

Scoping Study on Integration of Poverty and
Sustainability into National Development Planning

VIET NAM COUNTRY REPORT

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Table of Contents

Introduction	1
1 The Poverty-Environment Nexus.....	4
1.1 Poverty overview.....	4
1.1.1 National and sub-national trends in income poverty.....	4
1.1.1 Multidimensional poverty.....	5
1.1.2 Challenges facing poverty reduction.....	6
1.2 Natural capital / ecosystem services and poverty alleviation.....	7
1.2.1 Forests.....	7
1.2.2 Agriculture / land (including pasture)	9
1.2.3 Surface and Ground Water.....	10
1.2.4 Fisheries – marine and inland.....	12
1.2.5 Minerals-Extractive Industries.....	13
1.2.6 Key challenges and gaps	14
2 Policy framework.....	15
2.1 Existing regulations, policies, strategies and plans.....	15
2.1.1 Integrated regulations, policies, strategies and plans.....	15
2.1.2 Poverty / social development.....	16
2.1.3 Green economy.....	18
2.1.4 Private sector.....	19
2.1.5 Fiscal policy.....	20
2.2 Key challenges and gaps.....	20
3 National development planning and implementation.....	21
3.1 Overview of the plan/policy development and implementation process.....	21
3.2 Co-ordination and visioning.....	25
3.3 Assessment - tools and methodologies.....	26
3.4 Policy design and formulation.....	28
3.5 Appraisal and Adoption	30
3.6 Budgets and financing.....	31
3.7 Implementation	34
3.8 Monitoring and evaluation (M&E).....	35
4 Key opportunities and enabling actions.....	37
References.....	41
Annexes:.....	43

List of Acronyms

ADB	Asian Development Bank
ASEAN	Association of South East Asian Nations
AusAid	Australian Development Aid Assistance
CGE	Computable General Equilibrium
CIDA	Canadian International Development Assistance
CIFOR	Center for International Forestry Research
CIT	Corporate Income Tax
CODE	Center of Development and Economics
CPC	Commune's People's Council
CPRGS	Comprehensive Poverty Reduction and Growth Strategy
DFAT	Department for Foreign Affairs and Trade
DOF	Department of Finance
DPC	District's People's Council
DPI	Department of Planning and Investment
EIA	Environmental Impact Assessment
EITI	Extractive Industries Transparency Initiative
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
GDI	Gender Development Index
GDP	Gross Domestic Product
GHG	Green House Gas
GINI	Inequality coefficient
GIZ	German International Development Cooperation
GSO	General Statistic Office
HDI	Human Development Index
IEA	International Energy Agency
ILO	International Labor Organization
ISPONRE	Institute for Strategy and Policy on Natural Resource and Environment
JICA	Japan International Cooperation and Assistance
M&E	Monitoring and Evaluation
MARD	Ministry of Agriculture and Rural Development
MOF	Ministry of Finance
MOIT	Ministry of Industry and Trade
MOLISA	Ministry of Labor, Invalid and Social Affairs
MPI	Ministry of Planning and Investment
NA	National Assembly
NGGAP	National Green Growth Action Plan
NGGS	National Green Growth Strategy
NGOs	Non-Government Organizations
NTP	Non timber forestry products
NTP	National Target Program
ODA	Official Development Assistance
PEP	Poverty – Environment Project
PFES	Payment for Forest Environmental Service
PPC	Provincial People's Committee
PPP	Purchasing Power Parity
RIA	Regulatory Impact Assessment
SEA	Strategic Environmental Assessment
SEDP	Socio-Economic Development Plan
SEDS	Socio-Economic Development Strategy

SEEA	System of Environmental and Economic Accounting
SMEs	Small and Medium Enterprises
SNA	System of National Account
SOE	Stat Owned Enterprise
TCVN	Vietnam Standards System
TPP	Trans-Pacific Partnership
UNDP	United Nations' Development Program
VASEP	Vietnam Association of Seafood Exporters and Producers
VBCSD	Vietnam Business Council for Sustainable Development
VCCI	Vietnam Council of Commerce and Industry
VHLSS	Vietnam Households Living Standard Survey
VUSTA	Vietnam Union of Science and Technology Association
WB	The World Bank
EU	European Union
FTA	Free Trade Agreement
WAVES	Wealth Accounting and the Valuation of Ecosystem Services

List of Figures

Figure 1: Trend of Economic Growth and Social Development in Vietnam in 2005-2013.....	1
Figure 2: CO ₂ intensity of ASEAN and some Asian countries in 2005-2012.....	2
Figure 3: Total Primary Energy Consumption per Dollar of GDP	2
Figure 4- Vietnam's poverty headcount using different poverty lines.....	4
Figure 5. Trends in Forest Area and Coverage 1943-2013.....	7
Figure 6: Agriculture Productivity of Some Asian Countries in 2006-2013.....	10
Figure 7: Water Consumption by Economic Sectors	11
Figure 8: Fishery production and export performance in 2000-2014.....	12
Figure 9: Trend of Key Minerals Exploitation in 2005 – 2013.....	13
Figure 10: Trends of Vietnam's Development Financial sources in the period 2006-2012.....	31
Figure 11: Trend of ODA flow to Vietnam in 2007-2012.....	32

List of Tables

Table 1. Poverty in Vietnam based on GSO-WB expenditure-based poverty line, %	4
Table 2: Multidimensional Poverty headcount of Vietnam, %.....	6
Table 3. Forest Coverage and Poverty Linkage: Evidence of the Poor and Forested Regions.....	9
Table 4: Trend of state budget expenditure for environmental protection (2007-2014).....	33

List of Diagrams

Diagram 1: Review of Current National 5 year SEDP Planning Process.....	22
Diagram2: National Development Planning/Policy Process in Vietnam.....	26

List of Boxes

Box 1: Content of 5 year SEDP 2016-2020.....	29
Box 2: List of programs and financial support facilities on poverty reduction and environment protection/climate change in the period 2011-2015.....	33

Acknowledgements

The research team would like to express its gratitude to UNDP experts, including Camille Bann and Richard Marshall, who have provided great support and guidance throughout the study period. Their valuable comments to the draft report were deeply appreciated and most useful for the final report preparation. This report could not have been completed without the constructive support, information sharing from the colleagues from Central Institute for Economic Management (CIEM), General Statistical Office (GSO) (Ministry of Planning and Investment), Institute for Strategy and Policy on Natural resources and Environment (Ministry of Natural Resource and Environment), Ministry of Agriculture and Rural Development.

Though the team has devoted much effort in this report preparation, possible shortcomings may still remain because of time and resource limitation. All analysis and findings in this report are not necessarily the views of UNDP or the institution where the research team is working. All errors and limitation of this report are responsibility of the research team.

Executive Summary

The poverty and environment nexus in Vietnam

1. Vietnam has achieved remarkable poverty reduction over the last three decades. Regardless of different poverty lines, the national poverty headcount has been reduced year on year from, it fell by a half between 2002 and 2008 (from 28.9% to 14.5%) and has continue to be reduced from 20.7% in 2010 to 17.2% in 2012 (according to GSO-WB poverty line). In parallel with the income poverty reduction, a notable progress in the non-income dimensions of poverty has been made, including health care, education and assess to infrastructure and durables. Primary enrollment rate (net) rose up to 98.6% in 2014. The increases in the enrollment rates for secondary schooling during 1993-2014 are highly impressive, from about 30% in 1993 to more than 90.4% in 2014 for lower secondary school and from about 6-8% in 1993 to 70% in 2014 for upper secondary school.
2. Yet poverty reduction has been achieved with significant environmental costs. The transformation of the economy from agriculture to industry and service base has contributed to poverty alleviation in Vietnam but significantly deteriorated the quality of environment. Natural resources have been exploited in an unsustainable manner. For example, almost all inshore waters are over-exploited and catch per unit of effort has steadily declined, making life hard for coastal communities reliant on fishing given the limited alternative livelihoods options. Agricultural land faces the issue of soil degradation, and climate change-driven impacts with very extreme events (flood and droughts)
3. Poverty reduction in rural areas has been mainly driven by expansion of natural resource exploitation but with low natural resource productivity. A majority of the poor depends on agricultural production, whose products improved, but quality is still low and less competitive. Overall, Viet Nam's agricultural productivity improved but still lower than other countries in the region such as China, Thailand, Indonesia or Cambodia. Rural household's agricultural production mainly applies low technology. Main reasons for this situation are the fragmentation of agricultural land and value chain and lacking linkages between stakeholders in agricultural production.
4. The numbers of near poor is high in Vietnam. Valeria et al. (2013) shows that the ratio of vulnerable population to poverty remains as high as 1.7 during 2004-2008 for the whole country and 2.1 for the urban areas. This means that the share of the population who were poor in at least one year (either 2004, or 2006, or 2008) is 1.7 higher than the average poverty rate of the country across three years. These are due to various shocks in which the weather and health shocks are raising and exposure to other income shocks remain widespread. This makes vulnerable groups of people more likely to fall back into poverty after a sudden shock or other impacts.
5. The current poverty and environment nexus in Vietnam reveals a threat of unsustainability. Subsistence livelihoods of majority of the poor very much depend on the natural resources and eco-system services. The unsustainability of natural resources exploitation at the moment, therefore, will make the poor and near poor more vulnerable in the future. In addition, while the near poor is very vulnerable to the weather shocks, the current environmental costs of economic growth will make people more vulnerable to the poverty.
6. Vicious circle of poverty and environmental degradation will be very likely to be more serious in the future if there is no *policy intervention* to secure *sustainability* at this time. As mentioned above, over the last decade, poverty reduction has been achieved but with the degradation of the environment and natural resources. This degradation will make people more vulnerable to poverty. And then to escape from poverty, people will tend to exploit further the natural resources in an inefficient and

unsustainable manner. And in turn, this will be likely to deteriorate the environment and natural resources still more. This type of vicious circle needs to be broken by the sustainable policy intervention, which simultaneously improves livelihoods for the poor and protects the environment.

7. *Integrated poverty and sustainability into development planning* is an approach to enable the formulation of sound sustainability policies. This approach ensures that poverty eradication and environmental sustainability go hand-in-hand with economic growth (UNDP & UNEP, 2013). They require effective governance, policy coordination and coherence across government departments and stakeholders to fully understand and manage the many interactions between economic growth, poverty eradication, and the environment, and ensure policies and plans are designed and implemented in ways that do not progress one dimension at the expense of the other.

Current practices of integrating poverty and sustainability into national development planning

8. Over the last decade, efforts have been made in integrating poverty and environmental issues into the national development planning process in Vietnam. The policy direction has moved from focusing on poverty aspects alone, to addressing both poverty and environment together in recent years. A legal framework for mainstreaming sustainable development in socio-economic development plans and sectoral plans has been established by the Decision on the National Action Plan for Sustainable Development for the period 2013-2015 and the related documents.
9. The implementation of poverty and sustainability mainstreaming is presently at a very primary stage. Detailed guidance on mainstreaming sustainable development exist but the mechanism for local/sectoral mainstreaming and implementation is still lacking meanwhile the issuance of too many theme/related sectoral policies have created confusion, inefficiency and diversion from the core task of mainstreaming these policies. Guidance to disaggregate and track from the national sustainable targets to sectoral and local ones is presently lacking.
10. Many policies, such as the strategy on sustainable development, the green growth strategy, and the climate change response strategy have been issued, which to some extent facilitate the integration of sustainability in development. However, these also create certain overlaps that would dissipate funding allocations and replicate efforts for achieving the same target. Moreover, a steering committee or board is often established for every big policy/ programs while the coordination among those institutional bodies is limited. This situation will lead to a lack of coherent actions among similar programs and policies, ineffective use of the state budget intended for implementing sustainable development programs and policies.
11. Poverty reduction and environmental sustainability tend to stand separately in the current policy framework. The nexus of poverty and environment was not well addressed in development programs and policies as these two subjects are under different line ministries' mandates and policymakers have not well understood how to mainstream the nexus of the two in policy formulation process. The main players in national development planning have not elaborated Viet Nam's poverty and environmental linkages, and represented these sustainable development planning.
12. Proper policy enforcement in practice is a major weakness and still limited due to weak coordination and ineffective M&E systems. Presently, although Vietnam has established an M&E system for social and economic development policies, plans, and strategies, the system is still ineffective. There are many cases that the targets have already set and integrated into the plans but there is no system to ensure that policies are actually implemented in reality. A system of M&E exists, but they are not always undertaken properly and the quality of M&E is limited. A results based M&E approach has not applied regularly and properly at all levels and by M&E assigned organizations.

13. Capacity building on the sustainable development integration has been gradually been established in Vietnam, in particular through the support of international community. However, more capacity building is needed especially for local governments and domestic capacity to use integrated assessment tools and methods for planning and policy formulation. At the moment, sustainable development has been integrated mainly in the form of adding some social and environmental indicators during the planning and policymaking process. The capacity to carry-out assessments on the possible trade-offs between social, environmental and economic benefits and costs of certain policies are lacking therefore. It is highly likely therefore that even when social and environment targeting indicators are identified, it will be impossible to realize objectives, as basic capacity to assess the impacts of a specific policy or project is lacking.
14. While a preparation of a database for integration of sustainability in Vietnam has started to be developed many more inputs are needed. The national statistics indicator system of Vietnam comprises 21 groups with 350 indicators. Of which, there are some integrated indicators such as green GDP, GINI, HDI reflecting poverty-environment linkages with economic development. Additionally, there are 18 indicator on households living conditions and poverty, and 24 indicators on environmental protection. However, many poverty and environmental related indicators have not yet been collected.
15. Financial resources are very important for various plans to be realized. Presently, in Vietnam, the link between development plan and budget are relatively clear in the case of 5 year SEDP (from 2016) and the annual SEDP as well as NTPs or national programs. However, in other cases, development planning and policy development processes seems very much separated from budget planning. Fully mainstreaming poverty and environment into development planning in conjunction with ensuring financial resources for implementation them will ensure this link.

Enabling conditions for mainstreaming (full integration of) poverty and sustainability into development planning in Vietnam in the future

Short-term action: Prepare for fully integrating sustainability concerns

16. *Core requirements:* Full integration of sustainability issues into social-economic planning and budgeting processes requires effective mainstreaming and recognizing the linkages and connections. In Vietnam, social and economic plans and budgeting is considered as the backbone of development planning, in which major social and economic activities are planned to aim at targeted social and economic development of the ministries and localities. If the sustainable issues are integrated into this process, the issues of poverty and environment will be considered in parallel with the economic ones, and this is the essence of an integrated approach. *In addition*, an integrated approach for sustainable development is more than incorporating indicators of poverty and environment into social and economic development plans. It also includes ensuring balance between economic growth with poverty and environment and capture properly the important linkages between poverty and environment. This approach should be applied consistently from the top to the local planning units.
17. *Detailed implementation guidance:* Detailed guidelines for integrating poverty and environment into SEDP policies and budgeting both at the central and sectoral/local levels should be formulated. At the moment, at the central level, poverty and environmental issues are only integrated into social economic planning through incorporating indicators on poverty and environment into the planning process. The central issue is to ensure a transparent process and good collaboration and coordination between various ministries and players. Local processes aim to provide detailed guidance for localities and sectors as well as make sure that their plans contribute to realize national targets. Implementation guidance should capture the notion of balancing economic growth and poverty and environmental issues as well as recognizing poverty environmental linkages.
18. *Policy implementation:* While planning is important, Vietnam specifically needs to consolidate the system of sustainability monitoring and evaluation (M&E) to ensure the consistency between

planning and implementation. When proper top-down guidance on sustainable streamlining is lacking (as mentioned above) ministries and localities will streamline and rationalize based on their own understandings of sustainable development. In this context, M&E even becomes more important because it will help to track the streamlining carried out by sectors and localities with versus the national understandings.

19. *Data development:* Two types of data critically need to be developed in Vietnam: (i) Integrated social-economic and environmental data for assessing the situation and identifying the policy options both at the national level by expanding the national accounting system to cover social and environmental issues; and at the local level by expanding the above system to sectoral and location dimensions. The capacity of official statistics agencies of Vietnam, General Statistics Office (GSO) and its subordinating agencies, should be strengthened to be able to develop this type of data. And (ii) data for sustainability-focused M&E systems capable of tracking changes over time series as well as being able to make comparisons between before and after policy actions.
20. *Capacity development:* Capacity strengthening should focus on methods for balancing economic growth, poverty and environment, as well as translation and dissemination of the national sustainability policies and implementation into sectoral and local practice. Presently, there is a gap between international practices and domestic capacity in sustainability assessments. In addition, capacity has not been internalized to those carrying out this work and many operate on an ad-hoc basis, whose outputs are not refined and tailored to practices in Vietnam.
21. *Participation of stakeholders:* One of the instruments to ensure balance between economic growth and poverty and environment issues is to ensure the involvement of as many as possible of the related stakeholders in the planning process from the beginning and to inform them rather than simply involving them - after the fact - as commentators on drafted reports/documents. Presently, the involvement of marginalized groups has not been given sufficient attention, new opportunities to involve these groups in policies, legislation, planning and implementation need to be found. There have been few formal avenues for public involvement but mainly as informal processes, such as complaints, indicate a desire for greater involvement. There is also a lack of mechanisms for community involvement including (especially) the involvement of the poor and a lack of formal requirements for attention to the poor who are most directly affected by the development plan and policies.
22. *Improving coordination:* Given the current institutional arrangements, in order to carry-out sustainability mainstreaming properly, good coordination between various Government agencies is needed, and specifically between MPI, MOF, sectoral ministries (MONRE and MOLISA) and local authorities. This coordination is critical to ensure consistency between sectoral and local planning with national planning activities and resource mobilization. Good coordination is also needed between different national boards, committees and offices, including the Climate Change Board, Green Growth Committee and the National Office of Sustainable Development and Competitiveness and between these ones with MPI (as the body in charge of national social and economic planning). Coordination between MOLISA and MONRE is also needed to improve linkages between natural capital/ ecosystem services and poverty eradication in mainstreaming the sustainability objectives.
23. *Resource mobilization:* Without resources, planned activities will not be realized. Therefore, it is important to make sure that sustainable planning goes hand in hand with budgeting. In this regard, MPI and MOF play an important role in the sustainability mainstreaming process. As mentioned above, their role, coordination between them and their coordination with other sectoral and local authorities needs to be improved. Besides the resources from state and ODA, securing private sources for sustainable development are also important. In order to mobilize these resources, Government needs to create relevant incentives. At present, some instruments have been used in Vietnam, but these need to be refined further to ensure win/wins outcomes and to ensure the compliance – these include taxes, subsidizing, fines or alternatively piloting new thinking on regulation such as emission trading and/ or green ranking.

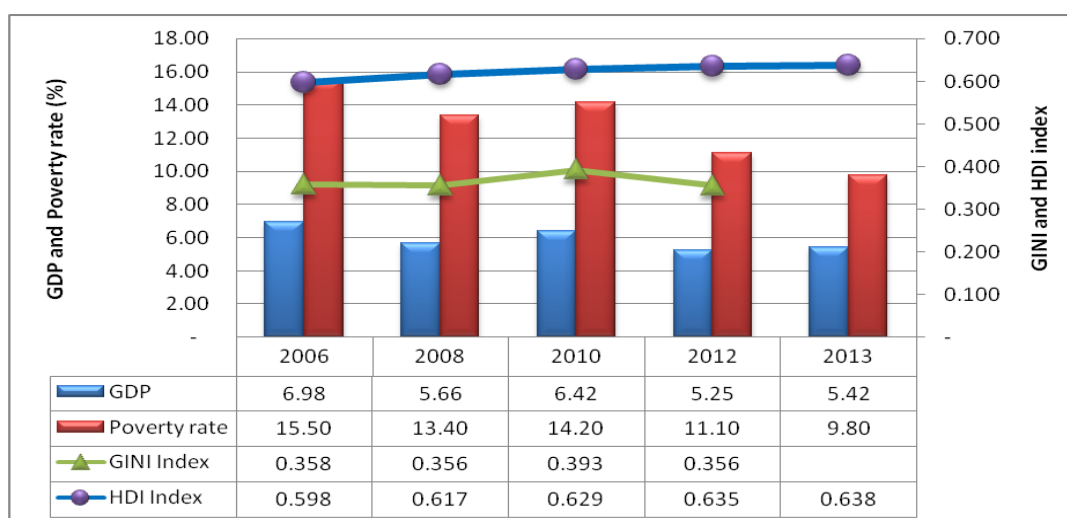
Long-term actions: Fully sustainability integration

24. *Institutional consolidation:* In the longer term, various constraints and obstacles to sustainability mainstreaming in terms of participation, coordination, data, information, capacity and resources mobilization are likely to ease. At that time, the conditions for a fully integrated approach are likely to emerge and more fundamental challenges to the institutional arrangements for securing sustainable development will need to be addressed. Three related bodies – the National Offices on Sustainable Development and Competitiveness, National Climate Change Board and National Green Growth Committee could be consolidated into the one organization, such as a Green Development Board. And the role of this Organization should be more as a supervisor, monitor and evaluator, which ensures all systems, comply with a fully integrated approach and implementation is realized efficiently.
25. *Role of the private sector:* The private sector, including households should play a more important role in sustainable development in Vietnam. Their behaviors will need to be directed toward greener activities through both market forces and Government incentive systems. In addition, a combination of both private and public resources will be necessary to support large and growing development financing requirements associated with sustainable development. Increased private and public money is needed in order to invest in basic and green services and infrastructure necessary for human development, and to improve livelihoods and employment for all (and especially the poor)..
26. *Signposting and title of development plans:* Sustainable development issues will be fully addressed in SEDS and five year SEDP. Then, the national development plans/strategy might also be re-named - in keeping with the current global trends to emphasize sustainability - as the Sustainable Socioeconomic Development Strategy and the Five Year Sustainable Socioeconomic Development Plan. Equally, the current SEDS and SEDP M&E indicators should be supplemented with clear sustainable development M&E indicators.

Introduction

Vietnam has recorded remarkable achievements in economic and social development over the last decade. In the economic field, the country has been recognized as one among developing countries which have made notable progress in economic growth and poverty reduction. Even in the context of slower economic growth and fluctuations as a result of the global financial crisis, domestic macroeconomic and economic structural difficulties during the recent years, the poverty rate continued to decrease (see figure 1). Yet also, as indicated in Figure 1, the Human Development Index (HDI) was not much improved while income inequality index (Gini) tended to be stable, and better than countries with a similar level of development and income.

Figure 1. Trend of Economic Growth and Social Development in Vietnam in 2005-2013



Note: Poverty Rate in this diagram is officially reported by MOLISA and the government of Vietnam. It is used for poverty monitoring over the short period because its' poverty line changes every five years based on the financial capacity and poverty reduction strategy of the Government. Also HDI figure for 2006 is actually for 2005.

Source: For GDP growth and Poverty rates – from GSO statistics at:

http://gso.gov.vn/Default_en.aspx?tabid=766; for GINI index - from World Bank data at:

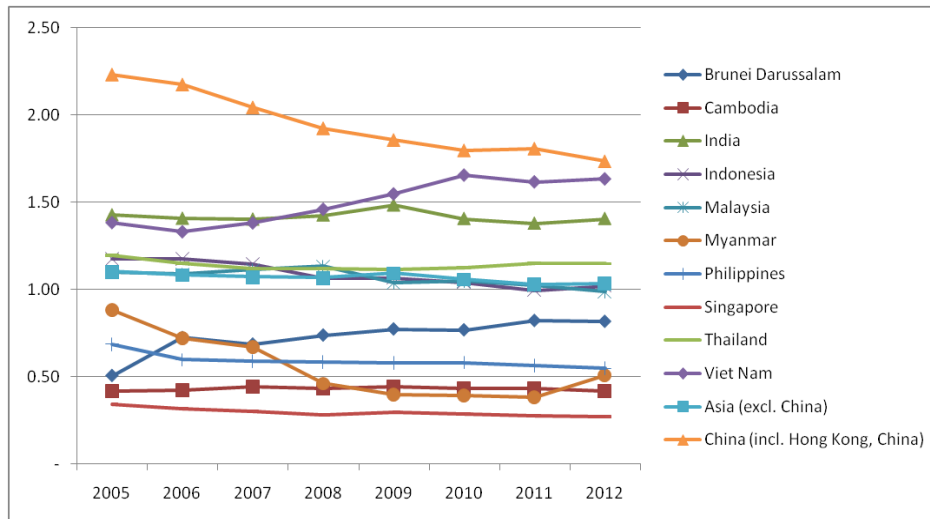
<http://data.worldbank.org/indicator/SI.POV.GINI>; and for HDI data – from UNDP data at:

<http://hdr.undp.org/en/countries/profiles/VNM>

However, Vietnam's sustainable development performance is currently under threat and will continue to be in coming years. Economic growth has relied much on labor intensive and resource based activities. High and sustainable economic growth would be more difficult to achieve in the future if economic productivity and natural resource efficiency are not improved and economic restructuring processes continue to be stagnant - even though Vietnam was grouped among the middle income countries since 2010. The speed of poverty reduction has tended to have slowed down in recent years; further reductions of poverty rate will be more difficult and would require much more significant efforts. The rapid industrialization and urbanization process over the last decade caused the country serious environmental pollution in the most populated areas. CO₂ emissions intensity shows an increasing trend over the last years and stand at high levels compared with almost all other countries in the region (Figure 2). Energy use for gaining a unit of GDP has been highest in ASEAN countries and shows an increasing

trend (Figure 3). Moreover, Vietnam is one of 30 countries in the world, which have been suffering the most significant negative impacts of climate change. In time, these climate impacts will have adverse effects on growth and poverty reduction, affecting several sectors of the economy simultaneously¹.

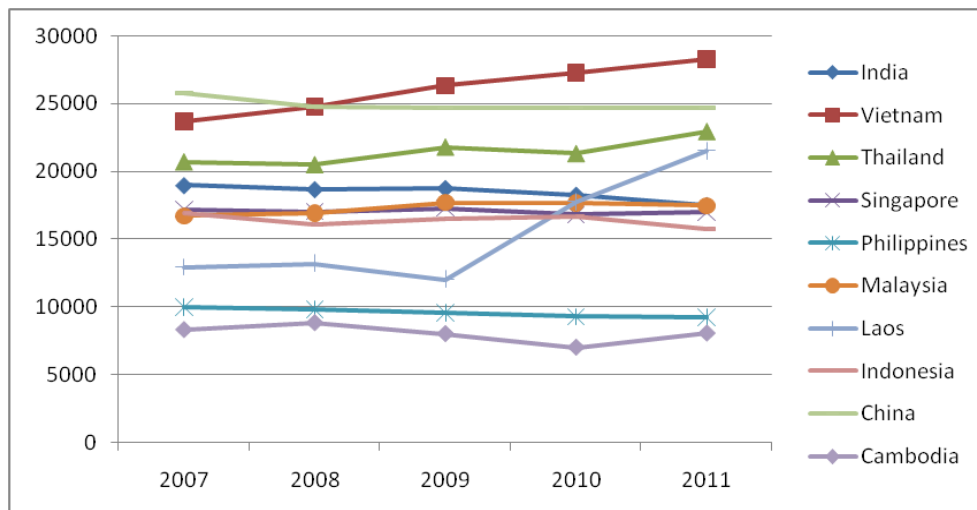
Figure 2. CO₂ intensity of ASEAN and some Asian countries in 2005-2012
(As kgCO₂/USD GDP (2005 price))



Source: IEA statistics, 2014 at:

<http://www.iea.org/statistics/statisticsearch/report/?country=VIETNAM&product=indicators&year>Select>

Figure 3. Total Primary Energy Consumption per Dollar of GDP
(Btu per Year 2005 U.S. Dollars (Market Exchange Rates))



Source: EIA, 2015, at:

<http://www.eia.gov/cfapps/ipdbproject/iedindex3.cfm?tid=92&pid=46&aid=2>

¹ MPI, World Bank and UNDP, 2015. "Financing Vietnam's Response to Climate Change: Smart Investment for Sustainable Future". The Vietnam's Climate Public Expenditure and Investment Review (CPEIR). April, 2015

Clearly, Vietnam's remarkable economic growth over the last years has brought about poverty reduction, but it also caused significant costs to the environment. International experience shows that development schemes in developing countries often sacrifice longer term environmental sustainability for short term economic benefits and job creation. However, environmental protection has a strong poverty dimension, given that the rural poor usually very much depend on natural resource for their subsistence livelihoods and environmental degradation has a serious impact on urban quality of life and the vibrancy of city and town economies. In addition, the global evidence demonstrates that poverty-environment nexus involves two way interactions. Efforts to reduce pollution and conserve natural resource are unlikely to succeed if they unfairly restrict opportunities for the poor to work and feed their families. In contrast, efforts to promote and reduce poverty outside of ecosystems can harm the environment. Thus, for sustainable development objectives, poverty reduction and environmental protection should be complementary, not competing goals. And, it is recommended that integrated programming is necessary to simultaneously improve livelihoods for the poor and protect the environment². Integrated development approaches simultaneously advance multiple benefits across the three dimensions of sustainable development (social, environmental, and economic). These ensure that poverty eradication and environmental sustainability go hand-in-hand (UNDP & UNEP, 2013). They require effective governance, policy coordination and coherence across government departments and stakeholders to fully understand and manage the many interactions between economic growth, poverty eradication, and the environment, and ensure policies and plans are designed and implemented in ways that do not progress on one dimension at the expense of another.

This "Scoping Study on Integration of Poverty and Sustainability into National Development Planning : Vietnam country report" has been prepared by a national consultant team, comprising of Vu Xuan Nguyet Hong and Dang Thi Thu Hoai, commissioned by UNDP Vietnam and the report template provided by UNDP's international consultant. This is a Vietnam country report, which aims at assembling evidence on the extent to which integrated approaches and a transition to more inclusive, greener economies have been adopted in Vietnam and the key challenges, bottlenecks and constraints faced. And this report will serve as the input material for developing UNDP's regional report on "Integrated Planning & the Sustainable Development Goals – challenges and opportunities" which includes 7 study countries. In order to add value to existing studies the scoping study has a clear focus on the mechanisms in place throughout the planning process to develop and implement integrated approaches, the challenges faced and opportunities to move towards an inclusive green economy.

The scoping study is structured in the following sections:

Section 1 elaborates an overview of multi-dimensional poverty and natural capital in Vietnam over the last decade, where the links between development, poverty alleviation and the environment.

Section 2 provides an overview of relevant national regulations, development strategies, policies and plans related to sustainable development in Vietnam. This section focuses on addressing Vietnam's experiences in moving to integrated development policy, plans and implementation over the last decade (including successes, constraints and bottlenecks).

Section 3 is the most substantive part of the scoping study as it systematically elaborates the national development planning and implementation process, cycle, actors and structure. The section also provides an analysis of the challenges, bottlenecks and opportunities for improvement.

² Source: UNDP (2010): Evaluation of UNDP Contribution to Environmental management for Poverty reduction: the Poverty Environment Nexus.

Section 4 specifies priority areas for actions for promoting integrated development approaches in development planning and policymaking process and what actions are required to realize these actions.

1 The Poverty-Environment Nexus

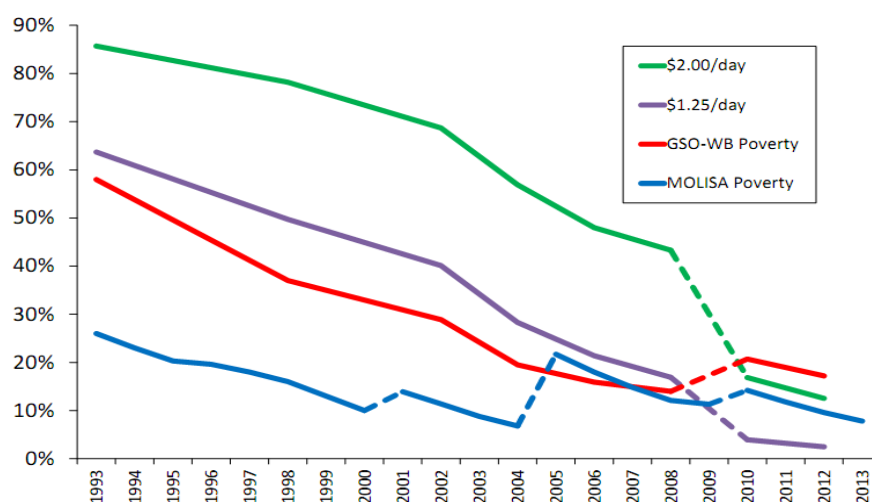
1.1 Poverty overview

1.1.1 National and sub-national trends in income poverty

In Vietnam, there are three main poverty lines, the: (i) Administrative national poverty line used by MOLISA for targeting social government poverty reduction programs.; (ii) GSO-WB poverty line and (iii) International poverty line which has two popular poverty line variants, including the less than \$1.25 a day (2005 PPP) and \$2 a day (2005 PPP). Among those, GSO-WB poverty line is the most rigorous one in Vietnam for assessing the poverty reduction over time because it kept relatively constant in real purchasing power of households (see Annex 3)

Regardless of using different poverty lines, Vietnam has obtained a remarkable achievement in poverty reduction over the last decades (See Figure 4). The national poverty headcount has been reduced by a half within six years, from 28.9% in 2002 to 14.5% in 2008 and then continued to be reduced from 20.7% in 2010 to 17.2% in 2012 according to GSO-WB poverty line.

Figure 4. Vietnam's poverty headcount using different poverty lines



Note: Dotted lines indicate periods when substantial changes were made to poverty lines and/or methodology.

Source: Gabriel and Linh (2015)

One of the main features of poverty reduction in Vietnam over the past is that the speed of reduction was different among groups, although the trend was more or less the same. It is notable from the Table 1 that poverty nowadays is more concentrated in rural areas, ethnic minority and some areas of Vietnam such as Mountains and Central highlands. Poverty in these areas was slowly reduced during the last 10 years, even slightly increased during 2006-2008 in West Northern Mountains.

Table 1. Poverty in Vietnam based on GSO-WB expenditure-based poverty line, %

	2002	2004	2006	2008	2010	2012
National poverty headcount	28.9	19.5	15.9	14.5	20.7	17.2
<i>By location</i>						
Urban	7	4	4	2.5	6.0	5.4
Rural	36	25	22	16	26.0	22.1
<i>By ethnic group</i>						
Majority (Kinh)	26	14	11	7.4	12.9	9.9
Ethnic minority	74	61	54	47.5	66.3	59.2
<i>By eight regions</i>						
North East Mountains	38	29	27	19	37.7	33.5
North West Mountains	68	59	51	58.4	60.1	58.7
Red River Delta	22	12	10	6.5	11.4	7.4
North Central Coast	44	32	30	15.6	28.4	21.2
South Central Coast	25	19	14	16	18.1	15.3
Central Highlands	52	33	30	22.2	32.8	29.7
South East	11	5	6	4.5	8.6	5.8
Mekong Delta	23	16	11	11.5	18.7	16.2

Source: VASS (2007), Valerie et al. (2013) and GSO (2014).

1.1.1 Multidimensional poverty

In parallel with income poverty reduction, national statistics have also shown a notable progress in the non-income dimensions of poverty in Vietnam. A significant improvement has been made all dimensions, including healthcare, education and access to infrastructure. The primary enrollment rate (net) rose to 92% in 2010. Increases in the enrollment rates for secondary schools during 1993-2010 are highly impressive, from about 30% in 1993 to more than 80% in 2010 for lower secondary school and from about 6-8% in 1993 to 50%-60% in 2010 for upper secondary schools. In particular, the secondary enrolment rate for females in 2010 was slightly higher than that for males. The trend is similar for indicators tracking health and access to infrastructure and durables (see more information in the Appendix 3(6)). Multidimensional poverty index (MPI) for Vietnam has been calculated in the Human Development report using Alkire and Foster method with three main dimensions, including health, education and living standard using the global standard (UNDP, 2014). The results show that the Multidimensional Poverty headcount of Vietnam in 2010 was 6.4%, putting Vietnam into a group, whose Multidimensional Poverty headcount is lower than the respective income poverty headcount (\$1.25-day poverty line). However, the value is available only for one year (2010) so it is not possible to see the trend³. Equally, Vietnam has developed its own MPI specification– based on different dimensions and indicators– this shows much higher values⁴. This approach is given in research paper made by Ha Le et al. (2014), which applies the same method but using slightly different dimensions and new indicators for health and living standards (such as using social insurance and private transfer indicators). The results are presented in the Table 2. It is notable that the poverty rate varies depending on the poverty threshold or cut-off (which is similar to poverty line). However it does show an improvement during 2010-2012. The Table also demonstrates an ethnic and location differentiation in multidimensional poverty but less stark than the income poverty as shown in the Table 1.

³ Note the MPI has three component measures – the headcount (which is quoted), the intensity (the breadth of poverty), and the index (the product of the two other measures).

⁴ Vietnam has developed (under the leadership of MOLISA) its own MPI metrics based on the Alkire and Foster approach. This will be rolled out in 2016.

Table 2. Multidimensional Poverty headcount of Vietnam, %

	0.5 cut-off point		0.4 cut-off		0.33 cut-off	
	2010	2012	2010	2012	2010	2012
National Multidimensional Poverty headcount	11.4	10.6	32.7	30	52	49
<i>Ethnicity</i>						
Majority (Kinh)	9.2	8.9	29.9	27.1	49	45.8
Minority	24.6	21.2	50.3	47.7	71	69.1
<i>Location</i>						
Rural	13.3	12.4	36.6	33.5	57.4	54.5
Urban	7	6.6	23.7	21.7	39.8	36.3

Source: Ha Le et al. (2014).

1.1.2 Challenges facing poverty reduction

Regardless of these achievement, several studies have pointed out⁵ that Vietnam is facing many challenges in poverty reduction. *Firstly*, poverty in Vietnam has been consistently concentrated in the ethnic minority and some areas over time. While the poverty rate has been reduced notably in the group of majority and many areas, it, remained significantly higher for ethnic minority groups and in mountainous areas. Ethnic minorities now accounts for just over half of the poor and three out of four of extreme poor in 2012 in Vietnam (World Bank, 2013). More importantly, a majority of ethnic minority poor are chronic and extreme poor. The poverty rate in West Northern Mountains is especially high – triple the national poverty rate and this is despite Government implementation of several poverty reduction programs (such as Program 135 phase I and phase II). In general, agricultural productivity growth was the main poverty reduction driver. This suggests that more innovative efforts will be needed to solve the ethnic minority problem - through a stronger push on economic growth in the areas, more social transfers as well as more adaptive support programs, in which cultural barriers should be seriously taken into account.

Secondly, the sustainability of poverty reduction achievements over the past few years is a key concern. The rate of near poor people is especially high, and this shows vulnerability to poverty is an issue. Valeria et al. (2013) shows that that the share of the population who were poor in at least one year during 2004-2008 (either in 2004, or 2006, or 2008) is 1.7 higher than the average poverty rate of the country across this period (as shown in Table 4, Appendix 3). This is due to various shocks in which the weather and health shocks are key, and heighten exposure to other income shocks, and risk remains widespread. Vulnerability has particularly been rising in urban areas. Meanwhile, the social protection system, especially social assistance, in Vietnam remains underdeveloped. This makes vulnerable groups of people more likely to fall back into poverty after a sudden shock or other sources of risks.

Thirdly, statistics show an increasing trend in inequality. According to Valeria et al. (2013), the share of income of the top 5 percent rose about 2 percent during 2004 and 2010. Meanwhile, the share of income accruing to the bottom 10 percent decreased by 20 percent during the same period. Income inequality to some extent originates in inequality to access to education, training, healthcare, assets in particular land and decent work. This increasing trend in inequality may make Vietnam much harder to reduce poverty with the same economic growth.

⁵ Such as WB (2012), Valerie Kozel et al.2013, Social Republic of Vietnam (2013).

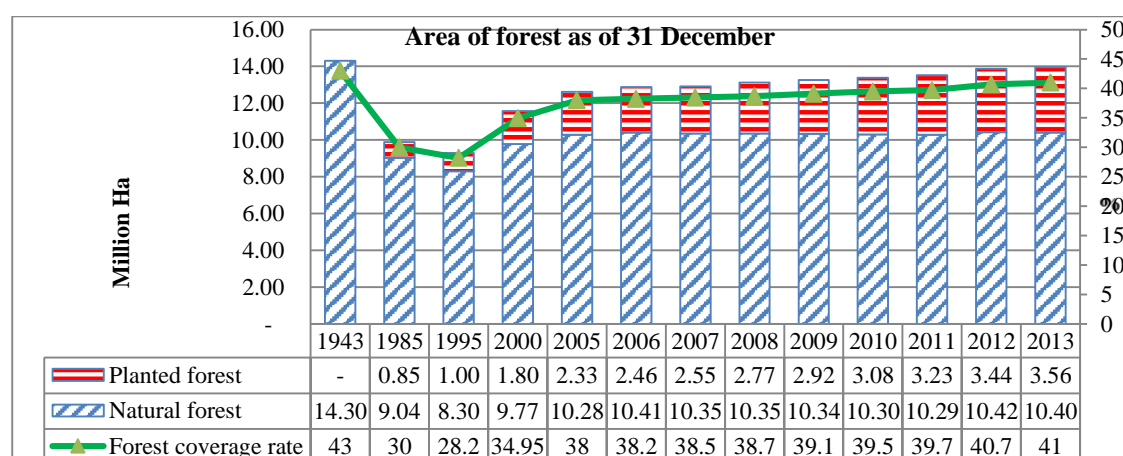
1.2 Natural capital / ecosystem services and poverty alleviation

In this section, the discussion aims at examining the relationship and connections between natural capital and poverty reduction. For Vietnam case, natural capital to be included for this section's analysis is those which are considered to play important role for livelihoods and income of people, particular the poor. They include forest, agriculture, surface and ground water, marine and in land fishery and minerals.

1.2.1 Forests

Vietnam has achieved remarkable progress in forestry management over the last decade. After a dramatic fall in forest coverage from 43% to 27.2% in the period 1943-1995, the situation became better, particularly after the promulgation of the Law of Forest Protection and Development (2004). Figure 5 shows that by the end of 2013, forest coverage reached 41% and close to 1943 level. Natural forest area has been maintained since 2005 and accounts for 74.5% or 10.4 million ha in 2013.

Figure 5. Trends in Forest Area and Coverage 1943-2013



Source: For the years: 1943-2005: FAO, 2009: Asia – Pacific Forestry Sector Outlook Study II: Vietnam Forestry Outlook Study, Working Paper No. APFSOS II/WP/2009/09. Page: 16; for the years 2006-2013: GSO Statistical Yearbook (2010-2015).

Gross output of forestry grew constantly over the last decade at 4% on average. This mainly came from exploitation of wood and forest products (75-79% of total output) while the forestry services contributed only 5.3-5.8%; the remaining was from other activities like collection of non-timber forest products (NTFP), re-planting and care of forest. According to GSO statistics⁶, the contribution of the forestry sector to GDP is not high and it tends to decline overtime from 0.67% in 2010 to 0.64 % in 2012. However, forests and their resources play a vital role in local livelihoods, particularly the poor. At least 25 million people in Vietnam are forest-dependent people who obtain 20% of their income from forest resources (CIFOR, 2012). Timber products from planted forests are one of the important income sources for households in rural and mountainous areas (FAO). Table 3 shows that there is a link of high poverty rate in the regions with highest forest coverage. A study conducted by Centre for International Forest Research (CIFOR) in 2006 used national wide data also confirmed that the number of individuals below the poverty line and

⁶ Source: Study on forestry account, 2014. It is important to note that this share covers only activities like planting and care of forest; wood and other forest products; collected forest products without timber and other products; and forest related services. It does not include other forest ecosystem services like hydro-power, tourism, agriculture (e.g. through water regulation and flow, and pollination services) etc. These services are either counted in other sectors performance or not yet accounted in SNA.

the incidence of poverty are strongly related to the amount of forest cover in Vietnam⁷. This indicates that the livelihoods of the poor are often at the frontline of conservation–development conflicts.

⁷ See Daniel Muller and et. al. "Where Are the Poor and Where Are the Trees". Working paper No34 by Centre for International Forest Research (CIFOR), 2006.

Table 3. Forest Coverage and Poverty Linkages: Evidence of the Poor and Forested Regions

Region	2010			2012		
	Forest Area (ha)*	Forest Coverage (%)**	Poverty rate (%)	Forest Area (ha)*	Forest Coverage (%)**	Poverty rate (%)
North East:	3093.4/2155.5	52.5	37.7	3253.6/2218.6	56.2	33.5
North West	1581.6/1429.2	42.2	60.1	1671.6/1495.5	44.6	58.7
Red River Delta	434.9/203.4	20.6	11.4	447/203	21.2	7.4
North Central :	2807.2/2127.2	54.4	28.4	2879.3/2166.3	56.0	21.2
South Central coast	1919.8/1428.8	43.3	18.1	1984.9/1440.3	44.7	15.3
Central Highland	2874/2654	52.5	32.8	2903/2594	53.1	29.7
South East	408.0/246.1	17.2	8.6	471.8/246	20.0	5.8
Mekong Delta	268.9/61.1	6.6	18.7	249.2/59.5	6.1	16.2
National	13380/10300	39.5	20.7	13840/10400	40.7	17.2

Note: (*) total forest area/ area of natural forest. (**) Author's calculation from GSO statistics.

Source: For forest data: GSO, 2011 and 2013; for poverty data: VHLSS 2010 and 2012 at: http://www.gso.gov.vn/default_en.aspx?tabid=483&idmid=4&ItemID=13888

1.2.2 Agriculture / land (including pasture)

Gross output of agricultural activities (including cultivation, livestock and agriculture service) grew at 4.3% annually on average over the last decade. Cultivation-base production is the most important sub-sector in agricultural production contributing 73.8% of this sector's gross output in 2013, a bit lower the rate of 76.4% in 2005, as a result of the extended trend of livestock activities that made this sub-sector share increased from 21.9 to 24.9% in the same period. The activity of this sub-sector is concentrated mainly in the two largest deltas, i.e. in Mekong River Delta in the South and Red River delta in the North⁸. Agricultural production occupies one third of the whole country's land, of which 39.8% of this land is used for paddy, other 37.4% for perennial crops, 22.4% for other annual crops and only 0.4% is weed land for animal husbandry. This area has increased significantly over the last decade partly as a result of the converting agricultural land to other purposes and deforestation by households.

Agriculture, forestry and fisheries together employ 46.3% of the Vietnamese employed population in 2014⁹ compared with the rate of 53.7% in 2005, with the majority of agricultural production taking place on family farms of less than 0.5 ha. This sector plays an important role of rural households' livelihoods, particularly the rural poor, but the farm income dependence tended to decline in recent years because of agricultural transformation toward non-farm activities. Agricultural productivity of cultivated land has improved slightly overtime as a result of technology improvement and crops transformation. However the sector's contribution to total productivity growth is very minor¹⁰.

Challenges:

⁸ Source: http://svect.org.vn/uploads/tin-tuc/2014_11/hoang2.pdf

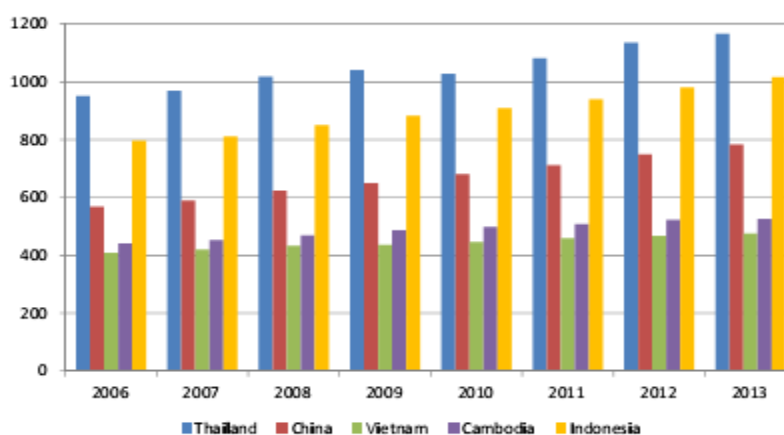
⁹ GSO, 2015. Rural households' activities can include agriculture, forestry, aquaculture production and other activities. Official statistics therefore do not separate employment structure by sub-sectors like agriculture, forestry and aquaculture.

¹⁰ CIEM, 2015.

Although having achieved impressive progress during the last decade, the agricultural sector in Vietnam is facing several challenges and pressures:

- First, production increased in terms of quantity while quality of agricultural products is still low and less competitive. This means for example, the export price of Vietnamese coffee accounted for only 89% of the world's average price of similar coffee type. For rice and tea, exports price was respectively only 79% and 54% of the average world prices. Main reasons for this situation are the fragmentation of agricultural value chain and lacking linkages between stakeholders in agricultural production.
- Second, Vietnam's agriculture productivity improved but was still lower than other countries in the region. As showed in Figure 6, value added per worker slightly increased in period 2006-2013 but still remained very low as compared with other countries like China, Thailand, Indonesia or Cambodia.
- Third, rural household's agriculture activities are facing challenges within the market economy. The main reasons are listed as low technology, small plots of farming land; small number of enterprises operating in agriculture sector. Issues of agricultural structural transformation toward commercial production and the value change of agricultural products are very critical for this sector's development and reform in coming years.
- Fourth, agricultural land area has increased but already reached the limit and will be threatened under climate change impact. In the future, as the tendency of land use purpose conversion from agriculture to industrial and urban development, further expansion of agricultural land may be under pressure.
- Fifth, agricultural land facing the issue of soil degradation, climate change impacts with very extreme events (flood and droughts). This will affect the households' livelihoods whose income is reliant on agriculture production in the coming years.

Figure 6. Agriculture Productivity of Some Asian Countries in 2006-2013



Source: World Bank Development Indicators, from Finn Tarp et.al, 2015. "Growth, Structural Transformation and Rural Change in Viet Nam". A Synthesis Report of Vietnam Agriculture Household Surveys from 2006-2014. August, 2015.

1.2.3 Surface and Ground Water

a) Water resource availability:

Vietnam has nearly 3,000 rivers, thousands of natural lakes, ponds, dams with different water levels as well as other thousands human-made dams (World Bank, VDR 2011). However, this abundant water resource is unevenly distributed and differs by seasons as a result of fluctuating rainfall during the year

and by geography. This characteristic of surface water resource leads to different extreme phenomena like floods and droughts happened at the same time in different national territories. Under a situation of more severe climate change impacts in recent years, extreme flood-drought situations tend to happen more often and have become more serious.

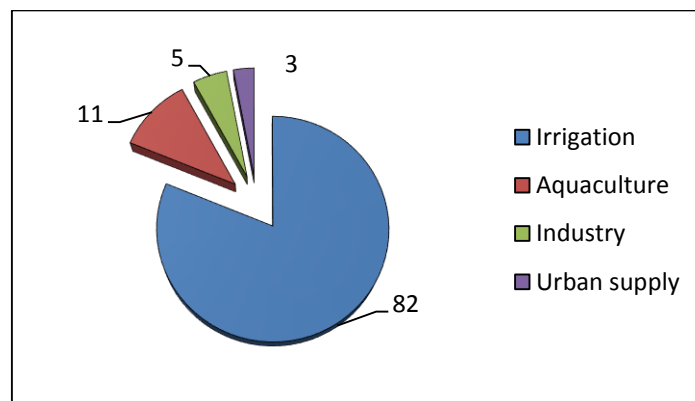
Vietnam has large quantities of good-quality groundwater used to provide water for living (groundwater provides 35-40% of the domestic supply) and for various economic uses (agriculture, industry etc.). But, there are areas of concentrated extraction where water use is unsustainable. In Hanoi and in parts of Ho Chi Minh City, water levels have fallen significantly from natural levels. Over exploitation also occurs in the Central Highlands and in the Mekong Delta, and some aquifers now have a limited life. There is very poor information on the quality or quantity of groundwater to ensure sustainable use. Groundwater is also very vulnerable to pollution, and some important sources are now severely polluted and may not be recovered.

According to the Vietnam Environmental Monitoring Report 2012 (MONRE, 2012), the water resources of Vietnam per capita recorded approximately at 9.560 m³/person, a bit lower than the average level of 10,000 m³/person/year for country with moderate water resource stocks. This report anticipated that in near future, Vietnam will face a water shortage situation, perhaps even a water resource crisis which will threaten national socio-economic and food security. Moreover, climate change impacts will cause more water related extreme phenomena like droughts and floods in Vietnam. This will create significant negative impacts on sustainable development and poverty reduction targets in coming years.

b) Water resource use:

Nationally, more than 80 billion cubic meters of water are used each year. Figure 7 indicates the current sectoral allocation, which it is clear that water resources are mainly used for agriculture activities (i.e. mainly for irrigation and aquaculture). By 2020 this is expected to increase by about half with particularly sharp rises for industry and urban use (MONRE, 2012).

Figure 7. Water Consumption by Economic Sectors (%)



Source: World Bank 2012. "Vietnam Development Report 2011: Natural Resource Management"

Challenges:

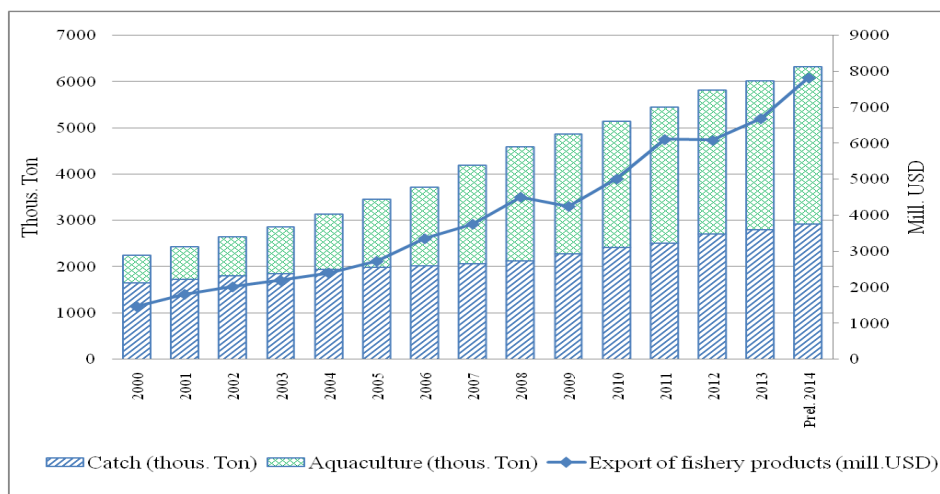
- Integrated water resources management (IWRM) is being promoted by the Government, but little has been achieved in practice due to a lack of specific guidance and inadequate investment and management capacity, especially at the sub-national level. There is little information about water resource availability (surface and ground) which led to difficulty for water resource forecasting.

- Lack of integration of water resource availability in socio-economic development planning, master planning of water related sectors (water supply, agriculture, industrial development etc.). This has led to over water exploitation for production and domestic use as well as uneconomical water consumption. Vietnam has introduced tax on water extraction but this has not yet led to more effective water consumption attitudes by water users. At present, water use prices for productive and domestic use are considered to be at a very low level and do not yet reflect the real value of water supply.
- Water pollution is becoming an increasing concern as urban areas and industrial activities rapidly expand. Although the quality of most upstream river water remains generally good, quality deteriorates downstream due to an increasing amount of urban and industrial pollution¹¹.

1.2.4 Fisheries – marine and inland

Fisheries nowadays have become a more and more important economic sector in Vietnam. This sector, comprising both marine and inland fishery capture and aquaculture, illustrated rapid growth over the last decade. Production of this sector recorded an average growth rate of over 9% annually and doubled in the period 2005-2014 (see Figure 8). This Figure also indicates significant decrease trend of marine and inland fisheries capturing a share in total fishery production over time, from 74% in 2000 to 57% in 2005 and 46% in 2014.

Figure 8. Fishery production and export performance in 2000-2014



Source: GSO, 2015

Rapid growth of the fishery sector in Vietnam can also be seen in export value which has increased five times after 14 years, from USD 1.5 billion in 2000 to USD 7.8 billion in 2014. This sector's impressive export performance helped Vietnam to be among the world's five largest exporters of fishery products¹². According to recent statistics, the fishery sector contributed 3.67% of GDP in 2013 or over a quarter of total value added for agriculture, fishery and forestry all together¹³. The sector employs more than 4 million people in the areas of fish processing, distribution and marketing. In addition, this sector contributes to income generation for rural households, particularly for those living in coastal areas and Mekong Delta by providing them with occasional and seasonal fishing employment. However, income contributions from fishery activities to total rural household's income decreased overtime, from 5.3% in

¹¹ Source: World Bank and ISPONRE, 2015: "Viet Nam - Natural Capital Accounting Roadmap up to 2020".

¹² VASEP, 2014: Fishery Sector Overview, can be seen at: <http://vasep.com.vn/1192/OneContent/tong-quan-nganh.htm>

¹³ As above.

2004 to 3.1% in 2012. Similar trend is also observed with the lowest income quintile household's group from 3.2% in 2004 to 2.8% in 2012¹⁴.

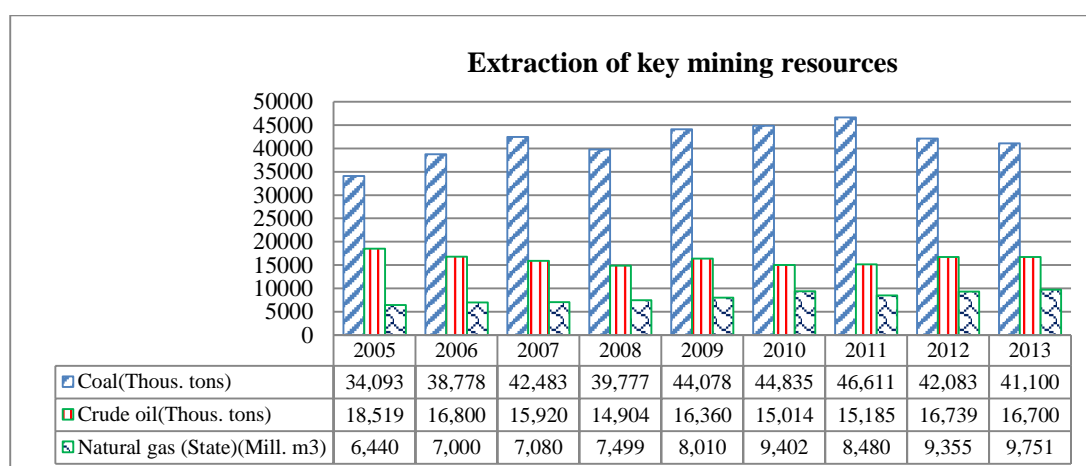
Challenges:

- Almost all inshore areas are over-exploited and catch per unit of effort has steadily declined, making life hard for coastal communities reliant on fishing given the limited alternative livelihoods options. Offshore waters in the North are over-exploited and the marine resource base generally is deteriorating due to overexploitation and habitat loss, weak coastal planning, pollution, and other impacts.
- Other pressures on the fisheries resource include the increased use of prohibited gear or fishing methods, the large number of unregistered vessels, the lack of catch documentation, and the generally poor capacity of fisheries administration¹⁵.

1.2.5 Minerals-Extractive Industries

Vietnam has a natural advantage of approximately sixty categories of diversified and rich minerals. The production value of mining and quarrying industry accounted for about 10-15% of the total national industrial production value in the last decade. One feature is that only the three mineral categories of crude oil, natural gas and coal have accounted for 87% exploitation output, and 71.6% of total primary energy supply in 2012 (IEA, 2015)¹⁶ and their exploitation trends can be seen in Figure 9.

Figure 9. Trends of Key Minerals Exploitation in 2005 – 2013



Source: GSO, 2014

The share of the mineral and extractive industry in GDP recorded an increasing trend over the last decade, from 9.73% in 2005 to 11.49% in 2013 (GSO, 2014), 70-75% of which come from extraction of three key minerals as mentioned above. According to recent estimate, this industry annually contributes an approximate of 25% of total national budget revenue, and creates 430,000 jobs¹⁷. However, the lack of transparency and accountability in the industry's governance has resulted in low economic efficiency of the sector, serious social and environmental impacts, and unequal benefit sharing. Most of mineral and extractive production in Vietnam is accounted for by large state owned and foreign invested companies although there are thousands of small and medium scale domestic companies currently

¹⁴ Source: GSO data from: http://www.gso.gov.vn/default_en.aspx?tabid=483&idmid=4&ItemID=13888

¹⁵ Source: World Bank and ISPONRE, 2015: "Viet Nam - Natural Capital Accounting Roadmap up to 2020"

¹⁶ Source: International Energy Organization's Statistics, 2015. At: http://wds.iea.org/wds/pdf/Documentation_wedbes.pdf

¹⁷ <http://vietnamnews.vn/economy/245980/vn-pledges-to-adopt-global-mining-standard.html>

operating in this sector¹⁸. Information about mineral companies' operation and accounting is very limited and not transparent.

Viet Nam is determined to participate in the Extractive Industries Transparency Initiative (EITI) from 2015 as a way to improve the efficiency of mineral resource governance and ensure a harmonized benefit to people, enterprises and the state. However, at present this initiative has only just been started with awareness raising activities and some small pilot practices. Extractive Industry Transparency was not yet realized and institutionalized by the government of Vietnam.

Challenges:

- Research conducted by Consultancy on Development Institute (CODE) showed that natural resource losses in extraction processes in Vietnam remain very high. For example, losses in underground mining are revealed at 40-60%; in apatite (phosphate) extraction is between 26-43%, in metal resource extraction is 15-30%. Losses in production process are also high.
- Most mineral resources of Vietnam do not reveal rich capacity and they are scattered throughout the whole country. In recent years, over-exploitation practices have been seen as a way to accelerate economic growth, which would lead to exhausting mineral resources for the future generations use¹⁹.
- There are a number of environmental problems associated with mining and quarrying activities. Many mines have caused serious water pollution due to the lack of wastewater management; all stages of mining exploitation and processing caused higher dust levels, often exceeding permitted standards, especially in coal mines and stone quarries²⁰.
- The corporate social responsibility and the regulatory performance of mining and acquiring companies in practice have been far from what they committed and what was regulated by regulations. In general, legal documents on mining production and environmental pollution control are not well respected and enforced by them.

1.2.6 Key challenges and gaps

Information and analysis given in sections 1.2.1-1.2.5 allows us to come to the following remarks:

First, natural capital in Vietnam plays an important role in socio-economic development in Vietnam. However, the concentration on economic growth, income generation and job creation has resulted in the increase of environmental challenges as a result of over-extraction and ineffective consumption of existing natural stocks. The main reason for this situation has been natural resources value as well as costs of natural resource degradation were either not yet included or under estimated in economic and households' activities. Recently, the World Bank has supported MONRE in developing a road-map for natural capital accounting for Vietnam until 2020²¹ which focused on the most important natural resource sectors, including land, forestry, water, waste, fishery and minerals. The actual implementation of the proposed roadmap is expected to be seen in the future when Vietnam now considers participating in Wealth Accounting and the Valuation of Ecosystem Services (WAVES) partnership. However, in order to make these accounts to be actually streamlined in SNA, a lot of work still needs to be done.

Second, there has been progress in natural resource management in recent years as a result of the establishment of the Natural Resources State Management Agency (MONRE) and improvement of the legal framework for natural resource management. However, coordination among related stakeholders in natural resource management and use is not yet well designed and operated. The enforcement of regulations on natural resource management is still low.

¹⁸ For example, the state owned companies like Petro Vietnam produces 100% of total national crude oil extraction; similarly, VINACOMIN produces 90% of total national coal production, etc.

¹⁹ CIEM, 2013. "Fossil Fuel Fiscal Policies and Greenhouse Gas Emissions in Vietnam – Phase II": Developing a roadmap for fossil fuel fiscal policy reform". A report prepared for UNDP in March, 2013.

²⁰ Source: World Bank and ISPONRE, 2015: "Viet Nam - Natural Capital Accounting Roadmap up to 2020"

²¹ As above.

Third, questions on how natural capital rents are measured and distributed is not yet well discussed and studied. The main reasons are: (i) data information inputs are lacking, (ii) many of the existing information is not fully published; (iii) national capacity for natural capital rent measurement is limited. Most of current studies related to natural resources valuation have been mainly with development donors' supports. The question about distribution of natural resource royalty among related stakeholders; particularly the poor as well as between current and future generations have not been addressed well.

2 Policy framework

2.1 Existing regulations, policies, strategies and plans

2.1.1 Integrated regulations, policies, strategies and plans

The Socio-Economic Development Strategy (SEDS) for 2011-2020 and the 5 year socio-economic development plan (SEDP) for the period 2011-2015 are the core documents which provide a comprehensive account of the Government's development objectives and policies directions for Vietnam development path in the first decade of this century. The Strategy underlines that "Rapid economic development in conjunction with sustainable development represents an overarching requirement for the national development process during the period 2011-2020". The Five Year 2011-2015 SEDP also emphasizes "the development in a rapid, sustainable manner coupled with an innovative growth model and restructuring the economy towards better quality and higher competitiveness efficiency. At the same time, social welfare and social security will be ensured while the material and spiritual life of the people will continue to be improved"²². The development targets and policy directions included in these two important documents captured all three pillars of sustainable development, including the economic, social and environment.

For sustainable development objectives to be realized, the Vietnamese Government adopted the "Strategic Orientation for Sustainable Development in Viet Nam for the period 2011-2020" (Vietnam Agenda 21) in 2012²³. This strategy set a the development objectives in terms of ensuring "sustainable and effective growth along with social progress and equality, protection of national resources and the environment, socio-political stability, firm protection of the independence-sovereignty-unification and territorial integrity of the country"²⁴.

The National Council for Competitiveness Improvement and Sustainable Development was established and is authorized by the government to act as a counselor in directing, regulating, supervising and evaluating the implementation of Vietnam Agenda 21. The National Sustainable Development Office was established and attached to Ministry of Planning and Investment (MPI) to support the Council in their daily work.

The Prime Minister adopted a decision enacting the National Action Plan for Sustainable Development for the period 2013-2015²⁵. MPI also provided instructions to ministries and local provinces on how to: (i) formulate sustainable development action plans; (ii) mainstreaming sustainable development in socio-economic development plans and sectoral master plans; (iii) implement action plans (with establishment of Sustainable Development Steering Committees at ministerial and local levels) and (iv) monitor and evaluate sustainable development performance²⁶.

²² Source:

<http://www.chinhphu.vn/portal/page/portal/English/strategies/strategiesdetails%3FcategoryId%3D30%26articleId%3D10052505>

²³ Prime Minister's Decision No 432/QD-TTg on Approving the Viet Nam's Sustainable Development Strategy for the period 2011-2020 dated April 12, 2012.

²⁴ Source: <http://www.chinhphu.vn/portal/page/portal/English/strategies/strategiesdetails?categoryId=30&articleId=10050825>

²⁵ Prime Minister's Decision No 160/QD-TTg dated 15/1/2013.

²⁶ Circular 02/2013/TT-BKH dated 27/3/2013

At present, sustainable development viewpoints and principles are required to be mainstreamed in all national, local and sectoral development strategies, master and other plans. This can be seen in the National Action Plan for Sustainable Development which requires ministries and local authorities to integrate sustainable aspects in strategy formulation as well as in the five year and annual planning process. In addition, the Law on Environmental Protection also requires Strategic Environmental Assessments (SEA) be undertaken for national, regional and sectoral development strategies, master plans and five year plans. All large investment projects under the approval of National Assembly or Government and Prime Minister as well as the investment projects that may potentially cause negative impacts on the environment are required to prepare Environmental Impact Assessment (EIA)²⁷.

To date, 3 ministries and 27 out of 63 provinces have adopted their sectoral local sustainable development strategies (Agenda 21) in which all internationally sustainable development principles and objectives have been localized to fit with Vietnamese conditions. Separately, 4 sectors and 16 provinces have approved their Action plans for implementing their Agenda 21²⁸ and, it is expected that the contents of these documents will be integrated into the annual SEDPs of ministries and local provinces and in the forthcoming draft of ministries' 5 year development plans and provincial 5 year SEDPs for the period 2016-2020.

2.1.2 Poverty / social development

Poverty reduction support policies and programs have a rather long history in Viet Nam. Vietnam's Comprehensive Poverty Reduction and Growth Strategy (CPRGS) was adopted in 2002 and have been effectively implemented through the National Target Program (NTP) on Poverty Reduction for 2006-2010 and the National Target Program on Sustainable Poverty Reduction for 2012-2015. This new phase of the NTP responded to new government policy directions on sustainable poverty reduction for 2011-2020, as given in the Government Resolution No 80/NQ-CP in 2011. Resolution 80 aimed at accelerating poverty reduction in the poorest districts, communes and villages of the country, by setting a poverty reduction target of 4% of the poor households per annum (compared to a national target of 2%), and by prioritizing the mobilization of resources and support for these areas. The key policies and solutions regarding poverty reduction under the this NTP captures 3 comprehensive aspects, including (i) helping the poor gain improved enhance access to public/ basic social services, specifically healthcare, education, legal support, housing, and domestic water; (ii) develop production through policies on guaranteeing land for production, preferential credit, vocational training, agro-forest-fishery extension, and development of crafts and trades; and (iii) develop essential infrastructures for those communes, villages and hamlets in especially difficult circumstances²⁹. Obviously, the recent NTP has moved from targets based on income-based poverty reduction to a wider targeting approach based on multi-dimensional poverty reduction.

Together with above NTP on Sustainable Poverty Reduction, the Government also adopted the National Program on the "Socio-economic Development of Extreme Difficult Communes in Ethnic Minority and Mountainous Areas" (Program 135). This program started in 1997 and went through three phases (1998-2006, 2007-2010 and 2012-2020). The current phase of this program was adopted in early 2013³⁰ titled "Program 135 on supporting infrastructure investment and production promotion for communes with special difficulties, communes in border areas, communes in safety zones, hamlets, and mountain villages with special difficulties" (Program 135-III). This program was integrated within the NTP on Sustainable Poverty Reduction as one component (was previously separate) to avoid possible support duplication and ensure more efficient use of state budget funds for the poor. The current Program 135-

²⁷ Law on Environmental Protection 2014, Articles 13 and 18. Source: <http://thuvienphapluat.vn/archive/Luat-bao-ve-moi-truong-2014-vb238636.aspx>

²⁸ National Office for Sustainable Development, 2015

²⁹ Source: "Implementation of Sustainable Development in Vietnam: National Report at the UN Conference on Sustainable Development (RIO+20)", May 2012

³⁰ Prime Minister's Decision No 551/QĐ-TTg dated 4/4/2013

III focuses on: (i) Supporting the poor in production development through a support package including technology, credit, market information, agricultural & livestock services, production knowledge and capacity building for targeted poor households; (ii) supporting the poor in infrastructure development through improving rural transportation, electricity, irrigation systems, as well as improving health, schools, and kindergarten services in targeted communes, villages and hamlets.

Social development policies

A system of regulations on social development has been improved and amended over the last decade and then followed with sets of government policies for their implementation. Key social laws adopted or amended by National Assembly during the period 2011-2015 are: the Labor Code (amended in 2012), the Law on Health Insurance (adopted in 2008 and amended in 2014), the Law on Social Insurance (amended in 2014), the Law on Gender Equality (amended in 2011), and the Law on Employment (adopted in 2013). All of these legal documents have created a legal platform for formulating and implementing comprehensive strategies and policies on social development in Vietnam in the last five years and the years to come.

Since 2011, several social strategies were adopted by Prime Minister and expected to be implemented in the 2011-2020 period. These strategies are considered an integral part of national SEDS for 2011-2020 as mentioned in section 2.1.1 which stipulates specific policy directions and measures to support achieving SEDS social development goals. The key important social strategies are, for example, the 2011-2020 Strategy on Social Safety Nets, the 2011-2020 Strategy on Employment, the 2011-2020 Strategy on Education, the 2011-2020 Strategy on Vocational Training, and the 2011-2020 Strategy on Population and After Birth Health. Among those, the National Strategy for Social Safety Nets for 2011-2020 is a comprehensive policy document which provided integrated policies and measures to support and upgrade community, household and individual capacities to respond to unexpected shocks like unemployment, old age, sickness, disaster risks, economic structural transformation or crises causing negative impacts on their ability to access income and basic social services.

In addition to the social development strategies indicated above, a system of policies on labor market and job creation were amended and improved in all three dimensions to support: (i) job training and re-training, vocational counseling, job placement, and labor migration; (ii) access to preferential credit for self-employment, to encourage community development through local initiatives, and to support private sector development; and (iii) workers to find a job, help them find a better job, including to work overseas as guest workers.

As more than 60% of the population of Vietnam, and the majority of the poor, live in rural areas, social policies addressing the rural population have been given considerable attention by the Government and become an important part of the national social policy system. The National Target Program on Constructing a New Countryside in the period 2010-2020 was adopted by Prime Minister in 2010³¹. This NTP's main focus is to stimulate socio-economic and basic infrastructure development in rural areas – including electricity, roads, irrigation, schools, health care, water supply and sanitation, sport and health and recreation facilities and so forth, in order to improve livelihoods and the living conditions of the rural population.

³¹ Prime Minister's Decision No 800/QĐ-TTg dated 4/6/ 2010.

2.1.3 Green economy

The topic of green growth or green economy has drawn the Government's attention in recent years. This is reflected by the Government's issuance of the National Green Growth Strategy (NGGS)³² and latterly, the National Action Plan on Green Growth (NGGAP) in Vietnam for the period 2014-2020³³. While NGGS can be seen as a component of the Agenda 21 in Viet Nam for the period 2011-2020, and as offering the most comprehensive agenda for moving towards green economy, it should be noted that before NGGS, the Government of Vietnam had already adopted and implemented several regulations and policies related to green growth. For example, the Law on Economic and Efficient Use of Energy³⁴ was adopted by the National Assembly in 2010 which aimed at promoting the economic and efficient use of energy by firms, industries, households and individuals; the Strategy on Cleaner Industrial Production up to 2020³⁵ and the NTP on Economic and Effective use of Energy (in two phases: 2008-2011 and 2012-2015). In addition, other strategic policy documents such as the Strategy on Climate Change for 2011-2020³⁶, the National Strategy on Environmental Protection to 2020 and vision to 2030³⁷ or the Strategy for Clean Technology Use to 2020 and the Vision to 2030³⁸ also addressed measures and policies related to promoting effective use of natural resources, energy and to mitigate environmental pollution as a result of economic activities. Since many of these policy documents have newly been adopted, their impacts on green growth performance requires additional time to before judgments can be made.

The overall objective of the National Green Growth Strategy is "to achieve a low carbon economy and to enrich natural capital, will become the principal direction in sustainable economic development; reduction of greenhouse gas emissions and increased capability to absorb greenhouse gas are gradually becoming essential indicators in socio-economic development". The Strategy outlines 3 strategic tasks, including achieving low carbon growth, greening of production and greening of lifestyles. The Strategy also set ambiguous targets up to 2020 in accordance with these three strategic tasks.

To guide the implementation of NGGS, the National Green Growth Action Plan - NGGAP identified 12 groups of activities with 66 specific actions, which focus on the major four policy areas like: (i) institutional development for green growth at national level and formulation of green growth action plan at local level; (ii) reduction GHG emissions intensity and promotion of clean and renewable energy use; (iii) greening production and (iv) greening lifestyles and promoting sustainable consumption. A guideline for Preparing Provincial Green Growth Action Plans (PGGAP) has been formulated under a KOIKA supported project to MPI. To date, 5 ministries and 16 provinces have prepared their drafts for sectoral/provincial green growth action plans with technical support from development donors and MPI. Except for MARD, MONRE and other two provinces which already approved its green growth action plan, all other GGAPs will be soon adopted by relative authorities. A system of Green Growth monitoring and evaluation indicators is also under formulation by MPI with the support of Belgian Government.

An Inter-ministerial Coordinating Board for NGGS implementation headed by a Vice Prime Minister was established. This Board operates under the National Committee on Climate Change which is headed by the Prime Minister. The Inter-ministerial Coordinating Board includes members from related ministries, sectors and local authorities and representatives of VCCI and the Vietnam Union of Science and Technology Association (VUSTA). Since the Board has recently been established, it would be difficult to assess its effectiveness. However, given current institutional arrangements, many challenges may arise:

³² Prime Minister's Decision No 1393/QĐ-TTg Dated 25/9/2012

³³ Prime Minister's Decision No 403/QĐ-TTg dated 20/3/2014

³⁴ Law No50/2010/QH12 issued by National Assembly on 17/6/2010

³⁵ Prime Minister's Decision No 1419/QĐ-TTg dated September 07, 2009

³⁶ Prime Minister's Decision No 2139/QĐ-TTg dated 5/12/2012

³⁷ Prime Minister's Decision No 1216/QĐ-TTg dated 5/9/2012

³⁸ Prime Minister's Decision No 2612/QĐ-TTg Dated 30/12/2013

Firstly, as green growth has very close linkages with economic development policy and would be considered a part of sustainable development policy, the question can be raised is how this Board would collaborate with the National Council for Competitiveness Improvement and Sustainable Development as mentioned in Section 2.1.1. This issue may be solved partly as many of the board representatives are also the members of the other board.

Second, being a part of the National Committee on Climate Change, the Inter-ministerial Coordinating Board for NGGS will have to balance its activities and resource mobilization with the other strategic targets of the National Strategy of Climate Change.

Third, many of the targets of the NGGS are also included in Agenda 21, other green growth related policy documents as mentioned earlier. This requires coherent monitoring and evaluation processes, effective funding mobilization and the proper coordination among these strategies and policies in order to achieve joint goals.

2.1.4 Private sector

Policies to promote corporate environmental and social responsibility and safeguards in the private sector can be seen through several channels, including: (i) related laws and regulations as well as regulated social and environmental standards and norms which require the private sector to obey the rule of law; (ii) policy incentives to supporting / encouraging sustainability and environmentally friendly attitudes and innovations by the private sector.

Laws/regulations/standards/norms:

The Law on Environmental Protection 2005 as amended in 2014, requires organizations operating in industrial production, trade and service should take necessary measures and actions to control disposals/ emissions as a result of their activities and meet environmental standards/ norms. In addition, investors also have to carry out Environmental Impact Assessments and provide measures to mitigate potential negative environmental impacts from their investment projects. Since the Law on Environmental Protection was first adopted in 1993, a system of environmental standards have been developed as a part of the Vietnam Standards System (TCVN), comprising those related to land, water, air, hazardous solid waste and noise pollution.

However, enforcement of the above mentioned legal regulations have been low. Most of Vietnamese enterprises are small and medium scale ones and in the context of present economic slowing down situation, their attention have mainly focused on production performance rather to take actions on environmental protection and social responsibilities.

Policies to support sustainability development and environmental friendly leadership and innovation by private sector:

There are several policy tools for supporting private/business sector in sustainable development. They can be tax incentives, financial support or other non-financial support. For example: import tax exemptions for advanced technology, and corporate income reduction for environmentally friendly investment projects. Credits preferential, bank credit guarantee are also applied to, for example, energy efficiency or renewable investment projects, environmental protection projects etc. In addition, there are several financial institutions providing industries with grants, technical supports to deal with enterprises' environmental issues like the Technology Innovation Support Fund (MOST), the Environmental Protection Fund (MONRE), and SME Support Funds (MPI) etc.

The Vietnam Business Council for Sustainable Development (VBCSD) was established in 2010 with the mission to promote the implementation of Sustainable development strategy and effective use of natural resource through promoting domestic firms in applying environmental friendly technology,

contributing to development of renewable energy industry. The Council is co-chaired by VCCI and has its office in VCCI headquarters. The Council plays a role as a bridge between business community and the government of Vietnam through providing recommendations and consultations to the government's policies on sustainable development. The Chair of the VBCSD is a member of the National Council for Competitiveness Improvement and Sustainable Development.

2.1.5 Fiscal policy

Fiscal policies targeted at inclusive growth comprise of tax policies and budget support policy (i.e. subsidies and grants). These policies aim at improving opportunities for disadvantage population groups (i.e. the poor, ethnic people, children, women etc.) to benefit from national development, to better access to various social services and to be resilient to unexpected risks. In the period 2011-2015, government implemented 16 NTPs which address multi-dimensional aspects of poverty; environmental sustainability and green growth (see more in section 3.7 and Annex 6).

In terms of the social development aspects, several fiscal policies can be listed here, for example, free health insurance for the poor and children under 6, electricity price subsidies for poor households consuming less than 30 KWh/month, education fee exemptions for children of poor households, and housing support for the poor households.

In terms of the environmental sustainability aspects, the Government has introduced both natural resources and environmental taxes in Vietnam. The Law on Natural Resource Taxes³⁹ was adopted to impose taxes on crude oil, natural gases, metals, non-metals, natural forest products (timber and non-timber), marine products, natural water resources and others. The Law on Environmental Taxes was promulgated in 2010⁴⁰ which imposes several tax rates to 8 commodities groups. Other tax-related instruments have also been used to promote sustainable development behaviors like water pollution charges, payments for forest environmental services, deposits for mineral resource extraction and so forth. However, tax levels are likely to be too low to lead to significant behavioral change impacts⁴¹. The questions about the impact of these taxes on environmentally friendly behavior of related parties, and the use of tax revenue have not yet been studied and analyzed.

Vietnam is among developing countries spending a significant amount on subsidies for fossil fuels. The total amount spent fluctuated between US\$1.2 billion and US\$4.49 billion annually from 2007 to 2012⁴². The energy price in Vietnam has been kept at a lower level compared to other countries in region. Vietnam is pushing a comprehensive energy sector agenda focusing on removing energy market monopolies, creating a transparent environment in energy full cost pricing, SOE reform, and promoting green energy generation. Fiscal policy then should address the short term losers of these policy changes like poor households and SMEs.⁴³

2.2 Key challenges and gaps

Vietnam has already formulated a comprehensive policy framework to address poverty and environment. It is clear that the policy framework has moved from focusing more on poverty aspects in the 2000-2010 period to jointly addressing both poverty and environment in recent years. However, there are several challenges with the regards to this policy approach's implementation and effectiveness.

³⁹ Law No 45/2009/QH12 dated 25/11/2009: Law on natural resource taxes.

⁴⁰ Law No /2010/QH12 dated : Law on Environmental Taxes

⁴¹ See: <http://tapchitaichinh.vn/nghien-cuu-trao-doi/trao-doi--binh-luan/chinh-sach-thue-bao-ve-moi-truong-kinh-nghiem-quoc-te-va-thuc-tien-viet-nam-65499.html>

⁴² See UNDP paper on: "Green Growth and Fossil Fuel Fiscal Policies in Viet Nam - Recommendations for a Roadmap for Policy Reform" at: <http://www.vn.undp.org/content/vietnam/en/home/presscenter/pressreleases/2014/06/18/fossil-fuel-subsidies-need-to-be-phased-out.html>

⁴³ As above.

Firstly, too many policies have been issued and many of them are overlapping with the effect that funding allocations are too thinly spread and efforts are being directed to achieving the same targets⁴⁴. Moreover, a steering committee or board has often been established for every big policy and program while the coordination among these institutional bodies is limited. This situation has led to a lack of coherence with similar programs and policies, ineffective use of state budget funds for implementing sustainable development programs and policies.

Second, poverty reduction and environmental sustainability tend to stand separately in the overall national policy framework (as per section 2.1). The nexus of poverty and environment has not been well addressed in development programs and policies as these two subjects are under different line ministries' mandates and policymakers have not well understood or resolved on how to reconcile the nexus of the two in the policy formulation process.

Third, the proper enforcement of approved policies in practice is a critical issue in Vietnam. Usually, organization of policy implementation has been often delayed and coordination among stakeholders has been weak. In addition, targeted beneficiaries find it difficult to access government policy support because of complicated procedures and maladministration (including corruption). This has served to limit the impact of these policies in reality.

3 National development planning and implementation

3.1 Overview of the plan/policy development and implementation process

System of national development planning in Vietnam can be grouped into long term (strategic), medium term (5 years) and short term (annual) categories.

- The long term planning system includes: i) the Socio-Economic Development Strategy (SEDS) for the period of 10 years; ii) Master plans for a period of 10-20 years or more and they can be regional Master Plans or sector/subsector Master Plans.
- Medium term plans include: i) Five year socio-economic development plans (5 year-SEDP). These plans are prepared by government authorities at national and provincial/central city levels; ii) Five year sector development plans. These plans are prepared by ministries at national level.
- Short term plans include, the annual SEDP (at national, provincial/city, district and commune levels). The SEDP contains three separate plans: i) the annual SEDP, consisting of objectives, directions, solutions and implementation responsibilities; ii) the annual public investment plan and iii) the annual budget plan.

According to the Law on Public Investment (2014) and recently amended Budget Law (2015), from now on in addition to the 5 year SEDP, there will also be a 5 year public investment and budget plan⁴⁵. This indicates that from 2016 the 5 year SEDP and annual SEDP can be considered as the key development plan governing sustainable development in Vietnam since they capture sustainable development issues and integrate development objectives with budget allocations (discussed later in this section). The scope of master plans will also be reduced in the future when the Law on Master Planning will be adopted by National Assembly next year (2016). The number is also expected to drop dramatically according to the draft of this law⁴⁶.

⁴⁴ For example, all three national strategies of green growth, climate change and sustainable development has common target of reduction of energy intensity and CO2 emission.

⁴⁵ Before, only annual SEDP has integrated development plan objectives with budget planning (including investment and recurrent expenditure plans)

⁴⁶ Source: MPI, the drafted law can be seen at <http://www.mpi.gov.vn/Pages/tinbai.aspx?idTin=26241&idcm=140>

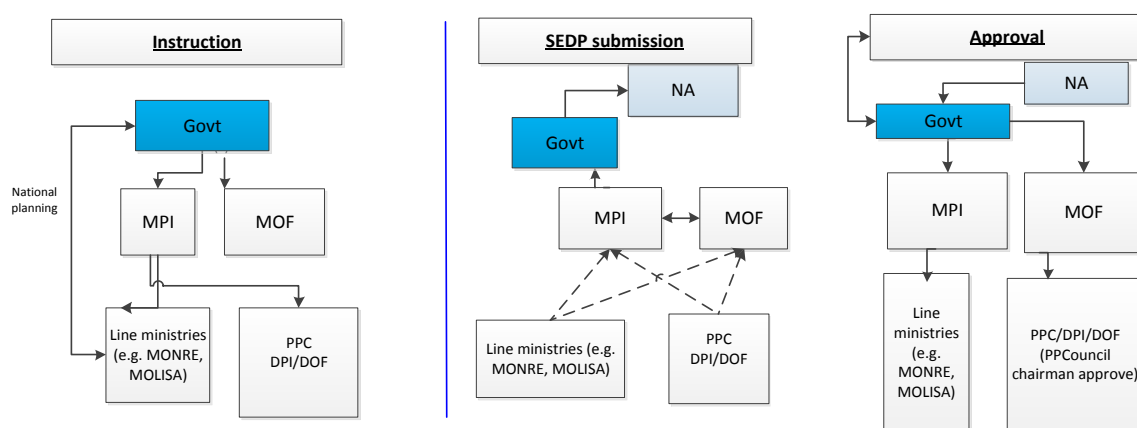
In addition to the development strategies and plans/master plans mentioned above, there are also action plans, thematic and/ or sectoral policies and national target programs (NTPs) or national programs (NPs) which can be regarded as detailed measures and guidelines implementing development strategies (see in section 2.1. above).

It is important to note that for SEDS and 5 year SEDP, the initial general national development directions and objectives are reviewed and approved by the Communist Party’s Politburo before they are actually designed and formulated. Also, after the drafts of these documents are completed, their contents will be included in the Party’s Congress documents under the names of “Strategic Development Directions” or the “5 year Development Directions” and approved at the Congress. The full contents of the national SEDS and 5 year- SEDP are also approved at the National Assembly. Other types of national development plans are reviewed and approved by different central government authorities.

In this section, primary attention will be given to outlining the detailed planning procedure of the national 5 year - SEDP 2016-20 and 2016 annual SEDP. This is because SEDPs can be seen as most integrated sustainable development policy and planning instruments which provide the overall development path and sustainable development policies for Vietnam during the planned period (i.e. these plans cover economic, social and environmental aspects which are the three pillars of sustainable development). More importantly, these plans also linked to financial resources required to achieve national development goals for the planned period.

For both five year SEDPs and the annual SEDPs, the general planning procedure is as illustrated in Diagram 1 below. Usually the SEDP process starts with the instruction phase (see column 1 in Diagram 1) on guiding the preparation of SEDPs given by the Prime Minister and sent to all ministries and provinces⁴⁷. Together with the Prime Minister’s instruction, MPI issues the detailed instruction to ministerial and provincial levels with the required plan report outlines and data templates. This process aims at ensuring the principle of consistency through all SEDPs at all administrative levels, from national to local provinces. But this is balanced and it does not restrict local government’s ability to innovate and flexibility in preparing plans which meet their local context.

Diagram 1. Review of Current National 5 year SEDP Planning Process



Source: Adjusted from Tran TH, 2014, “Strategy/Road map on Mainstreaming CCA/DRR into SEDP and sector plan”. Community- Change Action based Climate Grants Program (CCCGP) funded by DFAT/AusAid

⁴⁷ For example, Prime Minister’s Discrete No 22/CT-TTg on guiding 5 year SEDP formulation for the period 2016-2020 dated 5/8/2014.

After some time for SEDP preparation, ministries/government agencies and provinces/central cities send their draft 5 year - SEDP to MPI and MOF (column 2 of diagram 1). In Vietnam, line ministries responsible for poverty and environment themes are the Ministry of Labor- Invalids and Social Affairs (MOLISA) and MONRE respectively. Based on their state management functions, these ministries prepare 5 year sectoral development plans (e.g. plans for poverty reduction and environmental protection) and then submit these to MPI and MOF. In turn, MPI and MOF will consolidate information from these and other line ministries' and provinces/central cities' documents as well as inputs obtained from internal and external consultation process to prepare the draft national 5 year SEDP and budget plan. The draft is then submitted upwards to the Prime Minister (upward flow, see column 2 of the Diagram 1) and then to the National Assembly for approval at the National Assembly Congress. For national 5 year SEDP the notification of the approved SEDP goes from the National Assembly (NA) to MPI and other ministries/agencies and provinces/cities. Based on the development vision and directions set out in national five year SEDPs, ministries/agencies (e.g. MOLISA and MONRE) and provincial/central city's People Councils (PPC) will approve their respective five year development plans (down flow, see column 3 of the Diagram 1). Before the Law on Public Investment (2014) and amended Budget Law (2015) were adopted, there were no corresponding medium term budget plans and hence the five year SEDPs were very poorly linked with budgeting process. However, the approval of these laws has ensured consistency of 5 year-SEDP objectives with medium term budgeting.

Similar to the national 5 year planning process as described above, national annual SEDP planning procedure follows the same approach. The instruction on guiding preparation of annual SEDPs is given by the Prime Minister to ministerial and provincial levels before the planning year and MPI provides them with detailed reporting templates. Then, line ministries (e.g. MOLISA and MONRE for poverty reduction and environmental issues respectively) and provinces/central cities will send their draft annual SEDPs, public investment plan to MPI and budget plan to MOF so that MPI and MOF can send the national annual SEDP and budget plan to the Prime Minister and then, to National Assembly (NA). The annual SEDP with main development targets and budget will be approved by the NA. After its approval, the notification of the national SEDP annual budget allocations goes from MPI/MOF to Ministries/agencies and provinces/central cities. At this level, provincial/central cities' people's council will approve their annual SEDPs as well as budget allocation plans.

After the 5 year and annual SEDPs are approved, their implementation is the responsibility of all parties related including, ministries, provinces, government agencies, private sector and civil society depending on their mission and role. At national level, the core coordination, oversight and monitoring role in implementing national SEDP is Minister of MPI while for sectoral and local development plans, it is line Minister and Chairman of People's Committee. In the case of poverty reduction plan, MOLISA plays the coordination role while that for environmental protection and climate change plan implementation is under MONRE's responsibility.

The above describes national SEDP formulation processes at summary level and does not clearly illustrate several activities which happen behind each level of planning process. For example, within the long process of national SEDPs formulation, there are activities carried out within MPI as well as consultation with stakeholders before the draft SEDP is ready for submission to the Government. These activities, particularly, the consideration of poverty and sustainable development aspects happen throughout whole planning process in the steps as shown in Diagram 2 and as set out below.⁴⁸

⁴⁸ These based on the Law on Legal Documents Promulgation issued by National Assembly in 2008 and Law on Legal Documents Promulgation (amended in 2015) which will be in active from January, 2016.

Step 1: Stakeholders' engagement and coordination goal setting - The main role of this step is played by the Government agency assigned to be the lead actor in plan/policy development. Depending on the subject of the plan/policy, they can be MPI (for integrated plan/policy like SEDP) or line ministries (for example, MOLISA for poverty plans/policy or MONRE for environmental plans/policy). A Planning/policy Drafting Committee and an Editing Team are set up by the assigned lead agency, particularly when the potential plan/policy document is an integrated one relating to several areas and parties (i.e. SEDP). At this step, the main content outlines of plan/policy are also decided.

Step 2: Integrated Assessments – understand links and changes. In this step, several institutions are involved, including research institutions, associations, civil society (NGOs/INGOs). They can be asked or commissioned by the lead agency to support or can do the research in house.

Step 3: Policy Design and Formulation - The lead agency, drafting committee and editing team play the main role in this step. They take-up input contributions of the local/sectoral levels (in form of drafted plans) as well as other inputs from step 2 as references for formulating the draft plan/policy document. When the draft document is ready, it is consulted on with related ministries and local government and stakeholders, and other parties for comments and then the final draft is prepared.

Step 4: Appraisal and Approval - Once the draft plan or policy is revised, the final draft is submitted to the Government. The document is appraised by the Ministry of Justice and other Government Office departments, for legal and administrative compliance. Then it will be approved by the Prime Minister or the Government depending on the type of document, or it will be submitted to the National Assembly for approval (this will be explained further in Section 3.5).

Step 5: Implementation - actual roll-out and implementation of plan/policy sometime takes time in VN. For example, after the document is approved, the implementation approach needs to be explained to and elaborated by ministries, local governments (see Section 3.7)..

Step 6: Monitoring and Evaluation - The role of M&E of a particular plan/policy is usually assigned to the Government Agency which plays the lead in the document's formulation. For example, MPI is responsible for M&E and oversight of SEDP performance while MOLISA is for poverty reduction plans/policies and MONRE for environmental plans/policies. For delivery of M&E, these agencies establish monitoring systems (note they assign their subordinated departments formulate M&E indicators and institutionalize the arrangements) and will coordinate with other related government agencies to undertake monitoring and evaluation, and reporting.

Sections from 3.2-3.8 below will illustrate in more detail, each of the above steps and how they are linked to the development planning process. The discussion and analysis focuses more on the planning process at national level, rather than the sub-national level.

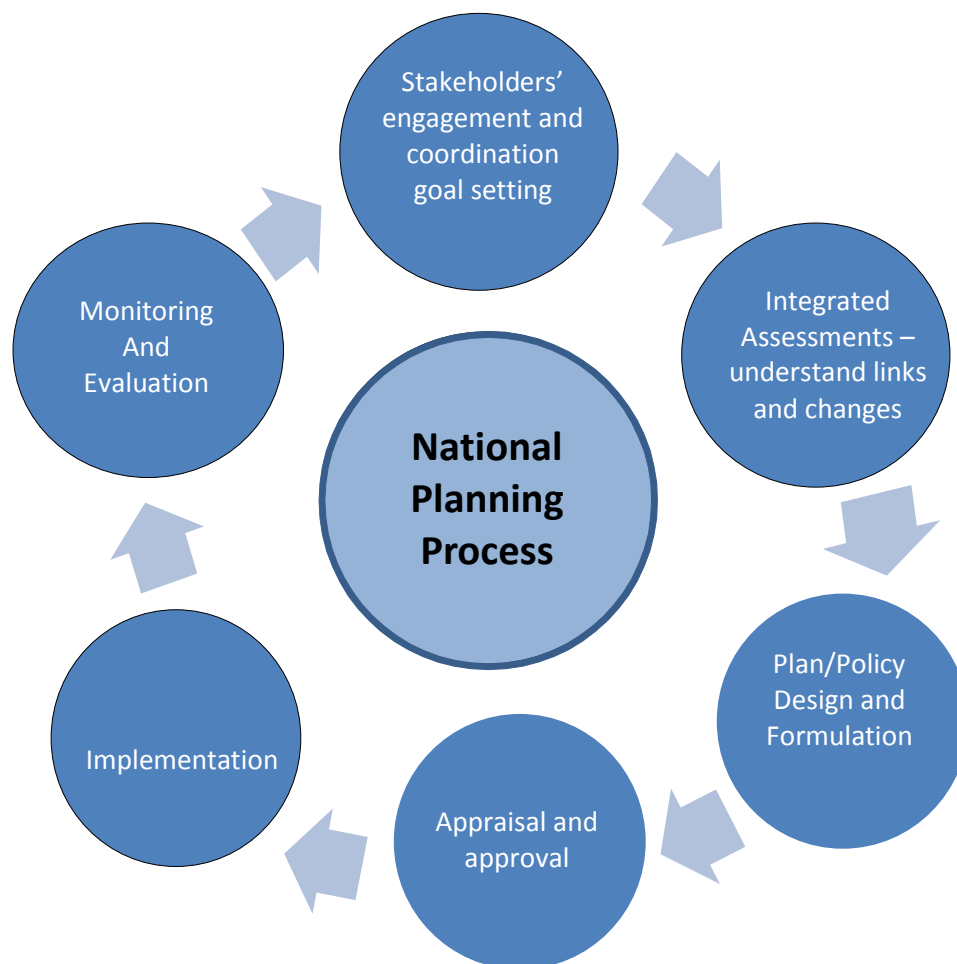


Diagram 2. National Development Planning/Policy Process in Vietnam

3.2 Co-ordination and visioning

This first step of national development planning process starts after the Government’s agenda for national development planning and policymaking has been approved by the Prime Minister. This identifies Government agencies taking the leading roles in plan/ policy formulation processes (hereafter will be referred as the lead drafting agency). Usually, the lead drafting agency for the SEDP is MPI while MOLISA is designated for poverty related policy documents and MONRE designated is for environment policies. For formulating an integrated or multiple-sector related development plan/ policy, a drafting committee is established which comprises representatives of the lead drafting agency and related stakeholders (i.e. line ministries, research institutions, universities, associations etc.). To support the drafting committee is editing team is assigned, which includes members of the lead drafting agency and representatives from related agencies participating in the drafting committee⁴⁹.

In the case of the 5 year SEDP, development viewpoints and the outline framework are set out, capturing all economic, social and environment topics, and then included in the instruction issued by MPI to guide

⁴⁹ See Decree 24/2009/ND-CP dated 5/3/2009 on guiding the implementation of Law on Legal Document Formulation (2008)

ministries and local governments (as discussed in Section 3.1). At an early stage, the Communist Party's Politburo discusses and comments on the key development viewpoints, directions and goals. .

As it is clear from the above discussion, there are mechanisms for coordination among parties involved in the beginning of sustainable development planning/policy formulation process. The effectiveness of the coordination and visioning process will depend on the effectiveness of the lead drafting agency and the quality of coordination within the drafting committee, and the timeframe allowed for organizing proper consultation. In many cases, lead drafting agency have to form several task forces within their ministry, which include their staff, plus experts from research institutes and universities to support them and contribute to the draft. These effectively become part of the drafting committee and editing team. When needed, consultation workshops can be organized by lead drafting agency to comment on the detailed outlines of the plan/ policy documentation.

Challenges and gaps:

- Although coordination among the related parties starts from the beginning of the planning process, and inputs are provided by all Government agencies and ministries, the lead drafting agency plays the main role in plan/policy development. In most cases, majority of drafting committee members are representatives from government agencies. Involvement of private sector and civil society at this stage remains limited.
- The planning process is very top-down (vertical) and time for preparation of the draft document is limited. There are limited opportunities for getting proper horizontal collaboration among the related actors. Those at the grassroots (especially the poor) have very limited voice. Some innovative good practices of ensuring stakeholder participation from the beginning of planning process have emerged (i.e. community-based planning), but these are only pilot cases and often funded by development donors. The results of these practices are often maintained only within project periods and have not been sustained and replicated at other locations at national level.
- The main players in national development planning have not clearly elaborated the poverty and environmental nexus and how this links to sustainable development planning. This can be shown most clearly by the fact that SEDP instructions do not address this link at all, and rather requires ministries and local agencies to assess these two aspects separately (e.g. MOLISA assess poverty and MONRE does so for environment), there are also separate M&E indicators systems (discussed in section 3.8 below). Hence, whether poverty – environment links are assessed and integrated at all in the plan/policy outlines would depend on the ministries and local provinces' awareness. In practice however, line ministries and provinces would only base their approach on the plan outline framework, as given by the instructions issued by MPI and MOF, rather than make analytical innovations.

3.3 Assessment - tools and methodologies

For all development plans/policies, especially those in the form of legal documents, such as Laws, Resolutions, Ordinances and Decrees, it is required (by law)⁵⁰ to undertake a full impact assessment/evaluation at three stages of plan/policy making cycle, namely: pre-assessments (before plan/policy drafting); during plan/policy drafting; and after three years of implementation. These regulations specify impact assessment not only capture economic impacts but also the social and environmental impacts. Tools and methodologies applied can be varied throughout these three stages as follows.

Pre-assessments: At this stage, the lead drafting agency is required to carry out a simple assessment in order to provide a rationale for any policy changes, answering the question why policy change is needed or why Government intervention is necessary. This can be done based on a study on the current context and policy implementation (in the case of policy amendment), pointing out gaps or weaknesses of the existing policy, its impact in implementation process and so forth. The tools and methods at this stage

⁵⁰ Government's Decree No.24/2009/ND-CP dated March 5, 2009 on "Details and Guidance on the Implementation of Legal Document Promulgation

are more qualitative, though a quantitative approach is encouraged if data is available. The lead government drafting agency can carry pre-assessments by themselves or mobilize/ involve of the other institutions/experts such as research institutes, non-government organizations, etc. to carry out this assessment.

Assessments during plan/policy drafting: The impact assessment at this stage is using the international term a *regulatory impact assessment (RIA)*. At this point more complicated tools and methodologies are needed in order to identify the best policy options to solve the problems. At this stage, both integrated decision making tools such as computable general equilibrium (CGE) models and integrated diagnostics such as Strategic Environment Assessment, Social impact analysis, cost benefit analysis, Cost Effectiveness Analysis and Economic Impact Assessments, etc. have, to a certain extent, been applied. Among them, cost and benefit analysis is the most widely used method, sometimes done using a quantitative approach, sometimes a qualitative one.

The most recent example in applying the CGE model is to quantify the social, economic and environmental trade-offs of the environmental tax policy (Willenbockel and Simon, 2010). This assessment was done in 2011 by a group of independent experts funded by Germany (through GIZ). The results of this assessment assisted the Ministry of Finance in designing environmental tax policy. Another example in applying integrated tools to assess the cross-sectoral social and economic impacts was work on assessing the impacts of different low carbon options in Vietnam carried out in 2012 (Nguyen Manh Hai et al., 2013). In this assessment, a dynamic CGE model was used to assess the economic and social impacts of different low carbon options identified by a bottom-up model. The assessment was done by a group of research institutes and international experts, funded by the World Bank, aiming at supporting the formulation of an action plan to support Vietnam's green growth strategy.

Another example in applying CGE model for policymaking is work to support Ministry of Natural Resources and Environment (MONRE) to identify GHG reduction targets. This assessment has been a combination of different methods, in which a CGE model was used as an integrated tool to measure the social, economic, and environmental impacts of each identified targets. This assessment excessive was carried out by a group of international experts from Japan with financial support from JICA (Japan). To support the Ministry of Agriculture and Rural Development in assessing the policies on rural infrastructure investment and agricultural R & D spending, an assessment also used a CGE model (Lan Huong Pham et al, 2006).

These integrated diagnostic methods have been used widely for policy assessment in Vietnam. Almost all assessments apply the cost and benefit analysis methods. As in the previous stage, some do this quantitatively, some just qualitatively. Some other methods have also been used such as empirical assessments of economic and social impacts and strategic environmental assessments. For example, in order to support the Ministry of Labor, Invalids and Social Affairs in drafting minimum wage policy, empirical assessments have been made by using econometric models based on enterprise censuses and household living standards surveys to assess the impacts of minimum wage policies on firms, employment and households' welfare (Hansen et al., 2015a and 2015b). These assessments were done by international experts funded by the International Labor Organization (ILO) and have been applied when issuing the minimum wage policy (MOLISA).

Post implementation assessments: It is regulatory requirement that after three years of implementation, policies must be assessed and changes must be proposed if needed. In practice, normally, the policy implementer at the central level (such as Ministries) will ask the implementers at the lower administrative levels (provincial authorities) to report assessments of implementation results. This type of assessment is usually done by applying a qualitative method and using the output indicators of policy implantation as the basis of the assessment. Impact evaluation is rarely done in this case. Sometimes, the implementing organization at the central level also organizes an independent assessment, mostly done by a group of experts, often applying more complicated methods such as empirical models. A good example are the assessments on the implementation of Program 135 phase II using a baseline and end

line surveys (IRC, 2012). This assessment was done by a group of national and international experts and funded by the Government of Finland.

The main features of policy assessments and the methods applied in Vietnam as follows:

- A majority of the assessments have been carried out by Government organizations in charge of implementing the policies and applied simple qualitative methods such as output indicators. More complicated methods have been applied, but this is mainly done by research institutes or groups of experts with the international financial and technical support.
- In Vietnam, integrated diagnostics have been applied more often than integrated tools, especially the cost and benefit analysis method. The more complicated tools and methods have been applied on an ad-hoc basis with financial and technical support from international community (donors).
- A variety of tools and methodologies is available in Vietnam but the application may be restricted due to several reasons, including: (i) limited time for making policy assessments, (ii) limited financial resources available and (iii) limited data available.
- The international community, both technically and financial plays an important role in facilitating the application of integrated assessment tools and methodologies in Vietnam.

Gaps in assessment tools and methodologies

Vietnam is facing a triple gap in assessment tools and methodologies:

- i. The first is a gap between international and national/domestic tools/methodologies: Some of the widely used internationally available tools have not been used in Vietnam such as MDG simulations.
- ii. Second, there is a gap between domestic capability and inputs for implementation. In many cases, national organizations are capable of applying integrated tools but the supporting conditions for applying them are lacking and the tools have been used out on an ad-hoc basis. For example, the Social Accounting Matrix (SAM), an important integrated tool, requires prior data inputs and analysis which are only available with international financial support. When a project is over, the data will not be available for the assessment. The official statistics organization of Vietnam, GSO, should be the organization to continue this work.
- iii. Third there is a gap between formally regulated position and the real level of commitment: As mentioned above, although there are regulations on the policy impact evaluation, it has been normally done as a formality, to simply comply with the regulations. Commitment to do serious and real policy impact evaluation is lacking due to irrelevant and non-functional M & E systems as well as lack of incentives and enforcement.

3.4 Policy design and formulation

In principle, the lead drafting agency takes full responsibility production of the first draft of the development plan/policy. During the drafting process, the drafting committee and drafting team play a crucial role in providing their inputs based on the request of the lead drafting agency. The typical content and format of SEDP can be seen in the Box 1 which elaborates the outline of 5 year SEDP 2016-2020. It is apparent that apart from development goals and targets, SEDP has an important section addressing general policy measures/ tools to be adopted during the planning period. These policy measures/tools are quite general for the 5 year SEDP but should be more specific in annual SEDP. Sustainable development policies are addressed in SEDP in different sections including: i) prioritized policy focuses; ii) major economic policy measures; iii) Social policy measures; and iv) environmental protection and climate change major measures (see Box 1).

Box 1: Content of 5 year SEDP 2016-2020

Part 1: Review of 5 years SEDP 2011-15 performances. This includes:

- Review of progress on SEDP targets/indicators 2011-15 including economic, social and environmental indicators
- Review of the three milestone development directions, including improving the market institutional reforms, human resource development and infrastructure development.
- Review the performance of major macroeconomic indicators, including capital accumulation, expenditure, domestic saving; development investment; performance of state budget revenue-expenditure; BOP; electricity balance; government debt, national external debt, local government debt in the period 2011 – 2015.
- Review the actual performance of specific development targets and sectoral or development areas, for example, economic sectors (agriculture, industry, service sectors), implementation of approved master plans, education, performance of social development indicators, performance of environmental protection and climate change response, performance of regional development, public reform results, national defense etc.
- Review the policies adopted during 2011-15 to support the above achievement
- Assess the result vs. planned targets, point out the reasons for not being achieved development indicators and the lessons learnt.

Part 2: drafted SEDP of 2016-2020

- International and national context of the SEDP 2016-2020 and forecasts;
- The development viewpoints for the development period 2016-2020;
- Development goals and indicators 2016-2020;
- Forecasts of major macroeconomic balances/scenarios
- Major development directions, targets, policy measures for 2016-2020, including: i) measures for growth pattern shift to sustainable development and green growth, improve competitiveness, economy productivity, effective international integration etc.; ii) measures for sectoral restructure, focusing on investment restructure (particularly public investment restructure), financial market restructure (particularly, commercial banks and financial institutions restructure) and restructure of enterprises (particularly, SOEs); iii) social development policies, including education and human development, health, employment, sustainable poverty reduction, labor market development, population policy, gender and ethnic policy etc.; iv) Environmental protection and climate change responsible major measures etc.
- Policies on sectoral and regional development and sustainable development.

Source: Guidelines for formulating 5 year SEDP 2016-20. MPI, August, 2014

When the draft plan/policy is ready, it goes through several rounds of internal consultations and revisions. For example, the drafting committee will review and comment on the first draft. It is also sent to related ministries/provincial departments for comments and revised according the comments received.

At this stage, the revised document is ready for comments and views from related parties which are potentially impacted by the drafted plan/policy. The draft document is published for comments through conventional media and internet website etc.⁵¹. If needed, stakeholders' consultation workshops are organized to solicit comments on specific topics.

According to current regulations, the lead drafting agency is responsible for preparation of regulatory impact assessment (RIA)⁵² as well as the strategic environmental assessment (SEA) reports⁵³. It is

⁵¹ According to the law, this requirement is applied to all legal documents issued by the NA and government.

⁵² By law, this requirement is applied only to legal documents which are adopted by national Assembly, and Government.

⁵³ This applied for SEDS, master plans, regional development strategies

important to note that this procedure is required for the national development strategies/plans/policies to be adopted by the National Assembly or the Government only.

The final draft of plan/policy as well as the RIA, SEA and other related documents then will be submitted to the Government authority for consideration.

As described in section 3.1., the planning process in Vietnam has strong vertical national-sectoral-sub-national linkages, which ensures coherence of national integrated development strategies/plans/policies and sectoral, sub-national strategies/plans/policies. This can be seen in the fact that sectoral or sub-national level strategies/plans/policies are required to be in line with the related national ones, and should follow the planning guidelines or instructions issued by the central government. In addition, draft strategies/plans/policies are reviewed and commented on by related ministries and government agencies at national level before submission for appraisal and adoption. In turn, ministries and provinces also contribute to the national integrated strategy/plans/policies during formulation by sending their draft 5 year SEDPs to the national 5 year SEDP lead drafting agency and giving comments on the draft documents as discussed above.

Challenges and gaps:

- As discussed in this section, the plan/policy formulation process is mainly led by the lead drafting agency, ministries and government agencies which have their representatives in the drafting committee. Other actors particularly, civil society and the private sector are engaged in a passive way at this stage just like commentators, data providers, impact analysts and only when they are asked to do so, except when a participatory planning approach is applied. There have been some examples when these parties have been involved directly, but this has happened only on a pilot basis and with some NGOs or development donors supported projects, and only at community (commune) levels.
- Consideration of poverty and environment linkages is not well reflected in the plan/policy design and formulation process. But it is also worth noting, there was a project - the Poverty and Environment Project (PEP) supported by UNDP Vietnam during the period 2006-2009 which did address poverty and sustainability simultaneously. The project aimed at strengthening the capacity of government in policy and legislative framework development to reduce poverty through environmental protection and vice-versa. The project provided several case studies and analysis of poverty-environment linkages and provided several recommendations including those on mainstreaming poverty-environment linkages in policymaking and development planning. However it is as yet unclear if and how the findings of this project were taken account of within the current development policy formulation process and replicated at national and local levels.

3.5 Appraisal and Adoption

At this stage, the draft plan/policy as described in Section 3.4 is submitted to the Government for review and consideration. Before this, the draft document is appraised by the Ministry of Justice where the document is checked for its legacy relevance, consistency with other legal documents/laws and so forth. The SEA report is also appraised by Ministry of Natural Resources and Environment (MONRE).

The draft plan/policy is then discussed openly at the regular Government meeting chaired by the Prime Minister where members of the Government give their comments and views on the final drafted document. After the meeting the lead drafting agency will collaborate with the Government Office to revise the plan/policy document for the final round. From now on the approach is varies:

- For the 5 year and annual SEDP, the document will be ready to submit to the National Assembly for an approval at its' regular congress in the form of a National Assembly's Resolution.
- For other types of national plan/policy documents (i.e. strategies, integrated action plans, policies, etc.), the Government or Prime Minister will adopt them via different legal instruments such as Government Decrees, Government Resolutions, Prime Minister's Decisions, and Prime Minister's Orders etc.

After the above documents are adopted they are required to be widely published and disseminated to the related parties through several channels, including the Government's and the lead drafting agency's websites, legal documents websites (<http://thuvienphapluat.vn/van-ban-moi/Tieng-Anh>); posted to all ministries, provincial governments, associations, and civil society's organizations for implementation.

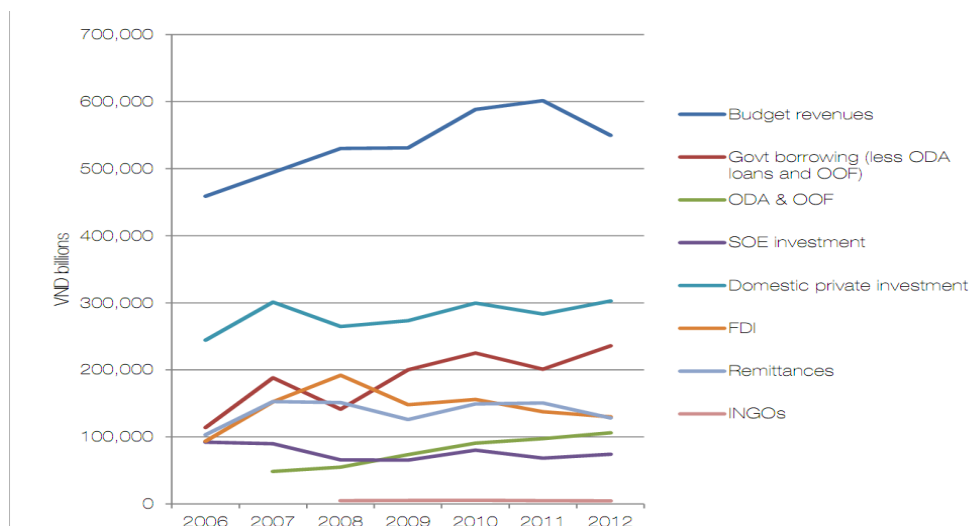
It is important to note here that actual implementation of national development plans/policies will not start right after adoption. In the case of Vietnam, it will take some time for plans/policies to be put into effect. This will be discussed in detail below in Section 3.7.

3.6 Budgets and financing

The key financial sources for implementing development plans/policies in Vietnam include:⁵⁴ i) public sources (comprising the state budget revenue, public debts, ODA); ii) domestic private sources (comprising commercial bank credits, private investments); iii) foreign direct investment (FDI); and iv) other sources (NGOs and Vietnamese overseas). The trend of the development financial flows over the period 2006-12 can be demonstrated in Figure 10. However, financing for sustainable development in Vietnam will face several challenges in future as below:

- The share of state budget revenue in GDP significantly dropped from an average level of 30% in mid-2000 to 22.8% in 2012 as a result of the reduction of corporate income tax (CIT) and revenue from crude oil exports. In the context of Vietnam's high level of international integration, an increase of tax revenue in relative terms will be difficult in the future.

Figure 10. Trends of Vietnam's Development Financial sources in the period 2006-2012

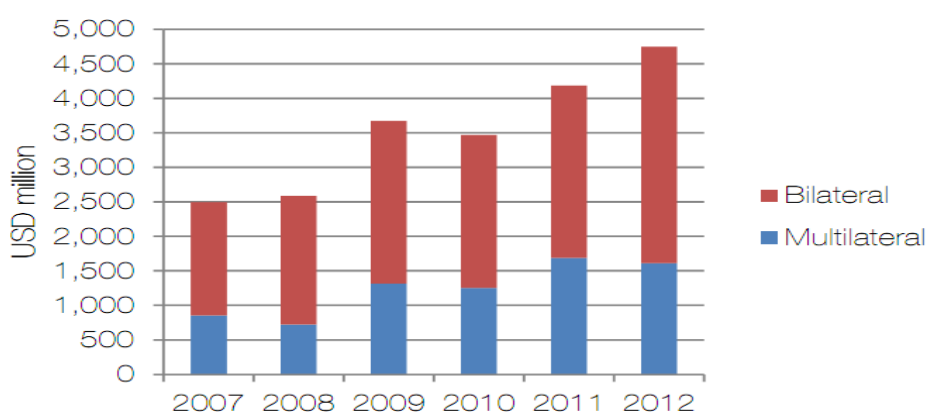


⁵⁴ See: UNDP, EU Delegation and MPI, "Development Finance for Sustainable Development of Vietnam in middle income country context: Financing for development in Vietnam: meeting new challenges", December, 2014

Source: UNDP, EU Delegation and MPI: "Development Finance for Sustainable Development Goals in middle income Vietnam", December, 2014.

- Public debt increased dramatically in recent years at the rate of 30% per annum, mainly driven by issuance of domestic government bonds. According to the Ministry of Finance, Vietnam's present public debt is reported at 59.3 % of GDP⁵⁵, which is relatively safe for national financial security. However, the room for maneuver is small when compared with the high growth of public debt at 4-5 USD billion/year on average. It is foreseen that public debt will reach the 65% of GDP during 2016.
- ODA plays an important role for Vietnam's sustainable development. This flow has increased continuously overtime as seen in Figure 11. ODA disbursement has been stable at USD 4 billion per annum and expected to remain at the same level until 2020 but the share of grants in total ODA has decreased while that of loans has increased as Vietnam has become a middle income country and this will continue. According to MPI report (2013), nearly one third of total ODA commitment in the period 1993-2012 was put in poverty reduction and environment related sectors.
- Non-public/government finance will become more and more important for the national sustainable development of Vietnam. However, the private sector, particularly SMEs face difficulties in accessing bank credit while SOEs enjoy relative advantages in getting credit, especially Government preferential credits for implementing public investment projects. FDI flow shows progressive trends from 2006 to 2008 but then dropped during the global economic crisis in 2009-2012 and now has now recovered. NGOs, particularly INGOs showed increasing role providing financial support for sustainable development in Vietnam at USD 800 million per year in recent years. Also, Vietnam receives remittances of over USD 8 billion from Vietnamese Overseas every year which is almost the same amount of FDI inflows and double ODA disbursements. However, present policies to promote these non-public financial flows toward sustainable development have not revealed any significant impacts.

Figure 11. Trend of ODA flow to Vietnam in 2007-2012



Source: OECD aid statistics; MPI (2014).

The link between national development planning and the budgeting process is very important to the success of development goals performance. In fact in Vietnam, we can see relatively this link mainly in the case of 5 year SEDP (from 2016) and annual SEDPs as well as the NTPs and other national programs. For other cases, the development planning and policy development processes are generally separate from budget planning. Yet, in fact, sectoral or thematic strategies, master plans, action plans and policy

⁵⁵ According to The economist Debt Watch, this rate is estimated at only 45.2% or USD 97.35 billion in May, 2015. Source: <http://baodatviet.vn/kinh-te/tai-chinh/moi-nguoi-viet-nam-dang-ganh-20-trieu-dong-no-cong-3268051/>

documents do contain a section about sources of finance and/ or budget estimates for their implementation. However, these are often stipulated in a very general way, for example “the financial sources for implementing this document will be covered by state budget”, and rarely specifically indicate how much and how the funds can be allocated and used. This is why at the implementation stage, it is not necessary that the state budget will allocate the amount indicated or sometimes even, no money at all will be allocated.

In the current 5 year SEDP 2011-2015 period, there are 16 NTPs and other 30 different state funds which are supporting implementation of the SEDP and development policies in Vietnam as shown in Annex 5. Most of them have direct or indirect links to poverty and environment. However, there are 7 programs and other 2 financial facilities directly related these themes (as discussed in Box 2). In the annual state budget plan framework, there are budget lines allocated to these 16 NTPs while for the listed state funds, the state budget also supports a certain portion but it these are within other state agencies’ state budget lines.

Apart from the NTPs and Funds related to poverty and environment as indicated in Box 2, there is no separate budget line for poverty reduction; while there is a specific budget line for environmental protection within state budget framework since 2006. This was as a result of the Law on Environmental Protection (2006) and Government Resolution No 35 dated 18/3/2013 which indicated that state budget devotes at least 1% of budget expenditure for environmental protection and this amount will increase annually along with GDP growth. Since then state budget expenditure for environmental protection has always been recorded at 1% on average as can be seen in Table 4. However this state budget amount does not reflect the whole picture of public expenditure on the environment as it addresses only current expenditure and does not include public investment in the environment sector and other related state funding. In fact, if one makes the proper calculation of total state budget expenditure for environment, the share will be much higher than 1 % (Hong VXN, 2013).

Box 2. List of programs and financial support facilities for poverty reduction and environmental protection/climate change in the period 2011-2015

1. List of NTP on poverty reduction and environment/climate change:

- NTP for sustainable poverty reduction
- NTP for water supply and environmental sanitation in rural areas;
- NTP for energy economic use and efficiency;
- NTP for climate change response;
- NTP for bringing information and communication services to mountainous, remote and island areas;
- NTP for New Model of Rural Villages
- NTP for environmental protection and pollution mitigation.

2. List of Fund/foundations on poverty reduction and environment/climate change

- Vietnam National Environmental Protection Fund
- Natural Disaster Prevention and Mitigation Fund

Source: Author’s collection from information in Annex 4

Table 4. Trend of state budget expenditure for environmental protection (2007-2014)

Unit	2007	2008	2009	2010	2011	2012	2013*	2014*
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State budget environmental expenditure	VND billion	3425	4143	5264	5943	7491	9050	9772	9980
As % of total state budget expenditure	%	0.96	1.03	1.07	1.02	1.03	1.00	1.00	0.99

Note: (*) Budget plan. Source: data of 2007-2012 is from Hong VXN, 2013 "Concept, Scope and Contents of Public Environmental Protection Expenditure Account: Experiences, practical lessons and recommendations for Vietnam"; data of 2013-2014 is from http://www.mof.gov.vn/portal/page/portal/mof_vn/1351583/2126549/2115685/2134514/115357518/115357694?p_folder_id=115358320&p_recurrent_news_id=154654829

To date, there have not yet any comprehensive Public Environment Expenditure Reviews (PEER) undertaken in Vietnam. There were however, some reports which reviewed public environmental and climate finance prepared under projects with development donor assistance to support the Government of Vietnam on an ad hoc basis⁵⁶. Yet also, none of them provided the whole picture of public expenditure for environment as guided by OECD.

3.7 Implementation

Sector ministries and local governments, NGOs and others play a critical role in implementing the plan/policies to achieve the national development targets. Once plan/policies have been approved at the central level, the tasks and assignments of sector ministries and local government have also been defined accordingly. It depends on the nature of plan/policy that sometimes the tasks and assignments are defined clearly in the form of policy action plan with concrete duties and time frames or sometime they are defined generally and sector ministries and local governments have to identify their own actions based on general tasks and assignments.

To implement policies, in many cases sector ministries and local governments in turn have to issue guidance for implementation or assign the tasks to lower administrative levels. For ministries, the guideline can be in the legal form of a Circular while it would be a Provincial People's Council's Resolution or Chairman's People's Committee's Decision at local level. All actions conducted by related parties, including government agencies, local authorities, the private sector and community related to development policies implementation should be in line with these guidelines. This process often takes a certain time and hence delays in the enforcement and implementation of the policies are frequent.

Depending on the policy, private organizations may participate in implementing the policies such as by providing services. NGOs usually play an important role of facilitating implementation of policies at grassroots level based on resources mobilized by themselves. NGOs also play a role as a watchdog for policy implementation. Civil society plays a role in holding government to account on promises or commitments they have made, drawing attention to any failures to meet these commitments. However, in general, NGOs generally still do not have enough capacity, resources and authority to play this role well.

In terms of mainstreaming sustainable elements into policy implementation, sector ministries and local governments have two ways to implement integration: through a Sustainable Steering Committee

⁵⁶ For example, Nguyen Danh Son. "The Environmental Expenditures in Vietnam: Actual status, problems and recommendations"; Vu Xuan Nguyet Hong. "Concept, Scope and Contents of Public Environmental Protection Expenditure Account: Experiences, practical lessons and recommendations for Vietnam"; WB, UNDP and MPI "Climate Public Expenditure and Investment Review (CPEIR)".

or/and through directly integrating or examining integration of social and environmental issues into policy planning or approved plans⁵⁷. According to Circular No.02/2013/TT-BKHDT issued by MPI, sector ministries and local governments are allowed to establish ministerial or local Sustainable Development Steering Committees to take the lead in formulating the action plans of ministries and local governments to implement sustainability strategies in their sectors or locations. The Committees also play a role in integrating sustainability issues into policy formulation, planning, developing indicators to monitor sustainable development of their sectors and locations, and also organize sustainable development monitoring and evaluation. However, local capacity to implement or integrate sustainability issues into the planning process is limited while there are no incentives or punishment for complying and not complying. The guidance in the above circular is too general for local and sectoral authorities to integrate sustainability into the development planning process. In this context, more detailed and clear guidance is a necessary condition to realize national sustainability targets.

Challenges and gaps:

- The guidance and M&E system to disaggregate or track national sustainability targets to sectoral and local ones are presently lacking. Without this step, the national targets only exist on paper and will be almost impossible to realize in the future. At minimum, further efforts are needed to disaggregate further the national targets or to provide guidance for sector ministries and local governments on how to formulate sustainable development targets.
- Capacity building on sustainable development integration is needed for local governments, especially internal capacity to use integrated assessment tools and methodology for planning and policy formulation. At the moment, sustainable development has been integrated mainly in the form of adding some social and environmental target indicators during the planning and policymaking process. The capacity to do assessments on the trade-off between social, environmental and economic benefits and costs of certain policies is lacking.
- Coordination and partnership need also to be strengthened in order to successfully integrate the sustainable dimensions into policy making and planning. Not only is coordination among vertical governmental organizations (from the central down to the local and sub-local levels) needed but also the horizontal coordination (among different ministries).

3.8 Monitoring and evaluation (M&E)

According to current regulations, the lead drafting agency in principle is responsible for organizing M&E work. However, for integrated development plans/policies, the Government may establish a National Council or Steering Committee which is responsible for organizing; coordinating, monitoring and evaluating the implementation of approved plans/policies⁵⁸. In the case of the national 5 year SEDP and annual SEDP, MPI is responsible for organizing M&E work. For Vietnam's Sustainable Development Strategy performance, the National Office of Sustainable Development is responsible for organizing M&E. There are two ways to organize M&E for development plans/policies:

- First, the assigned M&E agency goes through administrative channels to gather information about progress of plan/policy implementation as in the case of the SEDP. As such, a request for submitting progress reports is sent to all related parties both at national and local levels with guidelines on report format, the information collected will then be used for preparation of M&E reports.
- Second, the M&E assigned agency may ask for independent organizations to undertake the required M&E work with an organized and well developed M&E methodology. This M&E

⁵⁷ See Circular No.02/2013/TT-BKHDT dated March 27, 2013 issued by Ministry of Planning and Investment on "guidance of implementing the sustainable development strategy"

⁵⁸ For example, the National Council for Competitiveness Improvement and Sustainable Development for implementing the Strategic Orientation for Sustainable Development in 2012-2020; National Council for Climate Change etc.

approach is however not applied very often. So far, there have been several examples of the M&E approach done this way but mainly funded by development donors.

The information and findings from M&E reports are required to be published and used for plan/policy adjustment and new plan/policy development. The usefulness and relevance of findings of such M&E works would very much depend on the quality of the data collection and M&E reports as well as how they would well they reflect the actual picture in practice.

M&E measurement frameworks are very important instruments for informing, advocating and assessing the progress of national development strategy/plan/policy implementation. As mentioned in previous sections, there are several M&E indicator systems which were formulated in accordance with SEDP and sustainable development strategy/plans/policies. They may be collected by either by GSO or by sectoral ministries. GSO, the state agency which is responsible for collecting socio-economic development data, at present cannot yet provide the full data for assessing progress of sustainable development performance in Vietnam, specifically in line with UN's System of Environmental-Economic Accounting (SEEA), the Multi-dimensional Poverty Index, green economy indicators and so forth. In addition data and information that can be collected to meet the M&E indicators is not always available (it may exist but not always published). In many cases, data of the same indicator collected for different M&E systems are not the same. In addition, the link and consistency between different M&E indicator systems for different national development plan/policy seem to be limited, even when these developments plan/policies have relatively similar objectives. For example, the system of main socio-economic development indicators included in SEDP does not necessarily match with the list of sustainable development indicators (as illustrated in Annex 5). This Annex clearly shows that while sustainable development indicators system contains several integrated indicators such as green GDP, HDI, GINI, ESI, ICOR etc. the system of 5 year SEDP indicators does not contain them at all. Plus to date, there have been a lot of data collection problems related to sustainability indicators partly because of this inconsistency (both at local and national level).

It is expected that MPI will revise the system of SEDP indicators for the period 2016-2020 as the ministry is currently seeking assessments and comments from line ministries and local provinces on this issue. In addition, the Law on Statistics will be amended and there will be New Decree on the System of National socio-economic development indicators to replace the current one.

Challenges and gaps:

- An M&E system, but assessments have not always been undertaken properly; and the quality of M&E is limited. A results based M&E approach⁵⁹ was not applied regularly and properly at all M&E levels and by assigned organizations.
- Current SEDP M&E indicators do not fully match with UN M&E system and indicators. Vietnam's sustainable development indicators are roughly consistent with the international SD system, but not fully operational yet. M&E for SEDP performance and sustainable development performance remain separate processes.
- Capacity of M&E workers and analysts is a crucial issue particularly GSO, ministries and provinces collecting information and reporting to MPI.
- Data issues: the national statistics indicator system of Vietnam comprises of 21 groups with 350 indicators. Of which, there are some integrated indicators like green GDP, GINI, HDI reflecting poverty-environment linkages with economic development. On top of that, there are 18 indicators on households living conditions/poverty and 24 indicators on environmental protection⁶⁰. However, presently, GSO has capacity to collect and publish only two thirds of these. Many poverty and environmental related indicators are not yet collected.

⁵⁹ See: The World Bank. "Ten Steps to a Result-based Monitoring and Evaluation System". 2004

⁶⁰ Prime Minister's Decision No.43/2010/QĐ-TTg dated 02 /6/2010.

4 Key opportunities and enabling actions

There is no doubt that Vietnam's recent national development plans and policies have started to recognize and reveal the opportunities for adopting an integrated approach in a national development planning as well as document the links between the environment and poverty. Over recent years, three main windows of opportunity have been opened up, including:

- i. A general and formal legal and institutional framework has been laid down and some specific initiatives have been put forward;
- ii. Awareness of society on the issue of sustainable development has been significantly raised; and
- iii. Certain necessary skills and professional knowledge has been gradually built up.

These create good conditions for Vietnam to go further into fully integrating sustainability issues in the development planning process. However, in order for the whole planning system to consistently and actually embark on an integrated development path, a package of actions need to be undertaken to address current constraints and obstacles (as discussed in previous sections) as well as create enabling conditions. The actions can be prioritized in a short and long term order as follows:

4.1 Short-term actions

(1) Clarify the perception on the core of integrated approach

There are two issues should be made clear in terms of an integrated approach in Vietnam:

First, the core of the approach should be to *mainstream the sustainable issues into social-economic planning and budgeting processes*. At present, this is done through regulation; it is one of various sustainable planning activities, in particular the line ministries and local authorities' sustainable action plans. These action plans are drafted by sustainable development boards, which are separate and different from the group drafting SEDPs. These practices of planning have drawn policymakers attention away from the core mechanism of a sustainable planning process and do not ensure that sustainability issues are fully integrated. In Vietnam, social and economic plans and budgeting are considered the backbone of development planning, in which major social and economic activities are planned and target social and economic development of the ministries and localities. If the sustainability issues are integrated into this process, issues of poverty and environment will be considered in parallel with economic ones, and this is the essence of an integrated approach.

In order to promote this approach in Vietnam it is necessary to build up political will and mainstream commitment as well as a consensus of support. It is important to avoid blocking collations, and counter difficult political economy pressures (as some interest groups may oppose more effective and integrated planning).

Second, a successful integrated approach of sustainable development should be more than simply incorporating the indicators of poverty and environment into social and economic development plans. It also includes processes to ensure balance between economic growth with poverty and environment and capture properly the important linkages between poverty and environment agendas. This approach would have to be applied consistently from the top to local planning units.

(2) Legal and institutional improvement

Formulating guidelines for integrating poverty and environment into SEDP/policy and budgeting both at the central and sectoral/local levels: At the moment, at the central level, poverty and environmental issues are integrated into the social economic planning through incorporation of indicators on poverty and environment into planning processes. As mentioned above, more attention should be paid to efforts to balance economic growth and sustainability targets.

At the sectoral and local planning levels, presently, streamlining sustainability issues into social and economic planning process is guided by Circular No.02/2013/TT-BKHDT, dated March 27, 2013. However, this is very general and does not provide enough detailed guidance for ministries and localities. Sustainability issues are represented in the form of sustainable development target indicators. However, all indicators in this Circular are at the national level, no specific information to map the national targeting indicators at the local level and in sectors are provided. As a result, ministries, in particular localities, find difficult to integrate sustainability issues into their planning process. Even if the local and sector targeting indicators have been set up, it does not necessarily ensure the realization of the national targeting indicators.

To overcome this problem, it is necessary to formulate detailed legal guidance on the sustainability mainstreaming for both central and sectoral/local levels. The central issue is to ensure a transparent planning process and good collaboration and coordination between various ministries and players. The local process should aim to provide detailed guidance for localities and sectors as well as make sure that their plans contribute to realization of national targets. All of this guidance should capture the notion of balance between economic growth and poverty and environmental issues as well as ensure the poverty-environmental linkages.

While planning is important, Vietnam particularly needs to consolidate its system of sustainability monitoring and evaluation (M&E) to ensure consistency between planning and implementation. When proper top-down guidance on sustainable mainstreaming is lacking as mentioned above, ministries and localities do this based on their own understanding of sustainable development. In this context, sustainable development M&E even becomes more important because it will help to track the sustainability within sectors and localities in line with national sustainability norms.

(3) Data, information and capacity development

Developing data sources for integrated development planning and implementation: Two types of data critically need to be developed in Vietnam: (i) integrated social-economic and environmental data for assessing the situation and identifying the policy options both at the national level by expanding the national accounting system to cover social and environmental issues, and at the local level by expanding the system to sectoral and location dimensions. The capacity of official statistics agencies of Vietnam, the General Statistics Office (GSO) and its subordinating agencies, should be strengthened to be able to develop this type of data; (ii) data for sustainable development M&E system: this type of data needs to be time series as well as being able to make comparisons between before and after policy actions.

Facilitating information exchange, sharing and dissemination through various sources and forms including websites, forums, dialogues, conference, manuals and so forth. Sustainability mainstreaming is new in Vietnam and its correct perception/ understanding needs to be promoted. At the moment, information on these practices is still limited in Vietnam, more attention should be paid to this in order to improve awareness as well as capacity.

Continuing to develop and strengthen the capacity to apply an integrated approach: As mentioned in previous sections, certain methodologies and skills for sustainable streamlining have been present in Vietnam; however there is still a gap between international practices and domestic ones. In addition, capacity has not been internalized to those carryout streamlining work and many have been done on an ad-hoc basis, outputs are not refined to tailor practices in Vietnam. Capacity strengthening should focus on methodologies to achieve balance between economic growth, poverty and environment as well as to disaggregate the national sustainability approaches to sectoral and local ones.

(4) Participation of various stakeholders

One instrument to ensure the balance between economic growth and poverty and environment is to ensure the involvement of as many as possible related stakeholders in planning processes from the beginning, or get them informed about these processes rather than them simply commenting on draft reports/documents.

Presently, marginalized groups has not been given many opportunities to be involved in policies, legislation, planning and implementation. There have been few formal avenues for public involvement but mainly as informal processes, such as complaints. But these do indicate a desire for involvement by these groups. There are a lack of mechanisms for community involvement including (especially) involvement of the poor and a lack of formal requirements for attention to the poor who are most directly affected by the development plans and policies.

To involve various stakeholders into the process, it is necessary to raise their awareness on sustainability mainstreaming as well as to strengthen their capacity.

(5) Coordination improvement

Given the current institutional arrangements, in order to carry-out the sustainability mainstreaming properly, good coordination between various Government agencies is needed, specifically between MPI, MOF, sectoral ministries - in particular MONRE and MOLISA - and local authorities. This coordination is critical to make sure the consistency between the sectoral and local planning with the national ones and planning activities with resource mobilization.

Good coordination is also needed between different National Boards/Committees/Offices, including the Climate Change Board, the Green Growth Committee and the National Council for Sustainable Development and Competitiveness and between these ones with MPI (as the body in charge of national social and economic planning).

Coordination between MOLISA and MONRE is also needed to improve the linkages between natural capital / ecosystem services and poverty eradication.

(6) Resource mobilization

Without resources, planning activities will not be able to be realized. Therefore, it is important to make sure that sustainable planning goes hand in hand with budgeting. In this regard, MPI and MOF play an important role in the sustainability delivery process. As mentioned above, their role, coordination among them and coordination with other sectoral and local authorities needs to be improved.

Besides the resources from state and ODA, securing private sources for sustainable development is also important. In order to mobilize these resources, Government needs to create relevant incentives. At present, some instruments have been used in Vietnam but these need to be refined further to obtain win/win conditions and to ensure that compliance by taxing, subsidizing, fining or alternatively piloting new thinking on regulation such as emission trading and/ or green ranking.

4.2 Long term actions

In the longer term, given the recent trends, as Vietnam's development level further improves, the absolute primacy of poverty issues will decline somewhat and green/environment issues are likely to gradually rank higher on the national development agenda. Awareness on environmental issues will be raised and greener forms of both consumption and production will become more salient and popular. Various constraints and obstacles of sustainability mainstreaming in terms of participation, coordination, data, information, capacity and resources mobilization are also likely to ease. At that time, the conditions for a fully integrated approach are likely to emerge and more fundamental changes to the institutional arrangements for securing sustainable development have greater potential. Nevertheless, decisive policy action will be required.

First, three related bodies, National Offices on Sustainable Development and Competitiveness, National Climate Change Board and National Green Growth Committee could be consolidated into the one Organization, such as a Green Development Board. And the role of this Organization should be more as

a supervisor, monitor and evaluator, which ensure the systems comply with a fully integrated approach and it is efficiently realized.

Second, in the long-term, the private sector, including households should play more important role in sustainable development in Vietnam. Their behaviors will need to be directed toward greener activities through both market forces and Government incentive systems. In addition, a combination of both private and public resources will be necessary to finance large and growing development financial needs associated with sustainable development. Increased private and public money is needed in order to invest in the basic and green services and infrastructure necessary for human development, and to improve livelihoods and employment for all.

And third, in the long term, sustainable development issues will be fully addressed in SEDS and five year SEDP. Then, the national development plans/strategy might also be re-named (in keeping with the current global trends to emphasize sustainability) as Vietnam's Sustainable Socio-Economic Development Strategy and the Five Year Sustainable Socio-Economic Development Plan. Equally, also the current SEDS and SEDP M&E indicators should be supplemented with sustainable development M&E indicators.

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Annexes

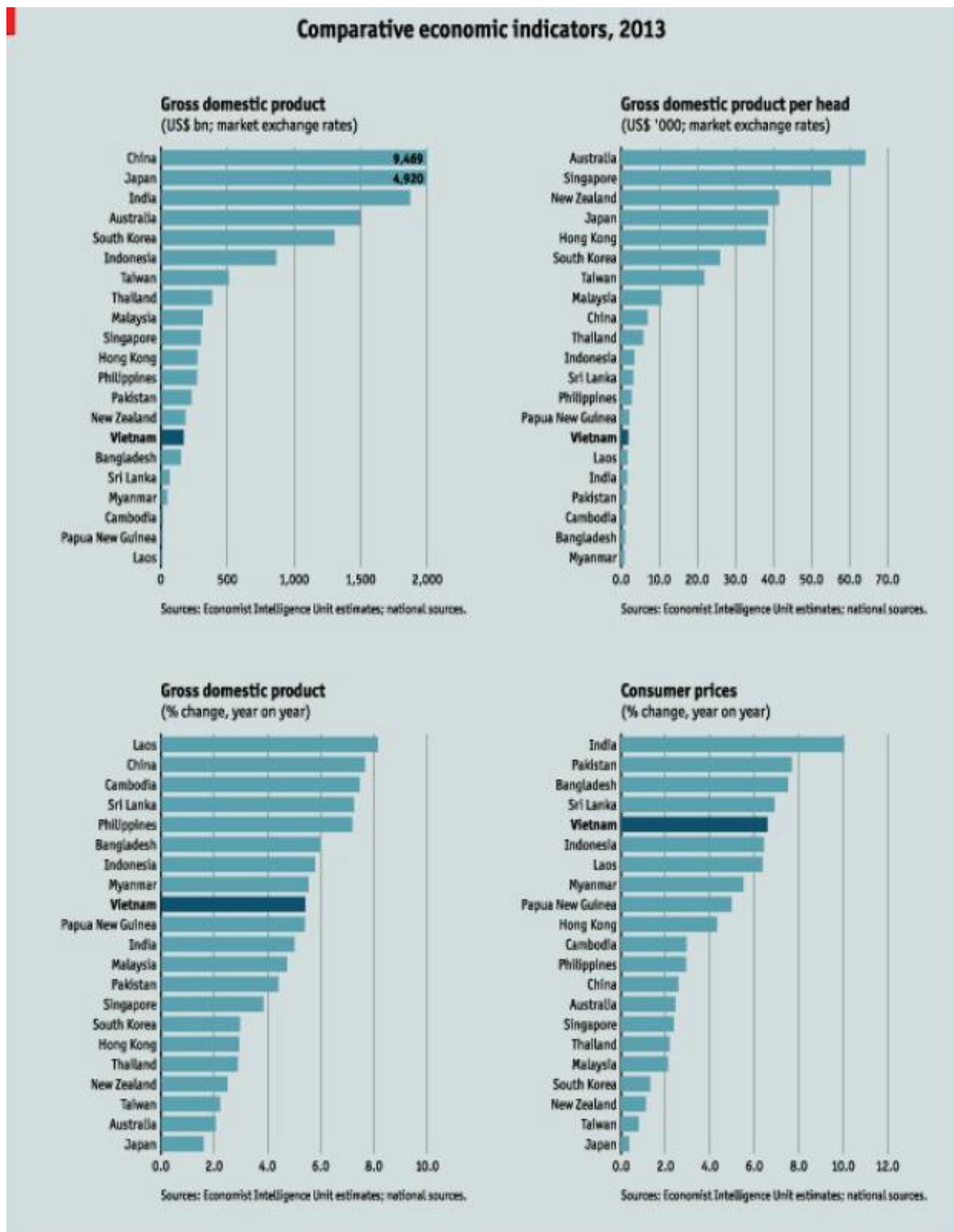
Annex 1. Annual Macro-Economic Data and Forecasts

	2010 ^a	2011 ^a	2012 ^a	2013 ^a	2014 ^b	2015 ^c	2016 ^c
GDP							
Nominal GDP (US\$ bn)	112.8	134.6	155.6	170.5	188.3 ^a	207.7	233.5
Nominal GDP (D tm)	2,157.8	2,779.9	3,245.4	3,584.3	3,989.2 ^a	4,474.6	5,108.4
Real GDP growth (%)	6.4	6.2	5.2	5.4	6.0 ^a	6.2	6.4
Expenditure on GDP (% real change)							
Private consumption	8.2	4.1	4.9	5.2	5.9	6.7	7.1
Government consumption	12.3	7.1	7.2	7.3	7.4	7.1	6.8
Gross fixed investment	10.9	-7.8	1.9	5.3	7.7	8.9	9.8
Exports of goods & services	8.4 ^b	10.8 ^b	15.7 ^b	17.2 ^b	13.6	13.9	14.1
Imports of goods & services	8.2 ^b	4.1 ^b	9.1 ^b	17.3 ^b	14.7	15.3	15.6
Origin of GDP (% real change)							
Agriculture	3.3	4.0	2.7	2.6	3.5 ^a	3.8	3.5
Industry	7.2	6.7	5.7	5.4	7.1 ^a	7.3	7.5
Services	7.2	6.8	5.9	6.6	5.9 ^a	6.2	6.4
Population and income							
Population (m)	89.0	89.9	90.8	91.7	92.5	93.4	94.2
GDP per head (US\$ at PPP)	4,291	4,608	4,889	5,181	5,516	5,859	6,264
Recorded unemployment (av; %)	4.3	3.6	3.2	3.6	3.1	2.8	2.4
Fiscal indicators (% of GDP)							
Central government balance	-2.8	-1.1	-6.8	-5.5 ^b	-4.7	-4.4	-3.9
Net public debt	49.8	44.5	45.7 ^b	46.8 ^b	46.7	46.1	43.0
Prices and financial indicators							
Exchange rate D:US\$ (end-period)	19,498	21,024	20,825	21,095	21,373 ^a	21,562	22,014
Exchange rate D:€ (end-period)	26,053	27,202	27,477	29,092	25,948 ^a	22,155	23,445
Consumer prices (end-period; %)	11.8	18.1	6.8	6.0	1.8 ^a	6.8	1.9
Stock of money M1 (% change)	10.7	9.7	22.4	17.8	22.4	22.9	23.6
Stock of money M2 (% change)	29.7	11.9	24.5	21.4	19.9	23.4	25.5
Lending interest rate (av; %)	13.1	17.0	13.5	10.4	8.7	8.0	8.6
Current account (US\$ m)							
Trade balance	-5,136	-450	9,885	8,730	9,818	7,931	5,740
Goods: exports fob	72,237	96,906	114,573	132,135	148,694	157,687	196,064
Goods: imports fob	-77,373	-97,356	-104,688	-123,405	-138,876	-149,755	-190,324
Services balance	-2,461	-2,980	-2,920	-1,400	-2,424	-2,498	-2,555
Primary income balance	-4,564	-5,019	-6,115	-7,336	-9,415	-10,011	-10,596
Secondary income balance	7,885	8,685	8,212	9,477	9,991	10,709	11,342
Current-account balance	-4,276	236	9,062	9,471	7,970	6,131	3,931
External debt (US\$ m)							
Debt stock	44,923	53,072	59,119	65,461	69,970	70,820	76,825
Debt service paid	1,873	4,123	4,491	5,071	7,120	6,851	6,871
Principal repayments	1,086	3,115	3,288	3,851	5,705	5,171	4,873
Interest	787	1,008	1,203	1,220	1,415	1,680	1,999
International reserves (US\$ m)							
Total international reserves	12,926	14,046	26,113	26,287	38,036	43,531	58,041

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

Source: IMF, International Financial Statistics.

Annex 2. Comparative Economic Indicators



Source: Economic Intelligent Unit (EIU) 2015. Vietnam Country Report, March 2015

Annex 3. Vietnam's Poverty and Social Development Data

Note: In Vietnam, there are three main poverty lines:

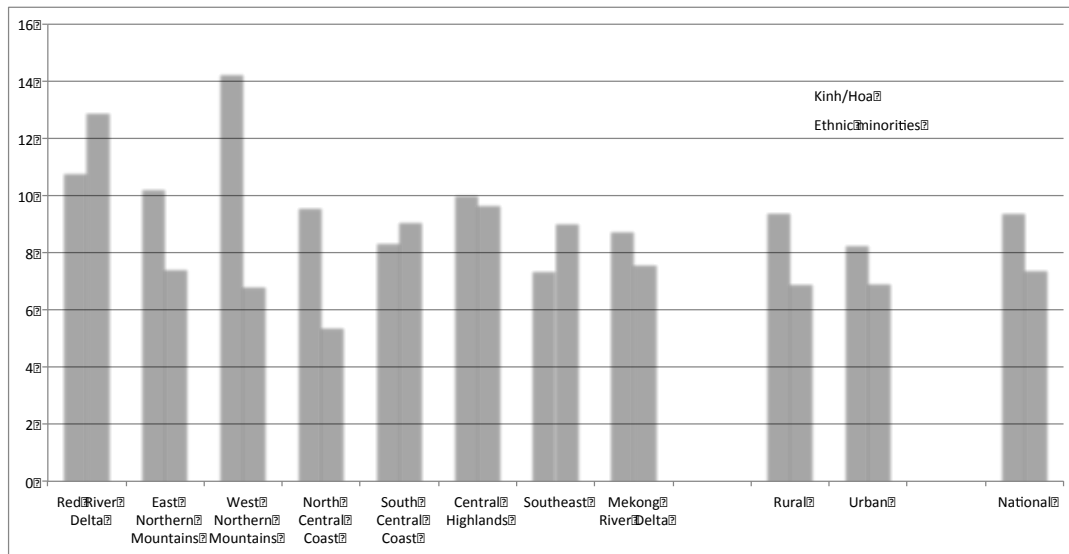
- (i) The administrative national poverty line is mainly used for targeting social government poverty reduction programs. This is developed and led by the Ministry of Labor, Invalids, and Social Affairs (MOLISA) and based on income, sometime named government poverty line (World Bank, 2015). This poverty line has been adjusted every 5 years by the Government and based on the government financial capability to support the poor. This type of poverty line is mainly for the objective of the government poverty reduction support rather than the discussion on the trend of poverty reduction;
- (ii) GSO-WB poverty line is the most rigorous one in Vietnam for assessing the poverty reduction over time because it is kept relatively constant in real purchasing power of households. It is developed by the joint effort between World Bank and General Statistics Office (GSO) of Vietnam based on consumption and basic needs approach since 1993. However, the poverty line from 2010 onward is not comparable to the previous one. This change is due to the change in the design and sampling of the survey used to calculate poverty line (Vietnam Household Living Standard Survey-VHLSS) and the change in the welfare aggregates, which reflects a wealthier society compared to the past;
- (iii) International poverty line has two popular poverty line variants, including the less than \$1.25 a day (2005 PPP) and \$2 a day (2005 PPP). These are sometimes used in Vietnam and for international comparison rather than national poverty assessment. Data for calculating poverty in Vietnam is from Vietnam Household Living Standard Survey (VHLSS), which is now conducted every two years.

1) Poverty Reduction by Different Poverty Lines

	GSO-WB poverty line			\$1.25/day 2005 PPP line			\$2/day 2005 PPP line		
	Incidence (Headcount rate)	Depth (Poverty gap)	Severity (Squared poverty gap)	Incidence (Headcount rate)	Depth (Poverty gap)	Severity (Squared poverty gap)	Incidence (Headcount rate)	Depth (Poverty gap)	Severity (Squared poverty gap)
1993	58.1	18.5	7.9	63.7	23.6	11	85.7	43.5	25.7
1998	37.4	9.5	3.6	49.7	15.1	6	78.2	34.2	18
2002	28.9	7	2.4	40.1	11.2	4.1	68.7	28	14.1
2004	19.5	4.7	1.7	21.5	5.4	2	50.3	17.1	7.8
2006	15.9	3.8	1.4	16.8	4.2	1.5	42.4	13.9	6.2
2008	14.5	3.5	1.2	11.8	2.8	1	34.5	10.3	4.3
2010	20.7	5.9	2.4	3.93	0.84	0.33	16.8	4.23	1.6
2012	17.2	4.5	1.7	2.44	0.55	0.24	12.4	2.9	1.07

Sources: WB, 2013 (VASS, 2010 for 1993–2008 GSO-WB headcount estimates; POVCALNET for 1993–2008 US\$1.25 and US\$2.00 headcount estimates. Statistics for 2010 calculated by the World Bank using the comprehensive consumption aggregate).

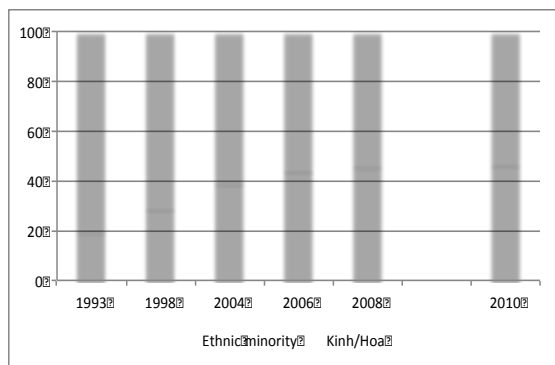
2) Kinh and Ethnic Minorities: Average Annual Rates of Real Growth in Per Capita Expenditures, 1998–2010



Sources: 1998 VLSS and 2010 VHLSS from VASS (2012)

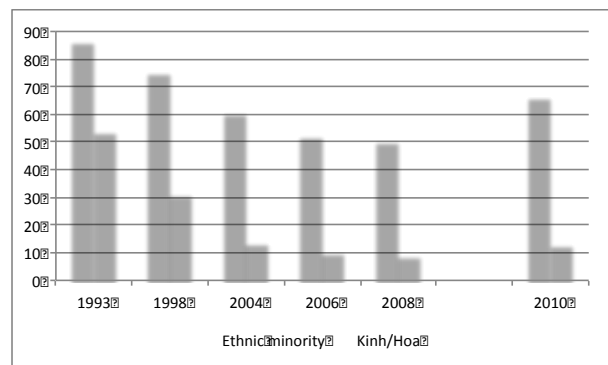
3) Ethnic Minority Poverty Rates and Changing Composition of the Poor, 1993–2010

Composition of Poor by Minority/Majority



Sources: 1993, 1998 VLSS; 2004, 2006, 2008, 2010 VHLSS

Poverty Rate for Minority/Majority



Sources: 1993, 1998 VLSS; 2004, 2006, 2008, 2010 VHLSS

4) Vulnerability to Poverty in Vietnam

Consumption poverty (GSO-WB)	(percent)									Average headcount, 2004-2008 (9) [(6)+(7)+(8)] /3	Vulnerability- to-poverty ratio (10) [(4)/(9)]
	Poor in all 3 years	Poor in 2 of 3 years	Poor in 1 of 3 years	Poor at least 1 year	Not poor in any year	Headcount, 2004	Headcount, 2006	Headcount, 2008	Average headcount, 2004-2008		
Subgroup	(1)	(2)	(3)	(4) (1)+(2)+(3)	(5)	(6)	(7)	(8)	(9)	(10)	
National	7.0 (27)	6.7 (26)	12.3 (47)	26.0 (100)	74.0	20.0	13.7	13.0	15.6	1.7	
Red River Delta	2.1 (13)	5.0 (32)	8.5 (54)	15.7 (100)	84.3	10.9	7.5	6.5	8.3	1.9	
East Northern Mountains	10.4 (33)	10.3 (33)	10.8 (34)	31.5 (100)	68.5	26.3	17.3	19.0	20.9	1.5	
West Northern Mountains	40.5 (56)	15.8 (22)	16.2 (22)	72.5 (100)	27.5	59.5	51.4	58.4	56.5	1.3	
North Central Coast	10.3 (25)	11.5 (28)	19.9 (48)	41.7 (100)	58.3	32.5	25.7	15.6	24.6	1.7	
South Central Coast	9.8 (35)	8.2 (29)	10.0 (36)	28.0 (100)	72.0	24.0	15.7	16.0	18.6	1.5	
Central Highlands	19.1 (57)	10.3 (31)	3.9 (12)	33.3 (100)	66.7	31.8	27.9	22.2	27.3	1.2	
Southeast	3.1 (28)	1.6 (14)	6.3 (57)	11.0 (100)	89.0	8.2	6.2	4.5	6.3	1.8	
Mekong River Delta	2.2 (8)	4.2 (16)	20.0 (76)	26.4 (100)	73.6	16.9	6.7	11.5	11.7	2.3	
Rural	8.8 (28)	8.2 (26)	14.3 (46)	31.3 (100)	68.7	24.4	16.6	16.0	19.0	1.6	
Urban	0.7 (10)	1.6 (21)	5.3 (70)	7.5 (100)	92.5	4.4	3.6	2.5	3.5	2.1	
Ethnic minority	34.0 (50)	19.4 (28)	15.3 (22)	68.7 (100)	31.3	59.7	49.0	47.5	52.1	1.3	
Ethnic majority	2.6 (14)	4.6 (24)	11.8 (62)	19.1 (100)	80.9	13.6	8.0	7.4	9.7	2.0	

Source: Extracted from Valerie et al. (2012) (VHLSS tabulations using 2004, 2006, and 2008 panels of households).

5) Coverage of Social Protection and Poverty Reduction Policies by Expanded Quintiles

Percentage of People in Households Receiving:	Expanded Quintiles						
	Total	Extreme Poor	All Poor	Quintile 2	Quintile 3	Quintile 4	Quintile 5
All transfers and programs	72.6	88.8	77.2	68.1	67.8	70.6	74.5
All social insurance	32.1	11.2	14.3	20.4	28.0	41.1	58.1
Employment subsidy	1.5	1.2	0.8	1.3	1.6	1.8	1.7
Pension	9.2	2.9	2.2	5.4	7.0	11.6	19.5
Having social insurance	26.7	7.5	11.9	15.6	23.4	34.1	50.0

Percentage of People in Households Receiving:	Total	Extreme Poor	All Poor	Quintile 2	Quintile 3	Quintile 4	Quintile 5
Vocational training	0.1	0.2	0.3	0.2	0.0	0.0	0.0
All social assistance	56.6	87.4	72.0	60.6	54.7	47.9	41.0
Allowances for veterans, merit households	4.0	2.9	2.8	5.2	4.8	4.6	2.6
Allowances for policy households	4.9	11.8	8.8	5.0	4.1	3.3	1.6
Health subsidy allowances	32.7	29.6	31.3	34.3	34.9	29.8	33.7
Education subsidy allowances	8.3	36.0	15.0	7.6	4.0	4.2	2.3
Allowance for recovery from disaster, fire	4.9	7.4	6.7	7.4	5.7	3.8	1.0
Loan from Vietnam Bank for Social Policies	13.1	33.7	25.6	14.2	10.3	8.6	3.2
Health program	12.0	54.7	29.3	11.9	5.2	2.3	0.7
Education fee reduction and exemption	5.5	25.8	14.9	5.4	1.9	0.7	0.1
Housing program	1.1	4.4	2.9	1.3	0.4	0.2	0.0
Cultivation land for ethnic minorities	0.1	0.1	0.5	0.3	0.0	0.0	0.0
Agricultural extension	7.8	25.5	14.4	7.3	6.1	4.7	1.9
Clean water	1.9	9.1	4.5	2.1	0.6	0.5	0.2
Food supports	5.2	24.9	10.4	5.6	2.0	1.9	0.2
Production support	9.0	27.9	14.5	9.0	8.0	5.6	2.1

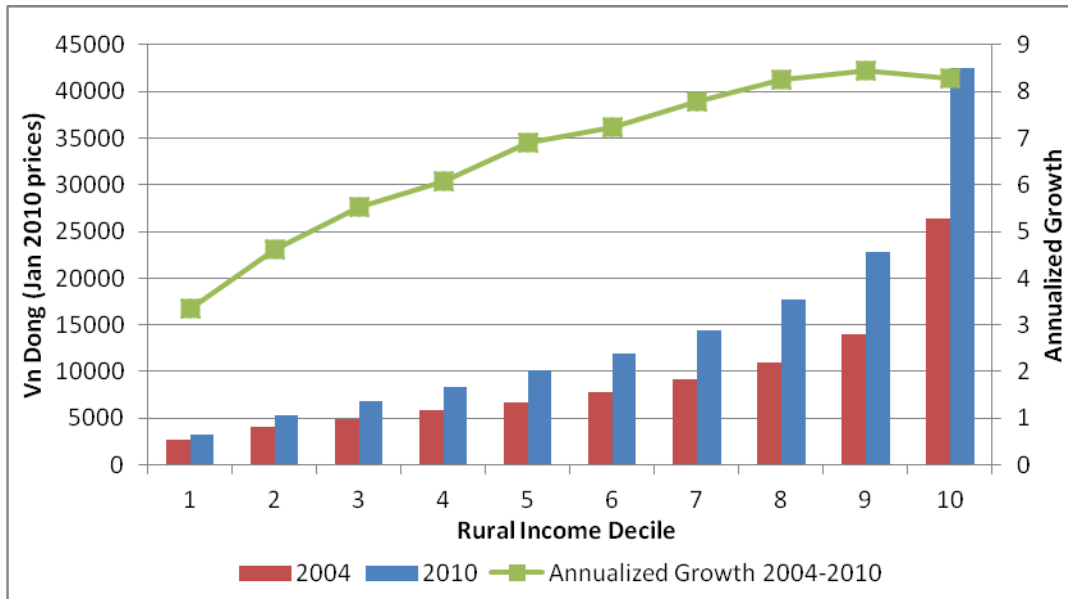
Source: Extracted from Valerie et al. (2012).

6) Progress in non-income dimensions of poverty in Vietnam

	1993	1998	2010
Education			
% of 15-or-older who have not completed primary school	35.5	35.7	14.4
% of 15-24 who have not completed primary school	23.3	25.4	4.1
Primary enrollment rate (net)			
Female	87.1	90.7	92.8
Male	86.3	92.1	92.5
Lower secondary enrollment rate (net)			
Female	29.0	62.1	83.2
Male	31.2	61.3	80.2
Upper secondary enrollment rate (net)			
Female	6.1	27.4	60.1
Male	8.4	30.0	53.9
Health			
Immunization, DPT1, % of children ages 12-23 months	91	94	93
Immunization, measles, % of children ages 12-23 months	93	96	84
Infant mortality (per 1,000 live births)	34	29	14
Incidence of stunting (low height for age), children under 5	51	34	23
Incidence of underweight (low weight for age), children under 5	37	36	12
Life expectancy at birth (years)	68.1	71.0	74.8
% of poor with health insurance	n/a	7.8	71.6
Access to infrastructure and durables			
% using electricity as main source of lighting	48	77	98
% with access to an improved* water source			
Rural	76	70	87
Urban	89	89	98
% with access to clean** water			
Rural	17	29	57
Urban	60	75	89
% with sanitary latrine	19	26	69
Rural	10	14	59
Urban	53	68	92
% of households with durable goods			
TV	22	56	89
Fan	31	68	85
Refrigerator	4	9	43
Car	0	0	1
Motorbike	11	20	76
** Clean water is defined to include piped water, bottled water, water from deep wells with pumps, and rainwater.			
* Improved water sources are defined as clean water sources plus hand-dug, reinforced wells and filtered spring sources.			

Sources: Extracted from Valerie et al. (2012) (2010: immunization, malnutrition, and infant mortality statistics come from various rounds of the MICS; life expectancy from World Bank *World Development Indicators* database; all others from World Bank 2000)

7) Growth in Income Per Capita by Income Group, 2004-10



Source: Extracted from Valerie et al. (2012) (2004, 2010 VHLSS)

Annex 4. List of National Target Programs and other “beyond” State Budget Financial Supporting Facilities in Period 2011-2015

No		No	
A. 16 National Target Programs (NTPs)			
1	NTP on job creation and vocational training	9	NTP on prevention and against drugs
2	NTP on sustainable poverty reduction	10	NTP on prevention and against crimes
3	NTP on rural water supply and sanitation	11	NTP on economical and efficient use of energy
4	NTP on health care	12	NTP on Climate Change
5	NTP on population and family planning	13	NTP for New Countryside Development
6	NTP on foods safety	14	NTP on prevention and against HIV/AIDS
7	NTP on cultural development	15	NTP on bringing information and communication services to mountainous, remote and island areas
8	NTP on education and training	16	NTP for environmental protection and pollution mitigation.
B. Other State Budget Financial Supporting Facilities at national and local levels			
1	Fund of Social Insurance	16	Fund for debt repayment
2	Fund of Health Insurance	17	Fund for Cooperative Development support
3	Fund of Unemployment Insurance	18	Fund for Road Maintenance
4	Fund on supporting enterprise re-arrangement and development	19	Gratitude Fund
5	National Fund for Science and Technology Development	20	Local Fund or Land (Stock) development
6	Environmental Protection Fund	21	Local Fund for Housing development
7	National Fund for Employment/Job Solutions	22	Fund for Prevention and Against Flooding and Storms
8	Fund for public information and communication services	23	Fund for National Defense and Security
9	Vietnam Fund for children protection	24	Local Fund for Development Investment
10	Fund for legacy support	25	Local Fund for Credit Guarantee
11	Fund for overseas employment support	26	Local Fund for Farmer Support
12	Fund for prevention and against drugs	27	Fund for supporting orange poisoned victims
13	Central Fund for Forestry protection and development	28	Local Fund for Employment/Job Solutions
14	Fund for petroleum and gasoline price stabilization	29	Local Fund for Environmental Protection
15	Fund for supporting HIV/AIDS holders	30	Local Fund for Cooperative Development support

Source: Ministry of Finance. Extracted from UNDP’s report on “Development Finance for Sustainable Development Goals of Vietnam in Middle Income Context”, 2014.

Annex 5. Comparison of National Sustainable Development and 5 year Social Economic Development Plan M&E Indicators Systems

No	Sustainable Development Indicators (2011-2020)	Key Socio-Economic Development Indicators (2011-2015)
GENERAL INDICATORS		
1	Green GDP.	X
2	Human Development Index (HDI)	X
3	Environmental Sustainability Index (ESI).	X
ECONOMIC INDICATORS		
1	Incremental Capital Output Ratio (ICOR).	GDP growth (%), of which: - Growth of Agriculture, fishery and fishery; - Growth of industry (%); - Growth of service (%)
2	Labor productivity	GDP (in actual term: Billion VND and USD); GDP per capita (actual term: VND and USD/person)
3	Contribution ratio of Total Factor Productivity.	Economic structure: - Agriculture, fishery and fishery (% of GDP); - Industry (% of GDP); - Service (% of GDP)
4	Energy consumption reduction ratio per unit of GDP.	Export (USD Mill) and Import (USD mill); Growth of export (%) and) and import (%); Trade Balance (USD mill) and Trade deficit/surplus as % of export;
5	Ratio of renewable energy in the energy consumption structure.	National Development Investment (in VND bill and as % of GDP)
6	Consumer Price Index (CPI).	Consumer Price Index (CPI)
7	Current account.	Public debt (as % of GDP)
8	Budget overspending	Budget deficit/surplus (% of GDP)
9	Government's debt (as % of GDP)	Government's debt (as % of GDP)
10	Foreign debt (as % of GDP)	Foreign debt (as % of GDP)
SOCIAL INDICATORS		
1	Poverty rate (%)	Population (million person)
2	Unemployment rate (%)	Population growth rate (%)
3	Rate of trained labor of the economy.	Decrease of households in poverty (%) by poverty definition for 2011-2015
4	Gini coefficient.	Number of new employment
5	Sex ratio at birth.	Rate of trained labor of the economy (as % of total employment)
6	Number of students per 10,000 people.	Unemployment rate (%)
7	Number of Internet subscribers per 100 people.	Number of Internet subscribers per 100 people.
8	Ratio of people participating in social insurance, healthy insurance, and unemployment insurance.	Number of telephone subscribers per 100 people
9	Number of deaths due to traffic accidents per 100,000 people.	Average life expectancy
10	Rate of communes recognized to meet norms of new rural areas.	Average housing area per capita (as m ² /person) - of which in rural and urban areas
ENVIRONMENT AND CLIMATE CHANGE INDICATORS		
1	Forest coverage.	Forest coverage (%)
2	Rate of protected land, maintenance of biodiversity.	Rate of urban population having access to clean water (%)
3	Area of degraded land.	Rate of rural population having access to water met sanitary standards
4	Reduction rate of underground and surface water.	Rate of operating industrial/export-processing zones having waste water treatment facilities met environmental standards (%)
5	Rate of days with high concentration of toxic substances in the air exceeding the permitted standard.	Rate of collected solid waste in urban areas (%)
6	Rate of urban areas, industrial parks, processing zones and industrial clusters having solid waste treatment and waste water meeting environmental standards or relevant technical standards.	Rate of treated waste from hospital and health care centres met environmental standards (%)
7	Rate of solid wastes collected, treated up to environmental standards or relevant technical standards.	Rate of most polluted industrial plants have been dealt with according to PM's Decision

Source: MPI



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