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GOVERNMENT, ODA
AND
SUSTAINABLE DEVELOPMENT
Their Linkages and the Case of Vietnam

A thesis presented in partial fulfilment of the requirements for
the degree of Master of Philosophy in Development Studies
at Massey University, Palmerston North, New Zealand.

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2002

Declaration

The work presented in this research thesis is the original and independent work of the author, except where otherwise stated or acknowledged. No part of this work has been previously submitted to this, or any other university, for the attainment of a formal qualification.

Author

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January 2002

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Last but not least, I would like to dedicate this thesis to my mother, who taught me to work hard and not to surrender difficulties, and to my father, who loves peace and is always willing to give the better to his family.

Abstract

Sustainable development, the role of government, and ODA are three major concerns in Development Studies. Sustainable development is an interest that has recently emerged but has become quickly and widely accepted in the field as a desirable vision for the future of humankind. It affects the rationale and redefines the responsibilities of both government and ODA. Government has two interrelated roles in development: a sovereign regulator and a powerful developmental actor. ODA is a means through which governments and external agencies interact in the development field.

This present thesis articulates an integrated perspective to sustainable development and applies it to discuss major issues of government, ODA, and especially their developmental roles. The aim of this thesis is to contribute to the debate on the role of government in making ODA work for sustainable development. Its arguments and recommendations are confined to the case of Vietnam – an aid recipient country in transition.

In general, it is found that the donor and recipient governments play very important roles in making ODA work for sustainable development due to three reasons. First, they are essential for sustainable development as both necessary and irreplaceable regulator and powerful developmental actors. Second, ODA is not automatically, but is potentially, helpful for sustainable development. Last but not least, the governments have decisive roles in affecting the volume, scope, scale, and effectiveness of ODA resources and activities. In the particular case of Vietnam, the role of the government in the ODA - sustainable development link is momentous because it is presently the major force that overwhelmingly influences the direction and controls significant shares of resources and activities of development (in comparison with the private sector) in the country.

For ODA to work for sustainable development in Vietnam, the key recommendations are that, firstly, the government needs to improve its administrative ability, especially its ability in ODA management, and maintain its national independence in making development decisions on behalf of the people. At the same time, the government needs to put sustainable development as the goal for all of its development planning and intervention activities in order to establish the foundation for cooperating with the donor community, integrating ODA resources into the country's total resources for sustainable development and facilitating ODA to best supplement the sustainable development process of Vietnam. Last but not least, the government has to act more carefully and effectively in utilizing ODA resources to intervene into the society and the economy in order to ensure all the productive potential is released and all the latent possibilities of all components of the economy and the society are developed in a sustainable manner.

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Abbreviations

CC	The Central Committee of the Communist Party of Vietnam
CPV	the Communist Party of Vietnam
DAC	the Development Assistance Committee of OECD
JBIC	The Japan Bank for International Cooperation
JICA	Japanese International Co-operation Agency
NGOs	Non-Governmental Organisations
ODA	Official Development Assistance
OECD	the Organisation for Economic Co-operation and Development
SOEs	State-owned Enterprises

Chapter 1

Introduction

This chapter provides an outline of the present thesis and background information about the research work underpinning it. In particular, after giving an introduction to the thesis' structure, this chapter will talk about its research aim, rationale, perspective, and focus. This chapter will also discuss the challenges facing the thesis' research attempts. Last but not least, the analytical framework adopted in solving the thesis' problems will be explained in detail.

The structure of the thesis

The thesis studies developmental issues regarding sustainable development, Official Development Assistance (ODA), the roles of government, and especially the linkages between these three subject matters. It consists of two main parts. Part I provides general discuss on important issues around the three subject matters and their links while discussions in Part II explore these issues in more detail based on the actual development context of Vietnam. Part I is divided into three chapters (Chapters 2, 3 and 4) that respectively focus on conceptual issues of sustainable development, ODA issues and the ODA-sustainable development link, and issues of government and the role of government in sustainable development and ODA activities. Part II comprises Chapter 5 on background information of the country of Vietnam, Chapter 6 on ODA and sustainable development issues in Vietnam, and Chapter 7 on the government of Vietnam and its role in making ODA work for sustainable development.

Research aim and rationale

The principal aim of this thesis is to explore the roles of government in maximising the effectiveness of Official Development Assistance in supporting recipient countries to achieve sustainable development.

Official Development Assistance (ODA) has become a prominent aspect of North-South relations and an important external capital source for developing countries. The official basic task of ODA is 'to support sustainable development'. This was affirmed at the High Level Meeting of DAC Members in 1992 (Fuhrer 1996:60). Therefore, how to maximise the effectiveness of ODA in supporting recipient countries to achieve sustainable development is a major concern. As the governments (of both donor and recipient countries) have always been the key actors in ODA activities, discussing their capacities to best use ODA resources to support sustainable development in recipient countries should be the best way to answer the above concern.

Although academic libraries are filled with many books dealing with a wide variety of issues around sustainable development, as well as developmental roles of government and ODA, few of them, unfortunately, have examined the roles of government and ODA in sustainable development. In particular, one could say, there is not yet any notable research that could thoroughly answer the question: how can governments best use ODA resources to facilitate sustainable development? This is a notable gap in the literature.

The present thesis is aimed at answering the question cited above. It is, therefore, also an endeavour to help filling the gap in the literature. The research's contributions to the knowledge can be expected in some ways. First, the research would be a useful complement to the debates on developmental roles of government and ODA as it examines the roles of the governments of ODA donor and recipient countries in utilizing ODA (as a part of the government-to-government resource transfers) for sustainable development.

Second, for those who are involved in the emerging sphere of interest in sustainable development, the research would provide an additional in-depth discussion on a pragmatic approach to achieve sustainable development. In particular, the concern of if and how the central governments of developed and developing countries can co-operate in ODA activities to make sustainable development happened, especially in the poor world, will be explored and recommendations will be explicated.

Research perspective and focus

The foremost concern of the present research is sustainable development in both conceptual and practical terms. Reflecting this concern, the research perspective is inter-disciplinary in nature and focused on the government-ODA-sustainable development link. The four major disciplines at issue are economics (with a focus on development economics and political economy), politics (with a focus on government and foreign relations), social studies (a broad approach to social issues which embraces together social structure and behavior concerns of sociology and a wide range of other social concerns such as health and security), and environmental conservation and planning studies. It is believed that for development to be sustainable, developmental goals and practical strategies need to reflect the knowledge of all of these scientific disciplines. This inter-disciplinary perspective is consistently applied and emphasized in every research task of the present research project, as can be seen all the way through the rest of this thesis.

An inter-disciplinary perspective - why it is important?

There are two main reasons that an inter-disciplinary perspective is vital in analyzing sustainable development. First, as will be discussed in Chapter 2, sustainable development entails not just economic growth but also social betterment as the principal requirement, and sound environmental conservation

as the necessary condition. This means development goals needs to mutually reflect social, economic, and environmental concerns. In addition, development planning and implementation need to ensure all economic, social, and environmental aspects of development processes are harmoniously enhanced. An individual discipline always has its own limits to its scope of studies and obviously unable to fully answer these developmental requirements. Therefore bringing together knowledge of all relevant scientific disciplines into sustainable development studies is an important task.

The second reason for giving emphasis to an inter-disciplinary perspective is that, whereas this perspective is widely agreed to be necessary in studying sustainable development, it is unfortunately seldom used in the relevant literature. On one hand, it is because the sustainable development thinking itself is relatively new and on the other hand, conventional studies on sustainable development¹ tend to simply try adding new environmental concerns into the traditional economic development framework, which is very econocentric, without questioning many inherent shortcomings of this traditional framework. Therefore, it is meaningful to utilize an inter-disciplinary perspective to discuss both the merit and limitations of theoretical approaches to the subject in order to best integrate and make the most of them to strengthen the sustainable development theoretical framework.

The research focus

The above paragraphs have made clear the present thesis' inter-disciplinary perspective in studying sustainable development issues. It is now worth considering the thesis' focus in order to further understand the stakes of the major relevant disciplines and the need to bring them together.

¹ See for example David W. Pearce et al's Blueprint Series; Edward B. Barbier (1998); and Sylvie Faucheux et al (1996, 1998).

With regards to the scope of investigation, the thesis research is concentrated on developmental roles and impacts of ODA activities, especially on the roles of government in the best use of ODA for sustainable development goals. Such a concentration way appears to be still too wide, since both ODA activities and the contexts of the countries involved in these activities are various, and thus ODA's developmental roles and impacts greatly differ from case to case. In response, after generally discussing ODA, government, sustainable development issues and their linkages, the focus of this thesis will be further confined on the specific case of the country of Vietnam. It is mainly for the case of Vietnam that recommendations will be offered.

Research challenges

The concern of this thesis is if and how the central governments of developed and developing countries can co-operate in ODA activities to make sustainable development happen. However, the road to that goal is not straightforward because the existing relevant knowledge, including relevant literature and empirical evidence, is extremely fragmented and far from sufficient. As will be explained in more detail later in the outline of the thesis' analytical framework, the three basic knowledge pillars for examining the thesis question are 1) the insight into the concept of sustainable development; 2) the awareness about the roles and limitations of government; and 3) the grasp of the roles and impacts of ODA.

The sustainable development debate

One of the main challenges facing the present research work on the roles of government in utilizing ODA for sustainable development is the vagueness of the literature on conceptualizing and theorizing sustainable development. Built on the unending and unsettled dispute on what is development, the debate on sustainable development appears unlikely to soon end up with a consensus on

the sustainable development concept itself and what sustainable development entails.

Gaining attention in the international developmental and political debate in the 1980s, the concern with sustainability quickly attracted interest from a wide range of disciplines. The diverse contributions from different disciplines to the sustainable development debate are valuable to knowledge since an interdisciplinary approach to sustainable development studies is important (as discussed earlier). However, this disciplinary diversity is an inherent challenge to any attempt to find a common consensus on sustainable development issues. The problem is that different disciplines, to some extent, overlap each other in terms of study topic. In addition, every discipline has its own distinctive set of values and priorities, which makes its beliefs and recommendations on a certain overlapped topic different from other disciplines at issue. As a consequence, the current debate on sustainable development is very fragmented and conceptualizing sustainable development issues in this research is a big challenge.

In response to this challenge, an attempt will be made in Chapter 2 of this thesis to study what sustainable development is and what it entails.

The debate on developmental roles of government

The debate on the roles and limitations of government in economic and social life has had a long history but it still seems to be hard to find a consensus. The debates' traditional issues were the economic and social roles of government, and especially how government should be organized and what it should do in order to maximize socio-economic benefit. The clear result of continuous disagreements on these issues is the existence of the left-right spectrum of political ideology, where the left wing argues that governmental interventions are important while the right wing supports *laissez-faire*.

Recently, the debate has become even more confused due to the upsurge of the interest in sustainable development. It is the apparent present norm that an authentic development must entail stable economic growth, progressive social betterment and sound environmental conservation. Discussing the capacity and defining the roles of government in environmental protection and conservation for long-lasting economic and social betterment is now moving into the centre of the political debate, and this makes it extremely contentious. Debates about the developmental roles of the governments of Third World countries, which has been the main focus of the international debate on development issues in the last five decades, have now been further heated under the sustainable development light. This is because in the Third World, strong socio-economic improvement is believed to be vital but at the same time environmental problems have been identified as alarmingly serious.

In a nutshell, there is not yet any consensus on the developmental roles and limits of government, especially in the Third World. Nevertheless, in comparison with the debate on sustainable development, it could be maintained that schools of thought regarding the roles of government appear to be fairly systematic and explicit. Detailed discussions on developmental roles of government will be provided in Chapter 4.

The debate on developmental roles of ODA

In contrast to studies of governments' roles, studies on the roles and impacts of ODA are relatively recent. Truman's Point Four from his Presidential inauguration speech on in January 20, 1949 is normally recalled as the first milestone (White 1974; Raffer and Singer 1996; Arnold 1996). The subject has since attracted the attention of many researchers from a range of disciplines. However, it is evident that studies on economic and political aspects of ODA are overwhelming those on other aspects. Much attention was paid to economic and political roles and impacts of ODA while lesser work was done on social

issues related to ODA activities. Environmental impacts of ODA are merely new concerns in development studies and associated research remains minimal.

From a sustainable development perspective, besides economic and political awareness, it is very important to understand social and environmental roles and impacts of ODA. However, study on social and environmental aspects of ODA is an extremely new interest and has so far been mostly limited around individual ODA projects. This limitation is the consequence and at the same time, the confirmation of the popular realization that it is problematical to discuss the social and environmental impacts of ODA in general given the existing shortage of applicable comprehensive empirical evidence and theoretical groundwork. The lack of knowledge on ODA impacts in social and environmental terms, combining with disagreements on makes the existing ODA literature an insufficient foundation for discussing the link between ODA and sustainable development.

In order to tackle such limitation, attention will be paid to not only political and economic but also social and environmental aspects in investigating the theoretical developmental roles and impacts (Chapter 3) of ODA in general as well as the particular roles and impacts of ODA resources and activities on development in Vietnam (Chapter 6).

The weak link between the three debates – another challenge

It has been discussed that one of the challenges to the present research project is the indistinctness of the three relevant domains of literature on 1) the developmental roles and limits of government; 2) the developmental roles and impacts of ODA; and 3) sustainable development theory. In addition to this constraint, it is apparent that the linkages between these three domains are still weak. This weak link poses a further challenge to the research.

Although sustainable development has become a catchphrase in the literature on the functions of governmental and ODA, it is unfortunate that many of the existing researches on the roles of government or ODA in sustainable development did not reflect properly findings of the comprehensive debate on sustainable development. In particular, they generally failed to fully address the distinctive concerns and requirements of sustainable development thinking, those which make sustainable development the most vital and desirable developmental goal.

This shortcoming of research effort to connect governmental and ODA issues with sustainable development thinking is a big disadvantage to a serious investigation on the governmental roles in maximizing ODA effectiveness for sustainable.

Conclusion on the research's challenges

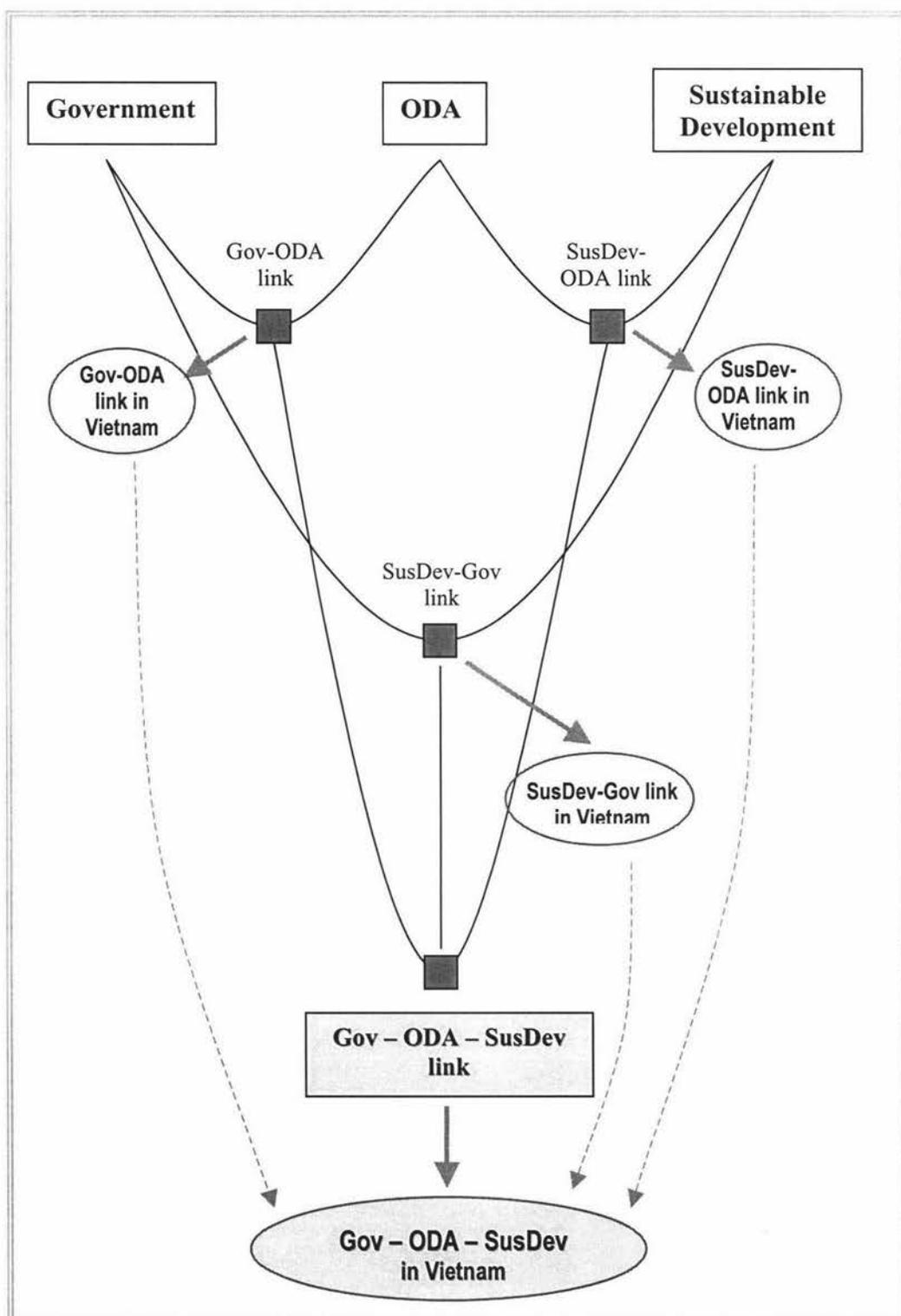
In short, the main challenge of the present research is the lack of a necessarily firm theoretical and empirical data foundation. This challenge has resulted from the vagueness of major relevant scientific debates as well as the shortage of groundwork effort to link up these domains.

In order to illustrate how the research will overcome the difficulties of theoretical and empirical data fragment and proceed to investigate the role of government in making ODA work for sustainable development, in the following section the research's analysis framework will be presented.

Analytical Framework

The present section describes an analytical framework that is designed and employed in this research thesis for 1) tackling the difficulties resulting from the relevant theoretical fragment and empirical data shortage identified in the previous section and 2) analyzing the thesis question of the role of government

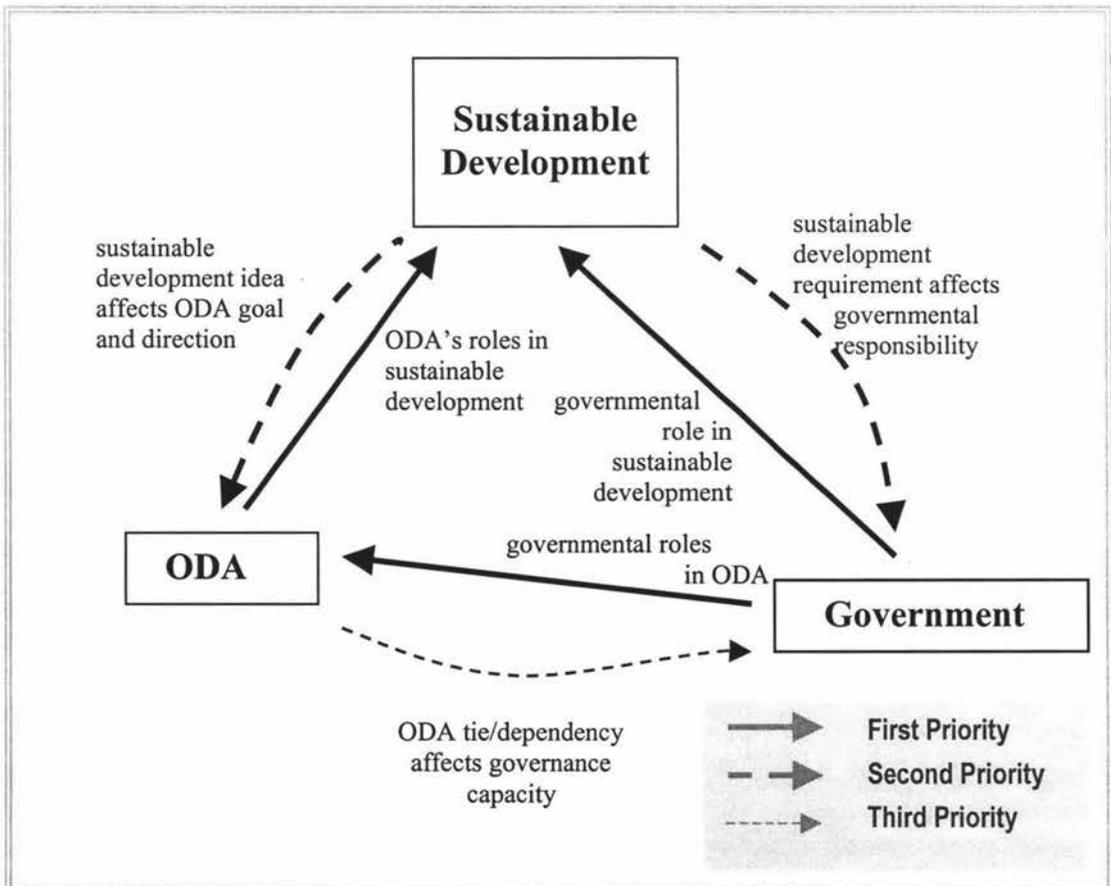
Figure 1.1: The basic idea in linking up the research issues



in making ODA work for sustainable development in recipient developing countries such as Vietnam. In particular, the framework is meant to assist linking government, ODA, and sustainable development issues and discussing the role of government in making ODA work for sustainable in the context of Vietnam.

The most basic ideas of the framework in linking up the research issues are illustrated in Figure 1.1. Besides careful examination of the linkages (both two-pronged and polygonal) between subjects of government, ODA, sustainable development, it is thought that the country case study of Vietnam should always be referred to in order to condense the discussions. These ideas can be seen thoroughly influencing all analyses and discussions in the present thesis.

Figure 1.2: Linking concern between the research issues & the priorities



Although a thorough many-sided perspective is exercised in this research project, it does not mean that every issue and linkage shown in Figure 1.1 is evenly regarded in this thesis. Instead, some priorities are devoted to consider single subjects and their linkages (see Figure 1.2) with the aim of concentrating research discussions on uncovering answers to key concern of the thesis over the role of government in making ODA work for sustainable. To illustrate, as regards the linkages between these subjects, the way the sustainable development idea and consensus affecting ODA practice, for example, is mentioned in Chapter 2 and elsewhere but to lesser extent than the discussion on the roles and impacts of ODA activities on sustainable development. Similarly, high priorities are given to studies of the governmental roles in ODA practice and sustainable development prospect (Figure 1.2). Another example for the focused intention of the thesis, as can be noticed later on in Chapter 3, is that although the effects of aid dependency on governance capacities of donor and recipient governments constitute a very interesting research topic, they do not attract much analysis attention in this particular thesis.