

Viet Nam: a transition tiger?
Achievements of *Doi Moi* and future challenges

Abstract for chapter 17

This chapter wraps up the authors' objectives in writing this book, which are to provide a comprehensive review of developments in the economy and the evolution of economic policy since the mid 1980s. A more ambitious objective is to interpret and explain some key factors during Vietnamese economic growth, and to assess any implications for development planning elsewhere.

The text examines the role of the state, agricultural development, investment in human capital, poverty alleviation, enterprise and industry policy, the role of private foreign investment, the reform processes, and the role of foreign assistance. It closes with the question: "What might have been done to achieve higher and/or more equitable growth?" The authors answer with the statement that while much remains to be done, Viet Nam has, in its own way, been remarkably successful in implementing *Doi Moi* to move the economy to a high growth path and to reduce poverty dramatically.

Keywords:

'good governance', 'learning by doing', agricultural growth, CMEA, *Doi Moi*, economic policy, economy, education, enterprise policy, entrepreneurs, equity, growth, human capital, Marxist-Leninist state, one-party system, political stability, poverty alleviation, private foreign investment, real estate, reform, state enterprise, state intervention, the state

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ACHIEVEMENTS OF *DOI MOI* AND FUTURE CHALLENGES

One objective in writing this book was to provide a comprehensive review of developments in the economy and the evolution of economic policy since the mid 1980s. Hopefully, the preceding chapters have described salient features of economic change in Viet Nam, helped illustrate the complexities of the economic policymaking process and highlighted some of the ambiguities in explaining Viet Nam's performance. It is hoped that, at a minimum, this information will be useful to some readers in making their own assessment of Viet Nam's performance and the major factors affecting it.

A more ambitious objective was to interpret and explain some key factors driving Vietnamese economic growth, and to assess any implications for development planning elsewhere. At the beginning of this book, a warning was offered about the care needed in drawing lessons from national experience for more general application. Certainly, this account has identified a number of characteristics of Viet Nam which were quite special to the country, including its specific history, geographical location and natural resource endowment. Moreover, the acceleration of Vietnamese growth happened when the East Asian economic boom was at its height and the world economy was in an upswing. Nevertheless, there are a number of aspects of the Vietnamese experience that may be useful in thinking about development policy issues more generally.

THE ROLE OF THE STATE

The Vietnamese experience offers some evidence regarding the role of the state in development. The lessons are not simple and are certainly subject to alternative interpretations.

It was possible to view the Vietnamese state as being a 'weak state' in terms of its economic management capability, as has been argued by some commentators (for example, Fforde and de Vylder (1996), who identified the state as weak because of failures to implement stated policy intentions effectively during the pre-reform period). An alternative approach sees the measured nature, continuity and national ownership of the policymaking process as characteristics of a strong state. The differences in interpretation partly reflect the gap that often exists between the definition of objectives and policies at the national level and the pragmatic accommodation of the decentralised decisions of individual actors in the economy, even when these are in apparent conflict with stated policies. The arguments developed in this volume posit that this pragmatic willingness to accept change resulting from decentralised initiatives is indicative of the strength of the state.

The Vietnamese experience suggests the need for a balanced view about the appropriate role of government intervention in the economy. Viet Nam has combined a willingness to shift vigorously towards using market policy instruments and maintaining a fairly orthodox macroeconomic stance, while maintaining an active role for the state, particularly in investing in infrastructure and human resource development, and in providing strong planning and policy guidance regarding medium-term growth and equity goals.

In that broad sense, Viet Nam can be seen as yet another variation on the East Asian model of the developmental state. The approach has been both flexible in the use of market instruments and pragmatic about the requirements for active state intervention to develop infrastructure and market institutions and influence the allocation of resources to realise national social and economic development goals.

This study has not been about political goals or the merits of alternative political institutions. In recent years, however, issues of 'good governance' have played an important part in the development literature and the thinking of donors. Insofar as the governance agenda is about asserting a particular set of

political values and Western political institutions, it lies outside the economic policy issues that are the focus of this study. A particular view of governance is currently being promoted which sees good governance not only as a set of desirable political values but also as an appropriate means of achieving economic development with equity (UK Department of International Development 2001). What light does the Vietnamese experience throw on the relationship between political institutions and growth with equity?

Viet Nam certainly does not conform to the model which is implicit (and sometimes explicit) in the donor literature on governance. It is a one-party state, there are definite limits on the role of autonomous institutions representative of what is called 'civil society' in the governance literature, and the system is perceived to be fairly corrupt. Yet Viet Nam has benefited from the continuity of political institutions, which has provided a stable environment and has enabled the Vietnamese authorities to make decisive macroeconomic policy decisions at times when there were strong economic reasons for action. The particular Vietnamese method of policymaking provided the basis for a pragmatic and gradual ('step-by-step' to use the Vietnamese term) process of institutional change. The continuity and stability of political institutions was underpinned by a complex consensus-building process that sometimes has resulted in a slow and opaque decision making process, which has had its frustrations, but which has also helped ensure ownership of the reform process by national institutions and facilitated profound institutional changes with minimal open conflict or tension. Despite the one-party system, the government eventually responded to domestic pressures to introduce reforms because of grassroots pressure for action to address the country's economic crisis in the mid 1980s and has in recent years been sensitive to local discontent.

Many external observers have trouble reconciling the fact that such far-reaching change and economic development has occurred under the aegis of an avowedly one-party Marxist-Leninist state. The successful implementation of *Doi Moi* suggests that implementation of political liberalisation is not a necessary initial condition for successful economic reform or the acceleration of economic growth and poverty alleviation.¹ Indeed, the counter-historical hypothesis might be that if abrupt political change had been attempted alongside the economic changes, growth could have been more difficult to achieve, as it could have led to instability, less coherent economic policies and

uncertainties that would have increased investment risk and made it more difficult to protect property rights.

Of course the fact that Viet Nam has achieved a relatively strong development performance with a one-party system in no way suggests that a one-party political system is either a necessary or sufficient condition for successful development. Successful East Asian economies have achieved growth and poverty alleviation under various regimes, including various forms of multi-party system, and with varying degrees of authoritarian leadership. Under a one-party system, Viet Nam has experienced both economic stagnation relative to other East Asian economies (1976–88) and a period of relatively strong economic performance in the 1990s. Despite the one-party system, the government eventually acted decisively (in the late 1980s) to confront a mounting economic crisis and is responsive to the needs of the mass of the people. However, the nature of the domestic political processes that resulted in this change remains poorly understood.²

What the study does suggest is that relative stability in social and political institutions can be particularly important in generating investor confidence, entrepreneurial activity, and thus competition, in a situation where the formal legal and institutional framework for business and commercial activity remains weak. Moreover, such stability may facilitate a successful pragmatic process of innovation and shield the economy from reckless experiments in launching untried solutions. In practice, the stable system may provide a good foundation for the subsequent development of effective market institutions.

The conclusion therefore is that, although it is the normal stuff of politics to espouse one or another set of political values as desirable and to promote particular political institutions that reflect those values, it is questionable that any particular political model can be justified as a vehicle for economic growth.

The reality is that terms such as 'one-party' and 'multi-party' each encompass a wide range of factors and institutions important to economic actors. In some respects, the way the Vietnamese state operated in practice is not particularly consistent with what observers might expect of a Marxist-Leninist state. The state has managed to combine a degree of authority and legitimacy for national institutions with considerable autonomy in practice at the local level (both in local government and in state-owned business). On the other hand, the state continues to exercise tight control over direct criticism of the political system

and stifles the work of national intellectuals and authors who offer alternative political views.

One by-product of the nature of the Vietnamese government system is that the policy process has remained under strong domestic control, with strong national ownership. At the most critical periods of reform in the late 1980s and early 1990s, access to external financial assistance was negligible. This meant that any external advice was largely judged on its merits rather than being accepted primarily as a means of unlocking donor coffers.³ The national ownership of policy was unequivocal. When conditionality attached to large transfers of official development assistance emerged as a factor in the policymaking process, there is little evidence to suggest that this was effective in accelerating reform.

Political stability and orderly (albeit bureaucratic)⁴ administration provided an adequately predictable context for economic decision making, despite the limited development of a formal legal system. Nevertheless, as the non-state sector expands and the economy grows in size and complexity the economic returns from more formal market institutions, including a transparent legal system, will also increase.

Through much of the reform period, the design of the business regulatory environment was not conducive to—and often discouraged—domestic private sector development. However, in practice, the system accommodated growth in small-scale private sector activity. No doubt the regulatory system imposed hidden costs on private business, both in the pecuniary sense of the ‘envelopes’ to be passed to officials and in terms of the time involved in handling bureaucratic processes. Furthermore, ambiguities regarding legal rights and obligations and in official attitudes towards private wealth left successful business people vulnerable, and encouraged secrecy and strategic alliances with state officials in conducting business. Nevertheless, the growth of the non-state sector has been lively. The extent of informal business activity was evidenced by the rapid registration of businesses when procedures were simplified, and costs reduced, under the new enterprise law.

One difficulty in drawing lessons from the Vietnamese experience is that it demonstrates that the informal characteristics of the institutions and understanding of the economic ‘rules of the game’ are quite as important as the formal institutions. At early stages of transition and development, having

a reasonably predictable political environment and social stability may be more important than adopting a formal legal framework of the kind that underpins market economies in more developed countries. This has non-trivial implications for policy advisors, and for the design of programs to support institutional and policy reform in transition and developing economies.

AGRICULTURAL DEVELOPMENT

The Vietnamese experience confirms the importance of agricultural transformation as a component of successful growth in a low-income country with a predominantly rural population. This is, of course, not an original or surprising conclusion. But there are also lessons to be learnt about how transformation is to be achieved.

While a comprehensive analysis of the sources of agricultural growth in Viet Nam has not yet been made, salient characteristics included

- a fairly egalitarian system of land-holding which ensured access to land for rural households
- that the use of market instruments to coordinate and provide incentives to farm households, beginning with reforms in the early 1980s, stimulated growth. Efficient, functioning markets are especially important as an economic coordinating mechanism for small-holder agriculture
- that increasingly competitive commodity markets were supported by effective public provision of basic infrastructure (notably water and transport)
- that progress in human development has facilitated the transfer of ideas and improved technology, and has underpinned strong productivity growth
- that continued functioning of organisations responsible for research, extension and distribution of inputs (by a mix of private and public enterprise, the latter despite financial stress) has facilitated productivity growth. While the support system is sub-optimal, it has been sufficiently effective to help facilitate the transfer of new technology
- that opening up domestic and international markets has greatly expanded choices, increased value added per worker, and thus increased income
- fluid population movement can be conducive to both growth and poverty alleviation—for example, encouraging migration and investment to open up new areas for tree-crop production.

INVESTMENT IN HUMAN CAPITAL

A strong commitment was made to investment in human capital in the period before reform as well as during the reform period. This included a massive commitment to basic education which resulted in very high levels of literacy in rural as well as urban areas, and for women as well as men. Viet Nam, as a consequence, is a society with widespread adult literacy.

A good deal of effort was also devoted to technical and professional training, including technical training outside Viet Nam, as well as development of national technical training capacity. Viet Nam was successful initially in developing and utilising capabilities in intermediate technology, constructing buildings and other physical facilities and producing goods for the domestic market cheaply and of appropriate standard for a low income market, while more recently it has begun to adapt its technology to the more demanding standards required for export markets.

There has also been a strong commitment to basic health care, including children's health, which resulted in much better statistics for mortality and life expectancy than are usually found in a country with such a low per capita income level.

Broad-based investment in human capital paid off in terms of the receptivity to technical change and the economic opportunities emerging in the reform period.⁵ Relatively strong education and health services have also contributed to the speedy demographic transition.

POVERTY ALLEVIATION

The successful Vietnamese performance over the past decade in alleviating poverty is capable of alternative interpretations, which can lend support to varying approaches to poverty reduction strategies.

One possible interpretation is that promoting growth is an effective poverty alleviation strategy. In a country with pervasive poverty, of the kind prevalent in Viet Nam in the 1980s, economic growth is a necessary condition for widespread poverty reduction, and at that stage of growth it did not make sense to divert resources from high growth potential investments to low potential investments on distributional grounds. To be sustainable, poverty alleviation should be about the development of productive capacity, rather than redistributive welfare measures.

Market liberalisation, because it promoted high growth, also supported rapid poverty alleviation. In particular, market reforms were a key input into the acceleration of agricultural growth, much of it based on the household farm, a critical factor in reducing rural poverty, while the fast growth of small and medium-sized enterprise generated widespread income opportunities.

However, some aspects of the market-led growth strategy may create difficulties for poverty alleviation in the future. Despite the improvements in rural incomes, the absolute gap between urban and rural incomes is widening persistently and substantially.

It must also be recognised that poverty alleviation in the 1990s was not simply the result of reforms. The liberalisation measures took effect in an economy with important features inherited from the pre-reform period which spread the benefits of growth, in particular the sustained commitment to investment in human capital, the lack of great inequalities in the access to assets (especially land) and modest differentials in employment incomes.

ENTERPRISE AND INDUSTRY POLICY

It is in the area of enterprise policy that the Vietnamese authorities have been most persistently criticised, notably in relation to the slow pace at which changes in ownership of state-owned enterprise have been introduced, the rather negative regulatory environment facing private domestic business and the cautious approach to providing incentives to foreign investors. And yet Viet Nam has achieved high growth, including rapid expansion in the private domestic sector and in private foreign investment.

One response of critics to this evidence of successful growth despite the slowness of enterprise reform is that growth would have been even faster with more conducive policies and that, in the current harsh international business climate, failure to reform more vigorously will hold up future development.

An alternative, and not particularly transferable, explanation is that, if the 'animal spirits' of business enterprise are sufficiently lively, the policy environment may not be of primary importance (aggressive entrepreneurs, public and private, domestic and foreign, may be able to get round unhelpful regulations). This is unhelpful to the economic policymaker because the supply of entrepreneurship is largely exogenous. It does suggest, however, the need for careful evaluation of underlying entrepreneurial capacities and investment

opportunities when judging the potential efficacy of policies—there are surely countries that have implemented ‘open door’ policies only to discover the lack of applicants to enter.

By contrast, this study has also argued that Vietnamese policy towards the private sector has often been more accommodating in practice than in rhetoric (reversing a more normal situation). The accommodation of an emerging national private sector had a positive impact which is likely to become increasingly important.

In relation to state enterprises, interpretation is more controversial. While price and trading reforms, abolition of direct subsidies, and other reforms have fairly rapidly exposed state enterprises to much greater competition, ownership reform has been slow, with consolidation rather than privatisation. Slow movement in this area has been a particular focus of criticism from within the donor community. Nonetheless, slow state enterprise reform has not proved to be the drag on growth predicted by external commentators. While it is not difficult to come across horror stories of inefficiency, and of large monopoly rents (for example, in telecommunications), there are also many examples of successful joint ventures and of productive contributions made by the sector.

It may be that the competitive environment faced by many state enterprises stimulated improved performance, while a degree of decentralisation permitted innovation by state enterprise managers. This would suggest that a competitive environment may be a more important factor in determining performance than the nature of ownership—an outcome more consistent with the Lange–Lerner model of combining decentralised public ownership with efficient allocation, than with Kornai’s view that a soft budget constraint, and its adverse consequences for efficiency, is the virtually inevitable outcome of widespread public ownership (for example, Kornai 1980).

THE ROLE OF PRIVATE FOREIGN INVESTMENT

Private foreign direct investment played a useful role mainly in two ways. Foreign investment, particularly from other economies in the region, was important in promoting the fast growth in labour-intensive industrial exports. Foreign investment was also important in providing know-how and finance for the fast growth in energy exports.

The impact of foreign investment in real estate development was more ambiguous in that it stimulated a property boom which led to severe excess

capacity in some areas (notably hotels). Investment in import substitution industries also led to high-cost excess capacity in some industries (for example, car assembly) but this was not severe enough to undermine overall industrial performance.

The slow pace of financial reform and the limited development of financial and equity markets has meant that foreign portfolio investment has been insignificant. While that may have limited access to external funding, it also shielded the economy from speculative flows and limited the impact of the East Asian financial crisis.

REFORM PROCESSES AND PRESSURES FOR REFORM

Grassroots pressure to improve economic opportunities and increase living standards has been important in driving the reform process. After the euphoria of national reunification, the credibility of the government and the Party increasingly depended on improving living conditions. Periods of deteriorating external conditions increased pressure for change at both the grassroots and top level policymaking.

While much of the reform process remains opaque, several more visible features provide some lessons about the management of a reform process. First, most public policy decisions are only made after broad consensus is reached on policy directions within the system. The initiation of major policy and institutional change requires sustained effort in consensus building. This process, often time consuming, has to be nationally led. Opportunities for external input into these processes are mostly limited either to presentation of international experiences or to assistance in analysing the potential impacts of policy options.

Second, many formal regulatory changes are in effect formalising what is already happening in practice in some parts of the country. Other reform efforts were initially implemented on a pilot basis. In effect, 'learning by doing' has been an important feature of reform efforts. For example, the private sector began to emerge and small-scale private trading was widespread before it was formally legalised. Land-use rights were widely used as collateral for informal credit before such practices were sanctioned by formal legal provisions. More recently, domestic business associations have emerged even though the decree on their operations is still being drafted. Many of the smaller state-owned enterprises have responded rapidly to changing market circumstance, but not always in accordance with state regulations on corporate governance. Indeed,

state-owned assets have at times been used for personal benefit. Where policy reforms have clearly been top-down (for example, the bankruptcy and state enterprise laws, and equitisation), implementation is often problematic. At the same time, the backing of Party and government leaders has been important in removing formal institutional barriers to business development.

While entrepreneurs emerged from a broad cross-section of society, contacts with the state apparatus are particularly valuable in periods of regulatory and institutional ambiguity. Many government and Party officials have family and friends engaged in business. Thus, officials were often personally aware of the bureaucratic and administrative constraints faced by entrepreneurs. This has facilitated and encouraged recent moves to more formal consultations between the state and the business community to reduce barriers to business growth.

Finally, unlike in some less developed economies, national policymakers in Viet Nam have rarely relied directly on external advisors in policy formulation. At times, changes promoted by donors and external advisors are adopted, but the process by which this policy change has occurred is difficult to identify or define. Few external advisors would claim to understand fully the policymaking process or to even know who the key players are in the process of developing policy.

In the contemporary setting, it is interesting to speculate whether difficulties in the international economy will be taken as a spur to intensified reform or as a call for greater caution. It could be argued that fast reform is needed in an increasingly competitive environment to attract limited international investment. But it could also be argued that further and more aggressive liberalisation might leave the economy excessively exposed to the consequences of international economic instability (as a corollary to the argument that the slow pace of financial sector reform insulated the economy from some of the worst impacts of the post-1997 East Asian downturn). Regardless, there is little doubt that the government sees continuing trade development and inflows of foreign direct investment as important for the achievement of the rapid increases in productivity, production and incomes needed to further reduce poverty and to reduce income gaps with other East Asian economies.

THE ROLE OF FOREIGN ASSISTANCE

Foreign official development assistance played little role in the acceleration of growth. In fact, the period in which reform was initiated with particular vigour

and the acceleration in growth began was characterised by sharp declines in external assistance, as support from the CMEA countries collapsed but had not yet been replaced by flows from members of the development assistance community. Indeed, the sharp growth in foreign assistance flows coincided with a slackening of the growth rate (although a causal relationship is not to be inferred—it was also contemporaneous with the onset of the East Asian economic crisis).

A plausible case can be made that ideas provided by way of technical assistance activities provided a useful input into the reform process. However, such inputs were primarily of a technical advisory nature. There was little direct input in drafting policy, and such assistance was not associated with aid conditionality and therefore did not erode national ownership of policies.

There is no evidence that the contemporary attempt to introduce pervasive conditionality,⁶ particularly by the Bretton Woods institutions, is accelerating or improving the reform process. Vietnamese institutions appear to have been strong enough, and accountable enough to their domestic constituents, to withstand any undue outside influence over national policymaking processes.

WHAT MIGHT HAVE BEEN DONE TO ACHIEVE HIGHER AND/OR MORE EQUITABLE GROWTH?

It trying to explain and interpret Vietnamese policy, we may give the impression that Viet Nam followed a near-optimal strategy. In reality this is never the case—it is always possible to identify areas where there was and is room for policy improvement however much success has been achieved.

Obviously, serious mistakes were made in the 1970s and 1980s. *Doi Moi* and stabilisation reforms could have come sooner.

Once the country moved along the path to reform, probably the key thing they could have been done better was to more quickly and more thoroughly to remove barriers that hinder the development of the domestic private sector. An earlier focus on removing the regulatory, administrative and other barriers to domestic private sector investment would have increased the contribution of the private sector to growth and employment, as is evidenced by the response in the last two years to the belated improvement in business legislation. If there had been more focus on exploiting the potential of indigenous entrepreneurship, a considerable Vietnamese resource, rather than concentrating attention on foreign direct investment, growth probably would have been faster

and more equitable because more non-farm employment would have been created. The issue is not one of an 'either/or' choice between domestic and foreign investment, but rather a more balanced approach throughout the 1990s and more of an effort to encourage joint foreign investor/domestic private initiatives. For example, income tax regimes that were heavily biased against national tax payers discouraged the development of local talent (especially by foreign investors).

On the other hand, the interpretation developed in this volume suggests that it is difficult to judge what impact accelerated ownership change in state enterprises would have had on growth. Greater effort to reduce monopoly power would have been helpful, both by encouraging competition within the state sector and opening up to competition from private domestic and foreign business. Maybe donors could have focused more on helping domestic agencies develop capacity to undertake substantive analysis of the distributional and efficiency consequences of some key national and provincial monopolies (for example, in agricultural processing and trade), and of continuing barriers to private sector development.

Apparently there was some initial deterioration in the social sector (education and health) during *Doi Moi*, both because of funding constraints and the unintended consequences of some institutional changes (for example, the deterioration of service delivery by rural cooperatives). Also, the move to implement user charges may have consequences in skewing access to social facilities in favour of the better off. Borje Ljunggren, a Swedish former ambassador who has followed developments in Viet Nam during the reform process, has challenged the Vietnamese authorities to make a greater effort to translate their stated commitment to socialism into a more systematic concern for maintaining equitable access to public services (Ljunggren 2001).

Continued attempts to control information flows also increase the costs of acquiring knowledge, market access and technology, and from a significant constraint on the development of knowledge-based industries and information technology.⁷

An area which will require increasing attention is the management of public funds. During the period of great financial stringency, the sheer scarcity of resources constrained budgetary waste. With the fast build-up of foreign aid, there is a grave risk of deterioration in resource use—not surprising given the tendency of donors to push the flow of aid with only limited access to local budgetary processes and information. On the Vietnamese side, the access to

'free' resources encourages a relaxation in budgetary discipline. In this regard, the strong questioning of the waste of aid funds in the National Assembly was a welcome development. Donors could help if they could establish a better connection between their own practices in project and program funding and their rhetoric about the need for improved public sector management.

One area where there is a widespread perception, both by the government leadership and outside observers, that progress has been much too slow is in relation to public administration reform. In parts of this study some of the virtues of the existing system, which may not be immediately apparent, have been identified. These include the real, if not always transparent, efforts to build consensus and the degree of flexibility in the system that results from the autonomous behaviour of many parts of the system.

However, the poor coordination within government (horizontally between departments and ministries, and vertically between national, provincial and local government) has also been noted. Difficulties arise when creative autonomy and flexibility phases into chaotic indiscipline and lack of coordination. As the economy gets more sophisticated and public management tasks more complex, a greater coherence will be required of government institutions.

Likewise, there has been no serious effort to raise the salary scales of public servants in line with growing income levels in the private sector, making it difficult to check the spread of corruption.

With the state still playing a leading role in the economy, ineffective public administration and poor public spending decisions could slow economic growth.

While much remains to be done, Viet Nam has, in its own way, been remarkably successful in implementing *Doi Moi* to move the economy to a high growth path and to reduce poverty dramatically.

NOTES

- ¹ This is consistent with international empirical studies. Sen argues that, based on empirical studies, the hypothesis that there is no relationship between political freedom and economic performance 'is hard to reject'. However, Sen argues that 'developing a democratic system is an essential component of the process of development' (1999:150). Interestingly, the need to improve democratic processes (especially grassroots democracy) is a recurring theme in the development strategy approved by the Vietnamese National Assembly. At the end of the July–August 2002 session of the National Assembly, the Chairman called on Vietnamese 'to uphold national unity, strength self-reliance to successfully implement the

industrialisation and modernisation process for a powerful country with wealthy people and an equal, democratic, and civilised society’.

- ² Sen (1999) stresses the interconnections between political freedoms and the understanding and fulfilment of economic needs. He notes that ‘political freedoms can have a major role in providing incentives and information in the solution of acute economic needs’ (1999:147). While there were few political freedoms in Viet Nam in 1986, the state did respond to domestic concerns about economic needs.
- ³ Without large financial incentives, there was also greater incentive for external policy advisors to prepare arguments for policy reform carefully. In the absence of financial incentives, national policymakers were only likely to implement reforms if they were convinced of the benefits.
- ⁴ The Sixth Party Plenum (Ninth Congress) in August 2002 called for ‘accelerated administrative reform to abolish intermediary agencies that are usually found to be beset with red-tape and complicated procedures’ and the separation of state administrative functions from business operations.
- ⁵ Castello and Domenech (2002) argue that both the level and the distribution of education is important for economic growth. They find that greater equality in human capital development is associated with higher investment rates and income growth.
- ⁶ The World Bank IDA Poverty Reduction Support Credit of US\$250 million, agreed in 2001, includes a policy matrix with over fifty policy actions to be implemented over the coming three years. Given the success of the Vietnamese without such support and policy conditionality, this sort of comprehensive donor guidance might seem gratuitous, if not arrogant. The explanation seems to lie in the internal process of the World Bank, where the management seems to require the purchase of a policy matrix commensurate with the size of a credit.
- ⁷ At a conference on information technology in September 2002, Nguyen Khoa Diem (Secretary of the Communist Party Central Committee and Politburo member) stressed the importance of the internet for social and economic development but complained that ‘Internet and e-newspaper development remains slower than other regional countries and has not met the demand for national development and the needs of the people... Viet Nam’s e-newspapers are not very informative and are not very attractive to readers while Internet costs remain so high’.