectiveness of water supply and other urban and industrial environmental projects. ODA projects would benefit in numerous ways from increased attention to community participation mechanisms. There is an untapped potential for mobilising the interests and energies of community members in urban and industrial environment protection through NGOs and community based organisations.

**Disincentives to apply environment controls.** In difficult economic times, environmental regulators face significant pressures to allow development to proceed unhindered by not enforcing environmental regulations such as fines and Environmental Impact Assessment (EIA) procedures. ODA projects need to be more focused on providing day to day on-the-job support to environment agencies, particularly at the provincial level, to upgrade their skills in reviewing existing and proposed development. Equipment and one-off training opportunities are essential, but more help is required at the times and desks where decisions are being made.

**Inadequate information sharing** – between agencies and with the public – is a key roadblock to improving the implementation of environmental regulations in Vietnam. ODA projects should work to strengthen public information procedures such as the dissemination of EIA reports. Public access to EIAs and other environmental information will create incentives to improve not only the quality of these documents but also cumulative knowledge on urban and industrial environmental issues, and increase general awareness of environmental issues.

**Preventative environmental strategies**, such as cleaner production and pollution prevention initiatives, should be a top priority for donors. These initiatives, while positive in the manufacturing sector, still lack connection to the energy and natural resource sectors. ODA has an important role to play in helping to address the challenge of old enterprises upgrading their environmental performance. Many marginal operations will close down, but when inefficient and polluting plants continue to operate for employment reasons, the government must ensure that special assistance is provided to minimise the occupational health and environmental costs.

Better coordination is required in advancing an integrated, long-term strategy for cleaner production in Vietnam. The Ministry of Industry should be included in these activities and supported in building its capacity.

An adequate response to this situation would require government and donors to:

- define programmes of environment ODA support for MOI and MOC;
- evaluate and strengthen the institutional capacities of implementing agencies before substantive ODA projects begin; and
- support the systematic integration of environmental concerns into state-owned enterprise reforms.

## ODA to Environment Protection

**Decentralised ODA delivery is producing good results.** The number of environment protection projects following decentralised execution remains low but the early experience in working directly with selected provinces has been very positive.

**GEF – opportunities being lost.** Much more training in Global Environmental Facility (GEF) procedures and project development support will be required if Vietnam is to take effective advantage of the GEF in a way that increases Vietnamese control and participation.

**Ministry of Science, Technology and Environment, Departments of Science, Technology and Environment and sector environment units are under-supported.** Contrary to current assumptions, too little long-term and well targeted ODA goes to building the National Environment Agency (NEA) and the network of provincial DOSTEs. MOSTE has received about 5% of total environment ODA. While absorption problems are real, support to identify and build that capacity is lacking.

Although little ODA has gone directly to the brown sectors, the greater part of aid to the small but growing environment protection ‘sector’, that is MOSTE with its NEA and DOSTEs, has concentrated on brown issues. That emphasis reflects common stages in the evolution of environmental policy and administrative systems. National environment agencies usually begin by tackling ‘end of pipe’ or ‘point source’ pollution problems then expand their horizons to non-point source or diffuse pollution, green environmental concerns and integrated planning. Vietnam has been no exception in following these stages, which are linked to gradually devolving responsibility for environment management to provinces and sectors.

Five components of an effective environment protection system are a priority for ODA support. Vietnam has made good progress in the first two but has only just begun to address the last three. ODA’s contribution to these advances can be summarised as follows:

- central environment agency and regulatory framework – major impact;
- decentralised environmental protection institutional structure – growing impact;
- central sectoral environment protection capacity – very limited impact;
- provincial sectoral environment protection capacity – very limited impact; and
- a policy framework and institutional arrangements for sustainable development planning – very limited impact

In this sector, as for the others considered in this report, putting the right policies and institutional capacities in place needs to be the highest priority for government and donors. NEA's policy analysis and management systems need further strengthening, as do the provincial DOSTEs and sectoral environment units that have been relatively neglected. On the policy side there are some immediate priorities for ODA support in the preparation of:

- the National Environment and Sustainable Development Strategy (2000-10);
- regional biodiversity action plans; and
- a policy framework for sustainable development planning.

**An integrated planning framework is required.** The first major step forward in the nation's environment management systems took place in the mid 1990's with key environment protection laws and institutional reforms. The next major step forward will need to include the definition of a framework of policies and legislation for integrated regional and land use planning, that is, sustainable development planning. Effective environment protection measures and environment ODA can best be delivered through a well coordinated and decentralised planning system. Too little ODA attention is being paid to this primary concern, even though it is a priority action recommended in the National Plan for Environment and Sustainable Development adopted by the Government in 1991. Two key issues remain to be effectively addressed in a reformed system: relating the master planning approach to the market which is increasingly shaping development; and, reconciling the socio-economic planning process (orchestrated by MPI) with land use planning currently managed through MOC for urban planning, MARD for agricultural and rural planning and the General Department for Land Administration for the whole country.

## ODA to Education, Training and Research ch

**There has been progress in incorporating cross-sectoral environmental issues into primary and secondary education.** ODA could further assist in this field, and also support curriculum development and teacher training. Moving beyond the classroom to connect with the real environmental constraints people face would strengthen basic environment education.

**Current environment education at Vietnam's universities is often segmented along disciplinary lines,** with a lack of appreciation of the cross-cutting nature of environmental issues. Opportunities for the establishment of interdisciplinary centers at Vietnam's national universities should be enhanced.

While there are many opportunities for education of Vietnamese students overseas, programmes which offer interdisciplinary environmental approaches should receive attention and priority. There is, however, need for quality control in some of the overseas programmes tailored for and offered to students from developing countries.

**Decision-makers in Vietnam's ministries and institutions sometimes lack an interdisciplinary view of environmental problems.** Decision-makers should be exposed to these concepts through short courses and excursions to ODA projects that employ interdisciplinary approaches.

**There is not enough complementarity between education and research activities** at Vietnamese universities and research institutions. Better interaction is needed and can be supported by ODA. A first step in addressing this issue would be to expose Vietnamese organisations to those overseas academic institutions which practice this synergy between research and education.

**Working links between policy, research and training is needed.** Similarly, an unproductive dichotomy exists between policy and 'applied' research institutes within the management sectors and research and training institutions with Ministry of Education and Training (MOET) and National Centre for Science and Technology (NCST). Partnerships between management and research and training institutions should be strongly promoted through ODA projects.

**Sister relationships have worked well and should be strengthened.** Some donors have found that it is not easy to forge effective working links between academic institutions in Vietnam and overseas. Yet, where these relationships have grown from the initiatives of the institutions themselves, they have led to long lasting and positive results. As an initial step in building these ties, government and donors should encourage exchange programmes where Vietnamese staff travel overseas and overseas personnel come to Vietnam to teach and conduct research.

Two immediate priorities for environment ODA support relate to the need to:

- actively explore opportunities for greater investment in the environment institutes with NCST; and,
- establish and maintain an environment education, training and research International Support Group within MOET.

## Cross-Cutting Lessons

**A doubling of environment aid is required.** Given the scale of change taking place in resource stocks, the proportion of total ODA (and government funds) going to their maintenance is seriously inadequate. If there is to be any real chance of reversing the deteriorating state of environment over the next 10 years, the government and their international partners must increase the environment ODA ratio from 10 to 20% of total ODA flowing into the country. This does not mean business as usual, but only a larger scale, in the way ODA is planned and delivered. Fundamental reorientation is required of the kinds discussed in this report. It is not simply the quantity but also the quality of ODA that needs to change.

**Migration – a key problem for environment managers.** Population growth appears to be coming under control and is projected to reach a stable situation around 2050. Over the next 10 years, migration within the country will become a major force shaping natural resource use and environmental quality. The environmental implications of population migration are neither well understood nor being effectively addressed by ODA. Some work is being done but more assistance is required to develop and begin implementing integrated and equitable strategies for the regions people are leaving and for those that are receiving an influx of population.

**Government ODA strategies lack adequate analysis.** More government strategies for ODA are being prepared (the 1998 MARD investment plan, for example) but they tend to lack the depth of analysis and systematic priority setting required as a convincing basis for aid allocation by donors.

**Getting the policy context right.** ODA activities need to stem from the broader strategic and policy framework of the government. In many cases these links are not at all clear, either because the policy framework is not well enunciated or because projects have arisen from donor and not government priorities. Specific aid projects that are applied in a weak policy context have little chance of meeting their long-term objectives unless they address these weaknesses head on. Much greater support needs to go to preparing the framework of policies in which projects can take root.

**Strategies tailored to local conditions have worked best.** ODA supported master plans and strategies that were based on a full assessment and appreciation of what is feasible have worked best. Those that have built on the best of what is already in place and which respect the practical limitations and potentials of the agencies responsible for implementation, were adopted by government. Those that were unrealistic in what could be expected of the system, whether prepared by national or international teams, have ended on the shelf. They may become useful reference documents influencing the tide of opinion on issues, but they do not become government policy.

**Pace and concentration of ODA.** For many Vietnamese organisations, benefiting from large-scale environment aid projects is like trying to drink from a fire hydrant. The organisations do not have the structures, procedures and management capacities to deliver what is being required of them in project objectives. The flow of so much money so fast, is counter-productive and can do more damage than good. Agencies can be distracted from the substantive concerns of the project by the burdens of associated administrative and financial procedures. Projects which start small and help Vietnamese organisations increase their capacities gradually have been shown to have a greater likelihood of success.

**Inadequate support to institutional strengthening.** Projects are not always being developed in a way that matches and helps build the institutional capacities which recipient organisations need for implementation. Often project concepts need to be scaled down and reworked to include much more up front institutional strengthening activities. Often ODA projects include ideas and approaches which are new to the institutions involved, for which there is no policy or procedural precedents, and which involve forging new kinds of working relationships with other organisations and communities. Few donors have methods for undertaking institutional analyses to fully assess the potential partner organisation's strengths and weaknesses including the institutional obstacles to sustainable development.

**Important role for NGOs.** The role of NGOs as intermediaries at local level is growing and, on the whole is proving to be a positive force in ODA decentralisation and delivery.

**National execution should not be rushed.** The pursuit of the national execution goal needs to be a gradual and long-term process, and includes the testing and piloting of mechanisms. Both donors and government share the goal of national execution but in some cases it has been pursued precipitously without adequate appraisal of the recipient's institutional and human resource capacities. This can undermine an agency and distract it from concentrating on its principal substantive functions.

Also, different projects have differing needs in terms of implementation arrangements – for some, national execution may never be the best approach either for the government or the affected community.

**Coordination.** There is a universal call for more coordination. In the most advanced institutional environments, coordination is costly, time consuming and, in situations of staff shortages and work stress, is usually the first thing to suffer. Demands for coordination assume that other more fundamental attributes are already in place. They are not. ODA is not providing sufficient well targeted support to assist the government test the linking mechanisms and information systems needed if coordination is to improve.

There is still a tendency within host agencies to keep the various projects working under their umbrella in the dark concerning each other's activities. This is true even in cases where there is clear overlap or where collaboration would be to mutual advantage. International teams should not feel singled out or entertain conspiracy theories when this lack of coordination leads to serious duplication. Government units within the agencies can suffer similar institutional isolation, reflecting more the underlying need for management and institutional strengthening support, than intentional divide and control motives.

**Bridging the cultural divide.** There is not enough training for international technical advisors, programme officers, and other key international staff on Vietnamese cultural, political, and social issues. Few international personnel receive any training in communication issues (for example, language, styles of communication and cultural mores), negotiating processes, or Vietnamese administrative practices. This has led to miscommunication, project delays, and larger problems. It takes time for individuals and organisations, on both the donor and the recipient side to learn new systems and jargon. With the relatively fast turnover of international personnel, there appears to be a poor transfer of cultural and institutional knowledge within organisations.

Action to respond to these lessons is required on many fronts. Some immediate and straightforward steps which are needed include the following:

- donors should work with government in developing methods for institutional capacity analysis to help shape the preparatory period of environmental projects;
- both government and donors should introduce policies to promote a greater role for NGOs in aid delivery. This is particularly important over the transition period where institutional capacities at provincial and local levels are weak; and
- donors and government should invest more in cross-cultural sensitivity training for staff within international agencies and projects and within government agencies managing ODA programmes.



## PART 1



# The Context

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## CHAPTER 1



# The Approach to the Study on Environment Aid to Vietnam

**D**onor assistance to Vietnam has increased significantly since 1993, when the country resumed official relations with the main multilateral donors: the International Monetary Fund, the World Bank and the Asian Development Bank. Prior to that period, commitments were constrained by Vietnam's isolation from these major aid sources. The same is true for the environment sector: from 1993 onwards there has been an increasing number, as well as level, of financial commitments.

But widespread environmental degradation from rapid economic and population growth continues, and this has been a cause of concern both to donors and the Government. Assessing the level and effectiveness of environment aid has become an important issue, as government institutions seek ways to improve Vietnam's capacity to balance economic development with environmental conservation. In addition to aid is the issue of coordination and collaboration, key ingredients in the effective delivery of government environment programmes.

In 1994, the United Nations Development Programme convened a meeting of donors with an interest in the environment, both to facilitate the exchange of experience and to improve coordination. That initiative has evolved into an open-ended forum, involving some 20 multilateral and bilateral 'environment' donors, who now engage in regular discussions and joint work programming.

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what in the environment field. As a first step, it was decided that UNDP would prepare a compendium of environment projects, building on its own Official Development Assistance information base with contributions from forum members. The idea was to better understand the impact of aid to the environment sector by examining by who; to whom; where; when; why; how much; and what type of aid had been given.

Once completed, the listing would provide the foundation for a systematic assessment of lessons learned from past assistance. What was clear even without such a compendium was that environment aid, in terms of the number of projects and volume of funds, was increasing and that the institutional and individual capacities to cope with the flow were under stress.

## 'Compendium of Environmental Projects'

In 1996, UNDP published the *Compendium of Environmental Projects in Vietnam – 1985-1995* summarising a decade of international assistance to the environment sector in Vietnam. It revealed that 252 projects, valued at almost US\$ 466 million, had either commenced or been completed during those 10 years.

The team collating the compendium had to define an 'environment' project. This caused problems, as it is always difficult to define what activities constitute environment projects and programmes. In fact, this task has become all the more difficult as environment or sustainability concerns are more fully integrated into all development aid initiatives. In the years immediately following the United Nations Conference on Environment and Development, aid agencies reported on their performance in this field using different criteria and by 'repackaging' existing projects. The result was that it became impossible to gain an accurate picture of the true extent of environment investment. In the end, the OECD Development Assistance Committee went to some lengths to categorise 'environment' projects.

To get around this problem, the criteria used in the survey were carefully explained. In the compendium, UNDP adopted the definition that "an environmental project is one where the main objective of the project is either the preservation of the natural environment or supporting the sustainable management of natural resources."

UNDP also noted that "even given this broad definition the problem of concisely classifying projects remains". It found that the best way to identify what is or is not an environment project was to illustrate the type of donor projects that did or did not fall into this category. Thus donor projects identified as 'environment' included:

- all forestry sector projects;
- all soil degradation and salinisation projects, minus irrigation activities;
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- environmental research and training, but not general agricultural research;
- integrated community and rural development projects, excluding commercially oriented agricultural and credit fund projects;
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Projects where the main objective was obviously production-related were excluded even if they had consequences for the environment. All water supply projects were barred because most focused primarily on public health activities, although some components such as waste water treatment do have a significant environmental component.

The next logical step forward was an analytical study to suggest future strategies, based on the lessons of past experience.

## The 'Lessons Learned' Study

In 1998, six members of the donor environment forum (UNDP, Danida, Sida, CIDA, SDC and the Dutch) agreed to fund a study that would “draw lessons learned from previous donor support to the environment sector; and make recommendations for the directions and nature of future support.”

The study would especially review donor support during the past five years and make recommendations looking five years into the future (that is, from 1996 to 2005). It would evaluate the appropriateness of previous support dating back to 1985 in terms of the:

- national priorities and needs in the environment sector;
- type of assistance (technical assistance, food aid, loans, etc);
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Based on this evaluation, the study would make recommendations concerning future donor assistance to Vietnam in the light of: the changing economic, social and political environment during the study period in general; the changing legal and institutional framework for environmental management in particular; and the changing problems and national priorities for environmental action in general, and donor support in particular.

The Terms of Reference for this study are given in Appendix 1.

## The Governing Principles

The study was governed by five principles that sought to optimise the involvement of the people consulted, to produce a study of the highest possible quality, and to ensure that the proposed strategies were both acceptable and applicable to the Vietnamese situation.

**There should be a strong sense of ‘ownership’ of the study by its constituents.** The study process should lead to a product that both government and the donor community believed they had genuinely helped shape. There was little point in the initiative coming from the donor community alone or being an internal effort of government. This joint ownership, it was hoped, would lead to a sense of commitment towards the findings and recommendations of the report.

**It should be nationally led.** Similarly, the study would need the backing and active involvement of all the key government agencies and staff at the highest levels. It was hoped that senior officials would take the lead in soliciting the views and experiences of their colleagues, and in ensuring that their comments were reflected in the report.

**The study should be constructive and positive.** It was clear from the outset that much has been achieved through environment aid and that the study needs to draw attention to these positive lessons and build upon them. Limitations and weaknesses do exist, but these need to be addressed through constructive critique – rather than negative criticism – if the study were to create a sense of positive momentum and achievement.

**It should be practical and implementable.** Recognising the political and institutional obstacles to environment aid delivery is essential, as is understanding the limitations of the donor community. Hence this study, which aims to improve aid delivery, must acknowledge these impediments if it is to be successful.

**It should be flexible.** The study was planned as a series of activities that built one upon the other. There were a number of drafts, and comments were actively solicited at each stage to provide the Government and donor community with the opportunity to influence both content and structure.

## The Information Base

The Compendium provided the base information for the report. The study team and UNDP then worked together to update it with information on existing and pipeline projects to the year 2000, using the original definition of the phrase “environmental project”.

Since this report covers the full spectrum of aid to the environment sector, terms such as 'blue', 'green' and 'brown' have been used to distinguish between ODA to different parts of this sector:

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The constituents were the organisations receiving environment aid; the organisations providing it; and the specialists implementing these projects. The first two constituents influenced how the study team was structured. The third, that is, the staff involved, determined the consultative methods used.

### Sectors Receiving Aid

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It was recognised that local communities are among the most important source of information concerning the effectiveness of aid. However, given the constraints of time and resources, this group was reached principally through the specialists managing and implementing aid programmes.

The main communities and community groups affected by environment aid can be broken up into six types: rural communities; urban communities; coastal communities; minority group communities; local non-government organisations; and the private sector, particularly small and medium enterprises.

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The primary responsibility for conducting the study resided with a study team of 10 members, coordinated by a team leader. The study team, drawn from eight contributing organisations, commenced work in November 1998. There were five major consultative phases (Box 1.1):

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## CHAPTER 2



# Setting the Global and Regional Context – Environment Aid Since Rio

**T**he 1992 UN Conference on Environment and Development in Rio de Janeiro represented a high point in international policy action on the environment. At no time before or since has the environment gained such political acceptability, so broad an endorsement as a central issue on the global agenda or such a high public profile. The year also marked a high point in commitments to ODA, when the donor countries reaffirmed the target of 0.7% of GDP going to development aid.

The gains made by the environment sector were truly dramatic. At the Rio Conference the donors formalised their commitment to the Global Environment Facility – then still a pilot exercise – and pledged over US\$ 2 billion in “new and additional” funding for global environment priorities over a three-year period. The world was provided with a global programme, Agenda 21, to use both existing and anticipated new funding for the environment in a more coherent manner. And Rio saw the adoption of two new global agreements on the environment: the Conventions on Climate Change and Biological Diversity. Although both, at that stage, were framework conventions leaving most of the specific commitments still to be negotiated, they were symbolic of the new wave of policy responses to environmental concerns.

This was to change in the period following the Conference.

## Problems Following the Earth Summit

### Globalisation

Even as world leaders gathered in Rio, the developed countries were feeling the bite of recession and struggling with the consequences of a rise in unemployment. The trends loosely



gathered under the label 'globalisation' were beginning to force people to reassess ways of doing business. They were leading to a growing disaffection with government regulations and inter-governmental organisations and with the belief that an unfettered market is the solution to most economic problems. These factors seriously undermined the political will evident at Rio.

In the years following the Earth Summit, overall ODA spending, both in absolute and in real terms, began to decline rapidly. The number of donors receding from the 0.7% target surpassed those approaching it, leaving a handful of Nordic countries and the Netherlands, who had surpassed the goal, on their own. Since Rio, overall aid levels have fallen by close to 20% in real terms and are now resting at less than 0.25% of GDP, the lowest level since ODA statistics began in 1950.

Aid to the environment as a percentage of overall aid, however, has fared better. Although concern for the global environment, so well enunciated at Rio, has receded from the political agenda, it has maintained its position in aid budgets, increasing as a proportion of overall aid flows.

## The Increasing Influence of Foreign Direct Investment

While the trends were already evident at Rio, the growth of Foreign Direct Investment in developing countries is one of the most remarkable features of this decade. FDI flows overtook and then multiplied to four times the level of development assistance. This phenomenon led many to believe that the market could generate far greater resources to meet developing country needs and could deliver them with far greater efficiency than ODA.

In reality, FDI has flowed only to a handful of states, with three-quarters of investment going to 12 countries; of these only China and India are low-income countries. Others in the low-income category have received less than 3% of the total FDI to developing countries.

Also, very little private investment has been directed at the social sector: poverty alleviation, basic health and education facilities or the environment. FDI has so far failed to emerge as a real alternative to traditional

development assistance. Yet, the upsurge of FDI commitments has forced a reassessment of aid delivery in two ways. It has led aid organisations to reconsider whether funding priorities may be better addressed by private capital; and it has stimulated a fundamental review of the role of the multilateral funding agencies. This review, led by the World Bank, has focused greater attention on the policy and institutional context of aid, and to investment in social capital and environmental protection.

## Private Sector Capture of the Aid Agenda

The belief in the potential of FDI cannot, on its own, explain the loss of momentum in implementing the Rio agenda or of decreasing ODA commitments. Much more significant is the rapidly increasing influence of the private sector on political decision-making and the inroads it has made on domains once the exclusive purview of government. Development assistance is far from immune to these trends. Indeed, aid is deeply affected by parallel and often contradictory processes.

On the one hand, there is a strong and growing consensus that aid should be focused on areas – very prominently social and environmental sectors – not adequately dealt with through market mechanisms or private investment. As a corollary, aid should withdraw from areas that are better addressed by private investment. Though globalisation has yielded incontestable benefits to many, there is a social and environmental price to be paid and aid should focus on minimising that price or finding positive channels to manage the consequences of globalisation.

On the other hand, there is considerable pressure for aid to yield an acceptable 'return' on investment, in terms of contracts for goods and services from the donor countries. This pressure has translated into reality in two ways: in the greater use of private sector consultancies in aid delivery and the consequent rise of the profit motive as a central incentive in aid delivery. To avoid further cuts in budgets, aid agencies have had to show that their programmes meet market-based criteria against which government expenditure is increasingly judged. At the same time, this introduces patterns of aid delivery which have the potential to counteract the desired focus on poverty alleviation and on social and environmental issues.

## Policy: Coherence or Incoherence?

Another issue that has become more pronounced since Rio is a lack of coherence among different government policies which affect the relations between donor and recipient states. Although there have been calls for policy coherence in the donor countries and greater attention in aid programmes to influencing the policy environment in recipient countries, the problem remains.

Differing aid and economic policies pursued by a donor can work against one another or against sustainable development goals in recipient countries. For example, a donor



country's policy on trade liberalisation can circumscribe a developing country's attempts to promote self-sufficiency at a time when an aid programme is building capacity to compete in new markets. Donor efforts to promote forest conservation can be undermined when the same country's support to balance of payments is invested in increased forest exploitation. Export guarantees can be given to companies in the donor country whose practices contradict the objectives of development assistance projects supported by the same country. Intransigence in debt relief can lead a debtor country to curtail funds for a vital sector whose support is a main priority of the aid programme.

## Aid and Conditionality

Globalisation has placed a strain on one of the main tenets of ODA, that is, respecting the recipient's own priorities and supporting these in ways that complement national action with a minimum of extraneous conditions. Previously, conditionality was something to be avoided and steps were taken to minimise it where it could not be eliminated. Today, there are new rules to follow in order to join the international economy, rules that limit sovereignty and circumscribe the scope for national action.

Some are formal rules and conditions. For Vietnam to join the World Trade Organisation, it will have to sign rules negotiated multilaterally in its absence; these will set a framework within which its macroeconomic policy must fit, on pain of trade sanctions. Similarly, major IMF or World Bank loans come with conditions attached.

Less formal, but no less compelling, are the conditions relating to 'good governance' which are increasingly being applied to aid programmes in Vietnam. Continued assistance is contingent on progress in policy reform and on the progressive introduction of democratic practices such as transparency, participation and accountability.

Moreover, the conditionalities related to aid are applied more openly than before. Aid today is often a more 'deal-making' process than it was before. It has to benefit both sides and the negotiations to ensure that it does, are more open.

While this can have a positive effect in achieving environmental aims, it is leading to a phenomenon that is affecting aid overall. Aid is delivered according to developed country standards and on developed country terms. Aid is a tool of transformation, and the major transformation taking place in Vietnam is the process that will assist the country to 'join' the world economy – which will help reconfigure Vietnam against a 'globalised' but largely western template.

Whether or not this is justified is a matter for debate. What is certain is that it encourages Vietnam to follow a certain path towards development, and a pace along that path, based on a world model that is creating environmental problems of growing proportions.

## Impact of the Asian Crisis on Environment Aid to Vietnam

Over the past decade, a significant amount of aid has supported Vietnam in building the capacity, institutions and procedures to attract and manage FDI. Investment flows to Vietnam expanded rapidly until



the Asian crisis took hold. In 1998, FDI dropped by 70% provoking a number of consequences, some that are good and some that are bad.

The first consequence is less tolerance for obstacles slowing FDI, and a consequent increase in pressure on Vietnam to undertake a fresh wave of policy reform.

The second consequence is that this period provides a 'breathing space' that should allow donors and the Government to adopt a more thoughtful approach to the pace and quality of change they are supporting. This approach should place greater emphasis on setting up the institutional capacities that will enable a renewed upturn in investment in development which can be sustained environmentally, socially and economically.

The third consequence is that diminishing interest from private investors has reduced pressure on the donor community to use aid programmes to pave the way for investment projects. This in turn has freed the aid community to pursue its stated purpose of alleviating poverty and contributing to the social and environmental sustainability of economic development. It provides an opportunity to give greater attention to the long-term impact of aid investments.



## Is Environment Aid Different?

Environment projects are much like other aid approaches. They can contribute to sustainable development if their design and delivery is structured to lead to sustainable results. Investments in the environment will yield lasting results if the policy context favours sustainability. While the latter statement is true for policy in the recipient country, it is equally true of the need for policy coherence in the donor country.

There are two important respects, however, in which environment aid is different. Environment aid is more vulnerable than most to policy failures. Unlike more economically oriented aid, the political weight behind environment aid tends to be weak. This is another reason why there is such a direct relationship between prospects for environment programmes and the overall policy context in which they are delivered. Environmental achievements can be invalidated very rapidly by policy shifts that change the structure of incentives governing private behaviour.

Also, environment aid is particularly vulnerable when capacity limitations are overstepped, or when ownership is not built effectively. For this form of aid generally addresses 'externalities' rather than direct prospects for economic enrichment; it seeks to protect and manage public commons, and its ambitions tend to favour long-term good over short-term gain.



## CHAPTER 2



# Setting the Global and Regional Context – Environment Aid Since Rio

**T**he 1992 UN Conference on Environment and Development in Rio de Janeiro represented a high point in international policy action on the environment. At no time before or since has the environment gained such political acceptability, so broad an endorsement as a central issue on the global agenda or such a high public profile. The year also marked a high point in commitments to ODA, when the donor countries reaffirmed the target of 0.7% of GDP going to development aid.

The gains made by the environment sector were truly dramatic. At the Rio Conference the donors formalised their commitment to the Global Environment Facility – then still a pilot exercise – and pledged over US\$ 2 billion in “new and additional” funding for global environment priorities over a three-year period. The world was provided with a global programme, Agenda 21, to use both existing and anticipated new funding for the environment in a more coherent manner. And Rio saw the adoption of two new global agreements on the environment: the Conventions on Climate Change and Biological Diversity. Although both, at that stage, were framework conventions leaving most of the specific commitments still to be negotiated, they were symbolic of the new wave of policy responses to environmental concerns.

This was to change in the period following the Conference.

## Problems Following the Earth Summit

### Globalisation

Even as world leaders gathered in Rio, the developed countries were feeling the bite of recession and struggling with the consequences of a rise in unemployment. The trends loosely



gathered under the label 'globalisation' were beginning to force people to reassess ways of doing business. They were leading to a growing disaffection with government regulations and inter-governmental organisations and with the belief that an unfettered market is the solution to most economic problems. These factors seriously undermined the political will evident at Rio.

In the years following the Earth Summit, overall ODA spending, both in absolute and in real terms, began to decline rapidly. The number of donors receding from the 0.7% target surpassed those approaching it, leaving a handful of Nordic countries and the Netherlands, who had surpassed the goal, on their own. Since Rio, overall aid levels have fallen by close to 20% in real terms and are now resting at less than 0.25% of GDP, the lowest level since ODA statistics began in 1950.

Aid to the environment as a percentage of overall aid, however, has fared better. Although concern for the global environment, so well enunciated at Rio, has receded from the political agenda, it has maintained its position in aid budgets, increasing as a proportion of overall aid flows.

## The Increasing Influence of Foreign Direct Investment

While the trends were already evident at Rio, the growth of Foreign Direct Investment in developing countries is one of the most remarkable features of this decade. FDI flows overtook and then multiplied to four times the level of development assistance. This phenomenon led many to believe that the market could generate far greater resources to meet developing country needs and could deliver them with far greater efficiency than ODA.

In reality, FDI has flowed only to a handful of states, with three-quarters of investment going to 12 countries; of these only China and India are low-income countries. Others in the low-income category have received less than 3% of the total FDI to developing countries.

Also, very little private investment has been directed at the social sector: poverty alleviation, basic health and education facilities or the environment. FDI has so far failed to emerge as a real alternative to traditional

development assistance. Yet, the upsurge of FDI commitments has forced a reassessment of aid delivery in two ways. It has led aid organisations to reconsider whether funding priorities may be better addressed by private capital; and it has stimulated a fundamental review of the role of the multilateral funding agencies. This review, led by the World Bank, has focused greater attention on the policy and institutional context of aid, and to investment in social capital and environmental protection.

## Private Sector Capture of the Aid Agenda

The belief in the potential of FDI cannot, on its own, explain the loss of momentum in implementing the Rio agenda or of decreasing ODA commitments. Much more significant is the rapidly increasing influence of the private sector on political decision-making and the inroads it has made on domains once the exclusive purview of government. Development assistance is far from immune to these trends. Indeed, aid is deeply affected by parallel and often contradictory processes.

On the one hand, there is a strong and growing consensus that aid should be focused on areas – very prominently social and environmental sectors – not adequately dealt with through market mechanisms or private investment. As a corollary, aid should withdraw from areas that are better addressed by private investment. Though globalisation has yielded incontestable benefits to many, there is a social and environmental price to be paid and aid should focus on minimising that price or finding positive channels to manage the consequences of globalisation.

On the other hand, there is considerable pressure for aid to yield an acceptable 'return' on investment, in terms of contracts for goods and services from the donor countries. This pressure has translated into reality in two ways: in the greater use of private sector consultancies in aid delivery and the consequent rise of the profit motive as a central incentive in aid delivery. To avoid further cuts in budgets, aid agencies have had to show that their programmes meet market-based criteria against which government expenditure is increasingly judged. At the same time, this introduces patterns of aid delivery which have the potential to counteract the desired focus on poverty alleviation and on social and environmental issues.

## Policy: Coherence or Incoherence?

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## CHAPTER 3



# Trends in Socio-Economic Conditions

**T**he Sixth Communist Party Congress (1986) is recognised as a landmark in policy reform. It was during this Congress that the Party introduced *doi moi*: the policy of renovation through which Vietnam would be transformed from a centrally planned to a market economy with a socialist orientation. Since then, Vietnam has experienced more than a decade of dramatic change in a favourable global economic climate. The Government has supported this change through ongoing policy reforms which fall into three phases.

Between 1986 and 1991, there were initial liberalisation reforms. The most important policy innovations during the period were:

- price liberalisation for most goods and commodities through a policy of allowing the market to determine price. Price control was continued for some goods and services such as electricity, water supply and public transportation;
- foreign exchange rate adjustment, so that the value of the dong came closer to free market levels; and
- implementation of a positive interest rate regime, initially at high levels and then gradually reduced.

These policies curbed inflation and brought macroeconomic stability. They also created favourable conditions for market forces to gain momentum, reduced market distortions and accelerated investment in economic development, especially from foreign direct investment.

From 1991 to 1995, the legal framework was established. In this period, the government continued its reform programme,



emphasising trade liberalisation and improving the investment environment through an enabling legal framework. ODA for the development of infrastructure rapidly increased.

Yet overall, there remains a tendency to consolidate state regulation and control. The private sector remained poorly developed and state enterprises – that were consuming a large share of the government budget – were not reorganised and remained inefficient. Equally, there was a lack of transparency in the legal system, accompanied by poor enforcement.

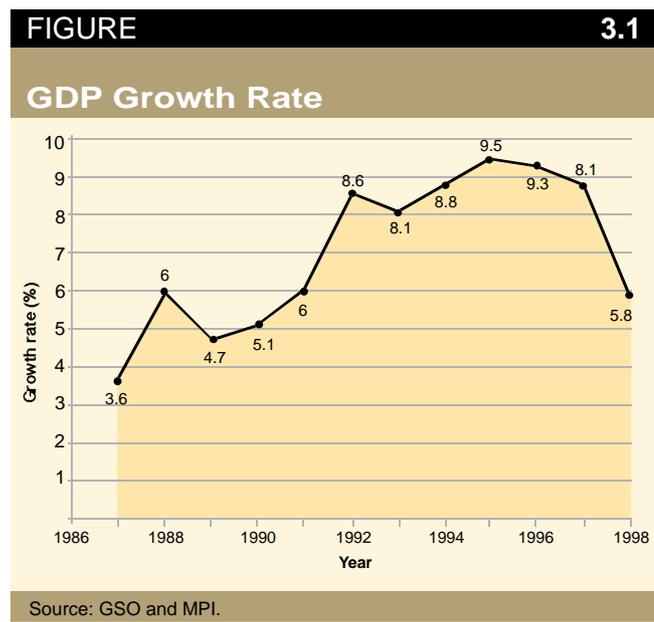
The years between 1995 and 2000 witnessed implementation difficulties and global integration. The reform process slowed in the years from 1995 to 1997, primarily due to institutional and administrative difficulties in implementing broad policy innovations. This had a negative effect as reflected in the fall in the GDP growth rate. The regional financial crisis took hold in 1997 and directly influenced Vietnam's economic performance in 1998, exacerbating domestic problems. Certain key social indicators reflected the worsening economic situation, for example, unemployment increased, income dropped, and the wealth gap widened.

Between 1998 and 1999, the reform agenda regained its earlier momentum with significant new policies to stimulate trade, fiscal management, banking and investment. Pace remains a problem as the reform programme lacked consistency across the board and contradictory policies continued to undermine progress. In 1998, the World Bank identified five areas as priorities for more concerted action:

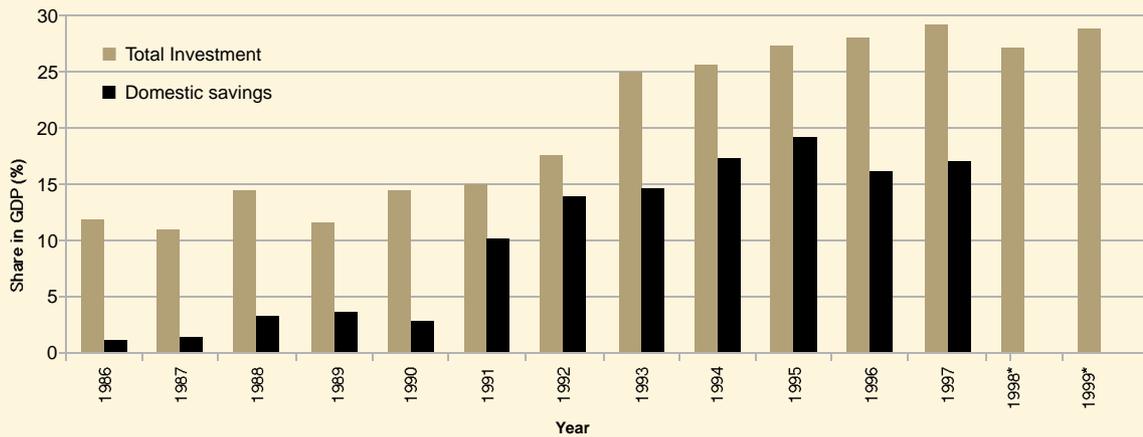
- reforming state-owned enterprises;
- promoting small and medium enterprises;
- establishing a more modern and efficient banking system;
- improving the country's competitiveness in the global marketplace; and
- unleashing the full productive capacity of the poor.

## Economic Indicators

Vietnam's economic structure has been transformed from one that was war-driven and dependent in external assistance from the former USSR, to a system which is more self-reliant and responsive to market signals. GDP growth rates reached high and stable levels during the first half of the 1990s (Figure 3.1). In 1998, growth levels returned to 1991 levels, which may reflect serious unsustainable elements in Vietnam's development strategy. The early spurt in development was based mainly on uncontrolled natural



Investments and Domestic Savings



Source: GSO and MPI; \*the 1998 figure is an estimate; the 1999 figure a projection.

resource exploitation and has resulted in an increasing gap between the rich and the poor, a dramatic loss in resource stocks and diminishing environmental quality. Even so, in 1999 GDP growth is projected to be one of the highest in Southeast Asia.

The country's economic achievements have led to real overall benefits. Per capita GDP has significantly increased from US\$ 198 in 1985 (before the reforms) to US\$ 367 in 1998 (both at 1996 prices). This has, in part, been due to successful mobilisation of domestic savings and investments (Figure 3.2), but also because Vietnam has been able to attract external capital.

The flow of FDI into Vietnam grew rapidly during the 1990s, playing an increasingly important role in fuelling economic growth. FDI, as a percentage of total investment, increased swiftly during the period 1991-96, then dropped by 70% as a fallout of the East Asian financial crisis (Figure 3.3). On average, FDI accounts for about one-third of total investment. If ODA is taken into account, then external resources make up around half of the total investment in the country.

Social Indicators

Despite the current economic difficulties, the past decade has seen remarkable improvements in the living standards of most Vietnamese. However, serious challenges relating to

Share of FDI in Total Investment

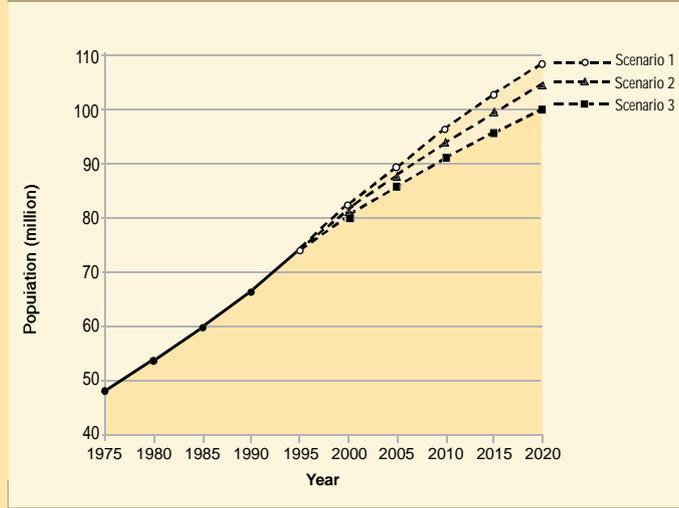


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mounting population densities and rising internal migration remain. These trends are the dominant force shaping levels of natural resource use and degradation throughout the country.

**FIGURE 3.4**

**Population Projections to 2020**



Source: National Committee for Population and Family Planning, 1998.

**Population**

While falling, population growth remains high and the total population will continue to grow well into the next century, from the current 76.3 million to a possible 110 million by the year 2020 (Figure 3.4).

Birth rates have dropped, slowing the population growth rate from 2.2% in 1985 to an official figure of 1.8% in 1998, although the World Bank continues to cite a figure of over 2%. The 1999 census, the first in 10 years, will clarify the situation but most estimates show the population levelling off by the middle of the next century.

**TABLE 3.1**

**Population Density by Region, 1995**

Region	Population density (persons/sq km)
North Mountain	122
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Source: Statistical Year Book 1995.

Population density nationwide has increased from 181 persons per square kilometre in 1985, to 223 in 1998. This density is not uniform; the Red River Delta, for example, is among the most densely populated regions of Asia (Table 3.1).

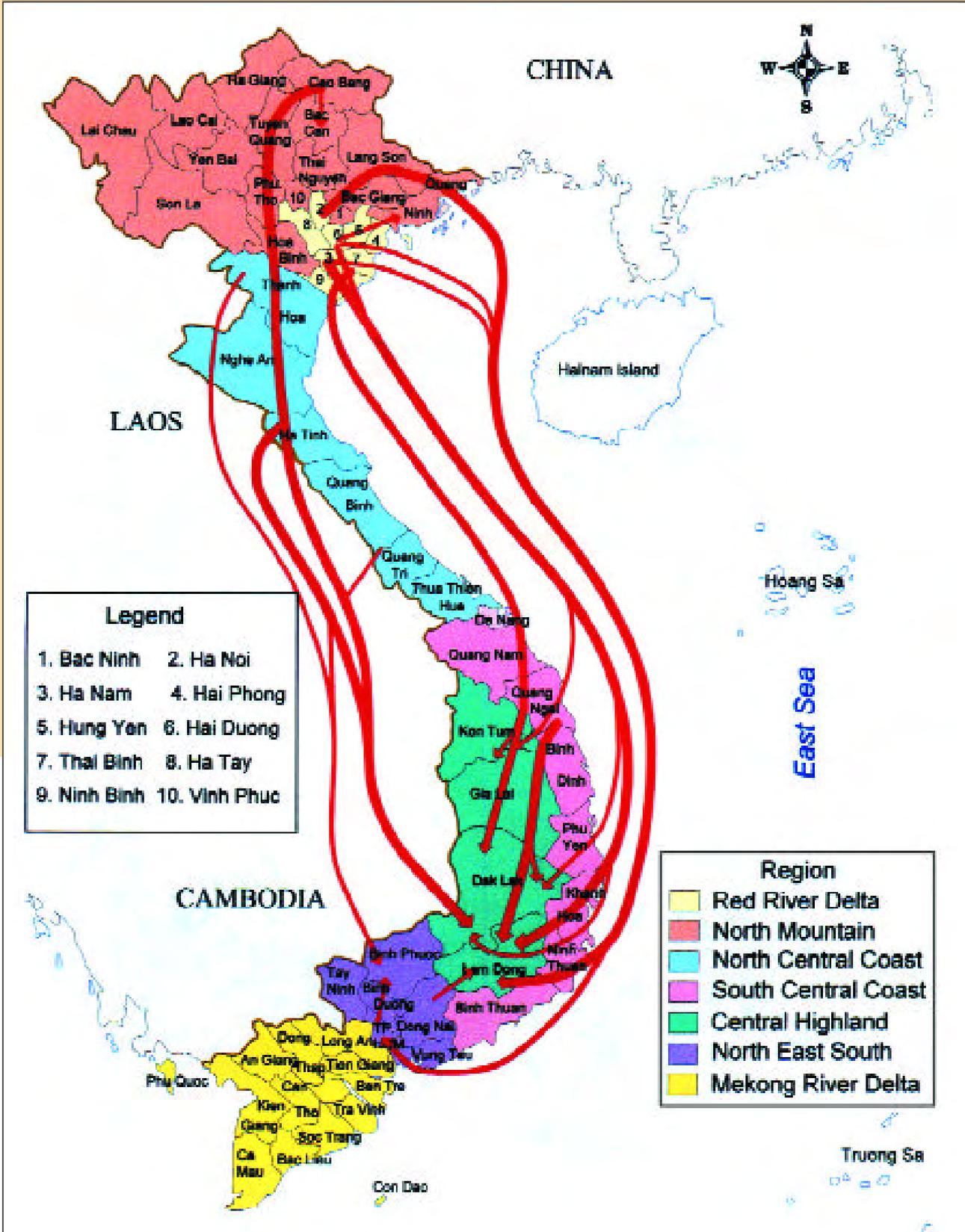
This imbalance in population densities is leading to more and more internal migration (Map 3.1).

Countrywide the migration trends are:

- from dense and degraded regions to less dense areas where natural resource systems are still relatively intact;
- from rural to urban areas; and
- from the coast to the uplands where natural resources are under less pressure.

Anecdotal evidence suggests that migration to the Central Highlands – from the Red River Delta, the highly degraded Northern Uplands and the Central Provinces – has caused major environmental problems.

Migration Trends



Source: Based on General Statistical Office. 1989. Vietnam Population Census. Ha Noi: GSO.



Daklak Province in the Central Highlands, for example, lost around 3,000 to 5,000 hectares of forest per year between 1991-97 mainly due to unofficial immigration. According to the provincial Forest Protection Department around 85% of the migrants are attracted by the province's forest and available land, with a migrant household clearing an average of 1.3 hectares of forest for farming. In 1998, WWF found that migrant households had cleared up to 10 hectares in areas adjoining the Yokdon National Park. Migrants may not always be the problem: a UNDP study found that in neighbouring Lam Dong province, much of the clearing was done by local residents eager to sell land to the new arrivals.

Much greater attention needs to be paid by government and donors to the reasons for and consequences of migration. It may be, as the UNDP study suggests, that in a market economy the best internal migration policy is no overt policy. But greater investment in planning and effective land use management are needed, in both the source and the recipient areas to arrest the irreversible damage which is occurring to the nation's natural systems as a result of mounting migration.

## Poverty

Levels of poverty in Vietnam have almost halved over the six-year period from 1992, when they were 30%, to 1998, when they were approximately 18%. Yet, as noted earlier, income disparity between the 20% richest and 20% poorest segments of the population has widened considerably. This gap is symptomatic of a more open and competitive economy in which wealth has been concentrated in urban areas, which receive the bulk of investment. One has to be reminded that the rural areas, however, contain 80% of the population and 90% of the poor.

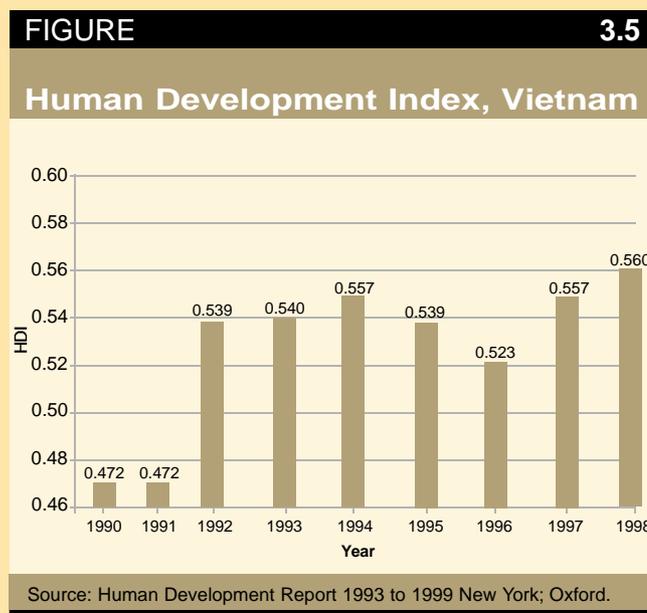
## Vietnam's Human Development

The literacy rates has always been fairly high and has grown from 87.6% in 1990 to 93.7% in 1998 and is increasing. The literacy rate is defined, according to the *Human Development Report*, as “the percentage of people aged 15 and above who can, with understanding, both read and write a short, simple statement on their everyday life.”

Again, life expectancy has been fairly high and the figure has increased from 62.7 years in 1990 to 66.4 in 1998.

UNDP's composite Human Development Index reflects these positive trends. It also offers a better picture of Vietnam's socio-economic achievements than mere figures; the HDI measures development as a process of increasing people's options to lead a long and healthy life, to be

knowledgeable, and to find access to the employment and income needed for a decent standard of living. The Index is composed of three sub-indicators: life expectancy, education (as measured by a combination of adult literacy and mean years of schooling) and income (per capita GDP). The HDI figure lies between 0 and 1, with “more developed” nations lying closer to 1 than “less developed” nations. In the eight



Vietnam's HDI jumped up by close to 10% to 0.56 in 1998 (Figure 3.5).

Vietnam's HDI ranking, among the 174 countries of the world, has remained fairly consistent for the years 1992-98, reaching 110 in 1997. In 1997, Thailand ranked 67, Myanmar 128, and Lao PDR 140.

## Conclusions

Vietnam is confronted with trade-offs between short-term economic and social goals and the longer-term concerns of sustainable resource use. At this stage, the government is focusing on economic and social goals, and the indicators reviewed show that despite the recent slump, the country has moved forward. However, there is evidence to show that this progress has been made at a heavy cost to the natural resource stocks of the country and to environmental quality.



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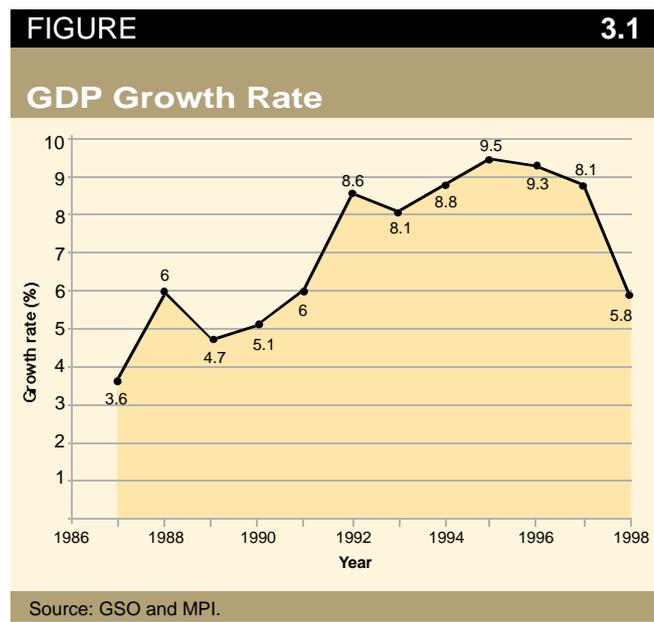
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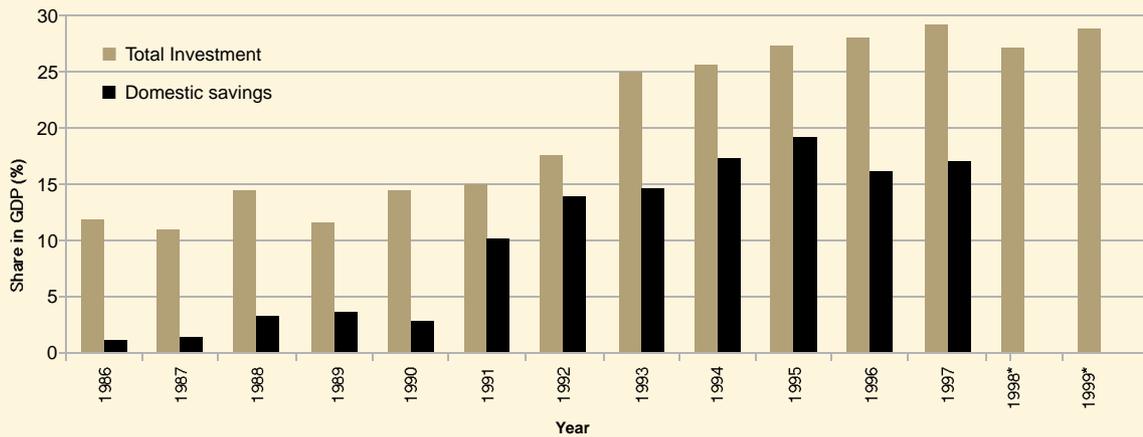
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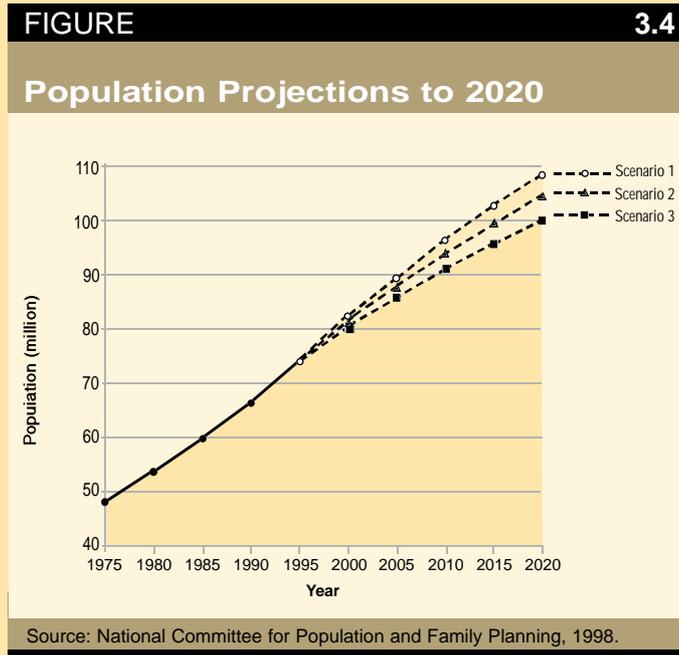
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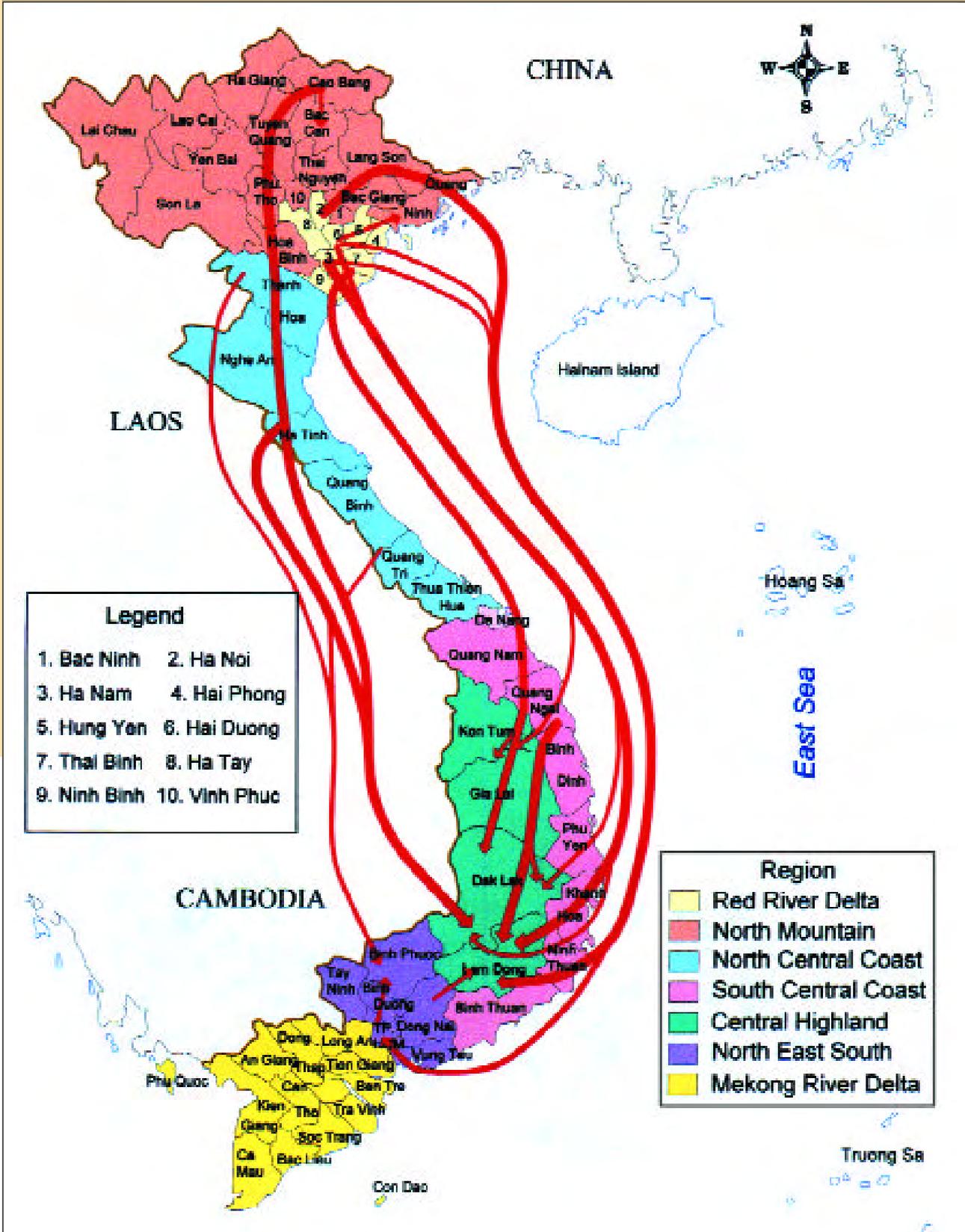
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Migration Trends



Source: Based on General Statistical Office. 1989. Vietnam Population Census. Ha Noi: GSO.



Daklak Province in the Central Highlands, for example, lost around 3,000 to 5,000 hectares of forest per year between 1991-97 mainly due to unofficial immigration. According to the provincial Forest Protection Department around 85% of the migrants are attracted by the province's forest and available land, with a migrant household clearing an average of 1.3 hectares of forest for farming. In 1998, WWF found that migrant households had cleared up to 10 hectares in areas adjoining the Yokdon National Park. Migrants may not always be the problem: a UNDP study found that in neighbouring Lam Dong province, much of the clearing was done by local residents eager to sell land to the new arrivals.

Much greater attention needs to be paid by government and donors to the reasons for and consequences of migration. It may be, as the UNDP study suggests, that in a market economy the best internal migration policy is no overt policy. But greater investment in planning and effective land use management are needed, in both the source and the recipient areas to arrest the irreversible damage which is occurring to the nation's natural systems as a result of mounting migration.

## Poverty

Levels of poverty in Vietnam have almost halved over the six-year period from 1992, when they were 30%, to 1998, when they were approximately 18%. Yet, as noted earlier, income disparity between the 20% richest and 20% poorest segments of the population has widened considerably. This gap is symptomatic of a more open and competitive economy in which wealth has been concentrated in urban areas, which receive the bulk of investment. One has to be reminded that the rural areas, however, contain 80% of the population and 90% of the poor.

## Vietnam's Human Development

The literacy rates has always been fairly high and has grown from 87.6% in 1990 to 93.7% in 1998 and is increasing. The literacy rate is defined, according to the *Human Development Report*, as “the percentage of people aged 15 and above who can, with understanding, both read and write a short, simple statement on their everyday life.”

Again, life expectancy has been fairly high and the figure has increased from 62.7 years in 1990 to 66.4 in 1998.

UNDP's composite Human Development Index reflects these positive trends. It also offers a better picture of Vietnam's socio-economic achievements than mere figures; the HDI measures development as a process of increasing people's options to lead a long and healthy life, to be



knowledgeable, and to find access to the employment and income needed for a decent standard of living. The Index is composed of three sub-indicators: life expectancy, education (as measured by a combination of adult literacy and mean years of schooling) and income (per capita GDP). The HDI figure lies between 0 and 1, with “more developed” nations lying closer to 1 than “less developed” nations. In the eight years to 1998,

Vietnam's HDI jumped up by close to 10% to 0.56 in 1998 (Figure 3.5).

Vietnam's HDI ranking, among the 174 countries of the world, has remained fairly consistent for the years 1992-98, reaching 110 in 1997. In 1997, Thailand ranked 67, Myanmar 128, and Lao PDR 140.

## Conclusions

Vietnam is confronted with trade-offs between short-term economic and social goals and the longer-term concerns of sustainable resource use. At this stage, the government is focusing on economic and social goals, and the indicators reviewed show that despite the recent slump, the country has moved forward. However, there is evidence to show that this progress has been made at a heavy cost to the natural resource stocks of the country and to environmental quality.



## CHAPTER 4



# Trends in the Environment

**T**rends in environmental conditions are intimately related to trends in socio-economic conditions. Chapter 3 described the tenor of Vietnam's socio-economic conditions, indicating that social well-being was improving, albeit with a rich and urban bias. Despite this, a growing population and migration are both a cause and an effect of rapidly deteriorating environmental well-being in the country.

This chapter describes the global context of natural resource use and gives an overview of the situation in Vietnam. Patterns emerging in Vietnam are no different from those experienced elsewhere. There is an opportunity to learn from these lessons and to avoid the mistakes made by other countries. It will require strong political and institutional will and enhanced capacity to change the way development is planned and managed.

## Worldwide Natural Resource Use Patterns

**Natural resource use is often unsustainable.** Land, air, forests, fish and water have been used as 'free' and inexhaustible resources. Historically, they have formed the foundation for the agriculture, forestry, fisheries, energy, and industry sectors and for urban development, but their true economic value was never gauged. Consequently, short-term, profit oriented and ultimately unsustainable management characterises natural resource use globally. Long-term sustainable resource stewardship, based on sound policy and institutional frameworks, is usually absent.

**Unsustainable management can lead to environmental degradation.** Most countries richly endowed with natural

resources have traditionally relied on them – usually through unsustainable use patterns – to stimulate and accelerate economic development. Where policies and institutions are lacking, environmental degradation is the inevitable result.

**Integrated cross-sector management systems can predict and avoid environmental degradation.** Management systems based on sound long-term but, more importantly, integrated cross-sector planning can identify and adjust poor resource management strategies before they have negative environment, social or economic impacts. Such systems have inherently strong capacities to foresee and avoid crises.

**Integrated cross-sector management systems are more common in sectors that have more immediate access to the market and which are part of daily subsistence.** Environmental degradation in the agricultural sub-sector can have fairly large social and economic impacts for obvious reasons: people need food. Impacts in the water sub-sector can be similarly extensive, as water use underpins all economic activity. Degradation is usually less immediate in the forestry and fisheries sub-sectors, which are often remote from major population centres, markets and policy-makers. Such degradation is, therefore, felt by fewer and usually less powerful people. Consequently, agricultural and water resource sectors have better management systems than the forestry or fisheries sectors.

**The challenge lies in developing good management systems.** Economic development based on natural resources can be sustained if policies and institutions exist to monitor and control use, by developing and implementing appropriate management strategies. In practice, such policies and institutions evolve when natural resource use and associated environmental degradation increase beyond sustainable levels. This generally results in an increasing reliance on artificial sources – plantation for forests, industrial crops as well as more intensive practices in agriculture, dams in the water sector and aquaculture in fisheries – and on imports. If policies and institutions do not already exist or are insufficiently developed, there is a transition period where they can develop to ensure that demand is satisfied by an appropriate mix of sustainable natural resource use and supplies from artificial sources and imports. Alternatively, if policy and institutional development is not responsive or rapid enough in this transition period, natural resources can become seriously degraded with subsequent environment, social and economic impacts. The key challenge for natural resource dependent economies is to develop and refine systems that drive natural resource use toward sustainability.

**Developing good management systems requires vision and commitment.** Because natural resources are seen as free, it is often easier to exploit them now and worry about the consequences later. Sadly, 'later' is usually not as late as might be hoped. Environmental degradation caused by unsustainable use usually commences soon after the ecological balance of natural resource systems is disturbed. Such systems have an inherent capacity to absorb and accommodate some degree of disturbance, but if this point is surpassed and the natural system begins to degrade or even collapse, widespread environmental degradation can be rapid with serious consequences. Avoiding this scenario requires vision and courage – the vision to develop integrated cross-sector management systems and the courage to control natural resource use at levels that do not overwhelm the natural system.

# Natural Resource Management in Vietnam

Vietnam is richly endowed with natural resources, and the country's economy is heavily dependent on this base. Agriculture, forestry and fisheries account for 25.7% of total GDP and 70% of total employment. These sub-sectors underpin almost all rural economic activity.

But trends indicate that use and management patterns in the natural resource sector are a threat to Vietnam's continued economic viability. Environmental degradation from unsustainable use is increasingly undermining this sector's capacity to support current, let alone forecast increases in, economic demand. This is because use patterns in all sub-sectors are causing environmental degradation. While there are issues common to the entire natural resource sector, each sub-sector has its own unique set of use and management characteristics that are causing this degradation.

## Agriculture

Vietnam's agriculture sub-sector, particularly rice, has seen production increase dramatically since 1986. Rice production was 29.1 million tons in 1998, compared to 11.6 million tons in 1980. The production of other food crops has also grown, and fruit and vegetable production is increasing. Industrial crops such as rubber, coffee, tea, sugarcane, cotton and cashews are becoming increasingly dominant in highland areas. Livestock production, particularly pork, now accounts for over 20% of total agricultural output.

Increased production, particularly of rice, has been achieved through greater yields and cropping intensity rather than any significant growth in the cropping area. Although still low by world standards, increased chemical pesticide and fertiliser use by Vietnam's rice farmers and more intensive cultivation practices based on improved irrigation systems are growing trends. There has also been far greater use of high yielding rice varieties to the extent that traditional rice varieties are disappearing. Industrial crop output in highland areas, however, has risen by converting previously forested habitats to agricultural use.

The growing resort to intensive practices, has come at a cost: reduced genetic biodiversity in the agricultural sub-sector and increased reliance on chemicals and irrigation expose farmers to greater risk. For example, pests and diseases that previously impacted on one of 20 traditional rice varieties now have a greater chance of damaging one of five genetically engineered varieties unless chemical use – with its own associated risks to the environment – also increases. Large variations in peak and trough water flows as well as increased siltation caused by upstream deforestation further affects farmers who are becoming increasingly dependent on high volumes of good quality irrigation water.



These problems are compounded by the fact that agricultural land per head of population has reduced significantly. More than ten years ago, Vietnam reached its limit of agricultural land: there is no further land available for increasing agricultural production. As the population continues to increase, average farm size has decreased. For example, average farm size in the Mekong Delta (where 53% of Vietnam's rice is produced) is only 1.2 hectares, which, while low, is still four times higher than in the Red River Delta. The Red River Delta has the highest concentration of people per hectare of agricultural land in the world.

One serious consequence of all these factors is the dramatic increase in resettlement and spontaneous migration. Although resettlement and migration are complex issues with diverse cause and effect relationships, one point is clear: as the area of agricultural land per person decreases and as land becomes so degraded that it can no longer support sufficient agricultural production, people begin to move. This is the case in the North Western Highlands. People are now migrating in significant numbers to less crowded rural areas, usually distant from their traditional homes, or to cities, as the natural resource base where they live is unable to sustain them. Both rural-rural and rural-urban migration is of significant concern to policy-makers.

Certain areas are particularly threatened by this migration. The Central Highlands, for example, is the least populated area of Vietnam. Yet it is the region that is now receiving the most in-migration, some of which is encouraged and planned by the Government, while a great deal is uncontrolled. At the same time, the Government is implementing sedentarisation policies to control shifting agriculture by ethnic minorities in the Highlands. The net result is a rapidly growing population imposing itself on an environment not prepared for the increased production that is being demanded of it. Agricultural intensification in lowland areas as well as remote yet heavily populated highland areas is having serious and negative impacts on the other regions.

In summary, Vietnam's agricultural sector is flourishing economically and use has yet to exceed sustainable levels, but environmental degradation is increasing and placing pressures on the natural system's capacity to support existing, let alone increased, production.

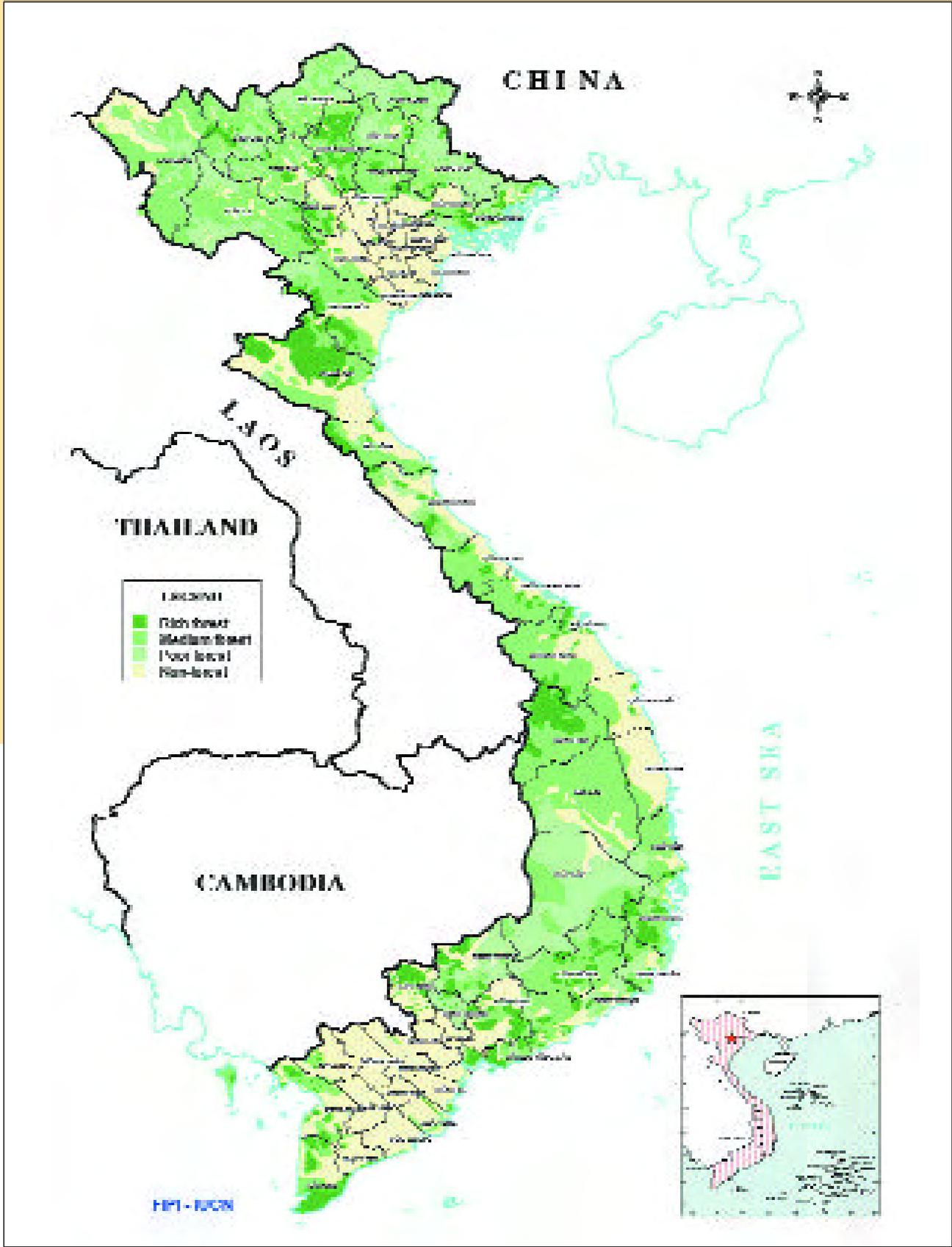


## Forestry

Vietnam's natural forest area has reduced significantly over the last five decades. In 1943, the total estimated forest area was 14 million hectares. In 1975, a nationwide survey estimated that forest area had fallen to 11 million hectares; in 1997, this had dropped further to 9.3 million hectares. This pattern of decline is evident in Maps 2, 3 and 4, which show forest cover in 1943, 1983 and 1997 respectively. The war and its subsequent impacts have been an obvious factor but unsustainable use since 1975 has also contributed to continuing forest loss, with serious environmental consequences.

Natural forests have increasingly been converted to 'bare' or 'unproductive' land in many parts of the country. Forest lands are mostly steep with poor soils limiting their potential for intensive agricultural use; traditional, shifting cultivation practices had recognised forest soils' limited capacity to maintain agricultural production. But with a burgeoning population, the pressure on forest

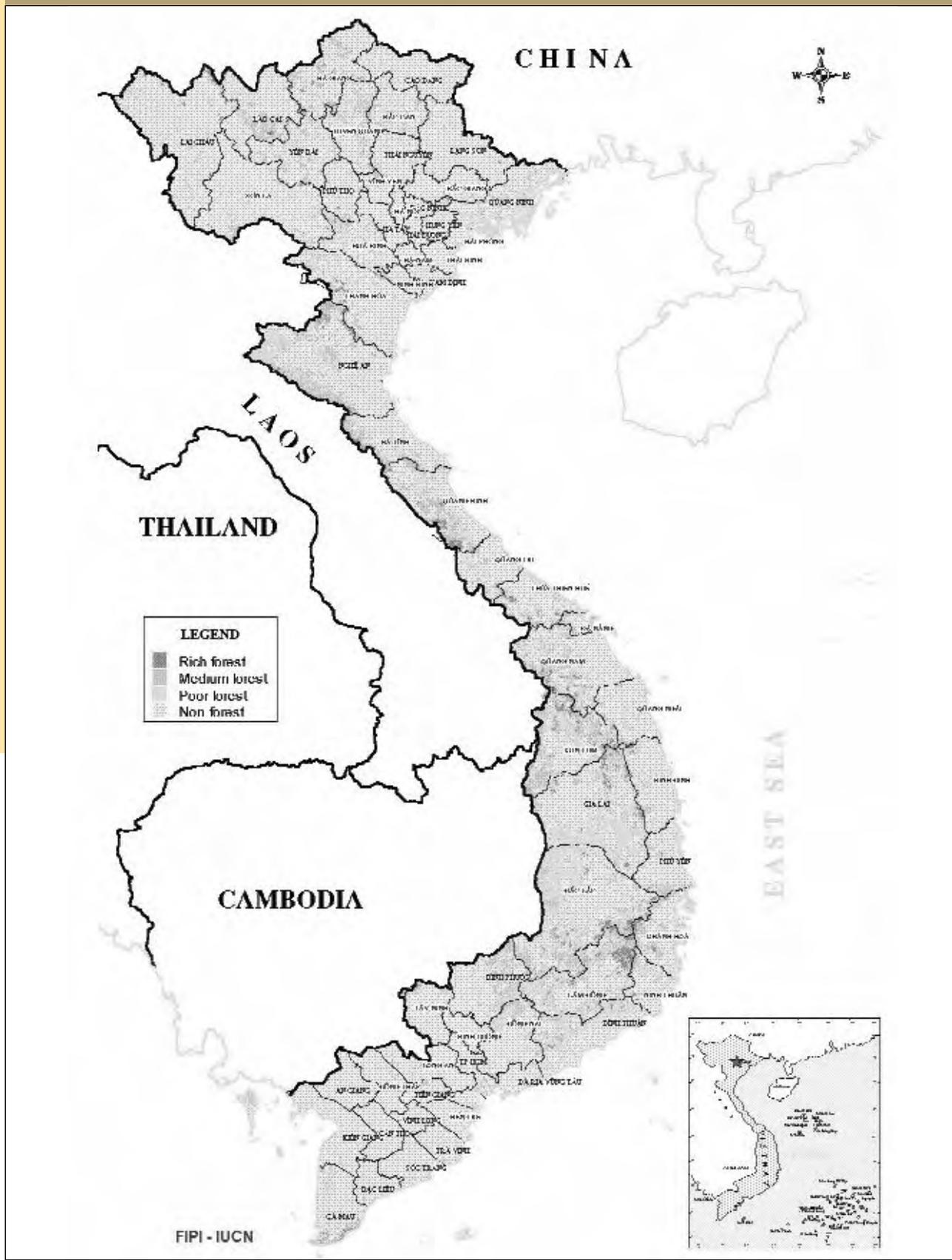
Forest Cover, 1943



Forest Cover, 1983



Forest Cover, 1997





lands to provide increasing quantities of food has grown. As a result, more and more new land is being cleared and traditional fallow periods are being shortened. Natural systems are facing serious problems in Vietnam's uplands where most natural forests are located. Habitat destruction is leading to biodiversity loss and forest clearance is impacting on water regulation capacities and causing soil erosion.

While the demand for land is causing large-scale migration, the growing demand for timber is having its own affect on forests. Vietnam's economic development has led to increased demand for timber and wood products. To keep pace with the demand created by economic development, Vietnam's timber consuming industries are being forced to use imported, and to a limited extent, locally grown plantation wood.

Vietnam's policy-makers recognised as long ago as the 1950s that they would need to augment natural forest supplies with timber from locally grown plantations. Plantations are typically established on heavily degraded former forest land that is not suitable for agriculture, and to date have failed to produce attractive economic yields. Consequently, there is an inadequate artificial resource base, despite large areas of 'bare' land potentially available for tree plantations, to augment the dwindling natural forest supplies. Hence, they have had a limited impact in reducing the environmental degradation caused by forest loss.

To summarise, Vietnam's forestry sector is witnessing a deteriorating situation on the ground. In addition to large-scale and significant environmental degradation that is impacting on other sectors, Vietnam faces serious problems in meeting its growing timber needs. As natural forests continue to disappear and plantations fail to meet the growing demand for wood products, timber needs are being met through increasingly expensive imports. Forest loss in the countries from which wood is currently being imported has raised serious concerns that Vietnam too may face a wood deficit in the future.

## Water Resources

Vietnam's water resources have been actively developed since 1954. Around 7,500 km of river and sea dykes have been constructed or improved to protect delta and coastal areas from flooding and waterlogging since 1954. Over 30% of cultivable land is irrigated and many large waterworks have been built to exploit water and regulate river flows.

Despite these developments, Vietnam's water resources are diminishing in both quantity and quality. Poor water resource management, as well as poor management in the other natural resource sub-sectors, is a major factor contributing to water resource degradation. Natural water regulation mechanisms are collapsing, leading to greater peaks and troughs in water flows. This is exacerbated by forest clearance in important upland watersheds. As a result, sediment loads are increasing and impacting on the capacity of dams to regulate water flows and to contribute to Vietnam's rising energy needs. Significant increases in the concentration of organic waste and toxic pollutants in water resources are undermining their potential contribution to improved livelihoods and economic development.

Vietnam's water resources have significant potential to underpin the country's economic development. Current patterns indicate that use has moved into a transition period, where unsustainable utilisation is causing environmental degradation and threatening development opportunities.

## Fisheries

The fisheries sub-sector has witnessed persistent and solid growth during the last decade. The total production from fisheries and the total contribution of fisheries to GDP have both grown significantly. Most of the recent increased production has come from aquaculture rather than 'capture' fisheries. Aquaculture in the form of shrimp, prawn, crab and fish farming has proved to be highly profitable, and demand continues to grow. Capture fisheries production, meanwhile, has stabilised or decreased. There is considerable potential for increased aquaculture production in Vietnam given its long coastline. It is estimated that only half of the area suitable for aquaculture is currently being used.

However, unsustainable management has seriously damaged fisheries resources. Near-shore fisheries are already heavily exploited as indicated by a declining catch per unit effort. Target fish species are being heavily over-fished and current squid and shrimp harvesting levels are unsustainable. There are plans to extend fishing into deep water (greater than 50 metres in depth) but resource stocks are unproven. Besides the direct impacts caused by the fisheries sector itself, destruction of breeding grounds in coastal zones will further impact on the capacity of the fisheries sector to regenerate itself.



Unsustainable management has also damaged the environment. Over-fishing significantly reduces biodiversity as well as degrades marine ecological processes. These negative impacts have been amplified in the past by destructive fishing methods that included the use of poisonous substances and chemicals. Unplanned aquaculture is causing significant degradation of coastal marine habitats, wetlands and mangrove forests. Mangrove deforestation, construction of water management systems without proper planning and thought for environmental impacts; pollution from the use of feed and chemicals, saline intrusion and outbreaks of disease in ponds, all have a negative impact on the environment and in turn on the viability of aquaculture itself.

In summary, unsustainable use in Vietnam's fisheries sub-sector has led to a decline in fish stocks. Having said that, this sub-sector is in a transition period where sound management policies are currently being introduced and institutions are evolving to control use. The fisheries industry is now focusing increasingly on aquaculture, which is proving capable of flourishing economically and supplementing natural sources.

Increasing environmental degradation caused by unsustainable aquaculture practices, however, threatens this potential. Policy-makers must manage future development to ensure sustainable use or risk witnessing a significant decline in productivity as a direct result of environmental degradation.

## Wetlands

Vietnam's thriving agricultural and fisheries sub-sectors are heavily dependent on the maintenance of high quality wetland ecosystems. Around 53% of Vietnam's total rice production occurs in the Mekong Delta alone while rice production in the Red River Delta is critical to the continued well-being of one of the most densely populated regions of the world. These two delta systems – comprising large areas of mangrove forests, numerous coastal brackish and saline lagoons, many freshwater lakes and storage reservoirs, as well as numerous rivers and streams – underpin much of Vietnam's economy.

However, unsustainable use patterns threaten the continued viability of the country's wetland ecosystems. Vietnam's wetlands are being polluted by: chemical and fertiliser run-off from intensive agricultural practices, rapid and uncontrolled industrial development, and the side effects of urbanisation. They are being over-exploited and disturbed by destructive fishing techniques, while mangrove forests are being cleared for timber and shrimp ponds. The ecology of large wetland areas in the Mekong Delta, specifically the Dong Thap Muoi and the Long Xuyen Quadrangle, have been largely destroyed through large-scale land drainage programmes focused solely on increasing rice production. Poor rural communities in search of land are increasingly degrading remnant natural ecosystems throughout the Delta. Hydroelectric power schemes in upland areas threaten downstream wetland communities by disrupting natural river flow levels.

The ecological well-being of Vietnam's wetlands and the country's economy are inextricably linked. Yet, wetlands are rarely valued for their ecological importance. Most commonly, they are valued for their potential as high quality agricultural land or are simply ignored in the planning process.



## Coastal and Marine Zones

Vietnam's coastal and marine zones support a significant proportion of its economic activity. Vietnam has a 3,200 km long coastline and a claimed Exclusive Economic Zone of almost 1 million square kilometres, making it a major maritime state in Southeast Asia. Defining the coastal zone is difficult but essentially, it extends inland up to the point of tidal influence on rivers, streams and wetlands, or to a distance of 10 km, whichever is greater. The marine zone is defined as a zone of ocean and underlying seabed extending from the land boundary to the country's territorial and/or marine economic limits, whichever is greater.

Many of the country's valuable wetland resources – upon which large portions of its agriculture and fisheries activities depend – are located in the coastal zone. Also much of Vietnam's rapidly increasing urban population lives in the coastal zone, many industrial zones are located there and it is the focus of the country's natural fisheries sector.

The sectors that benefit most from the country's coastal and marine resources are also those that are causing the greatest environmental degradation. Among the key activities impacting on the coastal and marine environment are: industrial and urban development, fisheries, agriculture, forestry, mineral exploitation, energy, shipping and tourism. There is no integrated policy or institutional framework in Vietnam to manage these impacts.

Vietnam's coastal and marine zones already support a major part of the country's economic activity. Lack of coordinated management of these resources is threatening their continued economic viability by degrading stocks and environmental quality.

## Biodiversity

The gene pool in Vietnam is of great economic value and has the potential to make an economic contribution through research and the production of medicines and essential oils derived from plants – some 5,000 plant species are already being used. The country's rich variety of endemic agricultural species of plants and animals are being threatened through shifts to monoculture.

Other threats to biodiversity in Vietnam include encroachment on natural forests, logging, trade in wildlife, hunting and fishing, the collection of non-timber forest products, inappropriate land uses and pollution.

Vietnam has made some progress in terms of effectiveness of park management, while serious pressures continue to undermine efforts. Protected area staff and budgets have increased significantly since 1991

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#### Trade in Wildlife

The figures are alarming: in one year (July 1996 onwards) the Forest Protection Department detected 1,270 cases of trade covering 69,000 animals of different species that were captured for sale in markets within Vietnam or abroad. The Department estimates that this represent only 5-10% of the total which means that more than 700,000 animals are being taken from the environment each year. The impact of this loss on the ecosystems of Vietnam and neighbouring countries is devastating.

There is substantial international trade in high value marine species. Juvenile species prized as gourmet restaurant fish are traded around the region by international fish farming companies focusing on lucrative markets in Hong Kong and Taiwan, leading to dramatic declines in populations.

Since 1996, aquarium species have been systematically depleted throughout south-central and south Vietnam, with over 500 specimens exported monthly to Russia, France, Sweden, the US and Japan.

and the number of management plans has increased from 20 to 44. Once a plan is prepared, a government budget is allocated for implementation. Yet, most protected areas are under increasing pressure from illegal forest exploitation, grazing and the gathering of non-timber forest products.

One of the main challenges facing the government is in setting clear priorities in allocating the limited financial and staffing resources at its disposal. Since systematic and analytical priority-setting procedures are not widely used in Vietnam, it frequently makes donors uncomfortable and cautious in adopting government priorities as their own. Vietnam needs to undertake a process to define biodiversity regions and to set priorities between and within them.

There is also a need to come to an agreement on biodiversity regions that need ODA and government support. Based on a pilot exercise conducted during this study, the priorities for terrestrial, coastal and marine regions were agreed on. These priorities need to be tested through a follow-up exercise carried out during the implementation of the Biodiversity Action Plan.

See Appendix 2 for a discussion on biodiversity and biodiversity regions.

# Trends in Environmental Quality

## Lack of Reliable Information

Little reliable data is available on the environmental impacts of industrial activities in Vietnam, or on general urban environmental quality. State of the Environment reports are produced regularly by National Environment Agency and DOSTE, but often remain confidential. This is a significant impediment in environmental planning and policy development.

Data is lacking on the most basic of pollution load issues and on the emissions and toxicity of pollutants from major industries throughout the country. Assessments are required of solid waste generation and collection, hazardous waste generation and treatment, and pollution from transport, farming and household activities. With such data, it would be possible to establish measures, or indicators, of overall environmental quality.

## The Urban-Natural System Link

Human activities do not simply impact on the environment. Rather, there is a feedback loop between human activities and the environment that is both complex and continuously evolving. On the one hand, urban and industrial activities clearly have a wide range of impacts on natural resources and on environmental quality. But environmental conditions and natural resource endowments can also influence urban processes such as migration and settlement patterns, and industrial development models. In the long-term, interactions between industry and the environment may ultimately come to a question of whether environmental degradation and resource depletion actually undercut Vietnam's development strategy.

Urbanisation processes are changing environment and natural resource conditions in both urban and rural areas. Land use is being altered in major cities and their peripheries as rural land is converted to residential, business, and industrial use. Concern about rapid land use changes recently led the Vietnamese Government to pass a resolution prohibiting further conversion of farmland. In the past, lack of development control has also led to situations where highly hazardous factories are located in residential areas.

For example, in central Ha Noi, residents living close to a chemical factory complain about their apartment being coated with a fine layer of white powder within an hour of leaving the windows open. Living next to this factory has meant living with calcium carbonate dust, the noise of rocks being ground at all hours of the day and night, and respiratory problems. This case is by no means unique, as factories and residences are often separated by no more than a few meters.

Rapid growth in industry is also creating new stresses on the use of natural resources and



the environment. A growth of 14% per year in industrial activities (with some sectors growing by 100% in the last few years) requires more extraction of natural resources, additional production and use of energy, and an expansion in transportation and other infrastructure services, all of which result in more waste and more pollution. Changes in the scale and structure of the economy, the efficiency of industrial activities, and mechanisms of regulatory control, all effect rates of natural resource depletion and pollution levels. Increased demand for energy, followed by its production, also leads to a wide range of impacts on land use, natural resource extraction, as well as air and water pollution.

Certain sectors have particularly significant impacts on natural resources. For instance, the pulp and paper industry has been selected for major expansion by the Government. This will require increased planting of bamboo, eucalyptus, and other hardwoods (which have important ecological implications), and the further destruction of existing forests. Pulp and paper production can also cause severe pollution.

## The Changing Nature of Wastes

Vietnam is currently experiencing a shift in the structure of industry towards more polluting sectors, and from traditional organic pollutants to complex toxic compounds such as heavy metals and hazardous wastes. Extraction industries such as oil, gas and mining, which have been expanding rapidly, will have significant impacts.

Other resource-based industries such as food processing and aquaculture also result in increased pollution loads, raising the biological oxygen demand in particular, in rivers. In the future, it is likely that highly polluting sectors such as petrochemical production will bring new hazards to Vietnam. The World Bank has estimated that if current development trends continue, and “if Vietnam does not implement pollution prevention and control policies, its toxic intensity will increase by a factor of 3.8 over a ten-year period (2000-10), equivalent to a 14.2% annual [pollution] growth rate”. Currently there are approximately 300 medium and large size factories operating in Ha Noi and 700 medium and large size factories in Ho Chi Minh City. Based on an analysis of factories in Ha Noi, the Environment Committee reported that emissions of 124 factories exceeded standards.

## Water Pollution

This is a serious problem throughout Vietnam. Many rivers and canals near urban centres are burdened with municipal and industrial wastes. Water emissions from sectors such as food processing, beverages, textiles, paper and chemicals include acids, chlorinated organics and heavy metals. Groundwater in cities such as Ha Noi is also contaminated. Virtually all the domestic waste water in Vietnam is discharged untreated into rivers; most industrial waste water is also still discharged without proper treatment.

Water pollution from industry has led to fish kills, crop damage, and a wide range of skin and stomach diseases. In northern Vietnam, the waste water of a factory was so acidic that the ‘water’ had burned away the cement cover of the sewer; the waste water had also contaminated the community’s drinking water.



## Air Pollution

In urban areas, pollution is exacerbated by industrial activities, energy production (particularly from coal briquettes), and mobile sources. Dust pollution, particulate matter, has reached alarming levels in many urban areas due to construction projects, traffic and industrial activities. More toxic air pollutants have been measured at high concentrations near industrial facilities, often located near residential areas.

The production of basic chemicals such as sulphuric acid and fertiliser (which are critical to rural and industrial development) can emit hazardous concentrations of sulphur dioxide, sulphuric acid, hydrochloric acid, hydrogen fluoride and similar toxins on surrounding villages. In the past, high hydrogen fluoride emissions were said to have caused villagers and workers to lose teeth.

## Solid and Hazardous Wastes

Waste generated by sectors such as electronics, steel and chemical production, include sludge, acids and solvents. The volumes of all of these wastes are increasing. Of particular concern is the fact that there are still no systems in place for the handling, storage or treatment of hazardous wastes in Vietnam.

Volumes of residential wastes are also increasing rapidly. Consumption habits are creating the outlines of a Vietnamese throwaway society. Domestic solid waste collection and disposal is currently inadequate. Most estimates are that only 50% of solid waste is collected and disposed of properly. Landfills that do exist do not meet international standards of safety and management. Attempts to 'modernise' solid waste management also risk destroying existing informal systems of recycling and reuse.



## Workplace Environmental Issues

The work environment in industries throughout Vietnam is hazardous. Workers are commonly exposed to toxic fumes, noise, heat, and radiation, without proper protection. An estimated 20,000 workers in Vietnam suffer from silicosis, and over 10% of all industrial workers are estimated to be exposed to harmful noise levels. Pesticide poisoning is also common among farmers and farm labourers.

## Energy Production and Use

Vietnam has one of the lowest levels of energy consumption in the world, although both production and consumption of energy are increasing rapidly. Researchers in Ha Noi have estimated that energy consumption will grow at a rate of 10% per year in the north, and 15% per year in the south. This growth translates into Vietnam requiring 400 megawatts of new capacity per year. Currently, 60% of energy comes from traditional fuels, but this will change as coal, gas and hydropower projects are developed. Each form of power has its own set of potential environmental impacts. If not managed appropriately, they can have a significant impact.

## Regional Concentration of Development

The geography of industrial development also has environmental ramifications. As industry is overwhelmingly concentrated in and around Ho Chi Minh City and Ha Noi, pollution and the urban problems associated with industrialisation – such as migration, crowding and infrastructure deficiencies – have the greatest potential to become major problems in these cities. Uneven pollutant distributions may not only overwhelm the assimilative capacity of local environments, but may unfairly affect those who pay the costs of industrial development in Vietnam. The rapidly

developing industrial zones of Dong Nai and Hai Phong, and in the future Dung Quat, may also become pollution 'hot-spots' if serious preventative measures are not taken to stop this from occurring.

Vietnam also faces some unique challenges in urbanisation and industrialisation due to its political and economic history. The most obvious is the challenge of regulating state-owned enterprises. Conflicting interests in the state make it extremely difficult for local regulators to enforce environmental laws on these enterprises. It is also a major challenge to motivate old enterprises (many of which are unprofitable) to improve their environmental performance.

## Conclusions

Vietnam's environment is under increasing pressure. Natural resource use underpins economic development to the benefit of the country. Yet environmental quality and resources throughout the country are diminishing and becoming more obviously and directly linked to future progress. The Government recognises the need to act, but the trends show that environmental degradation will continue well into the next decade and further, if the political and institutional will and the capacity to change the way natural resources are used are weak or absent.



## CHAPTER 4



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**Integrated cross-sector management systems can predict and avoid environmental degradation.** Management systems based on sound long-term but, more importantly, integrated cross-sector planning can identify and adjust poor resource management strategies before they have negative environment, social or economic impacts. Such systems have inherently strong capacities to foresee and avoid crises.

**Integrated cross-sector management systems are more common in sectors that have more immediate access to the market and which are part of daily subsistence.** Environmental degradation in the agricultural sub-sector can have fairly large social and economic impacts for obvious reasons: people need food. Impacts in the water sub-sector can be similarly extensive, as water use underpins all economic activity. Degradation is usually less immediate in the forestry and fisheries sub-sectors, which are often remote from major population centres, markets and policy-makers. Such degradation is, therefore, felt by fewer and usually less powerful people. Consequently, agricultural and water resource sectors have better management systems than the forestry or fisheries sectors.

**The challenge lies in developing good management systems.** Economic development based on natural resources can be sustained if policies and institutions exist to monitor and control use, by developing and implementing appropriate management strategies. In practice, such policies and institutions evolve when natural resource use and associated environmental degradation increase beyond sustainable levels. This generally results in an increasing reliance on artificial sources – plantation for forests, industrial crops as well as more intensive practices in agriculture, dams in the water sector and aquaculture in fisheries – and on imports. If policies and institutions do not already exist or are insufficiently developed, there is a transition period where they can develop to ensure that demand is satisfied by an appropriate mix of sustainable natural resource use and supplies from artificial sources and imports. Alternatively, if policy and institutional development is not responsive or rapid enough in this transition period, natural resources can become seriously degraded with subsequent environment, social and economic impacts. The key challenge for natural resource dependent economies is to develop and refine systems that drive natural resource use toward sustainability.

**Developing good management systems requires vision and commitment.** Because natural resources are seen as free, it is often easier to exploit them now and worry about the consequences later. Sadly, 'later' is usually not as late as might be hoped. Environmental degradation caused by unsustainable use usually commences soon after the ecological balance of natural resource systems is disturbed. Such systems have an inherent capacity to absorb and accommodate some degree of disturbance, but if this point is surpassed and the natural system begins to degrade or even collapse, widespread environmental degradation can be rapid with serious consequences. Avoiding this scenario requires vision and courage – the vision to develop integrated cross-sector management systems and the courage to control natural resource use at levels that do not overwhelm the natural system.

# Natural Resource Management in Vietnam

Vietnam is richly endowed with natural resources, and the country's economy is heavily dependent on this base. Agriculture, forestry and fisheries account for 25.7% of total GDP and 70% of total employment. These sub-sectors underpin almost all rural economic activity.

But trends indicate that use and management patterns in the natural resource sector are a threat to Vietnam's continued economic viability. Environmental degradation from unsustainable use is increasingly undermining this sector's capacity to support current, let alone forecast increases in, economic demand. This is because use patterns in all sub-sectors are causing environmental degradation. While there are issues common to the entire natural resource sector, each sub-sector has its own unique set of use and management characteristics that are causing this degradation.

## Agriculture

Vietnam's agriculture sub-sector, particularly rice, has seen production increase dramatically since 1986. Rice production was 29.1 million tons in 1998, compared to 11.6 million tons in 1980. The production of other food crops has also grown, and fruit and vegetable production is increasing. Industrial crops such as rubber, coffee, tea, sugarcane, cotton and cashews are becoming increasingly dominant in highland areas. Livestock production, particularly pork, now accounts for over 20% of total agricultural output.

Increased production, particularly of rice, has been achieved through greater yields and cropping intensity rather than any significant growth in the cropping area. Although still low by world standards, increased chemical pesticide and fertiliser use by Vietnam's rice farmers and more intensive cultivation practices based on improved irrigation systems are growing trends. There has also been far greater use of high yielding rice varieties to the extent that traditional rice varieties are disappearing. Industrial crop output in highland areas, however, has risen by converting previously forested habitats to agricultural use.

The growing resort to intensive practices, has come at a cost: reduced genetic biodiversity in the agricultural sub-sector and increased reliance on chemicals and irrigation expose farmers to greater risk. For example, pests and diseases that previously impacted on one of 20 traditional rice varieties now have a greater chance of damaging one of five genetically engineered varieties unless chemical use – with its own associated risks to the environment – also increases. Large variations in peak and trough water flows as well as increased siltation caused by upstream deforestation further affects farmers who are becoming increasingly dependent on high volumes of good quality irrigation water.



These problems are compounded by the fact that agricultural land per head of population has reduced significantly. More than ten years ago, Vietnam reached its limit of agricultural land: there is no further land available for increasing agricultural production. As the population continues to increase, average farm size has decreased. For example, average farm size in the Mekong Delta (where 53% of Vietnam's rice is produced) is only 1.2 hectares, which, while low, is still four times higher than in the Red River Delta. The Red River Delta has the highest concentration of people per hectare of agricultural land in the world.

One serious consequence of all these factors is the dramatic increase in resettlement and spontaneous migration. Although resettlement and migration are complex issues with diverse cause and effect relationships, one point is clear: as the area of agricultural land per person decreases and as land becomes so degraded that it can no longer support sufficient agricultural production, people begin to move. This is the case in the North Western Highlands. People are now migrating in significant numbers to less crowded rural areas, usually distant from their traditional homes, or to cities, as the natural resource base where they live is unable to sustain them. Both rural-rural and rural-urban migration is of significant concern to policy-makers.

Certain areas are particularly threatened by this migration. The Central Highlands, for example, is the least populated area of Vietnam. Yet it is the region that is now receiving the most in-migration, some of which is encouraged and planned by the Government, while a great deal is uncontrolled. At the same time, the Government is implementing sedentarisation policies to control shifting agriculture by ethnic minorities in the Highlands. The net result is a rapidly growing population imposing itself on an environment not prepared for the increased production that is being demanded of it. Agricultural intensification in lowland areas as well as remote yet heavily populated highland areas is having serious and negative impacts on the other regions.

In summary, Vietnam's agricultural sector is flourishing economically and use has yet to exceed sustainable levels, but environmental degradation is increasing and placing pressures on the natural system's capacity to support existing, let alone increased, production.

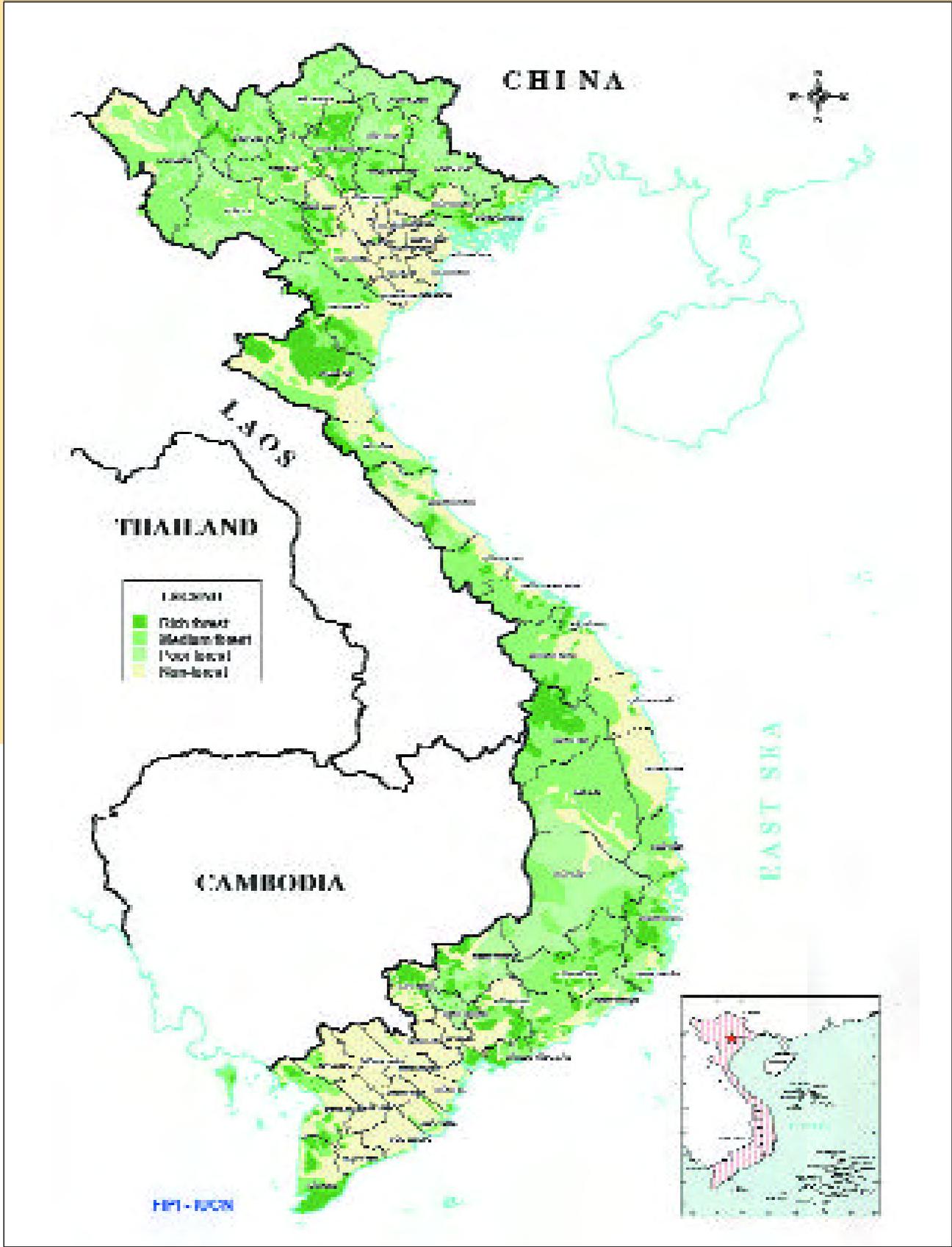


## Forestry

Vietnam's natural forest area has reduced significantly over the last five decades. In 1943, the total estimated forest area was 14 million hectares. In 1975, a nationwide survey estimated that forest area had fallen to 11 million hectares; in 1997, this had dropped further to 9.3 million hectares. This pattern of decline is evident in Maps 2, 3 and 4, which show forest cover in 1943, 1983 and 1997 respectively. The war and its subsequent impacts have been an obvious factor but unsustainable use since 1975 has also contributed to continuing forest loss, with serious environmental consequences.

Natural forests have increasingly been converted to 'bare' or 'unproductive' land in many parts of the country. Forest lands are mostly steep with poor soils limiting their potential for intensive agricultural use; traditional, shifting cultivation practices had recognised forest soils' limited capacity to maintain agricultural production. But with a burgeoning population, the pressure on forest

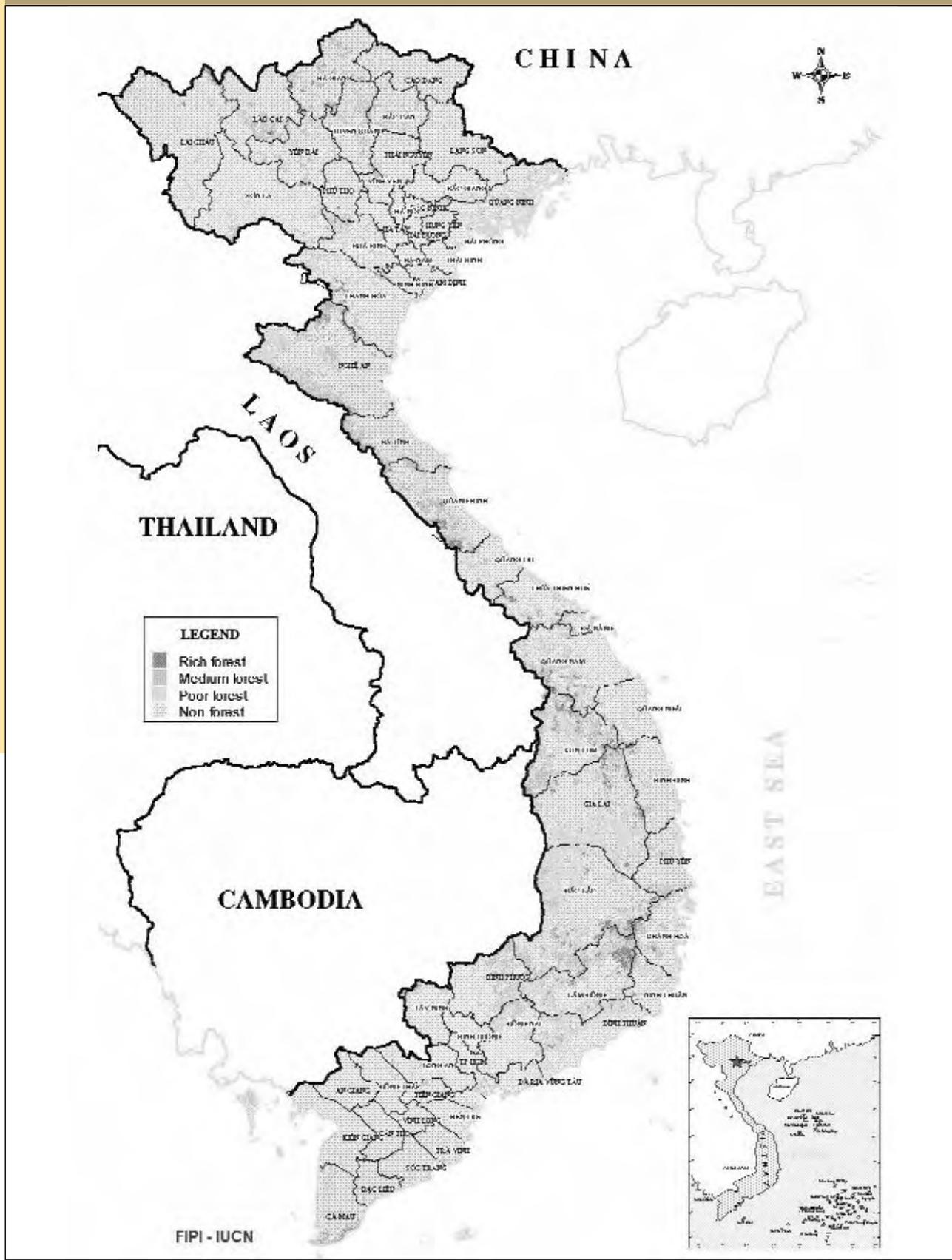
Forest Cover, 1943



Forest Cover, 1983



Forest Cover, 1997





lands to provide increasing quantities of food has grown. As a result, more and more new land is being cleared and traditional fallow periods are being shortened. Natural systems are facing serious problems in Vietnam's uplands where most natural forests are located. Habitat destruction is leading to biodiversity loss and forest clearance is impacting on water regulation capacities and causing soil erosion.

While the demand for land is causing large-scale migration, the growing demand for timber is having its own affect on forests. Vietnam's economic development has led to increased demand for timber and wood products. To keep pace with the demand created by economic development, Vietnam's timber consuming industries are being forced to use imported, and to a limited extent, locally grown plantation wood.

Vietnam's policy-makers recognised as long ago as the 1950s that they would need to augment natural forest supplies with timber from locally grown plantations. Plantations are typically established on heavily degraded former forest land that is not suitable for agriculture, and to date have failed to produce attractive economic yields. Consequently, there is an inadequate artificial resource base, despite large areas of 'bare' land potentially available for tree plantations, to augment the dwindling natural forest supplies. Hence, they have had a limited impact in reducing the environmental degradation caused by forest loss.

To summarise, Vietnam's forestry sector is witnessing a deteriorating situation on the ground. In addition to large-scale and significant environmental degradation that is impacting on other sectors, Vietnam faces serious problems in meeting its growing timber needs. As natural forests continue to disappear and plantations fail to meet the growing demand for wood products, timber needs are being met through increasingly expensive imports. Forest loss in the countries from which wood is currently being imported has raised serious concerns that Vietnam too may face a wood deficit in the future.

## Water Resources

Vietnam's water resources have been actively developed since 1954. Around 7,500 km of river and sea dykes have been constructed or improved to protect delta and coastal areas from flooding and waterlogging since 1954. Over 30% of cultivable land is irrigated and many large waterworks have been built to exploit water and regulate river flows.

Despite these developments, Vietnam's water resources are diminishing in both quantity and quality. Poor water resource management, as well as poor management in the other natural resource sub-sectors, is a major factor contributing to water resource degradation. Natural water regulation mechanisms are collapsing, leading to greater peaks and troughs in water flows. This is exacerbated by forest clearance in important upland watersheds. As a result, sediment loads are increasing and impacting on the capacity of dams to regulate water flows and to contribute to Vietnam's rising energy needs. Significant increases in the concentration of organic waste and toxic pollutants in water resources are undermining their potential contribution to improved livelihoods and economic development.

Vietnam's water resources have significant potential to underpin the country's economic development. Current patterns indicate that use has moved into a transition period, where unsustainable utilisation is causing environmental degradation and threatening development opportunities.

## Fisheries

The fisheries sub-sector has witnessed persistent and solid growth during the last decade. The total production from fisheries and the total contribution of fisheries to GDP have both grown significantly. Most of the recent increased production has come from aquaculture rather than 'capture' fisheries. Aquaculture in the form of shrimp, prawn, crab and fish farming has proved to be highly profitable, and demand continues to grow. Capture fisheries production, meanwhile, has stabilised or decreased. There is considerable potential for increased aquaculture production in Vietnam given its long coastline. It is estimated that only half of the area suitable for aquaculture is currently being used.

However, unsustainable management has seriously damaged fisheries resources. Near-shore fisheries are already heavily exploited as indicated by a declining catch per unit effort. Target fish species are being heavily over-fished and current squid and shrimp harvesting levels are unsustainable. There are plans to extend fishing into deep water (greater than 50 metres in depth) but resource stocks are unproven. Besides the direct impacts caused by the fisheries sector itself, destruction of breeding grounds in coastal zones will further impact on the capacity of the fisheries sector to regenerate itself.



Unsustainable management has also damaged the environment. Over-fishing significantly reduces biodiversity as well as degrades marine ecological processes. These negative impacts have been amplified in the past by destructive fishing methods that included the use of poisonous substances and chemicals. Unplanned aquaculture is causing significant degradation of coastal marine habitats, wetlands and mangrove forests. Mangrove deforestation, construction of water management systems without proper planning and thought for environmental impacts; pollution from the use of feed and chemicals, saline intrusion and outbreaks of disease in ponds, all have a negative impact on the environment and in turn on the viability of aquaculture itself.

In summary, unsustainable use in Vietnam's fisheries sub-sector has led to a decline in fish stocks. Having said that, this sub-sector is in a transition period where sound management policies are currently being introduced and institutions are evolving to control use. The fisheries industry is now focusing increasingly on aquaculture, which is proving capable of flourishing economically and supplementing natural sources.

Increasing environmental degradation caused by unsustainable aquaculture practices, however, threatens this potential. Policy-makers must manage future development to ensure sustainable use or risk witnessing a significant decline in productivity as a direct result of environmental degradation.

## Wetlands

Vietnam's thriving agricultural and fisheries sub-sectors are heavily dependent on the maintenance of high quality wetland ecosystems. Around 53% of Vietnam's total rice production occurs in the Mekong Delta alone while rice production in the Red River Delta is critical to the continued well-being of one of the most densely populated regions of the world. These two delta systems – comprising large areas of mangrove forests, numerous coastal brackish and saline lagoons, many freshwater lakes and storage reservoirs, as well as numerous rivers and streams – underpin much of Vietnam's economy.

However, unsustainable use patterns threaten the continued viability of the country's wetland ecosystems. Vietnam's wetlands are being polluted by: chemical and fertiliser run-off from intensive agricultural practices, rapid and uncontrolled industrial development, and the side effects of urbanisation. They are being over-exploited and disturbed by destructive fishing techniques, while mangrove forests are being cleared for timber and shrimp ponds. The ecology of large wetland areas in the Mekong Delta, specifically the Dong Thap Muoi and the Long Xuyen Quadrangle, have been largely destroyed through large-scale land drainage programmes focused solely on increasing rice production. Poor rural communities in search of land are increasingly degrading remnant natural ecosystems throughout the Delta. Hydroelectric power schemes in upland areas threaten downstream wetland communities by disrupting natural river flow levels.

The ecological well-being of Vietnam's wetlands and the country's economy are inextricably linked. Yet, wetlands are rarely valued for their ecological importance. Most commonly, they are valued for their potential as high quality agricultural land or are simply ignored in the planning process.



## Coastal and Marine Zones

Vietnam's coastal and marine zones support a significant proportion of its economic activity. Vietnam has a 3,200 km long coastline and a claimed Exclusive Economic Zone of almost 1 million square kilometres, making it a major maritime state in Southeast Asia. Defining the coastal zone is difficult but essentially, it extends inland up to the point of tidal influence on rivers, streams and wetlands, or to a distance of 10 km, whichever is greater. The marine zone is defined as a zone of ocean and underlying seabed extending from the land boundary to the country's territorial and/or marine economic limits, whichever is greater.

Many of the country's valuable wetland resources – upon which large portions of its agriculture and fisheries activities depend – are located in the coastal zone. Also much of Vietnam's rapidly increasing urban population lives in the coastal zone, many industrial zones are located there and it is the focus of the country's natural fisheries sector.

The sectors that benefit most from the country's coastal and marine resources are also those that are causing the greatest environmental degradation. Among the key activities impacting on the coastal and marine environment are: industrial and urban development, fisheries, agriculture, forestry, mineral exploitation, energy, shipping and tourism. There is no integrated policy or institutional framework in Vietnam to manage these impacts.

Vietnam's coastal and marine zones already support a major part of the country's economic activity. Lack of coordinated management of these resources is threatening their continued economic viability by degrading stocks and environmental quality.

## Biodiversity

The gene pool in Vietnam is of great economic value and has the potential to make an economic contribution through research and the production of medicines and essential oils derived from plants – some 5,000 plant species are already being used. The country's rich variety of endemic agricultural species of plants and animals are being threatened through shifts to monoculture.

Other threats to biodiversity in Vietnam include encroachment on natural forests, logging, trade in wildlife, hunting and fishing, the collection of non-timber forest products, inappropriate land uses and pollution.

Vietnam has made some progress in terms of effectiveness of park management, while serious pressures continue to undermine efforts. Protected area staff and budgets have increased significantly since 1991

### BOX

4.1

#### Trade in Wildlife

The figures are alarming: in one year (July 1996 onwards) the Forest Protection Department detected 1,270 cases of trade covering 69,000 animals of different species that were captured for sale in markets within Vietnam or abroad. The Department estimates that this represent only 5-10% of the total which means that more than 700,000 animals are being taken from the environment each year. The impact of this loss on the ecosystems of Vietnam and neighbouring countries is devastating.

There is substantial international trade in high value marine species. Juvenile species prized as gourmet restaurant fish are traded around the region by international fish farming companies focusing on lucrative markets in Hong Kong and Taiwan, leading to dramatic declines in populations.

Since 1996, aquarium species have been systematically depleted throughout south-central and south Vietnam, with over 500 specimens exported monthly to Russia, France, Sweden, the US and Japan.

and the number of management plans has increased from 20 to 44. Once a plan is prepared, a government budget is allocated for implementation. Yet, most protected areas are under increasing pressure from illegal forest exploitation, grazing and the gathering of non-timber forest products.

One of the main challenges facing the government is in setting clear priorities in allocating the limited financial and staffing resources at its disposal. Since systematic and analytical priority-setting procedures are not widely used in Vietnam, it frequently makes donors uncomfortable and cautious in adopting government priorities as their own. Vietnam needs to undertake a process to define biodiversity regions and to set priorities between and within them.

There is also a need to come to an agreement on biodiversity regions that need ODA and government support. Based on a pilot exercise conducted during this study, the priorities for terrestrial, coastal and marine regions were agreed on. These priorities need to be tested through a follow-up exercise carried out during the implementation of the Biodiversity Action Plan.

See Appendix 2 for a discussion on biodiversity and biodiversity regions.

# Trends in Environmental Quality

## Lack of Reliable Information

Little reliable data is available on the environmental impacts of industrial activities in Vietnam, or on general urban environmental quality. State of the Environment reports are produced regularly by National Environment Agency and DOSTE, but often remain confidential. This is a significant impediment in environmental planning and policy development.

Data is lacking on the most basic of pollution load issues and on the emissions and toxicity of pollutants from major industries throughout the country. Assessments are required of solid waste generation and collection, hazardous waste generation and treatment, and pollution from transport, farming and household activities. With such data, it would be possible to establish measures, or indicators, of overall environmental quality.

## The Urban-Natural System Link

Human activities do not simply impact on the environment. Rather, there is a feedback loop between human activities and the environment that is both complex and continuously evolving. On the one hand, urban and industrial activities clearly have a wide range of impacts on natural resources and on environmental quality. But environmental conditions and natural resource endowments can also influence urban processes such as migration and settlement patterns, and industrial development models. In the long-term, interactions between industry and the environment may ultimately come to a question of whether environmental degradation and resource depletion actually undercut Vietnam's development strategy.

Urbanisation processes are changing environment and natural resource conditions in both urban and rural areas. Land use is being altered in major cities and their peripheries as rural land is converted to residential, business, and industrial use. Concern about rapid land use changes recently led the Vietnamese Government to pass a resolution prohibiting further conversion of farmland. In the past, lack of development control has also led to situations where highly hazardous factories are located in residential areas.

For example, in central Ha Noi, residents living close to a chemical factory complain about their apartment being coated with a fine layer of white powder within an hour of leaving the windows open. Living next to this factory has meant living with calcium carbonate dust, the noise of rocks being ground at all hours of the day and night, and respiratory problems. This case is by no means unique, as factories and residences are often separated by no more than a few meters.

Rapid growth in industry is also creating new stresses on the use of natural resources and



the environment. A growth of 14% per year in industrial activities (with some sectors growing by 100% in the last few years) requires more extraction of natural resources, additional production and use of energy, and an expansion in transportation and other infrastructure services, all of which result in more waste and more pollution. Changes in the scale and structure of the economy, the efficiency of industrial activities, and mechanisms of regulatory control, all effect rates of natural resource depletion and pollution levels. Increased demand for energy, followed by its production, also leads to a wide range of impacts on land use, natural resource extraction, as well as air and water pollution.

Certain sectors have particularly significant impacts on natural resources. For instance, the pulp and paper industry has been selected for major expansion by the Government. This will require increased planting of bamboo, eucalyptus, and other hardwoods (which have important ecological implications), and the further destruction of existing forests. Pulp and paper production can also cause severe pollution.

## The Changing Nature of Wastes

Vietnam is currently experiencing a shift in the structure of industry towards more polluting sectors, and from traditional organic pollutants to complex toxic compounds such as heavy metals and hazardous wastes. Extraction industries such as oil, gas and mining, which have been expanding rapidly, will have significant impacts.

Other resource-based industries such as food processing and aquaculture also result in increased pollution loads, raising the biological oxygen demand in particular, in rivers. In the future, it is likely that highly polluting sectors such as petrochemical production will bring new hazards to Vietnam. The World Bank has estimated that if current development trends continue, and “if Vietnam does not implement pollution prevention and control policies, its toxic intensity will increase by a factor of 3.8 over a ten-year period (2000-10), equivalent to a 14.2% annual [pollution] growth rate”. Currently there are approximately 300 medium and large size factories operating in Ha Noi and 700 medium and large size factories in Ho Chi Minh City. Based on an analysis of factories in Ha Noi, the Environment Committee reported that emissions of 124 factories exceeded standards.

## Water Pollution

This is a serious problem throughout Vietnam. Many rivers and canals near urban centres are burdened with municipal and industrial wastes. Water emissions from sectors such as food processing, beverages, textiles, paper and chemicals include acids, chlorinated organics and heavy metals. Groundwater in cities such as Ha Noi is also contaminated. Virtually all the domestic waste water in Vietnam is discharged untreated into rivers; most industrial waste water is also still discharged without proper treatment.

Water pollution from industry has led to fish kills, crop damage, and a wide range of skin and stomach diseases. In northern Vietnam, the waste water of a factory was so acidic that the ‘water’ had burned away the cement cover of the sewer; the waste water had also contaminated the community’s drinking water.



## Air Pollution

In urban areas, pollution is exacerbated by industrial activities, energy production (particularly from coal briquettes), and mobile sources. Dust pollution, particulate matter, has reached alarming levels in many urban areas due to construction projects, traffic and industrial activities. More toxic air pollutants have been measured at high concentrations near industrial facilities, often located near residential areas.

The production of basic chemicals such as sulphuric acid and fertiliser (which are critical to rural and industrial development) can emit hazardous concentrations of sulphur dioxide, sulphuric acid, hydrochloric acid, hydrogen fluoride and similar toxins on surrounding villages. In the past, high hydrogen fluoride emissions were said to have caused villagers and workers to lose teeth.

## Solid and Hazardous Wastes

Waste generated by sectors such as electronics, steel and chemical production, include sludge, acids and solvents. The volumes of all of these wastes are increasing. Of particular concern is the fact that there are still no systems in place for the handling, storage or treatment of hazardous wastes in Vietnam.

Volumes of residential wastes are also increasing rapidly. Consumption habits are creating the outlines of a Vietnamese throwaway society. Domestic solid waste collection and disposal is currently inadequate. Most estimates are that only 50% of solid waste is collected and disposed of properly. Landfills that do exist do not meet international standards of safety and management. Attempts to 'modernise' solid waste management also risk destroying existing informal systems of recycling and reuse.



## Workplace Environmental Issues

The work environment in industries throughout Vietnam is hazardous. Workers are commonly exposed to toxic fumes, noise, heat, and radiation, without proper protection. An estimated 20,000 workers in Vietnam suffer from silicosis, and over 10% of all industrial workers are estimated to be exposed to harmful noise levels. Pesticide poisoning is also common among farmers and farm labourers.

## Energy Production and Use

Vietnam has one of the lowest levels of energy consumption in the world, although both production and consumption of energy are increasing rapidly. Researchers in Ha Noi have estimated that energy consumption will grow at a rate of 10% per year in the north, and 15% per year in the south. This growth translates into Vietnam requiring 400 megawatts of new capacity per year. Currently, 60% of energy comes from traditional fuels, but this will change as coal, gas and hydropower projects are developed. Each form of power has its own set of potential environmental impacts. If not managed appropriately, they can have a significant impact.

## Regional Concentration of Development

The geography of industrial development also has environmental ramifications. As industry is overwhelmingly concentrated in and around Ho Chi Minh City and Ha Noi, pollution and the urban problems associated with industrialisation – such as migration, crowding and infrastructure deficiencies – have the greatest potential to become major problems in these cities. Uneven pollutant distributions may not only overwhelm the assimilative capacity of local environments, but may unfairly affect those who pay the costs of industrial development in Vietnam. The rapidly

developing industrial zones of Dong Nai and Hai Phong, and in the future Dung Quat, may also become pollution 'hot-spots' if serious preventative measures are not taken to stop this from occurring.

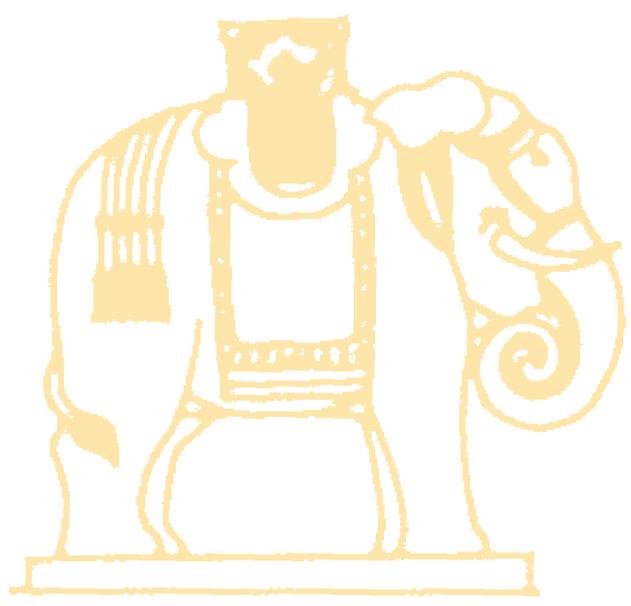
Vietnam also faces some unique challenges in urbanisation and industrialisation due to its political and economic history. The most obvious is the challenge of regulating state-owned enterprises. Conflicting interests in the state make it extremely difficult for local regulators to enforce environmental laws on these enterprises. It is also a major challenge to motivate old enterprises (many of which are unprofitable) to improve their environmental performance.

## Conclusions

Vietnam's environment is under increasing pressure. Natural resource use underpins economic development to the benefit of the country. Yet environmental quality and resources throughout the country are diminishing and becoming more obviously and directly linked to future progress. The Government recognises the need to act, but the trends show that environmental degradation will continue well into the next decade and further, if the political and institutional will and the capacity to change the way natural resources are used are weak or absent.



CHAPTER 5



# Trends in Official Development Assistance to Vietnam

## A Watershed Year for ODA: 1993

Prior to 1993, ODA management in Vietnam was weak. Development assistance was viewed as an ad hoc expression of 'goodwill' and little attention was paid to establishing an efficient framework for its management. This was partly because ODA commitments had been low: there was the loss of assistance from the Soviet Union in the mid-1980s, the US embargo and the absence of the major international finance institutions from the country.

The focal point for ODA was the Office of the Government, in collaboration with the State Planning Committee (as the Ministry of Planning and Investment was called), the Ministry of Finance, the Ministry of Foreign Affairs and the State Bank of Vietnam. Yet specific functions and responsibilities of the individual agencies in ODA management had not been clearly defined and aid management was largely unregulated. For example, there were no regulations governing procurement and disbursement.

In 1993, the resumption of official relations with the main multilateral donors – the International Monetary Fund, the World Bank and the Asian Development Bank – marked a new phase in ODA activities in Vietnam, and demanded a more systematic approach to aid and to overall economic cooperation. The impressive performance in economic reform, especially during the 1989-93 period, led to a surge in donor confidence and commitments, further underlining the need for clear ODA priorities and management arrangements.

The Government began paying more attention to institutional and legal capacity, to building and strengthening ODA implementation and management. It continued the assertive



programme of policy innovation aiming at regional and global integration, became a member of the Association of South-East Asian Nations and the Asia Pacific Economic Cooperation forum, and has been preparing to join the World Trade Organisation. These initiatives and more intensive interaction with the donors brought greater appreciation within government of ODA potential and its management requirements (Appendix 3).

Vietnam set ambitious development targets for the 1996-2000 period: a doubling of the 1990 per capita GDP figure, with industrial and service output to constitute 90% of total GD; primary education for all children, universal lower secondary education in the main cities and provinces and universal literacy in the country; increase life expectancy to 70 years with 89% of the population having access to clean drinking water; and not least, forest cover was to increase by 40%.

The Government estimated that US\$ 41 to 42 billion would be required to meet those objectives with about half coming from state sources. The remaining would come from private domestic sources, state enterprises, foreign direct investment and ODA. ODA is expected to play a crucial role, contributing almost a quarter of the total investment – commitments were set at more than US\$ 10 billion, with the Government anticipating effective disbursement of some US\$ 7.5 billion.

The Eighth Communist Party Congress in 1996 stressed “the importance of attracting multilateral and bilateral ODA for the development plan period with emphasis on socio-economic infrastructure, technology, science and management capacity improvement, with some allocations to agricultural, forestry, and fisheries development. The priority in ODA use has been given to less developed regions”.

The Congress added that “projects proposed for funding through ODA loans must be prepared with a clear and strict debt service schedule, and identified sources for payment without creating a debt burden. ODA resources should be used efficiently, under strict control and supervision”.

## Government Priorities for ODA

In 1996, the Donor Consultative Group Meeting held in Ha Noi highlighted three broad priorities for ODA to the year 2000:

- development of socio-economic infrastructure;
- human resources and institutional development; and
- technology transfer.

With these priorities as the backdrop, ODA resources have been invested in five key areas according to 11 socio-economic development programmes defined in the 1996-2000 Five-Year Plan.

**Agricultural and rural development.** The priorities are agricultural restructuring, industrialisation, improvement in the living standards and social services for rural people – including education and health care services – employment generation, poverty alleviation and rural infrastructure development.

**Industrial development.** Vietnam plans to use ODA to enhance power generation, transmission and distribution, especially in urban areas. In the rural areas, the power transmission and distribution network is to be improved to service irrigation, and agricultural, forestry and fishery



processing industries. Technology transfer has been emphasised and this priority is reflected in investment trends in the industrial sector, and especially relating to FDI.

**National road improvement.** Assistance is being used to improve the national road network, for example, in the planning and construction of National Road 1 (from Lang Son province down south to Ho Chi Minh City) and 5 (from Ha Noi to Hai Phong City). Also, rural transport development has been given priority, especially for mountainous and border provinces with an emphasis on roads to remote districts.

**Human and institutional development.** ODA is being used to fund various education and training projects, including higher education, secondary education and vocational training with special attention being given to the improvement of teacher qualifications, curriculum development and to the provision of teaching and learning aids.

**Social and cultural development.** Finally, ODA has been crucial to implementing the primary health improvement programme, the population and family planning programme, and the nationwide vaccination programme.

In December 1998, at the Consultative Group Meeting in Paris, the Government identified agriculture and rural development as the highest priority in its ODA strategy. Also, the government identified 1,715 of the poorest communes in the country for special assistance.

## ODA to Vietnam

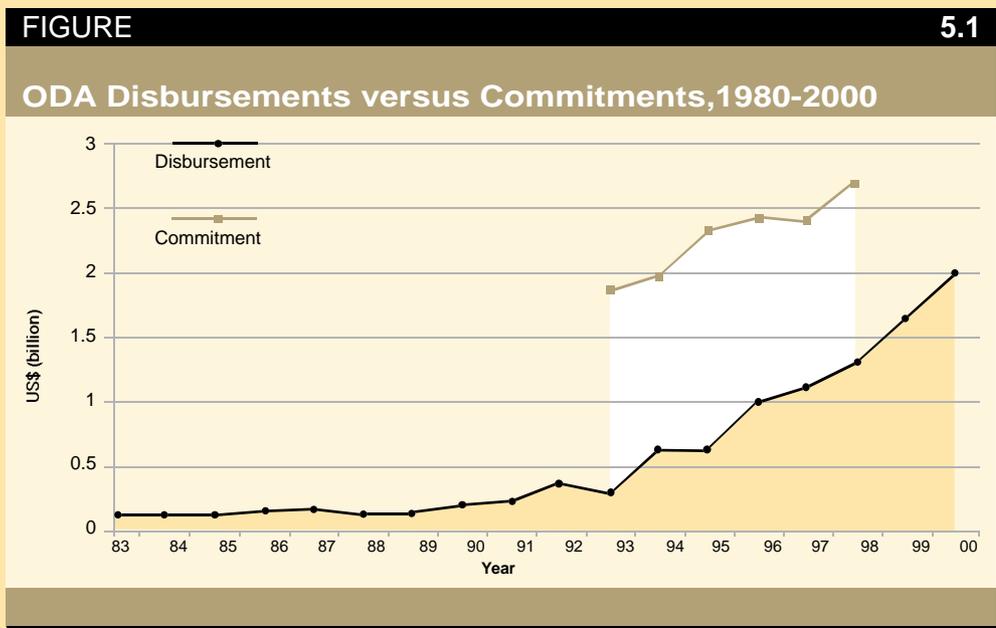
ODA trends are best viewed in two periods: before and after 1993.

Prior to 1993, ODA came mainly from the Council of Mutual Economic Assistance and the former Soviet Union. The latter provided Vietnam with about 12.6 billion of convertible roubles on concessional terms. Many large projects funded by the former Soviet Union and other Council countries

have had significant development impacts, for example, Thang Long bridge, Hoa Binh power plant and various oil and gas projects. Yet, in general, ODA was not used efficiently due to rudimentary ODA management systems.

After 1993, ODA commitments increased dramatically (Figure 5.1). In 1997, for example, Vietnam received US\$ 2.4 billion in ODA commitments, 80% as concessional loans and 20% as grants. Between 1993-98, donors pledged a total of nearly US\$ 13.7 billion.

Disbursement has always lagged well behind commitments. Post-1993 disbursements were US\$ 4.9 billion, just a little more than a third of total ODA. Currently, US\$ 8 billion committed in the six-year period to the end of 1998 has not been disbursed.



UNDP has identified four reasons for this gap between annual pledges and disbursements:

- sudden and rapid rise in ODA commitments from 1993;
- unavoidable time lags between pledges and project formulation, approval and implementation;
- increasing variety of different donor procedures and conditions; and
- limited government capacity to coordinate and absorb the sudden ODA inflow.

The capacity of the Government to disburse ODA is inextricably linked to setting in place a strategy for the nature and extent of aid to the environment sector.

## The Donors

The resumption of relations with the international finance institutions promoted cooperation between Vietnam and bilateral and other multilateral donors. The World Bank, ADB and Japan (through Japan International Cooperation Agency and the Overseas Economic Cooperation Fund), are by far the largest donors to Vietnam, contributing a fifth of total ODA commitments in 1997.

In 1993, the IMF was the largest donor but then dropped to second place in 1995 and 1996. In the following two years there was no disbursement because of Vietnam's failure to fulfil its policy commitments under the Enhanced Structural Adjustment Facility.

The World Bank has been the largest donor since 1994, supporting energy projects (power generation and transmission) and road and agricultural projects (irrigation rehabilitation and expansion). It has also provided support to economic management capacity strengthening through structural adjustment credit.

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The UN agencies have been the most consistent donors, delivering some 800 projects over the past 20 years amounting to US\$ 1.5 billion, mainly in grant assistance. UNDP, WFP and UNICEF are the largest contributors with programmes for capacity building, emergency relief and food aid, and the provision of basic social services.

## ODA by Assistance Type

Vietnam has received ODA in the form of loans and grants. Concessional loans have been provided mostly for investment projects (US\$ 277.812 million or more than half of the US\$ 526.551 million total ODA in 1996) and to support balance of payments (45%). Only a small proportion has been provided as technical assistance for project preparation, for example, for investment projects – in 1996, it formed only 1.67% of total loans.

Most grants have been provided as independent technical assistance (US\$ 250.3 million or 54.6% of the US\$ 458.413 million for grants). The remaining grants have been for investment-related projects, budget support, food support and emergency relief.

## ODA by Sector

Apart from balance of payment support provided mainly by the IMF, the energy sector has been the largest recipient of ODA, although this dropped in 1994-95. OECF and the World Bank are the largest donors in the power sector, with substantial loans going to large power generation projects, such as Phu My 1, Phu My 2, Phu My 2.2 and Pha Lai 2. ADB has concentrated its assistance on improving the power transmission and distribution network.

In 1997 and 1998, transportation moved from third to second place where it is expected to remain through to the year 2000. The greater





part of ODA use in this sector has been directed at rehabilitating and improving National Road 1.

More recently, the Government has made agricultural and rural development its highest priority for ODA through to the end of the decade, and disbursements in this sector have increased substantially since 1997. New and improved irrigation systems have so far been the major focus.

In 1997, capital investment projects in energy, transport and the agriculture sectors absorbed about two-third of the total ODA disbursed.

ODA to social sectors (including education and training, health and sport) has grown, but in 1997, dropped from 30% to 20% of total ODA. The share of investment overall to the social sector, including government and private sources and ODA, remains low, although disbursements will continue to rise as planned major water supply projects are implemented. In 1997, ODA to basic social services including health care, human resource development, area improvement and humanitarian aid, stood at 5% of total ODA, well below the 20% target set at the 1995 World Social Summit in Copenhagen.

Human resource development and health care improvement received the greatest share of grant ODA, 18% each. Since 1996, technical assistance (TA) going to administration reform, macroeconomic policy-making and to the environment sector has increased steadily, especially from bilateral donors.

An increasing number of donors wish to support policy reform or institutional capacity building. However, in these fields, it has proven more difficult than in infrastructure development to avoid overlap and inefficiency in ODA use. Policy and public administration projects require greater transparency and better coordination than is currently possible.



## Regional Distribution of ODA

There is no precise data about regional ODA distribution. In practice, most projects are implemented through the central Government in Ha Noi, but the beneficiaries are nationwide. The data that is available reveals that Ha Noi is the largest recipient of ODA followed by Ho Chi Minh City, but their combined share is declining. The concentration of loans and grants going to these two cities is due in part to better facilities and higher ODA absorptive capacity than in the other regions.

Besides these cities, the northern mountainous region receives the highest level of ODA per capita, although about 40% of the ODA disbursement in this region came from JICA for bridge projects in nine provinces.

The Government has adopted decentralisation as a key theme in its policy on ODA management and use. ODA allocations to provinces have increased by 8% in the four years to 1997, to nearly half of total ODA.

## ODA Management Challenges

The Government's ODA management and use policies aim to improve ODA efficiency and absorptive capacity. Since 1993, important steps have been taken to create an appropriate legal and institutional framework for ODA. Yet, management capacity and disbursement rates remain low, as does its efficient use.

Government ODA managers have identified the following main reasons for slow and inefficient project implementation:

- a comprehensive legal framework for ODA management is lacking;
- government and donor project cycles are not always consistent;
- decision-making procedures relating to project implementation are not well defined;

- project management and implementation capacity is limited;
- ODA projects are often treated as an add-on to already overburdened staff;
- there is difficulty in accessing government counterpart funds; and
- regulations on land compensation are lacking.

## Environment ODA

The overall analysis of ODA in the previous section provides a backdrop for a more focused examination of aid to the environment sector. Generic impediments to the smooth flow and working of ODA are inextricably interwoven with those more specifically associated with environment ODA.

UNDP's database, compiled as part of the *Compendium of Environmental Projects* has been used as the basis for developing a complete set of environment ODA projects over the period 1985-2000. UNDP's database includes projects that were only in the pipeline at the time of its compilation, and many projects that were identified are now being implemented or have been completed. In addition, projects identified or implemented between 1996-2000 were added.

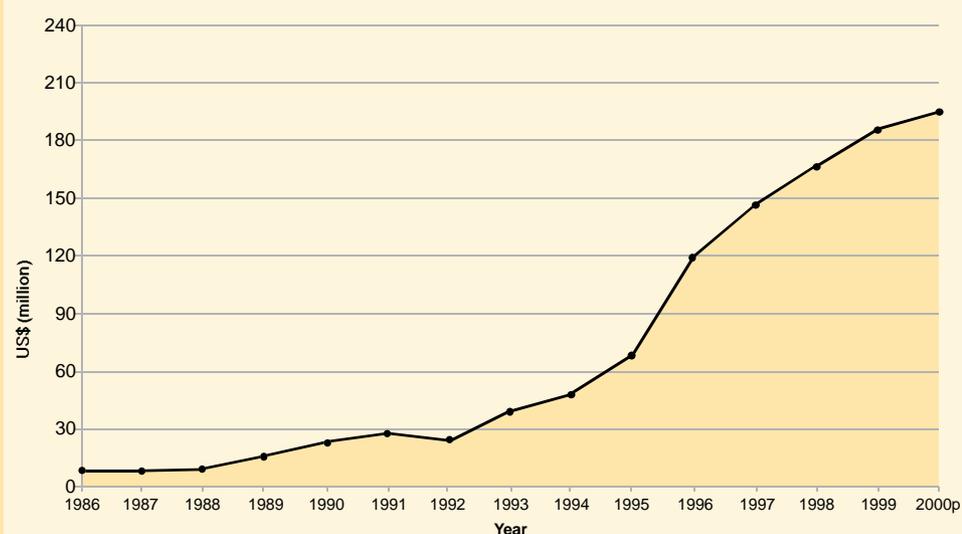
### Overall Environment ODA Commitments

Table 5.1 provides an overview of environment ODA to Vietnam from 1985 and shows that commitments have grown during the study period, with a particularly rapid increase in the four years from 1993-97 (Figure 5.2). Total environment ODA commitments during the 1985-2000 stand at US\$ 2 billion

TABLE							5.1
Environment ODA to Vietnam, by Project Group and Period, 1985-2000							
Project group	1985-95		1996-2000		1985-2000		
	Project (number)	Commitment (US\$ '000)	Project (number)	Commitment (US\$ '000)	Project (number)	Commitment (US\$ '000)	
<b>1. Natural resource projects</b>							
Upland forests/watershed protection	50	181,667	39	134,521	89	316,188	
Income generation in hill areas	28	61,490	45	176,174	73	237,664	
Resource demand for fuel wood	6	658	1	2,500	7	3,158	
Mangroves & inland marshes	15	8,096	2	3,376	17	11,472	
Coastline & typhoon protection	56	105,793	32	97,250	88	203,043	
Coral reefs & marine parks	2	6,150	0	0	2	6,150	
Sustainable agricultural practices	44	24,933	4	13,790	48	38,723	
<b>Sub-total</b>	<b>201</b>	<b>388,787</b>	<b>123</b>	<b>427,611</b>	<b>324</b>	<b>816,398</b>	
<b>2. Urban and industrial projects</b>							
Urban master plans	9	19,344	3	12,380	12	31,724	
Urban and industrial pollution	4	24,113	6	82,158	10	106,271	
Market incentives to control pollution	9	5,922	1	40	10	5,962	
Pollution standards & monitoring	2	952	1	556	3	1,508	
Environmental monitoring systems	8	9,248	2	1,109	10	10,357	
<b>Sub-total</b>	<b>32</b>	<b>59,579</b>	<b>13</b>	<b>96,243</b>	<b>45</b>	<b>155,822</b>	
<b>3. Institutional strengthening</b>							
Coordination of environmental policy	10	11,447	14	28,769	24	40,216	
Environmental impact assessment	1	16	2	423	3	439	
Public & professional awareness	8	6,347	4	8,918	12	15,265	
<b>Sub-total</b>	<b>19</b>	<b>17,810</b>	<b>20</b>	<b>38,110</b>	<b>39</b>	<b>55,920</b>	
<b>Total</b>	<b>252</b>	<b>466,176</b>	<b>156</b>	<b>561,964</b>	<b>408</b>	<b>1,028,140</b>	

Source: UNDP. 1996. *Compendium of Environmental Projects in Vietnam, 1985-1995*. Ha Noi: UNDP and MPI; UNDP. Inventory of environmental assistance projects in 1998 and pipeline projects.

## ODA to the Environment Sector, 1986-2000



(including water supply projects). Water resource development projects make up 50% of that total but these have been excluded from the analysis given UNDP's definition of an "environment project".

Since 1996, total environment ODA commitments have increased dramatically reaching US\$ 573 million or 30% more than for the 1985-95 period. While environment ODA accounted for only 9.4% of total ODA disbursed during 1985-95, it rose to 11.6% during 1996-2000, reflecting the increase in environment ODA disbursement.

### Number and Size of Projects

In the 15 years from 1985, 408 environment projects have commenced involving a total commitment of US\$ 1,028 million. Of that total, 252 projects commenced during 1985-95 and 156 projects in the 1996-2000 period. Projects in the latter period include pipeline projects identified by donors and ministries, principally UNDP, ADB, World Bank and the Ministry of Agriculture and Rural Development. Environment projects have increased in scale, both in terms of budget and duration, over the study period that is, on average US\$ 3.9 million for 1996-2000 from US\$ 1.85 million for 1985-95. The largest projects come from the natural resource group while the smallest are concerned with institutional strengthening.

### Grant to Loan Ratio

In the 15-year period studied grants accounted for 54% of total environment aid. The picture for loans is different – in the 1996-2000 period the share of loans fell to 44.2%, a slight decrease over the 1985-95 period when the share was 48.8%. This is contrary to the overall trend for ODA and reflects difficulties the Banks have had in processing proposed large and complex loans through the government system.

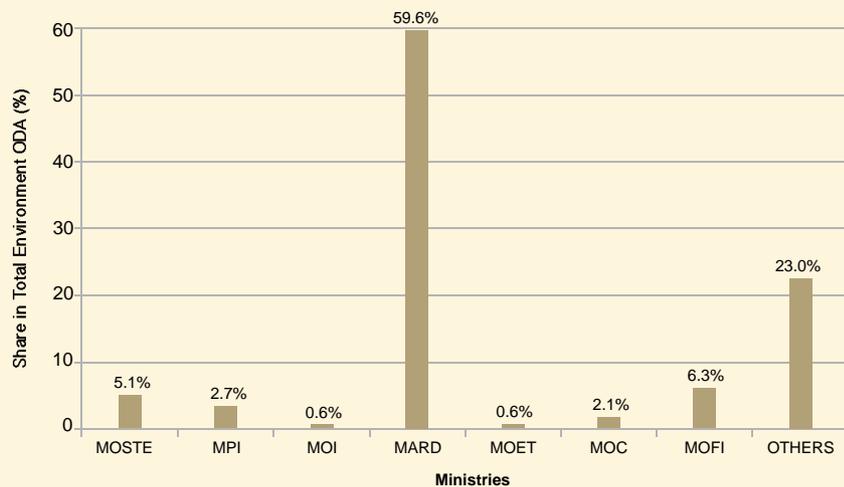
## MARD Dominance

MARD is the principal ODA partner managing almost 60% of the total commitments (Figure 5.3) and one-third of all projects on the environment (Figure 5.4). MARD has been responsible for nine of the 10 largest projects implemented during the 15-year period. The Ministry of Science, Technology and Environment and the National Environment Agency receive only 5.1% of the total, with the Ministry of Planning and Investment at 2.7%, Ministry of Construction at 2.1% and Ministry of Industry at 0.6%.

FIGURE

5.3

### Environment ODA by Executing Agency, 1985-2000

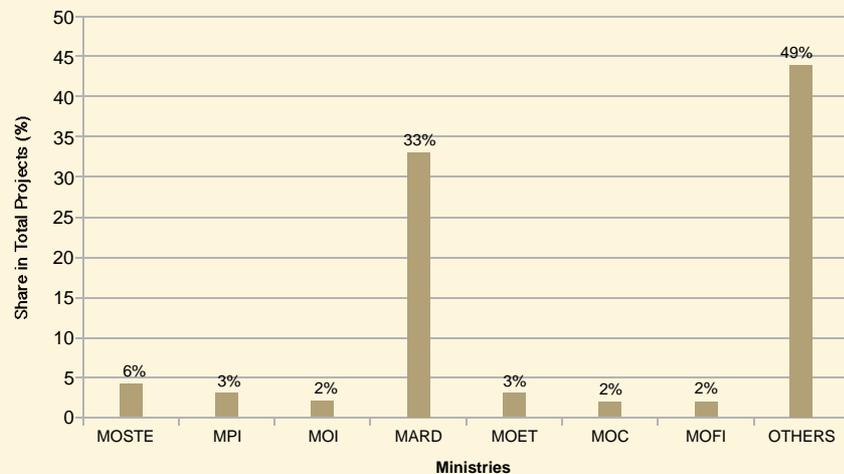


Note: "Other" organisations include local organisations, other ministries and some projects where the executing agency has yet to be defined.

FIGURE

5.4

### Projects by Executing Agency, 1985-2000



Note: "Other" organisations include local organisations, other ministries and some projects where the executing agency has yet to be defined.

## Multilateral Dominance

Multilateral organisations, predominantly the World Bank, ADB, UNDP and WFP, have dominated environment ODA since 1985, being responsible for 57% of the total. Since 1995, they have provided 61% of environment ODA, an increase of 10% over the earlier period to 1995. This reflects the large number of loans that have recently come on-line. In 1995, WFP was the principal environmental donor with 10 projects amounting to US\$ 143 million, but since 1996, it has not initiated new projects and will phase out its programme altogether over the next two years.

In contrast, most ADB and World Bank projects have only begun since 1996. ADB now contributes about US\$ 120 million (or 14.4% of environment ODA) with 16 projects. The World Bank is supporting four projects with a value of US\$ 117 million, or 12.8% of environment ODA (Table 5.2).

## NGO Contribution

The small scale of most NGO projects means that they are often not represented in overall contribution figures. The UNDP database, for example, excludes projects with values less than US\$ 20,000 leaving out most NGO projects. Yet, the cumulative impact of some 300 NGOs operating in the green sector has significance beyond that reflected in the database figures.

## Natural Resources Dominate

Multilateral, bilateral and NGO donors concentrate their environment ODA on the green sector: the natural resource sector attracted 80% of total commitments and 80% of total projects (Figure 5.5). It is the sole programme area for environmental NGOs.

Bilateral donors have placed increasing emphasis on institutional strengthening, from 4% during 1985-95 to 16% during 1996-2000, and are paying less attention to urban and industrial projects, with its share dropping from 25% to 9% over the same period. In contrast, multilateral donors are

TABLE

5.2

Top Ten Environmental Donors, 1985-2000

Rank	Donor	Committed projects (number)			Funding Commitments (US\$ '000)		
		1985-2000	1985-95	1996-2000	1985-2000	1985-95	1996-2000
1	World Food Programme	10	10	0	142,975	142,975	0
2	Asian Development Bank	16	6	10	118,530	3,660	114,870
3	World Bank	4	0	4	117,256	0	117,256
4	Swedish International Development Agency	22	9	13	84,892	60,891	24,001
5	International Fund for Agriculture Development	4	1	3	66,390	18,350	48,040
6	European Union	25	6	19	55,756	25,005	30,751
7	United Nations Development Programme	59	43	16	51,997	33,234	18,763
8	Netherlands	15	3	12	39,660	11,282	28,378
9	Kreditanstalt fuer Wiederaufbau (Germany)	5	2	3	37,442	14,000	23,442
10	Swiss Agency for Development & Cooperation	8	5	3	31,346	18,620	12,726
Top ten donors (A)		168	85	83	746,244	328,017	418,227
Total of all donors (B)		408	252	156	1,028,140	466,176	561,964
A as percentage of B		41%	34%	53%	73%	70%	74.42%

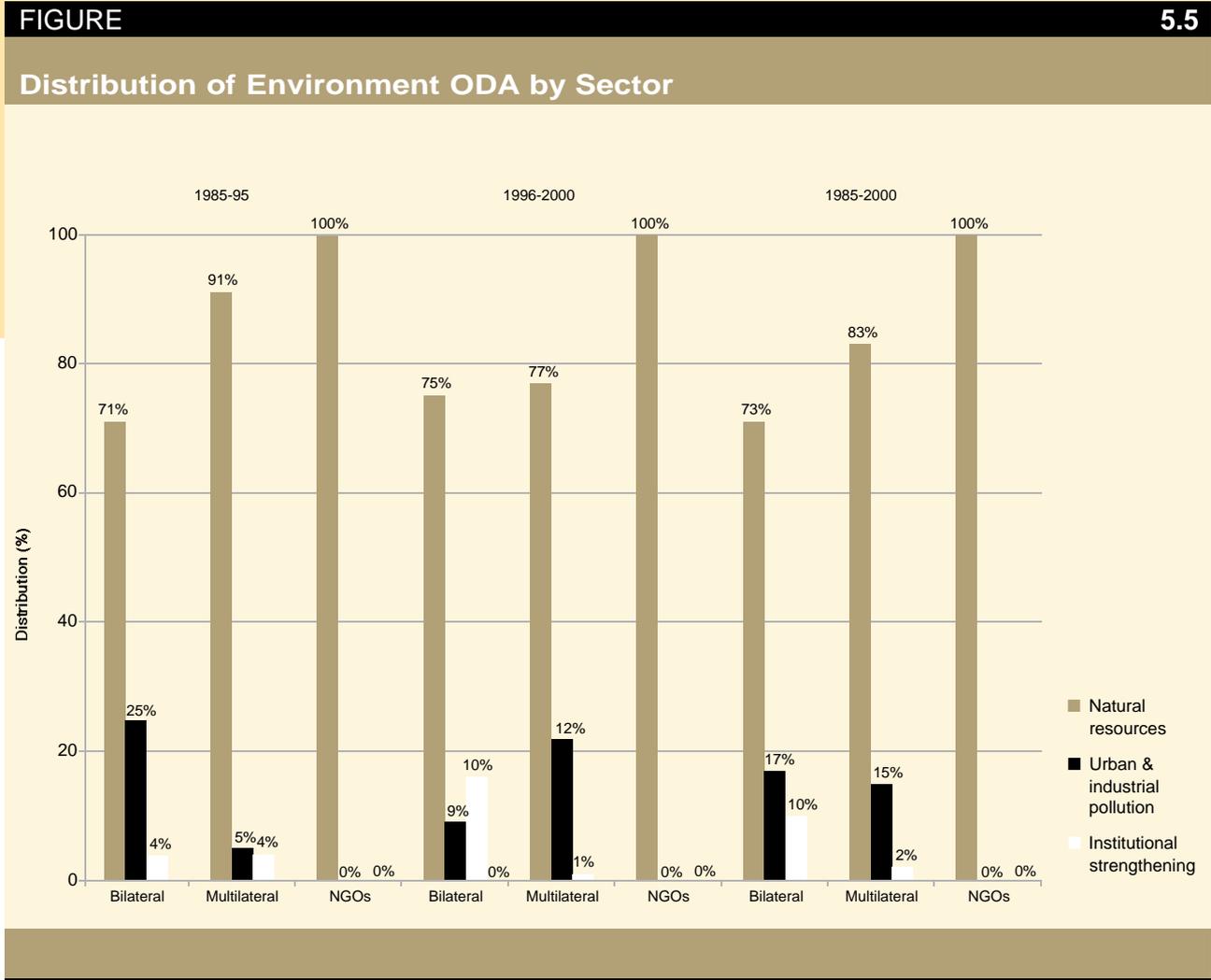
paying increasing attention to the brown sector, from 5% during 1985-95 to 22% during 1996-2000.

## Institutional Strengthening

Only 5% of total environment ODA commitments and 10% of projects go principally to meeting institutional strengthening objectives, although this share has increased significantly. From 1985-95, 3.8% of total value and 7.5% of total projects were allocated to institutional strengthening. This increased to 7.0% and 13.0% respectively during 1996-2000. Many environment projects in other categories, especially those launched since 1995, do have strong institutional strengthening components although the exact commitment to this area from these sources is difficult to quantify. There is a marked trend in the formulation of green and brown sector environment projects to give greater emphasis to institutional strengthening, recognising the importance of policy development and management capacity or 'software', to make more effective use of 'hardware' infrastructure.

## Decentralised Aid Delivery

The proportion of environment aid going directly to the provincial and local level is low, at only 11% of total environment ODA. Central agencies are





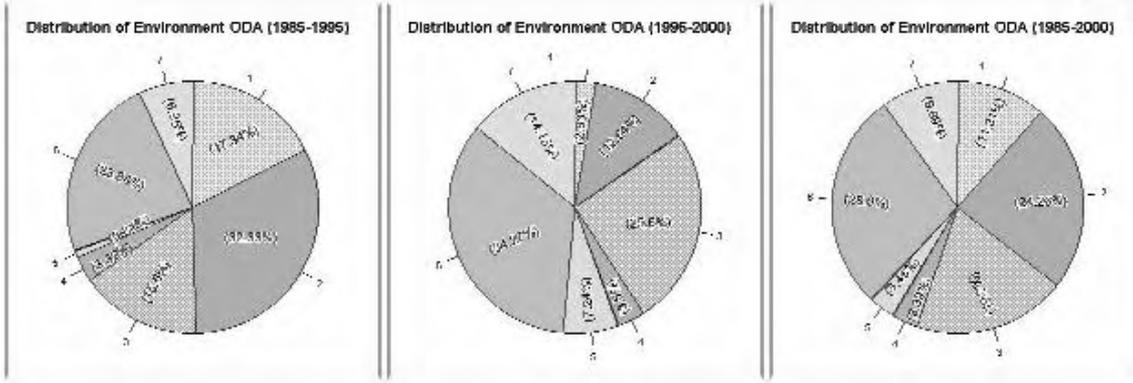
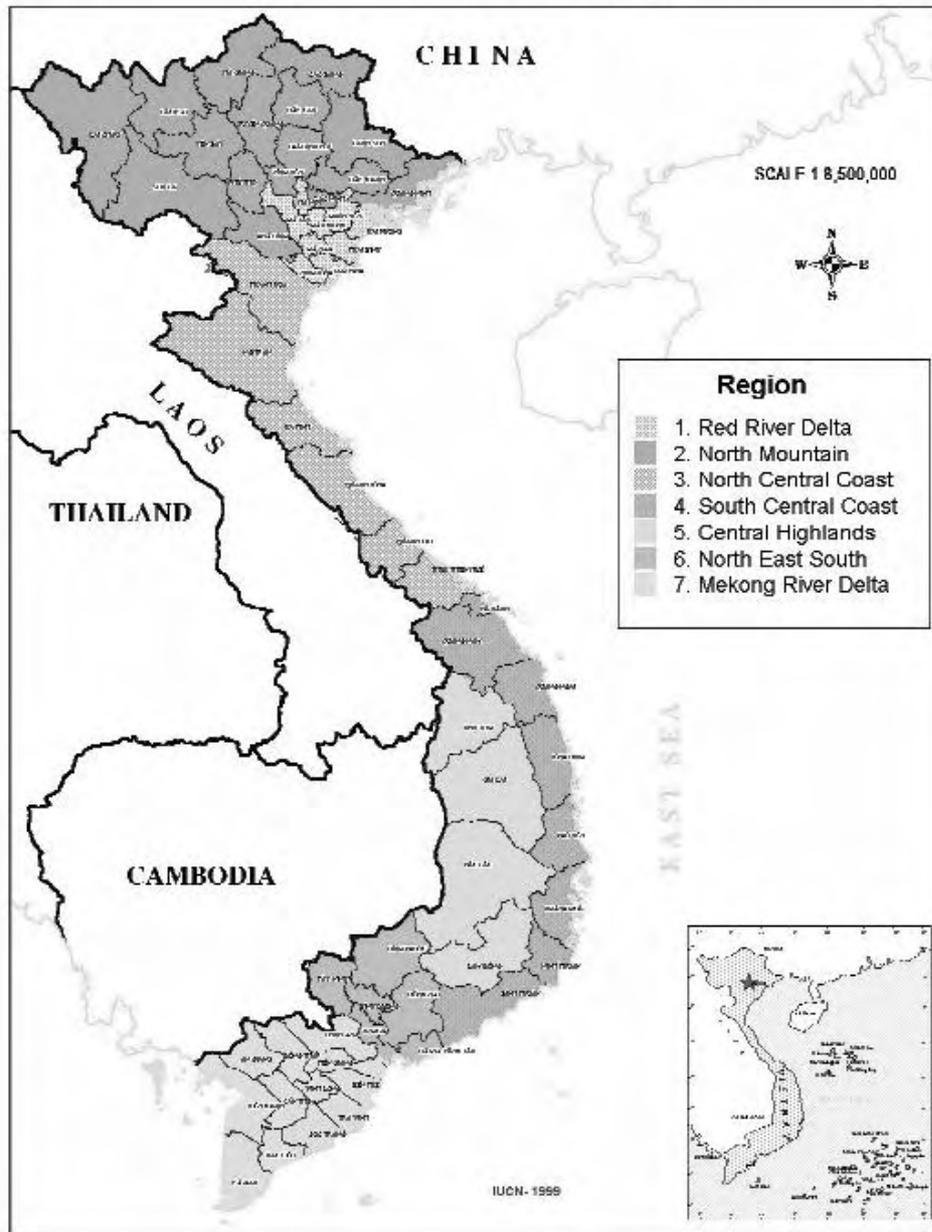
most often the project-executing organisations, although there is a growing trend of power being delegated to the local agencies: the latter were responsible for executing about 5% of all projects in 1985-95 with this share jumping to 18% in 1996-2000.

## Regional Distribution

Environment aid is not equally distributed throughout the country (Map 7). For the 15 years from 1985, the Red River Delta region received the largest portion of aid at 31% of the total, if water projects are included. Without them, the region's share of ODA drops to 11% and the North East South region becomes the main recipient with 28% of total environment ODA. Ho Chi Minh City attracts 69% of that ODA inflow leaving a relatively small share for the surrounding provinces. Ha Noi, which received 56% of aid going to the Red River Delta region in the ten years to 1995, appears to be the victim of growing concern over ODA centralisation; it has seen its share reduced to 7% (or 0.2% of environment ODA countrywide) in the 1996-2000 period. As a whole, the Red River Delta region has experienced a greater decline in aid for the environment than any other area of the country, falling from 17% to 3%.

Two other regions dominate as recipients of environment aid – the North Mountain and North Central Coast regions, which received 24% and 20% respectively of the total for the 1985-2000 period. Yet the trend for each is different, with the North Mountain region experiencing a major drop from 32% to 13% when the periods before and after 1995 are compared. The North Central Coast, on the other hand, is witnessing a growth in environment ODA, receiving 26%, up from 16% during the same period. The regions that have received the least environment ODA over 1985-2000 period are the Central Highlands at 3.5% and the South Central Coast at 3.4%. Aid flows to the South Central Coast have been consistently low over the entire period, but since 1996, the Central Highlands has experienced

Environment ODA by Economic Region, without Water Projects



almost a 7% upsurge from a very low level of 0.8% in the ten years to 1995. Similarly, environment aid to the Mekong River Delta doubled to 14% during 1996-2000.

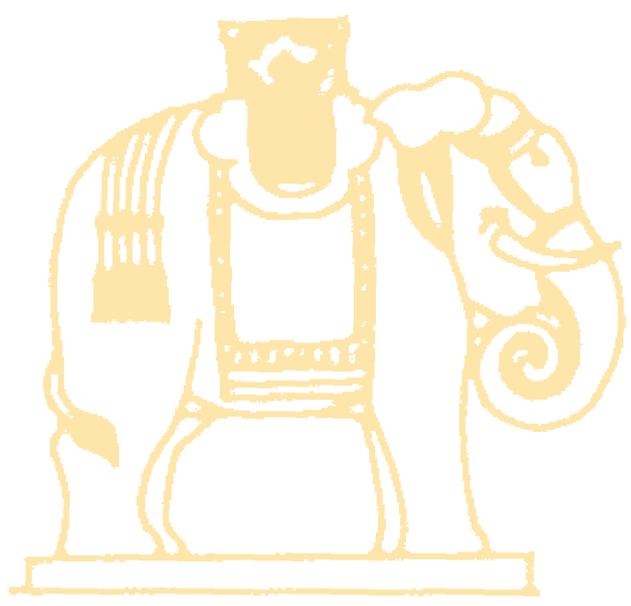
## Conclusions

Total ODA to Vietnam has increased dramatically over the 15-year study period. The level of disbursement has improved but remains around 50% of commitments, which over the past five years have averaged more than US\$2 billion per annum. Donors have been eager to give and Vietnam to receive at levels far beyond its capacity to absorb; this has not helped create an efficient, open and honest administrative system. Total ODA to the environment has increased in proportion to the overall increase and remains around 10% of aid. Most goes through MARD to natural resource management projects. Only a small part of environment ODA is delivered directly to the provincial and district levels. Decentralisation of decision-making and responsibility for ODA project management is one of the main challenges facing the Government in this field.

A key finding is that geographical distribution of environment ODA has neglected those regions with highest remaining biodiversity. These areas, targeted by migrating families, are where natural system degradation is most rapid.



CHAPTER 5



# Trends in Official Development Assistance to Vietnam

## A Watershed Year for ODA: 1993

Prior to 1993, ODA management in Vietnam was weak. Development assistance was viewed as an ad hoc expression of 'goodwill' and little attention was paid to establishing an efficient framework for its management. This was partly because ODA commitments had been low: there was the loss of assistance from the Soviet Union in the mid-1980s, the US embargo and the absence of the major international finance institutions from the country.

The focal point for ODA was the Office of the Government, in collaboration with the State Planning Committee (as the Ministry of Planning and Investment was called), the Ministry of Finance, the Ministry of Foreign Affairs and the State Bank of Vietnam. Yet specific functions and responsibilities of the individual agencies in ODA management had not been clearly defined and aid management was largely unregulated. For example, there were no regulations governing procurement and disbursement.

In 1993, the resumption of official relations with the main multilateral donors – the International Monetary Fund, the World Bank and the Asian Development Bank – marked a new phase in ODA activities in Vietnam, and demanded a more systematic approach to aid and to overall economic cooperation. The impressive performance in economic reform, especially during the 1989-93 period, led to a surge in donor confidence and commitments, further underlining the need for clear ODA priorities and management arrangements.

The Government began paying more attention to institutional and legal capacity, to building and strengthening ODA implementation and management. It continued the assertive



programme of policy innovation aiming at regional and global integration, became a member of the Association of South-East Asian Nations and the Asia Pacific Economic Cooperation forum, and has been preparing to join the World Trade Organisation. These initiatives and more intensive interaction with the donors brought greater appreciation within government of ODA potential and its management requirements (Appendix 3).

Vietnam set ambitious development targets for the 1996-2000 period: a doubling of the 1990 per capita GDP figure, with industrial and service output to constitute 90% of total GD; primary education for all children, universal lower secondary education in the main cities and provinces and universal literacy in the country; increase life expectancy to 70 years with 89% of the population having access to clean drinking water; and not least, forest cover was to increase by 40%.

The Government estimated that US\$ 41 to 42 billion would be required to meet those objectives with about half coming from state sources. The remaining would come from private domestic sources, state enterprises, foreign direct investment and ODA. ODA is expected to play a crucial role, contributing almost a quarter of the total investment – commitments were set at more than US\$ 10 billion, with the Government anticipating effective disbursement of some US\$ 7.5 billion.

The Eighth Communist Party Congress in 1996 stressed “the importance of attracting multilateral and bilateral ODA for the development plan period with emphasis on socio-economic infrastructure, technology, science and management capacity improvement, with some allocations to agricultural, forestry, and fisheries development. The priority in ODA use has been given to less developed regions”.

The Congress added that “projects proposed for funding through ODA loans must be prepared with a clear and strict debt service schedule, and identified sources for payment without creating a debt burden. ODA resources should be used efficiently, under strict control and supervision”.

## Government Priorities for ODA

In 1996, the Donor Consultative Group Meeting held in Ha Noi highlighted three broad priorities for ODA to the year 2000:

- development of socio-economic infrastructure;
- human resources and institutional development; and
- technology transfer.

With these priorities as the backdrop, ODA resources have been invested in five key areas according to 11 socio-economic development programmes defined in the 1996-2000 Five-Year Plan.

**Agricultural and rural development.** The priorities are agricultural restructuring, industrialisation, improvement in the living standards and social services for rural people – including education and health care services – employment generation, poverty alleviation and rural infrastructure development.

**Industrial development.** Vietnam plans to use ODA to enhance power generation, transmission and distribution, especially in urban areas. In the rural areas, the power transmission and distribution network is to be improved to service irrigation, and agricultural, forestry and fishery



processing industries. Technology transfer has been emphasised and this priority is reflected in investment trends in the industrial sector, and especially relating to FDI.

**National road improvement.** Assistance is being used to improve the national road network, for example, in the planning and construction of National Road 1 (from Lang Son province down south to Ho Chi Minh City) and 5 (from Ha Noi to Hai Phong City). Also, rural transport development has been given priority, especially for mountainous and border provinces with an emphasis on roads to remote districts.

**Human and institutional development.** ODA is being used to fund various education and training projects, including higher education, secondary education and vocational training with special attention being given to the improvement of teacher qualifications, curriculum development and to the provision of teaching and learning aids.

**Social and cultural development.** Finally, ODA has been crucial to implementing the primary health improvement programme, the population and family planning programme, and the nationwide vaccination programme.

In December 1998, at the Consultative Group Meeting in Paris, the Government identified agriculture and rural development as the highest priority in its ODA strategy. Also, the government identified 1,715 of the poorest communes in the country for special assistance.

## ODA to Vietnam

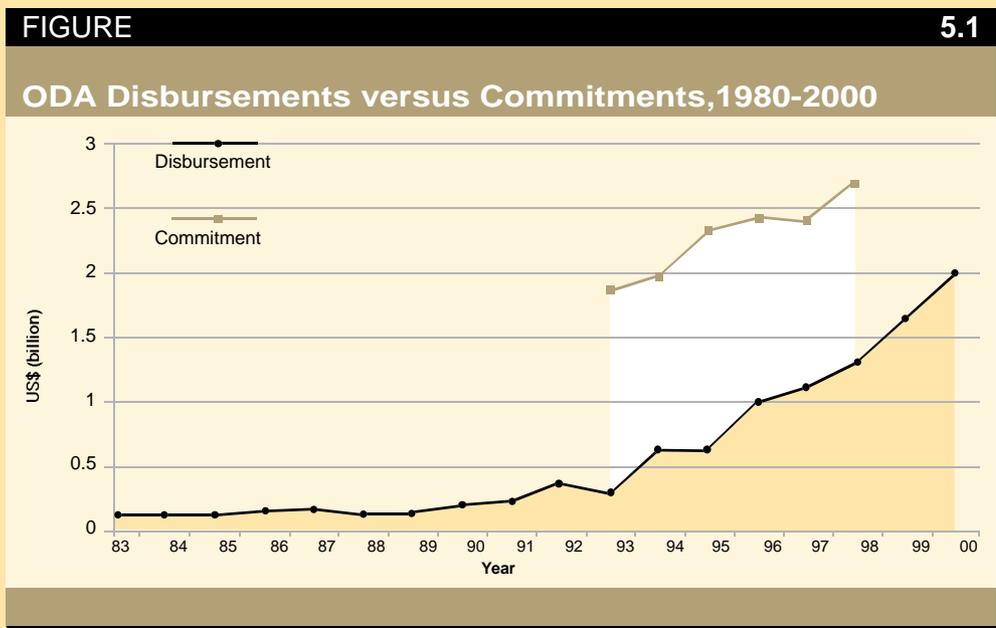
ODA trends are best viewed in two periods: before and after 1993.

Prior to 1993, ODA came mainly from the Council of Mutual Economic Assistance and the former Soviet Union. The latter provided Vietnam with about 12.6 billion of convertible roubles on concessional terms. Many large projects funded by the former Soviet Union and other Council countries

have had significant development impacts, for example, Thang Long bridge, Hoa Binh power plant and various oil and gas projects. Yet, in general, ODA was not used efficiently due to rudimentary ODA management systems.

After 1993, ODA commitments increased dramatically (Figure 5.1). In 1997, for example, Vietnam received US\$ 2.4 billion in ODA commitments, 80% as concessional loans and 20% as grants. Between 1993-98, donors pledged a total of nearly US\$ 13.7 billion.

Disbursement has always lagged well behind commitments. Post-1993 disbursements were US\$ 4.9 billion, just a little more than a third of total ODA. Currently, US\$ 8 billion committed in the six-year period to the end of 1998 has not been disbursed.



UNDP has identified four reasons for this gap between annual pledges and disbursements:

- sudden and rapid rise in ODA commitments from 1993;
- unavoidable time lags between pledges and project formulation, approval and implementation;
- increasing variety of different donor procedures and conditions; and
- limited government capacity to coordinate and absorb the sudden ODA inflow.

The capacity of the Government to disburse ODA is inextricably linked to setting in place a strategy for the nature and extent of aid to the environment sector.

## The Donors

The resumption of relations with the international finance institutions promoted cooperation between Vietnam and bilateral and other multilateral donors. The World Bank, ADB and Japan (through Japan International Cooperation Agency and the Overseas Economic Cooperation Fund), are by far the largest donors to Vietnam, contributing a fifth of total ODA commitments in 1997.

In 1993, the IMF was the largest donor but then dropped to second place in 1995 and 1996. In the following two years there was no disbursement because of Vietnam's failure to fulfil its policy commitments under the Enhanced Structural Adjustment Facility.

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## Regional Distribution of ODA

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- decision-making procedures relating to project implementation are not well defined;

- project management and implementation capacity is limited;
- ODA projects are often treated as an add-on to already overburdened staff;
- there is difficulty in accessing government counterpart funds; and
- regulations on land compensation are lacking.

## Environment ODA

The overall analysis of ODA in the previous section provides a backdrop for a more focused examination of aid to the environment sector. Generic impediments to the smooth flow and working of ODA are inextricably interwoven with those more specifically associated with environment ODA.

UNDP's database, compiled as part of the *Compendium of Environmental Projects* has been used as the basis for developing a complete set of environment ODA projects over the period 1985-2000. UNDP's database includes projects that were only in the pipeline at the time of its compilation, and many projects that were identified are now being implemented or have been completed. In addition, projects identified or implemented between 1996-2000 were added.

### Overall Environment ODA Commitments

Table 5.1 provides an overview of environment ODA to Vietnam from 1985 and shows that commitments have grown during the study period, with a particularly rapid increase in the four years from 1993-97 (Figure 5.2). Total environment ODA commitments during the 1985-2000 stand at US\$ 2 billion

TABLE							5.1
Environment ODA to Vietnam, by Project Group and Period, 1985-2000							
Project group	1985-95		1996-2000		1985-2000		
	Project (number)	Commitment (US\$ '000)	Project (number)	Commitment (US\$ '000)	Project (number)	Commitment (US\$ '000)	
<b>1. Natural resource projects</b>							
Upland forests/watershed protection	50	181,667	39	134,521	89	316,188	
Income generation in hill areas	28	61,490	45	176,174	73	237,664	
Resource demand for fuel wood	6	658	1	2,500	7	3,158	
Mangroves & inland marshes	15	8,096	2	3,376	17	11,472	
Coastline & typhoon protection	56	105,793	32	97,250	88	203,043	
Coral reefs & marine parks	2	6,150	0	0	2	6,150	
Sustainable agricultural practices	44	24,933	4	13,790	48	38,723	
<b>Sub-total</b>	<b>201</b>	<b>388,787</b>	<b>123</b>	<b>427,611</b>	<b>324</b>	<b>816,398</b>	
<b>2. Urban and industrial projects</b>							
Urban master plans	9	19,344	3	12,380	12	31,724	
Urban and industrial pollution	4	24,113	6	82,158	10	106,271	
Market incentives to control pollution	9	5,922	1	40	10	5,962	
Pollution standards & monitoring	2	952	1	556	3	1,508	
Environmental monitoring systems	8	9,248	2	1,109	10	10,357	
<b>Sub-total</b>	<b>32</b>	<b>59,579</b>	<b>13</b>	<b>96,243</b>	<b>45</b>	<b>155,822</b>	
<b>3. Institutional strengthening</b>							
Coordination of environmental policy	10	11,447	14	28,769	24	40,216	
Environmental impact assessment	1	16	2	423	3	439	
Public & professional awareness	8	6,347	4	8,918	12	15,265	
<b>Sub-total</b>	<b>19</b>	<b>17,810</b>	<b>20</b>	<b>38,110</b>	<b>39</b>	<b>55,920</b>	
<b>Total</b>	<b>252</b>	<b>466,176</b>	<b>156</b>	<b>561,964</b>	<b>408</b>	<b>1,028,140</b>	

Source: UNDP. 1996. *Compendium of Environmental Projects in Vietnam, 1985-1995*. Ha Noi: UNDP and MPI; UNDP. Inventory of environmental assistance projects in 1998 and pipeline projects.

## ODA to the Environment Sector, 1986-2000



(including water supply projects). Water resource development projects make up 50% of that total but these have been excluded from the analysis given UNDP's definition of an "environment project".

Since 1996, total environment ODA commitments have increased dramatically reaching US\$ 573 million or 30% more than for the 1985-95 period. While environment ODA accounted for only 9.4% of total ODA disbursed during 1985-95, it rose to 11.6% during 1996-2000, reflecting the increase in environment ODA disbursement.

### Number and Size of Projects

In the 15 years from 1985, 408 environment projects have commenced involving a total commitment of US\$ 1,028 million. Of that total, 252 projects commenced during 1985-95 and 156 projects in the 1996-2000 period. Projects in the latter period include pipeline projects identified by donors and ministries, principally UNDP, ADB, World Bank and the Ministry of Agriculture and Rural Development. Environment projects have increased in scale, both in terms of budget and duration, over the study period that is, on average US\$ 3.9 million for 1996-2000 from US\$ 1.85 million for 1985-95. The largest projects come from the natural resource group while the smallest are concerned with institutional strengthening.

### Grant to Loan Ratio

In the 15-year period studied grants accounted for 54% of total environment aid. The picture for loans is different – in the 1996-2000 period the share of loans fell to 44.2%, a slight decrease over the 1985-95 period when the share was 48.8%. This is contrary to the overall trend for ODA and reflects difficulties the Banks have had in processing proposed large and complex loans through the government system.

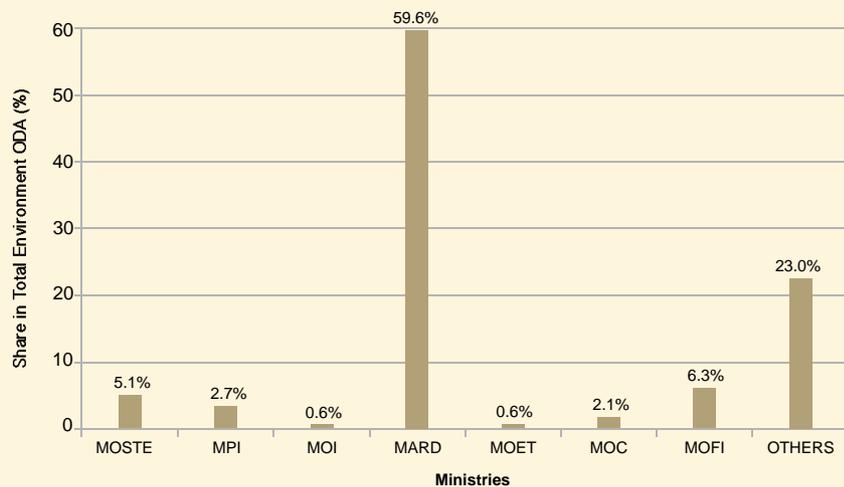
## MARD Dominance

MARD is the principal ODA partner managing almost 60% of the total commitments (Figure 5.3) and one-third of all projects on the environment (Figure 5.4). MARD has been responsible for nine of the 10 largest projects implemented during the 15-year period. The Ministry of Science, Technology and Environment and the National Environment Agency receive only 5.1% of the total, with the Ministry of Planning and Investment at 2.7%, Ministry of Construction at 2.1% and Ministry of Industry at 0.6%.

FIGURE

5.3

### Environment ODA by Executing Agency, 1985-2000

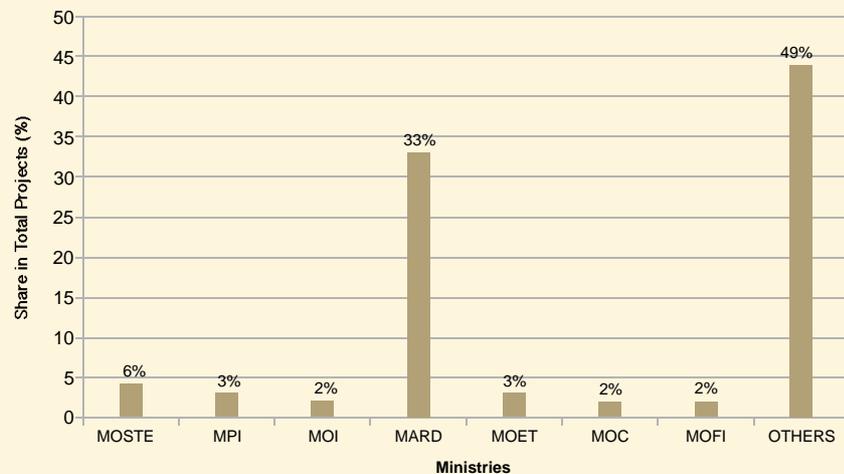


Note: "Other" organisations include local organisations, other ministries and some projects where the executing agency has yet to be defined.

FIGURE

5.4

### Projects by Executing Agency, 1985-2000



Note: "Other" organisations include local organisations, other ministries and some projects where the executing agency has yet to be defined.

## Multilateral Dominance

Multilateral organisations, predominantly the World Bank, ADB, UNDP and WFP, have dominated environment ODA since 1985, being responsible for 57% of the total. Since 1995, they have provided 61% of environment ODA, an increase of 10% over the earlier period to 1995. This reflects the large number of loans that have recently come on-line. In 1995, WFP was the principal environmental donor with 10 projects amounting to US\$ 143 million, but since 1996, it has not initiated new projects and will phase out its programme altogether over the next two years.

In contrast, most ADB and World Bank projects have only begun since 1996. ADB now contributes about US\$ 120 million (or 14.4% of environment ODA) with 16 projects. The World Bank is supporting four projects with a value of US\$ 117 million, or 12.8% of environment ODA (Table 5.2).

## NGO Contribution

The small scale of most NGO projects means that they are often not represented in overall contribution figures. The UNDP database, for example, excludes projects with values less than US\$ 20,000 leaving out most NGO projects. Yet, the cumulative impact of some 300 NGOs operating in the green sector has significance beyond that reflected in the database figures.

## Natural Resources Dominate

Multilateral, bilateral and NGO donors concentrate their environment ODA on the green sector: the natural resource sector attracted 80% of total commitments and 80% of total projects (Figure 5.5). It is the sole programme area for environmental NGOs.

Bilateral donors have placed increasing emphasis on institutional strengthening, from 4% during 1985-95 to 16% during 1996-2000, and are paying less attention to urban and industrial projects, with its share dropping from 25% to 9% over the same period. In contrast, multilateral donors are

TABLE

5.2

### Top Ten Environmental Donors, 1985-2000

Rank	Donor	Committed projects (number)			Funding Commitments (US\$ '000)		
		1985-2000	1985-95	1996-2000	1985-2000	1985-95	1996-2000
1	World Food Programme	10	10	0	142,975	142,975	0
2	Asian Development Bank	16	6	10	118,530	3,660	114,870
3	World Bank	4	0	4	117,256	0	117,256
4	Swedish International Development Agency	22	9	13	84,892	60,891	24,001
5	International Fund for Agriculture Development	4	1	3	66,390	18,350	48,040
6	European Union	25	6	19	55,756	25,005	30,751
7	United Nations Development Programme	59	43	16	51,997	33,234	18,763
8	Netherlands	15	3	12	39,660	11,282	28,378
9	Kreditanstalt Fuer Wiederaufbau (Germany)	5	2	3	37,442	14,000	23,442
10	Swiss Agency for Development & Cooperation	8	5	3	31,346	18,620	12,726
Top ten donors (A)		168	85	83	746,244	328,017	418,227
Total of all donors (B)		408	252	156	1,028,140	466,176	561,964
A as percentage of B		41%	34%	53%	73%	70%	74.42%

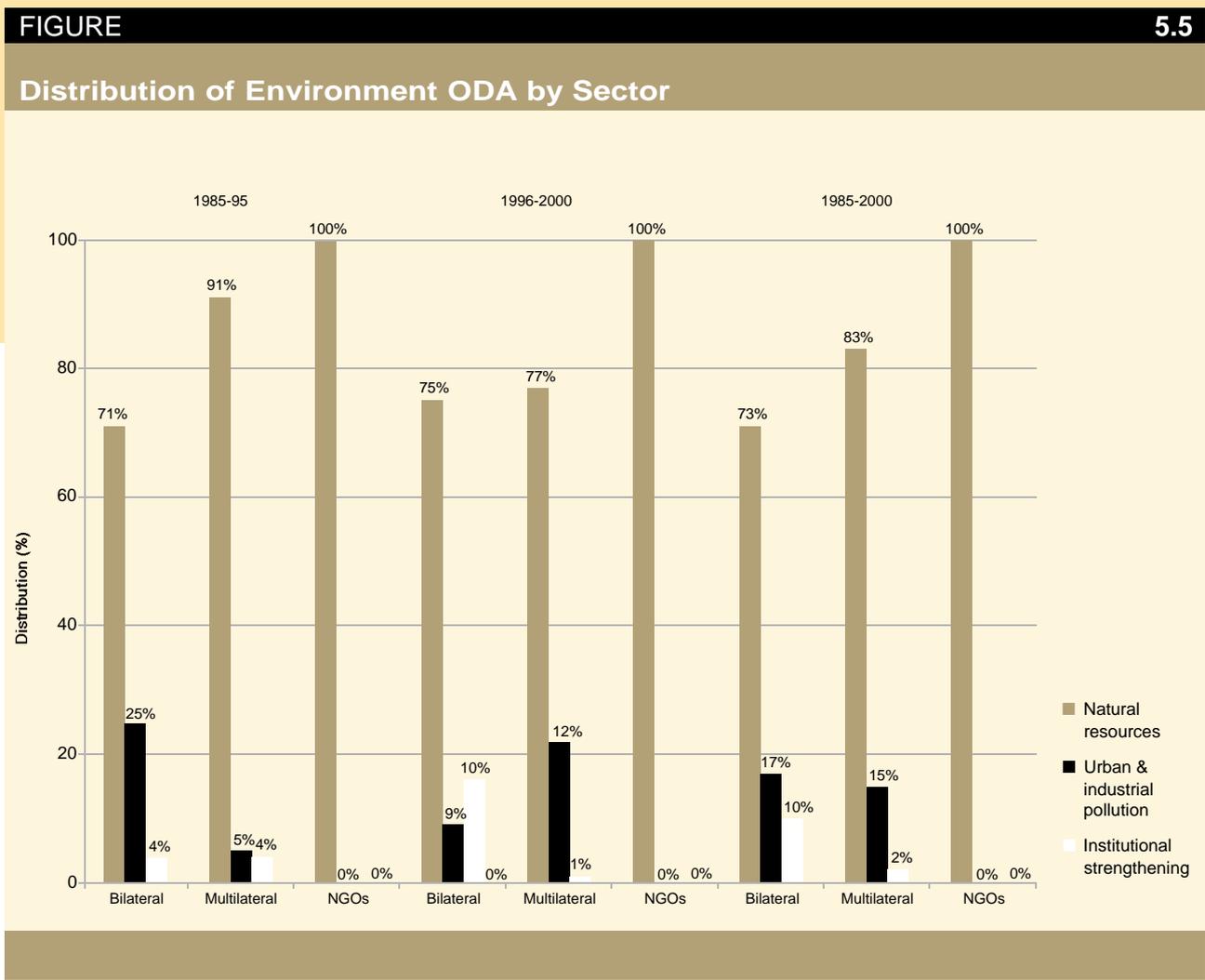
paying increasing attention to the brown sector, from 5% during 1985-95 to 22% during 1996-2000.

## Institutional Strengthening

Only 5% of total environment ODA commitments and 10% of projects go principally to meeting institutional strengthening objectives, although this share has increased significantly. From 1985-95, 3.8% of total value and 7.5% of total projects were allocated to institutional strengthening. This increased to 7.0% and 13.0% respectively during 1996-2000. Many environment projects in other categories, especially those launched since 1995, do have strong institutional strengthening components although the exact commitment to this area from these sources is difficult to quantify. There is a marked trend in the formulation of green and brown sector environment projects to give greater emphasis to institutional strengthening, recognising the importance of policy development and management capacity or 'software', to make more effective use of 'hardware' infrastructure.

## Decentralised Aid Delivery

The proportion of environment aid going directly to the provincial and local level is low, at only 11% of total environment ODA. Central agencies are





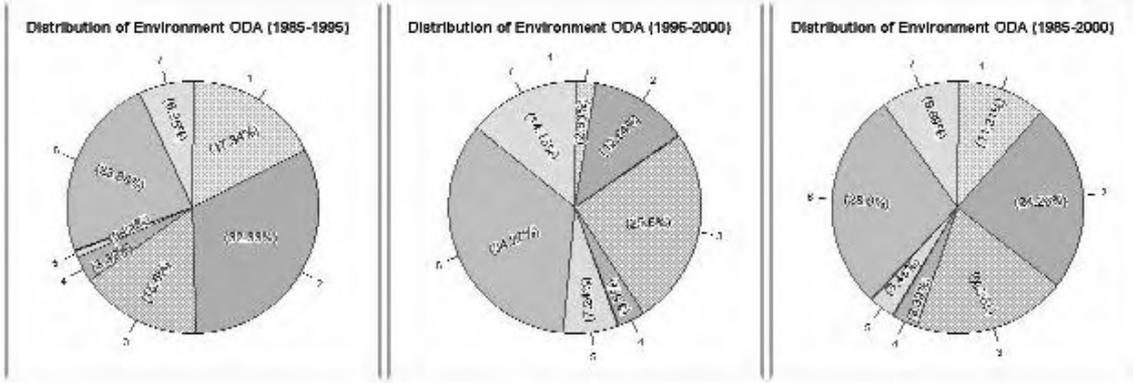
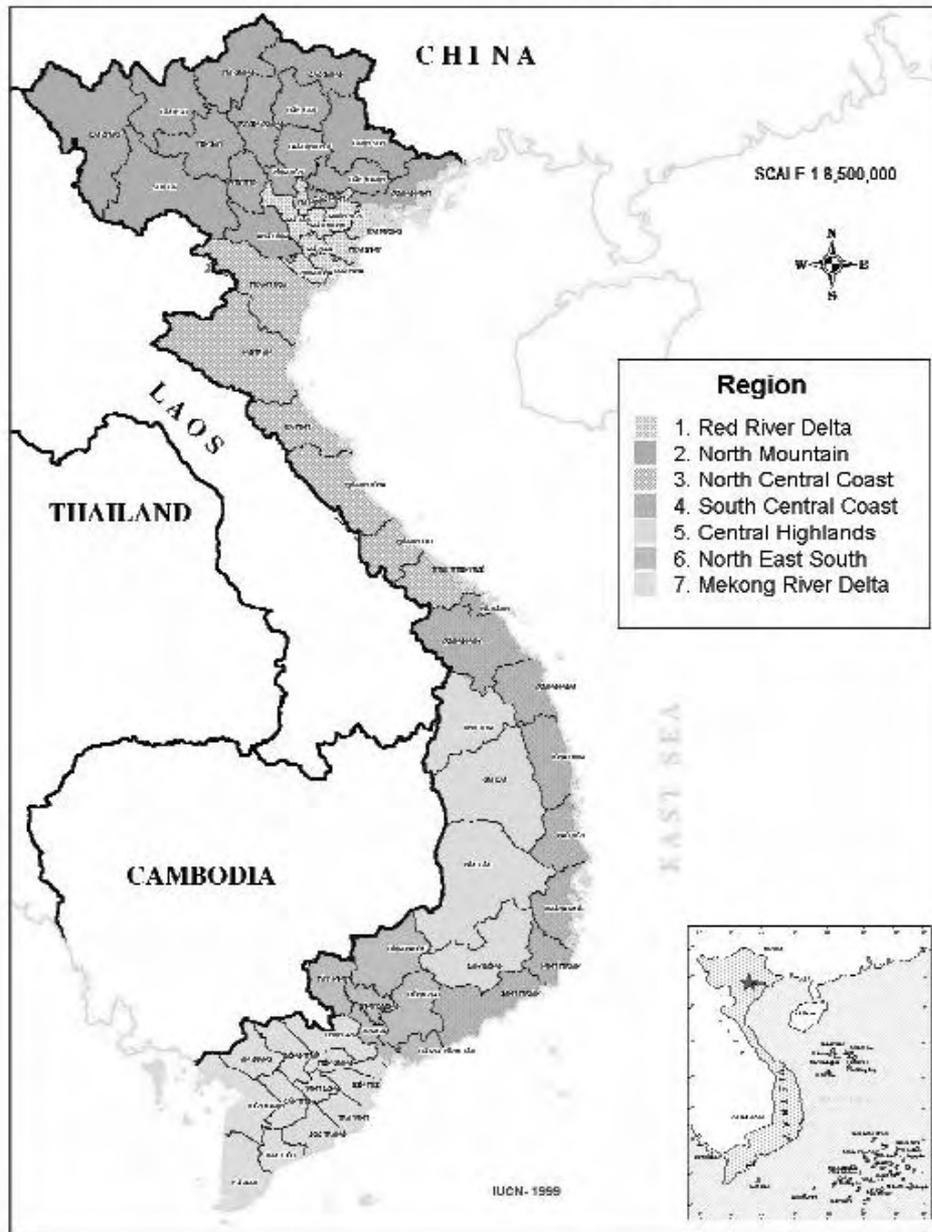
most often the project-executing organisations, although there is a growing trend of power being delegated to the local agencies: the latter were responsible for executing about 5% of all projects in 1985-95 with this share jumping to 18% in 1996-2000.

## Regional Distribution

Environment aid is not equally distributed throughout the country (Map 7). For the 15 years from 1985, the Red River Delta region received the largest portion of aid at 31% of the total, if water projects are included. Without them, the region's share of ODA drops to 11% and the North East South region becomes the main recipient with 28% of total environment ODA. Ho Chi Minh City attracts 69% of that ODA inflow leaving a relatively small share for the surrounding provinces. Ha Noi, which received 56% of aid going to the Red River Delta region in the ten years to 1995, appears to be the victim of growing concern over ODA centralisation; it has seen its share reduced to 7% (or 0.2% of environment ODA countrywide) in the 1996-2000 period. As a whole, the Red River Delta region has experienced a greater decline in aid for the environment than any other area of the country, falling from 17% to 3%.

Two other regions dominate as recipients of environment aid – the North Mountain and North Central Coast regions, which received 24% and 20% respectively of the total for the 1985-2000 period. Yet the trend for each is different, with the North Mountain region experiencing a major drop from 32% to 13% when the periods before and after 1995 are compared. The North Central Coast, on the other hand, is witnessing a growth in environment ODA, receiving 26%, up from 16% during the same period. The regions that have received the least environment ODA over 1985-2000 period are the Central Highlands at 3.5% and the South Central Coast at 3.4%. Aid flows to the South Central Coast have been consistently low over the entire period, but since 1996, the Central Highlands has experienced

Environment ODA by Economic Region, without Water Projects



almost a 7% upsurge from a very low level of 0.8% in the ten years to 1995. Similarly, environment aid to the Mekong River Delta doubled to 14% during 1996-2000.

## Conclusions

Total ODA to Vietnam has increased dramatically over the 15-year study period. The level of disbursement has improved but remains around 50% of commitments, which over the past five years have averaged more than US\$2 billion per annum. Donors have been eager to give and Vietnam to receive at levels far beyond its capacity to absorb; this has not helped create an efficient, open and honest administrative system. Total ODA to the environment has increased in proportion to the overall increase and remains around 10% of aid. Most goes through MARD to natural resource management projects. Only a small part of environment ODA is delivered directly to the provincial and district levels. Decentralisation of decision-making and responsibility for ODA project management is one of the main challenges facing the Government in this field.

A key finding is that geographical distribution of environment ODA has neglected those regions with highest remaining biodiversity. These areas, targeted by migrating families, are where natural system degradation is most rapid.



## CHAPTER 6



# Aid to the Natural Resource Sector

**C**hapter 5 highlighted the significant amount of environment aid going to Vietnam's natural resource sector. This Chapter examines more closely the nature of that aid and reviews its impact and effectiveness.

Because the policy and institutional context through which aid is channelled is a critical determinant of its effectiveness, it was important to review the main natural resource sector policies and institutional developments. Key issues emerging from the review are discussed here as are a catalogue of environment aid achievements and challenges.

## Key Policy Developments

The 1980s and 1990s have seen a number of important policy reforms in Vietnam's natural resource sector. Land policy reforms have been the most successful, and the recent reform of the water resources policy provides a solid basis for water resources development. Reforms in the forestry sector have been less effective, with a resultant increase in environmental degradation and negative impacts on other natural resource sectors, particularly water and agriculture. Though the government has made increasingly urgent policy responses, this sector's decline remains a serious concern. The main policy changes across the natural resource sector are described below.

### Food Security Policy

Food security through increased agricultural production and rural development has historically been a priority objective. Since the early 1980s, government policy reforms implemented

specifically to achieve this goal have led to dramatic changes in Vietnam's natural resource sector.

Land policy reforms in particular have stimulated significant increases in agricultural production. Other reforms in the water, forestry and fisheries sectors have followed. As the policy reform process evolved, there has been increasing recognition, at both the central and provincial government levels, that natural resource policy-making must be integrated and cross-sectoral.

## Land Policy Reforms

Land policy reforms commenced in 1981 and effectively aimed to 'de-collectivise' Vietnam's land ownership. The process was given impetus in 1988 with Resolution 10 NQ.TW which, for the first time, defined the farm household as an autonomous economic production unit. It liberalised farm decision-making and allowed farm households to hold long-term land use rights for 10-15 years to annual cropland, and for longer periods to forest land.

The Land Law of 1993 took the process further by granting households five new rights – transfer, exchange, lease, inheritance and mortgage – that had not been provided under Resolution 10. The Law also extended use rights to 20 years for annual cropland and to 50 years for perennial cropland.

Implementing the Land Law has proved to be a complex exercise. Allocating land use rights requires mapping, determination of 'origins', dispute settlement, and issuance of certificates of title. Rights have been allocated to 86% of cropland but only 9.8% of forest land, of which only 1% is natural forest. Forest land poses a far more difficult problem as most is located in upland areas where the terrain is more broken than the lowlands and where customary use rights commonly exist. Forest land allocation processes can, and commonly do, become locked in dispute when land allocation rights are sought over an area that is claimed by others under customary systems.

Agricultural production, specifically that of rice, has risen sharply since the reform process commenced. Farm households, given secure and long-term land tenure, have been prepared to make investments in land improvement, and production has soared as a result. In 1998, rice production reached 29.1 million tons, a significant increase over the 11.6 million tons produced in 1980.

While allocation of land use rights has progressed, there was little implementation of the other five 'rights' granted by the 1993 Law. In fact, there were no decrees or regulations to explain how the rights could be implemented; hence there was no open market in land. However, a law amending the 1993 legislation was issued in December 1998, which describes the process for the legal transaction of these rights.

## Water Resources Policy Reforms

The Government drafted a new Water Resources Law, with assistance from the World Bank, which was approved by the National Assembly in May 1998. For the first time there is specific and clear recognition of the need for integrated watershed management between and within central, provincial and district authorities and the private sector.

The law reflected the Government's recognition that increased (although mostly uncontrolled) water use across a range of sectors was causing environmental degradation. This in turn was impacting on economic development opportunities. The agriculture, energy and industry sub-sectors require good quality water, as do urban and rural population centres. Uncontrolled use by one sub-sector can make water unfit for use by another.

Water use is also affected by other sub-sectors, such as forestry, which are less dependent on water. Forest clearance in upland regions can increase sediment loads, disrupt natural water regulation cycles and annual peak and trough flows. The frequency and scale of these types of environmental disturbances are increasing across Vietnam as forest loss increases in upland areas. These forest use patterns are indirectly threatening downstream water-dependent sectors.

The Law adopts an integrated approach to water resources management; this approach is being promoted as a means of ensuring:

- sectoral integration – planning and management that takes account of competition and conflicts for water resources amongst all potential users;
- economic, social and environmental integration – taking account of all costs and benefits;
- administrative integration – coordinating water resource management responsibilities between and within central, provincial and local levels; and
- geographical integration – using hydrological, that is, watershed rather than administrative boundaries as the basic units for water resource planning and management.

This legislation provides a strong legal foundation for a new institutional framework for water management in Vietnam. It recognises that:

- water resources are common property, under the state's management;
- there needs to be a balance between conserving, protecting and developing water resources;
- water resource planning should be based on the features of a whole river basin; and
- consumers should pay for the privilege of using water.

The Government is currently developing the institutional framework to implement the Water Law in the Red River Basin with support from ADB. Similar exercises are being planned for Vietnam's other major river basins.

## Forest Policy Reforms

The decline in Vietnam's natural forest area has seen a concomitant increase in 'bare' or unproductive land. The Government has recognised that the country's forests underpin ecologically sustainable economic, cultural and social development, particularly in the rural and mountainous areas. It has developed a long-term strategy to increase the forested area from 9.3 to 14 million



hectares. To improve water management, efforts are being made to restore vegetation cover to bare, eroding hillsides. To sustain rural livelihoods and to promote rural labour, reforestation programmes have been a national priority, ever since 1956.

Until 1993, most of the timber to support Vietnam's rapidly increasing economic development came from the country's natural forests. This is no longer true, as most accessible forest areas have already been exploited. In recognition of this inevitable shortfall in supply, and in addition to the two objectives noted above, all government planting programmes since 1956 have aimed to develop nationally significant plantation resources to replace natural forest timbers.

To protect the remaining forests, the Prime Minister issued a decree in early 1997 banning all natural forest logging. The Ministry of Agriculture and Rural Development (MARD) was asked to prepare a plan to 'close' all natural forests and this has significantly reduced natural forest harvesting, though not stopped it altogether. Harvested volume fell from 600,000 cubic metres per year in 1996 – already down from 1 million cubic metres in 1990 – to 350,000 cubic metres per year in 1998. Further reductions are planned although future harvesting levels remain uncertain. The plan recognised that Vietnam could not fund the timber imports required to replace wood from its forests, and that preventing natural forest logging would lead to large-scale job losses in the forest and wood processing sectors, particularly in the rural areas.

As the volume of wood supplied from Vietnam's natural forests has reduced, it has sourced an increasing volume from its neighbours' forests. Large log volumes have flowed from Cambodia and to a lesser extent Laos since 1993. Recently, increased volumes are being imported from Myanmar.

Vietnam must, however, compete with Thailand for this wood. It is a finite resource and Thai companies have already secured a significant proportion of the available volume. Regionally, Indonesia and Malaysia are the largest timber exporters. Timber from these countries is priced at an internationally competitive basis and timber imported into Vietnam from these sources is expensive compared to domestic sources or those from Cambodia, Laos and Myanmar. The Government is aware that unless it can increase supplies from within the country, it is only a matter of time before the timber import bill begins to impact on balance of trade figures.

Despite plantation programmes, large as well as small-holder tree plantings dating from the mid-1950s, Vietnam does not have a history of quality plantation management. In the period to 1975, some 219,290 hectares were established. Understandably during the war the programme suffered from lack of funds and was less successful than expected in producing quality plantations.

In the period between 1975 and 1986, plantation programmes continued but again suffered from a lack of funds and technical inputs. Gross figures suggest that 563,120 hectares were established, but survival and subsequent growth rates were poor.

The period between 1986 and 1992 witnessed an increased focus on establishing plantations, often supported by international donors. Although large areas were reportedly planted, funds remained inadequate and techniques poor as in previous programmes. While





these initiatives were more successful than past ones, by the early 1990s the country had barely advanced in its efforts to replace natural forest timber with plantation sources.

#### Programme 327

Central government policy-makers have attached greater urgency over the past decade to reforestation initiatives. In 1993, the Re-greening the Barren Hills Programme (327), (Decision No. 327/CT September 1992) was launched. Its primary focus was reforestation and watershed protection. It sought innovative implementation arrangements based on land allocation to small-holders under Resolution No. 10 NQ.TW – that had proven so successful in the agricultural sub-sector – to move towards integrated rural development. Programme 327 represented a significant milestone in natural resource policy-making, as it formally recognised the integrated nature of natural resource management.

In the period to 1997, the Government spent approximately Vietnamese Dong 1,800 billion (about US\$ 137 million) in funding activities. Yet, the programme encountered difficulties achieving its goals, largely due to institutional constraints. The obstacles included:

- a top down, bureaucratic approach;
- constantly changing programme objectives;
- stalled land allocation processes that had failed to involve local people;
- insufficient and untimely funding;
- poor technical capacity;
- implementing the project in a way that failed to recognise the wider development aims of resource-poor households who need an overall integrated development approach; and
- scarce land resources.

#### Five Million Hectare Programme

In 1998, through Decision 661/QD-TTg (July 1998), the Government formulated a new programme, the Five Million Hectare Programme, to build on the lessons learned from reviews of Programme 327. A total of US\$ 2.5 billion to the year 2010 (US\$ 1 billion from the state, the remainder from bank loans and donor inputs) have been earmarked to fund programme activities. The Programme is another significant forest policy advance. The

Government has formally recognised the potential to regenerate a natural resource system through sound and careful management involving local households. A major focus of the Programme is increasing forest cover through natural forest regeneration. Degraded forest land has always been considered as 'bare' land with reforestation being conducted through very expensive, and in many cases, ultimately unsuccessful plantation programmes. The Five Million Hectare Programme has taken a first but important step toward recognising the benefits of better natural forest management. While the Programme does have a plantation component – focusing on small-holder plantations as in Programme 327 – this is only one part of the overall approach to reforestation.

Through the Programme, the Government is making an even more concerted effort to reverse the economic and social consequences of the decline in natural forest resources. By controlling the serious environmental degradation caused by forest loss and mismanagement it is hoped that rural development objectives across the country can be put back on track. The success of the Programme remains to be tested but one concern is that many of the underlying institutional constraints that reduced the effectiveness of Programme 327 remain.

#### Focusing on Protected Areas

The Government recognises the need to protect forest resources for their economic worth as well as for their underlying biodiversity value. In 1962, Cuc Phuong was declared as the country's first protected area. The war years intervened and prevented any further expansion of the reserve system until 1983. Since then, there has been a rapid increase in the number, type and area of reserves declared to protect what remains of Vietnam's valuable terrestrial ecosystems.

Vietnam's national protected area system now comprises 101 separate areas covering 2.1 million hectares – around 6% of Vietnam's land area. Of these, 10 are National Parks, 60 are Nature Reserves and 31 are cultural-historical-environmental areas. Thirty-two of the areas have been set aside for the specific purpose of protecting representative examples of almost all the different forest ecosystems in the country. The remaining sites are very small due to the fragmented nature of Vietnam's remaining natural forest areas. Further areas are in the process of being proposed for reservation with the overall aim of setting aside 10% of the country's area for protection.

MARD's Forest Protection Department (FPD) coordinates protected area management under the Government's Law on Forest Protection (1991), the Land Law (1993), the Law on Environmental Protection (1994), the Biodiversity Action Plan (1995) as well as various Decrees outlining rules, regulations and penalties.

At the local level, protected area management is the responsibility of Management Boards that report to the Provincial Forest Protection Boards. At present, Management Boards have been established in all National Parks and 32 Nature Reserves.

Protected area management boards receive very little funding support and are severely understaffed. Nevertheless, protected area managers have done a remarkable job, given the resources at their disposal. While there have been impressive gains in the number of sites that have been reserved for protection, the on-ground reality is that very few of the protected areas are free from human encroachment. All of them have been degraded to

some degree by activities such as shifting cultivation, uncontrolled migration, the unchecked and illegal harvesting of timber, wildlife and other non-timber forest products, as well as uncontrolled fires.

Many of Vietnam's protected areas are 'paper' parks and require urgent assistance, technical and managerial, to cope with the pressures from uncontrolled human activity and encroachment.

**Buffer zones:** The major source of pressure on the country's protected areas network derives from communities living in and around the parks in what are frequently considered as buffer zones. Protected areas need strong buffer zone management where human activities that have major negative impacts are strictly controlled and not focused directly on the valuable protected area itself.

Prior to 1990, buffer zones were understood to be areas inside the boundary of the protected areas and surrounding the strictly protected core zone. However, in Decree No. 1586 of 13 July, 1993, a buffer zone is defined as being "peripheral to a protected area, surrounding all or part of a protected area. Buffer zones do not belong to the protected area and are not under the management of the protected area authorities."

The Forest Inventory and Planning Institute (FIPI) is responsible for addressing the technical issues associated with protected area management such as planning, inventory and research. In most cases, FIPI determines the buffer zone boundary during the feasibility study for new protected areas, with input from the FPD.

In practice, no single agency is responsible for buffer zone management. Boundaries are unclear to local people and there is uncertainty about which land tenures can be incorporated into buffer zones. When buffer zones are delineated, there is essentially no integrated management process to ensure that the buffer zone achieves its critical objective of protecting the protected area.

Buffer zones and their management are the single most important issue in maintaining the environmental integrity of the country's protected areas network.

## Fisheries Policy Reforms

Fisheries are an increasingly significant element in Vietnam's economy. A large proportion of the increased production in the fisheries sub-sector has occurred through unregulated activity that has, in many parts of the country, damaged the coastal environment. This sub-sector has significant potential if there are policies in place that will enable institutions to effectively manage Vietnam's fisheries.

Reforms in the fisheries sub-sector are being driven through a donor-supported master planning process. During 1998, the Ministry of Fisheries and the Institute for Fisheries





Economics and Planning prepared a Master Plan for Fisheries to Year 2010 with support from Danida. The Master Plan recognises that the future of Vietnam's fisheries will be heavily influenced by changes in the wider policy context.

The salient features of the master plan are:

- Vietnam's national economic reform process has provided the impetus for rapid growth and development, but this has been achieved mostly through relatively simple policy and institutional mechanisms such as liberalisation of domestic trade and commodities export. The process has now reached a critical stage where significant structural reforms will be necessary to maintain the momentum if the fisheries industry is to continue to be competitive in domestic, regional and international markets;
- also, Vietnam's membership of the Association of South-East Asian Nations and its future membership of the World Trade Organisation require commitments to reform tariff and trade policies. In 2003, when ASEAN's Free Trade Agreement becomes effective, Vietnam's fisheries sub-sector will lose the protection it has enjoyed for more than 40 years. The only option will be proactive actions to ensure an internationally competitive industry;
- fisheries practices worldwide are changing. The world's fishing industry is moving away from its traditional, unsophisticated and low technology past to a future based on better managed extraction and aquatic farming. This trend is being reinforced by rapidly increasing demands for aquatic products. Increasing populations, incomes and preferences for aquatic products – against stagnating or only modestly increasing supplies – will expand and alter the trade in aquatic products; and
- Vietnam's fisheries sub-sector has a poor environmental record. In some parts of the country, environmental degradation has already reached levels that threaten the aquatic industry's future viability. Natural marine stocks are severely diminished and use of illegal and environmentally catastrophic fishing methods is so widespread that Vietnam's natural fisheries stocks are in serious danger of collapse.

The Master Plan notes that the most significant threat but also an opportunity for Vietnam's fisheries is the sound management of the natural resource base on which the sub-sector depends. The Master Plan has identified six key programmes that will support future development.

Programme 1 – Using the Environment and Fisheries Resources – outlines a list of four projects supporting that will be the Ministry of Fisheries and the fishing industry and the protecting the environment, and conserving Vietnam’s fisheries resources and those natural resource systems that are impacted on by the fishing industry.

If all the programmes and projects listed in the Master Plan are implemented and embraced by the fishing industry, this will herald good prospects for the future.

Since the master planning process, MOFI has begun a number of policy reforms. It is drafting a national programme for aquaculture to control the use of environmentally damaging practices. There are also national programmes to encourage the industry to fish in deeper waters, to improve the quality of fish processing to ensure the export of value-added products, and to create jobs and income within Vietnam. In addition, there has been a Prime Ministerial Decree for the Protection of Fisheries and a decision banning damaging fishing methods. Finally, MOFI is drafting a new law on fisheries that aims to control all activities in the industry.

## Coastal and Marine Policy

Responsibilities for Vietnam’s coastal and marine policies are unclear. The fisheries sector is responsible for the policy formulation and management of the country’s marine fisheries, but this is predominantly from a production perspective. Responsibility for marine protection is ill-defined and contentious whilst coastal zone issues cross sectoral boundaries and no single ministry has been given the role of managing the coastal zone.

Coastal zone management requires a truly integrated approach, in much the same way as water resource management, since activities in almost all economic sectors in Vietnam either occur in or impact on the coastal zone and its environment. Integrated planning and management, such as that being developed in Vietnam’s water resource sector, is a new concept and there has only been a general beginning in expanding this form of management to the coastal zone. Yet, Vietnam is engaging in a range of modern international coastal and marine conventions; it will have difficulty giving them practical expression back home (Table 6.1). It is a member of the International Maritime Organisation and is a signatory to a number of conventions relating to marine issues.

**TABLE**

**6.1**

### International Marine Conventions Signed by Vietnam

Convention	Remarks
International Convention for the Prevention of Pollution from Ships (MARPOL)	Recognised the 2 compulsory annexes of the 6 annexes under the convention
Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal (Basel)	Became a member in 1998
Convention on the Prevention of Marine Pollution by Dumping of Wastes and other Materials (London)	A number of its protocols are under consideration

In practice, national laws and understanding of marine conservation and management concepts rarely filter down to the provincial level. Prosecutions are only arbitrarily applied and are tied more to the nationality of the offenders and the level of fines that can be imposed than to the level of pollution and environmental destruction caused.

National planning for marine issues still follows a command approach that is dominated by production oriented goals. There have been few national level activities focusing on marine conservation.

The Government is slowly coming to terms with the need to pay greater attention to coastal and marine zone management. At this stage, however, reforms and strong actions to ensure integrated development that does not damage the environment are only in their infancy.

## Reform Process and Trends in Natural Resource Management

All these policy reforms have occurred against a backdrop of increasing environmental degradation. This degradation has reached levels that threaten the sector's capacity to achieve government development objectives. If appropriate systems are in place, policy-makers can prevent environmental degradation by acting to change policies as signs of degradation emerge. If not, then unsustainable use will continue to degrade the environment until natural systems collapse. National trends toward unsustainable use in the natural resource sector suggest that the Vietnamese policy reform process is tending toward the latter scenario.

Three features of the process support this conclusion. Addressing these concerns will be critical to the future of this sector.

**Natural resource sector policy reforms are reactive rather than proactive.** A key feature of all government policy reform initiatives to date is that they have been in reaction to changing resource use patterns rather than proactive policy actions. Policy reforms have been initiated only after use patterns have consequences that threaten development objectives.

**Effective monitoring and policy analysis tools are lacking.** The Government has been unable to internalise effective environmental monitoring as part of its ongoing policy analysis mechanisms. The monitoring systems that do exist focus almost solely on the achievement of annual production targets. They are insufficiently developed to provide feedback on the environmental impacts of policy.

**The focus on production targets has led to a policy reform process that seeks cures rather than promotes sustainable use.** Policy-makers become aware that environmental impacts are occurring only after they have reached levels that threaten production targets. This is too late to prevent environmental degradation. In some instances, policy reforms can be implemented to change use patterns and the industry in question can continue, for example, integrated pest management in the agricultural sub-sector. In others, for example, coastal zone shrimp farming, the activity can cause such severe site-specific damage that the industry can no longer continue at that location. In these cases, future productive land use must focus on environmental rehabilitation, for example mangrove reforestation as a first step. In practice, what usually occurs is that the



industry moves to another location and the government, or more commonly local people, are left with the task of rehabilitating the site.

Also, the focus on production targets is so narrowly defined that solutions are often short-term and inappropriate in a wider social and environmental context. If a crop fails because of drought, the short-term solution is better irrigation. The longer term and more appropriate response may be to consider why there is insufficient water in the first place – usually there is a cross-sectoral link between upstream deforestation and disrupted water regulation systems. After the cause is identified, action can be taken to address the problem. While in many cases irrigation schemes will still be appropriate, they could be constructed as a component of a more holistic and long-term approach to problem solving.

## Institutional Developments

Until 1995, Vietnam had separate Ministries of Agriculture, Forestry, Water Resources and Fisheries. This structure meant that policies and management strategies were developed in isolation and usually without consideration of their possible impacts on other sub-sectors.

As policy reforms began to stimulate rapid growth in the agricultural sector, the Government recognised the increasing need for more integrated cross-sector management. In late 1995, the Ministries of Agriculture, Forestry and Water Resources were amalgamated into MARD while the Ministry of Fisheries (MOFI) remained separate.

In practice, however, the level of cross-sectoral integration remains limited. While the framework exists, agriculture, forestry and water resources departments within MARD still have little contact with one another and continue to operate as if they were still separate Ministries. Institutional mechanisms to force real cross-sectoral integration do not yet exist.

## Institutional Arrangements for ODA Management

ODA has been used by the Government to advance on-ground implementation of its policy reforms. ODA projects in the natural resource sector have been used to increase agricultural and rural development potential through:

- large scale investment projects, for example, installing irrigation schemes;
- projects that aim to develop socially, environmentally, technically and economically appropriate models to rehabilitate environments degraded by past mismanagement; or
- projects that strengthen the institutional capacities of natural resource management.

Most commonly, ODA is channelled through ministries at the central level (MARD, MOFI) with an increasing proportion then going to the provincial, district or commune level authorities.

Institutional arrangements to manage ODA are similar across all sub-sectors within MARD and MOFI. The International Cooperation Department (ICD) and the Planning and Investment Department (PID) in both Ministries play key roles in the ODA process.

ICD is the focal point for donors and national agencies and/or provincial governments seeking support for a specific project. PID ensures that proposed projects meet relevant national strategies. PID is, therefore, critical in ensuring that appropriate government contributions are allocated.

ICD and PID coordinate the project negotiation process, including project identification, fact-finding and appraisal missions, and after the Government grants permission, the signing of agreements or project documents between donors and the concerned ministry.

Once a project document is signed, a Ministry Decision is prepared and issued by the Department of Personnel. This assigns the project implementing agency and appoints a National Project Director and project staff. An annual counterpart contribution plan must be prepared by the project through its implementing agency and be submitted to other relevant departments of the implementing agency. PID is responsible for working with MPI and the Ministry of Finance to secure the counterpart funds requested. This exercise normally begins in the third quarter of a particular year in order to have the counterpart funds available in the next year. ICD manages all foreign relations involved with the project.

During project implementation, the NPD and international project advisors are responsible for reporting to both the donor and the relevant Vietnamese agencies in accordance with Government Decree 87/CP and guidelines provided by MPI and the Ministry of Finance. ICD aims to have a representative included on all project evaluation missions.

MARD has developed a unique approach to ODA coordination. With donor support, MARD established an International Support Group (ISG) in 1994 in response to the need to strengthen coordination for the increasing number and scale of projects it was implementing. The purpose of ISG was to facilitate dialogue between donors and MARD for the exchange of lessons learnt through project implementation experiences and to enable priorities for future projects to be discussed and developed. It was also intended to strengthen communication between the various departments within MARD.

Donors and MARD are still coming to terms with ISG's role in ODA coordination and there is a wide range of views on how successful the forum has been in achieving its initial objectives. All agree that the process has great potential value. In 1999, all concerned agreed that the ISG should be formally evaluated with the aim of developing a more effective coordination process. Several donors expressed interest in supporting the ISG through its evaluation process. The MARD ISG evaluation should lead to improved ODA coordination and the lessons could be applicable to all the ministries receiving ODA.

## Environment ODA to the Natural Resource Sector

### Overall ODA

In the period from 1985 to 2000, 80% of all environment ODA (excluding the commitments to large water resource development projects) was directed to the natural resource sector, predominantly to upland areas. Comparatively little has been directed to other areas.

Table 6.2 shows the pattern of ODA allocations to the natural resource sector for the entire 15-year period from 1985-2000.

More projects are seeking to achieve conservation objectives by improving rural living standards. The significant shift over the period toward ODA for income generation reflects recognition that watershed protection and upland forest conservation can only be achieved if living standards of rural households are improved through increased and diversified income generating opportunities.

### ODA to MARD

All ongoing or pipeline MARD ODA projects, be they environmental or non-environmental, in the forestry, agriculture and water resource sectors are given in Tables 6.3, 6.4 and 6.5 respectively.

Non-environment ODA dominates the water and agriculture sectors with 92% and 98% respectively flowing to projects that have no relationship to

TABLE				6.2		
Environment ODA to the Natural Resource Sector						
Project Group	1985-95		1996-2000		1985-2000	
	Project (number)	Commitment (US\$ '000)	Project (number)	Commitment (US\$ '000)	Project (number)	Commitment (US\$ '000)
<b>Natural resource projects</b>						
Upland forests/watershed protection	50	181,667	39	134,521	89	316,188
Income generation in hill areas	28	61,490	45	176,174	73	237,664
Resource demand for fuel wood	6	658	1	2,500	7	3,158
Mangroves & inland marshes	15	8,096	2	3,376	17	11,472
Coastline & typhoon protection	56	105,793	32	97,250	88	203,043
Coral reefs & marine parks	2	6,150	0	0	2	6,150
Sustainable agricultural practices	44	24,933	4	13,790	48	38,723
<b>Total</b>	<b>201</b>	<b>388,787</b>	<b>123</b>	<b>427,611</b>	<b>324</b>	<b>816,398</b>
Source: UNDP, 1996. <i>Compendium of Environmental Projects in Vietnam, 1985-1995</i> . Ha Noi; UNDP and MPI, UNDP database: inventory of environmental assistance projects: ongoing projects in 1998 and pipeline projects						

TABLE

6.3

## MARD ODA Projects in the Forestry Sector

Projects	Number	Funding		Average Size (US\$ millions)	Grant	Loan	GOV
Upland rural development & watershed management	8	120.3	(38.3%)	15.0	67.4	33.0	19.9
Coastal rural development	3	53.3	(17.0%)	17.8	39.9	0.0	13.4
Protected areas	6	64.1	(20.4%)	10.7	34.9	21.5	7.7
Wetlands	2	50.6	(16.1%)	25.3	0.6	40.0	10.0
Training	5	8.8	(2.8%)	1.8	8.5	0.0	0.3
Policy development & planning	6	5.2	(1.7%)	0.9	4.3	0.0	0.9
Non-timber forest products	2	1.8	(0.6%)	0.9	1.8	0.0	0.0
<b>Sub-total</b>	<b>32</b>	<b>304.1</b>	<b>(96.7%)</b>		<b>157.4</b>	<b>94.5</b>	<b>52.2</b>
Non-environment	7	10.3	(3.3%)	1.5	7.3	2.5	0.5
<b>Total</b>	<b>39</b>	<b>314.4</b>			<b>164.7</b>	<b>97.0</b>	<b>52.7</b>
<b>Environment ODAs as a percentage of total ODA to forestry sector</b>	<b>82</b>	<b>96.7</b>			<b>50.1</b>	<b>30.1</b>	<b>16.6</b>

Source: International Cooperation Department, MARD. 1998. Database of ongoing and pipeline MARD projects.

TABLE

6.4

## MARD ODA Projects in the Agriculture Sector

Projects	Number	Funding		Average Size (US\$ millions)	Grant	Loan	GOV
Policy development & planning	6	4.9	(0.6%)	0.8	4.3	0.0	0.6
Integrated pest management	3	5.1	(0.7%)	1.7	5.1	0.0	0.0
Training	2	2.0	(0.3%)	1.0	2.0	0.0	0.0
Genetic biodiversity conservation	2	1.6	(0.2%)	0.8	1.6	0.0	0.0
<b>Sub-total</b>	<b>13</b>	<b>13.6</b>	<b>(1.8%)</b>		<b>13.0</b>	<b>0.0</b>	<b>0.6</b>
Non-environment	46	744.2	(98.2%)	16.2	61.1	593.6	89.5
<b>Total</b>	<b>59</b>	<b>757.8</b>			<b>74.1</b>	<b>593.6</b>	<b>90.1</b>
<b>Environment ODAs as a percentage of total ODA to agriculture sector</b>	<b>22</b>	<b>1.8</b>			<b>1.7</b>	<b>0.0</b>	<b>0.1</b>

Source: International Cooperation Department, MARD. 1998. Database of ongoing and pipeline MARD projects.

TABLE

6.5

## MARD ODA Projects in the Water Resources Sector

Projects	Number	Funding		Average Size (US\$ millions)	Grant	Loan	GOV
Policy development & planning	3	2.4	(0.3%)	0.8	2.3	0.0	0.1
Sea dykes	3	63.3	(7.5%)	21.1	39.6	0.0	23.7
Disaster management	3	2.6	(0.3%)	0.9	2.6	0.0	0.1
<b>Sub-total</b>	<b>9</b>	<b>68.3</b>	<b>(8.1%)</b>		<b>44.4</b>	<b>0.0</b>	<b>23.9</b>
Non-environment (including water supply)	15	772.7	(91.9%)		51.6	533.9	187.2
<b>Total</b>	<b>24</b>	<b>841</b>			<b>96</b>	<b>533.9</b>	<b>211.1</b>
<b>Environment ODA as a percentage of total ODA to water resources sector</b>	<b>38</b>	<b>8.1</b>			<b>5.3</b>	<b>0.0</b>	<b>2.8</b>

Source: International Cooperation Department, MARD. 1998. Database of ongoing and pipeline MARD projects.

the environment. Environment ODA dominates the forestry sector consuming 97% of total ODA to that sector. Over half the projects in the forestry sector are rural development and watershed management projects that focus on rehabilitating degraded upland environments through reforestation programmes.

Environment ODA to MARD by sector and by funding (grants, loans and Government of Vietnam contributions) is given in Tables 6.6 and 6.7 respectively. The level of environment ODA (20.2% of total ODA) being dispersed through MARD is critically low. This is because donors and the Government are focusing almost exclusively on on-ground ODA projects that have an overriding emphasis on increasing production, rather than improving natural resource management.

Projects with a principal focus on policy development and planning receive only minor attention with 1.6%, 0.6% and 2.4% in the forestry, agriculture and water sectors respectively.

Table 6.7 indicates that:

- only 11.2% is being given as a grant to the environment;
- only 4.9% of all loans are for environment projects; and
- only 4% of all government contributions to supporting MARD projects, is being directed to environment projects.

Sector	Total Funding		Funding to environmental projects		Environment ODA as a percentage of total ODA to MARD projects
	(US\$ millions)	(%)	(US\$ millions)	(%)	
Forestry	314	16.4	304	78.8	15.9
Agriculture	758	39.6	13.7	3.5	0.7
Water	841	43.9	68.3	17.7	3.6
<b>Total</b>	<b>1914</b>	<b>99.9</b>	<b>386</b>	<b>100</b>	<b>20.2</b>

	Projects (number)	Funding (US\$ million)	Grant (US\$ million)	Loan (US\$ million)	GOV (US\$ million)
Environment projects	54	386	215	95	77
All projects	122	1914	335	1225	354
<b>Environment as a percentage of total ODA to MARD</b>	<b>44</b>	<b>20</b>	<b>11.2</b>	<b>4.9</b>	<b>4.0</b>

## Key Issues

**Failure to support improved natural resource management.** Both donors and the Government have failed to adequately support improved natural resource management in Vietnam. On-ground, bricks and mortar ODA is urgently required in Vietnam, and the importance of focusing on such projects is not disputed. In increasing production, however, they risk escalating environmental degradation. The reverse side of the coin is that such ODA projects promote agricultural and rural development, particularly in remote areas and could become models for rehabilitating degraded environments.

Current trends in the natural resource sub-sectors and the Government's response through policy reforms demonstrate the inherent danger to the environment when development is not linked to well-developed policy and institutional frameworks capable of responding to emerging unsustainable use patterns. In concentrating so strongly on production oriented ODA projects, both donors and government have failed to build environmental safeguards into Vietnam's natural resource development systems.



**Critical ecosystems are not receiving sufficient ODA.** Coastal wetland protection and protected areas management each are the target of future large loan projects. These loans increase the total value and relative ranking of these groups in the overall natural resource ODA picture but they are yet to become operational. The proposed coastal project focuses largely on mangrove reforestation – mangrove ecosystems are critically endangered throughout the country – but other important wetland systems are not represented.

The marine environment is critically under-represented in ODA commitments. Most activities in the fisheries sector are linked closely to production albeit oriented towards sustainable management that can have significant environmental benefits. There are extremely few initiatives aimed solely at marine conservation.

Overall, too little environment ODA is being directed towards critical areas.

**Not all environment ODA necessarily helps the environment.** Most environment ODA to the forestry sub-sector, US\$ 173.6 million or 55% of the total, is directed to rural development and watershed management tree planting projects either in the uplands (US\$ 120.3 million) or in the coastal zones (US\$ 53.3 million). Similarly, sea dykes consume US\$ 63.3 million or 7.5% of the total. The environmental implications of many of these projects have yet to be assessed and may produce unwanted side effects.

Most upland rural development and watershed management projects, for example, aim to increase rural income generation through the establishment of small-holder plantations. The vision is that tree plantations will reduce pressures on the few remaining natural forest areas in the uplands and thereby have an environmental benefit through decreased natural forest loss and improved watershed value. While plantations do not damage the environment, they often fail to reduce the pressures on natural forests because these pressures originate outside the forestry sector. In a perverse way, such developments can lead to increased forest clearance. Rural development projects increase employment and income generating opportunities and these often stimulate in-migration. New immigrants place added demands on natural systems, including forests. Further, as wealth

increases among rural populations, individual families often seek to build larger and stronger houses, thereby further increasing pressures on natural forests.

Tree planting and forest conservation are not necessarily linked in the straightforward and simple way that many policy-makers believe.

Focusing on plantation development, therefore, fails to recognise and treat the real causes of natural forest loss. There has not been a single ODA project in Vietnam that has focused on improving natural forest management before the forests are gone. While donors and the Government have sought to rehabilitate degraded watersheds through plantation, there has been a failure to identify and support project initiatives that could have prevented the watershed from becoming degraded in the first place. ODA environment projects are addressing the symptoms rather than the root cause – poor management.

Vietnam's natural forest loss is linked to desperately poor rural populations. These people have urgent and immediate food needs. Natural forests have value to the rural poor only if they provide food either directly through hunting and gathering or indirectly through income generation, for example from the sale of non-timber forest products. Potentially, they have additional value through timber, but timber harvesting rights are held exclusively by State Forest Enterprises (SFEs).

Forest clearance does not occur rapidly. Rather, it is a step by step process of gradual degradation. The forest clearance cycle commences when SFEs harvest commercial timber. If SFEs had the capacity to manage forests based on a sustainable yield basis instead of focusing on maximum production, annual production could be set at levels that would allow long-term income generation and active management. Vietnam's natural forests are not managed in this way and once all commercial trees are removed, the flow of income to SFEs – and the management it previously supported – stops.

Once SFEs cease to actively manage forests, rural populations move in to gather food and other forest products, including remaining young trees that would otherwise grow to maturity. Fire is introduced to clear patches for agricultural production. Hunting increases and finally, the forests are so degraded that they can no longer supply food – any animals that were originally present have been sold, eaten or have migrated elsewhere. The forests are also too degraded to support the harvesting of non-timber forest products. Consequently, complete conversion to agriculture follows.

In simple economic terms, rural people have immediate and urgent food needs, so that agriculture production is more profitable than forest management. From a national development perspective, the reverse is usually the case, but the reality is that for a growing and increasingly poverty-stricken rural population, food is the first priority.





Plantation development, even if successful, can provide some income but cannot match agricultural land uses in immediate returns. In fact in some regions, an over-supply of plantation timber, for example, eucalyptus poles is causing a reduction in market prices to the point where farmers risk making a loss, rather than the profit anticipated and calculated into the cost/benefit analyses of many projects.

In this context, it is not surprising that despite the increased number and scale of rural development/watershed management projects, Vietnam's natural forests have continued to disappear. This has created a vicious circle – as forests disappear, there is an urgent need for more rural development/watershed management projects. Both donors and government appear to be responding.

This leads to a more fundamental issue of the objectives and measures of environment ODA projects – what outcome should be measured when assessing the success of project interventions?

The relationships are less convoluted in coastal development projects or in upland projects where the aim is to reforest bare lands. Such projects can provide significant positive benefits to rural communities through income generation and environmental rehabilitation. Yet, even in these projects, if tree planting schemes are ineffective – which they can be for a variety of reasons – they risk enhancing social inequities and wasting valuable resources, including farm labour. Such projects that fail to meet their rural development objectives can, at best, have a neutral environment impact, but there is a risk that by entrenching vested interests and disenfranchising the rural poor, they have a more indirect and insidious negative impact on the environment.

**The true picture of environment ODA may be worse.** The fate of three large loan projects and the end of the WFP's involvement in Vietnam represent a serious threat to the levels of environment ODA going to the natural resource sector.

The projects that significantly bias the MARD data analysis are the:

- ADB Forestry Sector project  
US\$33 million loan, US\$ 7 million grant, US\$ 13.2 million government contribution;

- World Bank Technical Support for Conservation of Biodiversity and Rural Development  
US\$ 21.5 million loan, US\$ 5.2 million grant, US\$ 5.6 million government contribution; and
- World Bank Wetlands Protection and Development  
US\$ 40 million loan, US\$ 10 million government distribution.

These projects constitute US\$ 135.5 million or 28% of the 1996-2000 environment ODA to the natural resource sector. Without these projects, environment ODA would amount to only 14.1% of total natural resource sector ODA, with 11.4% in grants, 0% in loans and only 2.7% in government contributions.

Currently there is no basis for removing these projects from the data set, but this may change. The ADB Forestry Sector project has been running for more than a year but none of the loan funds have been disbursed. The World Bank Conservation of Biodiversity project was stalled in procurement for over one year and is now commencing implementation. If there are difficulties with the World Bank loan on the same scale as the ADB project, then the future of the pipeline World Bank Wetlands project may be in doubt.

Another concern is the withdrawal of WFP from Vietnam. Of the US\$ 316 million that is being directed to rural development/watershed management projects in the forestry sector, US\$ 53 million or 17% is coming from WFP (including government contribution). WFP will end its operation in the year 2000. If no alternative donors fill the gap left by WFP, and if the three loan projects continue to face difficulties, there will be a serious decline in environment ODA to the natural resource sector in a year or two. WFP has established large plantation resources, albeit in small-holder units, throughout the country. While the plantations undoubtedly exist, it is impossible to comment on the programme's economic, social or environmental impacts as there has never been a formal evaluation of any of WFP's projects.

## Achievements and Challenges: the Future

Although environment aid forms only a small proportion of total ODA commitments and in spite of the concerns outlined earlier, environment projects have stimulated significant advances in the natural resource sector's management.

The key achievements as well as the critical challenges for the future that need to be addressed by ODA partners, both the donors and the Government, are discussed below.

### ODA is Stimulating Policy and Institutional Change

#### Achievement

ODA to the natural resource sector is facilitating slow policy and institutional change and has achieved some level of integrated environment management.

The Government is moving, albeit slowly, toward more cross-sector and integrated planning. ODA is supporting this transition (for example, Red River Basin Water Resources Management Project, ADB, Box 6.1), but must recognise that it will be neither rapid nor painless.

## Red River Basin Project

This ADB-funded two and a half year project aims to develop a broad based organisation that would manage the resources of the Red River basin and, in the process, evolve an integrated policy

framework that would assist in implementing the Water Resources Law. It is significant in that it will be followed by a US\$ 60 million loan used to implement water resource projects in this basin.

Central level planners are becoming increasingly aware that integrated cross-sector planning and management is necessary. For example, the water resources sub-sector in particular has recognised the need for integrated cross-sector, centre-province coordination in water resources management.

### Challenges

**There is still a long way to go.** ODA partners have so far failed to focus directly on policy and institutional issues – they remain focused on on-ground, production-oriented projects. There is a tendency to become overwhelmed by ‘institutional strengthening’ concepts when thinking about policy and institutional change and projects focusing on such concepts tend to end up in the ‘too difficult’ category.

There is a serious risk that ongoing environmental degradation will continue to increase in spite of and, in some cases, because of ODA, unless policy and institutional structures and capacities are developed to better assess policy impacts and to act proactively to avoid environmental degradation.

While central level planners appear to be recognising the need to increase capacities for cross-sector integrated environment management through institutional capacity building, there is little evidence of real integration between or even within ministries, at the province, district or the field level.

## Lead-In, Orientation Phases are Critical

### Achievement

Growing recognition among ODA partners that long-term, multi-phase projects that have a lengthy orientation phase are most successful; short-term, single phase initiatives are not as successful (Box 6.2).

Also, donors that have been in Vietnam for a long time, have a greater capacity to suggest and implement otherwise ‘difficult’ changes. Natural resource projects are intimately linked to sustainable livelihoods, so long-term commitments are essential. And personal relationships between advisers who have been in Vietnam for a number of years and Vietnamese counterparts are proving to be the bedrock of successful projects.

### Challenges

**Increase the number of long-term, multi-phase projects.** ODA partners must recognise that natural resource use patterns have evolved over centuries and that change, especially that brought by outsiders, cannot be introduced in a short period. There are too many cases of excellent projects that have only begun to make an impact after four to five years. Unfortunately, these projects often do not have a second phase and when they stop, there is an enormous loss of potential benefits. This can also

devalue projects that come later as local communities are less likely to trust the project process.

**Build an orientation phase into project design.** An increasing number of projects are including an orientation phase in their designs, but there is insufficient recognition of the need for such an approach. ODA partners may be reluctant to delay large-scale and rapid project implementation but must recognise the importance of this initial phase.

**Use advisers and particularly project team leaders who have long-term experience of working in Vietnam.** Long-term donor involvement and

## BOX

6.2

### The Social Forestry Development Project

The SFDP is a technical cooperation project between the Governments of Vietnam and Germany. Its goal is to improve “the living conditions of the local population in the Song Da region ... by applying ecologically and economically sustainable land use systems.” Pilot areas address the predominantly Thai and H'Mong communities.

The project spans 12 years with an Orientation Phase (1993-95), Implementation Phase I (1995-98), Implementation Phase II (1999-2001) and a final Hand-over Phase (2001-04). The budget for phase 1 is US\$ 4.6 million with a grant of US\$ 3.8 million from Germany and US\$ 0.8 million in counterpart funding from the Government of Vietnam. The Forest Development Department (FDD) in MARD is executing the project, supervised by a National Steering Committee which meets twice a year to approve annual plans of operation. MARD's vice-minister chairs the Committee, with representatives from the Office of the Government, MPI, different branches of MARD and Son La and Lai Chau Provinces.

The project is staffed by three international and six national long-term experts, 12 support staff and about 12 people seconded by the Provinces and Districts. It is highly innovative and has been very successful, both in achieving its targets and in developing methodologies, technical options and staff training. It has informed the wider policy context in which it operates and many of its initiatives are being taken up in other geographic regions.

A particularly interesting innovation is the development of a set of activities that will be funded by a Debt for Nature agreement signed between Germany and Vietnam in 1997. The agreement plans a Vietnamese Dong 15 billion (around US\$ 1 million) investment that would allow the FDD to apply and expand the methodologies tested within SFDP. This would be through a new project, Nature Conservation and Reforestation in the Song Da Watershed, planned for areas neighbouring SFDP operations. However, community development activities have been delayed for about a year by procedural difficulties in the Ministry of Finance over the disbursement of counterpart funds worth US\$ 340,000 or Vietnamese Dong 4.7 billion. This was mainly due to the novel nature of such a financial instrument.

Another innovation has been in the development of assisted natural forest regeneration (ANR) trials, with and without farmers' involvement. Despite the overall success of such trials, and both technical and financial advantages of ANR over plantations, this activity has not attracted significant interest; Vietnamese forestry staff is focused predominantly on plantation development. Recent significant difficulties in finding funds to finance its national reforestation Five Million Hectare Programme has led the Government to become increasingly interested in ANR, and to include one million hectares of natural regeneration in this programme. Moreover, regulations are being devised to fund national projects on natural regeneration.



long-term – but not necessarily full time – involvement by individual project personnel appears to be a highly successful project implementation model. Yet, as the number of projects grow, it is harder to locate personnel with relevant and high quality Vietnam experience. Wherever possible, ODA partners must ensure that advisers, particularly team leaders, have Vietnam experience and are supported in Vietnamese language training prior to taking up their duties. The converse to the importance of long-term advisers is the fact that there is no direct relationship between the quantity of TA and the quality of project outputs. Projects are increasingly using less TA inputs and more local management, often with good results.

## ODA Projects with Flexible Designs are More Effective

### Achievement

Projects with flexible designs are achieving positive results and local ownership is increasing:

- projects that focus on building local capacity and trust in the first year of project implementation are working better. These projects appear to have more local ownership and more overall impact and success (Box 6.3);
- regular and participatory monitoring and evaluation is proving essential, provided it is based on inherent flexibility that allows activities to be changed and modified according to the results rather than rigidly adhering to the original design; and
- more projects are using local staff to implement project activities. This is the most effective mechanism to demonstrate trust and to develop real ownership.

### Challenges

**Increase flexibility by including regular participatory monitoring and evaluation activities into project designs.** Flexible project planning through participatory monitoring and evaluation processes can run counter to traditional top-down project control approaches based on targets. ODA partners need to recognise this. Flexible planning introduces feedback and evaluation loops into the project cycle. It forces stakeholders and managers to reflect and develop capacities to evaluate and critically

## Protecting the Genetic Diversity of Medicinal Plants around Ba Vi National Park

The medicinal plant project was part of the Integrated Community Development Project at Ba Vi – completed in April 1999 – funded by the Australian Association for Research and Environmental Aid (AREA). The larger project encouraged community-based environmental protection of Ba Vi National Park, while the medicinal plant portion assisted local communities in the protection and sustainable management of species traditionally used for medicinal purposes. The project also sought to strengthen the environmental awareness and expertise of institutions collaborating on this project.

As a first step, an environment and socio-economic assessment was carried out and a monitoring programme established. The former was designed to identify actual and potential environmental impacts throughout the project cycle; and the data collected was used to plan and evaluate project activities as well as identify likely problem areas.

During the course of the project, and its subsequent incorporation into the larger one, project staff worked closely with Dao and Muong villagers (the major harvesters in the project area) to compile an inventory of medicinal plants. Such research assisted in identifying the range and quantities of forest products used in traditional herbal practice and in determining which species were considered to be of most importance to local communities, both culturally and economically.

The project established a methodology for the systematic research, collection, collation and environmental interpretation of the amassed biological data. This information was then used to assess the ecological factors associated with medicinal species with respect to their occurrence, abundance and habitat variations. This was considered essential to assist with their long-term management

and protection. Through these processes it was estimated that, at the current rate of harvesting, medicinal plant could be depleted within the three-year project timeframe.

The project encouraged cultivation of medicinal species as an agricultural crop and replanting of threatened species in degraded areas of the Park as a regenerative strategy. The project's research provided the baseline data needed to establish a medicinal plant nursery. A priority list of medicinal plant species was developed with the local people and propagation methods were formulated. Of the 40 most important species listed by herbalists, 23 were collected and propagated in the project nursery. Altogether, medicinal species from 66 genera were trialed and subsequently distributed to herbalists/farmers as well as National Park staff. Nursery activities were subsequently extended to home gardens and the National Park.

By the end of the project, more than 200 herbalists had made a strong commitment to cultivate medicinal plants as an income generating activity and partly as an alternative to collecting from the Park. There was also a growing interest amongst farmers in cultivating medicinal species as an agricultural activity.

AREA maintains that despite its quantifiable output, the real measure of long-term success in conservation and biodiversity protection efforts can only be reflected in the attitudinal changes of individuals. Such changes can only be nurtured if they are predicated on a sound understanding of the issues involved and in gaining the support of local communities. The project's constant monitoring and evaluation processes as well as its inherent flexibility enabled this awareness and support to flourish.



assess outputs. However, it can run counter to vested interests and may, therefore, encounter resistance, not only locally but also from the donors themselves.

There is a growing awareness that a flexible approach is best and institutional change is providing the opportunity to accept more flexible project control mechanisms. However, flexible project planning and implementation still needs to be based on tangible objectives and outcomes rather than on qualitative ones. The latter can impact on the incentives for stakeholders to participate. Flexibility requires a longer term focus, systematic planning, effective monitoring and, possibly, a scaling down of project objectives. But it can improve the capacity to absorb project initiatives.

**Care is required to ensure that local staff are ‘enabled’ whilst carrying out their normal work rather than capacity built through project activity.** While using local staff increases ownership and institutional capacity, it can lead to quality people being removed from line agencies to work on projects. As far as is possible, project implementation must avoid acting as a drain on the local system. This is difficult in some contexts where there is a lack of suitable local staff or the line agency designates that only their staff can be involved; the onus must then be moved to capacity building and training within the implementing agency.

## ODA Partners are Developing Successful Rural Development Models

### Achievement

There has been, and continues to be, an ODA partner focus on land-based rural development. Many of these projects are having a beneficial impact on

the lives of rural people by demonstrating successful field-based approaches to long-term sustainable natural resource management.

There are numerous models being established across the country through integrated ODA projects that demonstrate creative solutions to complex rural development issues. The geographic focus of these projects is widespread and appropriate and they do involve real grassroots level participation.

What has been found is that participatory hamlet and commune level planning is being successfully implemented in rural development projects. It has extremely positive impacts when combined with a flexible project approach, participatory monitoring and evaluation and long-term involvement (Box 6.4).

## BOX

## 6.4

### The FAO-Vietnam National IPM Programme

The Integrated Pest Management (IPM) Programme was launched in Vietnam in 1992, as part of the FAO Intercountry Programme for IPM, co-funded by the Dutch and Australian Governments. The main objective of the Vietnamese programme is to increase small-scale farmers' knowledge, enabling them to make informed decisions about the management of their crop production. The initial focus was on rice and the launch of the IPM programme was timely as it followed a period of considerable crop loss caused by a country-wide infestation by the brown plant hopper in 1991; this had forced the Government to look for alternatives to conventional plant protection techniques. IPM has thus become a key component of national priorities around agricultural production.

The IPM rationale is that through informed decision-making, farmers will be able to achieve more sustainable production and greater farm-level benefits. The programme is, therefore, strongly based on local implementation.

It has focused mainly on training activities, with considerable emphasis on training farmers to become trainers themselves. Other activities include studies supporting programme implementation, for example, the role

of women, the impact of IPM on farmer practices and their economic status. FAO and the Government acknowledge that the good performance of the IPM programme may, in part, be due to peculiarities of Vietnam itself:

- the official and rather top-down Vietnamese extension system was launched after the start of the IPM programme, so government staff did not have to 'unlearn' top-down approaches before embarking on the IPM strategy; and
- the existence of traditional learning networks amongst farmers such as farmers' clubs (at least in the lowlands and midlands).

Active collaboration between different line agencies on the ground has been important to the success of the programme. For example, the local plant protection department hires the services of extension agents to help run the local IPM activities.

The IPM programme indicates that when projects deal with matters that match both national priorities and local people's interests, the adoption of new approaches and their incorporation into national strategies can be rapid. The programme's success also indicates that coordination between line agencies can be good, especially at peripheral levels and that project recipients are sometimes even ready to pay for the support.

Also, protected area and coastal zone management projects are receiving increased ODA partner attention as awareness of the link between long-term environmental degradation and short-term negative economic impacts increase (Box 6.5).

### Challenges

**Again, there is still a long way to go.** While there have been successes in rural development (mostly in the forestry and agriculture sectors), protected area, coastal zone management and marine conservation projects are only beginning the process of developing long-term solutions. Protected area management projects, in particular, are proving very difficult to implement effectively, partly because there are few active projects with little long-term experience. At present, the projects are struggling to balance the urgent economic and social development needs and aspirations of the rural poor with biodiversity conservation objectives. Time will tell if integrated, landscape level participatory approaches are effective.

The marine and fisheries sector remains strongly focused on economic goals and is negatively impacting on other sectors – mangrove deforestation for shrimp farms damages coastal zone management and the shallow water fishery is heavily over-fished. Marine pollution is having increasingly serious negative impacts on the environment. Field management in all sectors has yet to give practical expression to the wider institutional recognition of the need for cross-sector, province-centre integrated planning, although there are ODA projects addressing this challenge.

## BOX

6.5

### The Freshwater Fish Culture Extension Project

This project, implemented by FAO, commenced in January 1995 and concluded in July 1997. Through extensive locally conducted research, extension and training, it successfully developed freshwater aquaculture models in 16 provinces in northern Vietnam and four provinces in central Vietnam.

The project worked closely with local farmers, provincial agricultural extension centres, provincial directorates of fisheries and designated sub-centres of the Transfer of Technology Centre. The project followed from a local initiative that identified the need for new approaches to providing farmers with knowledge of aquaculture techniques.

The project successfully:

- established an extension network across the project area encompassing local technology – transfer centres and provincial extension services;

- developed training materials for extension work;
- completed socio-economic case studies for 12 vuon-ao-chuong (Garden-Fish Pond-Animal Shed) sites;
- field tested extension techniques and approaches appropriate to the ethnic communities living in mountainous regions;
- trained over 700 extensionists at the district and commune level who provided extension – services to ethnic and women fish culturalists;
- trained over 2,000 farmers from various ethnic groups and remote and less developed areas in appropriate fish culture technology.

After two years of operation, the project evaluation mission concluded that the project had achieved its objectives and had made a significant contribution to Vietnam's Hunger Irradication and Poverty Alleviation Programme.

## Marine Pollution in Van Phong Bay

Van Phong Bay in south central Vietnam contains some of the country's most pristine coral reefs and marine environments and is also one of the most scenic stretches of coastline with a huge tourism potential. The bay has recently become home to South East Asia's largest and newest onshore ship repair facility which is discharging so much unmonitored and unregulated pollution into the nearby waters that a toxic plume is spreading long distances along the coast. The imminent development of three ship-to-ship oil

transfer terminals in the bay; the planned development of a container transfer terminal in the same area and planned tourism developments are already threatening internationally owned and successful pearl farms.

The future of Van Phong Bay and its valuable marine ecosystems is not certain. This raises serious questions about the Government's regard for marine protection in its inshore waters and about donors' commitments to marine conservation.

**Long-term horizons are important.** ODA partners wanting quick fixes will be disappointed. Favourable evaluation reports on project completion seldom indicate whether long-term sustainable management principles have been truly incorporated in management approaches. ODA partners must accept that it may take many years before new techniques are adopted as part of wider policy and management change, particularly in forestry and rural development projects. The uptake of successfully demonstrated approaches at an institutional policy level is slow and painful. It can be facilitated by perceived or real crises.

**Other sectors are getting proportionately less ODA than they urgently require.** Some aspects of natural resource management and protection – specifically natural forest management, wetlands, coastal zone protection and marine ecosystem conservation – have been mostly ignored despite representing important environmental and economic resources (Box 6.6).

Environment ODA to the natural resource sector has been heavily oriented toward rural development through forest plantations. While such projects are important, this focus has been at the expense of potential rural development as well as the ecological benefits to be derived from the sustainable management of natural forest, wetland, and coastal and marine systems.

For example, Vietnam's rich natural forests have seriously diminished in scale and quality during the period of most rapid increase in ODA to the forestry sector. At the same time, plantation developments have been less successful than hoped and there is increasing pressure on existing and proposed protected areas. There are vested interests in keeping ODA away from natural forests until they are exploited, but donors have failed to use their leverage to develop projects to better manage natural forests before they are degraded. Biodiversity is not confined to protected areas. Rural livelihoods can be better sustained through long-term and participatory sustainable management of natural forests as opposed to plantation forest development. Similarly, the predominantly economic development nature of past ODA has meant that aid to the fisheries sector has focused almost exclusively on managing commercial fish stocks.

The Government now recognises the need for external assistance to natural forest management, wetlands, protected areas, coastal zones and marine

conservation. ODA partners should undertake urgent measures to address these critical gaps before these valuable resources are destroyed.

**ODA projects risk entrenching vested interests.** There is a risk that rural development and other such projects may compound wealth disparities. Similarly, there is a risk that ODA will maintain vested interests when normal economic forces would otherwise demand change. Vested interests resist losing control over project budgets so that benefits can be directed to the local elite.

A long-term, demonstration oriented, flexible approach focused on working with high quality staff will eventually overcome these interests. There is also a risk that vested interests will have a direct negative impact on project achievements. For example, Government objectives for coastal zone management are conflicting – on the one hand, the government supports mangrove reforestation, on the other, it supports shrimp farming. Shrimp farming destroys mangroves. The two activities can exist simultaneously, but require careful management. Some ODA projects supporting mangrove reforestation have been compromised by vested interests pursuing shrimp farming in a destructive way. In such a situation, there is little resource to local authorities, so project design must build in safeguards to address these potential conflicts, including regular project monitoring and evaluation (Box 6.7).

## BOX

6.7

### The Social Forestry and Nature Conservation Project in Nghe An Province (Part 1)

The overall goal of the EC-funded SFNC is to “reduce the destruction and degradation of forest resources in the Pu Mat Nature Reserve, including the buffer zone”. Focusing on the main causes of forest destruction, the project has the following expected outputs:

- people living in the buffer zone adopt sustainable resource management techniques;
- the capacity of the local forest administration to design, implement and monitor forest conservation and management plans is strengthened;
- an appropriate conservation and management programme for the Pu Mat reserve is prepared and adopted;
- state and non-state forest enterprises manage forests sustainably; and
- forest policy, organisation and legislation are strengthened.

The project is scheduled to last six years, with an inception unit planned only for establishing the logistics of the project. The EC has granted ECU 17.5

million with the Government contributing ECU 1.2 million. There are four expatriate staff based at provincial level. The Government has deputed staff to work in and be paid by the project.

Project staff are having serious difficulty trying to collaborate with State Forest Enterprises (SFEs) in the buffer zone. The SFEs expect that the project will provide working capital, whereas project assistance relates to improved management, trials on processing techniques, training, and a reorientation away from forest exploitation to a provision of services. The SFEs are not motivated by these services and feel threatened by the suggested changes.

The project, which is struggling to begin implementing its important initiatives, highlights the tensions between conservation and local vested interests. National priorities for nature conservation have not been able to overturn the local elite’s prerogatives and interests.

**ODA partners must ensure real local participation at all project stages.**

Project initiatives that fail to secure real participation from the local people at the design phase or, that have focused their search for solutions too narrowly, risk not achieving their development objectives. Local participation in project design across all natural resource sub-sectors is emerging as critical for subsequent success. Design processes based only on ODA partner perceptions of rural development solutions will not succeed. Similarly, designs based on the official line from central or often even provincial or district level officials may not succeed. It is fundamentally important to secure real participation of local people in the design process and to follow this through project appraisal and implementation but still have the relevant authorities involved through capacity building and input into decision-making. This is best achieved by long-term applied research started in the preliminary phase and built into the project design.

At the same time, it is important to recognise that in some instances, local people, who first and foremost want to see a project approved, will participate in the design process by fully agreeing with what is being proposed. It may only be at the implementation phase that local beneficiaries express their real concerns, including the wish to modify the project. Project designs that have inherent flexibility as well as project orientation phases are best able to manage such change and will facilitate improved trust and cooperation between those implementing a project and the beneficiaries, by providing a framework for working through such issues.

**ODA partners must match project bottom-up approaches with central and provincial level top-down planning.** Province and district level commitments to support project objectives do not always result in government funded activities that actually support the project. Projects are often seen as external to the wider government funded system. This reflects a project design or inception that has not secured project ownership. There is unlikely to be anything sinister in this, but it can manifest itself in ways that critically impact against objectives – for example, building a road that provides increased access into a valuable protected area despite presence of an ODA-supported project to better manage the protected area. It is, therefore, critical to ensure complete understanding and, more particularly, ownership of projects. Project design must pay due attention to top-down objectives as well. Participatory project design and flexible implementation processes can greatly assist in this regard, particularly if all vested interests and project ownership is taken into account.

## ODA Partners are Implementing an Increasing Number of Projects at Province, District or Commune Level

### Achievement

ODA partners are directing increasing amounts of ODA at levels other than the centre.

ODA partners are developing effective models for project implementation at the province, district and commune levels.

### Challenges

**Strengthen the trend toward decentralised project implementation.**

MARD is overwhelmed by the number and scale of ODA (environment and non-environment) projects it is managing, though it is staffed by many competent and well trained personnel that have developed excellent project

management capacities because of their exposure to ODA projects. Most of the best people are heavily overloaded with ODA project responsibilities besides their normal government work. There is a risk that ODA to the natural resource sector entrenches vested interests, especially within MARD. MARD no longer has ownership of land and it does not control budgets. Yet, it remains heavily staffed. There is a risk that ODA is preventing change by subsidising the centrally planned status quo.

The focus on MARD has meant that provincial, district or commune staff has not developed the capacity to implement successful projects and have not been exposed to new ideas and training opportunities. Some central level staff suggest that there is no capacity in the provinces, therefore, the centre should control project implementation. An alternative view might argue that there is only limited capacity in the provinces because there has been no decentralisation. Provincial, district and commune staff could develop the capacity to implement projects if they were given the opportunity to do so.

## Projects Linking Centre and Field-Based Initiatives are Most Influential

### Achievement

ODA initiatives comprising both field-based and institutional capacity building components that complement each other have been effective.

- Individual projects, clusters of one donor's projects or clusters of multiple donors' projects can have a reinforcing mechanism.
- At the individual project level, projects that operate through field demonstration at the local (hamlet/commune/district/province) level and by policy/institutional reform at the central level can very effectively demonstrate and communicate their field experience to the centre and the central level changes to the field (Box 6.8). These types of projects have successfully influenced wider policy change when local institutions (central or provincial) have needed innovative solutions. For example, embracing natural regeneration as means of funding the Five Million Hectare Programme.

### Challenges

**ODA partners need to design more projects with these attributes.**

Project designs need to build in mechanisms to ensure that field based initiatives are reinforced by central level institutions and vice versa.

**Improved ODA coordination.** ODA needs to be better coordinated between and within government agencies and institutions; between government agencies and institutions and donors; and between donors. Donors should play a leading role in establishing mechanisms to improve coordination. This process is underway in MARD with the proposed evaluation of the ISG, but donors also need to improve coordination to reinforce each other's initiatives as much as their own.

Although there have been advances, there still remains the need to ensure that project initiatives within and between donor portfolios act to build and consolidate achievements across the board. There are an increasing number of ODA activities in the natural resource sector and it is possible to get the impression of donors falling over themselves in a rush to get

## The Mountain Rural Development Programme

Sida has been cooperating with Vietnam on forestry matters since the early 1970s. The initial support was to establish a regular supply of raw material for the Bai Bang pulp and paper company. This early support was directed at five northern provinces and since that time, these provinces have remained the focus of all Sida forest programme activity. Since its early production-oriented beginnings, the cooperation has evolved to encompass the whole range of rural development issues – in the 1991-1995 Vietnam-Sweden Forestry Cooperation Programme, for example, activities included credit schemes and livestock management.

The current phase of Sida support through MRDP, builds on this long-term cooperation but with a new programme that focuses both on rural development in mountainous areas and policy support within MARD. It is significant, but not surprising, that it is a Sida-funded initiative that has placed policy advisers in MARD in Ha Noi. The Sida programme, by virtue of its long-term involvement in the forestry sector in Vietnam, has developed close professional relationships and trust with senior forestry officials as well as with provincial authorities and the local people. The programme, despite having supported a number of different international personnel, does have strong credibility within Vietnam because the Swedish have made such a long-term commitment to the country.

MRDP supports:

- institutional development to improve a demand-driven support structure, with participatory village planning at the core of the programme;
- the development and testing of methods and systems to increase

land use productivity in a sustainable manner; and

- the creation of policies, recommendations and guidelines for sustainable upland development based on learning from work in the five provinces.

MRDP has been innovative in many respects:

- it has created significant local ownership by virtue of its long-term involvement and through its village level planning processes;
- the programme uses a village level, rolling planning approach. It is based on annual planning processes where all project achievements are reviewed and plans developed for the forthcoming year. Annual budgets can be rolled into the next year, if they are not completely used in a given year. This immediately creates significant flexibility in project implementation and allows the project to evolve as project capacity increases;
- the programme is piloting an approach in three out of its 18 districts whereby funds are transferred directly to the commune level, on the basis of village level plans produced through discussions between project staff and local people;
- as part of its policy-support component, MRDP funds the International Support Group, a coordination forum of MARD's International Cooperation Department, where donors and government representatives meet every six months;
- the structure and strategy of MRDP entails direct links between policy-making and field experience; and
- MRDP is cooperating with an IFAD-funded project at the operational level where project areas overlap.

projects on the ground. Project designs must be based on an overall philosophy of building on the best of what is present.

### **Scaling up – demonstrating and communicating successful initiatives.**

How to scale up? There are some excellent project initiatives and achievements in the field but personnel in remote projects seldom get the opportunity to learn from one another's experiences. Therefore, there is potential for re-inventing the wheel. Scaling up requires that opportunities for demonstration and communication are included in project design. Also, long-term, multi-phased projects with longer term staff are better able to facilitate the broader uptake of project initiatives.

In scaling up care will need to be taken to recognise that natural resource systems are different. No one commune is similar, let alone district or province. Scaling up endeavours have failed, and in fact, have had negative impacts when this heterogeneity is ignored.

## Trust between Local People and Project Personnel is the Best Way to Achieve Project Objectives

### Achievement

Projects focusing on long-term relationship building, rather than on traditional rapid rural appraisal methods, are having the greatest impact.

Traditional rapid rural appraisal (RRA) techniques are losing ground in large programmes as well as in some NGO projects, with long-term relationship building increasingly favoured. Local communication systems do not operate according to RRA rules and projects that build trust and some connection with stakeholders are, in time, getting more valuable information and feedback to guide project initiatives.

### Challenges

**There is a need to increasing understanding amongst all ODA partners that effective participation can only occur once trust and understanding have been built.** Developing trust takes time and flexibility in project design. If local people suggest a different approach, based on their knowledge and experience, then project management needs to be able to adapt. This is critical if project outputs are to truly reflect local aspirations. Long-term, multi-phase projects with long-term personnel provide the best basis for trust to develop between project participants. While the limitations of RRA are being recognised, a more extensive analysis of its role and effectiveness may still be required.

## Establishing Relationships and Responsibilities Before a Project Begins is Critical

### Achievement

Project designs that define specific responsibilities are experiencing less administrative difficulties. Clarity in relationships and responsibilities is critical to project implementation (Box 6.9).

### Challenges

**Defining relationships and responsibilities before a project commences is necessary but can be difficult and risks restricting project flexibility.** The project preparation phase is the time to establish

## Unfulfilled Possibilities – Forest-Based Development of the Long Xuyen Quadrangle, 1991-96

This project, funded by AUSAID through the Mekong River Commission, symbolises the manifold positive aspects as well as many unfulfilled possibilities of environment ODA to the natural resource sector in Vietnam.

The project's simple objective was to "determine the best way to reforest the inundating acid sulphate soils of the Long Xuyen Quadrangle" and underlined that this should be achieved through technical, economic, social and environmental research. The Forest Inventory and Planning Institute (FIPI) was the National Counterpart Agency and the project was 'owned' at the central government level by the Vietnam National Mekong Committee (VNMC). The total budget was less than US\$ 800,000.

The project worked with the local forestry departments in An Giang and Kien Giang provinces and with a number of local institutions – FIPI, the Forest Science Institute of Vietnam, and the soils, fisheries and economics departments of Can Tho University. It was staffed by one international Chief Technical Advisor and supported by visiting short-term specialists. It provided a range of training opportunities for province forestry department staff including national, regional and international study tours, participation in international workshops, English language training, and technical courses on a range of topics.

The project worked very closely with the local people. It established research trials, ran extension programmes and training courses, all with the involvement of the community. As such, the project developed excellent local relationships and the people understood and valued the project for the results it could provide to help improve their quality of life.

Initially planned as a three-year project, it was extended an additional two years to allow the research trials to provide more conclusive results. After three-and-a-half years, the international CTA departed. Following a National Technical Workshop, project management was handed over to FIPI. At the end of the project's five years in 1996, successful models had been

developed that were environmentally, socially, technically and economically appropriate to the Quadrangle's unique inundating acid sulphate soils environment. Since that time, nothing more has happened.

Despite the real ownership felt by the local forestry departments, the district level institutions and more particularly by the local people, there has not been a single follow-up activity.

The project was unique for Vietnam in that it had a five-year development phase – building up local ownership, capacity and knowledge. It was unique for its time in the creative and flexible way it allowed the project team to pursue the goal and it was exciting for all concerned when after five years of solid and difficult work, the model emerged. But it was and remains a wasted exercise in that nothing has gone forward. Why?

- The project was located in the deep Delta region, far removed from the main action in Ha Noi, and remote from where people normally think of when they consider Vietnam's urgent forestry issues. Despite its excellent local ownership, few people in MARD actually knew about the project at the time and even fewer would recall it now. The project failed to move beyond the development phase because it had no mechanism to inform the wider development process;
- Donors failed to catch on to the exciting work of the project. Perhaps its outputs – a model – were too scanty for meaningful advertising. Staff from both provinces have been to Ha Noi and directors in the VNMC have sought additional donor support to carry the project into a pilot implementation phase, but there is no interest.
- Project reports lie buried somewhere gathering dust, but more particularly, the local people who worked and supported the project's activities and grew with the results, remain desperately poor and the forests of the LXQ remain under threat.

With the large quantities of ODA flowing into Vietnam, this really shouldn't be the case.

relationships and a framework for specific responsibilities. Yet, it is important that projects do not lose flexibility because of previously negotiated agreements. There is no guarantee that changes in relationships and responsibilities will not occur, especially in the early phases of implementation. A specific mechanism for agreeing on changes in project design and implementation may be useful (Box 6.10).

BOX

6.10

## The Social Forestry and Nature Conservation Project in Nghe An Province (Part 2)

The Government, despite the absence of official policy on buffer zone management, approved the SFNC project. As the concept of buffer zone management is not fully understood by the Vietnamese counterparts, there was a conceptual misunderstanding at the outset of the project that is only gradually being resolved.

Another initial misunderstanding relates to the meaning of a consultant's report. The Vietnamese counterpart agencies in the project area saw the recommendations of the appraisal mission as binding agreements, and this has raised a lot of expectations within local administration and amongst

local people. It seems that the EC regulations, that is the two binding documents of an EC project are the financial agreement and the working plan at the beginning of each phase, were not clear to the provincial counterpart agency. Though this misunderstanding is being resolved, implementation is suffering.

This illustrates the intense learning process that the Government has been undergoing, and the long way to go, both on environmental and ODA matters. It also points out that donors should be ready for some delay and twists inherent to all learning processes.

## Involving all Stakeholders Improves Management, Ownership and Reduces 'Leakage'

### Achievement

Better governance and reduced leakage is being achieved by some projects through the existing administrative framework by instituting full stakeholder participation.

The involvement of all primary stakeholders, for example, through a project management board in decision-making, is improving local checks-and-balance mechanisms in some projects.

### Challenges

Involving all project stakeholders appears to be the way to incorporate local aspirations into activities, but again requires a flexible approach. It is critical that project design makes terms and conditions for implementation responsibilities transparent from the outset, particularly on financial matters. Linking part of the project disbursements to quality of outputs is also proving effective – quality rather than quantity being the objective.

**A close follow-up by third parties, that is by project coordinators, is key.** Third parties that do not originate from the project area more effectively

## Sea Dyke Construction Project

This project is meant to promote economically, socially and environmentally sustainable development in rural areas through skills and wages acquired through constructing sea dykes.

Six dykes are to be built between 1991 and 1999. There is a province-based OXFAM officer to supervise work in the field. OXFAM has recently established Project Management Boards (PMBs) in response to concerns over 'leakage' of

project funds. PMBs are composed of representatives from the province and concerned districts.

It appears that the OXFAM project may have achieved a 'win-win' situation as it is managing to achieve its dyke building targets with absolute increases in local people's income. At the same time, use of a PMB that involves all stakeholders and a province-based OXFAM officer is ensuring that 'leakage' has been reduced to almost zero.

avoid social and institutional pressures to allow leakage. The challenge is to move from individual cases to broader uptake of checks-and-balance mechanisms (Box 6.11), for local control mechanisms to develop and be effective, ODA partners must accept that they will relinquish some control over project management.



PART 2



# Environment Aid to Vietnam

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## CHAPTER 6



# Aid to the Natural Resource Sector

**C**hapter 5 highlighted the significant amount of environment aid going to Vietnam's natural resource sector. This Chapter examines more closely the nature of that aid and reviews its impact and effectiveness.

Because the policy and institutional context through which aid is channelled is a critical determinant of its effectiveness, it was important to review the main natural resource sector policies and institutional developments. Key issues emerging from the review are discussed here as are a catalogue of environment aid achievements and challenges.

## Key Policy Developments

The 1980s and 1990s have seen a number of important policy reforms in Vietnam's natural resource sector. Land policy reforms have been the most successful, and the recent reform of the water resources policy provides a solid basis for water resources development. Reforms in the forestry sector have been less effective, with a resultant increase in environmental degradation and negative impacts on other natural resource sectors, particularly water and agriculture. Though the government has made increasingly urgent policy responses, this sector's decline remains a serious concern. The main policy changes across the natural resource sector are described below.

### Food Security Policy

Food security through increased agricultural production and rural development has historically been a priority objective. Since the early 1980s, government policy reforms implemented

specifically to achieve this goal have led to dramatic changes in Vietnam's natural resource sector.

Land policy reforms in particular have stimulated significant increases in agricultural production. Other reforms in the water, forestry and fisheries sectors have followed. As the policy reform process evolved, there has been increasing recognition, at both the central and provincial government levels, that natural resource policy-making must be integrated and cross-sectoral.

## Land Policy Reforms

Land policy reforms commenced in 1981 and effectively aimed to 'de-collectivise' Vietnam's land ownership. The process was given impetus in 1988 with Resolution 10 NQ.TW which, for the first time, defined the farm household as an autonomous economic production unit. It liberalised farm decision-making and allowed farm households to hold long-term land use rights for 10-15 years to annual cropland, and for longer periods to forest land.

The Land Law of 1993 took the process further by granting households five new rights – transfer, exchange, lease, inheritance and mortgage – that had not been provided under Resolution 10. The Law also extended use rights to 20 years for annual cropland and to 50 years for perennial cropland.

Implementing the Land Law has proved to be a complex exercise. Allocating land use rights requires mapping, determination of 'origins', dispute settlement, and issuance of certificates of title. Rights have been allocated to 86% of cropland but only 9.8% of forest land, of which only 1% is natural forest. Forest land poses a far more difficult problem as most is located in upland areas where the terrain is more broken than the lowlands and where customary use rights commonly exist. Forest land allocation processes can, and commonly do, become locked in dispute when land allocation rights are sought over an area that is claimed by others under customary systems.

Agricultural production, specifically that of rice, has risen sharply since the reform process commenced. Farm households, given secure and long-term land tenure, have been prepared to make investments in land improvement, and production has soared as a result. In 1998, rice production reached 29.1 million tons, a significant increase over the 11.6 million tons produced in 1980.

While allocation of land use rights has progressed, there was little implementation of the other five 'rights' granted by the 1993 Law. In fact, there were no decrees or regulations to explain how the rights could be implemented; hence there was no open market in land. However, a law amending the 1993 legislation was issued in December 1998, which describes the process for the legal transaction of these rights.

## Water Resources Policy Reforms

The Government drafted a new Water Resources Law, with assistance from the World Bank, which was approved by the National Assembly in May 1998. For the first time there is specific and clear recognition of the need for integrated watershed management between and within central, provincial and district authorities and the private sector.

The law reflected the Government's recognition that increased (although mostly uncontrolled) water use across a range of sectors was causing environmental degradation. This in turn was impacting on economic development opportunities. The agriculture, energy and industry sub-sectors require good quality water, as do urban and rural population centres. Uncontrolled use by one sub-sector can make water unfit for use by another.

Water use is also affected by other sub-sectors, such as forestry, which are less dependent on water. Forest clearance in upland regions can increase sediment loads, disrupt natural water regulation cycles and annual peak and trough flows. The frequency and scale of these types of environmental disturbances are increasing across Vietnam as forest loss increases in upland areas. These forest use patterns are indirectly threatening downstream water-dependent sectors.

The Law adopts an integrated approach to water resources management; this approach is being promoted as a means of ensuring:

- sectoral integration – planning and management that takes account of competition and conflicts for water resources amongst all potential users;
- economic, social and environmental integration – taking account of all costs and benefits;
- administrative integration – coordinating water resource management responsibilities between and within central, provincial and local levels; and
- geographical integration – using hydrological, that is, watershed rather than administrative boundaries as the basic units for water resource planning and management.

This legislation provides a strong legal foundation for a new institutional framework for water management in Vietnam. It recognises that:

- water resources are common property, under the state's management;
- there needs to be a balance between conserving, protecting and developing water resources;
- water resource planning should be based on the features of a whole river basin; and
- consumers should pay for the privilege of using water.

The Government is currently developing the institutional framework to implement the Water Law in the Red River Basin with support from ADB. Similar exercises are being planned for Vietnam's other major river basins.

## Forest Policy Reforms

The decline in Vietnam's natural forest area has seen a concomitant increase in 'bare' or unproductive land. The Government has recognised that the country's forests underpin ecologically sustainable economic, cultural and social development, particularly in the rural and mountainous areas. It has developed a long-term strategy to increase the forested area from 9.3 to 14 million



hectares. To improve water management, efforts are being made to restore vegetation cover to bare, eroding hillsides. To sustain rural livelihoods and to promote rural labour, reforestation programmes have been a national priority, ever since 1956.

Until 1993, most of the timber to support Vietnam's rapidly increasing economic development came from the country's natural forests. This is no longer true, as most accessible forest areas have already been exploited. In recognition of this inevitable shortfall in supply, and in addition to the two objectives noted above, all government planting programmes since 1956 have aimed to develop nationally significant plantation resources to replace natural forest timbers.

To protect the remaining forests, the Prime Minister issued a decree in early 1997 banning all natural forest logging. The Ministry of Agriculture and Rural Development (MARD) was asked to prepare a plan to 'close' all natural forests and this has significantly reduced natural forest harvesting, though not stopped it altogether. Harvested volume fell from 600,000 cubic metres per year in 1996 – already down from 1 million cubic metres in 1990 – to 350,000 cubic metres per year in 1998. Further reductions are planned although future harvesting levels remain uncertain. The plan recognised that Vietnam could not fund the timber imports required to replace wood from its forests, and that preventing natural forest logging would lead to large-scale job losses in the forest and wood processing sectors, particularly in the rural areas.

As the volume of wood supplied from Vietnam's natural forests has reduced, it has sourced an increasing volume from its neighbours' forests. Large log volumes have flowed from Cambodia and to a lesser extent Laos since 1993. Recently, increased volumes are being imported from Myanmar.

Vietnam must, however, compete with Thailand for this wood. It is a finite resource and Thai companies have already secured a significant proportion of the available volume. Regionally, Indonesia and Malaysia are the largest timber exporters. Timber from these countries is priced at an internationally competitive basis and timber imported into Vietnam from these sources is expensive compared to domestic sources or those from Cambodia, Laos and Myanmar. The Government is aware that unless it can increase supplies from within the country, it is only a matter of time before the timber import bill begins to impact on balance of trade figures.

Despite plantation programmes, large as well as small-holder tree plantings dating from the mid-1950s, Vietnam does not have a history of quality plantation management. In the period to 1975, some 219,290 hectares were established. Understandably during the war the programme suffered from lack of funds and was less successful than expected in producing quality plantations.

In the period between 1975 and 1986, plantation programmes continued but again suffered from a lack of funds and technical inputs. Gross figures suggest that 563,120 hectares were established, but survival and subsequent growth rates were poor.

The period between 1986 and 1992 witnessed an increased focus on establishing plantations, often supported by international donors. Although large areas were reportedly planted, funds remained inadequate and techniques poor as in previous programmes. While





these initiatives were more successful than past ones, by the early 1990s the country had barely advanced in its efforts to replace natural forest timber with plantation sources.

#### Programme 327

Central government policy-makers have attached greater urgency over the past decade to reforestation initiatives. In 1993, the Re-greening the Barren Hills Programme (327), (Decision No. 327/CT September 1992) was launched. Its primary focus was reforestation and watershed protection. It sought innovative implementation arrangements based on land allocation to small-holders under Resolution No. 10 NQ.TW – that had proven so successful in the agricultural sub-sector – to move towards integrated rural development. Programme 327 represented a significant milestone in natural resource policy-making, as it formally recognised the integrated nature of natural resource management.

In the period to 1997, the Government spent approximately Vietnamese Dong 1,800 billion (about US\$ 137 million) in funding activities. Yet, the programme encountered difficulties achieving its goals, largely due to institutional constraints. The obstacles included:

- a top down, bureaucratic approach;
- constantly changing programme objectives;
- stalled land allocation processes that had failed to involve local people;
- insufficient and untimely funding;
- poor technical capacity;
- implementing the project in a way that failed to recognise the wider development aims of resource-poor households who need an overall integrated development approach; and
- scarce land resources.

#### Five Million Hectare Programme

In 1998, through Decision 661/QD-TTg (July 1998), the Government formulated a new programme, the Five Million Hectare Programme, to build on the lessons learned from reviews of Programme 327. A total of US\$ 2.5 billion to the year 2010 (US\$ 1 billion from the state, the remainder from bank loans and donor inputs) have been earmarked to fund programme activities. The Programme is another significant forest policy advance. The

Government has formally recognised the potential to regenerate a natural resource system through sound and careful management involving local households. A major focus of the Programme is increasing forest cover through natural forest regeneration. Degraded forest land has always been considered as 'bare' land with reforestation being conducted through very expensive, and in many cases, ultimately unsuccessful plantation programmes. The Five Million Hectare Programme has taken a first but important step toward recognising the benefits of better natural forest management. While the Programme does have a plantation component – focusing on small-holder plantations as in Programme 327 – this is only one part of the overall approach to reforestation.

Through the Programme, the Government is making an even more concerted effort to reverse the economic and social consequences of the decline in natural forest resources. By controlling the serious environmental degradation caused by forest loss and mismanagement it is hoped that rural development objectives across the country can be put back on track. The success of the Programme remains to be tested but one concern is that many of the underlying institutional constraints that reduced the effectiveness of Programme 327 remain.

#### Focusing on Protected Areas

The Government recognises the need to protect forest resources for their economic worth as well as for their underlying biodiversity value. In 1962, Cuc Phuong was declared as the country's first protected area. The war years intervened and prevented any further expansion of the reserve system until 1983. Since then, there has been a rapid increase in the number, type and area of reserves declared to protect what remains of Vietnam's valuable terrestrial ecosystems.

Vietnam's national protected area system now comprises 101 separate areas covering 2.1 million hectares – around 6% of Vietnam's land area. Of these, 10 are National Parks, 60 are Nature Reserves and 31 are cultural-historical-environmental areas. Thirty-two of the areas have been set aside for the specific purpose of protecting representative examples of almost all the different forest ecosystems in the country. The remaining sites are very small due to the fragmented nature of Vietnam's remaining natural forest areas. Further areas are in the process of being proposed for reservation with the overall aim of setting aside 10% of the country's area for protection.

MARD's Forest Protection Department (FPD) coordinates protected area management under the Government's Law on Forest Protection (1991), the Land Law (1993), the Law on Environmental Protection (1994), the Biodiversity Action Plan (1995) as well as various Decrees outlining rules, regulations and penalties.

At the local level, protected area management is the responsibility of Management Boards that report to the Provincial Forest Protection Boards. At present, Management Boards have been established in all National Parks and 32 Nature Reserves.

Protected area management boards receive very little funding support and are severely understaffed. Nevertheless, protected area managers have done a remarkable job, given the resources at their disposal. While there have been impressive gains in the number of sites that have been reserved for protection, the on-ground reality is that very few of the protected areas are free from human encroachment. All of them have been degraded to

some degree by activities such as shifting cultivation, uncontrolled migration, the unchecked and illegal harvesting of timber, wildlife and other non-timber forest products, as well as uncontrolled fires.

Many of Vietnam's protected areas are 'paper' parks and require urgent assistance, technical and managerial, to cope with the pressures from uncontrolled human activity and encroachment.

**Buffer zones:** The major source of pressure on the country's protected areas network derives from communities living in and around the parks in what are frequently considered as buffer zones. Protected areas need strong buffer zone management where human activities that have major negative impacts are strictly controlled and not focused directly on the valuable protected area itself.

Prior to 1990, buffer zones were understood to be areas inside the boundary of the protected areas and surrounding the strictly protected core zone. However, in Decree No. 1586 of 13 July, 1993, a buffer zone is defined as being "peripheral to a protected area, surrounding all or part of a protected area. Buffer zones do not belong to the protected area and are not under the management of the protected area authorities."

The Forest Inventory and Planning Institute (FIPI) is responsible for addressing the technical issues associated with protected area management such as planning, inventory and research. In most cases, FIPI determines the buffer zone boundary during the feasibility study for new protected areas, with input from the FPD.

In practice, no single agency is responsible for buffer zone management. Boundaries are unclear to local people and there is uncertainty about which land tenures can be incorporated into buffer zones. When buffer zones are delineated, there is essentially no integrated management process to ensure that the buffer zone achieves its critical objective of protecting the protected area.

Buffer zones and their management are the single most important issue in maintaining the environmental integrity of the country's protected areas network.

## Fisheries Policy Reforms

Fisheries are an increasingly significant element in Vietnam's economy. A large proportion of the increased production in the fisheries sub-sector has occurred through unregulated activity that has, in many parts of the country, damaged the coastal environment. This sub-sector has significant potential if there are policies in place that will enable institutions to effectively manage Vietnam's fisheries.

Reforms in the fisheries sub-sector are being driven through a donor-supported master planning process. During 1998, the Ministry of Fisheries and the Institute for Fisheries





Economics and Planning prepared a Master Plan for Fisheries to Year 2010 with support from Danida. The Master Plan recognises that the future of Vietnam's fisheries will be heavily influenced by changes in the wider policy context.

The salient features of the master plan are:

- Vietnam's national economic reform process has provided the impetus for rapid growth and development, but this has been achieved mostly through relatively simple policy and institutional mechanisms such as liberalisation of domestic trade and commodities export. The process has now reached a critical stage where significant structural reforms will be necessary to maintain the momentum if the fisheries industry is to continue to be competitive in domestic, regional and international markets;
- also, Vietnam's membership of the Association of South-East Asian Nations and its future membership of the World Trade Organisation require commitments to reform tariff and trade policies. In 2003, when ASEAN's Free Trade Agreement becomes effective, Vietnam's fisheries sub-sector will lose the protection it has enjoyed for more than 40 years. The only option will be proactive actions to ensure an internationally competitive industry;
- fisheries practices worldwide are changing. The world's fishing industry is moving away from its traditional, unsophisticated and low technology past to a future based on better managed extraction and aquatic farming. This trend is being reinforced by rapidly increasing demands for aquatic products. Increasing populations, incomes and preferences for aquatic products – against stagnating or only modestly increasing supplies – will expand and alter the trade in aquatic products; and
- Vietnam's fisheries sub-sector has a poor environmental record. In some parts of the country, environmental degradation has already reached levels that threaten the aquatic industry's future viability. Natural marine stocks are severely diminished and use of illegal and environmentally catastrophic fishing methods is so widespread that Vietnam's natural fisheries stocks are in serious danger of collapse.

The Master Plan notes that the most significant threat but also an opportunity for Vietnam's fisheries is the sound management of the natural resource base on which the sub-sector depends. The Master Plan has identified six key programmes that will support future development.

Programme 1 – Using the Environment and Fisheries Resources – outlines a list of four projects supporting that will be the Ministry of Fisheries and the fishing industry and the protecting the environment, and conserving Vietnam’s fisheries resources and those natural resource systems that are impacted on by the fishing industry.

If all the programmes and projects listed in the Master Plan are implemented and embraced by the fishing industry, this will herald good prospects for the future.

Since the master planning process, MOFI has begun a number of policy reforms. It is drafting a national programme for aquaculture to control the use of environmentally damaging practices. There are also national programmes to encourage the industry to fish in deeper waters, to improve the quality of fish processing to ensure the export of value-added products, and to create jobs and income within Vietnam. In addition, there has been a Prime Ministerial Decree for the Protection of Fisheries and a decision banning damaging fishing methods. Finally, MOFI is drafting a new law on fisheries that aims to control all activities in the industry.

## Coastal and Marine Policy

Responsibilities for Vietnam’s coastal and marine policies are unclear. The fisheries sector is responsible for the policy formulation and management of the country’s marine fisheries, but this is predominantly from a production perspective. Responsibility for marine protection is ill-defined and contentious whilst coastal zone issues cross sectoral boundaries and no single ministry has been given the role of managing the coastal zone.

Coastal zone management requires a truly integrated approach, in much the same way as water resource management, since activities in almost all economic sectors in Vietnam either occur in or impact on the coastal zone and its environment. Integrated planning and management, such as that being developed in Vietnam’s water resource sector, is a new concept and there has only been a general beginning in expanding this form of management to the coastal zone. Yet, Vietnam is engaging in a range of modern international coastal and marine conventions; it will have difficulty giving them practical expression back home (Table 6.1). It is a member of the International Maritime Organisation and is a signatory to a number of conventions relating to marine issues.

**TABLE**

**6.1**

### International Marine Conventions Signed by Vietnam

Convention	Remarks
International Convention for the Prevention of Pollution from Ships (MARPOL)	Recognised the 2 compulsory annexes of the 6 annexes under the convention
Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal (Basel)	Became a member in 1998
Convention on the Prevention of Marine Pollution by Dumping of Wastes and other Materials (London)	A number of its protocols are under consideration

In practice, national laws and understanding of marine conservation and management concepts rarely filter down to the provincial level. Prosecutions are only arbitrarily applied and are tied more to the nationality of the offenders and the level of fines that can be imposed than to the level of pollution and environmental destruction caused.

National planning for marine issues still follows a command approach that is dominated by production oriented goals. There have been few national level activities focusing on marine conservation.

The Government is slowly coming to terms with the need to pay greater attention to coastal and marine zone management. At this stage, however, reforms and strong actions to ensure integrated development that does not damage the environment are only in their infancy.

## Reform Process and Trends in Natural Resource Management

All these policy reforms have occurred against a backdrop of increasing environmental degradation. This degradation has reached levels that threaten the sector's capacity to achieve government development objectives. If appropriate systems are in place, policy-makers can prevent environmental degradation by acting to change policies as signs of degradation emerge. If not, then unsustainable use will continue to degrade the environment until natural systems collapse. National trends toward unsustainable use in the natural resource sector suggest that the Vietnamese policy reform process is tending toward the latter scenario.

Three features of the process support this conclusion. Addressing these concerns will be critical to the future of this sector.

**Natural resource sector policy reforms are reactive rather than proactive.** A key feature of all government policy reform initiatives to date is that they have been in reaction to changing resource use patterns rather than proactive policy actions. Policy reforms have been initiated only after use patterns have consequences that threaten development objectives.

**Effective monitoring and policy analysis tools are lacking.** The Government has been unable to internalise effective environmental monitoring as part of its ongoing policy analysis mechanisms. The monitoring systems that do exist focus almost solely on the achievement of annual production targets. They are insufficiently developed to provide feedback on the environmental impacts of policy.

**The focus on production targets has led to a policy reform process that seeks cures rather than promotes sustainable use.** Policy-makers become aware that environmental impacts are occurring only after they have reached levels that threaten production targets. This is too late to prevent environmental degradation. In some instances, policy reforms can be implemented to change use patterns and the industry in question can continue, for example, integrated pest management in the agricultural sub-sector. In others, for example, coastal zone shrimp farming, the activity can cause such severe site-specific damage that the industry can no longer continue at that location. In these cases, future productive land use must focus on environmental rehabilitation, for example mangrove reforestation as a first step. In practice, what usually occurs is that the



industry moves to another location and the government, or more commonly local people, are left with the task of rehabilitating the site.

Also, the focus on production targets is so narrowly defined that solutions are often short-term and inappropriate in a wider social and environmental context. If a crop fails because of drought, the short-term solution is better irrigation. The longer term and more appropriate response may be to consider why there is insufficient water in the first place – usually there is a cross-sectoral link between upstream deforestation and disrupted water regulation systems. After the cause is identified, action can be taken to address the problem. While in many cases irrigation schemes will still be appropriate, they could be constructed as a component of a more holistic and long-term approach to problem solving.

## Institutional Developments

Until 1995, Vietnam had separate Ministries of Agriculture, Forestry, Water Resources and Fisheries. This structure meant that policies and management strategies were developed in isolation and usually without consideration of their possible impacts on other sub-sectors.

As policy reforms began to stimulate rapid growth in the agricultural sector, the Government recognised the increasing need for more integrated cross-sector management. In late 1995, the Ministries of Agriculture, Forestry and Water Resources were amalgamated into MARD while the Ministry of Fisheries (MOFI) remained separate.

In practice, however, the level of cross-sectoral integration remains limited. While the framework exists, agriculture, forestry and water resources departments within MARD still have little contact with one another and continue to operate as if they were still separate Ministries. Institutional mechanisms to force real cross-sectoral integration do not yet exist.

## Institutional Arrangements for ODA Management

ODA has been used by the Government to advance on-ground implementation of its policy reforms. ODA projects in the natural resource sector have been used to increase agricultural and rural development potential through:

- large scale investment projects, for example, installing irrigation schemes;
- projects that aim to develop socially, environmentally, technically and economically appropriate models to rehabilitate environments degraded by past mismanagement; or
- projects that strengthen the institutional capacities of natural resource management.

Most commonly, ODA is channelled through ministries at the central level (MARD, MOFI) with an increasing proportion then going to the provincial, district or commune level authorities.

Institutional arrangements to manage ODA are similar across all sub-sectors within MARD and MOFI. The International Cooperation Department (ICD) and the Planning and Investment Department (PID) in both Ministries play key roles in the ODA process.

ICD is the focal point for donors and national agencies and/or provincial governments seeking support for a specific project. PID ensures that proposed projects meet relevant national strategies. PID is, therefore, critical in ensuring that appropriate government contributions are allocated.

ICD and PID coordinate the project negotiation process, including project identification, fact-finding and appraisal missions, and after the Government grants permission, the signing of agreements or project documents between donors and the concerned ministry.

Once a project document is signed, a Ministry Decision is prepared and issued by the Department of Personnel. This assigns the project implementing agency and appoints a National Project Director and project staff. An annual counterpart contribution plan must be prepared by the project through its implementing agency and be submitted to other relevant departments of the implementing agency. PID is responsible for working with MPI and the Ministry of Finance to secure the counterpart funds requested. This exercise normally begins in the third quarter of a particular year in order to have the counterpart funds available in the next year. ICD manages all foreign relations involved with the project.

During project implementation, the NPD and international project advisors are responsible for reporting to both the donor and the relevant Vietnamese agencies in accordance with Government Decree 87/CP and guidelines provided by MPI and the Ministry of Finance. ICD aims to have a representative included on all project evaluation missions.

MARD has developed a unique approach to ODA coordination. With donor support, MARD established an International Support Group (ISG) in 1994 in response to the need to strengthen coordination for the increasing number and scale of projects it was implementing. The purpose of ISG was to facilitate dialogue between donors and MARD for the exchange of lessons learnt through project implementation experiences and to enable priorities for future projects to be discussed and developed. It was also intended to strengthen communication between the various departments within MARD.

Donors and MARD are still coming to terms with ISG's role in ODA coordination and there is a wide range of views on how successful the forum has been in achieving its initial objectives. All agree that the process has great potential value. In 1999, all concerned agreed that the ISG should be formally evaluated with the aim of developing a more effective coordination process. Several donors expressed interest in supporting the ISG through its evaluation process. The MARD ISG evaluation should lead to improved ODA coordination and the lessons could be applicable to all the ministries receiving ODA.

## Environment ODA to the Natural Resource Sector

### Overall ODA

In the period from 1985 to 2000, 80% of all environment ODA (excluding the commitments to large water resource development projects) was directed to the natural resource sector, predominantly to upland areas. Comparatively little has been directed to other areas.

Table 6.2 shows the pattern of ODA allocations to the natural resource sector for the entire 15-year period from 1985-2000.

More projects are seeking to achieve conservation objectives by improving rural living standards. The significant shift over the period toward ODA for income generation reflects recognition that watershed protection and upland forest conservation can only be achieved if living standards of rural households are improved through increased and diversified income generating opportunities.

### ODA to MARD

All ongoing or pipeline MARD ODA projects, be they environmental or non-environmental, in the forestry, agriculture and water resource sectors are given in Tables 6.3, 6.4 and 6.5 respectively.

Non-environment ODA dominates the water and agriculture sectors with 92% and 98% respectively flowing to projects that have no relationship to

TABLE				6.2		
Environment ODA to the Natural Resource Sector						
Project Group	1985-95		1996-2000		1985-2000	
	Project (number)	Commitment (US\$ '000)	Project (number)	Commitment (US\$ '000)	Project (number)	Commitment (US\$ '000)
<b>Natural resource projects</b>						
Upland forests/watershed protection	50	181,667	39	134,521	89	316,188
Income generation in hill areas	28	61,490	45	176,174	73	237,664
Resource demand for fuel wood	6	658	1	2,500	7	3,158
Mangroves & inland marshes	15	8,096	2	3,376	17	11,472
Coastline & typhoon protection	56	105,793	32	97,250	88	203,043
Coral reefs & marine parks	2	6,150	0	0	2	6,150
Sustainable agricultural practices	44	24,933	4	13,790	48	38,723
<b>Total</b>	<b>201</b>	<b>388,787</b>	<b>123</b>	<b>427,611</b>	<b>324</b>	<b>816,398</b>
Source: UNDP, 1996. <i>Compendium of Environmental Projects in Vietnam, 1985-1995</i> . Ha Noi; UNDP and MPI, UNDP database: inventory of environmental assistance projects: ongoing projects in 1998 and pipeline projects						

TABLE

6.3

## MARD ODA Projects in the Forestry Sector

Projects	Number	Funding		Average Size (US\$ millions)	Grant	Loan	GOV
Upland rural development & watershed management	8	120.3	(38.3%)	15.0	67.4	33.0	19.9
Coastal rural development	3	53.3	(17.0%)	17.8	39.9	0.0	13.4
Protected areas	6	64.1	(20.4%)	10.7	34.9	21.5	7.7
Wetlands	2	50.6	(16.1%)	25.3	0.6	40.0	10.0
Training	5	8.8	(2.8%)	1.8	8.5	0.0	0.3
Policy development & planning	6	5.2	(1.7%)	0.9	4.3	0.0	0.9
Non-timber forest products	2	1.8	(0.6%)	0.9	1.8	0.0	0.0
<b>Sub-total</b>	<b>32</b>	<b>304.1</b>	<b>(96.7%)</b>		<b>157.4</b>	<b>94.5</b>	<b>52.2</b>
Non-environment	7	10.3	(3.3%)	1.5	7.3	2.5	0.5
<b>Total</b>	<b>39</b>	<b>314.4</b>			<b>164.7</b>	<b>97.0</b>	<b>52.7</b>
<b>Environment ODAs as a percentage of total ODA to forestry sector</b>	<b>82</b>	<b>96.7</b>			<b>50.1</b>	<b>30.1</b>	<b>16.6</b>

Source: International Cooperation Department, MARD. 1998. Database of ongoing and pipeline MARD projects.

TABLE

6.4

## MARD ODA Projects in the Agriculture Sector

Projects	Number	Funding		Average Size (US\$ millions)	Grant	Loan	GOV
Policy development & planning	6	4.9	(0.6%)	0.8	4.3	0.0	0.6
Integrated pest management	3	5.1	(0.7%)	1.7	5.1	0.0	0.0
Training	2	2.0	(0.3%)	1.0	2.0	0.0	0.0
Genetic biodiversity conservation	2	1.6	(0.2%)	0.8	1.6	0.0	0.0
<b>Sub-total</b>	<b>13</b>	<b>13.6</b>	<b>(1.8%)</b>		<b>13.0</b>	<b>0.0</b>	<b>0.6</b>
Non-environment	46	744.2	(98.2%)	16.2	61.1	593.6	89.5
<b>Total</b>	<b>59</b>	<b>757.8</b>			<b>74.1</b>	<b>593.6</b>	<b>90.1</b>
<b>Environment ODAs as a percentage of total ODA to agriculture sector</b>	<b>22</b>	<b>1.8</b>			<b>1.7</b>	<b>0.0</b>	<b>0.1</b>

Source: International Cooperation Department, MARD. 1998. Database of ongoing and pipeline MARD projects.

TABLE

6.5

## MARD ODA Projects in the Water Resources Sector

Projects	Number	Funding		Average Size (US\$ millions)	Grant	Loan	GOV
Policy development & planning	3	2.4	(0.3%)	0.8	2.3	0.0	0.1
Sea dykes	3	63.3	(7.5%)	21.1	39.6	0.0	23.7
Disaster management	3	2.6	(0.3%)	0.9	2.6	0.0	0.1
<b>Sub-total</b>	<b>9</b>	<b>68.3</b>	<b>(8.1%)</b>		<b>44.4</b>	<b>0.0</b>	<b>23.9</b>
Non-environment (including water supply)	15	772.7	(91.9%)		51.6	533.9	187.2
<b>Total</b>	<b>24</b>	<b>841</b>			<b>96</b>	<b>533.9</b>	<b>211.1</b>
<b>Environment ODA as a percentage of total ODA to water resources sector</b>	<b>38</b>	<b>8.1</b>			<b>5.3</b>	<b>0.0</b>	<b>2.8</b>

Source: International Cooperation Department, MARD. 1998. Database of ongoing and pipeline MARD projects.

the environment. Environment ODA dominates the forestry sector consuming 97% of total ODA to that sector. Over half the projects in the forestry sector are rural development and watershed management projects that focus on rehabilitating degraded upland environments through reforestation programmes.

Environment ODA to MARD by sector and by funding (grants, loans and Government of Vietnam contributions) is given in Tables 6.6 and 6.7 respectively. The level of environment ODA (20.2% of total ODA) being dispersed through MARD is critically low. This is because donors and the Government are focusing almost exclusively on on-ground ODA projects that have an overriding emphasis on increasing production, rather than improving natural resource management.

Projects with a principal focus on policy development and planning receive only minor attention with 1.6%, 0.6% and 2.4% in the forestry, agriculture and water sectors respectively.

Table 6.7 indicates that:

- only 11.2% is being given as a grant to the environment;
- only 4.9% of all loans are for environment projects; and
- only 4% of all government contributions to supporting MARD projects, is being directed to environment projects.

Sector	Total Funding		Funding to environmental projects		Environment ODA as a percentage of total ODA to MARD projects
	(US\$ millions)	(%)	(US\$ millions)	(%)	
Forestry	314	16.4	304	78.8	15.9
Agriculture	758	39.6	13.7	3.5	0.7
Water	841	43.9	68.3	17.7	3.6
<b>Total</b>	<b>1914</b>	<b>99.9</b>	<b>386</b>	<b>100</b>	<b>20.2</b>

	Projects (number)	Funding (US\$ million)	Grant (US\$ million)	Loan (US\$ million)	GOV (US\$ million)
Environment projects	54	386	215	95	77
All projects	122	1914	335	1225	354
<b>Environment as a percentage of total ODA to MARD</b>	<b>44</b>	<b>20</b>	<b>11.2</b>	<b>4.9</b>	<b>4.0</b>

## Key Issues

**Failure to support improved natural resource management.** Both donors and the Government have failed to adequately support improved natural resource management in Vietnam. On-ground, bricks and mortar ODA is urgently required in Vietnam, and the importance of focusing on such projects is not disputed. In increasing production, however, they risk escalating environmental degradation. The reverse side of the coin is that such ODA projects promote agricultural and rural development, particularly in remote areas and could become models for rehabilitating degraded environments.

Current trends in the natural resource sub-sectors and the Government's response through policy reforms demonstrate the inherent danger to the environment when development is not linked to well-developed policy and institutional frameworks capable of responding to emerging unsustainable use patterns. In concentrating so strongly on production oriented ODA projects, both donors and government have failed to build environmental safeguards into Vietnam's natural resource development systems.



**Critical ecosystems are not receiving sufficient ODA.** Coastal wetland protection and protected areas management each are the target of future large loan projects. These loans increase the total value and relative ranking of these groups in the overall natural resource ODA picture but they are yet to become operational. The proposed coastal project focuses largely on mangrove reforestation – mangrove ecosystems are critically endangered throughout the country – but other important wetland systems are not represented.

The marine environment is critically under-represented in ODA commitments. Most activities in the fisheries sector are linked closely to production albeit oriented towards sustainable management that can have significant environmental benefits. There are extremely few initiatives aimed solely at marine conservation.

Overall, too little environment ODA is being directed towards critical areas.

**Not all environment ODA necessarily helps the environment.** Most environment ODA to the forestry sub-sector, US\$ 173.6 million or 55% of the total, is directed to rural development and watershed management tree planting projects either in the uplands (US\$ 120.3 million) or in the coastal zones (US\$ 53.3 million). Similarly, sea dykes consume US\$ 63.3 million or 7.5% of the total. The environmental implications of many of these projects have yet to be assessed and may produce unwanted side effects.

Most upland rural development and watershed management projects, for example, aim to increase rural income generation through the establishment of small-holder plantations. The vision is that tree plantations will reduce pressures on the few remaining natural forest areas in the uplands and thereby have an environmental benefit through decreased natural forest loss and improved watershed value. While plantations do not damage the environment, they often fail to reduce the pressures on natural forests because these pressures originate outside the forestry sector. In a perverse way, such developments can lead to increased forest clearance. Rural development projects increase employment and income generating opportunities and these often stimulate in-migration. New immigrants place added demands on natural systems, including forests. Further, as wealth

increases among rural populations, individual families often seek to build larger and stronger houses, thereby further increasing pressures on natural forests.

Tree planting and forest conservation are not necessarily linked in the straightforward and simple way that many policy-makers believe.

Focusing on plantation development, therefore, fails to recognise and treat the real causes of natural forest loss. There has not been a single ODA project in Vietnam that has focused on improving natural forest management before the forests are gone. While donors and the Government have sought to rehabilitate degraded watersheds through plantation, there has been a failure to identify and support project initiatives that could have prevented the watershed from becoming degraded in the first place. ODA environment projects are addressing the symptoms rather than the root cause – poor management.

Vietnam's natural forest loss is linked to desperately poor rural populations. These people have urgent and immediate food needs. Natural forests have value to the rural poor only if they provide food either directly through hunting and gathering or indirectly through income generation, for example from the sale of non-timber forest products. Potentially, they have additional value through timber, but timber harvesting rights are held exclusively by State Forest Enterprises (SFEs).

Forest clearance does not occur rapidly. Rather, it is a step by step process of gradual degradation. The forest clearance cycle commences when SFEs harvest commercial timber. If SFEs had the capacity to manage forests based on a sustainable yield basis instead of focusing on maximum production, annual production could be set at levels that would allow long-term income generation and active management. Vietnam's natural forests are not managed in this way and once all commercial trees are removed, the flow of income to SFEs – and the management it previously supported – stops.

Once SFEs cease to actively manage forests, rural populations move in to gather food and other forest products, including remaining young trees that would otherwise grow to maturity. Fire is introduced to clear patches for agricultural production. Hunting increases and finally, the forests are so degraded that they can no longer supply food – any animals that were originally present have been sold, eaten or have migrated elsewhere. The forests are also too degraded to support the harvesting of non-timber forest products. Consequently, complete conversion to agriculture follows.

In simple economic terms, rural people have immediate and urgent food needs, so that agriculture production is more profitable than forest management. From a national development perspective, the reverse is usually the case, but the reality is that for a growing and increasingly poverty-stricken rural population, food is the first priority.





Plantation development, even if successful, can provide some income but cannot match agricultural land uses in immediate returns. In fact in some regions, an over-supply of plantation timber, for example, eucalyptus poles is causing a reduction in market prices to the point where farmers risk making a loss, rather than the profit anticipated and calculated into the cost/benefit analyses of many projects.

In this context, it is not surprising that despite the increased number and scale of rural development/watershed management projects, Vietnam's natural forests have continued to disappear. This has created a vicious circle – as forests disappear, there is an urgent need for more rural development/watershed management projects. Both donors and government appear to be responding.

This leads to a more fundamental issue of the objectives and measures of environment ODA projects – what outcome should be measured when assessing the success of project interventions?

The relationships are less convoluted in coastal development projects or in upland projects where the aim is to reforest bare lands. Such projects can provide significant positive benefits to rural communities through income generation and environmental rehabilitation. Yet, even in these projects, if tree planting schemes are ineffective – which they can be for a variety of reasons – they risk enhancing social inequities and wasting valuable resources, including farm labour. Such projects that fail to meet their rural development objectives can, at best, have a neutral environment impact, but there is a risk that by entrenching vested interests and disenfranchising the rural poor, they have a more indirect and insidious negative impact on the environment.

**The true picture of environment ODA may be worse.** The fate of three large loan projects and the end of the WFP's involvement in Vietnam represent a serious threat to the levels of environment ODA going to the natural resource sector.

The projects that significantly bias the MARD data analysis are the:

- ADB Forestry Sector project  
US\$33 million loan, US\$ 7 million grant, US\$ 13.2 million government contribution;

- World Bank Technical Support for Conservation of Biodiversity and Rural Development  
US\$ 21.5 million loan, US\$ 5.2 million grant, US\$ 5.6 million government contribution; and
- World Bank Wetlands Protection and Development  
US\$ 40 million loan, US\$ 10 million government distribution.

These projects constitute US\$ 135.5 million or 28% of the 1996-2000 environment ODA to the natural resource sector. Without these projects, environment ODA would amount to only 14.1% of total natural resource sector ODA, with 11.4% in grants, 0% in loans and only 2.7% in government contributions.

Currently there is no basis for removing these projects from the data set, but this may change. The ADB Forestry Sector project has been running for more than a year but none of the loan funds have been disbursed. The World Bank Conservation of Biodiversity project was stalled in procurement for over one year and is now commencing implementation. If there are difficulties with the World Bank loan on the same scale as the ADB project, then the future of the pipeline World Bank Wetlands project may be in doubt.

Another concern is the withdrawal of WFP from Vietnam. Of the US\$ 316 million that is being directed to rural development/watershed management projects in the forestry sector, US\$ 53 million or 17% is coming from WFP (including government contribution). WFP will end its operation in the year 2000. If no alternative donors fill the gap left by WFP, and if the three loan projects continue to face difficulties, there will be a serious decline in environment ODA to the natural resource sector in a year or two. WFP has established large plantation resources, albeit in small-holder units, throughout the country. While the plantations undoubtedly exist, it is impossible to comment on the programme's economic, social or environmental impacts as there has never been a formal evaluation of any of WFP's projects.

## Achievements and Challenges: the Future

Although environment aid forms only a small proportion of total ODA commitments and in spite of the concerns outlined earlier, environment projects have stimulated significant advances in the natural resource sector's management.

The key achievements as well as the critical challenges for the future that need to be addressed by ODA partners, both the donors and the Government, are discussed below.

### ODA is Stimulating Policy and Institutional Change

#### Achievement

ODA to the natural resource sector is facilitating slow policy and institutional change and has achieved some level of integrated environment management.

The Government is moving, albeit slowly, toward more cross-sector and integrated planning. ODA is supporting this transition (for example, Red River Basin Water Resources Management Project, ADB, Box 6.1), but must recognise that it will be neither rapid nor painless.

## Red River Basin Project

This ADB-funded two and a half year project aims to develop a broad based organisation that would manage the resources of the Red River basin and, in the process, evolve an integrated policy

framework that would assist in implementing the Water Resources Law. It is significant in that it will be followed by a US\$ 60 million loan used to implement water resource projects in this basin.

Central level planners are becoming increasingly aware that integrated cross-sector planning and management is necessary. For example, the water resources sub-sector in particular has recognised the need for integrated cross-sector, centre-province coordination in water resources management.

### Challenges

**There is still a long way to go.** ODA partners have so far failed to focus directly on policy and institutional issues – they remain focused on on-ground, production-oriented projects. There is a tendency to become overwhelmed by ‘institutional strengthening’ concepts when thinking about policy and institutional change and projects focusing on such concepts tend to end up in the ‘too difficult’ category.

There is a serious risk that ongoing environmental degradation will continue to increase in spite of and, in some cases, because of ODA, unless policy and institutional structures and capacities are developed to better assess policy impacts and to act proactively to avoid environmental degradation.

While central level planners appear to be recognising the need to increase capacities for cross-sector integrated environment management through institutional capacity building, there is little evidence of real integration between or even within ministries, at the province, district or the field level.

## Lead-In, Orientation Phases are Critical

### Achievement

Growing recognition among ODA partners that long-term, multi-phase projects that have a lengthy orientation phase are most successful; short-term, single phase initiatives are not as successful (Box 6.2).

Also, donors that have been in Vietnam for a long time, have a greater capacity to suggest and implement otherwise ‘difficult’ changes. Natural resource projects are intimately linked to sustainable livelihoods, so long-term commitments are essential. And personal relationships between advisers who have been in Vietnam for a number of years and Vietnamese counterparts are proving to be the bedrock of successful projects.

### Challenges

**Increase the number of long-term, multi-phase projects.** ODA partners must recognise that natural resource use patterns have evolved over centuries and that change, especially that brought by outsiders, cannot be introduced in a short period. There are too many cases of excellent projects that have only begun to make an impact after four to five years. Unfortunately, these projects often do not have a second phase and when they stop, there is an enormous loss of potential benefits. This can also

devalue projects that come later as local communities are less likely to trust the project process.

**Build an orientation phase into project design.** An increasing number of projects are including an orientation phase in their designs, but there is insufficient recognition of the need for such an approach. ODA partners may be reluctant to delay large-scale and rapid project implementation but must recognise the importance of this initial phase.

**Use advisers and particularly project team leaders who have long-term experience of working in Vietnam.** Long-term donor involvement and

## BOX

6.2

### The Social Forestry Development Project

The SFDP is a technical cooperation project between the Governments of Vietnam and Germany. Its goal is to improve “the living conditions of the local population in the Song Da region ... by applying ecologically and economically sustainable land use systems.” Pilot areas address the predominantly Thai and H'Mong communities.

The project spans 12 years with an Orientation Phase (1993-95), Implementation Phase I (1995-98), Implementation Phase II (1999-2001) and a final Hand-over Phase (2001-04). The budget for phase 1 is US\$ 4.6 million with a grant of US\$ 3.8 million from Germany and US\$ 0.8 million in counterpart funding from the Government of Vietnam. The Forest Development Department (FDD) in MARD is executing the project, supervised by a National Steering Committee which meets twice a year to approve annual plans of operation. MARD's vice-minister chairs the Committee, with representatives from the Office of the Government, MPI, different branches of MARD and Son La and Lai Chau Provinces.

The project is staffed by three international and six national long-term experts, 12 support staff and about 12 people seconded by the Provinces and Districts. It is highly innovative and has been very successful, both in achieving its targets and in developing methodologies, technical options and staff training. It has informed the wider policy context in which it operates and many of its initiatives are being taken up in other geographic regions.

A particularly interesting innovation is the development of a set of activities that will be funded by a Debt for Nature agreement signed between Germany and Vietnam in 1997. The agreement plans a Vietnamese Dong 15 billion (around US\$ 1 million) investment that would allow the FDD to apply and expand the methodologies tested within SFDP. This would be through a new project, Nature Conservation and Reforestation in the Song Da Watershed, planned for areas neighbouring SFDP operations. However, community development activities have been delayed for about a year by procedural difficulties in the Ministry of Finance over the disbursement of counterpart funds worth US\$ 340,000 or Vietnamese Dong 4.7 billion. This was mainly due to the novel nature of such a financial instrument.

Another innovation has been in the development of assisted natural forest regeneration (ANR) trials, with and without farmers' involvement. Despite the overall success of such trials, and both technical and financial advantages of ANR over plantations, this activity has not attracted significant interest; Vietnamese forestry staff is focused predominantly on plantation development. Recent significant difficulties in finding funds to finance its national reforestation Five Million Hectare Programme has led the Government to become increasingly interested in ANR, and to include one million hectares of natural regeneration in this programme. Moreover, regulations are being devised to fund national projects on natural regeneration.



long-term – but not necessarily full time – involvement by individual project personnel appears to be a highly successful project implementation model. Yet, as the number of projects grow, it is harder to locate personnel with relevant and high quality Vietnam experience. Wherever possible, ODA partners must ensure that advisers, particularly team leaders, have Vietnam experience and are supported in Vietnamese language training prior to taking up their duties. The converse to the importance of long-term advisers is the fact that there is no direct relationship between the quantity of TA and the quality of project outputs. Projects are increasingly using less TA inputs and more local management, often with good results.

## ODA Projects with Flexible Designs are More Effective

### Achievement

Projects with flexible designs are achieving positive results and local ownership is increasing:

- projects that focus on building local capacity and trust in the first year of project implementation are working better. These projects appear to have more local ownership and more overall impact and success (Box 6.3);
- regular and participatory monitoring and evaluation is proving essential, provided it is based on inherent flexibility that allows activities to be changed and modified according to the results rather than rigidly adhering to the original design; and
- more projects are using local staff to implement project activities. This is the most effective mechanism to demonstrate trust and to develop real ownership.

### Challenges

**Increase flexibility by including regular participatory monitoring and evaluation activities into project designs.** Flexible project planning through participatory monitoring and evaluation processes can run counter to traditional top-down project control approaches based on targets. ODA partners need to recognise this. Flexible planning introduces feedback and evaluation loops into the project cycle. It forces stakeholders and managers to reflect and develop capacities to evaluate and critically

## Protecting the Genetic Diversity of Medicinal Plants around Ba Vi National Park

The medicinal plant project was part of the Integrated Community Development Project at Ba Vi – completed in April 1999 – funded by the Australian Association for Research and Environmental Aid (AREA). The larger project encouraged community-based environmental protection of Ba Vi National Park, while the medicinal plant portion assisted local communities in the protection and sustainable management of species traditionally used for medicinal purposes. The project also sought to strengthen the environmental awareness and expertise of institutions collaborating on this project.

As a first step, an environment and socio-economic assessment was carried out and a monitoring programme established. The former was designed to identify actual and potential environmental impacts throughout the project cycle; and the data collected was used to plan and evaluate project activities as well as identify likely problem areas.

During the course of the project, and its subsequent incorporation into the larger one, project staff worked closely with Dao and Muong villagers (the major harvesters in the project area) to compile an inventory of medicinal plants. Such research assisted in identifying the range and quantities of forest products used in traditional herbal practice and in determining which species were considered to be of most importance to local communities, both culturally and economically.

The project established a methodology for the systematic research, collection, collation and environmental interpretation of the amassed biological data. This information was then used to assess the ecological factors associated with medicinal species with respect to their occurrence, abundance and habitat variations. This was considered essential to assist with their long-term management

and protection. Through these processes it was estimated that, at the current rate of harvesting, medicinal plant could be depleted within the three-year project timeframe.

The project encouraged cultivation of medicinal species as an agricultural crop and replanting of threatened species in degraded areas of the Park as a regenerative strategy. The project's research provided the baseline data needed to establish a medicinal plant nursery. A priority list of medicinal plant species was developed with the local people and propagation methods were formulated. Of the 40 most important species listed by herbalists, 23 were collected and propagated in the project nursery. Altogether, medicinal species from 66 genera were trialed and subsequently distributed to herbalists/farmers as well as National Park staff. Nursery activities were subsequently extended to home gardens and the National Park.

By the end of the project, more than 200 herbalists had made a strong commitment to cultivate medicinal plants as an income generating activity and partly as an alternative to collecting from the Park. There was also a growing interest amongst farmers in cultivating medicinal species as an agricultural activity.

AREA maintains that despite its quantifiable output, the real measure of long-term success in conservation and biodiversity protection efforts can only be reflected in the attitudinal changes of individuals. Such changes can only be nurtured if they are predicated on a sound understanding of the issues involved and in gaining the support of local communities. The project's constant monitoring and evaluation processes as well as its inherent flexibility enabled this awareness and support to flourish.



assess outputs. However, it can run counter to vested interests and may, therefore, encounter resistance, not only locally but also from the donors themselves.

There is a growing awareness that a flexible approach is best and institutional change is providing the opportunity to accept more flexible project control mechanisms. However, flexible project planning and implementation still needs to be based on tangible objectives and outcomes rather than on qualitative ones. The latter can impact on the incentives for stakeholders to participate. Flexibility requires a longer term focus, systematic planning, effective monitoring and, possibly, a scaling down of project objectives. But it can improve the capacity to absorb project initiatives.

**Care is required to ensure that local staff are ‘enabled’ whilst carrying out their normal work rather than capacity built through project activity.** While using local staff increases ownership and institutional capacity, it can lead to quality people being removed from line agencies to work on projects. As far as is possible, project implementation must avoid acting as a drain on the local system. This is difficult in some contexts where there is a lack of suitable local staff or the line agency designates that only their staff can be involved; the onus must then be moved to capacity building and training within the implementing agency.

## ODA Partners are Developing Successful Rural Development Models

### Achievement

There has been, and continues to be, an ODA partner focus on land-based rural development. Many of these projects are having a beneficial impact on

the lives of rural people by demonstrating successful field-based approaches to long-term sustainable natural resource management.

There are numerous models being established across the country through integrated ODA projects that demonstrate creative solutions to complex rural development issues. The geographic focus of these projects is widespread and appropriate and they do involve real grassroots level participation.

What has been found is that participatory hamlet and commune level planning is being successfully implemented in rural development projects. It has extremely positive impacts when combined with a flexible project approach, participatory monitoring and evaluation and long-term involvement (Box 6.4).

## BOX

## 6.4

### The FAO-Vietnam National IPM Programme

The Integrated Pest Management (IPM) Programme was launched in Vietnam in 1992, as part of the FAO Intercountry Programme for IPM, co-funded by the Dutch and Australian Governments. The main objective of the Vietnamese programme is to increase small-scale farmers' knowledge, enabling them to make informed decisions about the management of their crop production. The initial focus was on rice and the launch of the IPM programme was timely as it followed a period of considerable crop loss caused by a country-wide infestation by the brown plant hopper in 1991; this had forced the Government to look for alternatives to conventional plant protection techniques. IPM has thus become a key component of national priorities around agricultural production.

The IPM rationale is that through informed decision-making, farmers will be able to achieve more sustainable production and greater farm-level benefits. The programme is, therefore, strongly based on local implementation.

It has focused mainly on training activities, with considerable emphasis on training farmers to become trainers themselves. Other activities include studies supporting programme implementation, for example, the role

of women, the impact of IPM on farmer practices and their economic status. FAO and the Government acknowledge that the good performance of the IPM programme may, in part, be due to peculiarities of Vietnam itself:

- the official and rather top-down Vietnamese extension system was launched after the start of the IPM programme, so government staff did not have to 'unlearn' top-down approaches before embarking on the IPM strategy; and
- the existence of traditional learning networks amongst farmers such as farmers' clubs (at least in the lowlands and midlands).

Active collaboration between different line agencies on the ground has been important to the success of the programme. For example, the local plant protection department hires the services of extension agents to help run the local IPM activities.

The IPM programme indicates that when projects deal with matters that match both national priorities and local people's interests, the adoption of new approaches and their incorporation into national strategies can be rapid. The programme's success also indicates that coordination between line agencies can be good, especially at peripheral levels and that project recipients are sometimes even ready to pay for the support.

Also, protected area and coastal zone management projects are receiving increased ODA partner attention as awareness of the link between long-term environmental degradation and short-term negative economic impacts increase (Box 6.5).

### Challenges

**Again, there is still a long way to go.** While there have been successes in rural development (mostly in the forestry and agriculture sectors), protected area, coastal zone management and marine conservation projects are only beginning the process of developing long-term solutions. Protected area management projects, in particular, are proving very difficult to implement effectively, partly because there are few active projects with little long-term experience. At present, the projects are struggling to balance the urgent economic and social development needs and aspirations of the rural poor with biodiversity conservation objectives. Time will tell if integrated, landscape level participatory approaches are effective.

The marine and fisheries sector remains strongly focused on economic goals and is negatively impacting on other sectors – mangrove deforestation for shrimp farms damages coastal zone management and the shallow water fishery is heavily over-fished. Marine pollution is having increasingly serious negative impacts on the environment. Field management in all sectors has yet to give practical expression to the wider institutional recognition of the need for cross-sector, province-centre integrated planning, although there are ODA projects addressing this challenge.

## BOX

6.5

### The Freshwater Fish Culture Extension Project

This project, implemented by FAO, commenced in January 1995 and concluded in July 1997. Through extensive locally conducted research, extension and training, it successfully developed freshwater aquaculture models in 16 provinces in northern Vietnam and four provinces in central Vietnam.

The project worked closely with local farmers, provincial agricultural extension centres, provincial directorates of fisheries and designated sub-centres of the Transfer of Technology Centre. The project followed from a local initiative that identified the need for new approaches to providing farmers with knowledge of aquaculture techniques.

The project successfully:

- established an extension network across the project area encompassing local technology – transfer centres and provincial extension services;

- developed training materials for extension work;
- completed socio-economic case studies for 12 vuon-ao-chuong (Garden-Fish Pond-Animal Shed) sites;
- field tested extension techniques and approaches appropriate to the ethnic communities living in mountainous regions;
- trained over 700 extensionists at the district and commune level who provided extension – services to ethnic and women fish culturalists;
- trained over 2,000 farmers from various ethnic groups and remote and less developed areas in appropriate fish culture technology.

After two years of operation, the project evaluation mission concluded that the project had achieved its objectives and had made a significant contribution to Vietnam's Hunger Irradication and Poverty Alleviation Programme.

## Marine Pollution in Van Phong Bay

Van Phong Bay in south central Vietnam contains some of the country's most pristine coral reefs and marine environments and is also one of the most scenic stretches of coastline with a huge tourism potential. The bay has recently become home to South East Asia's largest and newest onshore ship repair facility which is discharging so much unmonitored and unregulated pollution into the nearby waters that a toxic plume is spreading long distances along the coast. The imminent development of three ship-to-ship oil

transfer terminals in the bay; the planned development of a container transfer terminal in the same area and planned tourism developments are already threatening internationally owned and successful pearl farms.

The future of Van Phong Bay and its valuable marine ecosystems is not certain. This raises serious questions about the Government's regard for marine protection in its inshore waters and about donors' commitments to marine conservation.

**Long-term horizons are important.** ODA partners wanting quick fixes will be disappointed. Favourable evaluation reports on project completion seldom indicate whether long-term sustainable management principles have been truly incorporated in management approaches. ODA partners must accept that it may take many years before new techniques are adopted as part of wider policy and management change, particularly in forestry and rural development projects. The uptake of successfully demonstrated approaches at an institutional policy level is slow and painful. It can be facilitated by perceived or real crises.

**Other sectors are getting proportionately less ODA than they urgently require.** Some aspects of natural resource management and protection – specifically natural forest management, wetlands, coastal zone protection and marine ecosystem conservation – have been mostly ignored despite representing important environmental and economic resources (Box 6.6).

Environment ODA to the natural resource sector has been heavily oriented toward rural development through forest plantations. While such projects are important, this focus has been at the expense of potential rural development as well as the ecological benefits to be derived from the sustainable management of natural forest, wetland, and coastal and marine systems.

For example, Vietnam's rich natural forests have seriously diminished in scale and quality during the period of most rapid increase in ODA to the forestry sector. At the same time, plantation developments have been less successful than hoped and there is increasing pressure on existing and proposed protected areas. There are vested interests in keeping ODA away from natural forests until they are exploited, but donors have failed to use their leverage to develop projects to better manage natural forests before they are degraded. Biodiversity is not confined to protected areas. Rural livelihoods can be better sustained through long-term and participatory sustainable management of natural forests as opposed to plantation forest development. Similarly, the predominantly economic development nature of past ODA has meant that aid to the fisheries sector has focused almost exclusively on managing commercial fish stocks.

The Government now recognises the need for external assistance to natural forest management, wetlands, protected areas, coastal zones and marine

conservation. ODA partners should undertake urgent measures to address these critical gaps before these valuable resources are destroyed.

**ODA projects risk entrenching vested interests.** There is a risk that rural development and other such projects may compound wealth disparities. Similarly, there is a risk that ODA will maintain vested interests when normal economic forces would otherwise demand change. Vested interests resist losing control over project budgets so that benefits can be directed to the local elite.

A long-term, demonstration oriented, flexible approach focused on working with high quality staff will eventually overcome these interests. There is also a risk that vested interests will have a direct negative impact on project achievements. For example, Government objectives for coastal zone management are conflicting – on the one hand, the government supports mangrove reforestation, on the other, it supports shrimp farming. Shrimp farming destroys mangroves. The two activities can exist simultaneously, but require careful management. Some ODA projects supporting mangrove reforestation have been compromised by vested interests pursuing shrimp farming in a destructive way. In such a situation, there is little resource to local authorities, so project design must build in safeguards to address these potential conflicts, including regular project monitoring and evaluation (Box 6.7).

## BOX

6.7

### The Social Forestry and Nature Conservation Project in Nghe An Province (Part 1)

The overall goal of the EC-funded SFNC is to “reduce the destruction and degradation of forest resources in the Pu Mat Nature Reserve, including the buffer zone”. Focusing on the main causes of forest destruction, the project has the following expected outputs:

- people living in the buffer zone adopt sustainable resource management techniques;
- the capacity of the local forest administration to design, implement and monitor forest conservation and management plans is strengthened;
- an appropriate conservation and management programme for the Pu Mat reserve is prepared and adopted;
- state and non-state forest enterprises manage forests sustainably; and
- forest policy, organisation and legislation are strengthened.

The project is scheduled to last six years, with an inception unit planned only for establishing the logistics of the project. The EC has granted ECU 17.5

million with the Government contributing ECU 1.2 million. There are four expatriate staff based at provincial level. The Government has deputed staff to work in and be paid by the project.

Project staff are having serious difficulty trying to collaborate with State Forest Enterprises (SFEs) in the buffer zone. The SFEs expect that the project will provide working capital, whereas project assistance relates to improved management, trials on processing techniques, training, and a reorientation away from forest exploitation to a provision of services. The SFEs are not motivated by these services and feel threatened by the suggested changes.

The project, which is struggling to begin implementing its important initiatives, highlights the tensions between conservation and local vested interests. National priorities for nature conservation have not been able to overturn the local elite’s prerogatives and interests.

**ODA partners must ensure real local participation at all project stages.**

Project initiatives that fail to secure real participation from the local people at the design phase or, that have focused their search for solutions too narrowly, risk not achieving their development objectives. Local participation in project design across all natural resource sub-sectors is emerging as critical for subsequent success. Design processes based only on ODA partner perceptions of rural development solutions will not succeed. Similarly, designs based on the official line from central or often even provincial or district level officials may not succeed. It is fundamentally important to secure real participation of local people in the design process and to follow this through project appraisal and implementation but still have the relevant authorities involved through capacity building and input into decision-making. This is best achieved by long-term applied research started in the preliminary phase and built into the project design.

At the same time, it is important to recognise that in some instances, local people, who first and foremost want to see a project approved, will participate in the design process by fully agreeing with what is being proposed. It may only be at the implementation phase that local beneficiaries express their real concerns, including the wish to modify the project. Project designs that have inherent flexibility as well as project orientation phases are best able to manage such change and will facilitate improved trust and cooperation between those implementing a project and the beneficiaries, by providing a framework for working through such issues.

**ODA partners must match project bottom-up approaches with central and provincial level top-down planning.** Province and district level commitments to support project objectives do not always result in government funded activities that actually support the project. Projects are often seen as external to the wider government funded system. This reflects a project design or inception that has not secured project ownership. There is unlikely to be anything sinister in this, but it can manifest itself in ways that critically impact against objectives – for example, building a road that provides increased access into a valuable protected area despite presence of an ODA-supported project to better manage the protected area. It is, therefore, critical to ensure complete understanding and, more particularly, ownership of projects. Project design must pay due attention to top-down objectives as well. Participatory project design and flexible implementation processes can greatly assist in this regard, particularly if all vested interests and project ownership is taken into account.

## ODA Partners are Implementing an Increasing Number of Projects at Province, District or Commune Level

### Achievement

ODA partners are directing increasing amounts of ODA at levels other than the centre.

ODA partners are developing effective models for project implementation at the province, district and commune levels.

### Challenges

**Strengthen the trend toward decentralised project implementation.**

MARD is overwhelmed by the number and scale of ODA (environment and non-environment) projects it is managing, though it is staffed by many competent and well trained personnel that have developed excellent project

management capacities because of their exposure to ODA projects. Most of the best people are heavily overloaded with ODA project responsibilities besides their normal government work. There is a risk that ODA to the natural resource sector entrenches vested interests, especially within MARD. MARD no longer has ownership of land and it does not control budgets. Yet, it remains heavily staffed. There is a risk that ODA is preventing change by subsidising the centrally planned status quo.

The focus on MARD has meant that provincial, district or commune staff has not developed the capacity to implement successful projects and have not been exposed to new ideas and training opportunities. Some central level staff suggest that there is no capacity in the provinces, therefore, the centre should control project implementation. An alternative view might argue that there is only limited capacity in the provinces because there has been no decentralisation. Provincial, district and commune staff could develop the capacity to implement projects if they were given the opportunity to do so.

## Projects Linking Centre and Field-Based Initiatives are Most Influential

### Achievement

ODA initiatives comprising both field-based and institutional capacity building components that complement each other have been effective.

- Individual projects, clusters of one donor's projects or clusters of multiple donors' projects can have a reinforcing mechanism.
- At the individual project level, projects that operate through field demonstration at the local (hamlet/commune/district/province) level and by policy/institutional reform at the central level can very effectively demonstrate and communicate their field experience to the centre and the central level changes to the field (Box 6.8). These types of projects have successfully influenced wider policy change when local institutions (central or provincial) have needed innovative solutions. For example, embracing natural regeneration as means of funding the Five Million Hectare Programme.

### Challenges

**ODA partners need to design more projects with these attributes.**

Project designs need to build in mechanisms to ensure that field based initiatives are reinforced by central level institutions and vice versa.

**Improved ODA coordination.** ODA needs to be better coordinated between and within government agencies and institutions; between government agencies and institutions and donors; and between donors. Donors should play a leading role in establishing mechanisms to improve coordination. This process is underway in MARD with the proposed evaluation of the ISG, but donors also need to improve coordination to reinforce each other's initiatives as much as their own.

Although there have been advances, there still remains the need to ensure that project initiatives within and between donor portfolios act to build and consolidate achievements across the board. There are an increasing number of ODA activities in the natural resource sector and it is possible to get the impression of donors falling over themselves in a rush to get

## The Mountain Rural Development Programme

Sida has been cooperating with Vietnam on forestry matters since the early 1970s. The initial support was to establish a regular supply of raw material for the Bai Bang pulp and paper company. This early support was directed at five northern provinces and since that time, these provinces have remained the focus of all Sida forest programme activity. Since its early production-oriented beginnings, the cooperation has evolved to encompass the whole range of rural development issues – in the 1991-1995 Vietnam-Sweden Forestry Cooperation Programme, for example, activities included credit schemes and livestock management.

The current phase of Sida support through MRDP, builds on this long-term cooperation but with a new programme that focuses both on rural development in mountainous areas and policy support within MARD. It is significant, but not surprising, that it is a Sida-funded initiative that has placed policy advisers in MARD in Ha Noi. The Sida programme, by virtue of its long-term involvement in the forestry sector in Vietnam, has developed close professional relationships and trust with senior forestry officials as well as with provincial authorities and the local people. The programme, despite having supported a number of different international personnel, does have strong credibility within Vietnam because the Swedish have made such a long-term commitment to the country.

MRDP supports:

- institutional development to improve a demand-driven support structure, with participatory village planning at the core of the programme;
- the development and testing of methods and systems to increase

land use productivity in a sustainable manner; and

- the creation of policies, recommendations and guidelines for sustainable upland development based on learning from work in the five provinces.

MRDP has been innovative in many respects:

- it has created significant local ownership by virtue of its long-term involvement and through its village level planning processes;
- the programme uses a village level, rolling planning approach. It is based on annual planning processes where all project achievements are reviewed and plans developed for the forthcoming year. Annual budgets can be rolled into the next year, if they are not completely used in a given year. This immediately creates significant flexibility in project implementation and allows the project to evolve as project capacity increases;
- the programme is piloting an approach in three out of its 18 districts whereby funds are transferred directly to the commune level, on the basis of village level plans produced through discussions between project staff and local people;
- as part of its policy-support component, MRDP funds the International Support Group, a coordination forum of MARD's International Cooperation Department, where donors and government representatives meet every six months;
- the structure and strategy of MRDP entails direct links between policy-making and field experience; and
- MRDP is cooperating with an IFAD-funded project at the operational level where project areas overlap.

projects on the ground. Project designs must be based on an overall philosophy of building on the best of what is present.

### **Scaling up – demonstrating and communicating successful initiatives.**

How to scale up? There are some excellent project initiatives and achievements in the field but personnel in remote projects seldom get the opportunity to learn from one another's experiences. Therefore, there is potential for re-inventing the wheel. Scaling up requires that opportunities for demonstration and communication are included in project design. Also, long-term, multi-phased projects with longer term staff are better able to facilitate the broader uptake of project initiatives.

In scaling up care will need to be taken to recognise that natural resource systems are different. No one commune is similar, let alone district or province. Scaling up endeavours have failed, and in fact, have had negative impacts when this heterogeneity is ignored.

## Trust between Local People and Project Personnel is the Best Way to Achieve Project Objectives

### Achievement

Projects focusing on long-term relationship building, rather than on traditional rapid rural appraisal methods, are having the greatest impact.

Traditional rapid rural appraisal (RRA) techniques are losing ground in large programmes as well as in some NGO projects, with long-term relationship building increasingly favoured. Local communication systems do not operate according to RRA rules and projects that build trust and some connection with stakeholders are, in time, getting more valuable information and feedback to guide project initiatives.

### Challenges

**There is a need to increasing understanding amongst all ODA partners that effective participation can only occur once trust and understanding have been built.** Developing trust takes time and flexibility in project design. If local people suggest a different approach, based on their knowledge and experience, then project management needs to be able to adapt. This is critical if project outputs are to truly reflect local aspirations. Long-term, multi-phase projects with long-term personnel provide the best basis for trust to develop between project participants. While the limitations of RRA are being recognised, a more extensive analysis of its role and effectiveness may still be required.

## Establishing Relationships and Responsibilities Before a Project Begins is Critical

### Achievement

Project designs that define specific responsibilities are experiencing less administrative difficulties. Clarity in relationships and responsibilities is critical to project implementation (Box 6.9).

### Challenges

**Defining relationships and responsibilities before a project commences is necessary but can be difficult and risks restricting project flexibility.** The project preparation phase is the time to establish

## Unfulfilled Possibilities – Forest-Based Development of the Long Xuyen Quadrangle, 1991-96

This project, funded by AUSAID through the Mekong River Commission, symbolises the manifold positive aspects as well as many unfulfilled possibilities of environment ODA to the natural resource sector in Vietnam.

The project's simple objective was to "determine the best way to reforest the inundating acid sulphate soils of the Long Xuyen Quadrangle" and underlined that this should be achieved through technical, economic, social and environmental research. The Forest Inventory and Planning Institute (FIPI) was the National Counterpart Agency and the project was 'owned' at the central government level by the Vietnam National Mekong Committee (VNMC). The total budget was less than US\$ 800,000.

The project worked with the local forestry departments in An Giang and Kien Giang provinces and with a number of local institutions – FIPI, the Forest Science Institute of Vietnam, and the soils, fisheries and economics departments of Can Tho University. It was staffed by one international Chief Technical Advisor and supported by visiting short-term specialists. It provided a range of training opportunities for province forestry department staff including national, regional and international study tours, participation in international workshops, English language training, and technical courses on a range of topics.

The project worked very closely with the local people. It established research trials, ran extension programmes and training courses, all with the involvement of the community. As such, the project developed excellent local relationships and the people understood and valued the project for the results it could provide to help improve their quality of life.

Initially planned as a three-year project, it was extended an additional two years to allow the research trials to provide more conclusive results. After three-and-a-half years, the international CTA departed. Following a National Technical Workshop, project management was handed over to FIPI. At the end of the project's five years in 1996, successful models had been

developed that were environmentally, socially, technically and economically appropriate to the Quadrangle's unique inundating acid sulphate soils environment. Since that time, nothing more has happened.

Despite the real ownership felt by the local forestry departments, the district level institutions and more particularly by the local people, there has not been a single follow-up activity.

The project was unique for Vietnam in that it had a five-year development phase – building up local ownership, capacity and knowledge. It was unique for its time in the creative and flexible way it allowed the project team to pursue the goal and it was exciting for all concerned when after five years of solid and difficult work, the model emerged. But it was and remains a wasted exercise in that nothing has gone forward. Why?

- The project was located in the deep Delta region, far removed from the main action in Ha Noi, and remote from where people normally think of when they consider Vietnam's urgent forestry issues. Despite its excellent local ownership, few people in MARD actually knew about the project at the time and even fewer would recall it now. The project failed to move beyond the development phase because it had no mechanism to inform the wider development process;
- Donors failed to catch on to the exciting work of the project. Perhaps its outputs – a model – were too scanty for meaningful advertising. Staff from both provinces have been to Ha Noi and directors in the VNMC have sought additional donor support to carry the project into a pilot implementation phase, but there is no interest.
- Project reports lie buried somewhere gathering dust, but more particularly, the local people who worked and supported the project's activities and grew with the results, remain desperately poor and the forests of the LXQ remain under threat.

With the large quantities of ODA flowing into Vietnam, this really shouldn't be the case.

relationships and a framework for specific responsibilities. Yet, it is important that projects do not lose flexibility because of previously negotiated agreements. There is no guarantee that changes in relationships and responsibilities will not occur, especially in the early phases of implementation. A specific mechanism for agreeing on changes in project design and implementation may be useful (Box 6.10).

BOX

6.10

## The Social Forestry and Nature Conservation Project in Nghe An Province (Part 2)

The Government, despite the absence of official policy on buffer zone management, approved the SFNC project. As the concept of buffer zone management is not fully understood by the Vietnamese counterparts, there was a conceptual misunderstanding at the outset of the project that is only gradually being resolved.

Another initial misunderstanding relates to the meaning of a consultant's report. The Vietnamese counterpart agencies in the project area saw the recommendations of the appraisal mission as binding agreements, and this has raised a lot of expectations within local administration and amongst

local people. It seems that the EC regulations, that is the two binding documents of an EC project are the financial agreement and the working plan at the beginning of each phase, were not clear to the provincial counterpart agency. Though this misunderstanding is being resolved, implementation is suffering.

This illustrates the intense learning process that the Government has been undergoing, and the long way to go, both on environmental and ODA matters. It also points out that donors should be ready for some delay and twists inherent to all learning processes.

## Involving all Stakeholders Improves Management, Ownership and Reduces 'Leakage'

### Achievement

Better governance and reduced leakage is being achieved by some projects through the existing administrative framework by instituting full stakeholder participation.

The involvement of all primary stakeholders, for example, through a project management board in decision-making, is improving local checks-and-balance mechanisms in some projects.

### Challenges

Involving all project stakeholders appears to be the way to incorporate local aspirations into activities, but again requires a flexible approach. It is critical that project design makes terms and conditions for implementation responsibilities transparent from the outset, particularly on financial matters. Linking part of the project disbursements to quality of outputs is also proving effective – quality rather than quantity being the objective.

**A close follow-up by third parties, that is by project coordinators, is key.** Third parties that do not originate from the project area more effectively

## Sea Dyke Construction Project

This project is meant to promote economically, socially and environmentally sustainable development in rural areas through skills and wages acquired through constructing sea dykes.

Six dykes are to be built between 1991 and 1999. There is a province-based OXFAM officer to supervise work in the field. OXFAM has recently established Project Management Boards (PMBs) in response to concerns over 'leakage' of

project funds. PMBs are composed of representatives from the province and concerned districts.

It appears that the OXFAM project may have achieved a 'win-win' situation as it is managing to achieve its dyke building targets with absolute increases in local people's income. At the same time, use of a PMB that involves all stakeholders and a province-based OXFAM officer is ensuring that 'leakage' has been reduced to almost zero.

avoid social and institutional pressures to allow leakage. The challenge is to move from individual cases to broader uptake of checks-and-balance mechanisms (Box 6.11), for local control mechanisms to develop and be effective, ODA partners must accept that they will relinquish some control over project management.



## CHAPTER 7



# Aid to the Industrial and Urban Sectors

## Key Urban and Industrial Policy Developments

Since the mid-1980s, the Vietnamese government has promoted “modernisation and industrialisation”, supported by a wide range of policies, laws and directives, which has led to a major transformation in the country’s economic and social systems.

Vietnam’s cities and industrial zones are now grappling with the problems of promoting economic development while protecting the urban environment. GDP has grown by over 8% per year between 1993-97, with industry growing by 14% per year (Table 7.1). Large inflows of foreign direct investment have encouraged

TABLE		7.1
GDP Growth, 1993-98		
Year	GDP Growth (%)	Industrial Growth (%)
1993	8.1	13.2
1994	8.8	14.0
1995	9.5	13.9
1996	9.3	14.4
1997	8.8	13.2
1998	5.8	11.0

Source: IMF, 1998.

urban and industrial growth primarily around Ha Noi and Ho Chi Minh City. Much of this FDI focuses on the exploitation of natural resources

and cheap labour. Even with the Asian economic crisis, Vietnam remains one of the fastest-growing economies in the world.

The economy is not only growing rapidly, it is also being transformed in the process. Vietnam is shifting from an agrarian to an industrial economy, with a trend toward activities that are

environmentally harmful. Small and medium sized enterprises (SMEs) are multiplying in cities around the country, while large foreign joint ventures are concentrated in the 50 new industrial zones that have been set up. There are nine new industrial zones planned for Ha Noi alone. Foreign investors have targeted sectors such as oil and gas, construction materials, petrochemicals, automobiles, electronics, garments and food processing for future expansion. Many of these industries are potentially serious polluters.

Industrialisation and urbanisation are occurring simultaneously. Vietnam's urban population is estimated at 15 million people or 20 % of the total population, with a growth rate of 4.5% per year – more than triple the rural population growth rate. Approximately half of the urban population is concentrated in and around Ha Noi and Ho Chi Minh City, attracted by market forces and employment opportunities. It has proved difficult to manage this growth, even with policies to restrict migration, decentralise industry and develop New Economic Zones in other areas.

Growth in cities is overwhelming existing infrastructure. Traffic congestion, overcrowding, unplanned land use (including expanding residential areas next to highly polluting factories), uncollected municipal solid waste, and polluted rivers and lakes, are the most visible signs of infrastructure overload.

According to the Ministry of Planning and Investment, Vietnam's urban population will double by 2010: an estimated 37 million people or 40% of the population will be living in cities. The strategy to avoid concentrating

TABLE		7.2	
Changing Structure of GDP			
Year	Agriculture	Industry	Service
	(%)		
1996	26.2	31.3	42.5
2010 (planned)	17	37	45

Source: Development Strategy Institute, 1998.

people and pollution, and more specifically to avoid the creation of megacities like Bangkok and Jakarta, is to evenly distribute development throughout the country.

Urban growth is being planned in coordination with

further industrialisation, which will involve a reduction in agricultural occupations and an increase in the industrial and service sectors. By the year 2010, when 100 industrial zones are planned to be in operation, the service sector will dominate the economy (Table 7.2).

Government policies regarding urban and industrial development can be grouped into several categories.

## Promoting Job Creation

While population growth has slowed considerably, there is still significant growth in the working age population. An estimated 1 million people are added to the workforce each year and creating jobs for these people is a priority for the Government. The official urban unemployment rate was 7% in 1998, and is over 8% in Ha Noi, Ho Chi Minh City and Hai Phong. An additional 15% of the population is estimated to be under-employed.

Job creation is thus a major goal of current development policies. The Government seeks to support state-owned enterprises, promote foreign investments in the manufacturing and service sectors, and nurture the

development of private domestic enterprises that employ urban workers.

## Promoting State-Owned Enterprises

The promotion of SOEs remains a government priority. The Prime Minister recently announced plans to reorganise and consolidate SOEs “to make them more efficient and to maintain their leading role in the economy”. This is an extension of past policies to support SOEs through soft loans, implicit subsidies, preferential export licenses, preferential access to land and other such policies. The Government continues to protect several sectors such as cement, steel, paper manufacturing, sugar refining and car assembly through tax and tariff policies. The most telling result of these policies is that SOEs continue to contribute almost two-third of industrial GDP. As of 1997, there were 553 centrally run, state-owned industrial enterprises employing 346,000 workers.



In 1994, the Government restructured the management of centrally run SOEs into General Corporations. This was designed to rationalise SOE management, to eliminate line ministry control over enterprises and to achieve economies of scale. Approximately 20 General Corporations have been created, including corporations for oil (PetroVietnam), coal (VINACOAL), textiles (VINATEX), chemicals (VINACHEM), steel, cement, machinery, paper, telecommunications and air transport.

In the coming years, many smaller SOEs are likely to be equitised – a process in which they are partially privatised through the creation of stock companies. The Government’s “equitisation” policy was introduced in 1993, but it was not until 1998 that the process really took hold. Of 1,590 SOEs located in Ha Noi and Ho Chi Minh City, 606 are to be equitised by the year 2000. Large SOEs, however, will remain state-owned and centrally managed. Some firms (those with little potential of turning a profit) may be merged or closed.

## Promoting Foreign Investment

Since 1990, Vietnam’s economy has come to depend increasingly on external investments in the form of FDI and development assistance. Almost 50% of total investments in Vietnam now come from external sources.

Until the Asian economic crisis began to slow FDI, Vietnam was one of the hottest investment locations in the world. Over US\$14 billion in FDI has been disbursed in Vietnam in the last 10 years, with over 2,500 foreign-funded ventures approved by the Government. Ho Chi Minh City alone has been pledged over US\$10 billion in FDI. FDI projects now account for 9% of Vietnam’s GDP.

In 1987, the Government passed the Foreign Investment Law, which sought to facilitate investments in industrial and urban development. Initially, most investments took the form of joint ventures but in the last few years, it has become increasingly common for FDI to be fully foreign-owned. Output from foreign firms increased by over 20% per year between 1995-98. From a tiny beginning in 1988, FDI has grown to account for almost 29% of industrial output.

In 1998, FDI commitments decreased by 70% due to the Asian economic crisis. In response to this downturn, the Government announced a range of measures to help speed the implementation of FDI projects (Decree No. 10 and Directive No. 11). Those policy reforms sought to improve the environment for investment, and to respond more generally to the concerns of foreign investors operating in Vietnam. They include measures to simplify administrative procedures for foreign investors, lower land rents and rates for power, water and telecommunication services, and to develop a fairer wage and tax system for employees of foreign businesses.

## Promoting the Domestic Private Sector

Private enterprises have been growing rapidly over the last five years. While the non-state manufacturing sector contributes only a small percentage to overall industrial output, it is a major employer. In 1997, over 2.6 million people were employed in non-state enterprises. The Government has sought to support the expansion of small and medium sized enterprises.

The policy environment for SMEs remains complicated. Many enterprises have emerged out of the old cooperative system. Other enterprises have been established by a new generation of entrepreneurs. Several trade associations have been formed to support the growth of SMEs, and a number of ODA projects now focus on this sector. Yet, SMEs are still at a disadvantage in Vietnam's economy. They have difficulty accessing credit, seldom receive import or export licenses and face high tax rates. The Government is seeking ways to provide greater support to the development of private sector SMEs.

## Targeting Specific Sectors

The Government has specifically targeted a number of industrial sectors for expansion such as heavy industry including building materials (that is, steel and cement) and energy production. In particular, policies have sought to capitalise on existing resource endowments and the availability of low-cost, productive labour.

The Government has also supported the expansion of labour-intensive light industry such as garments, shoes and food processing. The apparel industry has grown by over 50% per year for several years. Exports from seafood processing have also expanded rapidly over the last five years.

## Promoting Regional Development

Economic development is unevenly distributed in Vietnam. The Government has sought to promote a more equitable geographical distribution by identifying three economic areas – or growth triangles – that will be the focus of investment and rapid development. Each growth triangle consists of a



regional centre and two satellite cities or provinces. The northern triangle includes Ha Noi, Hai Phong, and Quang Ninh; the central triangle covers Quang Nam, Da Nang, and Dung Quat; and the southern triangle encompasses Ho Chi Minh City, Bien Hoa, and Vung Tau.

More than half of industrial production comes from the southern triangle, while the northern triangle contributes 37% and the central triangle only 10%. This distribution is driven largely by the concentration of light industry in the south. The Government, however, is framing policies that would direct new industry to the central and northern triangles. For example, there are plans to locate the country's first oil refinery in the central region.

Also, the Government is promoting the development of industrial estates throughout the country. These estates seek to attract industry with their superior infrastructure and services, and can potentially benefit the environment if pollution is concentrated and treated on site.

## Promoting Better Planned Urban Development

Since the late 1980s, a range of policies and directives on land use planning, urban zoning and urban master planning have been introduced. Urban planning has taken a number of forms. Macro-policies are promoting balanced regional development, in particular by directing the location of industrial activities and by supporting the growth of specific urban centres. MPI has developed a national socio-economic development strategy and a master plan for regional socio-economic development.

Urban plans are also prepared for cities and towns. Following Decree 91-CP (1994), plans evaluate existing spatial arrangements, infrastructure networks and construction activities, then make recommendations for future land use, development strategies and infrastructure needs. The Ministry of Construction has issued standards, procedures and guidelines for preparing, assessing, and approving urban plans.

Urban planning has fundamental implications for sustainable resource use and for environment quality in cities. Land use planning significantly influences the location and impacts of industrial activities. Countries such as Malaysia have effectively used land use planning to concentrate environment hazards in areas away from the public, and then invested in treatment and control in these areas. In Vietnam, several cities are now trying to move old polluting industries out of residential areas and into industrial estates. Limited finances are hampering the relocation process.

Effective urban planning focuses on the provision of infrastructure such as water supply and sanitation, waste water treatment and solid waste collection and management. MOC is responsible for urban public works, including water supply, sewerage and environmental sanitation. Large cities such as Ha Noi and Ho Chi Minh City have city-owned companies to carry out specific activities such as solid waste collection and sewerage.

## Promoting More Efficient Resource Use

From the 1950s to the 1980s, most natural resource inputs into SOE production and for domestic use were heavily subsidised and water was essentially a free resource. From the early 1990s, the Government has sought to create incentives for more efficient resource use. The main strategy has been a gradual increase in pricing for resources such as energy and water.

## Promoting Environment Protection

Over the last five years, Vietnam has instituted significant changes in its legal and institutional framework for environment management in urban and industrial areas. Since 1993, the Government has promulgated the Law on Environmental Protection, Decrees 175 and 490 on EIA implementation and comprehensive environment standards, Decree 26 on fines, and a wide range of circulars and directives to advance environment protection. These measures have created a system of national pollution standards and procedures for monitoring and enforcement.

A recent, high-level directive (No. 36-CT/TW, dated June 25, 1998) is particularly encouraging. This Politburo policy notes that, as waste water, air emissions and solid wastes pollute many cities and industrial parks, it is necessary for Vietnam to take serious measures to promote environment protection. These measures include: issuing policies on taxation and credits to encourage clean technologies; giving people access to information on the environment; supporting public participation in environment protection; incorporating environment considerations into development plans; promoting pollution prevention strategies; shutting down enterprises that seriously pollute; treating wastes more effectively; increasing research on environment protection; and promoting broader international cooperation in environment management.

The 1998 directive reflects a high level of government commitment to environment protection. Inevitably, how effectively these policies and plans can be implemented will be the critical issue. Donor agencies can play an important role in supporting implementation.

There has been important innovation at the local level in environment policies and regulations. For instance, in Ho Chi Minh City, the Department

of Science, Technology and Environment created a Black Book of the worst polluters in the city. This has put pressure on listed firms to clean up, move out of the city centre or shut down altogether. Ha Noi DOSTE has experimented with strategies for relocating the most polluting factories outside the city and has forced a number of plant closures.

## Institutional Reforms and the Environment

While several of the larger cities are making headway, in most local areas there are problems in implementing urban plans and environment regulations. Local environment agencies are constrained by a lack of funds, trained personnel and political pressure and are struggling to come to grips with even the most obvious sources of environment degradation.

Also, many cities face difficulties in implementing the urban plans that have been developed over the last few years, for these plans still lack clarity and the kind of detail needed to give them practical expression. The situation is further complicated by difficulties in coordination across ministries and agencies.

One of the greatest challenges is the inability of planning and environment agencies to keep up with the rapid changes occurring in economic activities. The reality of day-to-day development is overtaking the plans for its management. Policy development has not been sufficiently agile or flexible enough to respond to, or predict, emerging problems.

A more substantive issue is that policies and plans on environment issues remain peripheral to the dominant forces of industrialisation and urbanisation. Although environment protection is now the focus of many laws and directives, the environment is still treated as a resource or a 'sink' to be exploited. Planners in Vietnam seldom consider the environment's inherent value or its long-term importance to sustainability. This imbalance between environment use and protection is a major stumbling block in fully integrating sustainability concerns into development planning and implementation.

## ODA Institutional Arrangements

ODA to the urban and industrial sectors covers a wide range of activities and is administered by a broad range of agencies and offices, including ministerial offices, provincial departments and local People's Committees. It includes support for:

- waterways and water supply protection and improvement;
- sewerage and sanitation;
- urban master plans;
- assessment of pollution in urban and industrial areas;
- pollution standards and monitoring;
- market incentives to control pollution;
- environmental impact assessment;
- environment policy development; and,
- public and professional awareness.



The MPI, MOC, Ministry of Industry and Ministry of Science, Technology and Environment carry out these activities at the national level. At the provincial level, DOSTEs and the Departments of Planning and Investment, Construction and Industry are often involved in the implementation of projects and programmes. Vietnam has 57 provinces and four cities, each with its own mandate for urban and industrial development. Local People's Committees sometimes play a leading role in project implementation.

Often ODA projects have complicated implementing arrangements. Projects can be funded by bilateral or multilateral donors, can be loans or grants, and can go directly to a provincial or a local People's Committee, a factory, or be channelled through MPI, MOSTE, MOC or MOI. However, it is still most common for projects to be funnelled through the central level, and specifically through MPI.

**The Ministry of Planning and Investment** has played a central role in the coordination and disbursement of environment aid to the urban and industrial sectors. At the broadest level, MPI is involved in national and regional development planning, and in decision-making regarding the approval and implementation of ODA projects. More narrowly, the Department of Science, Education, and Environment (DSEE) within MPI has been directly involved in a number of urban and industrial environment ODA projects. The MPI Development Strategy Institute and the Central Institute for Economic Management also participate in ODA projects by providing research and policy advice on urbanisation and industrial strategies.

**The Ministry of Science, Technology and Environment** and the National Environment Agency within MOSTE, are responsible for projects related to industrial pollution, including pollution control and waste management, environmental impact assessments, environment monitoring and inspections, and environment policies. NEA has expanded its staff significantly over the last four years, and continues to strengthen its technical capacity (see Chapter 8).

DOSTEs in the major cities and provinces are involved in regional and local environment projects. In recent years, DOSTEs in Ha Noi, Ho Chi Minh City, Dong Nai, Hai Phong, Danang, Binh Duong, and Phu Tho have been supported by ODA projects. The DOSTEs report both to MOSTE and to the provincial People's Committees.

The Ha Noi and Ho Chi Minh City DOSTEs are the most sophisticated and well-trained in the country. Both DOSTEs have implemented ODA projects directly, and have benefited from capacity building through international programmes. These DOSTEs coordinate closely with other city-level agencies. However, coordination between the DOSTEs and the central government needs strengthening.

**The Ministry of Construction** is responsible for numerous issues related to urban development, including physical planning, housing, public works, architecture and construction. At the central level, MOC sets policy, develops legislation, regulations and guidelines, and provides overall management of housing, water supply, drainage and sanitation, solid waste management, city greening, urban transport planning, slum improvement, and land use planning. Except for the four largest cities which have been given responsibility for their own planning, urban master plans are developed by the MOC, then reviewed and implemented by the Chief Architect's Office of a city or





the Department of Construction. MOC also conducts research on urbanisation and feasibility studies for urban investment projects.

Within MOC, there are several institutions involved in the preparation and implementation of ODA projects such as:

- the National Institute for Urban and Rural Planning;
- the National Institute of Construction Science and Technology;
- the Centre for Research and Planning on Urban and Rural Environments (CRURE);
- the Department of Architecture and Planning;
- the Company for Construction Technology Development; and
- the Urban and Industrial Areas Construction Consulting Company.

CRURE, for example, conducts environmental impact assessments of urban construction projects, and has been involved in several environment ODA projects. At the city level, the DOSTE, the Department of Public Construction, the Urban Environment Company, and the Sewage and Drainage Company also participate in project preparation and implementation. The International Cooperation Department in each city is officially responsible for the preparation of ODA programmes and project proposals. The Department of Planning and Investment and the Department of Science and Technology, both within MOC, also participate in ODA project preparation.

**The Ministry of Industry** is responsible for preparing strategies and plans for industrial development, for managing centrally owned SOEs, and for regulating the emissions of pollution from its factories. MOI was formed in 1995 out of a merger of the Ministry of Light Industry, Ministry of Heavy Industry, and Ministry of Energy. Through this merger, the Department of Technology and Product Quality (DTPQ) within MOI became the department responsible for environment issues. Staff from the DOSTEs in the old ministries were transferred into DTPQ. However, DTPQ's mandate for environment work within the restructured ministry is not well defined. For example, it is unclear how DTPQ/MOI should interact with NEA/MOSTE when it comes to resolving environment problems related to MOI-affiliated enterprises.

MOI used to directly manage the state companies, which led to its involvement in a small number of ODA environment projects relating to specific SOEs. Following the reorganisation of most SOEs into General Corporations, MOI's responsibilities have been limited to auditing the environment performance of centrally managed SOEs and providing technical assistance for a reduction in pollution.

The former Ministry of Heavy Industry was involved in several projects aimed at conducting environmental audits of firms managed by the ministry. MOHI also implemented a programme on pollution prevention and cleaner production. Under the new MOI, VINACOAL has established an environment fund to support measures related to coal extraction and processing. This environment fund represents the first effort in Vietnam to support environment protection through levies on industrial activities.

Institutional arrangements for environment management are complicated by the fact that most urban and industrial environment issues cross ministerial and administrative boundaries. It is sometimes unclear who has official responsibility for a specific problem, who has the capacity to respond to it, and who has the ability to lead and coordinate other agencies on an issue. Competition between ministries has sometimes made coordination and cooperation difficult. For example, issues relating to SOEs sometimes require coordination between NEA in MOSTE, DSEE in MPI and DTPQ within MOI.

## Environment ODA to the Urban and Industrial Sectors

Between 1985-2000, environment ODA to these sectors has been modest – approximately US\$ 155 million or 15% of total environment aid (Table 7.3). The proportion of environment aid to these sectors has increased from 13% in the 1985-95 period to 16% in the five-year period to 2000. This aid has been distributed between MPI, MOSTE, MOC and, to a lesser extent, MOI. Only 2% of total environment aid projects were managed by MOI, and another 2% by MOC. Together, these two ministries were responsible for only 4.7% of the total value of environment aid, with most passing directly through the ministries to key urban centres and industrial facilities.

Also, environment ODA to the urban and industrial sectors is only a small proportion of total ODA to these sectors. A significant amount of ODA is in the form of water supply projects. These were excluded from UNDP's Compendium on the basis that their primary focus is public health; water

TABLE

7.3

### Environment Aid to the Urban and Industrial Sectors

Projects	Projects (number)	Funding (US\$ '000)	As a percentage of total environment ODA*
Urban master plans	12	31,724	3.05
Urban & industrial pollution	10	106,271	10.23
Market incentives to control pollution	10	5,962	0.57
Pollution standards & monitoring	3	1,508	0.15
Environmental monitoring systems	10	10,357	1.00
<b>Total</b>	<b>45</b>	<b>155,822</b>	<b>15.0</b>

\* Note: Total environment ODA to Vietnam from 1985–2000 is US\$ 1,028 million.

supply projects often include improved sanitation as well as waste water treatment components. Over the study period, US\$ 961 million has been directed at water supply projects and, although they are excluded from this analysis, there is little doubt that they make a positive contribution to the quality of Vietnam's urban environment.

## Key Issues

**ODA has had limited impact on integrating sustainability concerns into urban and industrial development.** ODA has played a limited role in supporting the development of laws, institutions and coordination on environment issues in the urban and industrial sectors. ODA projects have yet to support these sectors in moving from policies and plans to implementation and enforcement, and to the integration of environment concerns into broader development strategies.

ODA projects in the urban and industrial sectors support efforts that operate only at the margins of broader processes of development. They have had little impact on incorporating environment concerns into traditional planning and decision-making in industry and urban development in which a 'growth-at-all-costs' attitude tends to prevail. For example, regional economic planning still operates with little consideration for environment sustainability. This is reinforced by project rather than regional compliance with EIA requirements, which ultimately fails to integrate area-wide cumulative environment concerns into industrial and urban development planning.

Most ODA projects have been too narrowly focused or are too limited in scope to be able to address longer-term and integrated planning concerns.

**ODA has paid little attention to implementation and enforcement of pollution policies.** Environmental regulators face significant pressures to not enforce urban planning and pollution regulations. Different ministries and agencies have different goals regarding urban and industrial development (for instance, promotion versus regulation of industry). Regulators also must face factory managers and developers willing to oppose them and/or to influence their decisions.

ODA projects have been unable to grapple with these disincentives to enforcement, and have thus failed to respond to the real political and economic conditions faced by implementing organisations. ODA projects can serve to strengthen agencies such as provincial DOSTEs and to increase the legitimacy of regulations, but have rarely moved beyond basic capacity building.

**ODA has had limited success in nurturing public participation and access to information in urban and industrial environment programmes.** ODA projects have largely ignored the role of public participation and access to environment information, such as EIAs, pollution reports, health studies and regulatory actions in promoting environment enforcement. Experience from other countries indicates that public information procedures can both increase public knowledge about the trade-offs between development and the environment, and help motivate citizens to participate in environment protection activities. ODA projects have not promoted synergy between the state and the community over pollution issues. Citizens in Vietnam have the legal right to participate in development decisions that affect their environment and quality of life, but this right has not been formalised in policies and

programmes. ODA projects have seldom supported strategies for integrating public comments into investment decision-making and urban planning.

In Vietnam, most environment information is kept secret – even State of the Environment reports are usually kept confidential. ODA projects have a special role in assisting the Government to recognise the benefits of information sharing in environment management, as mentioned in Box 7.1

**Little ODA has been directed at environment issues managed by the MOI.** The Ministry of Industry is a key actor in industry and energy decisions in Vietnam, which have major impacts on natural resources and pollution. Despite its importance, MOI has received very little funding to strengthen its capacity or activities related to environment protection. MOI is thus playing only a minor role in industrial pollution issues, natural resource management concerns and environmental impact assessments of energy production and use.

## Achievements and Challenges

ODA to the urban and industrial sectors has resulted in a range of outcomes and experiences, including some major improvements in environment protection. The achievements of past projects and the challenges they have faced in implementation are discussed below.

### Environment Policy Reform is a Long-Term, Subtle Process

#### Achievement

ODA projects have contributed to environment policy change when they are long-term processes that plant the seeds of policy reform, and then nurture and support Vietnamese driven initiatives. For example, ODA projects focused on pollution prevention, awareness raising and training, including

#### BOX

7.1

### Freedom of Information

Information that should be made public includes:

- government priorities for ODA;
- donor agency programme priorities as agreed with the Government;
- the procedures for developing and approving ODA projects; and
- conditions that need to be met by ODA project proponents.

MPI, as the focal point for ODA coordination and management, should take responsibility for the release of this information. The donor agencies should also provide related information to relevant ministries, provincial People's Committees, major enterprises, and research and academic institutions.

Many institutions, that could be effective in developing ODA projects and as implementing agencies, still have no access to this kind of information. For example, many research and higher education institutions and even technical departments of the Ministry of Industry that deal with environment protection, have little access to ODA for the industry sector.

Article 4 of the Regulation on Management and Use of ODA should be implemented by MPI on an annual basis. It states that: "The list of programmes and projects that are planned for ODA funding, once approved by the Prime Minister, shall be made public. "

one sponsored by the World Bank, have helped shape government policies that strongly support industrial pollution prevention and the promotion of clean technology.

Training, study tours and workshops coordinated by the Economic Development Institute of the World Bank, along with similar training and study tours supported by UNDP, UNIDO, VCEP, SIDA and others, have contributed to a new Politburo Directive on Strengthening Environmental Protection in the period of Industrialisation and Modernisation (No. 36-CT/TW). Yet, the Government developed this general policy without foreign assistance.

### Challenges

**Supporting local initiatives.** Policy reform can be most effectively achieved by planting the seeds of policy change (through training, study tours, workshops and so on) and then supporting Vietnamese initiatives. Policy reform needs to be fully 'owned' and advocated by a Vietnamese Government agency.

**Planning long-term projects that have an indirect approach.** Indirect approaches taken by ODA projects appear to be more successful than direct attempts to prepare policy (Box 7.2). This is particularly the case

## BOX

## 7.2

### The Industrial Pollution Prevention Policy Project

The World Bank has supported a multi-stage process, now beginning its fourth phase, to develop an industrial pollution prevention (IPP) policy. Phase 1 of the project involved meetings and a workshop to discuss pollution prevention issues and policy needs in Vietnam. A large cross-ministerial team spent a week in Washington D.C. discussing a future strategy to promote pollution prevention. Phase 2 consisted of two components: a policy study on pollution prevention opportunities, and a series of workshops and study tours for government officials and factory managers. Phase 3 involved more workshops to present the results of the policy research, to review existing policies and conditions, and to discuss proposals for policy reforms to advance pollution prevention. Phase 4 will include pilot projects to apply IPP policies and measures in two provinces.

This project initially sought to directly influence Vietnamese policy on pollution prevention – this goal has not been met. The report on IPP, produced in Phase 2 in 1996, was submitted to the Minister of MOSTE but has still to be approved. This

phase moved too fast for the Vietnamese Government, attempting to influence policy before government officials were comfortable with the concepts and approaches involved.

While the goals of the different phases were mutually agreed, actual implementation did not conform to how policies are traditionally developed in Vietnam. The Bank thus missed an opportunity to more concretely support the changes occurring in government thinking on an industrial pollution policy. While the Bank invested significant resources in research and technical assistance, NEA considers that it still does not have an overall framework for IPP, needs detailed assistance with legislation and is looking for help in developing industrial sector strategies – but in a manner suited to local conditions.

While the Bank was not able to advance specific policies, this four-phase project seems to have had an affect on technical and policy staff within the Government. This impact is difficult to measure, but may produce results in the long-term.

when training processes are long enough for people to absorb information and concepts, and there is consistency among the people participating. New ideas take time to take root, and changes in thinking become evident in subtle and, sometimes, very slow ways. Donors need to recognise this and invest in long-term policy reform efforts. Donors also need to be prepared for and seek out windows of opportunity when reforms can be supported and moved forward.

## Capacity Building Takes Time and Commitment

### Achievement

Capacity has been built in environment agencies (such as the provincial DOSTEs) when there is donor commitment both to a long-term programme and to a process.

The Vietnam Canada Environment Project presents an encouraging example of a capacity building strategy for provincial DOSTEs and NEA. VCEP is a four-year programme that can be extended by an additional three or four years. VCEP employs a 'learning by doing' approach to training DOSTE staff, whereby demonstration projects are used as learning experiences. It also employs a good mix of long- and short-term training, study tours and in-country training. Training is conducted in Vietnamese and English, with the support of a strong set of national consultants.

Similarly, the Strengthening of the Environmental Management Authority (SEMA) project in NEA, now in its sixth year, is the kind of long-term commitment to institutional strengthening which is producing sustainable results.

These projects are discussed in detail in Chapter 8.

### Challenges

**Capacity building projects need to be long-term.** Projects of this nature that last less than two years can be disruptive and less than three years tend to have less impact.

The Industrial Pollution Reduction Programme in Viet Tri City is an example of how capacity building initiatives can break down if not properly designed and given low level and consistent support over a long period. Initially, limited technical and language skills and weak internal management frustrated implementation of this two-year project. Then as it was beginning to build steam, and staff of the local DOSTE (in this case the Centre for Environmental Management) were beginning to benefit, it ended.

**Vietnamese commitment to investing in human capital through capacity building projects is critical.** The Government contribution to projects such as VCEP usually focuses on constructing buildings rather than investing in human capital. To benefit from ODA (such as moving a new environment laboratory from functional to functioning), more staff and much more human resource development is required. It continues to be extremely difficult for DOSTEs to hire any staff, let alone those with appropriate training.

**Commitment to training of trainers is an important component.** Even when ODA commitments are long-term, it can be difficult to run effective capacity building programmes. For example, experienced national trainers and interpreters in the environment field remain a rare and much sought after commodity. For VCEP, translation and interpretation are the biggest

challenges. Both government and donors need to give priority to building high-quality translation and interpretation services. Training of trainers should be given continuing emphasis.

**Staff incentives are required.** A system of staff incentives relating to professional development and advancement is needed to strengthen the role of DOSTEs in enforcing environment regulations. To do their jobs, inspectors need well-defined internal motivations that are stronger than the external forces operating against effective enforcement.

**ODA projects can be catalytic.** Projects such as VCEP and SEMA function as pilots and can provide the basis and justification for the recipient DOSTEs and other provincial environment agencies to request additional funds and support. In this way ODA can be made truly catalytic.



## Coordination is Difficult But it Can Work

### Achievement

Informal and formal coordination among international experts and donors is benefiting industrial pollution reduction projects. For example, the Industrial Pollution Group (IPG), initially instigated by UNIDO and the World Bank, meets once a month in Ha Noi to network and share information and ideas about industrial pollution and urban environment management issues in Vietnam. Through this informal process, implementing teams and funding bodies are able to make connections, share information, and bring together experiences from a wide range of projects.

### Challenges

**Donor coordination can be improved.** Donors need to seek out synergy between projects and specifically fund coordination mechanisms. There is a need to create synergy between industry-related environment projects from the policy level to the factory floor, from DOSTE participation to community involvement (Box 7.3).

Donors sometimes have disincentives to coordinate projects. Coordination can be time consuming and costly given the pressure to meet project deadlines and outputs. A commitment to coordination is rarely built into project budgets. The projects focusing on cleaner production and pollution prevention show that 'hot topics' do attract overlapping projects. Support to coordinating mechanisms in these situations is essential.

**Integration on a deeper level is even more challenging.** For example, SOE reform and pollution prevention need to be linked. Donors and government should consider how to incorporate environment performance considerations into industrial renovation processes (such as when firms are upgrading equipment) and to use these opportunities to meet sustainability and environment goals.

## Area-Wide Environmental Quality Management in Dong Nai Province – Cooperation Across Provincial Boundaries

Through a UNDP/UNIDO project in Dong Nai province, one local environment agency has sought to incorporate area-wide environment quality (AEQM) concerns into provincial and regional planning. From the initial design stage, project implementers have recognised that traditional pollution control strategies would have limited potential for achieving long-term sustainability goals for the province. The project set out to analyse the full range of environment issues related to regional industrialisation, including pollution sources in the province, pollutant loading from domestic and agricultural sources, air and water pollution from neighbouring provinces, and the broader environment impacts of urbanisation. The project has

defined an environment region that makes sense ecologically, but that crosses provincial boundaries.

The AEQM approach has helped the province conduct scenario planning and to evaluate the steps needed to achieve desired levels of employment, GDP growth, and environment quality. Also, the process has encouraged dialogue with leaders from surrounding provinces that directly influence the quality of the environment in Dong Nai. The AEQM approach has faced a number of challenges in implementation, but seems to hold potential for integrating the environment into broader development planning.

**Building pollution prevention into project approvals for new investments.** The Vietnam Capacity 21 Project is beginning to address environment screening capacities within the Ministry, but much more work on this issue is required. Also, more analysis is needed on the conflicts that exist between investment promotion by donor countries and environment protection efforts that is, the need for policy coherence. The case of the Carlsberg brewery in Ha Noi, which does not have an effluent treatment system, highlights how foreign direct investment can conflict with ODA goals.

**Avoiding negative impacts.** Cooperative projects can also have negative impacts, for instance when they impose many layers of reporting and accounting. A number of implementing agencies have expressed concern about the different preparation, bidding, and reporting requirements of projects that involve multiple international organisations. Coordination can help iron out these inefficiencies. For instance, Danida reports that although there were early difficulties in harmonising bidding procedures, its cooperation with the World Bank in water and sanitation projects is now working well.

### Starting Small and Building Up Over Time Has More Chances of Success

#### Achievement

Multi-phase projects – that start small and focus on institution building before gradually building up to larger projects – have proved more successful than one-off projects. Take the example of the Vietnam Cleaner Production Centre (VNCPC): it shows that an organisation can be built up over time to handle a large project. Over five years, the Department of Chemical and Environmental Engineering at the Ha Noi University of Technology has developed into the Centre for Environmental Science and

Technology (CEST). A further step in institution building is being considered by Government in upgrading CEST to an Institute for Environmental Science and Technology (INEST), which would include the VNCPC.

### Challenges

**The need for time, scale and an orientation phase.** Too many projects in this sector begin too big and too fast, without adequate attention to first building the policy and institutional framework needed to absorb the assistance. Few Vietnamese organisations can effectively manage million-dollar projects. INEST has built its capacity through a number of smaller projects that required improvement in its technical and management capacities; even two years ago it would have had difficulty in managing the VNCPC.

A strategy of building capacity through project management might be a good principle to advance in the future. Organisations would need to demonstrate that they can manage small projects before they move onto larger projects. Too much money, coming too fast, can do more harm to an organisation than good. In the case of the VNCPC, development assistance did not force INEST to be something it was not or to become something it did not want to be.

**Scaling up requires flexible implementation.** Multi-stage, multi-year projects need a long-term strategy, but they also need to build flexibility and innovation into their design. The Vietnam Energy Conservation and Efficiency (EC&E) programme is a good example of this. This project has included activities on assessment, master planning, development of implementation programmes and institution building. In each aspect of the project, the EC&E team has responded flexibly to Vietnamese needs and demands as they arise.

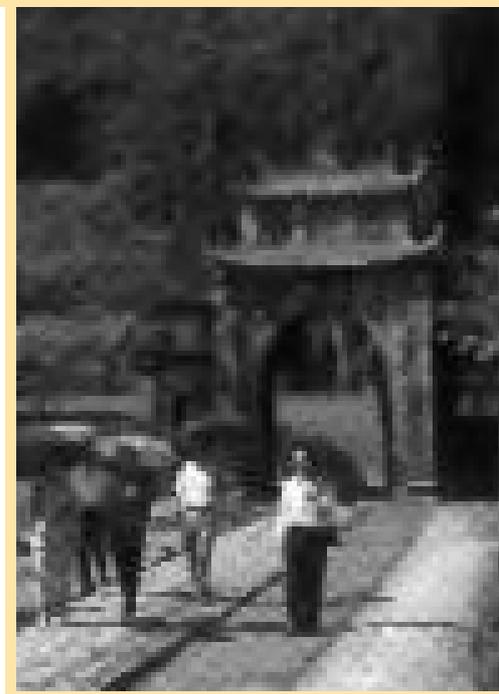
## Local Ownership of Projects Must be Ensured

### Achievement

A number of projects have been initiated and developed by Vietnamese implementing agencies and these are progressing on a sustainable basis. The Vietnam Cleaner Production Centre is an example where project development has come from both the Vietnamese and international parties. From 1991 onwards, CEST has carried out a programme of research in clean technology with government funding. It built up some capacities in this field and, in 1994, approached UNIDO for support; it has been working to refine the project proposal to secure funding. INEST has received a commitment for a US\$ 200,000 government contribution to the project.

### Challenges

**Securing 'real' ownership.** While few Vietnamese organisations turn down foreign assistance, there are significant variations in Vietnamese 'ownership' of projects, and in subsequent commitment to seeing them



succeed. This relates in particular to the project identification and formulation stages when the seeds of ownership are planted. Determining the real commitment of a local implementing agency to a project can be difficult (Box 7.4).

FINNIDA recommends that commitment be tested through demands for local contributions of resources that are valuable and scarce, for example, staff time and office space. Commitment can also be evaluated through more thorough assessments of which agencies have picked up on various project activities and internalised these through allocation of staff time and budgets.

## BOX

7.4

### Ha Noi Environmental Improvement Project

Once a project is defined, an implementing agency has little influence in refocusing activities on issues it considers to be of high priority. While project documents need to be respected, this can be a problem if the agency has not been closely involved in project negotiations. This was the case with the JICA Ha Noi environment project negotiated by MPI but implemented by the Ha Noi DOSTE.

The JICA project has three main components with an environment master plan as the centrepiece of the project. The consulting firm implementing the project is focusing on this task, with little interaction with DOSTE staff. Only one component is a priority issue

identified by the Ha Noi DOSTE. The Department is interested in resolving issues around a transfer station for a new landfill 40 km from Ha Noi.

Ha Noi DOSTE is concerned that another plan may end up on the shelf especially as the needed actions require a high degree of inter-sectoral discussion from the earliest stages of planning. JICA has thus agreed to carry out a pre-feasibility study on the transfer station. Only partial commitment can be expected from implementing agencies if they have not taken the lead in project design and if there is not a close working relationship with the team supporting the project.

**Maintaining accountability.** Donors report that there can be negative aspects to national 'ownership.' Vietnamese implementing agencies can feel little accountability to donors on financial and performance issues when they believe the project is fully theirs to manage. In these cases, inadequate cooperation between the implementing agency and the international partners can result in resentment concerning international guidelines and procedures.

## Local Participation is Critical

### Achievement

Local level participation has significantly increased the effectiveness of urban and industrial environment projects. The FINNIDA Water Supply and Sanitation Project in Hai Phong has been successful in improving both the infrastructure for water supply and the local level institutions for water management. The Hai Phong programme employs a *Phuong – Phuong* is the lowest administrative unit in cities – model of water management that depends largely on local level 'ownership' and participation.

## Challenges

**Implementing models trialed successfully elsewhere.** The *Phuong* model provides better community buy-in and participation in water supply and management by employing a local worker to monitor losses, detect leakage, read meters, collect bills, and respond to complaints from local users. It is complemented by a city-level technical and infrastructure strategy.

Yet, not all projects are successful. A very similar FINNIDA project in Ha Noi has been less successful, partly because it has not been able to incorporate this type of local participation (Box 7.5).

**Too many urban and industrial environment projects have not paid adequate attention to the issues of local participation and incentives.**

There is significant potential for strengthening local People's Committees and community participation. ODA can support mechanisms for increased transparency and public access to information.

For example, in Dong Nai community pressure was a driving force in motivating DOSTE to regulate more effectively. Community complaints

### BOX

7.5

## The *Phuong* Projects in Ha Noi & Hai Phong

The Ha Noi project is five years older than the one in Hai Phong. The Ha Noi Water Supply Company, however, still cannot account and charge for around 68% of the water distributed through its system. Hai Phong, on the other hand, has an average water loss of 18-20%. The Hai Phong People's Committee appears to be much more committed to the project and more willing to play a

leadership role; this is due both to local politics and leadership. The Ha Noi People's Committee appears to have other priorities that take precedence over water supply issues. Clearly it is not easy to create strong local commitment and participation. FINNIDA is now assessing how the *Phuong* model might be incorporated into a sanitation project being implemented in Hai Phong.

directly motivated firms to reduce pollution and created incentives for DOSTE to improve its monitoring and enforcement capabilities. ODA focused on creating greater transparency in environmental assessment and regulation, and provided opportunities for public participation that would strengthen this important mechanism.

## Cleaner Production and Pollution Prevention Make Sense for Vietnam

### Achievement

There are some specific areas of industrial environment management in which Vietnamese agencies have taken a strong lead and in which international organisations have shown a willingness to cooperate. Cleaner production is one such field. The Vietnam Cleaner Production Centre and 15 other pollution prevention and cleaner production projects have been supported by donors and the government (Box 7.6).

### Challenges

**Moving from 'end-of-pipeline' to prevention strategies.** End-of-pipe pollution control is certainly needed, but prevention is an even greater

## Current Cleaner Production Projects

Vietnam Cleaner Production Centre	Swiss/UNIDO
Promoting Clean Production Investments in Developing Countries	Norway/UNEP
Industrial Pollution Prevention Pilot Project	World Bank
Vietnam Canada Environment Project	Canada
Industrial Pollution Reduction in Viet Tri	UNDP/UNIDO
Industrial Pollution Reduction in Dong Nai	UNDP/UNIDO
Reduction of Industrial Pollution in Ho Chi Minh City	Sida/UNIDO
Cleaner Production in the Pulp and Paper Industry	Sida/UNEP
Pollution Prevention in the Textiles Industry	Canada/VISED
Pollution Prevention Training Course	Sweden
Ho Chi Minh City Environmental Management Project	UNDP/UNIDO
Waste water treatment technology transfer and CP demonstration	Australia
Clean Production and Waste Management for SMEs	Canada
Industrial Environmental Protection Policies	UNDP/UNIDO
Pollution Prevention Policy Development	Australia
National Pollution Reduction and Control Strategy	Denmark

priority for Vietnam. There are substantial benefits to a preventative approach to industrial issues, not least of all cost.

'Win-win' opportunities exist for Vietnamese industry to reduce waste, improve efficiency, and save money. Waste audits conducted by the UNDP Dong Nai and Viet Tri City projects, the VCEP project and the Ha Noi DOSTE, have identified numerous profitable pollution prevention opportunities. Cleaner production projects in the textile and paper industries have also identified short and long-term opportunities for pollution prevention.

**Better coordination would help.** There are 16 projects focused on pollution prevention, waste minimisation or cleaner production going on or recently completed in Vietnam. These projects could be better coordinated, learn from one another and in doing so, avoid duplication. For instance, the same cleaner production waste audit manual was translated into Vietnamese several times by different projects.

**There is a need to develop a longer-term, more holistic strategy for promoting cleaner production in Vietnam.** The VNCPC is beginning to do this though it is faced with a number of challenges. It will need to integrate industrial and natural resource sectors by analysing the full 'life cycle' of production processes. It will need to integrate cleaner production strategies into SOE reform initiatives. And it will need to integrate cleaner production strategies into the energy sector. Currently there is very little connection between cleaner production and energy efficiency and conservation programmes, both of which employ similar auditing systems.

It is still difficult to convince firms to participate in cleaner production projects. MOI is rarely included in projects; this is the ministry that needs

support and capacity building in these issues. It also needs to be convinced that its enterprises would benefit from cleaner production activities.

**The role of centres such as the VNCPC in the Vietnamese system of government need to be better understood by the international community.** The centre is a research and development organisation. It will have difficulty in making an impact if policy-making agencies are not developing policies that would promote investment in cleaner production at the same time. VNCPC can enhance the capacity for technological innovation but not the policies underlying it.



## CHAPTER 7



# Aid to the Industrial and Urban Sectors

## Key Urban and Industrial Policy Developments

Since the mid-1980s, the Vietnamese government has promoted “modernisation and industrialisation”, supported by a wide range of policies, laws and directives, which has led to a major transformation in the country’s economic and social systems.

Vietnam’s cities and industrial zones are now grappling with the problems of promoting economic development while protecting the urban environment. GDP has grown by over 8% per year between 1993-97, with industry growing by 14% per year (Table 7.1). Large inflows of foreign direct investment have encouraged

TABLE		7.1
GDP Growth, 1993-98		
Year	GDP Growth (%)	Industrial Growth (%)
1993	8.1	13.2
1994	8.8	14.0
1995	9.5	13.9
1996	9.3	14.4
1997	8.8	13.2
1998	5.8	11.0

Source: IMF, 1998.

urban and industrial growth primarily around Ha Noi and Ho Chi Minh City. Much of this FDI focuses on the exploitation of natural resources

and cheap labour. Even with the Asian economic crisis, Vietnam remains one of the fastest-growing economies in the world.

The economy is not only growing rapidly, it is also being transformed in the process. Vietnam is shifting from an agrarian to an industrial economy, with a trend toward activities that are

environmentally harmful. Small and medium sized enterprises (SMEs) are multiplying in cities around the country, while large foreign joint ventures are concentrated in the 50 new industrial zones that have been set up. There are nine new industrial zones planned for Ha Noi alone. Foreign investors have targeted sectors such as oil and gas, construction materials, petrochemicals, automobiles, electronics, garments and food processing for future expansion. Many of these industries are potentially serious polluters.

Industrialisation and urbanisation are occurring simultaneously. Vietnam's urban population is estimated at 15 million people or 20 % of the total population, with a growth rate of 4.5% per year – more than triple the rural population growth rate. Approximately half of the urban population is concentrated in and around Ha Noi and Ho Chi Minh City, attracted by market forces and employment opportunities. It has proved difficult to manage this growth, even with policies to restrict migration, decentralise industry and develop New Economic Zones in other areas.

Growth in cities is overwhelming existing infrastructure. Traffic congestion, overcrowding, unplanned land use (including expanding residential areas next to highly polluting factories), uncollected municipal solid waste, and polluted rivers and lakes, are the most visible signs of infrastructure overload.

According to the Ministry of Planning and Investment, Vietnam's urban population will double by 2010: an estimated 37 million people or 40% of the population will be living in cities. The strategy to avoid concentrating

TABLE		7.2	
Changing Structure of GDP			
Year	Agriculture	Industry	Service
	(%)		
1996	26.2	31.3	42.5
2010 (planned)	17	37	45

Source: Development Strategy Institute, 1998.

people and pollution, and more specifically to avoid the creation of megacities like Bangkok and Jakarta, is to evenly distribute development throughout the country.

Urban growth is being planned in coordination with

further industrialisation, which will involve a reduction in agricultural occupations and an increase in the industrial and service sectors. By the year 2010, when 100 industrial zones are planned to be in operation, the service sector will dominate the economy (Table 7.2).

Government policies regarding urban and industrial development can be grouped into several categories.

## Promoting Job Creation

While population growth has slowed considerably, there is still significant growth in the working age population. An estimated 1 million people are added to the workforce each year and creating jobs for these people is a priority for the Government. The official urban unemployment rate was 7% in 1998, and is over 8% in Ha Noi, Ho Chi Minh City and Hai Phong. An additional 15% of the population is estimated to be under-employed.

Job creation is thus a major goal of current development policies. The Government seeks to support state-owned enterprises, promote foreign investments in the manufacturing and service sectors, and nurture the

development of private domestic enterprises that employ urban workers.

## Promoting State-Owned Enterprises

The promotion of SOEs remains a government priority. The Prime Minister recently announced plans to reorganise and consolidate SOEs “to make them more efficient and to maintain their leading role in the economy”. This is an extension of past policies to support SOEs through soft loans, implicit subsidies, preferential export licenses, preferential access to land and other such policies. The Government continues to protect several sectors such as cement, steel, paper manufacturing, sugar refining and car assembly through tax and tariff policies. The most telling result of these policies is that SOEs continue to contribute almost two-third of industrial GDP. As of 1997, there were 553 centrally run, state-owned industrial enterprises employing 346,000 workers.



In 1994, the Government restructured the management of centrally run SOEs into General Corporations. This was designed to rationalise SOE management, to eliminate line ministry control over enterprises and to achieve economies of scale. Approximately 20 General Corporations have been created, including corporations for oil (PetroVietnam), coal (VINACOAL), textiles (VINATEX), chemicals (VINACHEM), steel, cement, machinery, paper, telecommunications and air transport.

In the coming years, many smaller SOEs are likely to be equitised – a process in which they are partially privatised through the creation of stock companies. The Government’s “equitisation” policy was introduced in 1993, but it was not until 1998 that the process really took hold. Of 1,590 SOEs located in Ha Noi and Ho Chi Minh City, 606 are to be equitised by the year 2000. Large SOEs, however, will remain state-owned and centrally managed. Some firms (those with little potential of turning a profit) may be merged or closed.

## Promoting Foreign Investment

Since 1990, Vietnam’s economy has come to depend increasingly on external investments in the form of FDI and development assistance. Almost 50% of total investments in Vietnam now come from external sources.

Until the Asian economic crisis began to slow FDI, Vietnam was one of the hottest investment locations in the world. Over US\$14 billion in FDI has been disbursed in Vietnam in the last 10 years, with over 2,500 foreign-funded ventures approved by the Government. Ho Chi Minh City alone has been pledged over US\$10 billion in FDI. FDI projects now account for 9% of Vietnam’s GDP.

In 1987, the Government passed the Foreign Investment Law, which sought to facilitate investments in industrial and urban development. Initially, most investments took the form of joint ventures but in the last few years, it has become increasingly common for FDI to be fully foreign-owned. Output from foreign firms increased by over 20% per year between 1995-98. From a tiny beginning in 1988, FDI has grown to account for almost 29% of industrial output.

In 1998, FDI commitments decreased by 70% due to the Asian economic crisis. In response to this downturn, the Government announced a range of measures to help speed the implementation of FDI projects (Decree No. 10 and Directive No. 11). Those policy reforms sought to improve the environment for investment, and to respond more generally to the concerns of foreign investors operating in Vietnam. They include measures to simplify administrative procedures for foreign investors, lower land rents and rates for power, water and telecommunication services, and to develop a fairer wage and tax system for employees of foreign businesses.

## Promoting the Domestic Private Sector

Private enterprises have been growing rapidly over the last five years. While the non-state manufacturing sector contributes only a small percentage to overall industrial output, it is a major employer. In 1997, over 2.6 million people were employed in non-state enterprises. The Government has sought to support the expansion of small and medium sized enterprises.

The policy environment for SMEs remains complicated. Many enterprises have emerged out of the old cooperative system. Other enterprises have been established by a new generation of entrepreneurs. Several trade associations have been formed to support the growth of SMEs, and a number of ODA projects now focus on this sector. Yet, SMEs are still at a disadvantage in Vietnam's economy. They have difficulty accessing credit, seldom receive import or export licenses and face high tax rates. The Government is seeking ways to provide greater support to the development of private sector SMEs.

## Targeting Specific Sectors

The Government has specifically targeted a number of industrial sectors for expansion such as heavy industry including building materials (that is, steel and cement) and energy production. In particular, policies have sought to capitalise on existing resource endowments and the availability of low-cost, productive labour.

The Government has also supported the expansion of labour-intensive light industry such as garments, shoes and food processing. The apparel industry has grown by over 50% per year for several years. Exports from seafood processing have also expanded rapidly over the last five years.

## Promoting Regional Development

Economic development is unevenly distributed in Vietnam. The Government has sought to promote a more equitable geographical distribution by identifying three economic areas – or growth triangles – that will be the focus of investment and rapid development. Each growth triangle consists of a



regional centre and two satellite cities or provinces. The northern triangle includes Ha Noi, Hai Phong, and Quang Ninh; the central triangle covers Quang Nam, Da Nang, and Dung Quat; and the southern triangle encompasses Ho Chi Minh City, Bien Hoa, and Vung Tau.

More than half of industrial production comes from the southern triangle, while the northern triangle contributes 37% and the central triangle only 10%. This distribution is driven largely by the concentration of light industry in the south. The Government, however, is framing policies that would direct new industry to the central and northern triangles. For example, there are plans to locate the country's first oil refinery in the central region.

Also, the Government is promoting the development of industrial estates throughout the country. These estates seek to attract industry with their superior infrastructure and services, and can potentially benefit the environment if pollution is concentrated and treated on site.

## Promoting Better Planned Urban Development

Since the late 1980s, a range of policies and directives on land use planning, urban zoning and urban master planning have been introduced. Urban planning has taken a number of forms. Macro-policies are promoting balanced regional development, in particular by directing the location of industrial activities and by supporting the growth of specific urban centres. MPI has developed a national socio-economic development strategy and a master plan for regional socio-economic development.

Urban plans are also prepared for cities and towns. Following Decree 91-CP (1994), plans evaluate existing spatial arrangements, infrastructure networks and construction activities, then make recommendations for future land use, development strategies and infrastructure needs. The Ministry of Construction has issued standards, procedures and guidelines for preparing, assessing, and approving urban plans.

Urban planning has fundamental implications for sustainable resource use and for environment quality in cities. Land use planning significantly influences the location and impacts of industrial activities. Countries such as Malaysia have effectively used land use planning to concentrate environment hazards in areas away from the public, and then invested in treatment and control in these areas. In Vietnam, several cities are now trying to move old polluting industries out of residential areas and into industrial estates. Limited finances are hampering the relocation process.

Effective urban planning focuses on the provision of infrastructure such as water supply and sanitation, waste water treatment and solid waste collection and management. MOC is responsible for urban public works, including water supply, sewerage and environmental sanitation. Large cities such as Ha Noi and Ho Chi Minh City have city-owned companies to carry out specific activities such as solid waste collection and sewerage.

## Promoting More Efficient Resource Use

From the 1950s to the 1980s, most natural resource inputs into SOE production and for domestic use were heavily subsidised and water was essentially a free resource. From the early 1990s, the Government has sought to create incentives for more efficient resource use. The main strategy has been a gradual increase in pricing for resources such as energy and water.

## Promoting Environment Protection

Over the last five years, Vietnam has instituted significant changes in its legal and institutional framework for environment management in urban and industrial areas. Since 1993, the Government has promulgated the Law on Environmental Protection, Decrees 175 and 490 on EIA implementation and comprehensive environment standards, Decree 26 on fines, and a wide range of circulars and directives to advance environment protection. These measures have created a system of national pollution standards and procedures for monitoring and enforcement.

A recent, high-level directive (No. 36-CT/TW, dated June 25, 1998) is particularly encouraging. This Politburo policy notes that, as waste water, air emissions and solid wastes pollute many cities and industrial parks, it is necessary for Vietnam to take serious measures to promote environment protection. These measures include: issuing policies on taxation and credits to encourage clean technologies; giving people access to information on the environment; supporting public participation in environment protection; incorporating environment considerations into development plans; promoting pollution prevention strategies; shutting down enterprises that seriously pollute; treating wastes more effectively; increasing research on environment protection; and promoting broader international cooperation in environment management.

The 1998 directive reflects a high level of government commitment to environment protection. Inevitably, how effectively these policies and plans can be implemented will be the critical issue. Donor agencies can play an important role in supporting implementation.

There has been important innovation at the local level in environment policies and regulations. For instance, in Ho Chi Minh City, the Department

of Science, Technology and Environment created a Black Book of the worst polluters in the city. This has put pressure on listed firms to clean up, move out of the city centre or shut down altogether. Ha Noi DOSTE has experimented with strategies for relocating the most polluting factories outside the city and has forced a number of plant closures.

## Institutional Reforms and the Environment

While several of the larger cities are making headway, in most local areas there are problems in implementing urban plans and environment regulations. Local environment agencies are constrained by a lack of funds, trained personnel and political pressure and are struggling to come to grips with even the most obvious sources of environment degradation.

Also, many cities face difficulties in implementing the urban plans that have been developed over the last few years, for these plans still lack clarity and the kind of detail needed to give them practical expression. The situation is further complicated by difficulties in coordination across ministries and agencies.

One of the greatest challenges is the inability of planning and environment agencies to keep up with the rapid changes occurring in economic activities. The reality of day-to-day development is overtaking the plans for its management. Policy development has not been sufficiently agile or flexible enough to respond to, or predict, emerging problems.

A more substantive issue is that policies and plans on environment issues remain peripheral to the dominant forces of industrialisation and urbanisation. Although environment protection is now the focus of many laws and directives, the environment is still treated as a resource or a 'sink' to be exploited. Planners in Vietnam seldom consider the environment's inherent value or its long-term importance to sustainability. This imbalance between environment use and protection is a major stumbling block in fully integrating sustainability concerns into development planning and implementation.

## ODA Institutional Arrangements

ODA to the urban and industrial sectors covers a wide range of activities and is administered by a broad range of agencies and offices, including ministerial offices, provincial departments and local People's Committees. It includes support for:

- waterways and water supply protection and improvement;
- sewerage and sanitation;
- urban master plans;
- assessment of pollution in urban and industrial areas;
- pollution standards and monitoring;
- market incentives to control pollution;
- environmental impact assessment;
- environment policy development; and,
- public and professional awareness.



The MPI, MOC, Ministry of Industry and Ministry of Science, Technology and Environment carry out these activities at the national level. At the provincial level, DOSTEs and the Departments of Planning and Investment, Construction and Industry are often involved in the implementation of projects and programmes. Vietnam has 57 provinces and four cities, each with its own mandate for urban and industrial development. Local People's Committees sometimes play a leading role in project implementation.

Often ODA projects have complicated implementing arrangements. Projects can be funded by bilateral or multilateral donors, can be loans or grants, and can go directly to a provincial or a local People's Committee, a factory, or be channelled through MPI, MOSTE, MOC or MOI. However, it is still most common for projects to be funnelled through the central level, and specifically through MPI.

**The Ministry of Planning and Investment** has played a central role in the coordination and disbursement of environment aid to the urban and industrial sectors. At the broadest level, MPI is involved in national and regional development planning, and in decision-making regarding the approval and implementation of ODA projects. More narrowly, the Department of Science, Education, and Environment (DSEE) within MPI has been directly involved in a number of urban and industrial environment ODA projects. The MPI Development Strategy Institute and the Central Institute for Economic Management also participate in ODA projects by providing research and policy advice on urbanisation and industrial strategies.

**The Ministry of Science, Technology and Environment** and the National Environment Agency within MOSTE, are responsible for projects related to industrial pollution, including pollution control and waste management, environmental impact assessments, environment monitoring and inspections, and environment policies. NEA has expanded its staff significantly over the last four years, and continues to strengthen its technical capacity (see Chapter 8).

DOSTEs in the major cities and provinces are involved in regional and local environment projects. In recent years, DOSTEs in Ha Noi, Ho Chi Minh City, Dong Nai, Hai Phong, Danang, Binh Duong, and Phu Tho have been supported by ODA projects. The DOSTEs report both to MOSTE and to the provincial People's Committees.

The Ha Noi and Ho Chi Minh City DOSTEs are the most sophisticated and well-trained in the country. Both DOSTEs have implemented ODA projects directly, and have benefited from capacity building through international programmes. These DOSTEs coordinate closely with other city-level agencies. However, coordination between the DOSTEs and the central government needs strengthening.

**The Ministry of Construction** is responsible for numerous issues related to urban development, including physical planning, housing, public works, architecture and construction. At the central level, MOC sets policy, develops legislation, regulations and guidelines, and provides overall management of housing, water supply, drainage and sanitation, solid waste management, city greening, urban transport planning, slum improvement, and land use planning. Except for the four largest cities which have been given responsibility for their own planning, urban master plans are developed by the MOC, then reviewed and implemented by the Chief Architect's Office of a city or





the Department of Construction. MOC also conducts research on urbanisation and feasibility studies for urban investment projects.

Within MOC, there are several institutions involved in the preparation and implementation of ODA projects such as:

- the National Institute for Urban and Rural Planning;
- the National Institute of Construction Science and Technology;
- the Centre for Research and Planning on Urban and Rural Environments (CRURE);
- the Department of Architecture and Planning;
- the Company for Construction Technology Development; and
- the Urban and Industrial Areas Construction Consulting Company.

CRURE, for example, conducts environmental impact assessments of urban construction projects, and has been involved in several environment ODA projects. At the city level, the DOSTE, the Department of Public Construction, the Urban Environment Company, and the Sewage and Drainage Company also participate in project preparation and implementation. The International Cooperation Department in each city is officially responsible for the preparation of ODA programmes and project proposals. The Department of Planning and Investment and the Department of Science and Technology, both within MOC, also participate in ODA project preparation.

**The Ministry of Industry** is responsible for preparing strategies and plans for industrial development, for managing centrally owned SOEs, and for regulating the emissions of pollution from its factories. MOI was formed in 1995 out of a merger of the Ministry of Light Industry, Ministry of Heavy Industry, and Ministry of Energy. Through this merger, the Department of Technology and Product Quality (DTPQ) within MOI became the department responsible for environment issues. Staff from the DOSTEs in the old ministries were transferred into DTPQ. However, DTPQ's mandate for environment work within the restructured ministry is not well defined. For example, it is unclear how DTPQ/MOI should interact with NEA/MOSTE when it comes to resolving environment problems related to MOI-affiliated enterprises.

MOI used to directly manage the state companies, which led to its involvement in a small number of ODA environment projects relating to specific SOEs. Following the reorganisation of most SOEs into General Corporations, MOI's responsibilities have been limited to auditing the environment performance of centrally managed SOEs and providing technical assistance for a reduction in pollution.

The former Ministry of Heavy Industry was involved in several projects aimed at conducting environmental audits of firms managed by the ministry. MOHI also implemented a programme on pollution prevention and cleaner production. Under the new MOI, VINACOAL has established an environment fund to support measures related to coal extraction and processing. This environment fund represents the first effort in Vietnam to support environment protection through levies on industrial activities.

Institutional arrangements for environment management are complicated by the fact that most urban and industrial environment issues cross ministerial and administrative boundaries. It is sometimes unclear who has official responsibility for a specific problem, who has the capacity to respond to it, and who has the ability to lead and coordinate other agencies on an issue. Competition between ministries has sometimes made coordination and cooperation difficult. For example, issues relating to SOEs sometimes require coordination between NEA in MOSTE, DSEE in MPI and DTPQ within MOI.

## Environment ODA to the Urban and Industrial Sectors

Between 1985-2000, environment ODA to these sectors has been modest – approximately US\$ 155 million or 15% of total environment aid (Table 7.3). The proportion of environment aid to these sectors has increased from 13% in the 1985-95 period to 16% in the five-year period to 2000. This aid has been distributed between MPI, MOSTE, MOC and, to a lesser extent, MOI. Only 2% of total environment aid projects were managed by MOI, and another 2% by MOC. Together, these two ministries were responsible for only 4.7% of the total value of environment aid, with most passing directly through the ministries to key urban centres and industrial facilities.

Also, environment ODA to the urban and industrial sectors is only a small proportion of total ODA to these sectors. A significant amount of ODA is in the form of water supply projects. These were excluded from UNDP's Compendium on the basis that their primary focus is public health; water

TABLE

7.3

### Environment Aid to the Urban and Industrial Sectors

Projects	Projects (number)	Funding (US\$ '000)	As a percentage of total environment ODA*
Urban master plans	12	31,724	3.05
Urban & industrial pollution	10	106,271	10.23
Market incentives to control pollution	10	5,962	0.57
Pollution standards & monitoring	3	1,508	0.15
Environmental monitoring systems	10	10,357	1.00
<b>Total</b>	<b>45</b>	<b>155,822</b>	<b>15.0</b>

\* Note: Total environment ODA to Vietnam from 1985–2000 is US\$ 1,028 million.

supply projects often include improved sanitation as well as waste water treatment components. Over the study period, US\$ 961 million has been directed at water supply projects and, although they are excluded from this analysis, there is little doubt that they make a positive contribution to the quality of Vietnam's urban environment.

## Key Issues

**ODA has had limited impact on integrating sustainability concerns into urban and industrial development.** ODA has played a limited role in supporting the development of laws, institutions and coordination on environment issues in the urban and industrial sectors. ODA projects have yet to support these sectors in moving from policies and plans to implementation and enforcement, and to the integration of environment concerns into broader development strategies.

ODA projects in the urban and industrial sectors support efforts that operate only at the margins of broader processes of development. They have had little impact on incorporating environment concerns into traditional planning and decision-making in industry and urban development in which a 'growth-at-all-costs' attitude tends to prevail. For example, regional economic planning still operates with little consideration for environment sustainability. This is reinforced by project rather than regional compliance with EIA requirements, which ultimately fails to integrate area-wide cumulative environment concerns into industrial and urban development planning.

Most ODA projects have been too narrowly focused or are too limited in scope to be able to address longer-term and integrated planning concerns.

**ODA has paid little attention to implementation and enforcement of pollution policies.** Environmental regulators face significant pressures to not enforce urban planning and pollution regulations. Different ministries and agencies have different goals regarding urban and industrial development (for instance, promotion versus regulation of industry). Regulators also must face factory managers and developers willing to oppose them and/or to influence their decisions.

ODA projects have been unable to grapple with these disincentives to enforcement, and have thus failed to respond to the real political and economic conditions faced by implementing organisations. ODA projects can serve to strengthen agencies such as provincial DOSTEs and to increase the legitimacy of regulations, but have rarely moved beyond basic capacity building.

**ODA has had limited success in nurturing public participation and access to information in urban and industrial environment programmes.** ODA projects have largely ignored the role of public participation and access to environment information, such as EIAs, pollution reports, health studies and regulatory actions in promoting environment enforcement. Experience from other countries indicates that public information procedures can both increase public knowledge about the trade-offs between development and the environment, and help motivate citizens to participate in environment protection activities. ODA projects have not promoted synergy between the state and the community over pollution issues. Citizens in Vietnam have the legal right to participate in development decisions that affect their environment and quality of life, but this right has not been formalised in policies and

programmes. ODA projects have seldom supported strategies for integrating public comments into investment decision-making and urban planning.

In Vietnam, most environment information is kept secret – even State of the Environment reports are usually kept confidential. ODA projects have a special role in assisting the Government to recognise the benefits of information sharing in environment management, as mentioned in Box 7.1

**Little ODA has been directed at environment issues managed by the MOI.** The Ministry of Industry is a key actor in industry and energy decisions in Vietnam, which have major impacts on natural resources and pollution. Despite its importance, MOI has received very little funding to strengthen its capacity or activities related to environment protection. MOI is thus playing only a minor role in industrial pollution issues, natural resource management concerns and environmental impact assessments of energy production and use.

## Achievements and Challenges

ODA to the urban and industrial sectors has resulted in a range of outcomes and experiences, including some major improvements in environment protection. The achievements of past projects and the challenges they have faced in implementation are discussed below.

### Environment Policy Reform is a Long-Term, Subtle Process

#### Achievement

ODA projects have contributed to environment policy change when they are long-term processes that plant the seeds of policy reform, and then nurture and support Vietnamese driven initiatives. For example, ODA projects focused on pollution prevention, awareness raising and training, including

#### BOX

7.1

### Freedom of Information

Information that should be made public includes:

- government priorities for ODA;
- donor agency programme priorities as agreed with the Government;
- the procedures for developing and approving ODA projects; and
- conditions that need to be met by ODA project proponents.

MPI, as the focal point for ODA coordination and management, should take responsibility for the release of this information. The donor agencies should also provide related information to relevant ministries, provincial People's Committees, major enterprises, and research and academic institutions.

Many institutions, that could be effective in developing ODA projects and as implementing agencies, still have no access to this kind of information. For example, many research and higher education institutions and even technical departments of the Ministry of Industry that deal with environment protection, have little access to ODA for the industry sector.

Article 4 of the Regulation on Management and Use of ODA should be implemented by MPI on an annual basis. It states that: "The list of programmes and projects that are planned for ODA funding, once approved by the Prime Minister, shall be made public. "

one sponsored by the World Bank, have helped shape government policies that strongly support industrial pollution prevention and the promotion of clean technology.

Training, study tours and workshops coordinated by the Economic Development Institute of the World Bank, along with similar training and study tours supported by UNDP, UNIDO, VCEP, SIDA and others, have contributed to a new Politburo Directive on Strengthening Environmental Protection in the period of Industrialisation and Modernisation (No. 36-CT/TW). Yet, the Government developed this general policy without foreign assistance.

### Challenges

**Supporting local initiatives.** Policy reform can be most effectively achieved by planting the seeds of policy change (through training, study tours, workshops and so on) and then supporting Vietnamese initiatives. Policy reform needs to be fully 'owned' and advocated by a Vietnamese Government agency.

**Planning long-term projects that have an indirect approach.** Indirect approaches taken by ODA projects appear to be more successful than direct attempts to prepare policy (Box 7.2). This is particularly the case

## BOX

## 7.2

### The Industrial Pollution Prevention Policy Project

The World Bank has supported a multi-stage process, now beginning its fourth phase, to develop an industrial pollution prevention (IPP) policy. Phase 1 of the project involved meetings and a workshop to discuss pollution prevention issues and policy needs in Vietnam. A large cross-ministerial team spent a week in Washington D.C. discussing a future strategy to promote pollution prevention. Phase 2 consisted of two components: a policy study on pollution prevention opportunities, and a series of workshops and study tours for government officials and factory managers. Phase 3 involved more workshops to present the results of the policy research, to review existing policies and conditions, and to discuss proposals for policy reforms to advance pollution prevention. Phase 4 will include pilot projects to apply IPP policies and measures in two provinces.

This project initially sought to directly influence Vietnamese policy on pollution prevention – this goal has not been met. The report on IPP, produced in Phase 2 in 1996, was submitted to the Minister of MOSTE but has still to be approved. This

phase moved too fast for the Vietnamese Government, attempting to influence policy before government officials were comfortable with the concepts and approaches involved.

While the goals of the different phases were mutually agreed, actual implementation did not conform to how policies are traditionally developed in Vietnam. The Bank thus missed an opportunity to more concretely support the changes occurring in government thinking on an industrial pollution policy. While the Bank invested significant resources in research and technical assistance, NEA considers that it still does not have an overall framework for IPP, needs detailed assistance with legislation and is looking for help in developing industrial sector strategies – but in a manner suited to local conditions.

While the Bank was not able to advance specific policies, this four-phase project seems to have had an affect on technical and policy staff within the Government. This impact is difficult to measure, but may produce results in the long-term.

when training processes are long enough for people to absorb information and concepts, and there is consistency among the people participating. New ideas take time to take root, and changes in thinking become evident in subtle and, sometimes, very slow ways. Donors need to recognise this and invest in long-term policy reform efforts. Donors also need to be prepared for and seek out windows of opportunity when reforms can be supported and moved forward.

## Capacity Building Takes Time and Commitment

### Achievement

Capacity has been built in environment agencies (such as the provincial DOSTEs) when there is donor commitment both to a long-term programme and to a process.

The Vietnam Canada Environment Project presents an encouraging example of a capacity building strategy for provincial DOSTEs and NEA. VCEP is a four-year programme that can be extended by an additional three or four years. VCEP employs a 'learning by doing' approach to training DOSTE staff, whereby demonstration projects are used as learning experiences. It also employs a good mix of long- and short-term training, study tours and in-country training. Training is conducted in Vietnamese and English, with the support of a strong set of national consultants.

Similarly, the Strengthening of the Environmental Management Authority (SEMA) project in NEA, now in its sixth year, is the kind of long-term commitment to institutional strengthening which is producing sustainable results.

These projects are discussed in detail in Chapter 8.

### Challenges

**Capacity building projects need to be long-term.** Projects of this nature that last less than two years can be disruptive and less than three years tend to have less impact.

The Industrial Pollution Reduction Programme in Viet Tri City is an example of how capacity building initiatives can break down if not properly designed and given low level and consistent support over a long period. Initially, limited technical and language skills and weak internal management frustrated implementation of this two-year project. Then as it was beginning to build steam, and staff of the local DOSTE (in this case the Centre for Environmental Management) were beginning to benefit, it ended.

**Vietnamese commitment to investing in human capital through capacity building projects is critical.** The Government contribution to projects such as VCEP usually focuses on constructing buildings rather than investing in human capital. To benefit from ODA (such as moving a new environment laboratory from functional to functioning), more staff and much more human resource development is required. It continues to be extremely difficult for DOSTEs to hire any staff, let alone those with appropriate training.

**Commitment to training of trainers is an important component.** Even when ODA commitments are long-term, it can be difficult to run effective capacity building programmes. For example, experienced national trainers and interpreters in the environment field remain a rare and much sought after commodity. For VCEP, translation and interpretation are the biggest

challenges. Both government and donors need to give priority to building high-quality translation and interpretation services. Training of trainers should be given continuing emphasis.

**Staff incentives are required.** A system of staff incentives relating to professional development and advancement is needed to strengthen the role of DOSTEs in enforcing environment regulations. To do their jobs, inspectors need well-defined internal motivations that are stronger than the external forces operating against effective enforcement.

**ODA projects can be catalytic.** Projects such as VCEP and SEMA function as pilots and can provide the basis and justification for the recipient DOSTEs and other provincial environment agencies to request additional funds and support. In this way ODA can be made truly catalytic.



## Coordination is Difficult But it Can Work

### Achievement

Informal and formal coordination among international experts and donors is benefiting industrial pollution reduction projects. For example, the Industrial Pollution Group (IPG), initially instigated by UNIDO and the World Bank, meets once a month in Ha Noi to network and share information and ideas about industrial pollution and urban environment management issues in Vietnam. Through this informal process, implementing teams and funding bodies are able to make connections, share information, and bring together experiences from a wide range of projects.

### Challenges

**Donor coordination can be improved.** Donors need to seek out synergy between projects and specifically fund coordination mechanisms. There is a need to create synergy between industry-related environment projects from the policy level to the factory floor, from DOSTE participation to community involvement (Box 7.3).

Donors sometimes have disincentives to coordinate projects. Coordination can be time consuming and costly given the pressure to meet project deadlines and outputs. A commitment to coordination is rarely built into project budgets. The projects focusing on cleaner production and pollution prevention show that 'hot topics' do attract overlapping projects. Support to coordinating mechanisms in these situations is essential.

**Integration on a deeper level is even more challenging.** For example, SOE reform and pollution prevention need to be linked. Donors and government should consider how to incorporate environment performance considerations into industrial renovation processes (such as when firms are upgrading equipment) and to use these opportunities to meet sustainability and environment goals.

## Area-Wide Environmental Quality Management in Dong Nai Province – Cooperation Across Provincial Boundaries

Through a UNDP/UNIDO project in Dong Nai province, one local environment agency has sought to incorporate area-wide environment quality (AEQM) concerns into provincial and regional planning. From the initial design stage, project implementers have recognised that traditional pollution control strategies would have limited potential for achieving long-term sustainability goals for the province. The project set out to analyse the full range of environment issues related to regional industrialisation, including pollution sources in the province, pollutant loading from domestic and agricultural sources, air and water pollution from neighbouring provinces, and the broader environment impacts of urbanisation. The project has

defined an environment region that makes sense ecologically, but that crosses provincial boundaries.

The AEQM approach has helped the province conduct scenario planning and to evaluate the steps needed to achieve desired levels of employment, GDP growth, and environment quality. Also, the process has encouraged dialogue with leaders from surrounding provinces that directly influence the quality of the environment in Dong Nai. The AEQM approach has faced a number of challenges in implementation, but seems to hold potential for integrating the environment into broader development planning.

**Building pollution prevention into project approvals for new investments.** The Vietnam Capacity 21 Project is beginning to address environment screening capacities within the Ministry, but much more work on this issue is required. Also, more analysis is needed on the conflicts that exist between investment promotion by donor countries and environment protection efforts that is, the need for policy coherence. The case of the Carlsberg brewery in Ha Noi, which does not have an effluent treatment system, highlights how foreign direct investment can conflict with ODA goals.

**Avoiding negative impacts.** Cooperative projects can also have negative impacts, for instance when they impose many layers of reporting and accounting. A number of implementing agencies have expressed concern about the different preparation, bidding, and reporting requirements of projects that involve multiple international organisations. Coordination can help iron out these inefficiencies. For instance, Danida reports that although there were early difficulties in harmonising bidding procedures, its cooperation with the World Bank in water and sanitation projects is now working well.

### Starting Small and Building Up Over Time Has More Chances of Success

#### Achievement

Multi-phase projects – that start small and focus on institution building before gradually building up to larger projects – have proved more successful than one-off projects. Take the example of the Vietnam Cleaner Production Centre (VNCPC): it shows that an organisation can be built up over time to handle a large project. Over five years, the Department of Chemical and Environmental Engineering at the Ha Noi University of Technology has developed into the Centre for Environmental Science and

Technology (CEST). A further step in institution building is being considered by Government in upgrading CEST to an Institute for Environmental Science and Technology (INEST), which would include the VNCPC.

### Challenges

**The need for time, scale and an orientation phase.** Too many projects in this sector begin too big and too fast, without adequate attention to first building the policy and institutional framework needed to absorb the assistance. Few Vietnamese organisations can effectively manage million-dollar projects. INEST has built its capacity through a number of smaller projects that required improvement in its technical and management capacities; even two years ago it would have had difficulty in managing the VNCPC.

A strategy of building capacity through project management might be a good principle to advance in the future. Organisations would need to demonstrate that they can manage small projects before they move onto larger projects. Too much money, coming too fast, can do more harm to an organisation than good. In the case of the VNCPC, development assistance did not force INEST to be something it was not or to become something it did not want to be.

**Scaling up requires flexible implementation.** Multi-stage, multi-year projects need a long-term strategy, but they also need to build flexibility and innovation into their design. The Vietnam Energy Conservation and Efficiency (EC&E) programme is a good example of this. This project has included activities on assessment, master planning, development of implementation programmes and institution building. In each aspect of the project, the EC&E team has responded flexibly to Vietnamese needs and demands as they arise.

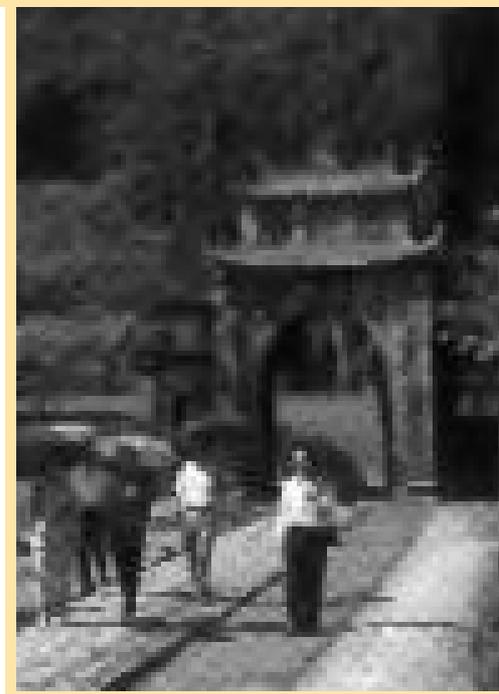
## Local Ownership of Projects Must be Ensured

### Achievement

A number of projects have been initiated and developed by Vietnamese implementing agencies and these are progressing on a sustainable basis. The Vietnam Cleaner Production Centre is an example where project development has come from both the Vietnamese and international parties. From 1991 onwards, CEST has carried out a programme of research in clean technology with government funding. It built up some capacities in this field and, in 1994, approached UNIDO for support; it has been working to refine the project proposal to secure funding. INEST has received a commitment for a US\$ 200,000 government contribution to the project.

### Challenges

**Securing 'real' ownership.** While few Vietnamese organisations turn down foreign assistance, there are significant variations in Vietnamese 'ownership' of projects, and in subsequent commitment to seeing them



succeed. This relates in particular to the project identification and formulation stages when the seeds of ownership are planted. Determining the real commitment of a local implementing agency to a project can be difficult (Box 7.4).

FINNIDA recommends that commitment be tested through demands for local contributions of resources that are valuable and scarce, for example, staff time and office space. Commitment can also be evaluated through more thorough assessments of which agencies have picked up on various project activities and internalised these through allocation of staff time and budgets.

## BOX

7.4

### Ha Noi Environmental Improvement Project

Once a project is defined, an implementing agency has little influence in refocusing activities on issues it considers to be of high priority. While project documents need to be respected, this can be a problem if the agency has not been closely involved in project negotiations. This was the case with the JICA Ha Noi environment project negotiated by MPI but implemented by the Ha Noi DOSTE.

The JICA project has three main components with an environment master plan as the centrepiece of the project. The consulting firm implementing the project is focusing on this task, with little interaction with DOSTE staff. Only one component is a priority issue

identified by the Ha Noi DOSTE. The Department is interested in resolving issues around a transfer station for a new landfill 40 km from Ha Noi.

Ha Noi DOSTE is concerned that another plan may end up on the shelf especially as the needed actions require a high degree of inter-sectoral discussion from the earliest stages of planning. JICA has thus agreed to carry out a pre-feasibility study on the transfer station. Only partial commitment can be expected from implementing agencies if they have not taken the lead in project design and if there is not a close working relationship with the team supporting the project.

**Maintaining accountability.** Donors report that there can be negative aspects to national 'ownership.' Vietnamese implementing agencies can feel little accountability to donors on financial and performance issues when they believe the project is fully theirs to manage. In these cases, inadequate cooperation between the implementing agency and the international partners can result in resentment concerning international guidelines and procedures.

## Local Participation is Critical

### Achievement

Local level participation has significantly increased the effectiveness of urban and industrial environment projects. The FINNIDA Water Supply and Sanitation Project in Hai Phong has been successful in improving both the infrastructure for water supply and the local level institutions for water management. The Hai Phong programme employs a *Phuong – Phuong* is the lowest administrative unit in cities – model of water management that depends largely on local level 'ownership' and participation.

## Challenges

**Implementing models trialed successfully elsewhere.** The *Phuong* model provides better community buy-in and participation in water supply and management by employing a local worker to monitor losses, detect leakage, read meters, collect bills, and respond to complaints from local users. It is complemented by a city-level technical and infrastructure strategy.

Yet, not all projects are successful. A very similar FINNIDA project in Ha Noi has been less successful, partly because it has not been able to incorporate this type of local participation (Box 7.5).

**Too many urban and industrial environment projects have not paid adequate attention to the issues of local participation and incentives.**

There is significant potential for strengthening local People's Committees and community participation. ODA can support mechanisms for increased transparency and public access to information.

For example, in Dong Nai community pressure was a driving force in motivating DOSTE to regulate more effectively. Community complaints

### BOX

7.5

## The *Phuong* Projects in Ha Noi & Hai Phong

The Ha Noi project is five years older than the one in Hai Phong. The Ha Noi Water Supply Company, however, still cannot account and charge for around 68% of the water distributed through its system. Hai Phong, on the other hand, has an average water loss of 18-20%. The Hai Phong People's Committee appears to be much more committed to the project and more willing to play a

leadership role; this is due both to local politics and leadership. The Ha Noi People's Committee appears to have other priorities that take precedence over water supply issues. Clearly it is not easy to create strong local commitment and participation. FINNIDA is now assessing how the *Phuong* model might be incorporated into a sanitation project being implemented in Hai Phong.

directly motivated firms to reduce pollution and created incentives for DOSTE to improve its monitoring and enforcement capabilities. ODA focused on creating greater transparency in environmental assessment and regulation, and provided opportunities for public participation that would strengthen this important mechanism.

## Cleaner Production and Pollution Prevention Make Sense for Vietnam

### Achievement

There are some specific areas of industrial environment management in which Vietnamese agencies have taken a strong lead and in which international organisations have shown a willingness to cooperate. Cleaner production is one such field. The Vietnam Cleaner Production Centre and 15 other pollution prevention and cleaner production projects have been supported by donors and the government (Box 7.6).

### Challenges

**Moving from 'end-of-pipeline' to prevention strategies.** End-of-pipe pollution control is certainly needed, but prevention is an even greater

## Current Cleaner Production Projects

Vietnam Cleaner Production Centre	Swiss/UNIDO
Promoting Clean Production Investments in Developing Countries	Norway/UNEP
Industrial Pollution Prevention Pilot Project	World Bank
Vietnam Canada Environment Project	Canada
Industrial Pollution Reduction in Viet Tri	UNDP/UNIDO
Industrial Pollution Reduction in Dong Nai	UNDP/UNIDO
Reduction of Industrial Pollution in Ho Chi Minh City	Sida/UNIDO
Cleaner Production in the Pulp and Paper Industry	Sida/UNEP
Pollution Prevention in the Textiles Industry	Canada/VISED
Pollution Prevention Training Course	Sweden
Ho Chi Minh City Environmental Management Project	UNDP/UNIDO
Waste water treatment technology transfer and CP demonstration	Australia
Clean Production and Waste Management for SMEs	Canada
Industrial Environmental Protection Policies	UNDP/UNIDO
Pollution Prevention Policy Development	Australia
National Pollution Reduction and Control Strategy	Denmark

priority for Vietnam. There are substantial benefits to a preventative approach to industrial issues, not least of all cost.

'Win-win' opportunities exist for Vietnamese industry to reduce waste, improve efficiency, and save money. Waste audits conducted by the UNDP Dong Nai and Viet Tri City projects, the VCEP project and the Ha Noi DOSTE, have identified numerous profitable pollution prevention opportunities. Cleaner production projects in the textile and paper industries have also identified short and long-term opportunities for pollution prevention.

**Better coordination would help.** There are 16 projects focused on pollution prevention, waste minimisation or cleaner production going on or recently completed in Vietnam. These projects could be better coordinated, learn from one another and in doing so, avoid duplication. For instance, the same cleaner production waste audit manual was translated into Vietnamese several times by different projects.

**There is a need to develop a longer-term, more holistic strategy for promoting cleaner production in Vietnam.** The VNCPC is beginning to do this though it is faced with a number of challenges. It will need to integrate industrial and natural resource sectors by analysing the full 'life cycle' of production processes. It will need to integrate cleaner production strategies into SOE reform initiatives. And it will need to integrate cleaner production strategies into the energy sector. Currently there is very little connection between cleaner production and energy efficiency and conservation programmes, both of which employ similar auditing systems.

It is still difficult to convince firms to participate in cleaner production projects. MOI is rarely included in projects; this is the ministry that needs

support and capacity building in these issues. It also needs to be convinced that its enterprises would benefit from cleaner production activities.

**The role of centres such as the VNCPC in the Vietnamese system of government need to be better understood by the international community.** The centre is a research and development organisation. It will have difficulty in making an impact if policy-making agencies are not developing policies that would promote investment in cleaner production at the same time. VNCPC can enhance the capacity for technological innovation but not the policies underlying it.



## CHAPTER 8



# Aid to the Environment Protection and Management Sector

## Policy Developments in the 1990s

In the 1990s, Vietnam set out to achieve the level of innovation in environment policy that took 20 to 30 years to evolve in the US, Western Europe and other developed countries – and Vietnam has made considerable progress. Vietnam's report to the UN Conference on Environment and Development in 1992 was a wish list. Five years later, its report to the follow-up conference on progress in implementing Agenda 21 presented a list of solid policy reforms which have been implemented. International support has played an important role in shaping this reform agenda.

## Developing National Environment Strategies

An important indicator of sustainable development is that environment strategies and action plans are examined regularly, in tandem with the development planning cycle, and implemented by all arms of government. Vietnam was one of the first countries in the region to begin doing this. In 1986, a National Conservation Strategy (NCS) was prepared, followed in 1991 by a National Plan for Environment and Sustainable Development (NPESD) just prior to the Rio Conference. Another four years on and two more plans were prepared – the National Environment Action Plan (NEAP), in anticipation of World Bank requirements, and the Biodiversity Action Plan (BAP) following Vietnam's ratification of the Biodiversity Convention in 1993. Various international institutions and ODA projects supported each of these strategic planning initiatives. Each has influenced policy as reflected in the programme of environmental legislation and institutional reforms that have taken place since the early 1990s. Currently, a new National Strategy on Environment Protection and Sustainable Development for 2001-10 is being drafted.

The NCS was prepared by the Committee for Rational Use of Natural Resources and Environment Protection with support from IUCN. The committee, while not a permanent institution, was the principal environment body in the Government at the time. Although never formally adopted, the NCS was influential in shaping later reforms. The strategy called for a zero population growth rate, massive reforestation programmes and the establishment of a National Board for Environmental Coordination at ministerial level with wide cross-sectoral powers to formulate and enforce environment legislation.

The NPESD, a ten-year strategy to the year 2000, was approved by the Government and remains the only official umbrella policy on environment. Sida, UNDP, UNEP and IUCN supported the NPESD. Environment functions of the old committee had been transferred to the State Committee for Sciences and, in 1992, in response to the NPESD recommendation to create a State Agency for Environment, the Committee was renamed the Ministry for Science, Technology and Environment, and was given responsibility for strategy implementation.

## Legislative Framework

In December 1993, the National Assembly passed an umbrella Law on Environmental Protection – which came into effect in 1994 – stemming from the policy commitments in the NPESD. This made 1993 a watershed year in the development of Vietnam's environment policy framework, just as it was for ODA flow to the country. In the four years that followed, more than 27 decrees, directives, ministerial and inter-ministerial circulars and associated decisions were issued as a growing body of regulations for implementing the Law.

Two decrees and a recent instruction are particularly significant. Decree 175, issued in 1994, detailed the responsibilities of central and local governments in implementing the law. It introduced the first in a series of regulations on environmental impact assessments and audits of new and existing operations. It also proposed the first set of national environmental standards and put in place controls on import, export and transport. It gave teeth to inspection powers and introduced environmental fees and penalties, a concept that remains controversial and difficult to implement.

Probably the most visible of the Decree's reforms, and the one which best demonstrates the potential power of the State in bringing environmental change, is the ban on fireworks; since then fireworks have disappeared from the annual Tet celebrations where they had once been so prominent. They are now used only at official events.

The next most important legislation, Decree 26/CP, was enacted in 1996. It greatly expanded the range of penalties for violations of environmental laws relating to EIA and audits, conservation of natural resources, trade in endangered species, exploration and mining and a wide range of pollution infringements.

In June 1998, the Communist Party Political Bureau issued Directive 36-CT/TW on Strengthening Environmental Protection in the Period of Industrialisation and Modernisation. It sets out a programme of actions to implement the Directive, designating responsible agencies, their counterparts and completion dates:

- to develop a National Strategy on Environment Protection and Sustainable Development for 2001-10;

- to perfect the organisational structure of state management of environment protection;
- to incorporate environmental issues into the national education system;
- to develop a government decree on investment diversification for environmental protection;
- to develop a plan to address the root causes of serious environmental pollution by industrial enterprises; and
- to amend the Law on Environmental Protection.



## Environmental Assessment

One of the important outcomes of legislation was a requirement for environmental assessment. In Vietnam, as in most neighbouring countries, EIA was the first environment protection mechanism to be built into the development planning system.

Recommended in the NCS and the NEPSD, it was in 1993 following the Rio Conference that temporary guidelines for EIAs of major development projects were first introduced, through Circular 1485/Mtg.

Given cover through the 1994 environment law, the system has been progressively filled out with regulations and guidelines for the preparation and appraisal of EIA reports. Since 1995, MOSTE has issued 97 national environmental standards relating to air, water and land pollutants (Decision 2920/QD-MTg).

While in most countries EIA applies only to proposed development, Vietnam has gone one step further and required EIAs of existing industry. The immediate problem is the thousands of older factories, serious polluters that are undermining the benefits of improved environmental performance in new projects. In the three years to the end of 1997, the National Environment Agency directed substantial staff and budget resources to auditing existing plants. NEA staff inspected some 8,000 factories and just under half were fined for polluting in excess of national standards and more than 54 enterprises were forced to close. Countrywide, 41,600 plants prepared an initial environmental inventory, 3,500 prepared EIA reports of which 1,730 were reviewed and approved.

In 1997, Circular 1420/MTg took this even further. Existing industry was divided into three categories on the basis of an audit report: those that can continue to operate; those that can continue to operate but with an “environmental improvement plan”; and those that must stop operating or relocate.

Current environmental legislation now requires EIAs of socio-economic master plans to be carried out. Since EIAs of policy, programmes and plans are still in their infancy worldwide, this provision is a significant policy innovation for Vietnam.

Also, one of the most important but difficult steps is to expand the sense of responsibility for EIA implementation from the National Environment Agency to other arms of government. NEA is making progress on this front with the drafting of guidelines for nine sectors, that is for hydropower, thermal power, mining, beer production, industrial zones, cement plants, textiles, highways and urban development. Following a round of comments from the affected sectors, the guidelines will be made official. A number of international projects are assisting in this process, supported by the EU and Canada.

First steps are also being taken to prepare environmental assessment guidelines for planners within MPI and the provincial Departments of Planning and Investment, as this is the first 'port of call' for most significant development proposals. UNDP is supporting this activity.

## State of Environment Reports

The Environmental Protection Law requires MOSTE to "regularly report to the National Assembly on the environmental situation". The first State of Environment report (SOER) was prepared in 1994, and since then one has been submitted to the National Assembly each year. Each provincial DOSTE prepares similar reports. They have helped raise awareness among local and national leaders on environmental issues and recommended general strategies. The SOER reporting process is potentially a powerful mechanism for defining the agenda of sustainable development actions throughout the Government.

## The Influence of International Conventions

A key inspiration underlying Vietnam's programme of policy innovation in environment protection has been the nation's increasing participation in international environment related conventions. Since 1994, Vietnam has become party to seven major environment agreements (Table 8.1).

Since the Rio Conference, Vietnam has taken dramatic steps forward in political and economic integration with its Asian neighbours and the wider global community. It now actively participates in the Asian Foreign Trade Agreement, is becoming a member of the World Trade Organisation and is a member of the Association of South East Asian Nations, including the ASEAN Environment Committee. In 1993, Vietnam became a State member of IUCN-The World Conservation Union.

TABLE

8.1

### Environment Conventions Signed Since 1994

Convention	Signed
Convention on International Trade in Endangered Species of Wild Fauna and Flora (Washington D.C.)	1994
United Nations Convention on the Law of the Sea (Montego Bay)	1994
Convention for the Protection of the Ozone Layer (Vienna)	1994
Protocol on Substances that Deplete the Ozone Layer (Montreal)	1994
United Nations Framework Convention on Climate Change (New York)	1994
Convention on Biological Diversity (Nairobi)	1994
Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal (Basel)	1995



Each of these international environment policies entails obligations, which need to be expressed through national innovations to policies and procedures.

## Institutional Developments

### Ministry of Science, Technology and Environment

One of the first initiatives of the newly established MOSTE was to set up NEA as an executive department within the Ministry (Ministerial Decision 545 of October 1993). This was followed by DOSTEs or local government arms of the ministry being established in all 61 provinces and, from 1995, environment management divisions included in every DOSTE.

NEA is headed by a Director General assisted by two deputies and has nine divisions: Awareness and Training, Database Management, EIA, Inspection, International Relations, Monitoring, Pollution Control, Policy, and Nature Conservation. One key NEA task is to chair the Environment Impact Assessment Review Board within MOSTE.

NEA staff numbers have increased five-fold, from the original 15 to 73 in 1998. Equally in the three years to 1998, DOSTE environment division staff has doubled from 130 to 260. Although still small in comparison with the other decentralised sector agencies, the environment institutions have gone through a period of very rapid growth.

A major increase in NEA's size and mandate is likely, even if a proposal that NEA be given ministerial status has been postponed for the time being. Projections suggest that NEA will expand to around 350 staff and become a general department within the ministry headed by a vice-minister. Recommendations have also gone forward for a major two to three-fold increase in the environment management and protection divisions of all DOSTEs. These reforms are likely to take place in the year 2000.

In 1997, NEA created the Nature Conservation Division (NCD) to coordinate the implementation of the Biodiversity Action Plan and to act as focal point for the Convention on Biological Diversity. It is now widely acknowledged within government that NCD is responsible for the coordination of all biodiversity conservation activities throughout the country; but what that means in practice needs clarification. MOSTE, MARD, MOFI, NCST and MPI are the five main central government authorities with responsibilities for the implementation of biodiversity activities (Box 8.1). What is needed is a better definition of the role of each of these organisations in BAP and biodiversity conservation.

Vietnam has benefited from a Global Environment Facility-supported project on forestry and protected areas, managed through MARD and MOSTE, and another on the prevention of marine pollution. Others are in the pipeline and an inter-sectoral coordinating committee – the GEF Vietnam Committee – has been established to oversee GEF related activities. While not of great significance in itself, the Committee is an important step by NEA as the GEF focal point, in establishing inter-sectoral collaborative structures.

The Ministry of Science, Technology and Environment has also set up a network of 17 monitoring stations in different localities to provide data for the SOE reporting process. MOSTE has issued a directive identifying which DOSTEs will be the main nodes in this national network of regional monitoring and environment assessment centres. Both the Vietnam Canada Environment Project (VCEP) and Strengthening of the Environmental Management Authority (SEMA) project have encouraged this model by investing in these nodes and promoting linkages with other DOSTEs. Yet, DOSTEs still tend to function independently. There are no incentives for them to cooperate regionally through the services of a better-equipped regional facility.

## BOX

8.1

### Institutions Involved in Implementing BAP

#### **Ministry of Science, Technology and Environment**

National Environment Agency  
Provincial Departments of Science, Technology and Environment

#### **Ministry of Agriculture and Rural Development**

Forest Protection Department (FPD)  
Forest Inventory and Planning Institute (FIPI)  
Provincial Departments of Agriculture and Rural Development

#### **Ministry of Planning and Investment**

Department of Science, Education and Environment

#### **Ministry of Health**

#### **Ministry of Fisheries**

Aquaculture Institutes (AI)  
Research Institutes of Marine Products (RIMP)  
Fisheries Resources and Environment Conservation Department (FRECD)

#### **National Centre for Natural Science and Technology**

Institute of Ecology and Biological Resources (IEBR)  
Institutes of Oceanography (IO)

#### **Vietnam National University**

Centre for Natural Resources and Environmental Studies (CRES)

#### **Ministry of Information and Culture**

## Other Ministries

The Department of Science, Education and Environment (DSEE) within the Ministry of Planning and Investment oversees environment sector issues and is the MPI counterpart to MOSTE and NEA. Currently, the MPI's Development Strategic Institute takes primary responsibility for the preparation of regional plans.

Article 5 of the 1994 Law on Environmental Protection requires each ministry to develop its own environment management systems; this is beginning to take place. Most sectors have established nominal environment units with the Transport Ministry taking its responsibilities more seriously than most. It has increased staff numbers in its environment unit from one to four and, with Canadian assistance, is developing its own EIA guidelines and regulations.



## Demonstrating the Need for Institutional Coordination: Wetlands

One of the examples of this lack of coordination is the management of wetlands in Vietnam. Although Vietnam was the first country in Southeast Asia to sign the Ramsar Convention, it is yet to come to terms with wetland management concepts and specific policy measures to manage and conserve critical wetland areas.

Vietnam's institutional arrangements for wetland management are unclear. MOSTE is responsible for coordinating implementation of Ramsar – the Convention on Wetlands of International Importance. MARD, however, manages several wetland systems, predominantly mangrove forests and some lakes and rivers that pass through natural forest reserves. MOFI controls fisheries production in most water resources and is responsible for managing marine protected areas. Finally, the Ministry of Transport and the Vietnam National Administration of Tourism manage some wetland areas, though their responsibilities are for waterway transport and tourism respectively. What this means is that no single agency has a mandate to control the use, management or conservation of Vietnam's wetlands.

One of the problems is that natural resource managers and policy-makers do not have a clear perception of how to apply the wetland concept in an administrative context. Wetlands occupy the transition zone between permanently wet and generally dry environments. They exhibit great diversity and there may be considerable variation within a single wetland area and many different wetland types may be found in close proximity. Classification of wetlands is difficult, partly because of the variety of wetland types and their dynamic character and partly because it is difficult to define their boundaries with any precision.

Ramsar recognises five wetland systems: marine (coastal wetlands including rocky shores and coral reefs); estuarine (including deltas, tidal



marshes and mangrove swamps); lacustrine (wetlands associated with lakes); riverine (wetlands along rivers and streams); and palustrine (marshes, swamps and bogs). There are also man-made wetlands such as fish and shrimp ponds, farm ponds, irrigated agricultural land, salt pans, gravel pits, sewage farms and canals.

Wetlands are not recognised as a specific category under Vietnam's Land Law although wetland conservation is given high priority in BAP. In contrast, the critical importance of managing and conserving tropical forests is well enunciated and understood throughout the world. Tropical forest ecosystems have, therefore, attracted significant community, government and donor focus. It is no coincidence that the main wetland system to receive significant ODA commitments in Vietnam is its mangrove forests.

In 1997, a national wetlands strategy was drafted but did not progress formally within NEA. There does not appear to be a force for change in policy-making and institutional management for Vietnam's wetlands. This is of significant concern for the future of these critical ecosystems.

## Environment ODA to the Environment Protection Sector

ODA to this sector encompasses brown issues and institutional strengthening projects, as they support the implementation of the 1994 Law and the environment protection mandate of NEA – although many projects may not have been managed by the agency. Of the US\$ 55 million in environment ODA going to MOSTE or its predecessors, NEA manages 5.1% of commitments and 6% of projects. This amount is relatively low given that the bulk of aid passes directly through NEA to the various DOSTEs. Setting aside ODA to urban master planning, around 17% of total environment ODA between 1985 and 2000, went to environment protection

with contributions from bilateral and multilateral donors at about the same level, just over US\$ 100 million each (Table 8.2). Most of this aid addressed brown issues.

In the five years to 2000, however, commitments to brown issues were nearly doubled compared to the previous 10 years. Direct support to environment policy development also increased but not to the levels of the early 1990s. Donors and the Government alike appear to have become weary of high-level policy projects and have moved on to action. Yet, the cyclical nature of policy formulation and the importance of continually revising the overall policy framework in the light of experience would suggest that a fresh flow of ODA to this area is overdue.

EIA systems have attracted only 0.04% of total environment ODA. Given this relatively small contribution, the progress made has been impressive.

## Key Issues

**Clarifying boundaries between environment protection and natural resource planning and management.** NEA's role is still evolving. As in most countries, the early priorities of the newly established Agency were on the more visible and readily managed concerns associated with the brown sectors, that is, end-of-pipe pollution and integrating environmental factors into new development projects. ODA flow to MOSTE/NEA has reinforced these priorities.

Yet NEA has a broader role to play – as reflected in the umbrella NPESD – one that covers biodiversity conservation, wetlands and a range of green and blue issues. The relationship with MARD, which is also responsible for many of these issues, is confusing.

NEA is called upon to develop approaches to strategic environmental assessment which moves it into natural resource planning. For example, NEA is responsible for the environmental assessment of socio-economic

TABLE

8.2

### Environment ODA by Donors, 1985-2000\*

Groups	Donor group			Total funding	As a percentage of total environment ODA
	Bilateral	Multilateral	NGOs		
	(US\$ '000)				
<b>Urban and industrial projects</b>					
Urban master plans	28,083	3,641	0	31,724	3.08%
Urban & industrial pollution	30,250	76,021	0	106,271	10.33%
Market incentives to control pollution	40	5,922	0	5,962	0.58%
Pollution standards & monitoring	556	953	0	1,508	0.14%
Environmental monitoring systems	9,056	1,301	0	10,357	1%
<b>Sub-total</b>	<b>67,985</b>	<b>87,838</b>	<b>0</b>	<b>155,822</b>	<b>15.2%</b>
<b>Institutional strengthening</b>					
Coordination of environmental policy	28,878	11,224	114	40,216	3.91%
Environmental impact assessment	439	0	0	439	0.04%
Public & professional awareness	12,655	2,594	17	15,265	1.41%
<b>Sub-total</b>	<b>41,972</b>	<b>13,818</b>	<b>131</b>	<b>55,920</b>	<b>5.4%</b>
<b>Total</b>	<b>109,957</b>	<b>101,656</b>	<b>131</b>	<b>211,742</b>	<b>20.6%</b>

Source: UNDP, 1996. *Compendium of Environmental Projects in Vietnam, 1985-1995*. UNDP/MPI, Ha Noi; UNDP database: Inventory of environmental assistance projects: ongoing projects in 1998 and pipeline projects; UNDP Development Cooperation Report, 1997

plans. Two projects, the EU Capacity Building in Environment Management within NCST and VCEP within NEA are piloting regional environmental assessment. These strategic EA activities are akin to integrated planning. How does this responsibility relate to those of the Ministry of Construction concerning land use planning? The respective roles of these agencies and NEA need to be more clearly defined.

**NEA and regional environment plans.** One important policy innovation in the 1994 Law is the call for 'regional environment plans'. The Government has not introduced guidelines spelling out what a 'region' is or how the Law should be applied. However, NEA is experimenting with preparing such plans, and in 1998 initiated a regional environment plan for the industrial port of Haiphong.

BAP also calls for the preparation of regional biodiversity plans. Is the Government serious about NEA preparing some form of regional environment plan for BAP, and if so, how would these relate to the existing regional planning undertaken by MPI?

The Government has defined eight economic development regions. In 1996, for the first time, rudimentary socio-economic plans were prepared for all eight regions with assistance from a number of university research centres. Prior to that, comprehensive plans were prepared for the Red River and Mekong deltas in which environmental factors were taken into account. Consideration of environmental factors in regional plans, however, has been ad hoc.

Regional environment plans have the potential to play a very important role in providing the backdrop to development control and planning. But how they fit within the overall framework of development planning and NEA's role in the process has yet to be defined.

**NEA/MOSTE need more support.** NEA is a young organisation that still lacks many of the essentials to function effectively. A major institutional strengthening initiative to build its policy, managerial and administrative capacities is required. NEA has difficulty in effectively absorbing aid, largely because the systems and skills for managing it are weak. The agency needs more inward looking support that first targets the institution itself, not the environmental problems it was set up to address.

Two projects, VCEP and SEMA, are providing support to the EIA, Pollution Control and Monitoring divisions of NEA and the Inspection divisions respectively (Box 8.2). But other areas of the agency are suffering from relative neglect. Moreover, NEA and DOSTE operational links are weak except through the Inspection and EIA divisions. Support is required to build these working relationships and those with sectoral agencies.

**Expanding support to the DOSTEs.** In 1995, the Government loosened central control of ODA and allowed project execution to be decentralised to the provinces. Since then a small number of projects have gone directly to the provincial level, while two centrally executed projects have major provincial components, all with very positive results (Box 8.3).

SEMA and VCEP are focusing on the most capable 10 of the 61 DOSTEs and are helping to build links between them. It is clear that NEA cannot manage all ODA to the DOSTEs. In fact, the agency actively encourages direct donor-DOSTE links. But it needs to maintain a strong technical coordinating role or many different and possibly conflicting procedures and standards will evolve in each of the provincial departments. For example,

## SEMA and VCEP: Two Models of ODA Support

The Strengthening of the Environmental Management Authority and the Vietnam Canada Environment Project both support NEA but in very different ways.

SEMA is the first fully nationally executed project by NEA. Phase 1, which began in 1994, was managed by IUCN. Phase 2, a US\$ 4 million project spread over three years, has been contracted directly between Sida and NEA; IUCN has been sub-contracted by the agency to provide specific technical support. NEA recruits all the national consultants and project staff are designated from within the agency.

VCEP is a US\$ 7 million project spread over five years. A Canadian consultant team, headed by an international project manager, manages it – providing assistance from the 'outside'. The project manager has been contracted by the donor and is responsible for all financial management. VCEP hires all national and international staff independently.

What are the lessons learnt?

### SEMA

- there is a high sense of ownership within NEA: "SEMA is ours";
- Operating as an internal unit, it has direct access to the policy formulation and implementation processes;
- it has good access to NEA staff and can maintain a 'finger on the pulse' of the agency;
- a high proportion of project correspondence within the agency originates in Vietnamese;
- there is considerable opportunity for learning on-the-job;
- a high level of day-to-day interaction takes place between international and NEA staff;
- a relatively high proportion of project funds stay in the country; and
- there is greater opportunity for the project to be institutionalised, that is, to be sustainable as reflected in the staffing and budget commitments made by the government.

However

- a tension can exist between the level of ownership and productivity; higher levels of ownership may mean lower productivity in the short-term – the project can only move as fast as the system allows;
- institutions tend to acquire a built-in resistance to change and innovation and

an internal project may have to exert much more effort and time to doing things differently;

- government systems for staffing allocation and consultant recruitment may not always lead to the right person in the right post;
- inexperience with large project budgets may lead to conservative management; and
- national execution places strains on government-donor relations as problems are worked through.

### VCEP

- flexibility and relative freedom in day-to-day management and in defining the approach to agreed priorities;
- staff are hired on merit and can ensure a high level of performance;
- productivity according to concrete project outputs tends to be relatively high;
- project team has immediate and relatively simple access to funds;
- can hire additional national experts as required;
- can work with any national or international partner in achieving project objectives; and
- can target beneficiaries of training activities.

But

- in the productivity-ownership tension, ownership loses out with an external model – the project is Canadian first and Vietnamese second;
- less opportunity for on-the-job training and to impact directly on NEA operations;
- initially, there may be less commitment within the Government to sustainability of project activities; and
- external projects can attract resentment on the part of the Government staff over budget management and the proportion leaving the country.

In what circumstances are the internal and external engine models best applied? The effectiveness of the internal approach depends on the institutional capacities of the recipient agency. It also depends on the extent to which the project is inward looking with specific outputs and budget aimed at strengthening the institutional and administrative systems of the host. If these capacities are lacking and the project is principally outward looking, progress can be slow and frustrating for all concerned. In these circumstances, an external model may be more appropriate.

## More ODA to DOSTEs

Before 1995 Ha Noi DOSTE, for example, had found it difficult to access ODA funds; generally, assistance was flowing to the centre. Since then, Ha Noi has attracted two major projects, the Canadian VCEP and the JICA solid waste management project, and a number of smaller initiatives. In fact, Ha Noi DOSTE is the first provincial agency to execute a national environment protection project. In 1997, UNDP mounted a regional environmental toxicology project. NEA had wanted to execute the project, which involved

training exercises in various parts of the country. Instead, given the relatively small scale of the project (US\$ 350,000), MPI decided to designate Ha Noi DOSTE as the executing agency. The DOSTE considers giving provincial agencies experience in ODA project management is essential: “the more we manage and implement ODA projects the more we learn about the process and the better we get at it”.

Despite this example, most DOSTEs still find it hard to gain ODA support.

UNDP/UNIDO/UNEP have launched an institutional support project with the Ho Chi Minh City DOSTE, which will need to link closely with NEA. A useful approach that needs to be explored is the launching of regional DOSTE improvement projects, in which overseas assistance takes on a cluster of DOSTEs within one ecological region.

**Roles in environment ODA decision-making.** MOSTE, with NEA, is the main government agency responsible for environment protection. Yet, its role in the planning and management of environment ODA is unclear. MOSTE’s participation in setting priorities for environment ODA and in shaping projects is limited and, as a whole, the process lacks transparency. The ministry has no up-to-date listing of environment projects being implemented and has no sense of what projects are in the pipeline. There is a need for a MOSTE initiative similar to the MARD International Support Group that would bring together MOSTE/NEA and MPI/DSEE and assist them in tracking ODA to environment protection.

## Achievements and Challenges

### Need for Effective Implementation of International Conventions

#### Achievements

Vietnam has increased its participation in international forums and signed more than a dozen environmental conventions, including those relating to world heritage sites, biodiversity, trade in endangered species and climate change. In each case, this has led to important domestic policy reform and actions to implement the international obligations.

#### Challenges

Most international agreements require action across sectors and at different levels of government. But in Vietnam, national expression of these agreements has tended to be confined to the lead institution. This has meant that commitment to implementation by other key agencies, in terms of budget and staff, is weak. As a result, the implementation of important initiatives such as BAP, the Country Programme to Implement the Convention on Climate Change, and the Country Programme to Phase out

Ozone-Depleting Substances, for example, have been hampered.

## Legislative Framework in Place

### Achievements

The years immediately following the Rio Conference witnessed an extraordinary outpouring of new policies and legislation on the environment.

### Challenges

Problems with implementation have slowed progress because of the practical difficulties of implementation. For example, two National Assembly sessions each year are proving insufficient to deal with the quantum of legislation before it. Also, the development of regulations and operational procedures supporting new laws has been so slow as to impede progress. Perhaps most importantly, it takes time to build the human and administrative capacities needed to give practical expression to broad policy commitments.



## Environment Strategies Have had a Major Impact in Shaping Reform

### Achievements

Environment plans prepared with ODA through an interactive process in which local experts and the implementing agencies have a key role have been successful. Vietnam has formulated an impressive array of sustainable development strategies sometimes with international assistance (for example, NPESD, NEAP) or in response to an obligation as a party to an international agreement (for example, BAP and the Country Programme to Phase out Ozone-Depleting Substances). When the Government has formally approved the strategies, they have led to very significant policy innovation such as the 1994 Environment Law.

### Challenges

**Strategies are one-off events.** Perhaps the most serious obstacle to an effective role for environment strategies in sustainable development is that the strategies do not build on each other in any formal way – they are not connected. Each strategy has been prepared, often at the urging of international bodies, in isolation from those before and after it. They have not been viewed as part of an adaptive and cyclical process but as one-off events. This has very important implications for their impact. If a strategy process is cyclical in the same way that all development planning is, with the main component repeated every five years, then it need not and should not try to do everything at once. It can grow in scope, ambition and degree of participation as capacities to undertake the strategy are built. Past strategies have tried to take on everything at once without clearly setting priorities.

**Environment strategies lack cross-sectoral support.** Despite the important directive aimed to engage key government agencies in BAP

implementation, environmental planning is considered as planning by and for MOSTE, rather than the planning for the development of all sectors (see Box 8.4). It is not taken seriously by key resource developers or by economic planners.

There are a number of reasons for this attitude. First, the strategies have not received the high level support from government that would require broad cross-sectoral participation from the earliest stages of their preparation. That support has normally come once the strategies are complete. Second, the approach to development planning in Vietnam is very sector specific. MPI is responsible for integrated planning through the national socio-economic plan and, more recently, through regional plans. The system is not geared to accommodate other strategy processes that seek to have cross-sectoral reach and relevance. If MPI does not take the strategy seriously, then the main channel of directives to the sectors about their implementation is closed. Third, with a number of exceptions, the formulation process has not involved experts from outside the environment sector in any comprehensive way; hence, there is no sense of ownership or understanding of the issues within government.

This has meant that environment strategies are not integrated into development plans. Consequently, there are often direct conflicts between strategy recommendations and existing economic policies and sector development programmes. Implementation is meant to proceed with few of these conflicts resolved and without the institutional arrangements for sorting them out. There is no connection, for example, between the strategies and the short, medium and long-term socio-economic planning processes of the sectors or of local government.

## BOX

## 8.4

### BAP Tests Innovative Implementation Arrangements

While all the Government's national environment strategies identify numerous policy priorities and actions that need to be taken, the BAP took some particularly innovative approaches to implementation.

First, in a comprehensive decision, the Prime Minister set out the specific responsibilities of key government agencies in BAP implementation. For example, MOSTE is required to hold regular consultations with sectoral ministries and local agencies "in carrying out the BAP step by step" and it must submit an annual report to the PM on progress in implementation.

Second, in the same decision, the Government's powerful economic planning body, MPI, is required to define

annual implementation plans "for each BAP objective" with every sectoral and local government agencies. The insistence of full engagement by the main development planning body in the country is a significant step. Though MPI has not arranged to fully implement this directive, an important principle has been established.

Third, the concept of annual reporting of progress and implementation plans is driven home with specific directions to the sectors and local authorities. Once again, few agencies have a clear view of their new responsibilities; the initial round of plans amount to little more than shopping lists of conventional development projects, but a commitment to some form of integrated planning has been made.

Moreover, the strategies are not practical. A common response from sector administrators is that they are willing to build strategies into their work plans but, since they were not involved in their development, they are unclear about how to go about doing this. The strategies are not expressed in terms of practical projects and activities that can be accommodated within sector programmes, staffing levels and budgets. They appear as add-ons to already overstretched resources.

Equally important is that there is no clear definition of responsibilities among government agencies, especially at the local level, for strategy implementation. The BAP directive tries to address this problem in broad terms, but processes for determining who does what are still lacking.

A closely related problem is the over-emphasis on preparing strategy documents with too little attention paid to what comes next. Monitoring and evaluation are vital for success, keeping the strategy on course and enabling it to adapt to changing conditions and results. The strategies have lacked a comprehensive framework of sustainable development indicators, which would enable progress to be assessed on a regular basis and fed back to influence future actions and policy.

**Inadequate support to getting the policy context right.** After a flurry of ODA interest in the first half of the decade, support to NEA/MOSTE in thinking through the policy framework for environment protection and management has all but dried up. This applies to the current efforts to revise the 1991 NPESD in addition to a wide range of specific policy fields in which NEA and the ministry have a mandate. It also relates to the potential role of the National Assembly's Committee on Science, Technology and Environment. In 1992, and again in 1996, MOSTE proposed the establishment of a National Council for Sustainable Development, with cross-sectoral membership and chaired by the Prime Minister. With the IMF and World Bank pushing for a scaling down of the public sector, the Government has twice postponed consideration of setting up such a Council.

MPI is debating on a national plan for Agenda 21. If this comes through, ODA could play a crucial role in assisting MOSTE and the government work through these important policy issues.

**The need for priority setting.** The capacity for systematic policy analysis within NEA needs strengthening. Priority setting among the many pressing problems that need tackling is essential. This requires strong analytical skills to respond to questions such as what type of pollution should be controlled, where, how and by how much, and whether it is worth the investment or should limited resources go to other priorities.

**Capacity for technical policy coordination limited.** NEA has difficulty in coordinating and ensuring in-house consistency, a role that would require a





much more powerful policy group. For example, the current initiative under SEMA to promote discussion on a national policy for information systems on the environment needs to be replicated for EIA, pollution control and other environment management priorities.

## Building Environment Institutions

### Achievement

Vietnam has made good progress in establishing institutions within the environment 'sector', for example, MOSTE and the DOSTEs as the basic foundation for influencing public and private sector development. Important innovation has also begun at the top with an expanded role for the Legislative Assembly's Science, Technology and Environment Committee, in debating and passing environment protection policy and legislation. In addition, there have been major increases in staffing, sectors are beginning to set up environment units and budgets for environment institutions are increasing.

### Challenges

Environment management is a relatively new field in Vietnam and new staff tend to lack both technical qualifications and experience. As environment regulations and procedures have been introduced, the load and complexity of environment administration has rapidly increased, sometimes leaving staff struggling to keep up. Although inevitable in a fledgling institutional structure, this problem affects levels of credibility and cooperation with the more mature agencies.

Weak institutional links within ministries as well as between them continually arise as a major obstacle to effective sustainable development administration. Environment protection institutions, in particular, depend heavily on cross-sectoral linkages to fulfil their functions. These links can take many forms ranging from standing or ad hoc inter-sectoral working committees to permanent institutions in their own right. Inter-sectoral working groups to resolve environmental issues or to develop policy and procedures are not common in Vietnam.

Also lacking are integrating institutions such as regional planning authorities or environment and land use planning tribunals. These kinds of bodies have cross-sectoral reach and are an essential avenue for resolving competing claims and views over the use of natural resources.

## Environmental Assessment Capacities are Being Strengthened

### Achievements

A legal framework for EIA of projects is in place and there has been a significant increase in the number of EIA reports. Progress has been made in the preparation of EIA sector guidelines, in systems of environmental auditing and environmental standards, and in requiring EIAs of master plans. There have also been significant increases in EIA skills among staff.

### Challenges

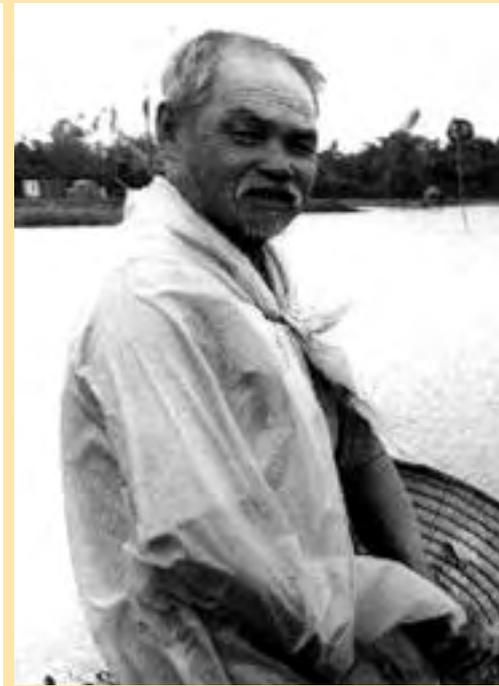
**Sectors reluctant to comply with EIA regulations.** Early in the implementation of the Environment Law, a 'tongue in cheek' observation from NEA was that watching the television news each night was the most effective way of netting new government projects in the EIA process. The Agency was not within the mainstream flow of information on development proposals and frequently did not know what was going on until too late.

The situation is gradually improving but MPI and sectoral agencies are still not methodically feeding NEA with the proposals that require environmental assessment. Most of the 1,500 EIA reports for major and local level development proposals were for foreign investment projects in the southern region, particularly in Ho Chi Minh City, Dong Nai, and Binh Duong. Foreign joint venture projects are now quite well covered by the EIA system, but most government projects where a foreign partner is not involved still proceed without environmental assessment.

The EIA sector guidelines aim to address this problem. Yet, not all guidelines have been developed in close collaboration with affected sectors, lowering the chance of them being picked up quickly by target agencies. These guidelines should be used as an opportunity to build close working relations with the sectors and to enhance awareness and commitment among their staff.

There is a sense that MPI is not playing its part in ensuring rigorous implementation of the 1997 Circular 1100/MTg and the 1998 Circular 490, which provide guidelines for conducting and reviewing EIA reports for investment projects.

In addition, NEA is uncertain how to tackle its mandate for EIA of socio-economic plans of various kinds. This is hardly surprising as the plans include major economic policy and regional and national programmes in addition to packages of major projects. In 1996, as a test case, NEA set up a number of ad hoc expert committees to review the development master plan for Ha Noi. But the exercise received little cooperation from the Ha Noi People's Committee, which made no attempt to comply with the review findings.



This is not the case with Ha Noi alone. In many cases, the Provincial People's Committees approve projects without reference to the DOSTEs. Development licenses and land use permits for specific locations are issued to investors before an initial environmental examination or a full-scale EIA has been conducted. In general, the DOSTEs are having difficulties in establishing productive working relations with the People's Committees.

**EIA is still not a mainstream decision-making tool.** EIA is being used for fine-tuning, for adjustments to projects which take on mitigating measures to reduce the most significant of their potential negative impacts. It is still some way from influencing economic and development decisions; these are usually made well before sustainability and environmental quality issues have been considered.

**Poor national EIA information base.** There is no national information base on the EIAs undertaken at the provincial level or on the substantive issues they cover. Provinces do not, as a matter of course, feed NEA with information on their performance. Reporting and appraisal standards vary greatly and some DOSTEs do not keep reliable records of environmental assessments. The other problem is that many EIAs are not reliable or quality technical assessments, as they are viewed as 'rubber stamp' documents at the local level. MOSTE is now investing substantial resources in creating a database to service EIA activities.

**Economic policies may have unplanned impacts.** Recent studies undertaken through the Vietnam Capacity 21 Project showed that most major economic policies reviewed in the coal, forestry, transport and energy sectors had serious negative impacts on the environment. These impacts were the unexpected and unwanted side effects of policies that targeted other objectives. The studies showed that no procedures exist in any of these sectors to methodically assess the potential environmental impacts of proposed new policies or programmes.

## Environmental Monitoring and Reporting Essential

### Achievements

Regular State of the Environment reports are prepared and a network of monitoring stations have been established.

### Challenges

**SOERs have little impact on development.** Vietnam has an opportunity to leapfrog over the experience of many other countries in the development of environment management mechanisms. In the past, countries have gathered massive quantities of data on a wide range of environmental parameters through EIA and national monitoring systems. Yet the capacity for analysing and using the information to influence development decisions was often lacking. In Vietnam, monitoring systems are essential but need to be finely tuned to gather information on high-priority issues and to express it in practical ways for decision-making. Currently, the SOERs do not use the language of development and make few links between environmental issues and economic factors. They are presented in general terms, which make it difficult for development agencies to interpret what practical actions they can take to solve priority problems.

Also, each SOER is different. There is no consistent format or linkage from one year to the next. No systematic framework of sustainable development indicators are used so trends can be determined, priorities set and

performance monitored. Information is largely anecdotal. Many factors contribute to the poor quality of information appearing in environment and EIA reports. The technical skill of staff; limited budgets and equipment; ineffective planning and management of monitoring programmes and inadequate information systems are all constraints which undermine the usefulness of the environmental information.

For the reports to influence the way the sector and provincial government agencies integrate environment into their operations, the latter need to be involved in identifying their problems and in proposing solutions to them. Yet past reports have been the product of NEA, the DOSTEs and their networks of environmental experts only. Economic and social planners have not been involved either as individuals or through their agencies. Part of the problem lies in the legislative base for the SOER, which projects them merely as MOSTE reporting on the environmental situation. The report system needs a stronger regulatory base so sectors are tied into the process and required to report regularly on their sustainable development performance.

**EIA report implementation and follow-up required.** One key focus of monitoring should be in providing follow-up to EIA and environmental audit reports to ensure that the mitigating measures recommended in the thousands of EIA reports being prepared are undertaken and having the desired effect.

## Sectoral Initiatives

### Achievements

Some sector ministries are attempting to attract ODA support to build their own environment management capacities and policies. The establishment of a small environment unit within the Ministry of Transport, under the Canadian PIAP, and its development of a sector environment policy and EIA guidelines is an important model for ODA environment support to other sectors.

### Challenges

The Government needs to play a more assertive role in encouraging sector ministries and agencies to understand and take practical steps to address their own environmental responsibilities. Hence sectors such as industry, construction, fisheries, forestry and tourism need ODA support to build their own environment units, in close collaboration with NEA. This would also encourage collaboration between ministries in tackling shared environmental problems, something that is currently missing.

## Coordination through the Global Environment Facility

### Achievements

The Government on the initiative of MOSTE, the GEF focal point, has established the cross-sector GEF Vietnam Committee with NGO membership to generate and review GEF proposals.

### Challenges

**The GEF Committee uncertain of its role.** There is much room for the GEF Committee to become more proactive in asserting its role and expanding its membership, for example, to include MARD. The committee would benefit from more precise terms of reference, a comprehensive strategy including the definition of clear priorities linked to the new National Strategy on Environment Protection for 2001-10 and clarification on how it relates to the Government's overall ODA procedures and, in particular, the MPI ODA Board.

The Committee has met only three times and remains uncertain about the GEF process and the relationship of GEF to other development aid: GEF to be regarded as part of ODA or is it a separate channel of funds for the environment? This issue has important implications for how GEF is managed in Vietnam. The Government has decided that for a one-year pilot phase, GEF will be considered as part of the normal ODA stream. Hence there are strong arguments for including the GEF Committee, represented through NEA, as a fifth member of the MPI ODA Board when issues of environment aid and GEF are discussed. The GEF Committee would technically review projects while decisions about GEF ODA flow would be coordinated through the Board.

The function of the GEF Committee is evolving but is primarily to review proposals against national priorities. The appraisal procedure is not well developed. The NEA Policy Division, as the GEF focal point, has sent out guidelines to the sectors for the preparation of proposals but the fact that each implementing agency – UNDP, the World Bank and UNEP – all have differing procedural requirements has not helped the government in clarifying the GEF process. Which agency is responsible for what kind of GEF project? This and other questions on the GEF modality have not been satisfactorily addressed.

**GEF funds difficult to access.** GEF is not a fund that can be accessed directly by government. It is a fund accessed through the agencies that effectively control the process, frequently located far from Ha Noi. As the practical implications of this complexity sink in, the level of active national involvement in the process may be difficult to maintain, bilateral funds are much easier to access. The recently approved GEF, Protected Areas for Resource Conservation project, with MARD as executing agency, took more than four years to formulate.

Already, the multinational nature of GEF is causing problems. Adding to the uncertainties is the fact that proposals are not always going through the GEF Committee – one proposal that went to UNDP Vietnam was assessed as being ineligible for GEF support. The proposal was then sent directly to the Prime Minister for signature and, from there, the approved proposal went to the GEF Secretariat in Washington where, with the support of UNEP, it was approved.

Currently there are no incentives within government to activate the GEF process. Government officials tend to regard it as a time-consuming add-on to their already overloaded work agenda. The Government may need to commit more funds to assist the NEA Policy Division to do GEF work. Consistent and long-term support to the GEF Committee and focal point is needed in all aspects of GEF procedure from project definition and preparation, to coordination, monitoring and evaluation.

The potential of GEF to make a greater contribution to supporting environment reform in Vietnam is discussed in Chapter 11.

## Government Contributions

### Achievements

ODA investment in environment hardware has made it easier for provincial authorities to receive government contributions. In the case of VCEP and SEMA, the provision of laboratory equipment to provincial DOSTEs has led to support for the purchase of land and construction of new buildings.

### Challenges

**Avoid too much too quickly.** Care needs to be taken not to come in at too high a level and too quickly with sophisticated equipment for which there are no capacities or resources to operate and maintain. VCEP has found that even simple procedures for ordering consumables such as filter paper is lacking; it may take more than five years to set up the laboratories with fully trained staff. A workshop was held to define and discuss a national set of environmental indicators, but the laboratories do not have the capacity to pick them up. The Government and donors need to place much greater emphasis on building human and institutional capacity so that high levels of investment in infrastructure and equipment is not wasted.



At the provincial level, the closer the Government implementing agency is to the ODA funds the easier it is to request government counterpart contributions. If the project is passed through a central ministry to a provincial agency, it is very difficult for the latter to define and request government contributions from the Provincial People's Committee. It is also difficult when financial matters are entirely managed by international teams and there is little transparency in how the funds are applied.

Also, strong verbal and written commitments of government support from senior officials are not always translated into fact.

## Monitoring Can Be a Creative Process

### Achievements

Government agencies managing ODA projects are slowly recognising the benefits of internal monitoring and progress reporting as a creative force in implementation. VCEP conducts an annual monitoring exercise using a team made up of all three partners, NEA, the DOSTEs and the project team, rather than using outside consultants who have no direct knowledge of the day-to-day activities of the project. This is a useful model that keeps the project on track and ensures that it is responding to the needs of the recipient agencies.

### Challenges

Monitoring and responding to the lessons of implementation remain weak in most projects.

Sida has taken a different approach to monitoring in the SEMA project. It applies its 'permanent advisory group' concept, where an external team comes twice a year to work through project problems. This approach has had mixed results. It is useful in giving Sida a hands-on involvement in the project and, potentially, in providing creative input to project direction. However, this may require the advisory group to view its role more as informal facilitator than as evaluator.



## CHAPTER 8



# Aid to the Environment Protection and Management Sector

## Policy Developments in the 1990s

In the 1990s, Vietnam set out to achieve the level of innovation in environment policy that took 20 to 30 years to evolve in the US, Western Europe and other developed countries – and Vietnam has made considerable progress. Vietnam's report to the UN Conference on Environment and Development in 1992 was a wish list. Five years later, its report to the follow-up conference on progress in implementing Agenda 21 presented a list of solid policy reforms which have been implemented. International support has played an important role in shaping this reform agenda.

## Developing National Environment Strategies

An important indicator of sustainable development is that environment strategies and action plans are examined regularly, in tandem with the development planning cycle, and implemented by all arms of government. Vietnam was one of the first countries in the region to begin doing this. In 1986, a National Conservation Strategy (NCS) was prepared, followed in 1991 by a National Plan for Environment and Sustainable Development (NPESD) just prior to the Rio Conference. Another four years on and two more plans were prepared – the National Environment Action Plan (NEAP), in anticipation of World Bank requirements, and the Biodiversity Action Plan (BAP) following Vietnam's ratification of the Biodiversity Convention in 1993. Various international institutions and ODA projects supported each of these strategic planning initiatives. Each has influenced policy as reflected in the programme of environmental legislation and institutional reforms that have taken place since the early 1990s. Currently, a new National Strategy on Environment Protection and Sustainable Development for 2001-10 is being drafted.

The NCS was prepared by the Committee for Rational Use of Natural Resources and Environment Protection with support from IUCN. The committee, while not a permanent institution, was the principal environment body in the Government at the time. Although never formally adopted, the NCS was influential in shaping later reforms. The strategy called for a zero population growth rate, massive reforestation programmes and the establishment of a National Board for Environmental Coordination at ministerial level with wide cross-sectoral powers to formulate and enforce environment legislation.

The NPESD, a ten-year strategy to the year 2000, was approved by the Government and remains the only official umbrella policy on environment. Sida, UNDP, UNEP and IUCN supported the NPESD. Environment functions of the old committee had been transferred to the State Committee for Sciences and, in 1992, in response to the NPESD recommendation to create a State Agency for Environment, the Committee was renamed the Ministry for Science, Technology and Environment, and was given responsibility for strategy implementation.

## Legislative Framework

In December 1993, the National Assembly passed an umbrella Law on Environmental Protection – which came into effect in 1994 – stemming from the policy commitments in the NPESD. This made 1993 a watershed year in the development of Vietnam’s environment policy framework, just as it was for ODA flow to the country. In the four years that followed, more than 27 decrees, directives, ministerial and inter-ministerial circulars and associated decisions were issued as a growing body of regulations for implementing the Law.

Two decrees and a recent instruction are particularly significant. Decree 175, issued in 1994, detailed the responsibilities of central and local governments in implementing the law. It introduced the first in a series of regulations on environmental impact assessments and audits of new and existing operations. It also proposed the first set of national environmental standards and put in place controls on import, export and transport. It gave teeth to inspection powers and introduced environmental fees and penalties, a concept that remains controversial and difficult to implement.

Probably the most visible of the Decree’s reforms, and the one which best demonstrates the potential power of the State in bringing environmental change, is the ban on fireworks; since then fireworks have disappeared from the annual Tet celebrations where they had once been so prominent. They are now used only at official events.

The next most important legislation, Decree 26/CP, was enacted in 1996. It greatly expanded the range of penalties for violations of environmental laws relating to EIA and audits, conservation of natural resources, trade in endangered species, exploration and mining and a wide range of pollution infringements.

In June 1998, the Communist Party Political Bureau issued Directive 36-CT/TW on Strengthening Environmental Protection in the Period of Industrialisation and Modernisation. It sets out a programme of actions to implement the Directive, designating responsible agencies, their counterparts and completion dates:

- to develop a National Strategy on Environment Protection and Sustainable Development for 2001-10;

- to perfect the organisational structure of state management of environment protection;
- to incorporate environmental issues into the national education system;
- to develop a government decree on investment diversification for environmental protection;
- to develop a plan to address the root causes of serious environmental pollution by industrial enterprises; and
- to amend the Law on Environmental Protection.



## Environmental Assessment

One of the important outcomes of legislation was a requirement for environmental assessment. In Vietnam, as in most neighbouring countries, EIA was the first environment protection mechanism to be built into the development planning system.

Recommended in the NCS and the NEPSD, it was in 1993 following the Rio Conference that temporary guidelines for EIAs of major development projects were first introduced, through Circular 1485/Mtg.

Given cover through the 1994 environment law, the system has been progressively filled out with regulations and guidelines for the preparation and appraisal of EIA reports. Since 1995, MOSTE has issued 97 national environmental standards relating to air, water and land pollutants (Decision 2920/QD-MTg).

While in most countries EIA applies only to proposed development, Vietnam has gone one step further and required EIAs of existing industry. The immediate problem is the thousands of older factories, serious polluters that are undermining the benefits of improved environmental performance in new projects. In the three years to the end of 1997, the National Environment Agency directed substantial staff and budget resources to auditing existing plants. NEA staff inspected some 8,000 factories and just under half were fined for polluting in excess of national standards and more than 54 enterprises were forced to close. Countrywide, 41,600 plants prepared an initial environmental inventory, 3,500 prepared EIA reports of which 1,730 were reviewed and approved.

In 1997, Circular 1420/MTg took this even further. Existing industry was divided into three categories on the basis of an audit report: those that can continue to operate; those that can continue to operate but with an “environmental improvement plan”; and those that must stop operating or relocate.

Current environmental legislation now requires EIAs of socio-economic master plans to be carried out. Since EIAs of policy, programmes and plans are still in their infancy worldwide, this provision is a significant policy innovation for Vietnam.

Also, one of the most important but difficult steps is to expand the sense of responsibility for EIA implementation from the National Environment Agency to other arms of government. NEA is making progress on this front with the drafting of guidelines for nine sectors, that is for hydropower, thermal power, mining, beer production, industrial zones, cement plants, textiles, highways and urban development. Following a round of comments from the affected sectors, the guidelines will be made official. A number of international projects are assisting in this process, supported by the EU and Canada.

First steps are also being taken to prepare environmental assessment guidelines for planners within MPI and the provincial Departments of Planning and Investment, as this is the first 'port of call' for most significant development proposals. UNDP is supporting this activity.

## State of Environment Reports

The Environmental Protection Law requires MOSTE to "regularly report to the National Assembly on the environmental situation". The first State of Environment report (SOER) was prepared in 1994, and since then one has been submitted to the National Assembly each year. Each provincial DOSTE prepares similar reports. They have helped raise awareness among local and national leaders on environmental issues and recommended general strategies. The SOER reporting process is potentially a powerful mechanism for defining the agenda of sustainable development actions throughout the Government.

## The Influence of International Conventions

A key inspiration underlying Vietnam's programme of policy innovation in environment protection has been the nation's increasing participation in international environment related conventions. Since 1994, Vietnam has become party to seven major environment agreements (Table 8.1).

Since the Rio Conference, Vietnam has taken dramatic steps forward in political and economic integration with its Asian neighbours and the wider global community. It now actively participates in the Asian Foreign Trade Agreement, is becoming a member of the World Trade Organisation and is a member of the Association of South East Asian Nations, including the ASEAN Environment Committee. In 1993, Vietnam became a State member of IUCN-The World Conservation Union.

TABLE

8.1

### Environment Conventions Signed Since 1994

Convention	Signed
Convention on International Trade in Endangered Species of Wild Fauna and Flora (Washington D.C.)	1994
United Nations Convention on the Law of the Sea (Montego Bay)	1994
Convention for the Protection of the Ozone Layer (Vienna)	1994
Protocol on Substances that Deplete the Ozone Layer (Montreal)	1994
United Nations Framework Convention on Climate Change (New York)	1994
Convention on Biological Diversity (Nairobi)	1994
Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal (Basel)	1995



Each of these international environment policies entails obligations, which need to be expressed through national innovations to policies and procedures.

## Institutional Developments

### Ministry of Science, Technology and Environment

One of the first initiatives of the newly established MOSTE was to set up NEA as an executive department within the Ministry (Ministerial Decision 545 of October 1993). This was followed by DOSTEs or local government arms of the ministry being established in all 61 provinces and, from 1995, environment management divisions included in every DOSTE.

NEA is headed by a Director General assisted by two deputies and has nine divisions: Awareness and Training, Database Management, EIA, Inspection, International Relations, Monitoring, Pollution Control, Policy, and Nature Conservation. One key NEA task is to chair the Environment Impact Assessment Review Board within MOSTE.

NEA staff numbers have increased five-fold, from the original 15 to 73 in 1998. Equally in the three years to 1998, DOSTE environment division staff has doubled from 130 to 260. Although still small in comparison with the other decentralised sector agencies, the environment institutions have gone through a period of very rapid growth.

A major increase in NEA's size and mandate is likely, even if a proposal that NEA be given ministerial status has been postponed for the time being. Projections suggest that NEA will expand to around 350 staff and become a general department within the ministry headed by a vice-minister. Recommendations have also gone forward for a major two to three-fold increase in the environment management and protection divisions of all DOSTEs. These reforms are likely to take place in the year 2000.

In 1997, NEA created the Nature Conservation Division (NCD) to coordinate the implementation of the Biodiversity Action Plan and to act as focal point for the Convention on Biological Diversity. It is now widely acknowledged within government that NCD is responsible for the coordination of all biodiversity conservation activities throughout the country; but what that means in practice needs clarification. MOSTE, MARD, MOFI, NCST and MPI are the five main central government authorities with responsibilities for the implementation of biodiversity activities (Box 8.1). What is needed is a better definition of the role of each of these organisations in BAP and biodiversity conservation.

Vietnam has benefited from a Global Environment Facility-supported project on forestry and protected areas, managed through MARD and MOSTE, and another on the prevention of marine pollution. Others are in the pipeline and an inter-sectoral coordinating committee – the GEF Vietnam Committee – has been established to oversee GEF related activities. While not of great significance in itself, the Committee is an important step by NEA as the GEF focal point, in establishing inter-sectoral collaborative structures.

The Ministry of Science, Technology and Environment has also set up a network of 17 monitoring stations in different localities to provide data for the SOE reporting process. MOSTE has issued a directive identifying which DOSTEs will be the main nodes in this national network of regional monitoring and environment assessment centres. Both the Vietnam Canada Environment Project (VCEP) and Strengthening of the Environmental Management Authority (SEMA) project have encouraged this model by investing in these nodes and promoting linkages with other DOSTEs. Yet, DOSTEs still tend to function independently. There are no incentives for them to cooperate regionally through the services of a better-equipped regional facility.

## BOX

8.1

### Institutions Involved in Implementing BAP

#### **Ministry of Science, Technology and Environment**

National Environment Agency  
Provincial Departments of Science, Technology and Environment

#### **Ministry of Agriculture and Rural Development**

Forest Protection Department (FPD)  
Forest Inventory and Planning Institute (FIPI)  
Provincial Departments of Agriculture and Rural Development

#### **Ministry of Planning and Investment**

Department of Science, Education and Environment

#### **Ministry of Health**

#### **Ministry of Fisheries**

Aquaculture Institutes (AI)  
Research Institutes of Marine Products (RIMP)  
Fisheries Resources and Environment Conservation Department (FRECD)

#### **National Centre for Natural Science and Technology**

Institute of Ecology and Biological Resources (IEBR)  
Institutes of Oceanography (IO)

#### **Vietnam National University**

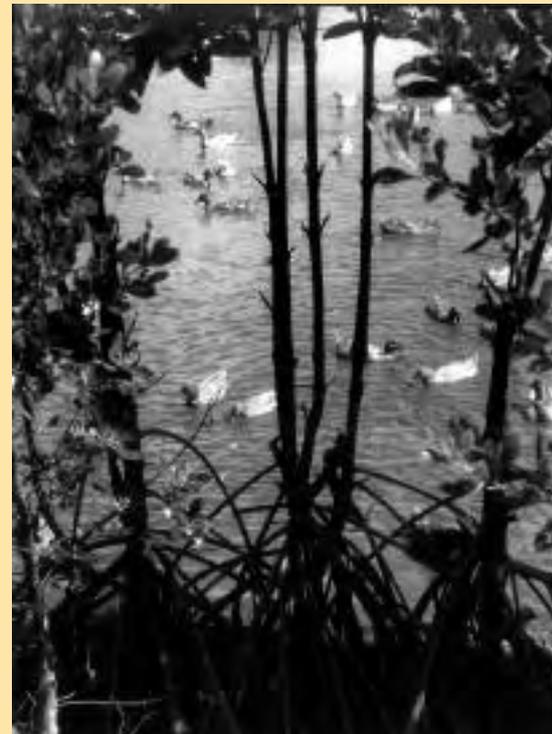
Centre for Natural Resources and Environmental Studies (CRES)

#### **Ministry of Information and Culture**

## Other Ministries

The Department of Science, Education and Environment (DSEE) within the Ministry of Planning and Investment oversees environment sector issues and is the MPI counterpart to MOSTE and NEA. Currently, the MPI's Development Strategic Institute takes primary responsibility for the preparation of regional plans.

Article 5 of the 1994 Law on Environmental Protection requires each ministry to develop its own environment management systems; this is beginning to take place. Most sectors have established nominal environment units with the Transport Ministry taking its responsibilities more seriously than most. It has increased staff numbers in its environment unit from one to four and, with Canadian assistance, is developing its own EIA guidelines and regulations.



## Demonstrating the Need for Institutional Coordination: Wetlands

One of the examples of this lack of coordination is the management of wetlands in Vietnam. Although Vietnam was the first country in Southeast Asia to sign the Ramsar Convention, it is yet to come to terms with wetland management concepts and specific policy measures to manage and conserve critical wetland areas.

Vietnam's institutional arrangements for wetland management are unclear. MOSTE is responsible for coordinating implementation of Ramsar – the Convention on Wetlands of International Importance. MARD, however, manages several wetland systems, predominantly mangrove forests and some lakes and rivers that pass through natural forest reserves. MOFI controls fisheries production in most water resources and is responsible for managing marine protected areas. Finally, the Ministry of Transport and the Vietnam National Administration of Tourism manage some wetland areas, though their responsibilities are for waterway transport and tourism respectively. What this means is that no single agency has a mandate to control the use, management or conservation of Vietnam's wetlands.

One of the problems is that natural resource managers and policy-makers do not have a clear perception of how to apply the wetland concept in an administrative context. Wetlands occupy the transition zone between permanently wet and generally dry environments. They exhibit great diversity and there may be considerable variation within a single wetland area and many different wetland types may be found in close proximity. Classification of wetlands is difficult, partly because of the variety of wetland types and their dynamic character and partly because it is difficult to define their boundaries with any precision.

Ramsar recognises five wetland systems: marine (coastal wetlands including rocky shores and coral reefs); estuarine (including deltas, tidal



marshes and mangrove swamps); lacustrine (wetlands associated with lakes); riverine (wetlands along rivers and streams); and palustrine (marshes, swamps and bogs). There are also man-made wetlands such as fish and shrimp ponds, farm ponds, irrigated agricultural land, salt pans, gravel pits, sewage farms and canals.

Wetlands are not recognised as a specific category under Vietnam's Land Law although wetland conservation is given high priority in BAP. In contrast, the critical importance of managing and conserving tropical forests is well enunciated and understood throughout the world. Tropical forest ecosystems have, therefore, attracted significant community, government and donor focus. It is no coincidence that the main wetland system to receive significant ODA commitments in Vietnam is its mangrove forests.

In 1997, a national wetlands strategy was drafted but did not progress formally within NEA. There does not appear to be a force for change in policy-making and institutional management for Vietnam's wetlands. This is of significant concern for the future of these critical ecosystems.

## Environment ODA to the Environment Protection Sector

ODA to this sector encompasses brown issues and institutional strengthening projects, as they support the implementation of the 1994 Law and the environment protection mandate of NEA – although many projects may not have been managed by the agency. Of the US\$ 55 million in environment ODA going to MOSTE or its predecessors, NEA manages 5.1% of commitments and 6% of projects. This amount is relatively low given that the bulk of aid passes directly through NEA to the various DOSTEs. Setting aside ODA to urban master planning, around 17% of total environment ODA between 1985 and 2000, went to environment protection

with contributions from bilateral and multilateral donors at about the same level, just over US\$ 100 million each (Table 8.2). Most of this aid addressed brown issues.

In the five years to 2000, however, commitments to brown issues were nearly doubled compared to the previous 10 years. Direct support to environment policy development also increased but not to the levels of the early 1990s. Donors and the Government alike appear to have become weary of high-level policy projects and have moved on to action. Yet, the cyclical nature of policy formulation and the importance of continually revising the overall policy framework in the light of experience would suggest that a fresh flow of ODA to this area is overdue.

EIA systems have attracted only 0.04% of total environment ODA. Given this relatively small contribution, the progress made has been impressive.

## Key Issues

**Clarifying boundaries between environment protection and natural resource planning and management.** NEA's role is still evolving. As in most countries, the early priorities of the newly established Agency were on the more visible and readily managed concerns associated with the brown sectors, that is, end-of-pipe pollution and integrating environmental factors into new development projects. ODA flow to MOSTE/NEA has reinforced these priorities.

Yet NEA has a broader role to play – as reflected in the umbrella NPESD – one that covers biodiversity conservation, wetlands and a range of green and blue issues. The relationship with MARD, which is also responsible for many of these issues, is confusing.

NEA is called upon to develop approaches to strategic environmental assessment which moves it into natural resource planning. For example, NEA is responsible for the environmental assessment of socio-economic

TABLE

8.2

### Environment ODA by Donors, 1985-2000\*

Groups	Donor group			Total funding	As a percentage of total environment ODA
	Bilateral	Multilateral	NGOs		
	(US\$ '000)				
<b>Urban and industrial projects</b>					
Urban master plans	28,083	3,641	0	31,724	3.08%
Urban & industrial pollution	30,250	76,021	0	106,271	10.33%
Market incentives to control pollution	40	5,922	0	5,962	0.58%
Pollution standards & monitoring	556	953	0	1,508	0.14%
Environmental monitoring systems	9,056	1,301	0	10,357	1%
<b>Sub-total</b>	<b>67,985</b>	<b>87,838</b>	<b>0</b>	<b>155,822</b>	<b>15.2%</b>
<b>Institutional strengthening</b>					
Coordination of environmental policy	28,878	11,224	114	40,216	3.91%
Environmental impact assessment	439	0	0	439	0.04%
Public & professional awareness	12,655	2,594	17	15,265	1.41%
<b>Sub-total</b>	<b>41,972</b>	<b>13,818</b>	<b>131</b>	<b>55,920</b>	<b>5.4%</b>
<b>Total</b>	<b>109,957</b>	<b>101,656</b>	<b>131</b>	<b>211,742</b>	<b>20.6%</b>

Source: UNDP, 1996. *Compendium of Environmental Projects in Vietnam, 1985-1995*. UNDP/MPI, Ha Noi; UNDP database: Inventory of environmental assistance projects: ongoing projects in 1998 and pipeline projects; UNDP Development Cooperation Report, 1997

plans. Two projects, the EU Capacity Building in Environment Management within NCST and VCEP within NEA are piloting regional environmental assessment. These strategic EA activities are akin to integrated planning. How does this responsibility relate to those of the Ministry of Construction concerning land use planning? The respective roles of these agencies and NEA need to be more clearly defined.

**NEA and regional environment plans.** One important policy innovation in the 1994 Law is the call for 'regional environment plans'. The Government has not introduced guidelines spelling out what a 'region' is or how the Law should be applied. However, NEA is experimenting with preparing such plans, and in 1998 initiated a regional environment plan for the industrial port of Haiphong.

BAP also calls for the preparation of regional biodiversity plans. Is the Government serious about NEA preparing some form of regional environment plan for BAP, and if so, how would these relate to the existing regional planning undertaken by MPI?

The Government has defined eight economic development regions. In 1996, for the first time, rudimentary socio-economic plans were prepared for all eight regions with assistance from a number of university research centres. Prior to that, comprehensive plans were prepared for the Red River and Mekong deltas in which environmental factors were taken into account. Consideration of environmental factors in regional plans, however, has been ad hoc.

Regional environment plans have the potential to play a very important role in providing the backdrop to development control and planning. But how they fit within the overall framework of development planning and NEA's role in the process has yet to be defined.

**NEA/MOSTE need more support.** NEA is a young organisation that still lacks many of the essentials to function effectively. A major institutional strengthening initiative to build its policy, managerial and administrative capacities is required. NEA has difficulty in effectively absorbing aid, largely because the systems and skills for managing it are weak. The agency needs more inward looking support that first targets the institution itself, not the environmental problems it was set up to address.

Two projects, VCEP and SEMA, are providing support to the EIA, Pollution Control and Monitoring divisions of NEA and the Inspection divisions respectively (Box 8.2). But other areas of the agency are suffering from relative neglect. Moreover, NEA and DOSTE operational links are weak except through the Inspection and EIA divisions. Support is required to build these working relationships and those with sectoral agencies.

**Expanding support to the DOSTEs.** In 1995, the Government loosened central control of ODA and allowed project execution to be decentralised to the provinces. Since then a small number of projects have gone directly to the provincial level, while two centrally executed projects have major provincial components, all with very positive results (Box 8.3).

SEMA and VCEP are focusing on the most capable 10 of the 61 DOSTEs and are helping to build links between them. It is clear that NEA cannot manage all ODA to the DOSTEs. In fact, the agency actively encourages direct donor-DOSTE links. But it needs to maintain a strong technical coordinating role or many different and possibly conflicting procedures and standards will evolve in each of the provincial departments. For example,

## SEMA and VCEP: Two Models of ODA Support

The Strengthening of the Environmental Management Authority and the Vietnam Canada Environment Project both support NEA but in very different ways.

SEMA is the first fully nationally executed project by NEA. Phase 1, which began in 1994, was managed by IUCN. Phase 2, a US\$ 4 million project spread over three years, has been contracted directly between Sida and NEA; IUCN has been sub-contracted by the agency to provide specific technical support. NEA recruits all the national consultants and project staff are designated from within the agency.

VCEP is a US\$ 7 million project spread over five years. A Canadian consultant team, headed by an international project manager, manages it – providing assistance from the 'outside'. The project manager has been contracted by the donor and is responsible for all financial management. VCEP hires all national and international staff independently.

What are the lessons learnt?

### SEMA

- there is a high sense of ownership within NEA: "SEMA is ours";
- Operating as an internal unit, it has direct access to the policy formulation and implementation processes;
- it has good access to NEA staff and can maintain a 'finger on the pulse' of the agency;
- a high proportion of project correspondence within the agency originates in Vietnamese;
- there is considerable opportunity for learning on-the-job;
- a high level of day-to-day interaction takes place between international and NEA staff;
- a relatively high proportion of project funds stay in the country; and
- there is greater opportunity for the project to be institutionalised, that is, to be sustainable as reflected in the staffing and budget commitments made by the government.

However

- a tension can exist between the level of ownership and productivity; higher levels of ownership may mean lower productivity in the short-term – the project can only move as fast as the system allows;
- institutions tend to acquire a built-in resistance to change and innovation and

an internal project may have to exert much more effort and time to doing things differently;

- government systems for staffing allocation and consultant recruitment may not always lead to the right person in the right post;
- inexperience with large project budgets may lead to conservative management; and
- national execution places strains on government-donor relations as problems are worked through.

### VCEP

- flexibility and relative freedom in day-to-day management and in defining the approach to agreed priorities;
- staff are hired on merit and can ensure a high level of performance;
- productivity according to concrete project outputs tends to be relatively high;
- project team has immediate and relatively simple access to funds;
- can hire additional national experts as required;
- can work with any national or international partner in achieving project objectives; and
- can target beneficiaries of training activities.

But

- in the productivity-ownership tension, ownership loses out with an external model – the project is Canadian first and Vietnamese second;
- less opportunity for on-the-job training and to impact directly on NEA operations;
- initially, there may be less commitment within the Government to sustainability of project activities; and
- external projects can attract resentment on the part of the Government staff over budget management and the proportion leaving the country.

In what circumstances are the internal and external engine models best applied? The effectiveness of the internal approach depends on the institutional capacities of the recipient agency. It also depends on the extent to which the project is inward looking with specific outputs and budget aimed at strengthening the institutional and administrative systems of the host. If these capacities are lacking and the project is principally outward looking, progress can be slow and frustrating for all concerned. In these circumstances, an external model may be more appropriate.

## More ODA to DOSTEs

Before 1995 Ha Noi DOSTE, for example, had found it difficult to access ODA funds; generally, assistance was flowing to the centre. Since then, Ha Noi has attracted two major projects, the Canadian VCEP and the JICA solid waste management project, and a number of smaller initiatives. In fact, Ha Noi DOSTE is the first provincial agency to execute a national environment protection project. In 1997, UNDP mounted a regional environmental toxicology project. NEA had wanted to execute the project, which involved

training exercises in various parts of the country. Instead, given the relatively small scale of the project (US\$ 350,000), MPI decided to designate Ha Noi DOSTE as the executing agency. The DOSTE considers giving provincial agencies experience in ODA project management is essential: “the more we manage and implement ODA projects the more we learn about the process and the better we get at it”.

Despite this example, most DOSTEs still find it hard to gain ODA support.

UNDP/UNIDO/UNEP have launched an institutional support project with the Ho Chi Minh City DOSTE, which will need to link closely with NEA. A useful approach that needs to be explored is the launching of regional DOSTE improvement projects, in which overseas assistance takes on a cluster of DOSTEs within one ecological region.

**Roles in environment ODA decision-making.** MOSTE, with NEA, is the main government agency responsible for environment protection. Yet, its role in the planning and management of environment ODA is unclear. MOSTE’s participation in setting priorities for environment ODA and in shaping projects is limited and, as a whole, the process lacks transparency. The ministry has no up-to-date listing of environment projects being implemented and has no sense of what projects are in the pipeline. There is a need for a MOSTE initiative similar to the MARD International Support Group that would bring together MOSTE/NEA and MPI/DSEE and assist them in tracking ODA to environment protection.

## Achievements and Challenges

### Need for Effective Implementation of International Conventions

#### Achievements

Vietnam has increased its participation in international forums and signed more than a dozen environmental conventions, including those relating to world heritage sites, biodiversity, trade in endangered species and climate change. In each case, this has led to important domestic policy reform and actions to implement the international obligations.

#### Challenges

Most international agreements require action across sectors and at different levels of government. But in Vietnam, national expression of these agreements has tended to be confined to the lead institution. This has meant that commitment to implementation by other key agencies, in terms of budget and staff, is weak. As a result, the implementation of important initiatives such as BAP, the Country Programme to Implement the Convention on Climate Change, and the Country Programme to Phase out

Ozone-Depleting Substances, for example, have been hampered.

## Legislative Framework in Place

### Achievements

The years immediately following the Rio Conference witnessed an extraordinary outpouring of new policies and legislation on the environment.

### Challenges

Problems with implementation have slowed progress because of the practical difficulties of implementation. For example, two National Assembly sessions each year are proving insufficient to deal with the quantum of legislation before it. Also, the development of regulations and operational procedures supporting new laws has been so slow as to impede progress. Perhaps most importantly, it takes time to build the human and administrative capacities needed to give practical expression to broad policy commitments.



## Environment Strategies Have had a Major Impact in Shaping Reform

### Achievements

Environment plans prepared with ODA through an interactive process in which local experts and the implementing agencies have a key role have been successful. Vietnam has formulated an impressive array of sustainable development strategies sometimes with international assistance (for example, NPESD, NEAP) or in response to an obligation as a party to an international agreement (for example, BAP and the Country Programme to Phase out Ozone-Depleting Substances). When the Government has formally approved the strategies, they have led to very significant policy innovation such as the 1994 Environment Law.

### Challenges

**Strategies are one-off events.** Perhaps the most serious obstacle to an effective role for environment strategies in sustainable development is that the strategies do not build on each other in any formal way – they are not connected. Each strategy has been prepared, often at the urging of international bodies, in isolation from those before and after it. They have not been viewed as part of an adaptive and cyclical process but as one-off events. This has very important implications for their impact. If a strategy process is cyclical in the same way that all development planning is, with the main component repeated every five years, then it need not and should not try to do everything at once. It can grow in scope, ambition and degree of participation as capacities to undertake the strategy are built. Past strategies have tried to take on everything at once without clearly setting priorities.

**Environment strategies lack cross-sectoral support.** Despite the important directive aimed to engage key government agencies in BAP

implementation, environmental planning is considered as planning by and for MOSTE, rather than the planning for the development of all sectors (see Box 8.4). It is not taken seriously by key resource developers or by economic planners.

There are a number of reasons for this attitude. First, the strategies have not received the high level support from government that would require broad cross-sectoral participation from the earliest stages of their preparation. That support has normally come once the strategies are complete. Second, the approach to development planning in Vietnam is very sector specific. MPI is responsible for integrated planning through the national socio-economic plan and, more recently, through regional plans. The system is not geared to accommodate other strategy processes that seek to have cross-sectoral reach and relevance. If MPI does not take the strategy seriously, then the main channel of directives to the sectors about their implementation is closed. Third, with a number of exceptions, the formulation process has not involved experts from outside the environment sector in any comprehensive way; hence, there is no sense of ownership or understanding of the issues within government.

This has meant that environment strategies are not integrated into development plans. Consequently, there are often direct conflicts between strategy recommendations and existing economic policies and sector development programmes. Implementation is meant to proceed with few of these conflicts resolved and without the institutional arrangements for sorting them out. There is no connection, for example, between the strategies and the short, medium and long-term socio-economic planning processes of the sectors or of local government.

## BOX

8.4

### BAP Tests Innovative Implementation Arrangements

While all the Government's national environment strategies identify numerous policy priorities and actions that need to be taken, the BAP took some particularly innovative approaches to implementation.

First, in a comprehensive decision, the Prime Minister set out the specific responsibilities of key government agencies in BAP implementation. For example, MOSTE is required to hold regular consultations with sectoral ministries and local agencies "in carrying out the BAP step by step" and it must submit an annual report to the PM on progress in implementation.

Second, in the same decision, the Government's powerful economic planning body, MPI, is required to define

annual implementation plans "for each BAP objective" with every sectoral and local government agencies. The insistence of full engagement by the main development planning body in the country is a significant step. Though MPI has not arranged to fully implement this directive, an important principle has been established.

Third, the concept of annual reporting of progress and implementation plans is driven home with specific directions to the sectors and local authorities. Once again, few agencies have a clear view of their new responsibilities; the initial round of plans amount to little more than shopping lists of conventional development projects, but a commitment to some form of integrated planning has been made.

Moreover, the strategies are not practical. A common response from sector administrators is that they are willing to build strategies into their work plans but, since they were not involved in their development, they are unclear about how to go about doing this. The strategies are not expressed in terms of practical projects and activities that can be accommodated within sector programmes, staffing levels and budgets. They appear as add-ons to already overstretched resources.

Equally important is that there is no clear definition of responsibilities among government agencies, especially at the local level, for strategy implementation. The BAP directive tries to address this problem in broad terms, but processes for determining who does what are still lacking.

A closely related problem is the over-emphasis on preparing strategy documents with too little attention paid to what comes next. Monitoring and evaluation are vital for success, keeping the strategy on course and enabling it to adapt to changing conditions and results. The strategies have lacked a comprehensive framework of sustainable development indicators, which would enable progress to be assessed on a regular basis and fed back to influence future actions and policy.

**Inadequate support to getting the policy context right.** After a flurry of ODA interest in the first half of the decade, support to NEA/MOSTE in thinking through the policy framework for environment protection and management has all but dried up. This applies to the current efforts to revise the 1991 NPESD in addition to a wide range of specific policy fields in which NEA and the ministry have a mandate. It also relates to the potential role of the National Assembly's Committee on Science, Technology and Environment. In 1992, and again in 1996, MOSTE proposed the establishment of a National Council for Sustainable Development, with cross-sectoral membership and chaired by the Prime Minister. With the IMF and World Bank pushing for a scaling down of the public sector, the Government has twice postponed consideration of setting up such a Council.

MPI is debating on a national plan for Agenda 21. If this comes through, ODA could play a crucial role in assisting MOSTE and the government work through these important policy issues.

**The need for priority setting.** The capacity for systematic policy analysis within NEA needs strengthening. Priority setting among the many pressing problems that need tackling is essential. This requires strong analytical skills to respond to questions such as what type of pollution should be controlled, where, how and by how much, and whether it is worth the investment or should limited resources go to other priorities.

**Capacity for technical policy coordination limited.** NEA has difficulty in coordinating and ensuring in-house consistency, a role that would require a





much more powerful policy group. For example, the current initiative under SEMA to promote discussion on a national policy for information systems on the environment needs to be replicated for EIA, pollution control and other environment management priorities.

## Building Environment Institutions

### Achievement

Vietnam has made good progress in establishing institutions within the environment 'sector', for example, MOSTE and the DOSTEs as the basic foundation for influencing public and private sector development. Important innovation has also begun at the top with an expanded role for the Legislative Assembly's Science, Technology and Environment Committee, in debating and passing environment protection policy and legislation. In addition, there have been major increases in staffing, sectors are beginning to set up environment units and budgets for environment institutions are increasing.

### Challenges

Environment management is a relatively new field in Vietnam and new staff tend to lack both technical qualifications and experience. As environment regulations and procedures have been introduced, the load and complexity of environment administration has rapidly increased, sometimes leaving staff struggling to keep up. Although inevitable in a fledgling institutional structure, this problem affects levels of credibility and cooperation with the more mature agencies.

Weak institutional links within ministries as well as between them continually arise as a major obstacle to effective sustainable development administration. Environment protection institutions, in particular, depend heavily on cross-sectoral linkages to fulfil their functions. These links can take many forms ranging from standing or ad hoc inter-sectoral working committees to permanent institutions in their own right. Inter-sectoral working groups to resolve environmental issues or to develop policy and procedures are not common in Vietnam.

Also lacking are integrating institutions such as regional planning authorities or environment and land use planning tribunals. These kinds of bodies have cross-sectoral reach and are an essential avenue for resolving competing claims and views over the use of natural resources.

## Environmental Assessment Capacities are Being Strengthened

### Achievements

A legal framework for EIA of projects is in place and there has been a significant increase in the number of EIA reports. Progress has been made in the preparation of EIA sector guidelines, in systems of environmental auditing and environmental standards, and in requiring EIAs of master plans. There have also been significant increases in EIA skills among staff.

### Challenges

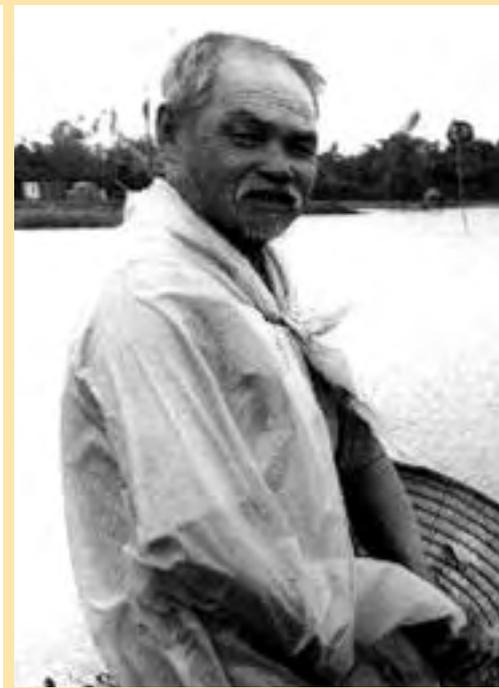
**Sectors reluctant to comply with EIA regulations.** Early in the implementation of the Environment Law, a 'tongue in cheek' observation from NEA was that watching the television news each night was the most effective way of netting new government projects in the EIA process. The Agency was not within the mainstream flow of information on development proposals and frequently did not know what was going on until too late.

The situation is gradually improving but MPI and sectoral agencies are still not methodically feeding NEA with the proposals that require environmental assessment. Most of the 1,500 EIA reports for major and local level development proposals were for foreign investment projects in the southern region, particularly in Ho Chi Minh City, Dong Nai, and Binh Duong. Foreign joint venture projects are now quite well covered by the EIA system, but most government projects where a foreign partner is not involved still proceed without environmental assessment.

The EIA sector guidelines aim to address this problem. Yet, not all guidelines have been developed in close collaboration with affected sectors, lowering the chance of them being picked up quickly by target agencies. These guidelines should be used as an opportunity to build close working relations with the sectors and to enhance awareness and commitment among their staff.

There is a sense that MPI is not playing its part in ensuring rigorous implementation of the 1997 Circular 1100/MTg and the 1998 Circular 490, which provide guidelines for conducting and reviewing EIA reports for investment projects.

In addition, NEA is uncertain how to tackle its mandate for EIA of socio-economic plans of various kinds. This is hardly surprising as the plans include major economic policy and regional and national programmes in addition to packages of major projects. In 1996, as a test case, NEA set up a number of ad hoc expert committees to review the development master plan for Ha Noi. But the exercise received little cooperation from the Ha Noi People's Committee, which made no attempt to comply with the review findings.



This is not the case with Ha Noi alone. In many cases, the Provincial People's Committees approve projects without reference to the DOSTEs. Development licenses and land use permits for specific locations are issued to investors before an initial environmental examination or a full-scale EIA has been conducted. In general, the DOSTEs are having difficulties in establishing productive working relations with the People's Committees.

**EIA is still not a mainstream decision-making tool.** EIA is being used for fine-tuning, for adjustments to projects which take on mitigating measures to reduce the most significant of their potential negative impacts. It is still some way from influencing economic and development decisions; these are usually made well before sustainability and environmental quality issues have been considered.

**Poor national EIA information base.** There is no national information base on the EIAs undertaken at the provincial level or on the substantive issues they cover. Provinces do not, as a matter of course, feed NEA with information on their performance. Reporting and appraisal standards vary greatly and some DOSTEs do not keep reliable records of environmental assessments. The other problem is that many EIAs are not reliable or quality technical assessments, as they are viewed as 'rubber stamp' documents at the local level. MOSTE is now investing substantial resources in creating a database to service EIA activities.

**Economic policies may have unplanned impacts.** Recent studies undertaken through the Vietnam Capacity 21 Project showed that most major economic policies reviewed in the coal, forestry, transport and energy sectors had serious negative impacts on the environment. These impacts were the unexpected and unwanted side effects of policies that targeted other objectives. The studies showed that no procedures exist in any of these sectors to methodically assess the potential environmental impacts of proposed new policies or programmes.

## Environmental Monitoring and Reporting Essential

### Achievements

Regular State of the Environment reports are prepared and a network of monitoring stations have been established.

### Challenges

**SOERs have little impact on development.** Vietnam has an opportunity to leapfrog over the experience of many other countries in the development of environment management mechanisms. In the past, countries have gathered massive quantities of data on a wide range of environmental parameters through EIA and national monitoring systems. Yet the capacity for analysing and using the information to influence development decisions was often lacking. In Vietnam, monitoring systems are essential but need to be finely tuned to gather information on high-priority issues and to express it in practical ways for decision-making. Currently, the SOERs do not use the language of development and make few links between environmental issues and economic factors. They are presented in general terms, which make it difficult for development agencies to interpret what practical actions they can take to solve priority problems.

Also, each SOER is different. There is no consistent format or linkage from one year to the next. No systematic framework of sustainable development indicators are used so trends can be determined, priorities set and

performance monitored. Information is largely anecdotal. Many factors contribute to the poor quality of information appearing in environment and EIA reports. The technical skill of staff; limited budgets and equipment; ineffective planning and management of monitoring programmes and inadequate information systems are all constraints which undermine the usefulness of the environmental information.

For the reports to influence the way the sector and provincial government agencies integrate environment into their operations, the latter need to be involved in identifying their problems and in proposing solutions to them. Yet past reports have been the product of NEA, the DOSTEs and their networks of environmental experts only. Economic and social planners have not been involved either as individuals or through their agencies. Part of the problem lies in the legislative base for the SOER, which projects them merely as MOSTE reporting on the environmental situation. The report system needs a stronger regulatory base so sectors are tied into the process and required to report regularly on their sustainable development performance.

**EIA report implementation and follow-up required.** One key focus of monitoring should be in providing follow-up to EIA and environmental audit reports to ensure that the mitigating measures recommended in the thousands of EIA reports being prepared are undertaken and having the desired effect.

## Sectoral Initiatives

### Achievements

Some sector ministries are attempting to attract ODA support to build their own environment management capacities and policies. The establishment of a small environment unit within the Ministry of Transport, under the Canadian PIAP, and its development of a sector environment policy and EIA guidelines is an important model for ODA environment support to other sectors.

### Challenges

The Government needs to play a more assertive role in encouraging sector ministries and agencies to understand and take practical steps to address their own environmental responsibilities. Hence sectors such as industry, construction, fisheries, forestry and tourism need ODA support to build their own environment units, in close collaboration with NEA. This would also encourage collaboration between ministries in tackling shared environmental problems, something that is currently missing.

## Coordination through the Global Environment Facility

### Achievements

The Government on the initiative of MOSTE, the GEF focal point, has established the cross-sector GEF Vietnam Committee with NGO membership to generate and review GEF proposals.

### Challenges

**The GEF Committee uncertain of its role.** There is much room for the GEF Committee to become more proactive in asserting its role and expanding its membership, for example, to include MARD. The committee would benefit from more precise terms of reference, a comprehensive strategy including the definition of clear priorities linked to the new National Strategy on Environment Protection for 2001-10 and clarification on how it relates to the Government's overall ODA procedures and, in particular, the MPI ODA Board.

The Committee has met only three times and remains uncertain about the GEF process and the relationship of GEF to other development aid: GEF to be regarded as part of ODA or is it a separate channel of funds for the environment? This issue has important implications for how GEF is managed in Vietnam. The Government has decided that for a one-year pilot phase, GEF will be considered as part of the normal ODA stream. Hence there are strong arguments for including the GEF Committee, represented through NEA, as a fifth member of the MPI ODA Board when issues of environment aid and GEF are discussed. The GEF Committee would technically review projects while decisions about GEF ODA flow would be coordinated through the Board.

The function of the GEF Committee is evolving but is primarily to review proposals against national priorities. The appraisal procedure is not well developed. The NEA Policy Division, as the GEF focal point, has sent out guidelines to the sectors for the preparation of proposals but the fact that each implementing agency – UNDP, the World Bank and UNEP – all have differing procedural requirements has not helped the government in clarifying the GEF process. Which agency is responsible for what kind of GEF project? This and other questions on the GEF modality have not been satisfactorily addressed.

**GEF funds difficult to access.** GEF is not a fund that can be accessed directly by government. It is a fund accessed through the agencies that effectively control the process, frequently located far from Ha Noi. As the practical implications of this complexity sink in, the level of active national involvement in the process may be difficult to maintain, bilateral funds are much easier to access. The recently approved GEF, Protected Areas for Resource Conservation project, with MARD as executing agency, took more than four years to formulate.

Already, the multinational nature of GEF is causing problems. Adding to the uncertainties is the fact that proposals are not always going through the GEF Committee – one proposal that went to UNDP Vietnam was assessed as being ineligible for GEF support. The proposal was then sent directly to the Prime Minister for signature and, from there, the approved proposal went to the GEF Secretariat in Washington where, with the support of UNEP, it was approved.

Currently there are no incentives within government to activate the GEF process. Government officials tend to regard it as a time-consuming add-on to their already overloaded work agenda. The Government may need to commit more funds to assist the NEA Policy Division to do GEF work. Consistent and long-term support to the GEF Committee and focal point is needed in all aspects of GEF procedure from project definition and preparation, to coordination, monitoring and evaluation.

The potential of GEF to make a greater contribution to supporting environment reform in Vietnam is discussed in Chapter 11.

## Government Contributions

### Achievements

ODA investment in environment hardware has made it easier for provincial authorities to receive government contributions. In the case of VCEP and SEMA, the provision of laboratory equipment to provincial DOSTEs has led to support for the purchase of land and construction of new buildings.

### Challenges

**Avoid too much too quickly.** Care needs to be taken not to come in at too high a level and too quickly with sophisticated equipment for which there are no capacities or resources to operate and maintain. VCEP has found that even simple procedures for ordering consumables such as filter paper is lacking; it may take more than five years to set up the laboratories with fully trained staff. A workshop was held to define and discuss a national set of environmental indicators, but the laboratories do not have the capacity to pick them up. The Government and donors need to place much greater emphasis on building human and institutional capacity so that high levels of investment in infrastructure and equipment is not wasted.



At the provincial level, the closer the Government implementing agency is to the ODA funds the easier it is to request government counterpart contributions. If the project is passed through a central ministry to a provincial agency, it is very difficult for the latter to define and request government contributions from the Provincial People's Committee. It is also difficult when financial matters are entirely managed by international teams and there is little transparency in how the funds are applied.

Also, strong verbal and written commitments of government support from senior officials are not always translated into fact.

## Monitoring Can Be a Creative Process

### Achievements

Government agencies managing ODA projects are slowly recognising the benefits of internal monitoring and progress reporting as a creative force in implementation. VCEP conducts an annual monitoring exercise using a team made up of all three partners, NEA, the DOSTEs and the project team, rather than using outside consultants who have no direct knowledge of the day-to-day activities of the project. This is a useful model that keeps the project on track and ensures that it is responding to the needs of the recipient agencies.

### Challenges

Monitoring and responding to the lessons of implementation remain weak in most projects.

Sida has taken a different approach to monitoring in the SEMA project. It applies its 'permanent advisory group' concept, where an external team comes twice a year to work through project problems. This approach has had mixed results. It is useful in giving Sida a hands-on involvement in the project and, potentially, in providing creative input to project direction. However, this may require the advisory group to view its role more as informal facilitator than as evaluator.



## CHAPTER 9



# Aid to Education, Training and Research

**T**he education sector has undergone major changes since reunification of the country in 1975 and good progress has been made on this front. Research capacity, both in terms of policy and technical research, has been built up within the ministries, in research organisations and in tertiary institutions. Despite these achievements, both government and donor financial commitments to these fields has been relatively low. Training has always been an important component of all international assistance to Vietnam going back to the aid programme of the former Soviet Union. As a proportion of total ODA, it has fared better than formal education and research.

This Chapter is concerned with environmental education, training and research which cuts across many arms of government. The primary focus is on the activities of the Ministry of Education and Training and its associated educational institutions, the National Centre for Natural Sciences and Technology, and, to a lesser extent, the activities conducted by MOSTE and the other ministries in these fields.

## Policy and Institutional Developments

### Reforms

The education system changed in 1979 with the issue of a Decision on the structure, content and methods of education. The reform programme actually began in 1981 and established an integrated system of national education, amended the text books for all grades and took the first steps towards introducing the environment in school curricula.

The next phase of change came in 1987. The four government agencies responsible for education – Ministry of Education;

Ministry of Higher Education and Secondary Vocational Education; Committee for the Protection of Mothers and Children; and General Department of Vocational Training – were merged into two. These two, the Ministry of Education and the Ministry of Higher Education, Secondary Vocational Education and Training were, in 1990, merged into the Ministry of Education and Training.

MOET is responsible for education and training throughout the country, which includes developing policy, and preparing the annual and five-year plans for educational development. Allocation for education and training has continuously increased and in 1997 reached about 10% of total government expenditure.

Vietnam's first law on education, the Law on Universalisation of Primary School Education was adopted in August 1991. It was soon recognised that there should be a law for each level of education, and that all these should be nestled within an umbrella law on the national education system. As a first step, the Prime Minister issued a decree on the Vietnamese education system, in November 1993, setting out the framework for a new system of pre-school, primary, secondary, vocational, higher and post-graduate education. In 1996, a committee was set up to draft a comprehensive law on education, which was passed by the National Assembly in December 1998.

## Environmental Education

Organised activities aimed at the development of environmental education in Vietnam began in the early 1980s (Box 9.1). A 1981 study on introducing environmental education in the school system was followed by a series of pilot activities; these covered the development of curricula, preparation of textbooks, teaching trials and the training of teachers.

### BOX

9.1

## Explaining Education, Research and Training

**Environmental education** is the formal upgrading of an individual's competence in environmental issues, through targeted programmes with a defined content and of a specified duration. Environmental education programmes are based on certain requirements, ranging from literacy and some basic schooling at the primary level to an MSc in related fields or PhD programmes.

**Environmental training** involves people with specific roles who have been given an opportunity to improve their formal education and professional skills through learning-by-doing and interaction with like-minded persons. Thus, training exercises may include relatively defined tasks, such as improving skills in using

chemical analysis equipment or tree planting. Environmental training can also include workshops, seminars, excursions and brain-storming sessions in which participants are exposed to new and different perspectives.

**Environmental research** is research related to environmental systems and their components. Research is based upon a certain level of expertise achieved through formal education, and aims to expand the boundaries of knowledge and understanding. Normally, research is performed in an institutional context, and it requires expertise at an MSc or PhD level, or it is undertaken under the supervision of someone with such expertise, for example, MSc students' thesis research.

In the early 1990s, the Government adopted two major policies that specifically addressed the need for environmental education. These were the NPESD (1991) and the Law on Environmental Protection (1994). Since then many activities have been undertaken to implement these policies, through MOET, which is responsible for formal education activities, and MOSTE which is responsible for the training of environmental management staff (Box 9.2).

MOET and MOSTE have organised a series of conferences and workshops to evaluate progress and to propose appropriate measures for strengthening environmental education and training programmes. These forums included the National Conference on Environmental Education (1995), the National Forum on Environmental Education Network in Vietnam (1995) and the National Workshop on Environmental Training and Research in Universities of Vietnam (1997).

In late 1998, a National Policy Statement on Environmental Education and a National Strategy for Environmental Education were approved by MOET as outputs of the recently completed project on Environmental Education in the Schools of Vietnam, funded by UNDP.

More recently, in response to Party Directive 36 in August 1998, MOET together with MOSTE began preparing a detailed programme for incorporating environmental issues into all levels of the national education system.

### The Tertiary Education System

Vietnam has 150 institutions for higher education where environmental science has been taught in faculties related to the natural sciences, agriculture, forestry, fisheries and mineral exploitation.

The university system's lack of capacity forces it to deny admission to many who apply and restricts its ability to offer higher degrees. Approximately 70% of those admitted graduate with a BSc degree, while only 2-3% receive an MSc and even fewer a PhD degree.

Tuition was free in Vietnam's national universities until a decade ago, but economic constraints do not permit this any more. Only 10% or less of the students receive financial support from the Government. Tuition fees, accommodation, food, books, transport and miscellaneous expenses can mount to US\$ 40 per month for a student, which is beyond the resources of most families. The first year is financially the most difficult and the dropout rate can be high.

There is a difference in access to higher education between the urban rich, who can afford university education for their children, and the urban poor who struggle to survive. There are also discrepancies between urban and rural areas, as the cost can be prohibitive for students from the latter. If families can afford the cost, boys rather than girls are given priority.

### Environmental Research

Environmental research is undertaken through three main systems:

- The National Centre for Science and Technology (NCST) and the National Centre for Social Science and Humanity (NCSSH) are two institutes at the ministerial level, responsible for research and development in the sciences and technology. Their annual budget is usually worth about 1.2% of total government expenditure.

## Training for Environmental Administration – A Model Approach

In 1995, MOSTE and the German Foundation for International Development (DSE/ZÖV) started a programme of seminars, workshops and training courses on environmental management for staff of both government and non-government environmental institutions. The aim is to increase problem solving, performance and cooperation skills among environmental stakeholders at various levels and to contribute to the process of capacity development in environment (CDE).

MOSTE nominated the Management Training Institute (MTI) as the partner organisation in Vietnam responsible for implementing the programme. MTI and DSE developed a five-year programme focusing on:

- the establishment and organisation of environmental management institutions;
- environmental planning and monitoring;
- instruments of environmental policy (environmental legislation, environmental impact assessment, etc.); and
- communication, conflict and cooperation management.

An interdisciplinary approach to curriculum development was adopted, gearing the material to the knowledge and interests of different groups. For example:

- administrators from MOSTE and other ministries: setting up of environmental authorities;
- practitioners, scientists, and staff of DOSTEs: understanding and assessment of environmental impact assessments;
- politicians: environmental legislation; and
- scientists in Ha Noi: stock-taking of Vietnam's environmental situation.

Amixed team of Vietnamese and German lecturers has been used, who were willing to have a long-term association with the project. In Vietnam it proved possible to attract a team of top-quality lecturers from

the areas of politics, administration, research and education to work on the project on a continuous basis.

DSE's concept of education gives equal importance to course content and the methods used to get the message across to the participants. Advanced training programmes are communication events aimed not only at the transfer of knowledge, but also at changing people's behaviour and at participant networking. All the events held in Vietnam comprised dialogue and training, training and dialogue.

Although teaching in Vietnam is dominated by the 'teacher at the front of the class' form of education, the ViPP (Visualisation in Participatory Programmes) method was used here. ViPP is a creative synthesis of different methods and approaches aimed at improving interaction in training, planning and other group events.

An evaluation of the programme found:

- the joint curriculum development process together with the induction of a team of Vietnamese lecturers, has ensured that the target groups accept the contents of the programmes;
- the introductions to environmental administration and environmental management corresponded almost exactly with the needs of the target groups;
- almost all DOSTEs in Vietnam participated in the training programme as special emphasis has been placed on training such staff. The programme package has been incorporated in the MOSTE training policy framework;
- previously little known participatory methods of adult education have met with a positive response – training-of-trainers programmes have been used to train the first Vietnamese facilitators.
- the degree of networking between the various stakeholders has been considerably strengthened both horizontally and vertically.

- The research institutes that belong to the ministries are responsible for research in their sectors. They also carry out applied research projects.
- The Government Research Programme on Environment and Sustainable Development, coordinated by MOSTE, covers activities specifically aimed at finding solutions to environmental problems.

The NCSSH has 16 institutes, the museum of ethnology and seven centres. Most of the institutes and centres do not deal directly with environmental issues, but the centre carries out socio-economic studies of all the regions in support of the regional planning process.

The NCST has 20 technical institutes, including a number of environmental research organisations.

The Institute of Ecology and Biological Resources (IEBR) is responsible for biodiversity survey and research. IEBR is the scientific authority for the Convention on International Trade in Endangered Species in Vietnam.

The Institute of Oceanography is the main research authority for marine and coastal environmental issues. The main office of the institute is located in Nha Trang. A subsidiary office is located in Hai Phong.

The NCST has a special role to play as it is a reservoir of expertise for environment management. It is a senior level body with research and postgraduate training functions and receives small-scale ODA support principally through sister relationships between its institutes and foreign research organisations. The French, German, Belgian and Australian Governments are supporting modest projects on climate change, remote sensing and EIA.

## Environment ODA to this Sector

ODA policy and procedures in MOET are in accordance with Decree 87/CP as they are in other sectors. Officially, the International Cooperation Department is the focal point dealing with the preparation, negotiation and overall management of the ODA programme.

In practice, international assistance comes in various ways. The most common practice is for project proposals to be prepared by a MOET affiliated institution with assistance from an international organisation. Once satisfied that the proposal meets their needs, the implementing institution will then report to ICD/MOET. This is happening for two reasons: there are numerous institutions spread throughout the country; and, they fear losing their autonomy over the project and the source of funding if they pass through formal institutional avenues.

ODA funds earmarked for education projects during the 1991-95 period amounted to US\$ 105 million; in the five years from 1996, ODA commitment were double this figure. UNICEF has contributed to many education projects, estimated at about US\$ 2 million per year. UNFPA also has a long-running education programme. UNDP is supporting an environmental education project; it is also supporting the Youth Union, together with the National Environment Agency, in running an environmental awareness project that is in its second phase. The World Bank is running a three-year project on primary education worth US\$ 80 million and has recently launched a US\$ 104 million fund in support of the universities. ADB is preparing a major secondary education project. France, Australia and Germany are important bilateral

donors in this sector, and the Swiss have a long-term programme supporting several of MOET's environment research institutes (Box 9.3).

All these ODA initiatives have environmental components that are not well reflected in the ODA database analysed in this study, which shows that MOET received only 0.6% or US\$ 6.5 million of environment ODA for the 15-year period to the year 2000.

## Achievements and Challenges

Environmental education, training and research cannot be considered in isolation. They are truly cross-cutting processes that can contribute to institutional strengthening, awareness-raising, proper management procedures, and ultimately to better environmental management.

### Policy and Institutional Gains

#### Achievement

The Government has made important progress in building education, training and research institutions and in integrating environmental concerns into their mandates. MOET has the main responsibility for education and training through an extensive network of schools and tertiary institutions. There are 20 research institutes under the NCST and a number of research institutes under line ministries, many addressing environmental issues.

#### Challenges

##### Education and Training

**Clarification of functions and coordination needed.** Line ministries are traditionally sectoral, and there is little communication between them on environmental education and training issues. For example, there are no systems for coordinating activities between MOET and NEA/MOSTE – in fact the presence of NEA has diminished the role of the Education Ministry.

Formal systems are also lacking with the other line ministries and departments, who are responsible for sectoral aspects of environmental education and training. What is needed is a clearer mandate for each ministry and effective mechanisms for coordination.

**Network of environmental training centres needed.** There is a growing number of centres that purport to provide training in environmental management. But there is no system to encourage consistency in content and quality of these training programmes. Donors interested in providing institutional strengthening to training centres are confronted with a confusing array of options. ODA could usefully support the formation of a network of the most promising training centres that might be the target of strengthening in teaching methods, tools and curricula.

**Better donor and national agency coordination needed.** All too often coordination between donors in development assistance is lacking. This is partly because of a confusion about ministries' mandates and responsibilities and partly because of the lack of understanding of the interdisciplinary nature of these issues.

MOET needs to establish an International Support Group similar to the one set up by MARD. This would draw together the cross-sectoral players in education and training. It would give donors an opportunity



## SDC Applied Research Support Programme

SDC is supporting CEFINEA (HCMC), CEETIA (Ha Noi), CEC (Ha Noi) and VNU (Department of Chemical and Environmental Engineering) in applied research in education and training. SDC is one of the few agencies that has supported this area and its experience is a valuable model for similar ODA projects.

University education (and consequent research) priorities are agreed upon jointly by SDC, MPI and MOET. MOET and MOSTE play key roles in SDC project implementation. SDC supports four universities (the Asian Institute of Technology in Bangkok and three Swiss institutions) in partnering tertiary education/research programmes in Vietnam.

A key SDC/MOET project – ‘Environmental Science & Technology in Northern Vietnam (ESTNV)’ – aims to “establish a research and teaching capacity in applied sciences and environmental technologies in order to encourage the application of more sustainable development models in Northern Vietnam”. More specifically, the project seeks to reinforce the teaching and research capacity of the Centre for Environmental Chemistry (CEC), Ha Noi National University, in the field of environmental chemistry.

The origin of this project goes back to 1982-87 when the current head of CEC pursued his doctorate in Zurich. He and colleagues at the Swiss Federal Institute of Technology began a joint project planning process in 1990. Three years later this led to Swiss funding of a project to strengthen CEST. The project was evaluated and came to an end in 1996. The evaluation recommended a Phase 2 with an expansion of activities and roles for the international partners. ESTNV was the result.

### Strengths of ESTNV

- the project reflects the benefits of

long-term commitment and intensive and detailed planning involving all the participating organisations. It illustrates the importance of continuity in staff on the part of the donor and partner organisations in the planning and early implementation phase;

- proper institutional academic cooperation requires that the partners have equal influence on project planning and priorities. This is truly the case in ESTNV, where key personnel know each other well and have worked together for a long time. This fosters mutual respect and appreciation;
- the project provides much needed exposure to and professional cooperation with like-minded academic institutions overseas (particularly in Switzerland), and vice versa. This is mutually beneficial, and provides good value-for-money in ODA.

### Future challenges

- CEC is under pressure to meet the academic requirements of its sister institutions abroad. This is difficult where student and the staff qualifications, particularly in foreign languages, are limited. This situation can lead to loss of morale and commitment on both sides;
- training and research under the project is highly specialised, which leads to lack of job opportunities in Vietnam after graduation. Enrolment of students is still high, but that may change;
- the project has been and is still much dependent on a few individuals dedication and professional interests. The project and CEC may suffer if they pursue careers elsewhere; and
- the strong involvement of a few dedicated individuals from planning to implementation may not contribute to wider project ownership at Ha Noi National University or at key Vietnamese ministries in the long run.



to exchange information and discuss their education and training projects, it would contribute to awareness raising and act as a motivating force among MOET staff.

#### Research

**Unproductive distinction between education and applied research.** The universities are responsible for education and basic research, while the sectoral research institutes oversee applied research. This dichotomy is artificial and does not favour a much-needed interaction between education and research.

Similarly unnatural is the distinction between 'pure' research and applied or policy research. For example, sectoral agencies within MARD may commission research by NCST institutes but the latter's involvement ends once the basic information is provided. One serious implication of this system is that ODA support tends to concentrate in the more policy orientated sectoral institutes and only filters through to the research centres and universities. Another implication is that expertise that could be engaged in building appropriate policy responses to field problems is being wasted.

A research centre that warrants much greater attention from donors is the NCST. ODA support would help build its applied research capacities in a wide range of fields such as biodiversity conservation, coastal and marine management, wetlands, GIS and environmental assessment.

**Lack of forums for systematic accumulation of knowledge.** There are several serious constraints to research in Vietnam: the lack of forums to discuss scientific results and few mechanisms for dissemination. There is, therefore, no systematic accumulation of knowledge in the country. The dearth of post-graduates with masters and doctoral degrees also seriously inhibits the growth in knowledge. ODA partners must focus on supporting universities and research institutions in higher degree training and in developing a framework for the accumulation of quality research knowledge.

## Primary and Secondary School Education

### Achievement

Vietnam has one of the highest literacy rates in Asia and has made progress in including environment into curricula and textbooks. The country has recognised that children represent its most important capital by providing free primary and secondary education. Parents send their children to school whenever possible, and Vietnam's literacy rate is an impressive 93.7%.

### Challenges

**Children from rural areas, where environmental problems are most serious, do not have equal access to education.** In spite of the Government's expressed policy on free primary and secondary education, families do incur expenses for the schooling of their children and this burden is likely to increase. This is more of a handicap in rural than urban areas. Although about 70% of children in the rural areas attend the first year of the primary school, the figure drops rapidly with less than 10% attending high school.

**Teachers lack environment training.** Teachers do not receive adequate training on environmental issues as well as on the most suitable teaching methods to use. Over the last two decades, a small number of teachers in some selected cities/provinces received environment training through various research and pilot projects but not on teaching methods. Teachers in rural areas, especially teachers for primary schools in mountainous and remote areas, have no chance to receive training in this field. Even when a good set of textbooks is available, appropriate teaching skills will be needed to transfer the environmental knowledge to pupils.

Danida's NRMEPP addresses this through a component that supports environmental education in schools. The project seeks to integrate environmental education in existing school curricula and has previously provided guidelines for teachers. There is, however, need for more support to this sector, particularly during times of economic difficulties when government support may be reduced.

**ODA should play a more significant role.** Vietnam's efforts to meet the nation's need for primary and secondary education should also be addressed by ODA. There is an urgent need for better and more up-to-date books and teaching material which are environmentally relevant; and a need to improve teachers' understanding and appreciation of environmental issues as well as the relationship between environment, social and economic issues. Tailored courses, seminars and workshops could be more effective to meet these needs.

Also the bulk of efforts in environmental education is oriented to basic knowledge about the environment with little emphasis on environment protection. Incorporating environmental concerns into vocational education has not received much attention. A small project funded by a German NGO is looking at this issue.

**Evaluation of environmental education initiatives needed.** The Government has responded to the need for introducing environmental education into the national education system through various policies. But there is no firm agreement on how best to put the Government's instructions into practice.

Some experts in environmental sciences have been asked to write curriculum and textbooks for disciplines that contain environment-related issues. Improvements of this nature have been undertaken step by step, for primary to tertiary level textbooks and for experiment to general textbooks, in line with the overall reform. Yet, the appropriateness of the environment-related content and approach in textbooks has not been reviewed. Some experts feel that while the context may be technically sound there could be improvements in matching material better to the different school grades.

## Tertiary Education

### Achievement

The Government has 150 institutions for higher education and universities, which admit between 120,000 and 150,000 new students every year. In addition, there are 16 private universities. Traditionally, Vietnam has valued higher education and equal opportunity exists for higher education. But competition is higher and applicants must pass a difficult admission exam. Several donors offer overseas training for MSc and PhD students. Some institutions and enterprises provide support for students who attend Vietnamese universities.

### Challenges

**Little market for environmental qualifications.** Students at national universities (and for that matter at universities abroad) prefer to study topics that will lead to a financially rewarding career. Environmental sciences do not belong to that group, as job opportunities are relatively few and pay is low. ODA partners need to consider developing incentive packages to attract students to study for environmental science qualifications.

**More ODA for domestic tertiary training needed.** Support to students at national universities is important and can be cost-effective. It should target: students who study environmental sciences or management of natural resources at national universities; students from rural areas, and in particular, women from rural areas; and first year students, given that the dropout rate is highest at this level because of financial constraints.

**Emphasis on higher degree courses at home.** There are few opportunities for doctoral education in Vietnam today, mainly because of capacity constraints. In due course, Vietnam's universities and research institutions may suffer a lack of staff, such as professors, for academic positions. Ultimately, this may result in an inability to teach and train postgraduate staff. ODA support to PhD and postgraduate studies needs to be encouraged. Study programmes, which focus upon interdisciplinary approaches to environmental issues, should receive particular attention.

**Quality control in overseas tertiary courses is needed.** Several donors provide scholarships that allow Vietnamese student to attend MSc programmes abroad. Programmes that offer interdisciplinary environmental approaches should receive particular attention and priority. Yet, there is a need for quality control in some overseas programmes tailored for and offered to students from developing countries. Some are too superficial to provide the qualifications required for an internationally recognised MSc degree and may ultimately hamper the student in his/her future career.



**Exchanges have proved valuable.** Exchange programmes in which Vietnamese staff are sent overseas and overseas personnel come to Vietnam to teach (and conduct research) should be encouraged. Several such twinning arrangements have already been established and results are encouraging, for example between NIAH and Uppsala University in Sweden, between Can Tho University and Aarhus University in Denmark, between Ha Noi National University/CEC and the Swiss Federal Institute of Technology, Zurich, and CIDA's Vietpro project. More such arrangements need to be developed and supported.

## Training

### Achievement

Thousands of Vietnamese have received short-term training in various aspects of natural resource management and environment protection. Over the past 15 years training has become an integral part of ODA-supported projects, and in many cases has shown promising results. Examples include: DSE/MOSTE training of DOSTE staff; the UNDP/MPI Vietnam Capacity 21 Project, the Sida-supported SEMA Project, several EIA training initiatives, and a number of initiatives in the forestry sector such as SDC's Social Forestry Support Project. Farmers' field schools, which are important elements of IPM projects supported by FAO, provide thousands of farmers with on-the-job training and demonstrations about alternatives to pesticide use in food production.

### Challenges

**Interdisciplinary training not given adequate priority.** Many environmental ODA projects are concerned with specific technical and management aspects of natural resource issues, rather than with those of an interdisciplinary and cross-cutting nature. This specialist focus reinforces the existing narrow sectoral perspective within government institutions. This tendency has relevance for training initiatives. With sectoral isolation and continued limited appreciation of the importance of the environment's interdisciplinary nature, this form of training remains a low priority and can end up unsupported.

**Senior staff need interdisciplinary training.** Decision-makers in the Government also tend to lack an interdisciplinary view of environmental problems. There is a need for support and mechanisms that may expose decision-makers to these concepts through short courses and excursions to ODA projects which employ interdisciplinary approaches.

Technicians should be provided with opportunities to gain a better insight into the interrelationship between ecological principles and social and economic issues. This could be through on-the-job training and study tours to other projects that are grappling with similar problems.

**Tapping the energy of the media for environmental education and training.** Few projects emphasise the role of the media in raising awareness or environmental education. Radio and television programmes can often contribute more to understanding and awareness than the press as these media reach people wherever they live and work.

### Achievement

In-country training in environment protection projects has led to the greatest immediate benefits at the provincial level. A number of DOSTEs have found that in-country training through environment protection projects is most effective at the provincial level, where English language skills are limited and

practical problems immediate. The DOSTEs believe that this form of training should receive the greatest emphasis in ODA programmes.

They have found that in-country training:

- helps build working links between trainees' on shared problems;
- focuses on local issues of practical relevance to the trainees work;
- facilitates exchange of information between agencies on current issues;
- can be conducted in Vietnamese since the selection process is not limited to English speakers;
- can reach more people; and
- is cheaper.

### Challenges

**Workshops and study tours – overkill or vital force in ODA?** A number of donors have expressed concern over the increasing wave of short-term training workshops and overseas study tours which they feel distract government officials from their day-to-day duties. Others, however, took the view that, in Vietnamese society, emphasis was placed on the transfer of knowledge through oral not written communication, and that the many exchanges through workshops and tours were an essential force in learning.

### **Institutional support and follow-up needed in training programmes.**

The principle of 'long-term commitment' also applies to strengthening individual capabilities. Often, investments in short- and long-term training lead to trainees returning to an institutional context that is not receptive to their newly acquired skills. This can lead to frustration and loss of morale.

## Development of Young Environmental Experts is Critical

### Achievement

Several international projects are successfully creating a new generation of environmental experts, consultants, and decision-makers. For example, the VCEP and SEMA projects have successfully targeted and supported the development of young Vietnamese environmental experts. This has helped broaden the pool of Vietnamese resource people available to work with ODA projects and to support Vietnamese environmental agencies.

### Challenges

The network of national environmental experts needs to be expanded for the pool of expertise available to environmental projects remains small. These people tend to be over-worked and over-committed. Reports are frequently 'recycled'.

Also, Vietnamese who can play a 'bridging' role between donors and Vietnamese organisations are needed. These people require technical knowledge of the issues they are dealing with, knowledge of donor objectives and procedures, knowledge of the Vietnamese political and institutional context, and good communication skills. There is currently a dearth of individuals with all of these skills. It is thus critical to identify and support younger people to play this role.

Hence there is a need for a longer-term strategy for developing young environmental experts. It would be useful for donors to develop a roster of national environmental experts that includes younger people who could then be targeted for training and short-term consultancies. It might also make sense to create 'internship' programmes where young Vietnamese

environmentalists spend six months working with international organisations. NGOs can play a key role in supporting and training young environmental experts.

## Local Level Training Increases Project 'Ownership'

### Achievement

Training focused on high quality, yet 'non- eminent' staff is increasing projects' achievements and local ownership. Training people in the provinces, districts or even communes as well as staff from research institutes not traditionally accorded special status is greatly enhancing project achievements. It is also contributing to the taking up of new concepts and absorptive capacity outside of Ha Noi.

Central level institutions are swamped with training opportunities. Successful projects decentralise training opportunities as much as project management.

Successful projects provide continuing support – more like 'coaching' – to personnel following up on training to reinforce lessons. This also applies to field based training with farmers, field personnel and commune/hamlet leaders.

### Challenge

**Spreading the benefits of ODA supported training and capacity building.** This requires some risk-taking to overcome vested interests, and to allow projects to reach the provinces, districts, communes, departments and institutes where initial capacity – technical and language – is low. Success will be dependent on donor preparedness to take a long-term, flexible, capacity-building approach.



## CHAPTER 9



# Aid to Education, Training and Research

**T**he education sector has undergone major changes since reunification of the country in 1975 and good progress has been made on this front. Research capacity, both in terms of policy and technical research, has been built up within the ministries, in research organisations and in tertiary institutions. Despite these achievements, both government and donor financial commitments to these fields has been relatively low. Training has always been an important component of all international assistance to Vietnam going back to the aid programme of the former Soviet Union. As a proportion of total ODA, it has fared better than formal education and research.

This Chapter is concerned with environmental education, training and research which cuts across many arms of government. The primary focus is on the activities of the Ministry of Education and Training and its associated educational institutions, the National Centre for Natural Sciences and Technology, and, to a lesser extent, the activities conducted by MOSTE and the other ministries in these fields.

## Policy and Institutional Developments

### Reforms

The education system changed in 1979 with the issue of a Decision on the structure, content and methods of education. The reform programme actually began in 1981 and established an integrated system of national education, amended the text books for all grades and took the first steps towards introducing the environment in school curricula.

The next phase of change came in 1987. The four government agencies responsible for education – Ministry of Education;

Ministry of Higher Education and Secondary Vocational Education; Committee for the Protection of Mothers and Children; and General Department of Vocational Training – were merged into two. These two, the Ministry of Education and the Ministry of Higher Education, Secondary Vocational Education and Training were, in 1990, merged into the Ministry of Education and Training.

MOET is responsible for education and training throughout the country, which includes developing policy, and preparing the annual and five-year plans for educational development. Allocation for education and training has continuously increased and in 1997 reached about 10% of total government expenditure.

Vietnam's first law on education, the Law on Universalisation of Primary School Education was adopted in August 1991. It was soon recognised that there should be a law for each level of education, and that all these should be nestled within an umbrella law on the national education system. As a first step, the Prime Minister issued a decree on the Vietnamese education system, in November 1993, setting out the framework for a new system of pre-school, primary, secondary, vocational, higher and post-graduate education. In 1996, a committee was set up to draft a comprehensive law on education, which was passed by the National Assembly in December 1998.

## Environmental Education

Organised activities aimed at the development of environmental education in Vietnam began in the early 1980s (Box 9.1). A 1981 study on introducing environmental education in the school system was followed by a series of pilot activities; these covered the development of curricula, preparation of textbooks, teaching trials and the training of teachers.

### BOX

9.1

## Explaining Education, Research and Training

**Environmental education** is the formal upgrading of an individual's competence in environmental issues, through targeted programmes with a defined content and of a specified duration. Environmental education programmes are based on certain requirements, ranging from literacy and some basic schooling at the primary level to an MSc in related fields or PhD programmes.

**Environmental training** involves people with specific roles who have been given an opportunity to improve their formal education and professional skills through learning-by-doing and interaction with like-minded persons. Thus, training exercises may include relatively defined tasks, such as improving skills in using

chemical analysis equipment or tree planting. Environmental training can also include workshops, seminars, excursions and brain-storming sessions in which participants are exposed to new and different perspectives.

**Environmental research** is research related to environmental systems and their components. Research is based upon a certain level of expertise achieved through formal education, and aims to expand the boundaries of knowledge and understanding. Normally, research is performed in an institutional context, and it requires expertise at an MSc or PhD level, or it is undertaken under the supervision of someone with such expertise, for example, MSc students' thesis research.

In the early 1990s, the Government adopted two major policies that specifically addressed the need for environmental education. These were the NPESD (1991) and the Law on Environmental Protection (1994). Since then many activities have been undertaken to implement these policies, through MOET, which is responsible for formal education activities, and MOSTE which is responsible for the training of environmental management staff (Box 9.2).

MOET and MOSTE have organised a series of conferences and workshops to evaluate progress and to propose appropriate measures for strengthening environmental education and training programmes. These forums included the National Conference on Environmental Education (1995), the National Forum on Environmental Education Network in Vietnam (1995) and the National Workshop on Environmental Training and Research in Universities of Vietnam (1997).

In late 1998, a National Policy Statement on Environmental Education and a National Strategy for Environmental Education were approved by MOET as outputs of the recently completed project on Environmental Education in the Schools of Vietnam, funded by UNDP.

More recently, in response to Party Directive 36 in August 1998, MOET together with MOSTE began preparing a detailed programme for incorporating environmental issues into all levels of the national education system.

### The Tertiary Education System

Vietnam has 150 institutions for higher education where environmental science has been taught in faculties related to the natural sciences, agriculture, forestry, fisheries and mineral exploitation.

The university system's lack of capacity forces it to deny admission to many who apply and restricts its ability to offer higher degrees. Approximately 70% of those admitted graduate with a BSc degree, while only 2-3% receive an MSc and even fewer a PhD degree.

Tuition was free in Vietnam's national universities until a decade ago, but economic constraints do not permit this any more. Only 10% or less of the students receive financial support from the Government. Tuition fees, accommodation, food, books, transport and miscellaneous expenses can mount to US\$ 40 per month for a student, which is beyond the resources of most families. The first year is financially the most difficult and the dropout rate can be high.

There is a difference in access to higher education between the urban rich, who can afford university education for their children, and the urban poor who struggle to survive. There are also discrepancies between urban and rural areas, as the cost can be prohibitive for students from the latter. If families can afford the cost, boys rather than girls are given priority.

### Environmental Research

Environmental research is undertaken through three main systems:

- The National Centre for Science and Technology (NCST) and the National Centre for Social Science and Humanity (NCSSH) are two institutes at the ministerial level, responsible for research and development in the sciences and technology. Their annual budget is usually worth about 1.2% of total government expenditure.

## Training for Environmental Administration – A Model Approach

In 1995, MOSTE and the German Foundation for International Development (DSE/ZÖV) started a programme of seminars, workshops and training courses on environmental management for staff of both government and non-government environmental institutions. The aim is to increase problem solving, performance and cooperation skills among environmental stakeholders at various levels and to contribute to the process of capacity development in environment (CDE).

MOSTE nominated the Management Training Institute (MTI) as the partner organisation in Vietnam responsible for implementing the programme. MTI and DSE developed a five-year programme focusing on:

- the establishment and organisation of environmental management institutions;
- environmental planning and monitoring;
- instruments of environmental policy (environmental legislation, environmental impact assessment, etc.); and
- communication, conflict and cooperation management.

An interdisciplinary approach to curriculum development was adopted, gearing the material to the knowledge and interests of different groups. For example:

- administrators from MOSTE and other ministries: setting up of environmental authorities;
- practitioners, scientists, and staff of DOSTEs: understanding and assessment of environmental impact assessments;
- politicians: environmental legislation; and
- scientists in Ha Noi: stock-taking of Vietnam's environmental situation.

Amixed team of Vietnamese and German lecturers has been used, who were willing to have a long-term association with the project. In Vietnam it proved possible to attract a team of top-quality lecturers from

the areas of politics, administration, research and education to work on the project on a continuous basis.

DSE's concept of education gives equal importance to course content and the methods used to get the message across to the participants. Advanced training programmes are communication events aimed not only at the transfer of knowledge, but also at changing people's behaviour and at participant networking. All the events held in Vietnam comprised dialogue and training, training and dialogue.

Although teaching in Vietnam is dominated by the 'teacher at the front of the class' form of education, the ViPP (Visualisation in Participatory Programmes) method was used here. ViPP is a creative synthesis of different methods and approaches aimed at improving interaction in training, planning and other group events.

An evaluation of the programme found:

- the joint curriculum development process together with the induction of a team of Vietnamese lecturers, has ensured that the target groups accept the contents of the programmes;
- the introductions to environmental administration and environmental management corresponded almost exactly with the needs of the target groups;
- almost all DOSTEs in Vietnam participated in the training programme as special emphasis has been placed on training such staff. The programme package has been incorporated in the MOSTE training policy framework;
- previously little known participatory methods of adult education have met with a positive response – training-of-trainers programmes have been used to train the first Vietnamese facilitators.
- the degree of networking between the various stakeholders has been considerably strengthened both horizontally and vertically.

- The research institutes that belong to the ministries are responsible for research in their sectors. They also carry out applied research projects.
- The Government Research Programme on Environment and Sustainable Development, coordinated by MOSTE, covers activities specifically aimed at finding solutions to environmental problems.

The NCSSH has 16 institutes, the museum of ethnology and seven centres. Most of the institutes and centres do not deal directly with environmental issues, but the centre carries out socio-economic studies of all the regions in support of the regional planning process.

The NCST has 20 technical institutes, including a number of environmental research organisations.

The Institute of Ecology and Biological Resources (IEBR) is responsible for biodiversity survey and research. IEBR is the scientific authority for the Convention on International Trade in Endangered Species in Vietnam.

The Institute of Oceanography is the main research authority for marine and coastal environmental issues. The main office of the institute is located in Nha Trang. A subsidiary office is located in Hai Phong.

The NCST has a special role to play as it is a reservoir of expertise for environment management. It is a senior level body with research and postgraduate training functions and receives small-scale ODA support principally through sister relationships between its institutes and foreign research organisations. The French, German, Belgian and Australian Governments are supporting modest projects on climate change, remote sensing and EIA.

## Environment ODA to this Sector

ODA policy and procedures in MOET are in accordance with Decree 87/CP as they are in other sectors. Officially, the International Cooperation Department is the focal point dealing with the preparation, negotiation and overall management of the ODA programme.

In practice, international assistance comes in various ways. The most common practice is for project proposals to be prepared by a MOET affiliated institution with assistance from an international organisation. Once satisfied that the proposal meets their needs, the implementing institution will then report to ICD/MOET. This is happening for two reasons: there are numerous institutions spread throughout the country; and, they fear losing their autonomy over the project and the source of funding if they pass through formal institutional avenues.

ODA funds earmarked for education projects during the 1991-95 period amounted to US\$ 105 million; in the five years from 1996, ODA commitment were double this figure. UNICEF has contributed to many education projects, estimated at about US\$ 2 million per year. UNFPA also has a long-running education programme. UNDP is supporting an environmental education project; it is also supporting the Youth Union, together with the National Environment Agency, in running an environmental awareness project that is in its second phase. The World Bank is running a three-year project on primary education worth US\$ 80 million and has recently launched a US\$ 104 million fund in support of the universities. ADB is preparing a major secondary education project. France, Australia and Germany are important bilateral

donors in this sector, and the Swiss have a long-term programme supporting several of MOET's environment research institutes (Box 9.3).

All these ODA initiatives have environmental components that are not well reflected in the ODA database analysed in this study, which shows that MOET received only 0.6% or US\$ 6.5 million of environment ODA for the 15-year period to the year 2000.

## Achievements and Challenges

Environmental education, training and research cannot be considered in isolation. They are truly cross-cutting processes that can contribute to institutional strengthening, awareness-raising, proper management procedures, and ultimately to better environmental management.

### Policy and Institutional Gains

#### Achievement

The Government has made important progress in building education, training and research institutions and in integrating environmental concerns into their mandates. MOET has the main responsibility for education and training through an extensive network of schools and tertiary institutions. There are 20 research institutes under the NCST and a number of research institutes under line ministries, many addressing environmental issues.

#### Challenges

##### Education and Training

**Clarification of functions and coordination needed.** Line ministries are traditionally sectoral, and there is little communication between them on environmental education and training issues. For example, there are no systems for coordinating activities between MOET and NEA/MOSTE – in fact the presence of NEA has diminished the role of the Education Ministry.

Formal systems are also lacking with the other line ministries and departments, who are responsible for sectoral aspects of environmental education and training. What is needed is a clearer mandate for each ministry and effective mechanisms for coordination.

**Network of environmental training centres needed.** There is a growing number of centres that purport to provide training in environmental management. But there is no system to encourage consistency in content and quality of these training programmes. Donors interested in providing institutional strengthening to training centres are confronted with a confusing array of options. ODA could usefully support the formation of a network of the most promising training centres that might be the target of strengthening in teaching methods, tools and curricula.

**Better donor and national agency coordination needed.** All too often coordination between donors in development assistance is lacking. This is partly because of a confusion about ministries' mandates and responsibilities and partly because of the lack of understanding of the interdisciplinary nature of these issues.

MOET needs to establish an International Support Group similar to the one set up by MARD. This would draw together the cross-sectoral players in education and training. It would give donors an opportunity



## SDC Applied Research Support Programme

SDC is supporting CEFINEA (HCMC), CEETIA (Ha Noi), CEC (Ha Noi) and VNU (Department of Chemical and Environmental Engineering) in applied research in education and training. SDC is one of the few agencies that has supported this area and its experience is a valuable model for similar ODA projects.

University education (and consequent research) priorities are agreed upon jointly by SDC, MPI and MOET. MOET and MOSTE play key roles in SDC project implementation. SDC supports four universities (the Asian Institute of Technology in Bangkok and three Swiss institutions) in partnering tertiary education/research programmes in Vietnam.

A key SDC/MOET project – ‘Environmental Science & Technology in Northern Vietnam (ESTNV)’ – aims to “establish a research and teaching capacity in applied sciences and environmental technologies in order to encourage the application of more sustainable development models in Northern Vietnam”. More specifically, the project seeks to reinforce the teaching and research capacity of the Centre for Environmental Chemistry (CEC), Ha Noi National University, in the field of environmental chemistry.

The origin of this project goes back to 1982-87 when the current head of CEC pursued his doctorate in Zurich. He and colleagues at the Swiss Federal Institute of Technology began a joint project planning process in 1990. Three years later this led to Swiss funding of a project to strengthen CEST. The project was evaluated and came to an end in 1996. The evaluation recommended a Phase 2 with an expansion of activities and roles for the international partners. ESTNV was the result.

### Strengths of ESTNV

- the project reflects the benefits of

long-term commitment and intensive and detailed planning involving all the participating organisations. It illustrates the importance of continuity in staff on the part of the donor and partner organisations in the planning and early implementation phase;

- proper institutional academic cooperation requires that the partners have equal influence on project planning and priorities. This is truly the case in ESTNV, where key personnel know each other well and have worked together for a long time. This fosters mutual respect and appreciation;
- the project provides much needed exposure to and professional cooperation with like-minded academic institutions overseas (particularly in Switzerland), and vice versa. This is mutually beneficial, and provides good value-for-money in ODA.

### Future challenges

- CEC is under pressure to meet the academic requirements of its sister institutions abroad. This is difficult where student and the staff qualifications, particularly in foreign languages, are limited. This situation can lead to loss of morale and commitment on both sides;
- training and research under the project is highly specialised, which leads to lack of job opportunities in Vietnam after graduation. Enrolment of students is still high, but that may change;
- the project has been and is still much dependent on a few individuals dedication and professional interests. The project and CEC may suffer if they pursue careers elsewhere; and
- the strong involvement of a few dedicated individuals from planning to implementation may not contribute to wider project ownership at Ha Noi National University or at key Vietnamese ministries in the long run.



to exchange information and discuss their education and training projects, it would contribute to awareness raising and act as a motivating force among MOET staff.

#### Research

**Unproductive distinction between education and applied research.** The universities are responsible for education and basic research, while the sectoral research institutes oversee applied research. This dichotomy is artificial and does not favour a much-needed interaction between education and research.

Similarly unnatural is the distinction between 'pure' research and applied or policy research. For example, sectoral agencies within MARD may commission research by NCST institutes but the latter's involvement ends once the basic information is provided. One serious implication of this system is that ODA support tends to concentrate in the more policy orientated sectoral institutes and only filters through to the research centres and universities. Another implication is that expertise that could be engaged in building appropriate policy responses to field problems is being wasted.

A research centre that warrants much greater attention from donors is the NCST. ODA support would help build its applied research capacities in a wide range of fields such as biodiversity conservation, coastal and marine management, wetlands, GIS and environmental assessment.

**Lack of forums for systematic accumulation of knowledge.** There are several serious constraints to research in Vietnam: the lack of forums to discuss scientific results and few mechanisms for dissemination. There is, therefore, no systematic accumulation of knowledge in the country. The dearth of post-graduates with masters and doctoral degrees also seriously inhibits the growth in knowledge. ODA partners must focus on supporting universities and research institutions in higher degree training and in developing a framework for the accumulation of quality research knowledge.

## Primary and Secondary School Education

### Achievement

Vietnam has one of the highest literacy rates in Asia and has made progress in including environment into curricula and textbooks. The country has recognised that children represent its most important capital by providing free primary and secondary education. Parents send their children to school whenever possible, and Vietnam's literacy rate is an impressive 93.7%.

### Challenges

**Children from rural areas, where environmental problems are most serious, do not have equal access to education.** In spite of the Government's expressed policy on free primary and secondary education, families do incur expenses for the schooling of their children and this burden is likely to increase. This is more of a handicap in rural than urban areas. Although about 70% of children in the rural areas attend the first year of the primary school, the figure drops rapidly with less than 10% attending high school.

**Teachers lack environment training.** Teachers do not receive adequate training on environmental issues as well as on the most suitable teaching methods to use. Over the last two decades, a small number of teachers in some selected cities/provinces received environment training through various research and pilot projects but not on teaching methods. Teachers in rural areas, especially teachers for primary schools in mountainous and remote areas, have no chance to receive training in this field. Even when a good set of textbooks is available, appropriate teaching skills will be needed to transfer the environmental knowledge to pupils.

Danida's NRMEPP addresses this through a component that supports environmental education in schools. The project seeks to integrate environmental education in existing school curricula and has previously provided guidelines for teachers. There is, however, need for more support to this sector, particularly during times of economic difficulties when government support may be reduced.

**ODA should play a more significant role.** Vietnam's efforts to meet the nation's need for primary and secondary education should also be addressed by ODA. There is an urgent need for better and more up-to-date books and teaching material which are environmentally relevant; and a need to improve teachers' understanding and appreciation of environmental issues as well as the relationship between environment, social and economic issues. Tailored courses, seminars and workshops could be more effective to meet these needs.

Also the bulk of efforts in environmental education is oriented to basic knowledge about the environment with little emphasis on environment protection. Incorporating environmental concerns into vocational education has not received much attention. A small project funded by a German NGO is looking at this issue.

**Evaluation of environmental education initiatives needed.** The Government has responded to the need for introducing environmental education into the national education system through various policies. But there is no firm agreement on how best to put the Government's instructions into practice.

Some experts in environmental sciences have been asked to write curriculum and textbooks for disciplines that contain environment-related issues. Improvements of this nature have been undertaken step by step, for primary to tertiary level textbooks and for experiment to general textbooks, in line with the overall reform. Yet, the appropriateness of the environment-related content and approach in textbooks has not been reviewed. Some experts feel that while the context may be technically sound there could be improvements in matching material better to the different school grades.

## Tertiary Education

### Achievement

The Government has 150 institutions for higher education and universities, which admit between 120,000 and 150,000 new students every year. In addition, there are 16 private universities. Traditionally, Vietnam has valued higher education and equal opportunity exists for higher education. But competition is higher and applicants must pass a difficult admission exam. Several donors offer overseas training for MSc and PhD students. Some institutions and enterprises provide support for students who attend Vietnamese universities.

### Challenges

**Little market for environmental qualifications.** Students at national universities (and for that matter at universities abroad) prefer to study topics that will lead to a financially rewarding career. Environmental sciences do not belong to that group, as job opportunities are relatively few and pay is low. ODA partners need to consider developing incentive packages to attract students to study for environmental science qualifications.

**More ODA for domestic tertiary training needed.** Support to students at national universities is important and can be cost-effective. It should target: students who study environmental sciences or management of natural resources at national universities; students from rural areas, and in particular, women from rural areas; and first year students, given that the dropout rate is highest at this level because of financial constraints.

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Technicians should be provided with opportunities to gain a better insight into the interrelationship between ecological principles and social and economic issues. This could be through on-the-job training and study tours to other projects that are grappling with similar problems.

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### Achievement

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- is cheaper.

### Challenges

**Workshops and study tours – overkill or vital force in ODA?** A number of donors have expressed concern over the increasing wave of short-term training workshops and overseas study tours which they feel distract government officials from their day-to-day duties. Others, however, took the view that, in Vietnamese society, emphasis was placed on the transfer of knowledge through oral not written communication, and that the many exchanges through workshops and tours were an essential force in learning.

### **Institutional support and follow-up needed in training programmes.**

The principle of 'long-term commitment' also applies to strengthening individual capabilities. Often, investments in short- and long-term training lead to trainees returning to an institutional context that is not receptive to their newly acquired skills. This can lead to frustration and loss of morale.

## Development of Young Environmental Experts is Critical

### Achievement

Several international projects are successfully creating a new generation of environmental experts, consultants, and decision-makers. For example, the VCEP and SEMA projects have successfully targeted and supported the development of young Vietnamese environmental experts. This has helped broaden the pool of Vietnamese resource people available to work with ODA projects and to support Vietnamese environmental agencies.

### Challenges

The network of national environmental experts needs to be expanded for the pool of expertise available to environmental projects remains small. These people tend to be over-worked and over-committed. Reports are frequently 'recycled'.

Also, Vietnamese who can play a 'bridging' role between donors and Vietnamese organisations are needed. These people require technical knowledge of the issues they are dealing with, knowledge of donor objectives and procedures, knowledge of the Vietnamese political and institutional context, and good communication skills. There is currently a dearth of individuals with all of these skills. It is thus critical to identify and support younger people to play this role.

Hence there is a need for a longer-term strategy for developing young environmental experts. It would be useful for donors to develop a roster of national environmental experts that includes younger people who could then be targeted for training and short-term consultancies. It might also make sense to create 'internship' programmes where young Vietnamese

environmentalists spend six months working with international organisations. NGOs can play a key role in supporting and training young environmental experts.

## Local Level Training Increases Project 'Ownership'

### Achievement

Training focused on high quality, yet 'non- eminent' staff is increasing projects' achievements and local ownership. Training people in the provinces, districts or even communes as well as staff from research institutes not traditionally accorded special status is greatly enhancing project achievements. It is also contributing to the taking up of new concepts and absorptive capacity outside of Ha Noi.

Central level institutions are swamped with training opportunities. Successful projects decentralise training opportunities as much as project management.

Successful projects provide continuing support – more like 'coaching' – to personnel following up on training to reinforce lessons. This also applies to field based training with farmers, field personnel and commune/hamlet leaders.

### Challenge

**Spreading the benefits of ODA supported training and capacity building.** This requires some risk-taking to overcome vested interests, and to allow projects to reach the provinces, districts, communes, departments and institutes where initial capacity – technical and language – is low. Success will be dependent on donor preparedness to take a long-term, flexible, capacity-building approach.



## CHAPTER 10



# Cross-Cutting Lessons

**T**here is a wide range of issues that impinges directly on the effectiveness of environment ODA, but which are not specific to it. They impact on all forms of development assistance and relate to the overall approach of donors and the Government in managing their relationships. They also frequently concern donor-government policy, procedures in the donor country and the general efficiency of government administration in Vietnam. An analysis of environment ODA is not complete, and could be misleading, if these underlying and influential factors are not identified. The good news is that to a greater or lesser extent, most of these factors are being tackled as important areas of reform. However, environment ODA managers will need to monitor improvements in their own field against progress on the wider front.

The factors influencing ODA in general are discussed here.

## Administrative Reform

Many of the issues raised in this report are affected by how well the overall system of government in Vietnam is functioning. It would make no sense at all to expect improvements in many areas of ODA delivery unless the machinery managing it is changing in unison to meet the needs. In the past decade, Government has undergone extensive reform and the pace and scale of this change is increasing.

The government is acting on the belief that to achieve sustainable development, the administrative system must be increasingly open, honest, competent and staffed by fully committed public servants.

In 1995, the Eighth Communist Party Plenum launched its first public administrative reform programme to be implemented by all



provincial governments and ministries. It recognised that economic and social reforms are dependent on an effective administration and that this will require substantial reorganisation. Achievements are already evident in four areas.

**Improved administrative procedures.** For example, those relating to foreign investment licensing, import and export arrangements, and housing and land management.

**More efficient administrative structure.** Important steps have been taken to consolidate and rationalise public service. Twenty-seven ministries were reduced to 22 and some progress has been made in separating functions relating to policy and business management. Each ministry once operated state enterprises, but now a number of large independent corporations have been established.

**More democratic and professional civil service.** One difficulty has been in clearly defining the categories of administrators that make up the civil service. Currently, there are more than 1.2 million civil servants, including those in unions, the party structure and the main social groups such as the Youth Union. Legislation that clarifies public service staffing, procedures for recruitment and job descriptions has been prepared and debated over.

**Initiatives against corruption.** The National Assembly and the Government have launched a programme to combat corruption at all levels of government. This outspoken initiative recognises that the effectiveness of new policies and institutions is being fundamentally undermined by a lack of clear and universally applied moral standards in government business.

Challenges do remain. Institutional and administrative arrangements that promote working links between ministries, regions and local governments are lacking. Despite efforts to simplify institutional arrangements, outsider understanding of 'the system' and the ability of the administration to respond quickly and efficiently is limited. Procedures are cumbersome, administered by a relatively large number of staff at low levels of remuneration. Enforcement of laws and regulations is neither strict nor consistent, adding further to the uncertainties and unpredictability of administrative decision-making.

Public servants do not prepare regular work plans against programme objectives or collectively review progress. This lack of month-to-month planning and review creates a 'crisis' mentality to work, which often distracts officials from higher priority tasks and longer term planning objectives.

All this means that government institutions still tend to be closed to the public. This trend is changing rapidly and if it persists, it is more by default than intent. The structures and procedures for facilitating the involvement of outside groups are neither in place nor well understood. The National Assembly and the People's Committees at various levels do provide the first institutional base for better engaging the community, but they need to be well supported in fully realising this role. The role of non-government groups in meeting sustainable development objectives is also in its infancy.

This is one of the most challenging but important aspects of sustainable development institution building in Vietnam. Progress in this field will affect progress in all others.

## Donor Country Programmes: Who Sets the Priorities?

Today, more donor country programmes are being defined through partnership between donors and the Government. The most successful environment projects have been those that have been identified by the Government.

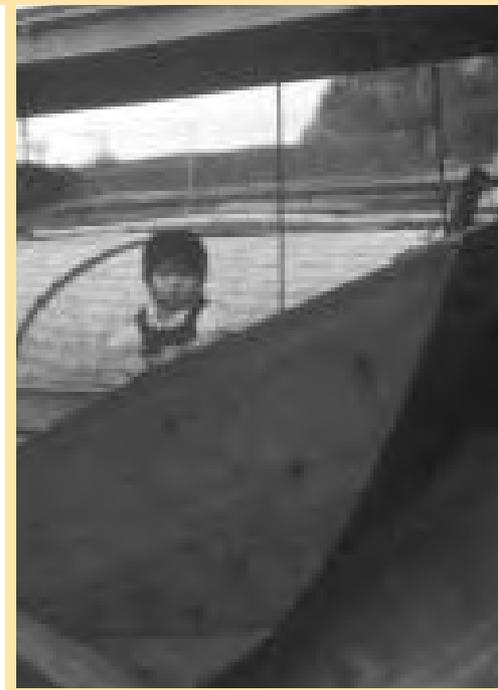
The importance of priority setting is well appreciated throughout the government and the donor community, but in practice there are no overriding standards or procedures for this task. Donors can be placed in a widely scattered fashion, along a spectrum running from scrupulous attention to government priority setting processes at one end, to adherence to an internally driven agenda at the other. Part of the problem rests in the degree of clarity and assertiveness of the government's own priority setting procedures.

Most donors are guided in their priority setting by the draft reports of international and national consultant teams, which provide the basis for a more or less attentive dialogue with the Government. Yet, even strategies developed with a strong component of national participation, adopted and 'owned' by the government, have only a limited influence over the portfolio of projects that follows.

This is changing slowly. Donors are increasingly taking government priorities as the basis for their programmes, but since the dialogue with national counterparts is a two-way process it is often difficult to determine whose priorities predominate. The value of donor country strategies lies more in the process through which they are prepared, for the relationships they help build, and for their awareness raising impacts.

A number of guiding principles arise from the experience with environment ODA:

- needs and priorities should be identified primarily by the Government;
- the Government should take the initiative in the entire process, from formulation to implementation and evaluation. Donors should provide technical assistance and satisfy their own requirements but these should be coordinated with the Government and engage national experts;
- it is entirely valid for donors to bring their own priorities to the negotiating table and to attempt to persuade the Government of their importance if these do not appear to be consistent with national priorities. The Government can always refuse to accept aid if it is not comfortable with the proposed objectives. Donors can continue to play an essential role in helping the Government reach a balance between economic and social sector priorities and those of mounting importance in the environment field. Pressures on the Government to meet immediate economic and social development targets can be overpowering.



On the other hand, for some donors the consultative process has some way to go before it moves from tokenism to a genuine engagement with the Government over the setting of priorities.

Similarly, government investment strategies tend to lack clear justification and be too general; more feasibility analysis is needed. For example, in late 1998 when MARD presented its strategy and programme to donors it failed to attract support because people were not convinced that it had been sufficiently thought through. This experience shows that though the adoption of a strategic and integrated approach to ODA contributions is recognised, there is limited capacity for analysis and priority setting. Consequently, strategies are neither realistic nor well articulated – ODA support to this vital area would help.

## Getting the Policy Context Right

There is a growing realisation that unless the policy context is right, environment ODA will fail or lead only to localised benefits. There is little point in promoting environmentally responsible behaviour if all incentives in the system favour behaviour that is unsustainable environmentally. Much aid has been focused on specific facets of the environment, with little attention paid to understanding whether the policy context is favourable or unfavourable, and whether there are ways in which it could be made more supportive of project objectives. If policies, laws and procedures are designed to provide the right incentives and controls, aid to the environment will become less urgent. If not, then present efforts to build environmental awareness and to promote good practice will have little impact.

The donor community has paid considerable attention to supporting Vietnam's transformation, and increasing stress is being placed on helping cope with the social and environmental consequences of rapid market development. More ODA is needed to help government shape the overall policy context, to ensure that it promotes sustainable and environmentally favourable practices.



Take MOSTE's Science and Technology Strategy (Box 10.1). Are environmental concerns being built into this strategy? Given that Vietnam's environmental management systems are still in their infancy, did the Canadian support team pay sufficient attention to the environmental affects of this policy? For even within MOSTE, science and technology policy may be considered in isolation of the environment.

There are cases where the content of the policy advice was right but the process did not respect government pace and procedures. CIDA's experience in supporting the NEAP – largely prepared by an international team but never adopted by the government – shows the importance of national agencies maintaining the principal steering and formulation roles if policy reforms are to succeed.

Also, policy cannot remain static. Each province has a five-year master plan; but if funds are not available for annual revisions, the plan becomes increasingly irrelevant as market forces and opportunistic development become the main impetus shaping the environment. Instead, the planning process tries to keep pace with reality.

## Science and Technology Strategy

MOSTE's Strategy is seen by CIDA as a useful model for ODA support to policy reform. A high level international advisory team was brought in to share experiences from other countries on the basic ingredients of a S&T policy. This was followed by a study tour for key policy-makers. MOSTE then conducted some 350 consultative meetings throughout the country, leading to the preparation of a draft strategy by the ministry. CIDA came back into the picture and arranged for a 'challenge

process' in which the international team was brought back to provide feedback and to stimulate discussion on the draft. The ministry later submitted its final strategy to the government for approval.

CIDA's guiding principle in this case is: "we will stimulate but not lead the policy process". The Government has now requested CIDA to support a similar process in developing an education strategy.

## Development Planning is Undergoing Reform

The development planning system is gradually changing to allow broader coverage, greater flexibility, more cross-sectoral links, decentralised management and planning at the regional levels.

While incremental reform is gradually changing the way planning is done, many obstacles to sustainable development remain in the planning process. Many of these reforms can be placed on a continuum. For example, efforts to devolve planning will move the system from highly centralised to highly decentralised. The Vietnamese approach of 'step by step' or gradual reform will mean that, at any one time, imbalances will remain particularly in the early stages. All the same, if these obstacles are kept firmly in mind it will allow for regular adjustments in attempts at reform.

What is still lacking is planning legislation, a comprehensive framework of law for development planning and its absence is a serious impediment to sustainable development. First recommended in the National Conservation Strategy in 1985, repeated in the National Plan for Environment and Sustainable Development in 1991, and again in the Biodiversity Action Plan in 1994, such a law would set out the principles of sustainable development, define the roles and responsibilities of each government level and lay down planning procedures.

Planning is still centralised. Apart from the five urban centres that have been granted authority over master planning in their area, the centre has the ultimate authority over planning throughout the rest of the country. This system does not formally recognise the roles and authority of the other levels either within the constitution or in recent legislation. Uncertain of their exact responsibilities and authority, local planners are often reluctant to take the initiative to test ways of making the new system work effectively. This influences efficiency in the range of decisions where discretion still rests with central government. Crucial planning issues such as the classification of land type and use, negotiating management arrangements over land allocation to local communities, and the determination of rights of tenure, all lack well defined authority at the local level.

One of the problems is that much of the detailed regulatory framework and administrative procedures needed to implement legislation is not in place,

leading to confusion and uncertainty among local planners. Innovative planning instruments such as local plans and the red book system of land allocation under the Land Law, are being applied without adequate supporting guidelines.

Situations frequently arise where the development plans of a province and the various sectors operating within it develop conflicting strategies for the use of particular areas and resources. While arrangements for collaborative planning exist between sectors, between provinces, and between sectors and provinces, they are weak and ineffectual. These links do not have the weight of legislation behind them nor are there any incentive mechanisms to promote them.

Regional socio-economic planning, which links provinces with similar characteristics or mutual economic interests, has no legislative or institutional base. Responsibilities for preparing the plans is highly centralised and implementation is divided between sectors and provinces causing a loss of regional integrity. How regional environment plans under the Environment Law will relate to MPI's regional planning functions is yet to be determined.

However, as market forces begin to shape development, centrally determined targets are not always reflecting the increasingly dynamic changes occurring at the local level. General long-term prescriptions for environment management, for example, are not being picked up and expressed in the form of specific targets and activities in local annual plans. One reason is that planners are not sure what they should be aiming for in practical terms.

## Decentralising ODA

Decree 87/CP, of August 1997, and Circular 81 represent very important steps forward in clarifying government roles and responsibilities in ODA. They lay the foundation for more decentralised decision-making to the provincial and local levels in all aspects of the ODA project cycle. A number of donors have indicated that their initial ventures direct to the provincial level have been a good experience. They found that integration through project committees was easier to achieve than in cases where resources were channelled through the centre.

There have been a number of lessons in this respect:

- with the increasing dominance of large-scale loans in ODA, certain central level agencies have become somewhat complacent in their management of grant ODA;
- the power of provincial authorities to negotiate and enter into ODA agreements remains ill-defined;
- there appears to be a clearer commitment at the local level to substantive issues and to ensuring that ODA addresses these issues;
- using NGOs as intermediaries at the local level is growing and, on the whole, is proving to be a positive force in facilitating decentralisation of ODA;
- capacities vary greatly from one province to another and, in some cases, management capacity building should come before technical support programmes;
- the issues tackled by the first project should be manageable – supporting fishermen to shift from near-shore to offshore fishing is not a good example of a small project at the district or provincial level;



- large-scale projects need to be broken down into smaller components that can be managed by different agencies. Many donors are finding that there are too many layers between the centre and the target beneficiaries in rural development projects that are impeding progress in delivery. They would prefer to work directly with provincial and district governments; and
- while the trend to decentralise ODA is a positive one, government and donors in particular must be sensitive to the potential for fragmentation and overlap. The importance of building effective links and information flows between the centre and the provinces cannot be overemphasised.

To address an earlier point, there are a number of reasons why grant ODA may not be taken as seriously as loans at the central level. First, senior government officials have proved to be very sensitive to the fact that extremely high proportions of grant funds go back to the donor country. Figures of 60 to 80% were quoted and are, in fact, common. Second, despite recommendations of the donor group to the contrary, equipment purchase and international expert contracting continues to be tied to the donor country (unlike their central counterparts, local officials with fewer resources tend not to be as sensitive to these points). Third, feedback loops do not reinforce good ODA practice in government. Donors may complain about the many well-recognised problems in aid delivery but commitments keep coming in nevertheless.

The situation with loans is a different matter – they must be repaid.

## Shifts to Nationally-Led Implementation

Approaches to project management fall along a continuum from tight financial and technical control by international teams to substantial hand-over to government implementing agencies. Over the four years from 1995, there have been concerted moves from most donors to test various elements of nationally led implementation.

While there is universal consensus on the goal of national execution, there is little agreement within the Government and the donor community on the



pace and form that it should take. Vietnam's experience with managing large ODA programmes is still limited, and associated institutional capacities and procedures are not in place. What should be a gradual and long-term process is often being pursued too rapidly without adequate appraisal of the recipient's institutional and human resource capacities. For example, there are concerns that the large World Bank/Danish coastal wetlands project that will follow Bank procedures may be moving too fast, and that it will suffer the same difficulties and delays facing the ADB forestry project.

There are also moves to pass the negotiation of contracts associated with ODA grants to Vietnamese implementing agencies. This has always been the case with loans, but rarely with technical assistance grants. A recent case is the US\$ 1.5 million component of the Vietnam Capacity 21 Project, which is being managed entirely by MPI's Department of Science, Education and Environment. This is the first time UNDP has handed over this responsibility to a Vietnamese counterpart. Other agencies, particularly the Banks, are doing the same and there are two reasons for this trend: first, a lack of staff within the donor agencies; and second, a desire to push ahead with the national execution process.

Some donors have found that it is difficult for government to manage private sector contracts. There is a need for vigilance to ensure that the private sector is not providing project inputs that are unnecessary.

Danida is testing various forms of direct disbursement and has the support of a full time in-house accountant to provide training and back-up to the recipients and to perform ongoing audits.

There are many questions which both government and donors will need to address on the wisdom of too rapid a move towards national execution including:

- the potential, in the absence of adequate procedures, to reinforce the responsibilities for aid in too few hands;
- the potential to reinforce centralisation of decision-making;
- the danger of greater opaqueness in the way ODA projects are operated;
- the danger of handing over the leadership on technical assistance in a situation where many areas of intervention are new to Vietnam, and in which experience and capacity is limited; and
- the fact that aid is still too tied to the purchase of goods and services in the donor countries, for real national execution to have much meaning.

## The Role of National Project Staff and International Experts

National project staff members are beginning to have a more assertive and influential role in project management, especially in NGO programmes. Equally, more international experts and organisations are acquiring practical experience of working in Vietnam on environmental projects, which is improving the quality of this form of technical assistance.

The calibre and full-time commitment of national staff plays a pivotal role in project success. In many past ODA projects, vice ministers or other high ranking officials were identified as National Project Directors, even though they may not have had the skills or time to give to the project. Inevitably this had led to bottlenecks with even the most rudimentary decisions going through the NPD.

Despite the growing influence of national staff, international experts still wield major power in all stages of the ODA project cycle. This is particularly true for the activities of the Banks and multinationals. Vietnamese experts seldom lead, for example, design or evaluation missions. Project evaluations by government and donors are usually conducted separately, and government documents are not shared with the donors. The NGO community lays much greater emphasis in promoting the role of national experts.

There are now more than 300 international NGOs and 100 bilateral and multilateral development agencies operating in Vietnam. This means that there are five to 10 organisations for each province of the country. This is both a problem and an opportunity for sustainable development. It is a problem because of the increasing demands being placed on government to interact effectively with this resource; and these organisations can drain the government of professionals. It is an opportunity in that they provide a rich training ground for national staff and introduce the diversity of approaches and resources needed to help tackle the many environmental problems the country faces.

## Ownership

There is now sufficient environment project formulation experience to suggest two principles to maximise ownership: those who are to implement ODA projects should design them; and those who are to implement them should negotiate the project document and implementing arrangements with the supporting international agency.

ODA projects succeed when there is a sense of ownership on the part of the recipient. This does not only mean a sense of ownership by the counterpart agency in the central government. It means ownership by the stakeholders of a project or programme – it is not enough for a rural development project to be ‘owned’ by district officials, if the intended recipients are local farmers.



One of the problems of ownership has been that provincial and local government agencies are not always involved in the ODA project design and negotiation. Hence, projects may not address the issues that are viewed as priorities by the local implementing agency; equally, performance expectations may be beyond the capacities of those agencies to deliver. The design process has not always adequately assessed what can be achieved within local limitations.

Take the example of the JICA solid waste management project for Ha Noi. The negotiations were with MPI; Ha Noi DOSTE was not really involved and were handed over the project as a fait accompli. Consequently, the project has continued at some distance from the DOSTE.

On the other hand, the 1993 Sida environment study in Ha Noi was designed and undertaken through a group of provincial officers – it was successfully implemented with the full commitment and involvement of the local authorities.

## Project Flexibility

An important part of providing ownership is to make projects flexible to respond to national circumstances. There are various ways of providing flexibility. One is through a well-defined process of regularly reviewing project objectives and implementation experience against government priorities. The other is through special funds that can be used by the steering committee to address priorities and important issues as they arise. These funds are particularly useful, because not all issues of importance to a project can be foreseen in the design phase.

For example, the Vietnam Canada Environment Project includes a CD\$ 1 million Special Project Fund, which has proved to be particularly valuable in facilitating project implementation. Its use is decided by the project steering committee annually. Similarly, the first phase of the Strengthening of the Environmental Management Authority project included a small fund that supported the capacity building and institutional linkages essential to effective implementation. Inputs can range from special training opportunities to the provision of expert services and information and can even involve new initiatives.

The Swiss, UNDP and MPI have included a substantial project support fund and a local environment fund in Phase 2 of the Vietnam Capacity 21 Project. The funds will be used at the discretion of a project management committee on the basis of needs identified with recipient agencies as the project progresses.

Another approach to the flexible funding facility has been the establishment of small-scale funds within donor programmes. Sida, for example, has an environment fund that is simple to access and supports NGO initiatives; it has had encouraging results. The Canadians have a flexible fund, which has been applied primarily to providing expert support in policy development, again with positive results.

The challenge now is to ensure that donor agencies' flexible funds better support areas in the environment sector that are not receiving attention; and that there is the potential for these kinds of funds to be better integrated with ongoing projects.





## The Language of ODA and Sustainable Development

Most environment projects include a language training component, but usually as an ad hoc add-on, once implementation is underway.

This leads to the single most common problem cited by international teams: that translation and interpretation services in environmental projects are limited and of poor quality. The pool of qualified Vietnamese interpreters well-versed in environmental terms is very small, with the result that concepts are not clearly expressed in translated materials and at training workshops, leading to confusion.

Language is at the heart of many difficulties in donor-government interactions. But this is a symptom rather than the real problem: key terms in the environment sector, the jargon of sustainable development, is understood and interpreted differently. Understanding of concepts such as 'planning', 'strategy', 'good housekeeping', 'monitoring'; 'environment' and 'sustainable development' differ and lead to deep-seated misunderstandings about the objectives of ODA projects. The UN National Execution Manual is a good example of the kind of unnecessarily complex jargon used. Concepts such as 'tripartite review', for example, leave many government ODA managers and their international technical teams bewildered.

## Government Contributions

Overall, government contributions in kind and in cash to environment projects are increasing, though some problems do remain.

Most government agencies working with donors have no discretionary funds and cannot carry their own costs in implementing ODA projects. They have to look for money elsewhere and can usually obtain government funds for capital investments but not for discretionary use. As a rule, the government is prepared to commit around 10% to the budgets of 'hardware' projects but is reluctant to commit funds to those with soft objectives. When committed, funds invariably arrive late, disrupting implementation plans. Also, project



executing agencies often ignore the government's fiscal year and submit their requests for contributions very late – with the result that requests may be budgeted in the next fiscal year and not disbursed until late in that year. This is particularly a problem in grant ODA.

There is also the problem that donors lack an understanding of how government contribution procedures work. There are no guidelines available, for example, that set out how contributions are determined for a project and the categories of items that the government is prepared to pay for. For example, in a Danida supported project on water supply and sanitation, the ratio of donor to government contributions was agreed at 4:1. The project document was signed, and only then did negotiations on who should pay for what began. Often the details of what equipment and activities will be covered by the government are not clearly defined in the project preparation process, leaving room for misunderstanding and unmet expectations on the part of donors and delays in project implementation.

Government contributions, may also be small. In a number of CIDA projects worth US\$ 10 million, the government contribution has been around US\$ 20,000. Even then it has been difficult to determine whether that contribution has been made.

International project teams have tended to overlook failures in the delivery of government contributions for the sake of maintaining good relations and project momentum. Consequently, systems of accountability on this issue are lacking and follow-up by donors ad hoc and half-hearted.

The general practice has been for government contributions to grant ODA project to be in kind. This has been a constant source of frustration for National Project Directors who have pressed for greater financial commitments, and particularly for follow up financing once a project has been completed.

## ODA Absorptive Capacity

While environment ODA remains a relatively small proportion of total ODA, it has increased five-fold since 1992 and is set to increase dramatically, primarily through the provision of loans.

The World Bank and the ADB are likely to become the two most important sources of ODA to the environment sector. A reduction in Japanese aid over the next few years due to their domestic economic situation will leave the World Bank and then the ADB as the two top donors by a large margin. This, and the fact that they will bring soft loans, will rapidly change the role of ODA from being a supplement to government programmes to being a major driving force in shaping and supporting programmes. While this presents an unprecedented opportunity to help reform policy, institutions and implement government objectives, there are those in the government and the donor community who are concerned about the scale and pace of this form of loan ODA to the environment sector. The government is keen to attract loans to infrastructure development but has more difficulty using this type of ODA to support soft sectors in which the economic returns are indirect or intangible.

Most bilateral donors are concerned about the World Bank and ADB proposals to channel large amounts of cash into local communities. Some comments are:

- “it will not work”;
- “what are the potentials for major increases in the pace of income generation when rural populations are increasing, land per capita is diminishing and resources are being depleted?”; and
- “there is room for investment in schools, roads and basic infrastructure but only so much can be absorbed on hardware, and capacity building requires long-term and low-level investment”.

The absorptive capacity for rural development is very limited.

Experience with the initial wave of loans suggests that for maximum effect:

- loans should be implemented over much longer time frames of 10 to 15 years;
- there should be an emphasis on providing grant TA components to build policy, institutional, procedural and human resource capacities associated with effective implementation, particularly in the initial one to three years;
- increasing emphasis needs to be given to the use of national companies and NGOs in delivering technical assistance.

Projects are not always developed in a way that matches and helps build the institutional capacities of the recipient organisation. Often a project concept should have been scaled down and reworked to include much more up-front institutional strengthening activities. Few donors have methods for undertaking institutional analyses to fully assess a potential organisation's strengths and needs (Box 10.2).



## Preparing the Ground for Major ODA Projects

Like good gardeners, donors and government need to prepare the soil well if they wish to have a successful return from major projects. Without adequate attention to the preparatory period, much ODA may be wasted. It can even do damage if too much is applied too quickly.

There are some essential steps and principles to follow in getting the project etiquette right in a local area before large investment programmes can be successfully mounted. The preparatory period may take one or more years – it is not something to be rushed.

There are four steps: institutional and community analysis; environmental analysis; pilot activities; and participatory design.

### 1. Understand and build on local communities and institutions:

- this is not as easy as it appears. It involves defining what the district and provincial administrations undertake and understanding their limitations. The sustainability of future new initiatives will depend on building local institutional capacity;
- identify and build working relationships between local government and communities;
- define how much local communities can reasonably undertake, what capacities are needed and can be built up. This requires thorough and sensitive community research and an understanding of socio-economic conditions; and
- clearly understanding the local political dynamics and structures, and working within their limitations.

### 2. Work with the community and local authorities to understand the environmental context.

Who uses what, how much and what is the impact? Environmental assessment needs to be implemented at the same time as the social research. The key ingredients are:

- assessing the state of the environment (the condition of the natural resources and the environment);
- determining community resource use patterns (who uses what and when);

- understanding the history of resource use to determine rates of use (how much is used);
- defining a set of indicators and monitoring how the environment is changing; and
- determining community perceptions and attitudes to natural resource use and conservation.

### 3. Exercise and build local capacity through pilot activities.

- Pilot projects need to:
- be diverse in approach (don't impose models, for every area and situation is different);
  - decentralise and devolve authority;
  - start simple – don't be too ambitious;
  - be specific – start by tackling specific issues and build from there. Don't try the full integrated approach from the outset for it will fail;
  - be flexible – adjust priorities to accommodate needs as they arise (the needs of both the environment and local people);
  - record and reflect on experience;
  - monitor the impact on natural resources and environmental quality (through a quarterly or six-monthly statement of environmental conditions); and
  - monitor project sustainability (including social impacts and institutional and technical sustainability).

### 4. Participatory design of a larger programme.

The intent of this process is straightforward – to involve pilot project participants in defining the nature and extent of a larger programme. This collaborative process needs to take six months or more depending on the anticipated size of the programme. It should:

- be community based;
- foster cross-sectoral and cross-cutting levels of government cooperation;
- build on what has worked and on lessons learnt through pilot activities;
- build in contributions by local communities and government to ensure local 'ownership' of the programme; and,
- seek a programme that gradually scales up through a number of small but linked activities and cadres.

Absorption capacity is as much a problem for donors as it is for the Government. Some donors are suffering from overload and a lack of capacity in managing programmes with a large number of projects. There is a trend, for example in the EU, CIDA, SDC, towards fewer larger scale projects, a more focused approach, and channelling funds through multilateral agencies and international NGOs. These trends may well compound the capacity problem for some government agencies.

## Government Procedures for ODA

Decree 87 and Circular 81 represent major steps forward in clarifying government procedures for ODA. But they need to be followed up. Failure to understand and follow the formal government ODA approval procedures will lead to delay and, possibly, unexplained obstacles in project approval and implementation.

Donors are learning that, to be implemented smoothly, an ODA project cannot have more than one agency as a counterpart, reversing past trends that have tried to achieve integration across ministries by identifying more than one counterpart. Intersectoral competition and the emphasis on mandate has undermined this way of approaching the problem. Moreover when mandates are not clearly defined as in the case of marine and coastal management, consultations will be needed before institutional arrangements can be arrived at.

In the case of national level projects, MPI must select the counterpart agency: in some cases when projects have been submitted directly to a donor by a proponent agency, the process has not gone smoothly. One example is the NEA proposal on generating revenue from biodiversity resources submitted to the Danes. The donor responded favourably but not MPI, to whom the project was submitted for endorsement. MPI raised the issue of procedures with the Danes. When the Ministry did agree to support the project, the Ministry of Health was designated as the government counterpart agency. MPI pointed out that, while overall biodiversity policy

### BOX

10.3

## Institutional and Management Issues

Some management lessons are repeated so often by international staff on environment ODA projects that they need to be revisited, even though to many in government and the donor community, they will have a familiar ring:

- salary levels for national project staff vary greatly from one donor agency to another. This has a disruptive influence on staff continuity;
  - the process for selecting project staff often leads to individuals being hired who are not suitable for the jobs; this tends to happen more in nationally executed projects;
  - 'full' time staff frequently work less than
- that and maintain other jobs, particularly those on forms of secondment from government agencies;
  - there is a strong reluctance in senior national counterparts to devolve authority for aspects of project management to project and counterpart staff;
  - work planning and reporting on progress is not widely practised;
  - TORs for project staff are often poorly defined and systems of performance evaluation are seldom followed; and
  - there is little awareness of the relationship between spatial arrangements within project offices and productivity.



rests with NEA, specific responsibilities for biodiversity conservation needs to remain with sectoral agencies.

This 'loss' of a project can be discouraging to an agency, which has put time and effort into developing the initiative. There are two lessons from this experience: agency responsibilities for many areas of environment management such as biodiversity, wetlands and coastal management are not well defined; and donors should consult with MPI in identifying a counterpart.

## Coordination

A number of promising models for improving ODA coordination are evolving.

### Project Steering Committees

Early experience with project steering committees was not positive. Committee meetings were treated more as a formality, to endorse set directions rather than as an opportunity for active facilitation and coordination. Senior officials often viewed them as a waste of time, or 'political' rather than technical structures. This is changing rapidly. There are a growing number of positive experiences with steering committees as coordinating and intersectoral mechanisms.

As an example, comments from the international teams in the NEA VCEP and SEMA projects referred to their steering committees as "essential and working well" and "very useful". Some of the key ingredients to success are:

- the agenda, that must include real issues that need resolving, and committee members who have the authority to implement and follow up on what is decided;
- intersectoral membership with specific joint activities involving all the sectors, and this means provincial agencies as well;
- benefits accruing from participation; and
- good administrative support of committee activities – secretariat support before, during and after is crucial to success.

However, project steering committees are not a sustainable mechanism for intersectoral working or for promoting working links between different levels of government. They cease to operate when the project finishes. Project teams should be very conscious of the critical roles played by the committees and seek to institutionalise the key elements.

## Support Groups

One of the most interesting examples mounted by the Government is the MARD International Support Group, an approach that is being picked up in the health sector. This initiative has the potential to evolve into a useful forum if given adequate support and authority.

Another initiative, this time by the UN agencies, is an attempt to lay the ground for joint programming and coordination in a number of provinces. UNDP, UNICEF, UNFPA, IFAD as well as Sida are piloting a joint management board or coordinating committee approach in Ha Giang province where each of the agencies have projects. The idea is for the board to meet regularly to review activities and undertake joint evaluations. There are some difficulties due to differing levels of project flexibility and funding modalities.

UNDP, UNICEF, UNFPA and UNDCP have education projects with MOET, each with an environment component but working with different departments. They are drawing these initiatives together in a Joint Social Issues Education Programme and using Vietnam as a pilot country to assess working together.

The challenge remains that there are two main stages of the ODA project cycle at which coordination is especially important: during the concept and design phase, and during implementation. Coordination during implementation is especially important and needs to involve the project teams who are most familiar with the nuts and bolts of the project. Often it is only when the projects are underway that the opportunities for complementarity become apparent. This task requires flexibility in management and project frameworks.

The MARD ISG initiative, while seen as a step forward, is generating frustration within the donor community. The format of government presentations, with little time for discussion, is not useful. Various donors are willing to give the process more support if it becomes more interactive. For this to happen, the issues that need to be resolved include:

- greater involvement of project technical staff to summarise and extract lessons applicable to the ministry;
- the technical task forces that have been set up should not add another layer of responsibility and work on already overburdened project staff;
- the need for a creative and dynamic coordination process that involves adequate preparation and follow-up;
- the need for at least two plenary meetings a year with a clear agenda focusing on one or two key issues, which would allow discussion; and
- the need for outside expertise and resources to support and guide the task forces.

A set of guiding principles and procedures to enhance the effectiveness of the ISG and similar sectoral coordination mechanisms is needed. A donor-supported evaluation of the MARD ISG experience is underway, and should lead to more effective use of this important approach. Regularly spaced evaluations will also be needed so that improvements and adjustments can

be continuous. Further, MPI's capacity to provide overall coordination of ODA needs to be built up.

## Need for Information Sharing

Some progress on information sharing is being made, with e-mail services and the internet greatly facilitating sharing between projects and within government agencies. Phase 2 of the Vietnam Capacity 21 Project within MPI, for example, is planning to establish an internet home page so that key papers on project activities can be widely distributed.

VCEP is developing a demonstration internet site that will be accessible to all project participants in Vietnam and overseas who have a password. Once the site is up and running, it may be opened to the public. Costs are the main impediment to regular use.

Many problems remain. A World Bank official stated that, in his view, "the financial crisis facing Vietnam is very serious, but much more serious is the information deficit". Information on environment projects with similar objectives such as VCEP, SEMA, and the Dutch and EU EIA training programmes is not actively shared within government, leading to duplication of effort and wasted resources. Nor are government agencies taking the initiative in convening regular meetings of environment project teams under their management to facilitate information exchange, cooperative activities and the sharing of expertise.

Sharing of documentation in the project preparation process is inadequate. Donors and government have not paid enough attention to project documents, to ensure that material is available in both English and Vietnamese. Donor funds and procedures to provide assistance in this tend to be inadequate. Some donors take the unhelpful stand that government should provide this service through its own resources and initiative.

This has led to the situation where there have been a number of cases in the natural resource sector where project preparation has been well advanced when fundamental conflicts or overlap between different donor project objectives have been uncovered by chance.

Three recent examples illustrate this situation. In the first, the Danes were developing an integrated watershed management project in Nghe An province at the same time as the French and EU were undertaking feasibility studies for a dam in the area. In the second instance, the EU found that the World Bank was negotiating a major poverty alleviation project very similar to its own initiative in the same provinces which, after two years of preparation, was about to be approved in Brussels. A third case relates to Con Dao Island, where the Danes are supporting a project for the conservation and management of a marine and terrestrial park. At the same time, a major ADB loan to the fisheries sector has resulted in a fishing port being planned for the island, excised from the park, which would have a significant environmental impact on, and management implications, for the park.

It seems as if government priorities in the areas concerned were neither adequately enunciated or communicated to the donors; nor was information on project activities in the same geographic area forwarded to the donors by MPI. Also, collaboration between donors is weak and lack incentives to improve this situation (in fact there are built-in disincentives to collaborate).



## The Special Role of Non-Governmental Organisations

International NGOs and a growing number of national 'NGOs' are making an increasingly important contribution to this sector, particularly at the local level.

All NGOs are required to register with the Committee for NGO Affairs – a government body supported by the Vietnam Union for Friendship Organisations – and 234 international ones have done so. Since there are NGOs that come and go in support of various activities that do not register, the number is probably much higher. The key body responsible for NGO coordination within the Union is the People's Aid Coordination Committee or PACCOM.

It is PACCOM that acts as the NGO counterpart in all formal ODA procedures. PACCOM must ensure that the usual process of initiating all new ODA projects through MPI is followed. MPI then identifies the appropriate local implementing partner in the Government. Many NGOs remain confused by this procedure and question the efficiency of what they see as another layer of government red tape.

In 1993, an NGO Resource Centre was established with donor help to facilitate the work of international NGOs. It functions primarily through membership subscriptions and there is a strong argument for more consistent donor backing. It has not yet evolved into an umbrella organisation for international NGOs but does provide a valuable information clearing house and catalytic role.

The Centre publishes an annual directory of international NGOs in English and Vietnamese. Of the 234 NGOs appearing in the directory, 26 specify 'environment' as a key programme priority. Six can be classified as 'conservation' organisations working in conservation policy, protected areas and associated buffer zones: IUCN-The World Conservation Union, World Wide Fund for Nature, Flora and Fauna International, BirdLife International, the Australian Association for Research and Environmental Aid and the Frankfurt Zoological Society.

Whatever their priority area, many of the international NGOs in Vietnam work to achieve sustainable resource use and enhanced environmental quality. A few have an annual budget of over US\$ 1 million but most operate on well below US\$ 500,000 a year. With some exceptions, they are not donors in their own right but tend to be used as a vehicle for the disbursement of aid and technical support. Their focus is the provincial and district levels, often with no direct link to the national Government. Assistance is through hands-on community work, through partnership and joint initiatives.

The arrangement is different for the small but growing number of Vietnamese NGOs. Officially, the Government has not yet allowed the creation of national NGOs but there are more than 20 institutions working in the environment sector that are not a part of mainstream government. They are the closest to what would be considered NGOs in other countries, and allow staff from government agencies and research institutes to provide services on a commercial basis. Some environment NGOs are set up officially as professional associations under the Vietnam Union for Science and Technology (Box 10.4).

An important limitation of these local institutions is their lack of strong secretariats. There is a wealth of expertise available in Vietnam that can provide the necessary technical inputs to NGO activities, but management capacity and organisational structure is generally weak.

Local NGOs can play a central role in awareness and education activities. Also, they have a key role in research and field studies and have managed such activities well. However, their great potential to support government in policy development and in the delivery of ODA projects at the local level has yet to be developed. Many donors have small funds available for NGO support, and are helping to build their capacity.

There is a need to broaden the dialogue between donors and NGOs. Existing opportunities include the International Support Group for MARD; monthly donor meetings where NGOs have two seats; various sector groups and ad hoc donor meetings in which NGOs participate. Yet there is a feeling within the NGO community that these forums could be more effective, and that additional channels are needed to communicate grassroots lessons from NGO experience up to the policy level. A systematic process needs to be put in place that would capture the information and lessons accumulating within this 'sector'.

There is wariness among NGOs of the move by some donors towards large environmental projects on a national scale. They feel that local-level lessons challenge the relevance of six figure budgets and that small catalytic inputs are essential. Local development requires a consistent, low level of resources over a long period. They



## Some National Environment NGOs

**Ha Noi Research and Training Centre for Community Development (RTCCD)** is a relatively new centre that has undertaken research on wildlife use and trade, and on community aspects of resource management. The centre has some permanent staff, including a full-time UN volunteer.

**Centre for Resources Development and Environment** is the focal point of the Global Water Partnership in Vietnam. The Centre has a few core staff members and works mainly through MARD.

**Centre for Environment Research, Education and Development, (CERED)** has been undertaking research on climate change issues in Vietnam for a number of years, and is the focal point for the International Geosphere, Biosphere Programme. The Centre mainly uses scientists from other institutions, and has close working links with CRES and the University of Science in Ha Noi. CERED collaborates with the University of East Anglia, UK. The small secretariat is part-time.

**Institute of Ecological Economy (ECO-ECO)** is an organisation that helps local communities in regenerating degraded ecosystems through agro-forestry activities. The institute's 'ecological village' concept

has been introduced in ten locations throughout the country. ECO-ECO has a small permanent secretariat.

**Environmental Protection Centre (EPC).** This institute is located in Ho Chi Minh City, and was established in 1984 as the Vietnam Institute for Tropical Technology and Environmental Protection. It operates as a private service company and is the most prominent environmental consultant company in southern Vietnam. EPC is a leading consultant in EIA, pollution surveys and environmental studies. It also acts as a training institute and is one of the environment-monitoring institutions of MOSTE.

**Vietnam Association for Conservation of Nature and Environment (VACNE)** is a professional society affiliated with MOSTE. VACNE publishes Green Vietnam magazine and is active in training and environmental awareness activities. VACNE has no full-time secretariat, but relies on staff from MOSTE to assist in its operations.

**Vietnam Forestry Association (VIFA)** is a similar group, affiliated with MARD. VIFA carries out training and awareness activities and studies on forest use and management. VIFA has no full-time secretariat, but relies on staff from MARD to provide backup support.

worry that the mega-project approach leaves less room for a large number of smaller projects. The increasing emphasis on decentralisation and working directly at the local level is welcomed – it is here that NGOs are strongest (Box 10.5). NGOs have a comparative advantage in taking a broader perspective in which environmental concerns are a fundamental part of poverty alleviation.

For these reasons there is much to be gained by using NGOs more extensively as intermediaries and facilitators in ODA activities, and as project-implementing agencies. Also, their experiences and expertise should be better exploited in planning and monitoring as well as evaluation of environment programmes. Data on NGO programmes in the environmental field should be included in the information systems of the Government and UNDP, to be available for use and analyses. NGOs should be officially represented in International Support Groups, similar to the evolving forum in MARD and other task forces established to promote coordination and sharing of experience.

## NGO Strengths and Weaknesses

Some NGO strengths:

- they are flexible and can adjust their approach to suit the need and changing circumstances;
- they use a relative high level of local management and technical expertise and low level of international input;
- they offer good value for money, that is, they are relatively cheap);
- they view their relationship as long-term, and tend to function at a pace and scale that can be accommodated by local institutions;
- they seek and often achieve a high sense of local ownership over their projects;
- they are particularly effective at building local capacities outside government; and
- they often work in the Vietnamese language and tend to show a high

degree of sensitivity to local cultural values.

Why NGOs may not have a comparative advantage:

- because they focus on the local level they lack links with central agencies, such as MPI, and therefore, the potential for replication of their work in other areas is less;
- they are often disengaged from key policy innovation at the central and provincial level; and
- some donors are finding that their relations with NGOs take more time and management than private consulting companies – they are concerned that NGOs tend to be less disciplined when it comes to reporting and keeping on schedule.

## Understanding Cultural Biases

Working links between government and donors are becoming more effective as exposure to and understanding of the cultural basis of the relationship grows.

Aid, like any other human interaction, operates on the basis of assumptions on both sides. Many problems encountered in aid delivery stem from assumptions not being articulated, with the result that each side operates from a different and often incompatible mindset (Box 10.6).

The comments of government officers on difficulties in ODA negotiations in the environment sector has led to the identification of three ingredients that they value highly in their counterparts:

- well established and tested relationships;
- continuity in the individuals involved; and
- a demonstrated knowledge of Vietnam and its institutions.

If these ingredients are present, a more direct and open form of interaction is possible. If they are not, impediments can arise quickly. Government officers became concerned for example, over the constant changes in the ADB Manila desk officers with responsibilities for Vietnam. When refusing to see yet another international project development mission, one senior Vietnamese official said, “we do not have the time to train these internationals”.

The overall lesson is the importance of formalising understanding of cultural differences as they arise, so that bridges can be built between the sets of assumptions that both sides bring to the table. If the Vietnamese approach

## Misunderstandings in ODA relations

The following quotations from frank interviews with government officials and foreigners with long experience of working in Vietnam provide interesting insights:

In project negotiations:

- “Courtesy demands that I not disagree with you”.
  - “In a relationship of mutual respect you cannot say ‘no’.”
  - “Many terms can be used to infer ‘no’ – even ‘yes’ under some circumstances. A common way of expressing the negative sensitively is, ‘That is going to be difficult’.”
  - “The Government has difficulty in saying
- ‘no’ when it disagrees with a project design element – they prefer to agree, then fail to cooperate.”
  - “Never assume that what was said is what will happen – you may need to come at the issue a number of ways on a number of occasions with different people to obtain a clearer picture of what was agreed”.
  - “To government officials, the agreement may be the beginning of negotiation, to the donors, it may represent the end”.
  - “A contract is just a legitimisation of the negotiation process, not necessarily the end of it”.
  - “Seniority and status is everything”.

is to be given equal respect, then donors need to question the common assumption among their staff that, “if it is going to work, aid must be delivered on Western terms only”. Is the cultural adjustment that has taken place to date a one-way street?



PART 3



# Lessons Learnt

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## CHAPTER 10



# Cross-Cutting Lessons

**T**here is a wide range of issues that impinges directly on the effectiveness of environment ODA, but which are not specific to it. They impact on all forms of development assistance and relate to the overall approach of donors and the Government in managing their relationships. They also frequently concern donor-government policy, procedures in the donor country and the general efficiency of government administration in Vietnam. An analysis of environment ODA is not complete, and could be misleading, if these underlying and influential factors are not identified. The good news is that to a greater or lesser extent, most of these factors are being tackled as important areas of reform. However, environment ODA managers will need to monitor improvements in their own field against progress on the wider front.

The factors influencing ODA in general are discussed here.

## Administrative Reform

Many of the issues raised in this report are affected by how well the overall system of government in Vietnam is functioning. It would make no sense at all to expect improvements in many areas of ODA delivery unless the machinery managing it is changing in unison to meet the needs. In the past decade, Government has undergone extensive reform and the pace and scale of this change is increasing.

The government is acting on the belief that to achieve sustainable development, the administrative system must be increasingly open, honest, competent and staffed by fully committed public servants.

In 1995, the Eighth Communist Party Plenum launched its first public administrative reform programme to be implemented by all



provincial governments and ministries. It recognised that economic and social reforms are dependent on an effective administration and that this will require substantial reorganisation. Achievements are already evident in four areas.

**Improved administrative procedures.** For example, those relating to foreign investment licensing, import and export arrangements, and housing and land management.

**More efficient administrative structure.** Important steps have been taken to consolidate and rationalise public service. Twenty-seven ministries were reduced to 22 and some progress has been made in separating functions relating to policy and business management. Each ministry once operated state enterprises, but now a number of large independent corporations have been established.

**More democratic and professional civil service.** One difficulty has been in clearly defining the categories of administrators that make up the civil service. Currently, there are more than 1.2 million civil servants, including those in unions, the party structure and the main social groups such as the Youth Union. Legislation that clarifies public service staffing, procedures for recruitment and job descriptions has been prepared and debated over.

**Initiatives against corruption.** The National Assembly and the Government have launched a programme to combat corruption at all levels of government. This outspoken initiative recognises that the effectiveness of new policies and institutions is being fundamentally undermined by a lack of clear and universally applied moral standards in government business.

Challenges do remain. Institutional and administrative arrangements that promote working links between ministries, regions and local governments are lacking. Despite efforts to simplify institutional arrangements, outsider understanding of 'the system' and the ability of the administration to respond quickly and efficiently is limited. Procedures are cumbersome, administered by a relatively large number of staff at low levels of remuneration. Enforcement of laws and regulations is neither strict nor consistent, adding further to the uncertainties and unpredictability of administrative decision-making.

Public servants do not prepare regular work plans against programme objectives or collectively review progress. This lack of month-to-month planning and review creates a 'crisis' mentality to work, which often distracts officials from higher priority tasks and longer term planning objectives.

All this means that government institutions still tend to be closed to the public. This trend is changing rapidly and if it persists, it is more by default than intent. The structures and procedures for facilitating the involvement of outside groups are neither in place nor well understood. The National Assembly and the People's Committees at various levels do provide the first institutional base for better engaging the community, but they need to be well supported in fully realising this role. The role of non-government groups in meeting sustainable development objectives is also in its infancy.

This is one of the most challenging but important aspects of sustainable development institution building in Vietnam. Progress in this field will affect progress in all others.

## Donor Country Programmes: Who Sets the Priorities?

Today, more donor country programmes are being defined through partnership between donors and the Government. The most successful environment projects have been those that have been identified by the Government.

The importance of priority setting is well appreciated throughout the government and the donor community, but in practice there are no overriding standards or procedures for this task. Donors can be placed in a widely scattered fashion, along a spectrum running from scrupulous attention to government priority setting processes at one end, to adherence to an internally driven agenda at the other. Part of the problem rests in the degree of clarity and assertiveness of the government's own priority setting procedures.

Most donors are guided in their priority setting by the draft reports of international and national consultant teams, which provide the basis for a more or less attentive dialogue with the Government. Yet, even strategies developed with a strong component of national participation, adopted and 'owned' by the government, have only a limited influence over the portfolio of projects that follows.

This is changing slowly. Donors are increasingly taking government priorities as the basis for their programmes, but since the dialogue with national counterparts is a two-way process it is often difficult to determine whose priorities predominate. The value of donor country strategies lies more in the process through which they are prepared, for the relationships they help build, and for their awareness raising impacts.

A number of guiding principles arise from the experience with environment ODA:

- needs and priorities should be identified primarily by the Government;
- the Government should take the initiative in the entire process, from formulation to implementation and evaluation. Donors should provide technical assistance and satisfy their own requirements but these should be coordinated with the Government and engage national experts;
- it is entirely valid for donors to bring their own priorities to the negotiating table and to attempt to persuade the Government of their importance if these do not appear to be consistent with national priorities. The Government can always refuse to accept aid if it is not comfortable with the proposed objectives. Donors can continue to play an essential role in helping the Government reach a balance between economic and social sector priorities and those of mounting importance in the environment field. Pressures on the Government to meet immediate economic and social development targets can be overpowering.



On the other hand, for some donors the consultative process has some way to go before it moves from tokenism to a genuine engagement with the Government over the setting of priorities.

Similarly, government investment strategies tend to lack clear justification and be too general; more feasibility analysis is needed. For example, in late 1998 when MARD presented its strategy and programme to donors it failed to attract support because people were not convinced that it had been sufficiently thought through. This experience shows that though the adoption of a strategic and integrated approach to ODA contributions is recognised, there is limited capacity for analysis and priority setting. Consequently, strategies are neither realistic nor well articulated – ODA support to this vital area would help.

## Getting the Policy Context Right

There is a growing realisation that unless the policy context is right, environment ODA will fail or lead only to localised benefits. There is little point in promoting environmentally responsible behaviour if all incentives in the system favour behaviour that is unsustainable environmentally. Much aid has been focused on specific facets of the environment, with little attention paid to understanding whether the policy context is favourable or unfavourable, and whether there are ways in which it could be made more supportive of project objectives. If policies, laws and procedures are designed to provide the right incentives and controls, aid to the environment will become less urgent. If not, then present efforts to build environmental awareness and to promote good practice will have little impact.

The donor community has paid considerable attention to supporting Vietnam's transformation, and increasing stress is being placed on helping cope with the social and environmental consequences of rapid market development. More ODA is needed to help government shape the overall policy context, to ensure that it promotes sustainable and environmentally favourable practices.



Take MOSTE's Science and Technology Strategy (Box 10.1). Are environmental concerns being built into this strategy? Given that Vietnam's environmental management systems are still in their infancy, did the Canadian support team pay sufficient attention to the environmental affects of this policy? For even within MOSTE, science and technology policy may be considered in isolation of the environment.

There are cases where the content of the policy advice was right but the process did not respect government pace and procedures. CIDA's experience in supporting the NEAP – largely prepared by an international team but never adopted by the government – shows the importance of national agencies maintaining the principal steering and formulation roles if policy reforms are to succeed.

Also, policy cannot remain static. Each province has a five-year master plan; but if funds are not available for annual revisions, the plan becomes increasingly irrelevant as market forces and opportunistic development become the main impetus shaping the environment. Instead, the planning process tries to keep pace with reality.

## Science and Technology Strategy

MOSTE's Strategy is seen by CIDA as a useful model for ODA support to policy reform. A high level international advisory team was brought in to share experiences from other countries on the basic ingredients of a S&T policy. This was followed by a study tour for key policy-makers. MOSTE then conducted some 350 consultative meetings throughout the country, leading to the preparation of a draft strategy by the ministry. CIDA came back into the picture and arranged for a 'challenge

process' in which the international team was brought back to provide feedback and to stimulate discussion on the draft. The ministry later submitted its final strategy to the government for approval.

CIDA's guiding principle in this case is: "we will stimulate but not lead the policy process". The Government has now requested CIDA to support a similar process in developing an education strategy.

## Development Planning is Undergoing Reform

The development planning system is gradually changing to allow broader coverage, greater flexibility, more cross-sectoral links, decentralised management and planning at the regional levels.

While incremental reform is gradually changing the way planning is done, many obstacles to sustainable development remain in the planning process. Many of these reforms can be placed on a continuum. For example, efforts to devolve planning will move the system from highly centralised to highly decentralised. The Vietnamese approach of 'step by step' or gradual reform will mean that, at any one time, imbalances will remain particularly in the early stages. All the same, if these obstacles are kept firmly in mind it will allow for regular adjustments in attempts at reform.

What is still lacking is planning legislation, a comprehensive framework of law for development planning and its absence is a serious impediment to sustainable development. First recommended in the National Conservation Strategy in 1985, repeated in the National Plan for Environment and Sustainable Development in 1991, and again in the Biodiversity Action Plan in 1994, such a law would set out the principles of sustainable development, define the roles and responsibilities of each government level and lay down planning procedures.

Planning is still centralised. Apart from the five urban centres that have been granted authority over master planning in their area, the centre has the ultimate authority over planning throughout the rest of the country. This system does not formally recognise the roles and authority of the other levels either within the constitution or in recent legislation. Uncertain of their exact responsibilities and authority, local planners are often reluctant to take the initiative to test ways of making the new system work effectively. This influences efficiency in the range of decisions where discretion still rests with central government. Crucial planning issues such as the classification of land type and use, negotiating management arrangements over land allocation to local communities, and the determination of rights of tenure, all lack well defined authority at the local level.

One of the problems is that much of the detailed regulatory framework and administrative procedures needed to implement legislation is not in place,

leading to confusion and uncertainty among local planners. Innovative planning instruments such as local plans and the red book system of land allocation under the Land Law, are being applied without adequate supporting guidelines.

Situations frequently arise where the development plans of a province and the various sectors operating within it develop conflicting strategies for the use of particular areas and resources. While arrangements for collaborative planning exist between sectors, between provinces, and between sectors and provinces, they are weak and ineffectual. These links do not have the weight of legislation behind them nor are there any incentive mechanisms to promote them.

Regional socio-economic planning, which links provinces with similar characteristics or mutual economic interests, has no legislative or institutional base. Responsibilities for preparing the plans is highly centralised and implementation is divided between sectors and provinces causing a loss of regional integrity. How regional environment plans under the Environment Law will relate to MPI's regional planning functions is yet to be determined.

However, as market forces begin to shape development, centrally determined targets are not always reflecting the increasingly dynamic changes occurring at the local level. General long-term prescriptions for environment management, for example, are not being picked up and expressed in the form of specific targets and activities in local annual plans. One reason is that planners are not sure what they should be aiming for in practical terms.

## Decentralising ODA

Decree 87/CP, of August 1997, and Circular 81 represent very important steps forward in clarifying government roles and responsibilities in ODA. They lay the foundation for more decentralised decision-making to the provincial and local levels in all aspects of the ODA project cycle. A number of donors have indicated that their initial ventures direct to the provincial level have been a good experience. They found that integration through project committees was easier to achieve than in cases where resources were channelled through the centre.

There have been a number of lessons in this respect:

- with the increasing dominance of large-scale loans in ODA, certain central level agencies have become somewhat complacent in their management of grant ODA;
- the power of provincial authorities to negotiate and enter into ODA agreements remains ill-defined;
- there appears to be a clearer commitment at the local level to substantive issues and to ensuring that ODA addresses these issues;
- using NGOs as intermediaries at the local level is growing and, on the whole, is proving to be a positive force in facilitating decentralisation of ODA;
- capacities vary greatly from one province to another and, in some cases, management capacity building should come before technical support programmes;
- the issues tackled by the first project should be manageable – supporting fishermen to shift from near-shore to offshore fishing is not a good example of a small project at the district or provincial level;



- large-scale projects need to be broken down into smaller components that can be managed by different agencies. Many donors are finding that there are too many layers between the centre and the target beneficiaries in rural development projects that are impeding progress in delivery. They would prefer to work directly with provincial and district governments; and
- while the trend to decentralise ODA is a positive one, government and donors in particular must be sensitive to the potential for fragmentation and overlap. The importance of building effective links and information flows between the centre and the provinces cannot be overemphasised.

To address an earlier point, there are a number of reasons why grant ODA may not be taken as seriously as loans at the central level. First, senior government officials have proved to be very sensitive to the fact that extremely high proportions of grant funds go back to the donor country. Figures of 60 to 80% were quoted and are, in fact, common. Second, despite recommendations of the donor group to the contrary, equipment purchase and international expert contracting continues to be tied to the donor country (unlike their central counterparts, local officials with fewer resources tend not to be as sensitive to these points). Third, feedback loops do not reinforce good ODA practice in government. Donors may complain about the many well-recognised problems in aid delivery but commitments keep coming in nevertheless.

The situation with loans is a different matter – they must be repaid.

## Shifts to Nationally-Led Implementation

Approaches to project management fall along a continuum from tight financial and technical control by international teams to substantial hand-over to government implementing agencies. Over the four years from 1995, there have been concerted moves from most donors to test various elements of nationally led implementation.

While there is universal consensus on the goal of national execution, there is little agreement within the Government and the donor community on the



pace and form that it should take. Vietnam's experience with managing large ODA programmes is still limited, and associated institutional capacities and procedures are not in place. What should be a gradual and long-term process is often being pursued too rapidly without adequate appraisal of the recipient's institutional and human resource capacities. For example, there are concerns that the large World Bank/Danish coastal wetlands project that will follow Bank procedures may be moving too fast, and that it will suffer the same difficulties and delays facing the ADB forestry project.

There are also moves to pass the negotiation of contracts associated with ODA grants to Vietnamese implementing agencies. This has always been the case with loans, but rarely with technical assistance grants. A recent case is the US\$ 1.5 million component of the Vietnam Capacity 21 Project, which is being managed entirely by MPI's Department of Science, Education and Environment. This is the first time UNDP has handed over this responsibility to a Vietnamese counterpart. Other agencies, particularly the Banks, are doing the same and there are two reasons for this trend: first, a lack of staff within the donor agencies; and second, a desire to push ahead with the national execution process.

Some donors have found that it is difficult for government to manage private sector contracts. There is a need for vigilance to ensure that the private sector is not providing project inputs that are unnecessary.

Danida is testing various forms of direct disbursement and has the support of a full time in-house accountant to provide training and back-up to the recipients and to perform ongoing audits.

There are many questions which both government and donors will need to address on the wisdom of too rapid a move towards national execution including:

- the potential, in the absence of adequate procedures, to reinforce the responsibilities for aid in too few hands;
- the potential to reinforce centralisation of decision-making;
- the danger of greater opaqueness in the way ODA projects are operated;
- the danger of handing over the leadership on technical assistance in a situation where many areas of intervention are new to Vietnam, and in which experience and capacity is limited; and
- the fact that aid is still too tied to the purchase of goods and services in the donor countries, for real national execution to have much meaning.

## The Role of National Project Staff and International Experts

National project staff members are beginning to have a more assertive and influential role in project management, especially in NGO programmes. Equally, more international experts and organisations are acquiring practical experience of working in Vietnam on environmental projects, which is improving the quality of this form of technical assistance.

The calibre and full-time commitment of national staff plays a pivotal role in project success. In many past ODA projects, vice ministers or other high ranking officials were identified as National Project Directors, even though they may not have had the skills or time to give to the project. Inevitably this had led to bottlenecks with even the most rudimentary decisions going through the NPD.

Despite the growing influence of national staff, international experts still wield major power in all stages of the ODA project cycle. This is particularly true for the activities of the Banks and multinationals. Vietnamese experts seldom lead, for example, design or evaluation missions. Project evaluations by government and donors are usually conducted separately, and government documents are not shared with the donors. The NGO community lays much greater emphasis in promoting the role of national experts.

There are now more than 300 international NGOs and 100 bilateral and multilateral development agencies operating in Vietnam. This means that there are five to 10 organisations for each province of the country. This is both a problem and an opportunity for sustainable development. It is a problem because of the increasing demands being placed on government to interact effectively with this resource; and these organisations can drain the government of professionals. It is an opportunity in that they provide a rich training ground for national staff and introduce the diversity of approaches and resources needed to help tackle the many environmental problems the country faces.

## Ownership

There is now sufficient environment project formulation experience to suggest two principles to maximise ownership: those who are to implement ODA projects should design them; and those who are to implement them should negotiate the project document and implementing arrangements with the supporting international agency.

ODA projects succeed when there is a sense of ownership on the part of the recipient. This does not only mean a sense of ownership by the counterpart agency in the central government. It means ownership by the stakeholders of a project or programme – it is not enough for a rural development project to be ‘owned’ by district officials, if the intended recipients are local farmers.



One of the problems of ownership has been that provincial and local government agencies are not always involved in the ODA project design and negotiation. Hence, projects may not address the issues that are viewed as priorities by the local implementing agency; equally, performance expectations may be beyond the capacities of those agencies to deliver. The design process has not always adequately assessed what can be achieved within local limitations.

Take the example of the JICA solid waste management project for Ha Noi. The negotiations were with MPI; Ha Noi DOSTE was not really involved and were handed over the project as a fait accompli. Consequently, the project has continued at some distance from the DOSTE.

On the other hand, the 1993 Sida environment study in Ha Noi was designed and undertaken through a group of provincial officers – it was successfully implemented with the full commitment and involvement of the local authorities.

## Project Flexibility

An important part of providing ownership is to make projects flexible to respond to national circumstances. There are various ways of providing flexibility. One is through a well-defined process of regularly reviewing project objectives and implementation experience against government priorities. The other is through special funds that can be used by the steering committee to address priorities and important issues as they arise. These funds are particularly useful, because not all issues of importance to a project can be foreseen in the design phase.

For example, the Vietnam Canada Environment Project includes a CD\$ 1 million Special Project Fund, which has proved to be particularly valuable in facilitating project implementation. Its use is decided by the project steering committee annually. Similarly, the first phase of the Strengthening of the Environmental Management Authority project included a small fund that supported the capacity building and institutional linkages essential to effective implementation. Inputs can range from special training opportunities to the provision of expert services and information and can even involve new initiatives.

The Swiss, UNDP and MPI have included a substantial project support fund and a local environment fund in Phase 2 of the Vietnam Capacity 21 Project. The funds will be used at the discretion of a project management committee on the basis of needs identified with recipient agencies as the project progresses.

Another approach to the flexible funding facility has been the establishment of small-scale funds within donor programmes. Sida, for example, has an environment fund that is simple to access and supports NGO initiatives; it has had encouraging results. The Canadians have a flexible fund, which has been applied primarily to providing expert support in policy development, again with positive results.

The challenge now is to ensure that donor agencies' flexible funds better support areas in the environment sector that are not receiving attention; and that there is the potential for these kinds of funds to be better integrated with ongoing projects.





## The Language of ODA and Sustainable Development

Most environment projects include a language training component, but usually as an ad hoc add-on, once implementation is underway.

This leads to the single most common problem cited by international teams: that translation and interpretation services in environmental projects are limited and of poor quality. The pool of qualified Vietnamese interpreters well-versed in environmental terms is very small, with the result that concepts are not clearly expressed in translated materials and at training workshops, leading to confusion.

Language is at the heart of many difficulties in donor-government interactions. But this is a symptom rather than the real problem: key terms in the environment sector, the jargon of sustainable development, is understood and interpreted differently. Understanding of concepts such as 'planning', 'strategy', 'good housekeeping', 'monitoring'; 'environment' and 'sustainable development' differ and lead to deep-seated misunderstandings about the objectives of ODA projects. The UN National Execution Manual is a good example of the kind of unnecessarily complex jargon used. Concepts such as 'tripartite review', for example, leave many government ODA managers and their international technical teams bewildered.

## Government Contributions

Overall, government contributions in kind and in cash to environment projects are increasing, though some problems do remain.

Most government agencies working with donors have no discretionary funds and cannot carry their own costs in implementing ODA projects. They have to look for money elsewhere and can usually obtain government funds for capital investments but not for discretionary use. As a rule, the government is prepared to commit around 10% to the budgets of 'hardware' projects but is reluctant to commit funds to those with soft objectives. When committed, funds invariably arrive late, disrupting implementation plans. Also, project



executing agencies often ignore the government's fiscal year and submit their requests for contributions very late – with the result that requests may be budgeted in the next fiscal year and not disbursed until late in that year. This is particularly a problem in grant ODA.

There is also the problem that donors lack an understanding of how government contribution procedures work. There are no guidelines available, for example, that set out how contributions are determined for a project and the categories of items that the government is prepared to pay for. For example, in a Danida supported project on water supply and sanitation, the ratio of donor to government contributions was agreed at 4:1. The project document was signed, and only then did negotiations on who should pay for what began. Often the details of what equipment and activities will be covered by the government are not clearly defined in the project preparation process, leaving room for misunderstanding and unmet expectations on the part of donors and delays in project implementation.

Government contributions, may also be small. In a number of CIDA projects worth US\$ 10 million, the government contribution has been around US\$ 20,000. Even then it has been difficult to determine whether that contribution has been made.

International project teams have tended to overlook failures in the delivery of government contributions for the sake of maintaining good relations and project momentum. Consequently, systems of accountability on this issue are lacking and follow-up by donors ad hoc and half-hearted.

The general practice has been for government contributions to grant ODA project to be in kind. This has been a constant source of frustration for National Project Directors who have pressed for greater financial commitments, and particularly for follow up financing once a project has been completed.

## ODA Absorptive Capacity

While environment ODA remains a relatively small proportion of total ODA, it has increased five-fold since 1992 and is set to increase dramatically, primarily through the provision of loans.

The World Bank and the ADB are likely to become the two most important sources of ODA to the environment sector. A reduction in Japanese aid over the next few years due to their domestic economic situation will leave the World Bank and then the ADB as the two top donors by a large margin. This, and the fact that they will bring soft loans, will rapidly change the role of ODA from being a supplement to government programmes to being a major driving force in shaping and supporting programmes. While this presents an unprecedented opportunity to help reform policy, institutions and implement government objectives, there are those in the government and the donor community who are concerned about the scale and pace of this form of loan ODA to the environment sector. The government is keen to attract loans to infrastructure development but has more difficulty using this type of ODA to support soft sectors in which the economic returns are indirect or intangible.

Most bilateral donors are concerned about the World Bank and ADB proposals to channel large amounts of cash into local communities. Some comments are:

- “it will not work”;
- “what are the potentials for major increases in the pace of income generation when rural populations are increasing, land per capita is diminishing and resources are being depleted?”; and
- “there is room for investment in schools, roads and basic infrastructure but only so much can be absorbed on hardware, and capacity building requires long-term and low-level investment”.

The absorptive capacity for rural development is very limited.

Experience with the initial wave of loans suggests that for maximum effect:

- loans should be implemented over much longer time frames of 10 to 15 years;
- there should be an emphasis on providing grant TA components to build policy, institutional, procedural and human resource capacities associated with effective implementation, particularly in the initial one to three years;
- increasing emphasis needs to be given to the use of national companies and NGOs in delivering technical assistance.

Projects are not always developed in a way that matches and helps build the institutional capacities of the recipient organisation. Often a project concept should have been scaled down and reworked to include much more up-front institutional strengthening activities. Few donors have methods for undertaking institutional analyses to fully assess a potential organisation's strengths and needs (Box 10.2).



## Preparing the Ground for Major ODA Projects

Like good gardeners, donors and government need to prepare the soil well if they wish to have a successful return from major projects. Without adequate attention to the preparatory period, much ODA may be wasted. It can even do damage if too much is applied too quickly.

There are some essential steps and principles to follow in getting the project etiquette right in a local area before large investment programmes can be successfully mounted. The preparatory period may take one or more years – it is not something to be rushed.

There are four steps: institutional and community analysis; environmental analysis; pilot activities; and participatory design.

### 1. Understand and build on local communities and institutions:

- this is not as easy as it appears. It involves defining what the district and provincial administrations undertake and understanding their limitations. The sustainability of future new initiatives will depend on building local institutional capacity;
- identify and build working relationships between local government and communities;
- define how much local communities can reasonably undertake, what capacities are needed and can be built up. This requires thorough and sensitive community research and an understanding of socio-economic conditions; and
- clearly understanding the local political dynamics and structures, and working within their limitations.

### 2. Work with the community and local authorities to understand the environmental context.

Who uses what, how much and what is the impact? Environmental assessment needs to be implemented at the same time as the social research. The key ingredients are:

- assessing the state of the environment (the condition of the natural resources and the environment);
- determining community resource use patterns (who uses what and when);

- understanding the history of resource use to determine rates of use (how much is used);
- defining a set of indicators and monitoring how the environment is changing; and
- determining community perceptions and attitudes to natural resource use and conservation.

### 3. Exercise and build local capacity through pilot activities.

- Pilot projects need to:
- be diverse in approach (don't impose models, for every area and situation is different);
  - decentralise and devolve authority;
  - start simple – don't be too ambitious;
  - be specific – start by tackling specific issues and build from there. Don't try the full integrated approach from the outset for it will fail;
  - be flexible – adjust priorities to accommodate needs as they arise (the needs of both the environment and local people);
  - record and reflect on experience;
  - monitor the impact on natural resources and environmental quality (through a quarterly or six-monthly statement of environmental conditions); and
  - monitor project sustainability (including social impacts and institutional and technical sustainability).

### 4. Participatory design of a larger programme.

The intent of this process is straightforward – to involve pilot project participants in defining the nature and extent of a larger programme. This collaborative process needs to take six months or more depending on the anticipated size of the programme. It should:

- be community based;
- foster cross-sectoral and cross-cutting levels of government cooperation;
- build on what has worked and on lessons learnt through pilot activities;
- build in contributions by local communities and government to ensure local 'ownership' of the programme; and,
- seek a programme that gradually scales up through a number of small but linked activities and cadres.

Absorption capacity is as much a problem for donors as it is for the Government. Some donors are suffering from overload and a lack of capacity in managing programmes with a large number of projects. There is a trend, for example in the EU, CIDA, SDC, towards fewer larger scale projects, a more focused approach, and channelling funds through multilateral agencies and international NGOs. These trends may well compound the capacity problem for some government agencies.

## Government Procedures for ODA

Decree 87 and Circular 81 represent major steps forward in clarifying government procedures for ODA. But they need to be followed up. Failure to understand and follow the formal government ODA approval procedures will lead to delay and, possibly, unexplained obstacles in project approval and implementation.

Donors are learning that, to be implemented smoothly, an ODA project cannot have more than one agency as a counterpart, reversing past trends that have tried to achieve integration across ministries by identifying more than one counterpart. Intersectoral competition and the emphasis on mandate has undermined this way of approaching the problem. Moreover when mandates are not clearly defined as in the case of marine and coastal management, consultations will be needed before institutional arrangements can be arrived at.

In the case of national level projects, MPI must select the counterpart agency: in some cases when projects have been submitted directly to a donor by a proponent agency, the process has not gone smoothly. One example is the NEA proposal on generating revenue from biodiversity resources submitted to the Danes. The donor responded favourably but not MPI, to whom the project was submitted for endorsement. MPI raised the issue of procedures with the Danes. When the Ministry did agree to support the project, the Ministry of Health was designated as the government counterpart agency. MPI pointed out that, while overall biodiversity policy

### BOX

10.3

## Institutional and Management Issues

Some management lessons are repeated so often by international staff on environment ODA projects that they need to be revisited, even though to many in government and the donor community, they will have a familiar ring:

- salary levels for national project staff vary greatly from one donor agency to another. This has a disruptive influence on staff continuity;
  - the process for selecting project staff often leads to individuals being hired who are not suitable for the jobs; this tends to happen more in nationally executed projects;
  - 'full' time staff frequently work less than
- that and maintain other jobs, particularly those on forms of secondment from government agencies;
  - there is a strong reluctance in senior national counterparts to devolve authority for aspects of project management to project and counterpart staff;
  - work planning and reporting on progress is not widely practised;
  - TORs for project staff are often poorly defined and systems of performance evaluation are seldom followed; and
  - there is little awareness of the relationship between spatial arrangements within project offices and productivity.



rests with NEA, specific responsibilities for biodiversity conservation needs to remain with sectoral agencies.

This 'loss' of a project can be discouraging to an agency, which has put time and effort into developing the initiative. There are two lessons from this experience: agency responsibilities for many areas of environment management such as biodiversity, wetlands and coastal management are not well defined; and donors should consult with MPI in identifying a counterpart.

## Coordination

A number of promising models for improving ODA coordination are evolving.

### Project Steering Committees

Early experience with project steering committees was not positive. Committee meetings were treated more as a formality, to endorse set directions rather than as an opportunity for active facilitation and coordination. Senior officials often viewed them as a waste of time, or 'political' rather than technical structures. This is changing rapidly. There are a growing number of positive experiences with steering committees as coordinating and intersectoral mechanisms.

As an example, comments from the international teams in the NEA VCEP and SEMA projects referred to their steering committees as "essential and working well" and "very useful". Some of the key ingredients to success are:

- the agenda, that must include real issues that need resolving, and committee members who have the authority to implement and follow up on what is decided;
- intersectoral membership with specific joint activities involving all the sectors, and this means provincial agencies as well;
- benefits accruing from participation; and
- good administrative support of committee activities – secretariat support before, during and after is crucial to success.

However, project steering committees are not a sustainable mechanism for intersectoral working or for promoting working links between different levels of government. They cease to operate when the project finishes. Project teams should be very conscious of the critical roles played by the committees and seek to institutionalise the key elements.

## Support Groups

One of the most interesting examples mounted by the Government is the MARD International Support Group, an approach that is being picked up in the health sector. This initiative has the potential to evolve into a useful forum if given adequate support and authority.

Another initiative, this time by the UN agencies, is an attempt to lay the ground for joint programming and coordination in a number of provinces. UNDP, UNICEF, UNFPA, IFAD as well as Sida are piloting a joint management board or coordinating committee approach in Ha Giang province where each of the agencies have projects. The idea is for the board to meet regularly to review activities and undertake joint evaluations. There are some difficulties due to differing levels of project flexibility and funding modalities.

UNDP, UNICEF, UNFPA and UNDCP have education projects with MOET, each with an environment component but working with different departments. They are drawing these initiatives together in a Joint Social Issues Education Programme and using Vietnam as a pilot country to assess working together.

The challenge remains that there are two main stages of the ODA project cycle at which coordination is especially important: during the concept and design phase, and during implementation. Coordination during implementation is especially important and needs to involve the project teams who are most familiar with the nuts and bolts of the project. Often it is only when the projects are underway that the opportunities for complementarity become apparent. This task requires flexibility in management and project frameworks.

The MARD ISG initiative, while seen as a step forward, is generating frustration within the donor community. The format of government presentations, with little time for discussion, is not useful. Various donors are willing to give the process more support if it becomes more interactive. For this to happen, the issues that need to be resolved include:

- greater involvement of project technical staff to summarise and extract lessons applicable to the ministry;
- the technical task forces that have been set up should not add another layer of responsibility and work on already overburdened project staff;
- the need for a creative and dynamic coordination process that involves adequate preparation and follow-up;
- the need for at least two plenary meetings a year with a clear agenda focusing on one or two key issues, which would allow discussion; and
- the need for outside expertise and resources to support and guide the task forces.

A set of guiding principles and procedures to enhance the effectiveness of the ISG and similar sectoral coordination mechanisms is needed. A donor-supported evaluation of the MARD ISG experience is underway, and should lead to more effective use of this important approach. Regularly spaced evaluations will also be needed so that improvements and adjustments can

be continuous. Further, MPI's capacity to provide overall coordination of ODA needs to be built up.

## Need for Information Sharing

Some progress on information sharing is being made, with e-mail services and the internet greatly facilitating sharing between projects and within government agencies. Phase 2 of the Vietnam Capacity 21 Project within MPI, for example, is planning to establish an internet home page so that key papers on project activities can be widely distributed.

VCEP is developing a demonstration internet site that will be accessible to all project participants in Vietnam and overseas who have a password. Once the site is up and running, it may be opened to the public. Costs are the main impediment to regular use.

Many problems remain. A World Bank official stated that, in his view, "the financial crisis facing Vietnam is very serious, but much more serious is the information deficit". Information on environment projects with similar objectives such as VCEP, SEMA, and the Dutch and EU EIA training programmes is not actively shared within government, leading to duplication of effort and wasted resources. Nor are government agencies taking the initiative in convening regular meetings of environment project teams under their management to facilitate information exchange, cooperative activities and the sharing of expertise.

Sharing of documentation in the project preparation process is inadequate. Donors and government have not paid enough attention to project documents, to ensure that material is available in both English and Vietnamese. Donor funds and procedures to provide assistance in this tend to be inadequate. Some donors take the unhelpful stand that government should provide this service through its own resources and initiative.

This has led to the situation where there have been a number of cases in the natural resource sector where project preparation has been well advanced when fundamental conflicts or overlap between different donor project objectives have been uncovered by chance.

Three recent examples illustrate this situation. In the first, the Danes were developing an integrated watershed management project in Nghe An province at the same time as the French and EU were undertaking feasibility studies for a dam in the area. In the second instance, the EU found that the World Bank was negotiating a major poverty alleviation project very similar to its own initiative in the same provinces which, after two years of preparation, was about to be approved in Brussels. A third case relates to Con Dao Island, where the Danes are supporting a project for the conservation and management of a marine and terrestrial park. At the same time, a major ADB loan to the fisheries sector has resulted in a fishing port being planned for the island, excised from the park, which would have a significant environmental impact on, and management implications, for the park.

It seems as if government priorities in the areas concerned were neither adequately enunciated or communicated to the donors; nor was information on project activities in the same geographic area forwarded to the donors by MPI. Also, collaboration between donors is weak and lack incentives to improve this situation (in fact there are built-in disincentives to collaborate).



## The Special Role of Non-Governmental Organisations

International NGOs and a growing number of national 'NGOs' are making an increasingly important contribution to this sector, particularly at the local level.

All NGOs are required to register with the Committee for NGO Affairs – a government body supported by the Vietnam Union for Friendship Organisations – and 234 international ones have done so. Since there are NGOs that come and go in support of various activities that do not register, the number is probably much higher. The key body responsible for NGO coordination within the Union is the People's Aid Coordination Committee or PACCOM.

It is PACCOM that acts as the NGO counterpart in all formal ODA procedures. PACCOM must ensure that the usual process of initiating all new ODA projects through MPI is followed. MPI then identifies the appropriate local implementing partner in the Government. Many NGOs remain confused by this procedure and question the efficiency of what they see as another layer of government red tape.

In 1993, an NGO Resource Centre was established with donor help to facilitate the work of international NGOs. It functions primarily through membership subscriptions and there is a strong argument for more consistent donor backing. It has not yet evolved into an umbrella organisation for international NGOs but does provide a valuable information clearing house and catalytic role.

The Centre publishes an annual directory of international NGOs in English and Vietnamese. Of the 234 NGOs appearing in the directory, 26 specify 'environment' as a key programme priority. Six can be classified as 'conservation' organisations working in conservation policy, protected areas and associated buffer zones: IUCN-The World Conservation Union, World Wide Fund for Nature, Flora and Fauna International, BirdLife International, the Australian Association for Research and Environmental Aid and the Frankfurt Zoological Society.

Whatever their priority area, many of the international NGOs in Vietnam work to achieve sustainable resource use and enhanced environmental quality. A few have an annual budget of over US\$ 1 million but most operate on well below US\$ 500,000 a year. With some exceptions, they are not donors in their own right but tend to be used as a vehicle for the disbursement of aid and technical support. Their focus is the provincial and district levels, often with no direct link to the national Government. Assistance is through hands-on community work, through partnership and joint initiatives.

The arrangement is different for the small but growing number of Vietnamese NGOs. Officially, the Government has not yet allowed the creation of national NGOs but there are more than 20 institutions working in the environment sector that are not a part of mainstream government. They are the closest to what would be considered NGOs in other countries, and allow staff from government agencies and research institutes to provide services on a commercial basis. Some environment NGOs are set up officially as professional associations under the Vietnam Union for Science and Technology (Box 10.4).

An important limitation of these local institutions is their lack of strong secretariats. There is a wealth of expertise available in Vietnam that can provide the necessary technical inputs to NGO activities, but management capacity and organisational structure is generally weak.

Local NGOs can play a central role in awareness and education activities. Also, they have a key role in research and field studies and have managed such activities well. However, their great potential to support government in policy development and in the delivery of ODA projects at the local level has yet to be developed. Many donors have small funds available for NGO support, and are helping to build their capacity.

There is a need to broaden the dialogue between donors and NGOs. Existing opportunities include the International Support Group for MARD; monthly donor meetings where NGOs have two seats; various sector groups and ad hoc donor meetings in which NGOs participate. Yet there is a feeling within the NGO community that these forums could be more effective, and that additional channels are needed to communicate grassroots lessons from NGO experience up to the policy level. A systematic process needs to be put in place that would capture the information and lessons accumulating within this 'sector'.

There is wariness among NGOs of the move by some donors towards large environmental projects on a national scale. They feel that local-level lessons challenge the relevance of six figure budgets and that small catalytic inputs are essential. Local development requires a consistent, low level of resources over a long period. They



## Some National Environment NGOs

**Ha Noi Research and Training Centre for Community Development (RTCCD)** is a relatively new centre that has undertaken research on wildlife use and trade, and on community aspects of resource management. The centre has some permanent staff, including a full-time UN volunteer.

**Centre for Resources Development and Environment** is the focal point of the Global Water Partnership in Vietnam. The Centre has a few core staff members and works mainly through MARD.

**Centre for Environment Research, Education and Development, (CERED)** has been undertaking research on climate change issues in Vietnam for a number of years, and is the focal point for the International Geosphere, Biosphere Programme. The Centre mainly uses scientists from other institutions, and has close working links with CRES and the University of Science in Ha Noi. CERED collaborates with the University of East Anglia, UK. The small secretariat is part-time.

**Institute of Ecological Economy (ECO-ECO)** is an organisation that helps local communities in regenerating degraded ecosystems through agro-forestry activities. The institute's 'ecological village' concept

has been introduced in ten locations throughout the country. ECO-ECO has a small permanent secretariat.

**Environmental Protection Centre (EPC).** This institute is located in Ho Chi Minh City, and was established in 1984 as the Vietnam Institute for Tropical Technology and Environmental Protection. It operates as a private service company and is the most prominent environmental consultant company in southern Vietnam. EPC is a leading consultant in EIA, pollution surveys and environmental studies. It also acts as a training institute and is one of the environment-monitoring institutions of MOSTE.

**Vietnam Association for Conservation of Nature and Environment (VACNE)** is a professional society affiliated with MOSTE. VACNE publishes Green Vietnam magazine and is active in training and environmental awareness activities. VACNE has no full-time secretariat, but relies on staff from MOSTE to assist in its operations.

**Vietnam Forestry Association (VIFA)** is a similar group, affiliated with MARD. VIFA carries out training and awareness activities and studies on forest use and management. VIFA has no full-time secretariat, but relies on staff from MARD to provide backup support.

worry that the mega-project approach leaves less room for a large number of smaller projects. The increasing emphasis on decentralisation and working directly at the local level is welcomed – it is here that NGOs are strongest (Box 10.5). NGOs have a comparative advantage in taking a broader perspective in which environmental concerns are a fundamental part of poverty alleviation.

For these reasons there is much to be gained by using NGOs more extensively as intermediaries and facilitators in ODA activities, and as project-implementing agencies. Also, their experiences and expertise should be better exploited in planning and monitoring as well as evaluation of environment programmes. Data on NGO programmes in the environmental field should be included in the information systems of the Government and UNDP, to be available for use and analyses. NGOs should be officially represented in International Support Groups, similar to the evolving forum in MARD and other task forces established to promote coordination and sharing of experience.

## NGO Strengths and Weaknesses

Some NGO strengths:

- they are flexible and can adjust their approach to suit the need and changing circumstances;
- they use a relative high level of local management and technical expertise and low level of international input;
- they offer good value for money, that is, they are relatively cheap);
- they view their relationship as long-term, and tend to function at a pace and scale that can be accommodated by local institutions;
- they seek and often achieve a high sense of local ownership over their projects;
- they are particularly effective at building local capacities outside government; and
- they often work in the Vietnamese language and tend to show a high

degree of sensitivity to local cultural values.

Why NGOs may not have a comparative advantage:

- because they focus on the local level they lack links with central agencies, such as MPI, and therefore, the potential for replication of their work in other areas is less;
- they are often disengaged from key policy innovation at the central and provincial level; and
- some donors are finding that their relations with NGOs take more time and management than private consulting companies – they are concerned that NGOs tend to be less disciplined when it comes to reporting and keeping on schedule.

## Understanding Cultural Biases

Working links between government and donors are becoming more effective as exposure to and understanding of the cultural basis of the relationship grows.

Aid, like any other human interaction, operates on the basis of assumptions on both sides. Many problems encountered in aid delivery stem from assumptions not being articulated, with the result that each side operates from a different and often incompatible mindset (Box 10.6).

The comments of government officers on difficulties in ODA negotiations in the environment sector has led to the identification of three ingredients that they value highly in their counterparts:

- well established and tested relationships;
- continuity in the individuals involved; and
- a demonstrated knowledge of Vietnam and its institutions.

If these ingredients are present, a more direct and open form of interaction is possible. If they are not, impediments can arise quickly. Government officers became concerned for example, over the constant changes in the ADB Manila desk officers with responsibilities for Vietnam. When refusing to see yet another international project development mission, one senior Vietnamese official said, “we do not have the time to train these internationals”.

The overall lesson is the importance of formalising understanding of cultural differences as they arise, so that bridges can be built between the sets of assumptions that both sides bring to the table. If the Vietnamese approach

## Misunderstandings in ODA relations

The following quotations from frank interviews with government officials and foreigners with long experience of working in Vietnam provide interesting insights:

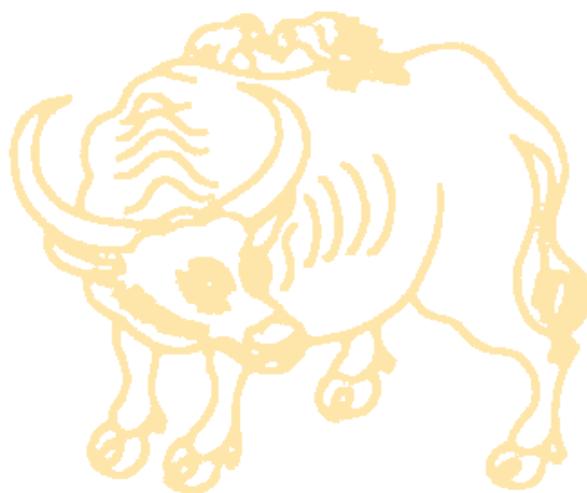
In project negotiations:

- “Courtesy demands that I not disagree with you”.
  - “In a relationship of mutual respect you cannot say ‘no’.”
  - “Many terms can be used to infer ‘no’ – even ‘yes’ under some circumstances. A common way of expressing the negative sensitively is, ‘That is going to be difficult’.”
  - “The Government has difficulty in saying
- ‘no’ when it disagrees with a project design element – they prefer to agree, then fail to cooperate.”
  - “Never assume that what was said is what will happen – you may need to come at the issue a number of ways on a number of occasions with different people to obtain a clearer picture of what was agreed”.
  - “To government officials, the agreement may be the beginning of negotiation, to the donors, it may represent the end”.
  - “A contract is just a legitimisation of the negotiation process, not necessarily the end of it”.
  - “Seniority and status is everything”.

is to be given equal respect, then donors need to question the common assumption among their staff that, “if it is going to work, aid must be delivered on Western terms only”. Is the cultural adjustment that has taken place to date a one-way street?



## CHAPTER 11



# Creative Options

## Innovative Mechanisms for Increasing Environment Aid

In reviewing aid programmes in any sector or country, the main emphasis must be on improving the quality and impact of development assistance. Improving delivery can be as or more effective than increasing funding for a particular programme or area. If aid delivery can be refined so that maximum funding reaches its target and achieves its purpose, there is a double benefit – that of having a greater impact and of creating fewer problems through wastage and diversions.

Much of this report is aimed at suggesting measures to improve the delivery and impact of environment aid in the complex and rapidly changing context of Vietnam today. At the same time, there is scope to go beyond that.

Environment has been accepted as a priority in most OECD aid programmes, both as a programme in its own right and as a component of other sector programmes. Although aid levels have reached a plateau or even decreased in most OECD countries, the environmental component has remained the same. Initial fears that environment would be sacrificed to other priorities with greater political support have not materialised. Not only has environmental funding roughly held its own, it has enjoyed consistent and, in places, growing support from the public in the donor countries.

Ironically this is due, in part, to the inroads of the market and corporate sector in the aid world. With many areas in which aid was an important actor now being taken over by private investment, funds are increasingly turning towards the social and environmental arenas, the basis of long-term and lasting



developments. If the market can take care of broad areas of development need, then aid is required to help countries address those social and political priorities that the market does not or cannot address.

At the same time, it would be unrealistic to hope that aid for the environment will ever reach the level needed to address even the most urgent priorities. The needs will always be substantially greater than the funding available. What can be done?

Both within the world of aid and the world of environment, many creative options have emerged to address the problem of resource limitations – and several of these ideas could be relevant to Vietnam. Many of these options can be considered within aid programming; other ideas abound, but they are relevant to private donors, corporations, foundations or civil society. The four described here have been chosen as potentially the most rapidly and easily implemented in Vietnam, with the support of the aid community.

## Taking Full Advantage of GEF

The Global Environmental Facility is one of the genuine achievements of the Rio Conference. The world's leaders accepted that, although environmental issues are often national in scope, many are also international. Indeed, addressing environmental problems can have direct national advantages, but can also – and often essentially – have global benefits. Expecting developing countries to shoulder the burden of achieving these global benefits on their own was unjust and GEF was established precisely to introduce a greater sense of equity in the 'burden-sharing' required to address global environmental problems.

Thus the GEF, which operates at a level of around US\$ 2 billion over a three-year period, is a fund available to developing countries to address environmental priorities. It is available to cover the incremental costs of achieving global benefits in a number of areas: protection of the ozone layer, reducing greenhouse gases, conserving biological diversity and protecting international waters.

While GEF funding is intended to complement national efforts – addressing only that portion deemed to be the international increment – in reality it is flexible enough to offer a substantial benefit to national environment programmes. GEF funding is available for large-scale projects, but it has a number of other sources of funding that can be accessed for smaller initiatives.

While Vietnam has begun a number of GEF activities, it is still not taking full advantage of what the facility can offer. To increase the flow of GEF resources, it will be necessary to work with three implementing agencies (the World Bank, UNDP and UNEP) to explore the best use of funds for enabling activities, that is, projects that undertake the preliminary work required to put a GEF project in place. The scope of acceptable enabling activities is broad, and can often be used to determine national priorities at the same time as they identify issues of global importance. They are a good source of funds for programming and priority-setting, for capacity building and institutional strengthening, and for other environmental priorities.

Vietnam should ensure that it is taking full advantage of 'Block A' and 'Block B' grants, available essentially to develop projects for subsequent GEF consideration. These funds, often of generous proportions, can be a useful

way to develop new projects and programmes in the four areas covered by the GEF. In doing so, they can help introduce new participatory processes, raise awareness of environmental issues, and to build capacity.

While the Small Grants Fund under GEF is aimed at non-government organisations, it is an easily accessible source of modest amounts of funding where such organisations exist. Vietnam's fledgling NGOs should ensure that they have full access to this facility. Medium-sized grants are also available under the GEF to government departments and other organisations. Again, these are funds available to address environmental priorities within the broad areas of GEF's mandate, but they are available on a more flexible (and more rapid) basis than normal GEF project grants. Vietnam should be taking full advantage of this source of funding as well.

As a first step, the Government might consider requesting the implementing organisations, particularly UNDP and the World Bank, to provide comprehensive training of relevant officials in the procedures of GEF.

## Environmental Trust Funds

Limited access to funding – and lack of experience in exploiting existing sources – is not the whole problem. There are serious institutional capacity limitations, and there are dangers in exceeding this capacity, even when the aims are laudable. It is hard to overemphasise the importance of this issue even when the needs of Vietnam are so many.

What is needed is long-term aid commitment, at levels which can be sustained by government and communities once projects have ended.

Also, aid practice from around the world has demonstrated that results of aid interventions tend to be more sustainable when the target communities or institutions have a strong sense of ownership in the project.

All of these reasons have led to a growing interest in stable and long-term mechanisms for funding environmental priorities. Among the most interesting is the range of environmental funds that have been established in different parts of the world.

These funds exist in a number of different forms, and the optimal one depends on national legislation and practice. Some funds are established in the form of capital endowments – that is, trust funds in which only the interest on the capital is used for the fund's stated purpose. Others are funds in which the capital is drawn down over a period. Some are revolving funds where expenditure is balanced by income, usually in the case of support to productive activities.

UNDP, MPI and MOSTE have facilitated some national discussion on the potential of environment funds for Vietnam. Vietnam is experimenting with a sector environment fund, for coal mining. Also, a pilot local



environment fund is to be tested during 1999-2000 in Ha Noi, through Phase 2 of the Vietnam Capacity 21 Project. This experiment should be closely monitored to learn from experience over time. But there is room for similar funds in other parts of the country and in other sectors. The funds set up in this experimental phase should include some that are broad in scope, that would cover a variety of environmental activities. And some that are limited to a smaller range of topics (for example, protected areas management), a smaller range of approaches (for example, training), or to particular geographical areas (for example, provinces, municipalities and a specific protected area or industrial zone).

Getting fund governance right is critical to their success. The system must be transparent, and include adequate representation from stakeholders and recipients of the fund's support. Ideally, the governance structures of such funds should have representation from both government and civil society.

## Debt Exchanges

There are many ways to secure the capital for such funds: direct grants, private donations or the proceeds of debt exchange. The latter appears to be particularly promising, and recent experience with both donor countries and the Vietnamese Government, for example the German debt-for-nature swap (Box 11.1), suggests that the situation is favourable for such exchanges.

Although debt exchanges are now a familiar financial tool and there is a considerable body of experience around the world, it remains poorly understood and certainly under-utilised as a tool for supporting environmental priorities. It is based on identifying components of a country's debt portfolio that are non-performing, that is, where the debtor country is experiencing difficulties meeting its interest and capital repayment schedule. In such cases, it is in the interest of both the creditor and debtor country to retire the debt. Non-performing debt, almost by definition, has a lower effective value than the amount originally loaned. Its 'real' or market value is less – often considerably less – than the face value.

It is this differential which offers scope for productive debt exchanges. The creditor country retires the debt against partial payment; the debtor country makes available national funds – in national currency – in order to be free of that particular debt burden. The negotiation seeks to establish the widest possible margin between the two amounts, since the difference represents the capital available for the purpose established by the two parties. For example, if Switzerland is holding US\$ 10 million of eligible debt from Vietnam and both sides agree it should be exchanged, Switzerland may be willing to retire the debt against a payment of US\$ 4 million, and Vietnam may be willing to eliminate the debt through payment of the dong equivalent of US\$ 6 million. This would make 'new' capital worth US\$ 2 million in dong available. This sum represents additional funding for the environment over and above existing aid programmes.

It should be noted that simply excusing the debt may be good for a debtor country's balance of payments and relieve a negative situation, but practically it does no good. A debt exchange generates real capital for a clear purpose established in advance. Capitalising funds through debt exchange enables the funds to be established at a level that permits impact and flexibility. Also, it helps relieve Vietnam's debt burden, thus improving the economic indicators of both Vietnam and the creditor country.

## Swapping Debt for Nature

In August 1994, Vietnam and Germany signed an Agreement on Debt Consolidation. Under this, Germany agreed to swap a debt of DM 76 million for work in the areas of poverty alleviation and environment protection.

In September 1996, the first specific Agreement, with a total swap value of DM 40 million, was signed: Vietnam had committed to spend the Vietnamese dong equivalent of 30% of the swapped credits on projects aimed at poverty alleviation and environment protection. Five projects were focused on:

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At the end of 1998, a review of these projects showed them as being successful. The German Government subsequently agreed to swap the remaining DM 36 million. At present, the two governments are deciding on which projects should be funded under the new debt swap programme.

Little attention has been paid to the potential of debt exchanges to generate new funding for environmental priorities in Vietnam. A study should be undertaken of Vietnam's debt – with special focus on ODA and other bilateral debt – with a view to identifying debt stocks that are eligible or potentially eligible to be exchanged. This study should inventory policies of creditor countries in respect of debt exchanges and recommend a limited number of initial targets for debt exchange.

A suitable organisation should be invited to organise a short workshop or training course on debt exchange, drawing on experience from around the world. The course should explain approaches and techniques, assess risks and opportunities which debt exchanges offer, and scope out a debt exchange work plan for Vietnam's environment.

Special attention should be paid to the possibility of a 'triangular' debt exchange, in which Vietnam's rouble-denominated debt to Russia and other components of the former Soviet Union is converted with capital from a third country or a coalition of countries, thus generating significant capital in Vietnam and relieving both Vietnam's and Russia's debt.

## Options under the Kyoto Protocol

Not all the most interesting options are available and on-stream at present. This does not mean, however, that they should be studied at a later date. One of the interesting trends, emphasised in Rio and applied since, is to insist that new international obligations subscribed to by developing countries be accompanied by new and additional sources of funding to share the burden equitably and to enable them to implement the agreements in good faith.

GEF is (at least for the time being) the principal financial mechanism for the biodiversity and climate change conventions and for the Montreal Protocol. The UN Convention to Combat Desertification has also set up a new funding facility, housed at the International Fund for Agricultural Development in Rome, though the details of its operations are still being worked out.

The climate change regime has gone further. While GEF is available to address well-defined actions aimed at reducing emissions of greenhouse gases, the Kyoto Protocol of the Convention on Climate Change – negotiated in 1997 and still lacking major ratification – has developed the equity concept further. Under this Protocol, rich countries that consume the bulk of the world's energy and are responsible for the greatest proportion of greenhouse gas emissions (known as the Annex 1 countries), have agreed to specific targets for emission reductions against a set schedule. The Protocol allows them flexibility (through the so-called 'flexible mechanisms') to meet their targets in a variety of ways. They can reduce emissions in their own countries; they can also help non-Annex 1 countries reduce their emissions. Or they can support projects that convert or 'fix' atmospheric carbon, usually through reforestation or other forms of increasing natural biomass. These measures are not only set out to ease the burden of the rich countries in meeting their targets. They are also established with the eventual adoption of targets by some or all developing countries in mind.

There are essentially three flexible mechanisms recognised under the Kyoto Protocol: Joint Implementation; Emissions Trading and the Clean Development Mechanism. All are potentially of interest to Vietnam, which has been a very active party to the Convention.

Under Joint Implementation, a country can meet part of its obligations through investment in projects in other Annex 1 countries and can relate to emission reduction or to carbon fixation. Such projects have been conducted on an experimental basis for years, well before they began to receive some sort of formal recognition in Kyoto as have projects known as Activities Implemented Jointly which have been undertaken in non-Annex 1 countries. What Kyoto has done is to open the way to these projects counting as credit against the investor country's emission reduction targets.



Emissions Trading is a variation of the same idea. Annex 1 countries can calculate reduced emissions in terms of tons of carbon dioxide or other greenhouse gases, and essentially create a new financial instrument in the form of emission rights. These instruments can then be traded through some form of agreed exchange. Thus, for example, Norway may find that it can meet its emissions reduction targets more cheaply by investing in energy efficiency projects in Russia. The United States may find that reforestation of wasteland in Guatemala can reduce atmospheric carbon more efficiently than investing in ever more sophisticated pollution-control equipment. In each case, the country undertaking the action obtains credits in the form of emission titles that can be traded on the market for funding. Based on US experience with meeting sulphur oxide reduction targets, emission trading uses market mechanisms to find the most efficient way of meeting set targets, either by eliminating a greater quantity of greenhouse gases for the same price, or by eliminating the same amount at a lesser price.

The Clean Development Mechanism addresses another key priority in the international development picture – that of access to technology. It

is clearly unfair to expect countries to adopt more energy-efficient, less polluting technology if they can only obtain better technology by paying premium prices to developed country monopoly holders. This issue, important at any time, becomes even more critical if developing countries are to join the Annex 1 countries in adopting specific targets for emission reductions. The Clean Development Mechanism aims to facilitate access to cleaner technology as part of the price of developing country participation in global efforts to reverse global warming.

Vietnam is well-placed to benefit from the flexible mechanisms recognised under the Kyoto Protocol. With the help of interested donors, it should follow with special interest the evolving debate around Emissions Trading and the Clean Development Mechanism. A national information service on mechanisms under the Kyoto Protocol should be set up in a suitable Vietnamese institution, in partnership with one or several donor countries and appropriate international NGOs, such as Canada's International Institute for Sustainable Development, and especially its Climate Change Knowledge Network. This information service should provide the link between Vietnam and the many international sources of information, technical assistance and funding support in the area of climate change.

A national workshop should be organised on the flexible mechanisms under the Kyoto Protocol based on a paper, prepared in advance, on how Vietnam can best take advantage of the openings provided in the Kyoto Protocol. The workshop should aim to identify a work plan for action using these mechanisms in a way that would maximise both funding and environmental benefit to Vietnam.

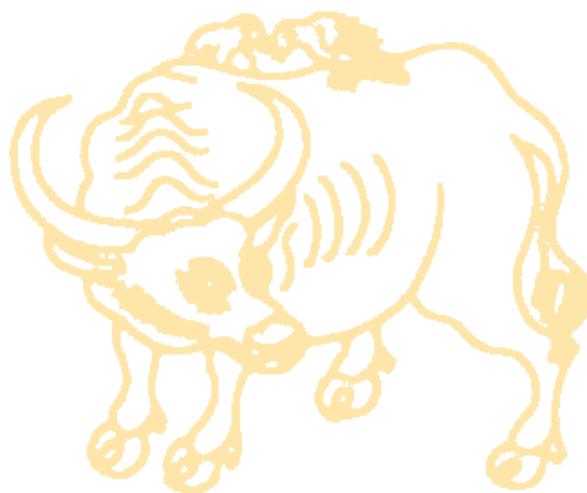
## Conclusions

Addressing the challenges of Vietnam's environment will require far more funding than classical ODA budgets can provide. And yet addressing these challenges is essential for the future. New mechanisms are evolving quickly to help fund or support environmental action. Some of the more promising for Vietnam include taking better advantage of GEF, debt for nature swaps, schemes under the Kyoto Protocol and environment funds, though the picture is constantly changing.

The aid community and Vietnam's environmental partners such as IUCN and WWF should be attentive to developments elsewhere that could be of benefit to Vietnam, and bring them to the attention of the Vietnamese environmental community.



## CHAPTER 11



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A national workshop should be organised on the flexible mechanisms under the Kyoto Protocol based on a paper, prepared in advance, on how Vietnam can best take advantage of the openings provided in the Kyoto Protocol. The workshop should aim to identify a work plan for action using these mechanisms in a way that would maximise both funding and environmental benefit to Vietnam.

## Conclusions

Addressing the challenges of Vietnam's environment will require far more funding than classical ODA budgets can provide. And yet addressing these challenges is essential for the future. New mechanisms are evolving quickly to help fund or support environmental action. Some of the more promising for Vietnam include taking better advantage of GEF, debt for nature swaps, schemes under the Kyoto Protocol and environment funds, though the picture is constantly changing.

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## CHAPTER 12



# The Top Fifty Recommendations

**M**any recommendations have been made throughout this report. In this chapter, the 50 most important proposals for improving environment ODA are summarised and developed. They are set out as a mix of guiding principles and actions that can and need to be undertaken by government and the donor community.

One point needs highlighting: given the scale of change that is taking place in Vietnam's natural resource stocks, the proportion of total ODA (and government funds) going to their maintenance is seriously inadequate. If there is to be any real chance of reversing the deteriorating state of the environment over the next 10 years, then government and their international partners must increase the environment ODA ratio from 10 to 20% of total ODA flowing into the country. This does not mean business as usual but on a larger scale, but a difference in the way ODA is planned and delivered. Fundamental reorientation is required of the kind recommended here.

In effect, it is not merely the quantity but also the quality of ODA that needs to change.

## Natural Resources

### **1. Place greater emphasis on policy analysis and on planning projects**

There must be an increase in the number of projects that assist Vietnamese natural resource policy-makers and managers develop systems that prevent environmental degradation. These include projects with a specific focus on building institutional capacities in integrated cross-sectoral policy analysis at the central, provincial and district levels. National staff must

increase their capacity to be able to evaluate options and the impacts of their natural resource sector policies on environmental and social as well as production targets.

## **2. Precede all large project initiatives with a major preparatory phase to build institutions and test approaches**

Large and small projects alike need a preparatory phase of one to five years that includes a number of key ingredients, including an emphasis on thorough analysis of the institutional context (see recommendation 39), capacity building, institutional strengthening and diverse pilot activities.

## **3. Place greater emphasis on better management of neglected natural systems**

Natural systems management – specifically of natural forests, coastal and marine systems, wetlands, and protected areas in critical biodiversity regions – urgently require more environment ODA than they are currently receiving. On-ground projects with a specific focus on better management of what remains of Vietnam’s natural systems are needed.

## **4. Give greater priority to decentralising ODA management and delivery**

There is a risk that environment sector ODA is hindering the institutional change it is trying to promote by channelling most ODA through MARD. There is a need to decentralise projects to the provincial or lower levels. Provinces and districts should receive an increased proportion of environment ODA to the natural resource sector in the long-term, at a scale and pace tailored to local conditions.

## **5. Focus more ODA on building mechanisms for resolving conflicting sectoral interests**

Government priorities often conflict across natural resource sectors (for example, mangrove reforestation versus shrimp farming versus coastal zone protection; or protected areas versus rural development). ODA projects must recognise and address these cross-sectoral interests. The Government, with donor support, needs to work toward defining open and transparent institutions for conflict resolution in resource management and land use at the local level.

## **6. Formally link field-based projects to policy-making at the central level**

Projects are more effective when they are made up of components – institutional policy and field-based – that link with one another in a way that allows innovations in one to feed back to the other. Clusters of ODA project initiatives, within a single donor’s portfolio or between donors, which build one another and communicate lessons learned are better able to inform and impact on policy than individual projects operating in isolation.

## **7. Build on local structures and expertise**

In field-based projects, local ownership and ultimately project effectiveness is enhanced by using Vietnamese structures and staff. Projects need flexible, participatory approaches that are focused on village and commune levels.

## **8. ODA commitments should be based on consistent, long-term and low-level inputs**

Long-term relationships and the building of trust through low-level but consistent commitments and multi-phase projects over long periods are effective mechanisms for environment ODA delivery. Large-scale short-term interventions face many problems.

## **9. Substantially increase ODA to those biodiversity regions of highest priority for conservation action**

Vietnam's biodiversity regions were defined, reviewed and prioritised to identify those regions that need urgent additional ODA support. This exercise was carried out to illustrate the use of a priority setting tool that could guide the geographic allocation of government resources and ODA.

The Government, with strong donor backing, needs to go through this process of defining priority biodiversity regions again, and then prepare action plans for those regions which are in most urgent need of integrated management.

# Urban and Industry Sectors

## **10. Evaluate and strengthen the institutional capacity of implementing agencies before projects begin**

There is a need to carefully evaluate the capacities of implementing agencies such as the provincial DOSTEs before projects begin. Implementing agencies need to have the technical knowledge, English skills and organisational capacity to implement projects, and to benefit from financial assistance and foreign expertise. If these capacities are not sufficient to support a major project, then a lengthy preparatory phase is required of the kind suggested for natural resource projects, to build the needed skills and to strengthen the institutions involved so that they can effectively take on the added responsibilities.

## **11. Promote local experimentation and innovation**

No single agency or donor has the 'right' answer for advancing sustainable development. There is a need to promote local experimentation and innovation in responding to the challenges faced in the urban and industrial sectors. There is an important role for ODA to play in funding projects that nurture new initiatives and locally driven ideas. There is also a need for developing procedures which allow project terms of reference to be amended as implementers hit roadblocks or find new strategies for meeting project objectives. Mechanisms for reflection and innovative responses to obstacles should be encouraged.

## **12. Incorporate environmental issues into state-owned enterprise reform**

Industry in Vietnam is currently undergoing a major transformation. SOE reforms – such as management changes, equitisation processes, and subsidy elimination – should incorporate environmental concerns. ODA projects should help integrate environmental strategies, and particularly pollution prevention and cleaner technology, into SOE reforms. In cases where the Government, for employment reasons, chooses to keep marginal

SOEs in operation, these plants must not be allowed to continue at high environmental and community health costs.

### **13. Increase public access to environmental information**

Experiences from around the region show that public pressure can play a critical role in advancing environmental goals in urban and industrial settings. ODA projects often have the leverage to motivate greater public access to information and to strengthen public awareness of the trade-offs between economic development and environmental protection. Donors should use this leverage to strengthen public roles in environmental protection programmes. Multilateral development banks should also require that EIAs of projects they fund are translated into Vietnamese and made publicly accessible. Also, the annual State of Environment report prepared by NEA should receive wide public circulation.

### **14. Introduce a system of competitive bidding for the role of implementing agency**

In appointing appropriate national institutions to prepare and implement ODA projects (as specified under Article 21, point 2 of Decree 87/CP), the responsible authorities should establish a system of open competition among the national institutions wishing to be an ODA project implementing agency.

There are often many potential candidates for one ODA project. In some situations, the selection might be based on the mandate of an institution, but in other instances selection could be based on elaboration of proposals by a number of interested institutions.

### **15. Partnerships between management agencies and research institutions in ODA projects should be strongly promoted**

Cooperation among national institutions, especially between environmental management agencies and research and higher education institutions, is essential for effective implementation of environment ODA projects. Project Management Units should be set up in a way that facilitates this cooperation.

Often, management agencies (for example, NEA and the DOSTEs) have easier access to ODA projects that provide experienced consultants, equipment, technical facilities, and opportunities for the transfer of knowledge and technology, but they have limited technical manpower and other capacities to absorb the assistance. On the other hand some research and academic institutions have better trained scientific and technological manpower, but because of their mandate find it difficult to gain access to ODA projects. Cooperation between the two categories of national institutions would be mutually beneficial and lead to more effective ODA project implementation. This is especially the case in environmental projects that require multi-disciplinary inputs.

The establishment of PMUs under Article 25 of Decree 87/CP could promote this cooperation. For example, the UNDP Industrial Pollution Reduction Project in Viet Tri would have been more successful if the implementing agency, the Centre for Environmental Management of Vinhphu province, had established close working links with CEST of Ha Noi University of Technology or CETIA of Ha Noi University of Civil Engineering through a PMU. Similarly, the UNDP project on Environmental Protection in

Open-Pit Mining in Quang Ninh, needed the active involvement, through the PMU, of Quang Ninh DOSTE.

#### **16. Give high priority to building ODA projects on local initiatives**

In selecting ODA projects, priority should be given to proposals based on practical activities that have started in Vietnam using resources provided by the Government or Vietnamese institutions.

Similarly, in the selection of ODA project implementing agencies, priority should be given to institutions that have carried out relevant practical activities using their own resources or those provided by government. These are institutions that have a proven track record of allocating their budgets and staff time to issues of relevance to the project.

## Environment Protection

#### **17. Provide ODA support to the preparation and implementation of the national environment plan for 2001-10**

The new 10-year government strategy on environment protection and sustainable development is an essential and urgently needed framework of priorities to guide the allocation of ODA resources. Support is needed in bringing the policy framework to completion so that it includes a convincing analytical and systematic set of priorities for action; it results from effective cross-sectoral consultation and consensus; and it is respected and built into the Government's overall socio-economic development plan.

The national environment plan should include the definition of biodiversity regions as an essential method for setting priorities for action. It should also specify implementation arrangements that include the need for each sector to integrate the plan into their own annual and five-year development plans and budgets.

#### **18. Support the development of a set of national sustainable development indicators**

The environment strategy should include a commitment to develop a comprehensive framework of sustainable development indicators, which would enable progress to be assessed on a regular basis and fed back to influence future actions and policy. This exercise should be supported through a consortium of donors and involve each government sector in the definition of appropriate indicators. The set of indicators should form the basis of the annual state of environment reporting process, involving sectors and local government in monitoring and reporting on progress.

#### **19. Support the preparation of a comprehensive sustainable development planning law**

Urgently needed is a planning law that would set out the principles of sustainable development, define the roles and responsibilities of each level of government, and lay down planning procedures.

#### **20. Support programmes in each of the main ministries and agencies to build capacity to address their own environmental responsibilities**

A review should be undertaken of key ministries and sections of government, leading to an action plan for the incorporation of adequate

environmental practices into the programmes of these ministries. Priority should be given to those institutions of government that have the greatest impact on the environment and to those where the scope for promoting environmental objectives through their work is most promising – for example, education, tourism and health.

Sectors need to receive long-term ODA support in building their own environment units and procedures and this should be done in close collaboration with NEA.

### **21. Make long-term ODA commitments to build managerial, administrative and technical capacities in the DOSTEs**

The orientation of ODA projects to capacity building, especially for provincial DOSTEs, is right. But in many DOSTEs, where there are poor technical skills, non-existent foreign language skills and weak internal management, capacity building will take time.

### **22. Enhance the capacity of NEA and the GEF Vietnam Committee to gain better access to GEF funds**

The three GEF agencies, the World Bank, UNDP and UNEP, should ensure that training in GEF procedures is provided; the institutional arrangements for GEF coordination and management are working more effectively; and that Vietnam receives its full complement of GEF funding. The Government should ensure that both the funds and institutional support required be provided to the GEF Committee and that it is directly linked to MPI's ODA board.

As a first step, an evaluation of the GEF experience in Vietnam should be undertaken to identify lessons and practical strategies for improving access to GEF.

### **23. Build a strong language and interpretation component in all environment projects**

All environment ODA programmes and projects should make budgetary provision to give long-term international advisors a mandatory four to six weeks of intensive training in Vietnamese prior to taking up their project duties and, whenever possible, ongoing training throughout the project duration. Similarly, projects should include strong English language training programmes for Vietnamese counterparts. Also, all environment projects should include permanent staff posts for translation and interpretation.

### **24. Undertake environmental reviews of macro-economic policy**

It is important to achieve a better understanding of how existing policies affect the environment and whether they improve or diminish prospects for achieving sustainable development. Since this is a field of study that is relatively new, not only in Vietnam but internationally, it is worth undertaking on an experimental basis, deliberately seeking to develop and refine the methodologies which can subsequently be used to undertake such reviews on a systematic basis. Initial steps have been taken in assessing the environmental affects of development policies through Phase 1 of the Vietnam Capacity 21 Project. Phase 2 will continue to explore tools for such policy assessment. But more support to this field is needed, and activities should be undertaken on a cooperative basis.

# Education, Training and Research

## Institutional Development

### **25. MOET should be supported in establishing and maintaining an International Support Group on environmental education, training and research**

Building on the lessons of the MARD ISG evaluation, an ISG is needed under MOET (in cooperation with MOSTE/NEA) to draw together the key players in education and training. It would give donors an opportunity for information exchange and joint discussions of their education and training projects, and it would contribute to awareness raising and act as a motivating force among MOET staff.

### **26. The Government needs to clarify the mandates of MOET and MOSTE in environmental education and training**

Within government, there is no adequate national arrangement for the coordination of activities related to environmental education and training. A clearer mandate for each ministry is needed as is effective mechanisms for coordination.

## Research

### **27. Donors should actively explore with government the opportunities for much greater ODA support to the environmental institutes within NCST**

The National Centre for Science and Technology warrants much greater attention from donors. It needs this to build its applied research capacities in fields such as biodiversity conservation, coastal and marine management, wetlands, GIS and environmental assessment, and connecting this work in practical ways to the management arms of government.

## Primary and Secondary School Education

### **28. ODA should play a more significant role in building environmental education capacities in schools and in teacher training for the environment**

There is an urgent need for: better and more up-to-date books and teaching material that are environmentally relevant; upgrading of teacher understanding, appreciation and skills in environmental issues and in the interaction between environmental, social and economic issues. Tailor-made courses, seminars and workshops can be effective in meeting these needs.

### **29. Donors should support an evaluation of environmental education initiatives undertaken in schools to date**

Government has responded to the need for introducing environmental education in the national education system through various policies. But there is no sense of how successful follow-up efforts have been or firm

agreement on how best to put the Government's instructions into practice. A review is needed to identify strengths and weaknesses and to define support activities to fill the gaps.

## Tertiary Education

### **30. More environment ODA should go to support tertiary training within Vietnam**

Support to Vietnam's students at national universities is important and can be cost-effective. It should be targeted at students who study environmental sciences or natural resource management, students from rural areas and particularly women, and first-year students, whose dropout rate is highest because of financial constraints.

The current World Bank loan to strengthen the university system should have a strong environment and sustainable development component.

### **31. Donors should review the quality of the overseas tertiary courses they are supporting and define minimum standards**

Several donors provide scholarships for MSc and PhD programmes in the West. There is a need for quality control in some overseas programmes tailored for students from developing countries. Some are too superficial to provide the qualifications required for internationally recognised MSc and PhD degrees and may ultimately hinder the student in his/her future career.

### **32. 'Twinning' between Vietnamese and overseas institutions should be actively promoted**

Joint applied research programmes between Vietnamese and foreign institutions are working well in Vietnam, particularly when supported over long periods. Such institutional relationships should include resources for exchanges, which enable Vietnamese staff to go overseas, and overseas personnel to come to Vietnam to teach and conduct research.

## Training

### **33. Government and donors need to create and support a network of environmental training centres**

There is a growing number of centres that provide training and services in environmental management. But there is no system to encourage consistency in content and quality of these training programmes. ODA could usefully support the formation of a network of the most promising training centres that might be the target of institutional strengthening and development of methods, tools and curricula.

### **34. More ODA support is needed to ensure the media has an active role in environment education**

Few ODA projects emphasise the role of the media in promoting awareness raising. Radio and TV programmes can often contribute to understanding and awareness far better than any written document, as these media reach people wherever they live and work.

**35. Donors should take a much more proactive role in involving younger environmental experts in their ODA projects**

There is a need for a long-term strategy that would help young environmental experts develop. It would be useful for donors to develop a roster of national experts that includes young people, who could then be targeted for training and short-term consultancies. It might also make sense to create 'internship' programmes where young Vietnamese environmentalists spend six months working with international organisations. NGOs can play a key role in supporting and training such people.

## Cross-Cutting Issues

**36. A comprehensive project should be launched to help build MPI's capacity, procedures and mechanisms for ODA coordination and monitoring**

While the trend to decentralise ODA is a positive one, government and donors in particular must be sensitive to the potential for fragmentation and overlap, and the importance of building effective coordination linkages and information flows to the centre. The ODA database within MPI/FERD should be sufficiently comprehensive to identify and track environment aid projects.

**37. Every donor needs a 'bridging' expert to facilitate the effective implementation of environment ODA programmes**

Vietnamese personnel who can play a bridging role between donors and Vietnamese organisations are needed. These people need technical knowledge of the issues they are dealing with, knowledge of donor objectives and procedures, knowledge of the Vietnamese political and institutional context, and good communication skills. It is critical to identify and support younger people to play this role. These type of individuals can be strengthened project by project, and would benefit from more focused capacity building programmes.

**38. Government and donors should undertake a review of the national execution experience to date so that a more realistic and productive set of principles can be defined to facilitate the process**

While there is universal consensus on the goal of national execution, there is little agreement within government and the donor community on the pace and form that it should take. Vietnam's experience with managing large ODA programmes is still limited, and associated institutional capacities and procedures are not in place. In some cases, programmes have been pursued precipitously without adequate appraisal of the recipient's institutional and human resource capacities.

**39. A consortium of donors should work with government in developing methods for institutional capacity analysis, to help shape the preparatory period of environment aid projects**

Projects are not always being developed in a way that matches and helps build the institutional capacities of the recipient organisation. Often a project concept should have been scaled down and reworked to include much more up-front institutional strengthening activities as proposed under recommendation 2. Donors and government need methods to undertake

institutional analyses in order to assess the potential partner organisation's strengths and needs.

**40. Government must introduce clear policies and procedures which promote, encourage and provide incentives for information sharing on environment projects**

ODA project information is not actively shared within government, leading to duplication of effort and wasted resources. Government agencies need to be encouraged to take the initiative in convening regular meetings of environment project teams under their management to facilitate information exchange, cooperation and the sharing of expertise.

Donors and government need to pay greater attention to ensuring that all project documentation is available in English and Vietnamese.

**41. It should be government policy for every major sector to establish and maintain an International Support Group similar to the evolving forum within MARD**

There are two main stages of the ODA project cycle at which coordination is especially important: during the idea and design phase, and during implementation. Coordination during implementation is especially important and needs to involve the project teams who are most familiar with the nuts and bolts of the project. Often it is only when the projects are underway that the opportunities for complementarity become apparent. Flexibility in management and project frameworks is required.

Donors will need to play a strong supportive role in the development of these facilities. As a first step, a set of guiding principles and procedures to enhance the effectiveness of the ISG and similar sectoral coordination mechanisms should be prepared.

**42. All donors should review the impact of their policies on meeting the objectives of their environment aid programme**

All donors of environment aid to Vietnam, both bilateral and multilateral, should undertake a survey of the policies followed by their governments and institutions in Vietnam, and of the policy reform which they are supporting in Vietnam, directly and indirectly. The impact of these on the objectives of their environment aid should also be assessed.

An experimental joint survey might be undertaken for all or a group of donors in Vietnam. If it is carried out by a limited number of donors, the early surveys might elaborate a methodology and approach that could be refined and used on a more regular basis as an annual 'policy check' or report card on policy coherence. Implementation of this recommendation would represent an experiment of great significance to aid worldwide.

The scope of the policy reviewed would need to be defined. It should include all the elements of macro-economic policy reform, debt and debt service, investment, trade and policies relating to the reform of the public sector. It should also focus on home-country policies such as export promotion, procurement rules, market access, and codes of behaviour imposed on home-country companies operating in Vietnam. The survey would need to be coordinated closely with any initiative to support the development of methods for the environmental assessment of economic policy suggested under recommendation 24.

#### **43. Both government and donors should introduce policies to promote the greater participation of NGOs in aid delivery**

Donors should invest in the capacity of both international and national NGOs to design and implement environment programmes. One particularly useful way to do this is to set up and support long-term programmes through NGOs. Such programmes could include the deliberate building of capacity and needed institutional supports within targeted NGOs to manage such programmes. The long-term nature of the commitment would make it worthwhile for international NGOs to give priority to building capacity in Vietnamese partners.

There are many international NGOs active in Vietnam often operating on shoestring budgets with short-term planning horizons. This is not making the best use of a critical resource for sustainable development. Investments in long-term programmes through NGOs could overcome some of the capacity, absorption and incentive problems noted in the main body of the report.

Aid agencies are seriously circumscribed in terms of making long-term commitments, given that their own budgets tend to work in annual cycles of parliamentary approval. At the same time, all work to longer programming cycles and have in the past found creative ways to overcome the obstacles that they face in this respect. Mechanisms permitting an effective long-term approach with NGOs can be developed, even if it is subject to annual confirmation of funding levels.

The experience of bilateral donors such as the Swiss, who have worked out framework agreements and long-term programmes with NGOs, should be drawn upon as a guide to others in the donor community who have less experience and political backing for commitments of these kinds.

## New Sources of Environment ODA

#### **44. A consortium of donors should define a strategy with government to test a number of environment funds**

Donors should experiment with one or several environmental funds, aimed at sustaining an appropriate level of support to environmental priorities over a long period of time. Such funds could be in the form of capital endowments, that is trust funds in which only the interest on the capital is used for the Fund's stated purpose; draw-down funds, in which the capital is drawn down over a period of time; or revolving funds in the case of support to productive activities. Several such funds might be set up on an experimental basis, with a deliberate effort to monitor and learn from the experience over time.

The funds might be broad in scope, covering a variety of environmental activities or might be limited to a smaller range of topics (for example, protected areas management), a smaller range of approaches (for example, capacity building), or to particular geographical areas (for example, provinces, municipalities).

#### **45. A consortium of donors or individual donors should define a strategy with government to undertake a programme of debt for nature swaps**

Special attention should be paid to the possibility of a 'triangular' debt exchange, in which Vietnam's rouble-denominated debt to Russia and other components of the former Soviet Union are converted with capital from a

third country or a coalition of countries, thus generating significant capital in Vietnam and relieving both Vietnam's and Russia's debt.

Capitalising environment funds through debt exchange not only enables the funds to be established at a level that permits impact and flexibility, but helps relieve Vietnam's debt burden also, thus improving the economic indicators of both Vietnam and the former creditor country.

**46. Government and donors should define a strategy for taking advantage of the environment funding opportunities under the Kyoto Protocol**

Vietnam is well placed to benefit from the flexible mechanisms recognised under the Kyoto Protocol. With the help of interested donors, it should explore the potential for undertaking joint projects and it should follow with interest the evolving debate around Emissions Trading and the Clean Development Mechanism.

**47. Donors and government should invest more in cross-cultural sensitivity training for staff within international agencies and projects**

There is not enough training for international technical advisers, programme officers, and other key international staff in Vietnamese cultural, political, and social issues. Few international personnel receive any training in communication issues (for example, language, styles of communication and cultural mores), negotiating processes, or Vietnamese administrative practices. This has led to miscommunication, project delays and larger problems. It takes time for individuals and organisations (on both the donor side and the recipient side) to learn new systems and jargon. With the relatively fast turnover of international personnel, there appears to be poor transfer of cultural and institutional knowledge within organisations.

Some donors and NGOs provide high quality cultural and language training programmes for their staff in close cooperation with national partners. A survey of these initiatives is needed so that the benefits of their experience and approaches can be shared with others.

A study is needed into the assumptions and cultural mores that underlie and shape ODA relationships. Exposing these assumptions will lead to greater respect and understanding of their origin, the systems of values on which they are based, and a more sensitive approach to ODA interactions.

## Implementation

The review of lessons learnt is not a one-off event – it is a process in which the organisations and individuals involved can benefit from their experience on a continuing basis. This study has provided an initial round of feedback on the experience of government and donors with environment ODA. That feedback process needs to continue. It may take the form, for example, of regular reviews on specific issues raised in the report. Over time, it will need to become a more methodical part of the ODA monitoring process within government and donor agencies.

**48. Move towards a collaborative implementation programme**

Donors participating in the environment group convened by UNDP have now collaborated on two activities – compilation of the environment ODA

compendium and this study on lessons learnt. A rather unique process has begun which has the potential to flower into a full collaborative programme of environment projects. There are a range of recommended actions in this report which could or should be undertaken in collaboration, that is, by a consortium of donors working with government as was done for the lessons study.

A collaborative programme might include, for example, the following projects:

- preparation and implementation of the National Environment Strategy – 2001-10 (Recommendation 17);
- implementation of the Biodiversity Action Plan, including preparation of regional BAPs;
- establishment of international support groups for key sectors receiving environment ODA, building on the evaluation of the MARD experience (Recommendations 25 and 41); and
- preparation of Sector Environment Strategies or enhancement of Sector Master Plans.

In addition, there are a number of practical recommendations that could be picked up by the UNDP environment forum, given below.

#### **49. Conduct an annual donor meeting on the environment**

An annual donor meeting on the environment should be held on one or a small number of subjects of key importance. It should focus on lessons learnt from experience in Vietnam and elsewhere, in implementing environment programmes and projects. The meeting should, in particular, showcase successful projects or approaches, analysing the factors which had led to success and which are replicable. These conferences would best be undertaken through the UNDP environment forum in collaboration with MOSTE.

During the year, the forum should keep the momentum going through a regular environment ODA newsletter in Vietnamese and English. A newsletter distributed by e-mail, fax or post, focusing on implementing environmental assistance in Vietnam would raise the profile of environment among Vietnam's aid community and within government. It would keep the 'community' informed of existing or planned policies, programmes and projects on the environment in Vietnam, including, for example, the arrival and departure of environment aid officials, of environment project personnel and of monitoring and evaluation missions. It would keep abreast of changes in donor (or national) policy as these affect the environment. It could profile agencies, programmes, projects and regions on a regular basis, and carry an occasional lead article volunteered by members of the environmental community in Vietnam.

By its nature, such a newsletter would become a tool for improved coordination, and a 'one-stop shop' facility for those wishing to follow the field but unable to dedicate the time necessary for research.

The environment ODA newsletter would best be supported by a consortium of donors under UNDP's existing consultative mechanism.

#### **50. Convene regular meetings of international technical advisers on environment projects**

Technical advisers to environment projects should meet regularly outside the formal setting of their meetings with the donors or wider meetings

involving their counterparts, to exchange experiences and lessons learnt. This would be an important means of ensuring that the experience built up over the years serves to improve aid practice and the planning of future aid interventions.

The TAs' forum could focus on environmental themes, examine approaches, or compare notes on specific geographical areas. Part of each meeting should take place in the presence of the aid officials responsible for environmental programming in Vietnam, since experience from the 'coal face' is an important reality check. But part of each meeting might be reserved for an open discussion involving the TAs alone.

The Government should convene similar meetings of national project directors and the two groups should come together for discussions when issues could usefully be addressed in a collaborative way.

Donors will need to provide adequate backing, that is, funds and consultant support for these meetings through UNDP to ensure that they are properly prepared, recorded and followed up.

The key is to maintain the momentum of collaboration that has been generated by the study. There are some recommendations that are straightforward and could be implemented through existing programmes, for example:

- make the report a required briefing for all aid missions, and require that mission reports show how study recommendations can be or have been implemented;
- actively feed the report into the current national environment strategy process;
- commit to holding an annual conference on environment aid;
- commit to maintaining and strengthening the environment ODA database and to making it a joint UNDP/MPI initiative; and
- introduce language and cultural sensitivity training for all international advisors and national project directors.

Finally, the key recommendation of this study is to increase the proportion of environment aid from 10 to 20 per cent of overall ODA flowing into Vietnam. This and a number of guiding principles advocated here need to be discussed as central issues on the agenda in future meetings of the Donor Consultative Group. UNDP, the World Bank and other members of the Group need to work closely with MPI to ensure this happens.



## CHAPTER 12



# The Top Fifty Recommendations

**M**any recommendations have been made throughout this report. In this chapter, the 50 most important proposals for improving environment ODA are summarised and developed. They are set out as a mix of guiding principles and actions that can and need to be undertaken by government and the donor community.

One point needs highlighting: given the scale of change that is taking place in Vietnam's natural resource stocks, the proportion of total ODA (and government funds) going to their maintenance is seriously inadequate. If there is to be any real chance of reversing the deteriorating state of the environment over the next 10 years, then government and their international partners must increase the environment ODA ratio from 10 to 20% of total ODA flowing into the country. This does not mean business as usual but on a larger scale, but a difference in the way ODA is planned and delivered. Fundamental reorientation is required of the kind recommended here.

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increase their capacity to be able to evaluate options and the impacts of their natural resource sector policies on environmental and social as well as production targets.

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Large and small projects alike need a preparatory phase of one to five years that includes a number of key ingredients, including an emphasis on thorough analysis of the institutional context (see recommendation 39), capacity building, institutional strengthening and diverse pilot activities.

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## **7. Build on local structures and expertise**

In field-based projects, local ownership and ultimately project effectiveness is enhanced by using Vietnamese structures and staff. Projects need flexible, participatory approaches that are focused on village and commune levels.

## **8. ODA commitments should be based on consistent, long-term and low-level inputs**

Long-term relationships and the building of trust through low-level but consistent commitments and multi-phase projects over long periods are effective mechanisms for environment ODA delivery. Large-scale short-term interventions face many problems.

## **9. Substantially increase ODA to those biodiversity regions of highest priority for conservation action**

Vietnam's biodiversity regions were defined, reviewed and prioritised to identify those regions that need urgent additional ODA support. This exercise was carried out to illustrate the use of a priority setting tool that could guide the geographic allocation of government resources and ODA.

The Government, with strong donor backing, needs to go through this process of defining priority biodiversity regions again, and then prepare action plans for those regions which are in most urgent need of integrated management.

# Urban and Industry Sectors

## **10. Evaluate and strengthen the institutional capacity of implementing agencies before projects begin**

There is a need to carefully evaluate the capacities of implementing agencies such as the provincial DOSTEs before projects begin. Implementing agencies need to have the technical knowledge, English skills and organisational capacity to implement projects, and to benefit from financial assistance and foreign expertise. If these capacities are not sufficient to support a major project, then a lengthy preparatory phase is required of the kind suggested for natural resource projects, to build the needed skills and to strengthen the institutions involved so that they can effectively take on the added responsibilities.

## **11. Promote local experimentation and innovation**

No single agency or donor has the 'right' answer for advancing sustainable development. There is a need to promote local experimentation and innovation in responding to the challenges faced in the urban and industrial sectors. There is an important role for ODA to play in funding projects that nurture new initiatives and locally driven ideas. There is also a need for developing procedures which allow project terms of reference to be amended as implementers hit roadblocks or find new strategies for meeting project objectives. Mechanisms for reflection and innovative responses to obstacles should be encouraged.

## **12. Incorporate environmental issues into state-owned enterprise reform**

Industry in Vietnam is currently undergoing a major transformation. SOE reforms – such as management changes, equitisation processes, and subsidy elimination – should incorporate environmental concerns. ODA projects should help integrate environmental strategies, and particularly pollution prevention and cleaner technology, into SOE reforms. In cases where the Government, for employment reasons, chooses to keep marginal

SOEs in operation, these plants must not be allowed to continue at high environmental and community health costs.

### **13. Increase public access to environmental information**

Experiences from around the region show that public pressure can play a critical role in advancing environmental goals in urban and industrial settings. ODA projects often have the leverage to motivate greater public access to information and to strengthen public awareness of the trade-offs between economic development and environmental protection. Donors should use this leverage to strengthen public roles in environmental protection programmes. Multilateral development banks should also require that EIAs of projects they fund are translated into Vietnamese and made publicly accessible. Also, the annual State of Environment report prepared by NEA should receive wide public circulation.

### **14. Introduce a system of competitive bidding for the role of implementing agency**

In appointing appropriate national institutions to prepare and implement ODA projects (as specified under Article 21, point 2 of Decree 87/CP), the responsible authorities should establish a system of open competition among the national institutions wishing to be an ODA project implementing agency.

There are often many potential candidates for one ODA project. In some situations, the selection might be based on the mandate of an institution, but in other instances selection could be based on elaboration of proposals by a number of interested institutions.

### **15. Partnerships between management agencies and research institutions in ODA projects should be strongly promoted**

Cooperation among national institutions, especially between environmental management agencies and research and higher education institutions, is essential for effective implementation of environment ODA projects. Project Management Units should be set up in a way that facilitates this cooperation.

Often, management agencies (for example, NEA and the DOSTEs) have easier access to ODA projects that provide experienced consultants, equipment, technical facilities, and opportunities for the transfer of knowledge and technology, but they have limited technical manpower and other capacities to absorb the assistance. On the other hand some research and academic institutions have better trained scientific and technological manpower, but because of their mandate find it difficult to gain access to ODA projects. Cooperation between the two categories of national institutions would be mutually beneficial and lead to more effective ODA project implementation. This is especially the case in environmental projects that require multi-disciplinary inputs.

The establishment of PMUs under Article 25 of Decree 87/CP could promote this cooperation. For example, the UNDP Industrial Pollution Reduction Project in Viet Tri would have been more successful if the implementing agency, the Centre for Environmental Management of Vinhphu province, had established close working links with CEST of Ha Noi University of Technology or CETIA of Ha Noi University of Civil Engineering through a PMU. Similarly, the UNDP project on Environmental Protection in

Open-Pit Mining in Quang Ninh, needed the active involvement, through the PMU, of Quang Ninh DOSTE.

#### **16. Give high priority to building ODA projects on local initiatives**

In selecting ODA projects, priority should be given to proposals based on practical activities that have started in Vietnam using resources provided by the Government or Vietnamese institutions.

Similarly, in the selection of ODA project implementing agencies, priority should be given to institutions that have carried out relevant practical activities using their own resources or those provided by government. These are institutions that have a proven track record of allocating their budgets and staff time to issues of relevance to the project.

## Environment Protection

#### **17. Provide ODA support to the preparation and implementation of the national environment plan for 2001-10**

The new 10-year government strategy on environment protection and sustainable development is an essential and urgently needed framework of priorities to guide the allocation of ODA resources. Support is needed in bringing the policy framework to completion so that it includes a convincing analytical and systematic set of priorities for action; it results from effective cross-sectoral consultation and consensus; and it is respected and built into the Government's overall socio-economic development plan.

The national environment plan should include the definition of biodiversity regions as an essential method for setting priorities for action. It should also specify implementation arrangements that include the need for each sector to integrate the plan into their own annual and five-year development plans and budgets.

#### **18. Support the development of a set of national sustainable development indicators**

The environment strategy should include a commitment to develop a comprehensive framework of sustainable development indicators, which would enable progress to be assessed on a regular basis and fed back to influence future actions and policy. This exercise should be supported through a consortium of donors and involve each government sector in the definition of appropriate indicators. The set of indicators should form the basis of the annual state of environment reporting process, involving sectors and local government in monitoring and reporting on progress.

#### **19. Support the preparation of a comprehensive sustainable development planning law**

Urgently needed is a planning law that would set out the principles of sustainable development, define the roles and responsibilities of each level of government, and lay down planning procedures.

#### **20. Support programmes in each of the main ministries and agencies to build capacity to address their own environmental responsibilities**

A review should be undertaken of key ministries and sections of government, leading to an action plan for the incorporation of adequate

environmental practices into the programmes of these ministries. Priority should be given to those institutions of government that have the greatest impact on the environment and to those where the scope for promoting environmental objectives through their work is most promising – for example, education, tourism and health.

Sectors need to receive long-term ODA support in building their own environment units and procedures and this should be done in close collaboration with NEA.

### **21. Make long-term ODA commitments to build managerial, administrative and technical capacities in the DOSTEs**

The orientation of ODA projects to capacity building, especially for provincial DOSTEs, is right. But in many DOSTEs, where there are poor technical skills, non-existent foreign language skills and weak internal management, capacity building will take time.

### **22. Enhance the capacity of NEA and the GEF Vietnam Committee to gain better access to GEF funds**

The three GEF agencies, the World Bank, UNDP and UNEP, should ensure that training in GEF procedures is provided; the institutional arrangements for GEF coordination and management are working more effectively; and that Vietnam receives its full complement of GEF funding. The Government should ensure that both the funds and institutional support required be provided to the GEF Committee and that it is directly linked to MPI's ODA board.

As a first step, an evaluation of the GEF experience in Vietnam should be undertaken to identify lessons and practical strategies for improving access to GEF.

### **23. Build a strong language and interpretation component in all environment projects**

All environment ODA programmes and projects should make budgetary provision to give long-term international advisors a mandatory four to six weeks of intensive training in Vietnamese prior to taking up their project duties and, whenever possible, ongoing training throughout the project duration. Similarly, projects should include strong English language training programmes for Vietnamese counterparts. Also, all environment projects should include permanent staff posts for translation and interpretation.

### **24. Undertake environmental reviews of macro-economic policy**

It is important to achieve a better understanding of how existing policies affect the environment and whether they improve or diminish prospects for achieving sustainable development. Since this is a field of study that is relatively new, not only in Vietnam but internationally, it is worth undertaking on an experimental basis, deliberately seeking to develop and refine the methodologies which can subsequently be used to undertake such reviews on a systematic basis. Initial steps have been taken in assessing the environmental affects of development policies through Phase 1 of the Vietnam Capacity 21 Project. Phase 2 will continue to explore tools for such policy assessment. But more support to this field is needed, and activities should be undertaken on a cooperative basis.

# Education, Training and Research

## Institutional Development

### **25. MOET should be supported in establishing and maintaining an International Support Group on environmental education, training and research**

Building on the lessons of the MARD ISG evaluation, an ISG is needed under MOET (in cooperation with MOSTE/NEA) to draw together the key players in education and training. It would give donors an opportunity for information exchange and joint discussions of their education and training projects, and it would contribute to awareness raising and act as a motivating force among MOET staff.

### **26. The Government needs to clarify the mandates of MOET and MOSTE in environmental education and training**

Within government, there is no adequate national arrangement for the coordination of activities related to environmental education and training. A clearer mandate for each ministry is needed as is effective mechanisms for coordination.

## Research

### **27. Donors should actively explore with government the opportunities for much greater ODA support to the environmental institutes within NCST**

The National Centre for Science and Technology warrants much greater attention from donors. It needs this to build its applied research capacities in fields such as biodiversity conservation, coastal and marine management, wetlands, GIS and environmental assessment, and connecting this work in practical ways to the management arms of government.

## Primary and Secondary School Education

### **28. ODA should play a more significant role in building environmental education capacities in schools and in teacher training for the environment**

There is an urgent need for: better and more up-to-date books and teaching material that are environmentally relevant; upgrading of teacher understanding, appreciation and skills in environmental issues and in the interaction between environmental, social and economic issues. Tailor-made courses, seminars and workshops can be effective in meeting these needs.

### **29. Donors should support an evaluation of environmental education initiatives undertaken in schools to date**

Government has responded to the need for introducing environmental education in the national education system through various policies. But there is no sense of how successful follow-up efforts have been or firm

agreement on how best to put the Government's instructions into practice. A review is needed to identify strengths and weaknesses and to define support activities to fill the gaps.

## Tertiary Education

### **30. More environment ODA should go to support tertiary training within Vietnam**

Support to Vietnam's students at national universities is important and can be cost-effective. It should be targeted at students who study environmental sciences or natural resource management, students from rural areas and particularly women, and first-year students, whose dropout rate is highest because of financial constraints.

The current World Bank loan to strengthen the university system should have a strong environment and sustainable development component.

### **31. Donors should review the quality of the overseas tertiary courses they are supporting and define minimum standards**

Several donors provide scholarships for MSc and PhD programmes in the West. There is a need for quality control in some overseas programmes tailored for students from developing countries. Some are too superficial to provide the qualifications required for internationally recognised MSc and PhD degrees and may ultimately hinder the student in his/her future career.

### **32. 'Twinning' between Vietnamese and overseas institutions should be actively promoted**

Joint applied research programmes between Vietnamese and foreign institutions are working well in Vietnam, particularly when supported over long periods. Such institutional relationships should include resources for exchanges, which enable Vietnamese staff to go overseas, and overseas personnel to come to Vietnam to teach and conduct research.

## Training

### **33. Government and donors need to create and support a network of environmental training centres**

There is a growing number of centres that provide training and services in environmental management. But there is no system to encourage consistency in content and quality of these training programmes. ODA could usefully support the formation of a network of the most promising training centres that might be the target of institutional strengthening and development of methods, tools and curricula.

### **34. More ODA support is needed to ensure the media has an active role in environment education**

Few ODA projects emphasise the role of the media in promoting awareness raising. Radio and TV programmes can often contribute to understanding and awareness far better than any written document, as these media reach people wherever they live and work.

**35. Donors should take a much more proactive role in involving younger environmental experts in their ODA projects**

There is a need for a long-term strategy that would help young environmental experts develop. It would be useful for donors to develop a roster of national experts that includes young people, who could then be targeted for training and short-term consultancies. It might also make sense to create 'internship' programmes where young Vietnamese environmentalists spend six months working with international organisations. NGOs can play a key role in supporting and training such people.

## Cross-Cutting Issues

**36. A comprehensive project should be launched to help build MPI's capacity, procedures and mechanisms for ODA coordination and monitoring**

While the trend to decentralise ODA is a positive one, government and donors in particular must be sensitive to the potential for fragmentation and overlap, and the importance of building effective coordination linkages and information flows to the centre. The ODA database within MPI/FERD should be sufficiently comprehensive to identify and track environment aid projects.

**37. Every donor needs a 'bridging' expert to facilitate the effective implementation of environment ODA programmes**

Vietnamese personnel who can play a bridging role between donors and Vietnamese organisations are needed. These people need technical knowledge of the issues they are dealing with, knowledge of donor objectives and procedures, knowledge of the Vietnamese political and institutional context, and good communication skills. It is critical to identify and support younger people to play this role. These type of individuals can be strengthened project by project, and would benefit from more focused capacity building programmes.

**38. Government and donors should undertake a review of the national execution experience to date so that a more realistic and productive set of principles can be defined to facilitate the process**

While there is universal consensus on the goal of national execution, there is little agreement within government and the donor community on the pace and form that it should take. Vietnam's experience with managing large ODA programmes is still limited, and associated institutional capacities and procedures are not in place. In some cases, programmes have been pursued precipitously without adequate appraisal of the recipient's institutional and human resource capacities.

**39. A consortium of donors should work with government in developing methods for institutional capacity analysis, to help shape the preparatory period of environment aid projects**

Projects are not always being developed in a way that matches and helps build the institutional capacities of the recipient organisation. Often a project concept should have been scaled down and reworked to include much more up-front institutional strengthening activities as proposed under recommendation 2. Donors and government need methods to undertake

institutional analyses in order to assess the potential partner organisation's strengths and needs.

**40. Government must introduce clear policies and procedures which promote, encourage and provide incentives for information sharing on environment projects**

ODA project information is not actively shared within government, leading to duplication of effort and wasted resources. Government agencies need to be encouraged to take the initiative in convening regular meetings of environment project teams under their management to facilitate information exchange, cooperation and the sharing of expertise.

Donors and government need to pay greater attention to ensuring that all project documentation is available in English and Vietnamese.

**41. It should be government policy for every major sector to establish and maintain an International Support Group similar to the evolving forum within MARD**

There are two main stages of the ODA project cycle at which coordination is especially important: during the idea and design phase, and during implementation. Coordination during implementation is especially important and needs to involve the project teams who are most familiar with the nuts and bolts of the project. Often it is only when the projects are underway that the opportunities for complementarity become apparent. Flexibility in management and project frameworks is required.

Donors will need to play a strong supportive role in the development of these facilities. As a first step, a set of guiding principles and procedures to enhance the effectiveness of the ISG and similar sectoral coordination mechanisms should be prepared.

**42. All donors should review the impact of their policies on meeting the objectives of their environment aid programme**

All donors of environment aid to Vietnam, both bilateral and multilateral, should undertake a survey of the policies followed by their governments and institutions in Vietnam, and of the policy reform which they are supporting in Vietnam, directly and indirectly. The impact of these on the objectives of their environment aid should also be assessed.

An experimental joint survey might be undertaken for all or a group of donors in Vietnam. If it is carried out by a limited number of donors, the early surveys might elaborate a methodology and approach that could be refined and used on a more regular basis as an annual 'policy check' or report card on policy coherence. Implementation of this recommendation would represent an experiment of great significance to aid worldwide.

The scope of the policy reviewed would need to be defined. It should include all the elements of macro-economic policy reform, debt and debt service, investment, trade and policies relating to the reform of the public sector. It should also focus on home-country policies such as export promotion, procurement rules, market access, and codes of behaviour imposed on home-country companies operating in Vietnam. The survey would need to be coordinated closely with any initiative to support the development of methods for the environmental assessment of economic policy suggested under recommendation 24.

#### **43. Both government and donors should introduce policies to promote the greater participation of NGOs in aid delivery**

Donors should invest in the capacity of both international and national NGOs to design and implement environment programmes. One particularly useful way to do this is to set up and support long-term programmes through NGOs. Such programmes could include the deliberate building of capacity and needed institutional supports within targeted NGOs to manage such programmes. The long-term nature of the commitment would make it worthwhile for international NGOs to give priority to building capacity in Vietnamese partners.

There are many international NGOs active in Vietnam often operating on shoestring budgets with short-term planning horizons. This is not making the best use of a critical resource for sustainable development. Investments in long-term programmes through NGOs could overcome some of the capacity, absorption and incentive problems noted in the main body of the report.

Aid agencies are seriously circumscribed in terms of making long-term commitments, given that their own budgets tend to work in annual cycles of parliamentary approval. At the same time, all work to longer programming cycles and have in the past found creative ways to overcome the obstacles that they face in this respect. Mechanisms permitting an effective long-term approach with NGOs can be developed, even if it is subject to annual confirmation of funding levels.

The experience of bilateral donors such as the Swiss, who have worked out framework agreements and long-term programmes with NGOs, should be drawn upon as a guide to others in the donor community who have less experience and political backing for commitments of these kinds.

## New Sources of Environment ODA

#### **44. A consortium of donors should define a strategy with government to test a number of environment funds**

Donors should experiment with one or several environmental funds, aimed at sustaining an appropriate level of support to environmental priorities over a long period of time. Such funds could be in the form of capital endowments, that is trust funds in which only the interest on the capital is used for the Fund's stated purpose; draw-down funds, in which the capital is drawn down over a period of time; or revolving funds in the case of support to productive activities. Several such funds might be set up on an experimental basis, with a deliberate effort to monitor and learn from the experience over time.

The funds might be broad in scope, covering a variety of environmental activities or might be limited to a smaller range of topics (for example, protected areas management), a smaller range of approaches (for example, capacity building), or to particular geographical areas (for example, provinces, municipalities).

#### **45. A consortium of donors or individual donors should define a strategy with government to undertake a programme of debt for nature swaps**

Special attention should be paid to the possibility of a 'triangular' debt exchange, in which Vietnam's rouble-denominated debt to Russia and other components of the former Soviet Union are converted with capital from a

third country or a coalition of countries, thus generating significant capital in Vietnam and relieving both Vietnam's and Russia's debt.

Capitalising environment funds through debt exchange not only enables the funds to be established at a level that permits impact and flexibility, but helps relieve Vietnam's debt burden also, thus improving the economic indicators of both Vietnam and the former creditor country.

**46. Government and donors should define a strategy for taking advantage of the environment funding opportunities under the Kyoto Protocol**

Vietnam is well placed to benefit from the flexible mechanisms recognised under the Kyoto Protocol. With the help of interested donors, it should explore the potential for undertaking joint projects and it should follow with interest the evolving debate around Emissions Trading and the Clean Development Mechanism.

**47. Donors and government should invest more in cross-cultural sensitivity training for staff within international agencies and projects**

There is not enough training for international technical advisers, programme officers, and other key international staff in Vietnamese cultural, political, and social issues. Few international personnel receive any training in communication issues (for example, language, styles of communication and cultural mores), negotiating processes, or Vietnamese administrative practices. This has led to miscommunication, project delays and larger problems. It takes time for individuals and organisations (on both the donor side and the recipient side) to learn new systems and jargon. With the relatively fast turnover of international personnel, there appears to be poor transfer of cultural and institutional knowledge within organisations.

Some donors and NGOs provide high quality cultural and language training programmes for their staff in close cooperation with national partners. A survey of these initiatives is needed so that the benefits of their experience and approaches can be shared with others.

A study is needed into the assumptions and cultural mores that underlie and shape ODA relationships. Exposing these assumptions will lead to greater respect and understanding of their origin, the systems of values on which they are based, and a more sensitive approach to ODA interactions.

## Implementation

The review of lessons learnt is not a one-off event – it is a process in which the organisations and individuals involved can benefit from their experience on a continuing basis. This study has provided an initial round of feedback on the experience of government and donors with environment ODA. That feedback process needs to continue. It may take the form, for example, of regular reviews on specific issues raised in the report. Over time, it will need to become a more methodical part of the ODA monitoring process within government and donor agencies.

**48. Move towards a collaborative implementation programme**

Donors participating in the environment group convened by UNDP have now collaborated on two activities – compilation of the environment ODA

compendium and this study on lessons learnt. A rather unique process has begun which has the potential to flower into a full collaborative programme of environment projects. There are a range of recommended actions in this report which could or should be undertaken in collaboration, that is, by a consortium of donors working with government as was done for the lessons study.

A collaborative programme might include, for example, the following projects:

- preparation and implementation of the National Environment Strategy – 2001-10 (Recommendation 17);
- implementation of the Biodiversity Action Plan, including preparation of regional BAPs;
- establishment of international support groups for key sectors receiving environment ODA, building on the evaluation of the MARD experience (Recommendations 25 and 41); and
- preparation of Sector Environment Strategies or enhancement of Sector Master Plans.

In addition, there are a number of practical recommendations that could be picked up by the UNDP environment forum, given below.

#### **49. Conduct an annual donor meeting on the environment**

An annual donor meeting on the environment should be held on one or a small number of subjects of key importance. It should focus on lessons learnt from experience in Vietnam and elsewhere, in implementing environment programmes and projects. The meeting should, in particular, showcase successful projects or approaches, analysing the factors which had led to success and which are replicable. These conferences would best be undertaken through the UNDP environment forum in collaboration with MOSTE.

During the year, the forum should keep the momentum going through a regular environment ODA newsletter in Vietnamese and English. A newsletter distributed by e-mail, fax or post, focusing on implementing environmental assistance in Vietnam would raise the profile of environment among Vietnam's aid community and within government. It would keep the 'community' informed of existing or planned policies, programmes and projects on the environment in Vietnam, including, for example, the arrival and departure of environment aid officials, of environment project personnel and of monitoring and evaluation missions. It would keep abreast of changes in donor (or national) policy as these affect the environment. It could profile agencies, programmes, projects and regions on a regular basis, and carry an occasional lead article volunteered by members of the environmental community in Vietnam.

By its nature, such a newsletter would become a tool for improved coordination, and a 'one-stop shop' facility for those wishing to follow the field but unable to dedicate the time necessary for research.

The environment ODA newsletter would best be supported by a consortium of donors under UNDP's existing consultative mechanism.

#### **50. Convene regular meetings of international technical advisers on environment projects**

Technical advisers to environment projects should meet regularly outside the formal setting of their meetings with the donors or wider meetings

involving their counterparts, to exchange experiences and lessons learnt. This would be an important means of ensuring that the experience built up over the years serves to improve aid practice and the planning of future aid interventions.

The TAs' forum could focus on environmental themes, examine approaches, or compare notes on specific geographical areas. Part of each meeting should take place in the presence of the aid officials responsible for environmental programming in Vietnam, since experience from the 'coal face' is an important reality check. But part of each meeting might be reserved for an open discussion involving the TAs alone.

The Government should convene similar meetings of national project directors and the two groups should come together for discussions when issues could usefully be addressed in a collaborative way.

Donors will need to provide adequate backing, that is, funds and consultant support for these meetings through UNDP to ensure that they are properly prepared, recorded and followed up.

The key is to maintain the momentum of collaboration that has been generated by the study. There are some recommendations that are straightforward and could be implemented through existing programmes, for example:

- make the report a required briefing for all aid missions, and require that mission reports show how study recommendations can be or have been implemented;
- actively feed the report into the current national environment strategy process;
- commit to holding an annual conference on environment aid;
- commit to maintaining and strengthening the environment ODA database and to making it a joint UNDP/MPI initiative; and
- introduce language and cultural sensitivity training for all international advisors and national project directors.

Finally, the key recommendation of this study is to increase the proportion of environment aid from 10 to 20 per cent of overall ODA flowing into Vietnam. This and a number of guiding principles advocated here need to be discussed as central issues on the agenda in future meetings of the Donor Consultative Group. UNDP, the World Bank and other members of the Group need to work closely with MPI to ensure this happens.

# Abbreviations and Acronyms

<b>ADB</b>	Asian Development Bank
<b>AREA</b>	Australian Association for Research and Environmental Aid
<b>ASEAN</b>	Association of South-East Asian Nations
<b>AUSAID</b>	Australian Agency for International Development
<b>BAP</b>	Biodiversity Action Plan
<b>BMZ</b>	German Federal Ministry for Economic and Development Cooperation
<b>CEM</b>	Centre for Environmental Management
<b>CERED</b>	Centre for Environmental Research, Education and Development
<b>CEST</b>	Centre for Environmental Science and Technology
<b>CEFINEA</b>	Centre for Environmental Technology and Management
<b>CIDA</b>	Canadian International Development Agency
<b>CIEM</b>	Central Institute for Economic Management
<b>CRURE</b>	Centre for Research and Planning on Urban and Rural Environments
<b>Danida</b>	Danish International Development Assistance
<b>DOSTE</b>	Department of Science, Technology and Environment
<b>DSE/ZOV</b>	German Foundation for Development/Public Administration Promotion Centre
<b>DSEE</b>	Department of Science, Education and Environment
<b>DSI</b>	Development Strategy Institute
<b>DTPQ</b>	Department of Technology and Product Quality
<b>EC</b>	European Commission
<b>EDI</b>	Economic Development Institute
<b>EIA</b>	Environmental Impact Assessment
<b>EPC</b>	Environmental Protection Centre
<b>ESTNV</b>	Environmental Science and Technology in Northern Vietnam
<b>EU</b>	European Union
<b>FAO</b>	Food and Agriculture Organization
<b>FDD</b>	Forest Development Department
<b>FDI</b>	Foreign Direct Investment
<b>FERD</b>	Foreign Economic Relations Department
<b>FINNIDA</b>	Finnish International Development Agency
<b>FIPI</b>	Forest Inventory and Planning Institute
<b>FPD</b>	Forest Protection Department
<b>GDP</b>	Gross Domestic Product
<b>GEF</b>	Global Environmental Facility
<b>GIS</b>	Geographical Information System
<b>GOV</b>	Government of Vietnam
<b>GSO</b>	General Statistic Office
<b>GTZ</b>	German Agency for Technical Cooperation
<b>ICD</b>	International Cooperation Department
<b>IEBR</b>	Institute of Ecology and Biological Resources
<b>IFAD</b>	International Fund for Agriculture Development
<b>IMF</b>	International Monetary Fund
<b>INEST</b>	Institute for Environmental Science and Technology
<b>ISG</b>	International Support Group
<b>IUCN</b>	IUCN-The World Conservation Union
<b>JICA</b>	Japan International Cooperation Agency
<b>KFW</b>	Kreditanstalt Fuer Wiederaufbau, Germany
<b>MARD</b>	Ministry of Agriculture and Rural Development
<b>MOFA</b>	Ministry of Foreign Affairs

<b>MOC</b>	Ministry of Construction
<b>MOET</b>	Ministry of Education and Training
<b>MOF</b>	Ministry of Finance
<b>MOFI</b>	Ministry of Fisheries
<b>MOHI</b>	(former) Ministry of Heavy Industry
<b>MOI</b>	Ministry of Industry
<b>MOSTE</b>	Ministry of Science, Technology and Environment
<b>MPI</b>	Ministry of Planning and Investment
<b>NCD</b>	Nature Conservation Division
<b>NCS</b>	National Conservation Strategy
<b>NCST</b>	National Centre for Science and Technology
<b>NCSSH</b>	National Centre for Social Science and Humanity
<b>NEA</b>	National Environment Agency
<b>NEAP</b>	National Environment Action Plan
<b>NGOs</b>	Non-Government Organisations
<b>NIAPP</b>	National Institute for Agricultural Planning and Projection
<b>NISTPASS</b>	National Institute for Science, Technology, Policy and Strategy Studies
<b>NORAD</b>	Norwegian Agency for Development Cooperation
<b>NRMEPP</b>	Natural Resources Management and Environmental Protection Programme
<b>NPESD</b>	National Plan for Environment and Sustainable Development
<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>OECF</b>	Overseas Economic Cooperation Fund, Japan
<b>OOG</b>	<b>Office of the Government</b>
<b>PIAP</b>	Policy Implementation Assistance Project
<b>PID</b>	Planning and Investment Department
<b>PMBs</b>	Project Management Boards
<b>PMU</b>	Project Management Unit
<b>SDC</b>	Swiss Agency for Development and Cooperation
<b>SEMA</b>	Strengthening of the Environmental Management Authority
<b>SFEs</b>	State Forestry Enterprises
<b>SFDP</b>	Social Forestry Development Project
<b>Sida</b>	Swedish International Development Agency
<b>SME</b>	Small and Medium Enterprise
<b>SOE</b>	State-Owned Enterprise
<b>SOER</b>	State of Environment reports
<b>TA</b>	Technical Assistance
<b>UNCED</b>	United Nations Conference on Environment and Development
<b>UNDCP</b>	United Nations Drug Control Programme
<b>UNDP</b>	United Nations Development Programme
<b>UNEP</b>	United Nations Environmental Programme
<b>UNFPA</b>	United Nations Population Fund
<b>UNICEF</b>	United Nations'Children Fund
<b>UNIDO</b>	United Nations Industrial Development Organisation
<b>USSR (former)</b>	Union of Soviet Socialist Republics
<b>VNESDC</b>	Vietnam Environment and Sustainable Development Centre
<b>VNMC</b>	Vietnam National Mekong Committee
<b>WFP</b>	World Food Programme
<b>WTO</b>	World Trade Organization
<b>WWF</b>	World Wide Fund for Nature

## Terms of Reference

### Background

Emerging from decades of war and centralised planning, Vietnam has grown dramatically since the policy of economic renovation (*doi moi*) was instituted in the mid-1980s. Until the Asian economic crisis began in 1997, Vietnam's economic growth had topped 8% per year for most of the 1990s. With the ending of the US led trade embargo in 1993, and with increasingly favourable conditions for trade and investment, foreign direct investment commitments to Vietnam grew from a little more than US\$ 1 billion in 1991 to almost US\$ 9 billion in 1996. Commitments of official development assistance likewise increased from US\$1.9 billion in 1993 to US\$2.4 billion in 1997.

At the same time, a post-war baby boom has pushed the population of Vietnam to more than 75 million people. This represents a four-fold increase since 1939 and a doubling since 1970. The population density in Vietnam has consequently grown to more than 223 people per square kilometre overall, with densities of 800-1,000 people per square kilometre in the Red and Mekong river deltas. Vietnam is now one of the most crowded countries in Asia: it is twice as crowded as Thailand and Indonesia and more than four times as densely populated as neighbouring Cambodia and Laos.

Growing population and wealth have corresponded to increasing pressures on natural resources. Agricultural expansion has gone beyond the most suitable areas and now encroaches upon steep hillsides, coastal areas and acidic soils. Agricultural intensification has added growing amounts of pesticides and herbicides, washed into the environment with increasing amounts of irrigation water. The most obvious loser in the process has been Vietnam's forests: forest cover has dropped from 50% of the total land area in 1949 to about 25% today. Coastal wetlands, freshwater resources and marine habitats have suffered as well.

Growing population and wealth have also drawn people from the countryside to the cities. From 1960 to the present, the 'official' urban population has increased

four-fold to 14 million in 1995; the unofficial urban population is undoubtedly much larger. Dilapidated urban infrastructure and poorly financed urban services have not been able to keep pace. As a result the urban environment has deteriorated rapidly, primarily due to inadequate collection or untreated discharge of human wastes. There are no urban waste water treatment plants in Vietnam of any scale. It is estimated that only about 60% of the solid wastes are collected in Vietnam's main cities.

Vietnam has recognised the threats to its environment and taken some measures to combat those threats. As a lead up to the United Nations Conference on Environment and Development in Rio de Janeiro in 1992, Vietnam prepared and published a National Plan for Environment and Sustainable Development (NPESD) in 1991. Two of the main recommendations of the NPESD were implemented in 1993-94; namely, the elevation of the State Committee for Sciences to ministerial level (as the Ministry of Science Technology and Environment, or MOSTE) and the passage of the national Law on Environmental Protection (LEP).

The donor community has been an active partner assisting Vietnam in this effort. Between 1985 and 1995, the donors committed US\$ 466 million to support 252 projects in the environmental sector in Vietnam<sup>1</sup>. More than US\$ 216 million (46%) of this total went to support upland forest and watershed protection projects implemented by the former Ministry of Forestry. Two-thirds of the value of all projects (US\$ 321 million, or 69%) went to the three ministries (the ministries of forestry, water resource and agriculture and food industries) that were merged in late 1995 to form the Ministry of Agriculture and Rural Development.

The largest donor by far during this period was the World Food Programme, accounting for US\$ 143 million (31%) of the total. There were 16 donors who committed US\$ 5 million or more during this period<sup>2</sup>. Collectively, they accounted for more than 91% of all commitments.

1. United Nations Development Programme and Ministry of Planning and Investment. 1996. *Compendium of Environmental Projects in Vietnam—1985–1995*. Hanoi: UNDP and MPI.

2. In order of commitments, these are: Sida, UNDP, the EU, GEF, Danida, SDC, IFAD, JICA, AusAid, KfW, the Netherlands, CIDA, GTZ, BMZ and Japan.

## Scope of Work

In light of these substantial investments, there is an interest on the part of the donor community to analyse the lessons learned from their support to the environmental sector in Vietnam. The terms of reference detailed below set out the framework and tasks required to complete such a study.

The main subject of analysis of this study is donor-assisted environmental projects in Vietnam. For the purposes of this study, environmental projects are defined as those whose main objective is to promote the preservation of the natural environment or the sustainable management of natural resources. In many instances, these objectives are subsumed under broader objectives of poverty alleviation or sustainable development.

With this definition, several classes of projects generally lie outside the scope of this study:

- projects that might have significant environmental impacts but do not focus on environmental protection as such (for example, most irrigation projects and industrial development projects); and
- projects that may affect the management of environmental resources in Vietnam but do not focus explicitly on it (for example, public administration reform projects—outside of MOSTE/NEA—and rural development projects).

The study will be conducted in two phases. The main objectives of these phases are (1) to draw lessons learned from previous donor support to the environmental sector and (2) to make recommendations for the directions and nature of future support. The study should especially review donor support during the past five years and make recommendations looking five years into the future (i.e., from 1993 to 2003). It should evaluate the appropriateness of previous support in terms of the:

- national priorities and needs in the environmental sector;
- type of assistance (technical assistance, food aid, loans, etc);
- objective of assistance (capacity building, investigation, infrastructure, etc);
- sub-sectors (natural resource management, urban and industrial pollution, etc);
- counterpart institutions (ministries, research institutes, universities, NGOs, etc);
- administrative levels (national ministries, local People's Committees, etc);
- geographic focus (uplands, deltas, coastal areas, cities, etc); and
- financial and institutional arrangements for project implementation.

Based on this evaluation, the study should make recommendations concerning future donor assistance to Vietnam in light of (1) the changing economic, social and political environment during the study period in general; (2) the changing legal and institutional framework for environmental management in particular; and (3) the changing problems and national priorities for environmental action in general and donor support in particular.

The study will be conducted by a team of two to four international and three national consultants. National consultants will be identified from appropriate Vietnamese institutions working in the environmental sector. The international consultants will be provided as a team by an international natural resource or environmental management institute, agency or consulting firm. Selection of the team will be based on proposals submitted by the competing firms.

The work will take place during approximately four months beginning in October 1998 and ending in January 1999. The report will be presented by the consultants at a major donor conference on the environmental sector in early 1999.

## Specific Tasks

To accomplish the above objectives, specific tasks to be completed by the consultant team will be divided into two phases as follows:

### Phase 1 (8-10 weeks)

- 1.1. Collect documentation related to the state of the environment in Vietnam during the study period. Documentation should cover the natural resource sector as well as the urban and industrial sectors.
- 1.2. Collect documentation related to national policies and programmes for natural resource and environmental management in Vietnam. The documents should include, but not be limited to, the following:
  - National Plan for Environment and Sustainable Development (August 1991);
  - Vietnam: Forestry Sector Review and Tropical Forestry Action Plan (main report, December 1991);
  - Biodiversity Action Plan for Vietnam (November 1994);
  - Vietnam: Environmental Program and Policies Priorities for a Socialist Economy in Transition (June 1995); and
  - Vietnam National Environmental Action Plan (draft, July 1995).

- 1.3. Collect documentation related to the legal and institutional framework for environmental management in Vietnam during the study period. Develop a thorough understanding of the past and current mandates of the following agencies with regard to environmental management: the Ministries of Planning and Investment; Science, Technology and Environment; Construction; Industry; Agriculture and Rural Development; the National Environment Agency; provincial People's Committees; and Departments of Science, Technology and Environment.
  - 1.4. Collect documentation related to donor assistance to the environmental sector in Vietnam beginning in the mid-1980s, but especially during the 1990s. Documentation should specifically focus on project/programme design and project/programme evaluations. Documentation should include not only past support but ongoing and proposed support as well. Major donors to be considered should include the following: UN agencies (WFP, UNDP, FAO, UNIDO); bilateral donors (Australia, Canada, Denmark, France, Germany, Japan, the Netherlands, Sweden, Switzerland); multilateral donors (World Bank, Asian Development Bank, European Union) and NGOs.
  - 1.5. Review all of the above documentation to make a preliminary assessment of previous donor support to the environmental sector during the study period. Evaluate the appropriateness of previous support in terms of the:
    - national priorities and needs in the environmental sector;
    - type of assistance (technical assistance, food aid, loans, etc);
    - objective of assistance (capacity building, investigation, infrastructure, etc);
    - sub-sectors (natural resource management, urban and industrial pollution, etc);
    - counterpart institutions (ministries, research institutes, universities, NGOs, etc);
    - administrative levels (national ministries, local People's Committees, etc);
    - geographic focus (uplands, deltas, coastal areas, cities, etc); and
    - financial and institutional arrangements for project implementation.
  - 1.6. Interview representatives from concerned donor agencies to gain further insights regarding the above issues. Donor agencies should include at least those mentioned above under task 1.4. Such interviews could be preceded by written questionnaires and/or conducted in small groups based on existing sub-sectoral donor groups (urban and industrial pollution, environmental education and training, etc).
  - 1.7. Interview representatives from concerned Vietnamese institutions and agencies to gain further insights regarding the above issues. Vietnamese institutions and agencies should, at least, include those mentioned above under task 1.3. Such interviews could be preceded by written questionnaires and/or conducted in small groups.
  - 1.8. Based on the above, develop a preliminary set of lessons learned from previous donor support to the environmental sector. Prepare a 15-20 page summary of these conclusions, translate the document into Vietnamese, and distribute it to concerned donors and Vietnamese institutions. Develop a workplan for the second phase of the study with details on suggested areas of focus and tracks to be followed by the study team.
  - 1.9. Organise a workshop for concerned donors and Vietnamese institutions to (1) present the findings on lessons learned; (2) collect comments on these findings; and (3) agree on an approach and areas of focus for the second phase of the study. Based on these conclusions, finalise the workplan for the second phase of the study.
- Phase 2 (6-8 weeks)**
- 2.1. Review the (1) changing economic, social and political environment in Vietnam during the study period in general; (2) changing legal and institutional framework for environmental management in particular; and (3) changing problems and national priorities for environmental action in general and donor support in particular. This review should be conducted in close consultation with the relevant Vietnamese authorities. (This task could also be included as part of phase 1).
  - 2.2. Conduct additional research, interviews and/or field trips as needed, giving special attention to the areas of focus agreed to with the donor community. Based on the above, develop a preliminary set of recommendations concerning future donor assistance to Vietnam in the environmental sector. Prepare a 15-20 page summary of these conclusions, translate the document into Vietnamese, and distribute it to concerned donors and Vietnamese institutions.
  - 2.3. Organise a second workshop for concerned donors and Vietnamese institutions to (1) present the preliminary set of recommendations; and (2) collect comments on the recommendations.
  - 2.4. Incorporating comments on both the lessons learned from the past and recommendations for the

future, draft a full report on donor assistance to the environmental sector in Vietnam. The report should be approximately 50 pages in length, in addition to annexes. It should make full use of tables, charts, graphics, sidebars and boxes to fully illustrate its conclusions. The draft report may be printed in black-and-white. Translate and distribute the full draft report for comments.

- 2.5. Present the report at a national donor conference on the environment to be held in early 1999. Collect comments from both the donor community and the Government.
- 2.6. Incorporate these comments in the final report and, following clearance from the donor community, publish and distribute the study. The final document should be bound, printed in colour and suitable for international distribution.

## Composition of Team

The core study team will consist of two to four international and three national consultants with the following profiles:

International Expert in Environmental Management (Team Leader, three work-months). University degree (MSc or higher) in natural resource management, environmental sciences or a related field. At least 20 years work experience in the field of natural resource management, environmental protection or related fields. At least 10 years work experience within an international environmental agency, institution or consulting firm. Extensive work experience in developing countries, preferably in Asia and preferably in transitional economies. Specific experience in Vietnam preferred. Extensive work experience with international development agencies including bilateral donors, UN agencies and multilateral donors. Proven ability to analyse and synthesise large amounts of information and to convey that information clearly and concisely in written English. Proven abilities in public speaking and workshop facilitation, in English. Proven ability to lead a multi-disciplinary, multi-national team of experts and to produce high-quality outputs.

International Expert in Environmental ODA (two work-months). University degree (MA or higher) in international development, international affairs or a related field. At least 10 years work experience in the field of international development. At least five years work experience in the developing world, preferably in Asia and preferably in transitional economies. Specific experience in Vietnam preferred. Extensive work experience with international development agencies including bilateral donors, UN agencies and multilateral

donors. Proven ability to design and/or implement development assistance projects. Proven ability to evaluate development assistance projects and to write clearly and concisely in English. Proven abilities to work with a multi-disciplinary, multi-national team of experts.

National Expert in Natural Resource Management (three work-months). University degree (MSc or higher) in natural resource management or a related field. At least 10 years work experience in this field in Vietnam. Extensive knowledge of national laws, programmes and institutions related to natural resource management in Vietnam, especially the Ministry of Agriculture and Rural Development. At least three years work experience with international development assistance projects. General knowledge of ODA programmes in the natural resource management sector. Proven abilities to work in English. Proven abilities to work as part of a multi-disciplinary, multi-national team of experts.

National Expert in Urban and Industrial Pollution (three work-months). University degree (MSc or higher) in environmental engineering, environmental sciences or a related field. At least 10 years work experience in this field in Vietnam. Extensive knowledge of national laws, programmes and institutions related to urban and industrial pollution control, especially the Ministries of Construction and Industry. At least three years work experience with international development assistance projects, preferably focusing on urban or industrial pollution abatement. General knowledge of ODA programmes in the pollution sector. Proven abilities to work in English. Proven abilities to work as part of a multi-disciplinary, multi-national team of experts.

National Expert in Environmental Institutions and Legislation (three work-months). University degree (MSc or higher) in environmental management or a related field. At least 10 years work experience in this field in Vietnam. Extensive knowledge of national laws, programmes and institutions related to environmental management, especially the Ministry of Science, Technology and Environment and the National Environment Agency. At least three years work experience with international development assistance projects. General knowledge of ODA programmes in the environmental sector. Proven abilities to work in English. Proven abilities to work as part of a multi-disciplinary, multi-national team of experts.

Unspecified International Specialists (two work-months). Based on the results of phase 1, specialists may be required to supplement the core study team. Although it is not possible to define beforehand what specialist fields will be required, the consultant should consider submitting CVs of international specialists in the following fields: institutional development, environmental

education and training, natural resource management, environmental economics and others as the consultant may see fit.

## Outputs and Timeframe

The study team will produce four main outputs as follows:

- summary of lessons learned to be presented at the first workshop (15-20 pages in English and Vietnamese; 50 copies in each language);
- summary of recommendations for the future to be presented at the second workshop (15-20 pages in English and Vietnamese; 50 copies in each language);

- draft report of the study (approximately 50 pages in black-and-white, with annexes, in English and Vietnamese; 50 copies in each language);
- final document (in colour; 200 copies in English and 200 copies in Vietnamese).

It is expected that the work will take place over four months beginning in October 1998. Phase 1 would include a mission of four to six weeks ending with the first workshop. Phase 2 would include another mission of four to six weeks ending with the second workshop. Between missions, and after the second mission, the international consultants will work on preparation of the study report. The team leader would be expected to return to Vietnam for a third mission to present the draft report at a donor conference on the environment in early 1999.

## Biodiversity in Vietnam

Maintenance of biodiversity is essential to the well-being of ecosystems and, therefore, has immediate implications for economic and social well-being. There are three kinds of biodiversity—species, ecosystem and genetic. The status of species is the most straightforward and it reflects the condition of the other two.

Vietnam's long coastline and wide range of latitude and altitude lead to an unusual diversity of ecosystems, species and genetic resources. It has a variety of marine and coastal habitats, inland lakes and rivers, tropical rainforests, monsoon savannah, sub-alpine scrubland and two important river deltas located in the north and south of the country, which provide extensive wetland habitats.

These habitats are home to more than 12,000 plant, 5,500 insect, 2,470 fish, 800 bird, 275 mammal, 180 reptile and 80 amphibian species. Ten per cent of the world's mammal, bird and fish species are found in Vietnam and over 40% of local plant species are endemic. The global significance of the country's biodiversity was reinforced by the recent discovery of five new species of large mammals between the provinces of Nghe An and Quang Binh; altogether only eight new mammal species have been discovered in this century.

### Protected Areas System

Vietnam now has declared sites as protected areas covering a total of 2 million hectares or 6% of the total landmass (Map 1). Protected area staff and budgets have increased significantly since 1991 and the number of management plans has increased from 20 to 44.

### Assisting the Protected Areas System

Vietnam's Biodiversity Action Plan has recommended that the country be divided into biodiversity regions with defined priorities for action within each region and between regions according to a set of agreed criteria. This process needs to be carried out through consultation with and the involvement of interdisciplinary expertise. Informed judgements need to be made in setting the boundaries of regions and, more important, in

defining the criteria for identifying those geographic areas which require urgent attention.

A pilot exercise was conducted as part of this study on environment aid. It was aimed at showing how useful such a tool could be in setting priorities, and to give government and donors an initial sense of where in the country more concentrated conservation action is required. This pilot was, as its name suggests, a trial run. The government does need to repeat the exercise more formally so that it becomes part of the planning process.

For the purposes of the pilot exercise a 'delphi' approach was adopted. A team of national specialists was asked to define Vietnam's biodiversity regions based on existing information and their own expertise. They were also asked to define the criteria that should be used in setting priorities. There was a good deal of debate concerning the exact positioning of regional boundaries and on the number of regions. But determining the assessment criteria was more controversial. This process of debate and decision is difficult but essential in clarifying and giving practical expression to government policy.

Map 2 shows Vietnam's 19 biodiversity regions—10 terrestrial and 9 coastal and marine—which were identified through the pilot exercise. Their distinguishing characteristics are listed in the box.

The criteria used to determine which of these biodiversity regions should receive priority for future ODA and government support was:

- level of biodiversity wealth;
- level of threats to conservation of biodiversity resources; and
- feasibility of taking conservation actions (including timeframe and resources required).

The biodiversity regions map and draft priorities attracted a great deal of discussion at the MOSTE/NCST/MOET consultative roundtables. There was no disagreement over the importance of the map or the process but the priority setting criteria drew fire. There were two opinions:

- (i) priority should be given to rehabilitating those regions which once had high biodiversity values but which have been seriously depleted by human activities; and



Biodiversity Regions



## Biodiversity Regions

### Terrestrial Biodiversity Regions

1. **North East.** The region has many ecosystems ranging from limestone mountains to low hills and a narrow coastal plain. It includes many picturesque sites of important heritage value: the Ha Long Bay area, Cat Ba Island and the Ba Ba Lake area. The fauna and flora of the region are very rich with a number of rare endemic species such as musk deer (*Moschus caobanghensis*) and snub-nose monkey (*Trachypithecus avunculus*). Forest cover was once around 50% but has been seriously depleted due to shifting agriculture and illegal logging.
2. **Hoang Lien Son Range.** Vietnam's most important mountain range with the country's highest peak, Phansipan. This region has diverse biological resources, particularly medicinal plants of value.
3. **Red River Delta.** One of the two largest river deltas in Vietnam. The region possesses a typical wetland ecosystem, including Xuan Thuy, the first Ramsar site of Vietnam.
4. **North West.** Although not extensive, the forests of this region represent well-defined ecosystems at different altitudes. Biodiversity per unit area may be low, but there are about 38 rare animal species and several important plant species such as ginseng and *Fokienia hodginsii*.
5. **North Central (Bac Trung Bo).** Atypical feature of the region is the long but narrow band between the Truong Son range and the sea. Rich forest still covers a long strip of the Truong Son range, near the Lao border. The varied relief explains the rich biodiversity of the region with a number of endemic and endangered species, such as the blue pheasant with white tail (*Lophura hatinhensis*) and the Hatinh monkey (*Trachypithecus francoisi hatinhensis*). Over the past five years, two new mammal species, sao la (*Pseudoryx nghetinhensis*) and the large muntjac (*Megamunticus vuquangensis*) have been discovered in this region.
6. **Central Central (Trung Trung Bo).** The region has transitional features between the limestone mountains of the North and 'earth' mountains of the South. This creates an area with unusual biodiversity characteristics including endemic species and the Truong Son muntjac, a newly discovered mammal species.
7. **South Central (Nam Trung Bo).** This region has coastal characteristics, and is not of high biodiversity value.
8. **Tay Nguyen Plateau.** This region lies at the Indo-Chinese junction between Vietnam, Lao and Cambodia. The region has great biodiversity wealth. Many large mammals, including elephants, tigers,

panthers, wild buffalo and kouprey, inhabit it. The region is also home to rare plant species, for example, ginseng, Ngoc Linh, and the Dipterocarpaceae.

9. **Nam Bo Plain.** It is a transitional region between the high plateau of Tay Nguyen and the plain of Nam Bo. There are many rare tree species in this region. However, its biological resources have been depleted due to the development of hydroelectric dams and of rubber and cacao plantations.
10. **Mekong Delta.** This is the largest river delta in the country. The region possesses a diversity of mangrove and paper bark wetland ecosystems that provide habitat for the eastern sarus crane (*Grus antigone*).

### Coastal and Marine Biodiversity Regions

Less is known about marine systems, so only basic information is provided on distinguishing characteristics.

1. **Mong Cai to Do Son:** The dominant dynamic is tidal; the seashore is estuarine and the sediment is mud.
2. **Do Son to Lach Truong River Mouth.** Riverine flows; the seashore is a deltaic river mouth and the sediment is sand-mud.
3. **Lach Truong River Mouth to Mui Ron Cape.** Riverine flows and wave action; the seashore is sandy plain and the sediment is sand.
4. **Mui Ron Cape to Hai Van Cape.** Seashore currents and waves; the seashore consists of sand dunes and behind these formations are lagoons.
5. **Hai Van Cape to Dai Lanh Cape.** The land-sea interaction is relatively balanced. The seashore consists of capes, small deltas, small lagoons and bays. The land area is effected by sub-tropical climatic influences.
6. **Dai Lanh Cape to Vung Tau Cape.** The land-sea interaction is relatively balanced. The seashore consists of the capes, small deltas, small lagoons and bays.
7. **Vung Tau Cape to Ca Mau Cape.** River flows. The seashore is a delta with mangrove forests. The sediment is sand and mud.
8. **From Ca Mau Cape to Ha Tien (West Nam Bo).** South-westerly waves. The seashore is a delta with mangrove forests and the sediment is sand and mud.
9. **Parasells and Spratly Archipelago.** Almost all islands are coralline.

Regions 1, 5, 6, and 9 tend to have more stable environmental conditions and a higher biodiversity index than the others.

(ii) priority must be given to regions with existing biodiversity wealth, including endemic species.

A consensus was reached that regions with remaining biodiversity resources should be given the highest priority.

Based on a pilot exercise, the priorities for the terrestrial

regions are.

- priority 1: region 5
- priority 2: region 8
- priority 3: region 1 and 4

For the coastal and marine areas priorities are regions 1, 6 and 7.

## ODA Management Procedures and the Institutional Framework

This appendix describes the government ODA project cycle: the policies, procedures and institutional arrangements that have been put in place to manage development assistance.

### ODA Project Identification

This cycle consists of six main steps:

1. All central and local agencies send their project and programme proposals to the Ministry of Planning and Investment (MPI).
2. MPI reviews and screens the proposals; it prepares a list that is sent to the relevant agencies for their comments.
3. MPI then sends the list to the donors, requesting assistance.
4. The donors identify what they intend to support and build these projects/programmes into their tentative annual programmes.
5. MPI then submits the agreed-on list to the Prime Minister.
6. Once a response is received, MPI notifies the proposed executing agencies about the accepted projects and programmes.

The experience with the project identification process has not been satisfactory. Though guidelines for preparing project outlines were introduced in October 1997, under Circular 15/1997/TT-BKH, the outlines received by MPI are usually preliminary and inadequate, partly due to a lack of funds and skills. Proposal screening, in the absence of defined criteria, becomes somewhat arbitrary with too great an investment of time being made to reach consensus on the final listing that goes to the donors.

Negotiations with the donors on the list can also become difficult if proposals appear to be poorly thought through. For example, the donors may decide not to 'buy into' the list, but to pursue priorities agreed on with individual sector or local agencies. Alternately, in an effort to find 'fundable' projects, donors may take control of the preparatory process, leaving the proposed executing agencies as relatively passive partners in the process.

### ODA Project Preparation and Appraisal

Project preparation starts once the proposed executing agencies receive notification from MPI about the

possibility of donor assistance. Practically, many agencies are uncertain about their role at this stage.

In this phase:

1. MPI informs the donors of the agency which is responsible for preparing the project document.
2. Donors, in cooperation with the above mentioned agency prepare a Technical Assistance (TA) document.
3. The agency then submits their TA proposal to one of two bodies for approval: to the Prime Minister for TAs of US\$ 500,000 or more (Group A projects); or to the line ministries/Provincial People's Committees for TAs of less than US\$ 500,000 (Group B and Group C projects).
4. For Group A projects, MPI undertakes an appraisal of the TA proposal and submits its recommendations to the Prime Minister; and the Prime Minister approves the TA. For Group B and C projects, MPI receives the proposal and a letter from the line ministries/Provincial People's Committee requesting comments. Based on MPI's comments, they will approve the project.
5. In the case of TAs funded by the Asian Development Bank, the World Bank, the International Monetary Fund or other donors, MPI or the State Bank of Vietnam (SBV) sign the TA agreements.
6. The executing agencies, in cooperation with the donors and others, put the implementation arrangements in place.

Despite recognition in law of the need for resources to support the project preparatory phase, in practice little or no formal provision is made for this purpose in agency budgets. Consequently, tasks involved are often treated as an add-on to existing duties. The methods and analytical skills needed to undertake the preparatory work are not well developed and the government remains largely dependent on technical assistance from the donor community in this phase of the ODA process.

During this project preparation phase, the Foreign Economic Relations Department (FERD) within MPI plays a very important role. It receives comments from the relevant sectoral departments and ministries and then convene a meeting of the appropriate MPI departments and ODA management agencies—Office of the Government (OOG), Ministry of Finance (MOF), Ministry of Foreign Affairs (MOFA) or SBV—to reach a

consensus on the TA and proposed executing agency. Difficulties in coordinating and communicating with all the parties involved in an initiative have undermined the effective participation of sectoral departments and ministries in the appraisal process.

Also, the proposed executing agencies are those most directly responsible for the issues being addressed, although this is not always the case—executing agencies may be identified by MPI or by the Prime Minister and then approved by the donors. Hence, an agency that has developed a project ‘idea’ with a donor may not be designated as the executing body. This can lead to inter-agency tension and a loss of momentum in the project initiative.

## Loan Appraisal

The loan appraisal procedures are:

1. Donors send fact-finding missions to work with the executing and other agencies.
2. The executing agencies submit a draft project document (a pre-feasibility study) to the Prime Minister for concept clearance.
3. The Prime Minister gives clearance.
4. The donors send a mission to assist in the preparation of a feasibility study.
5. The executing agencies submit a feasibility study: for projects in Group A, to the Prime Minister and for projects in Group B and C, to the line ministries or Provincial People’s Committees (Decree 42/CP, Article 16).
6. The concerned agencies send their comments on the feasibility study to MPI.
7. MPI undertakes an appraisal and submits the appraisal reports to the Prime Minister for approval.

Decree 42/CP defines the responsibilities of specific ODA management agencies in the project appraisal process and the timing of their inputs but only in the most rudimentary way. It also defines it for ministries, central agencies and provincial committees, but not for inter-ministerial units or specific agencies at the provincial level. This has led to uncertainty and delays in project development.

Nor have any specific guidelines been provided for project appraisal. For example, there are few guidelines on, or regulations for, environmental and social impact assessments of projects.

The current system requires attention. For example, comments from environmental and social agencies such as Ministry of Construction, Ministry of Science, Technology and Environment, and General Department of Land Administration are not sought until the appraisal stage. In addition, government appraisal is carried out

only after donor appraisal missions have completed their tasks and documentation, making it more difficult to ask for significant changes to project design.

## ODA Project Implementation

The procedure described below applies to all ODA projects though not necessarily in sequential order:

1. The Project Management Unit (PMU) within the executing agency submits the ODA and counterpart fund plans and procurement plans to the line ministries and Provincial People’s Committees. It is also responsible for sending performance reports to the above as well as to the management agencies involved in ODA coordination (OOG, MOF, MPI, MOFA or SBV).
2. Line ministries and Provincial People’s Committees monitor all project implementation activities and submit, when necessary, bid evaluation reports to the PM (as stipulated in Decrees 43/CP and 93/CP). They also prepare and submit ODA and counterpart fund plans to MPI and MOF.
3. The PMU sends performance reports, bid documents, bid evaluation reports, disbursement applications, invoices and other documentation to donors as required.
4. OOG participates in ODA management.
5. MPI participates in ODA management and various project activities, for example, in preparation of the ODA and counterpart fund plans and monitoring of procurement.
6. MOF is responsible for monitoring the flow of funds and for providing guidance and control over disbursement and payment practices.
7. SBV appoints commercial banks as serving banks for individual projects and reports to MOF on progress in disbursement and payments through the banking system.

Prior to 1996, all procurement and consultant services for ODA followed the policies and procedures of individual donors. Disbursement of funds by executing agencies followed procedures set out in Decree 17/CP (1994) and disbursement procedures of the donors concerned.

In 1996, the government introduced the regulation on procurement (Decree 43/CP) and on construction and investment (Decree 42/CP). These regulations greatly clarified the policies and procedures relating to project preparation, appraisal and implementation. In the following year, the government supplemented and revised these laws through Decree 92/CP and Decree 93/CP and further revisions are envisaged for 1999.

ODA management policies, particularly loan disbursement procedures, have been detailed through a

number of government documents. These include Circular 18/TC/TCDN (1994), the External Loan Management and Use Manual, State Budget Law of 1996, inter-ministerial Circular 09/TC-NH on loans from international financial institutions (1994), and, most recently, the Inter-ministerial Circular No 81/1998/TTLB-BTC-NHNN on ODA disbursement policies and procedures (1998). In addition, MOF and project management units prepared specific disbursement procedures for individual loan projects.

In 1998, under a regional project, ADB helped the government in issuing a Manual on Disbursement and Accounting Procedures for ADB-funded Projects. In practice, the manual can be applied to projects funded by other donors.

In all this, environmental and social policy agencies have had little influence on projects during their

implementation stage. The exception has been those projects for which they are designated as the executing agency or, to a limited extent, in cases where they have membership in project steering committees.

## Project Evaluation

Monitoring and evaluation during or following project implementation is the least developed aspect of the ODA project cycle in terms of government policies and procedures. For projects funded by concessional loans, the government is required by the donors to hire consultants to undertake evaluations, but to date this has been limited to existing projects. As a rule, the government's approach to monitoring and evaluation is built around donor requirements and is not well understood as a creative internal tool to improve project performance or sustainability.

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