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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.

NGUYEN Duc Minh

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 development<sup>1</sup> 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.

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<sup>1</sup> 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**

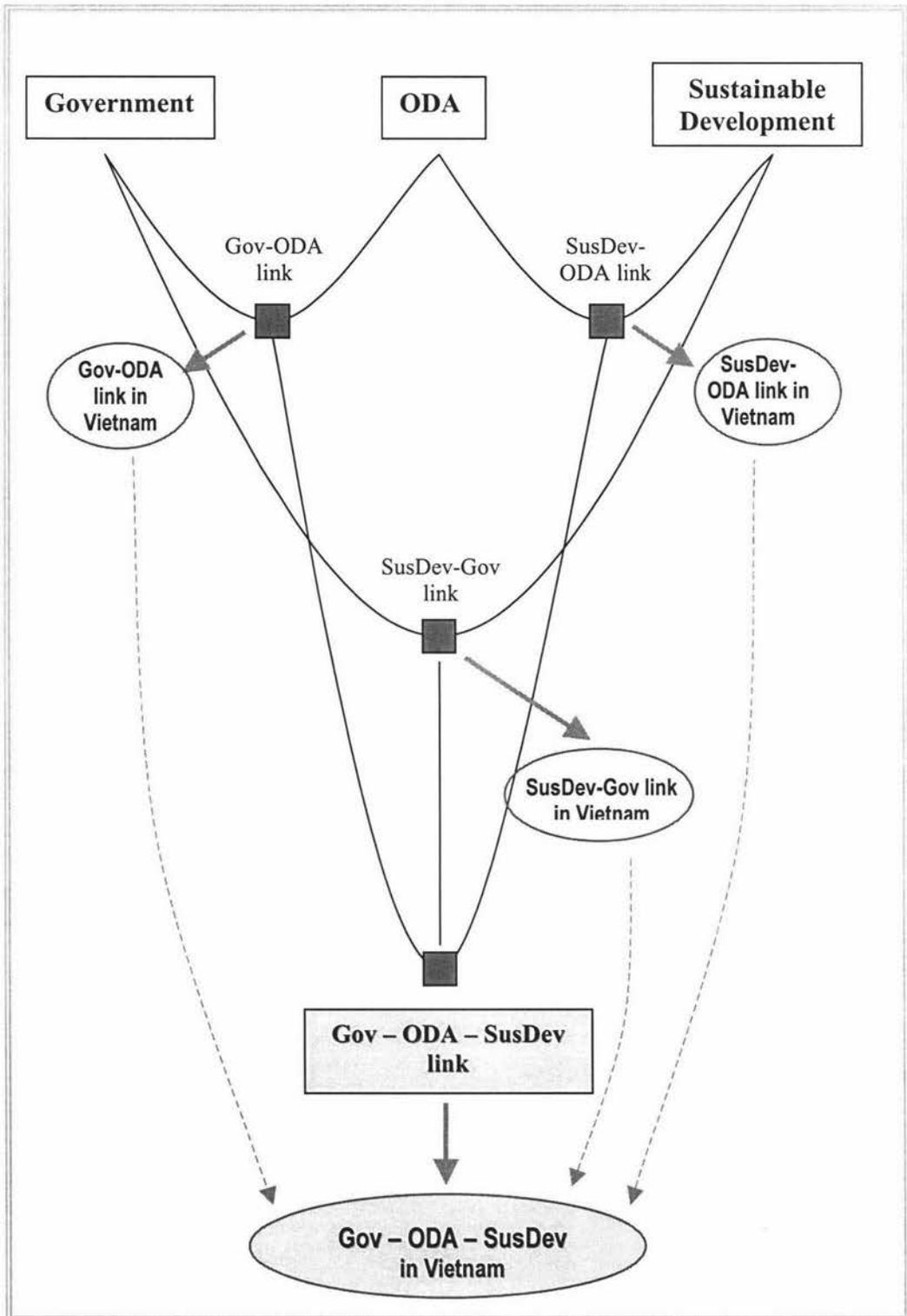
In short, the main challenge of the present research is the lack of a necessarily firm theoretical and empirical data foundation. This challenge has resulted from the vagueness of major relevant scientific debates as well as the shortage of groundwork effort to link up these domains.

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

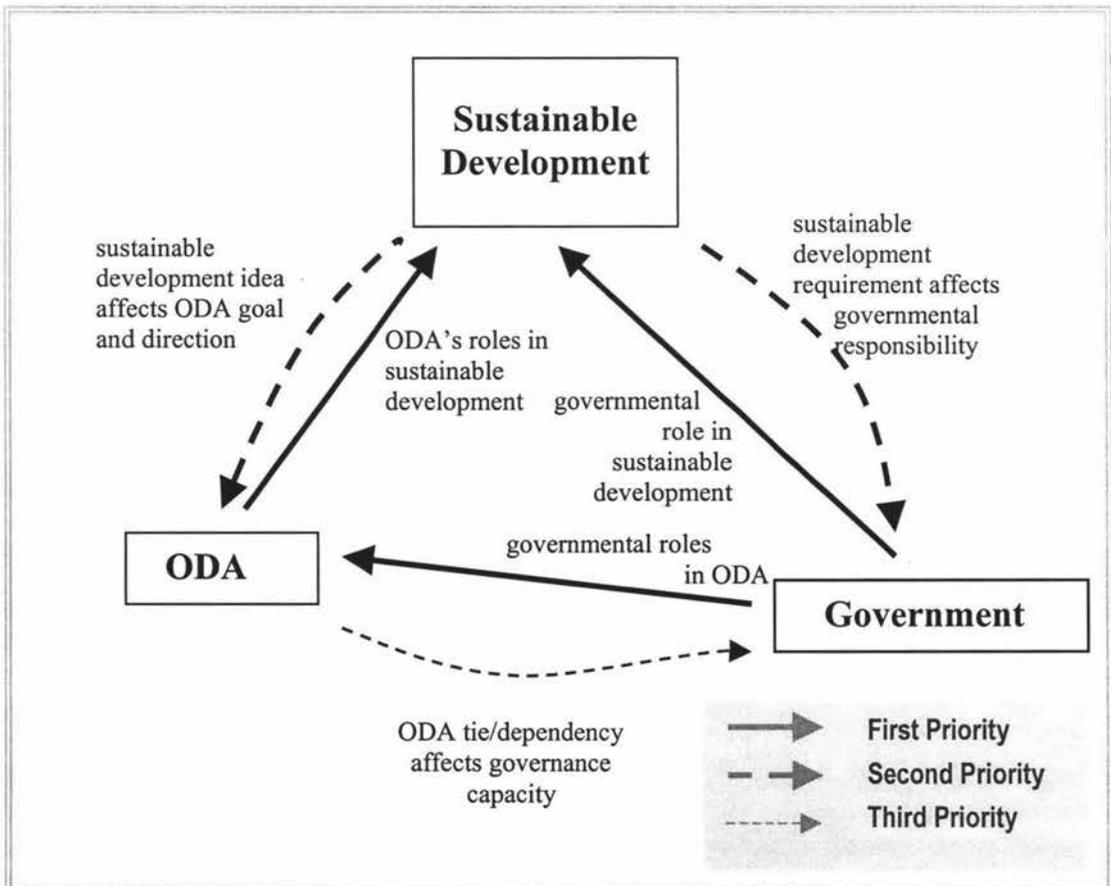
Figure 1.1: The basic idea in linking up the research issues



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.

## **Part I**

# **Government, ODA, and Sustainable Development: General Issues**

## Chapter 2

# Sustainable Development: conceptual issues

### **Sustainable development is a new and desirable development idea**

Sustainable development is a relatively new idea in the development field. According to Trzyna (1995:15) and many other researchers, the idea originated in the 1970s and was first promoted in the development field with publication of the *World Conservation Strategy* in 1980 (IUCN/UNEP/WWF 1980). After this 'first major breakthrough in conceptual insight' (Trzyna 1995:15), it was 'catapulted to prominence' (Lafferty and Meadowcroft 2000:1) in 1987 by the Brundtland Report, *Our Common Future*, (WCED 1987) and then was further elaborated in the document *Caring for the Earth* in 1991 (IUCN/UNEP/WWF 1991). Five years later it was, at the highest level, 'formally endorsed as a policy objective' (Lafferty and Meadowcroft 2000:1) by world leaders at the Rio Earth Summit in the milestone Rio Declaration and Agenda 21 (UNCED 1992). Sustainable development has now become one of the main guiding principles of international development (Trzyna 1995:15). Around the globe political leaders, public administrators, national and international development agencies, as well as developmental scholars and practitioners now routinely justify policies, projects, and initiatives in terms of the contribution they make to realizing sustainable development. The status of the term in international development forums has been observed by Lafferty and Meadowcroft:

Sustainable development has been absorbed into the conceptual lexicon of international organizations such as the World Bank and the OECD; been accorded its own global secretariat in the form of the UN Commission on

Sustainable Development (CSD); and achieved near-constitutional status in the European Union through its incorporation in the Maastricht and Amsterdam treaties.

Lafferty and Meadowcroft (2000:1)

The widely and speedily spreading out of the term sustainable development is, no doubt, evidence of the popular recognition that sustainable development is a desirable developmental idea.

## **The meaning of sustainable development**

In its broadest sense, sustainability is 'a characteristic of a process or state that can be maintained indefinitely' (IUCN/UNEP/WWF 1991:211) and thus sustainable development is development that lasts. However, what prevents development from lasting and what can support it to continue far into the future? It is interesting that many people in the development field have come up with a common answer to both the two questions above, which is *the natural environment*. In particular, it is widely considered that the finite natural resource stock and carrying capacity pose limits to development and thus environmental conservation is the essential precondition of sustainable development (IUCN/UNEP/WWF 1991; ESDSC 1992; Braidotti 1994). In other words, for development to be sustainable environmental conservation must be integrated into development thinking and action. This is a prevalent approach to sustainable development in the development field.

## **Sustainable development is development with environment conservation**

While sustainability is a new concern, development is not. It has been significant as a formal field of studies and a dominant theme in political agendas worldwide since the ending of the Second World War in the mid-

1940s. The new feature of sustainable development concern that makes it different from traditional development thinking is, as believed by many such as Adams (1990), Ghai (1994), and Barbier (1998), the concerns over the environmental aspect of development processes. Accordingly, sustainable development is thought to be simply the combination of development and environmental conservation. In Adams' words, 'the concept of sustainable development is at the centre of current concerns about environment and development' (Adams 1990:14). McNeill's adds: 'the sustainable development debate is the combining of the two debates: the development debate and the environment debate' (McNeill 2000:21).

This way of reasoning is clearly reflected in Adams' book '*Green Development: environment and sustainability in the Third World*' (1990), where discussion began with 'environmentalism and developmentalism' (p.1); the origins of sustainable development was traced along environmental conservation movements since the 1970s (p.14); the ideology of sustainable development was identified based on the World Conservation Strategy (p.42); and recommendations were given to 'environment and development planning process' (p.143).

Such a development-and-environment approach to sustainable development has in fact influenced many people in the developmental field, not only scholars but also political leaders and developmental practitioners, including aid donors, policy-makers, planners, and project managers. Popularly-cited research works on sustainable development such as those by WCED (1987), P. ReVelle and C. ReVelle (1992), Gilpin (1996), MacDonald (1998), and Lee et al (2000) are all share with Adams (1990) the concerns about the environmental aspect of development. The UN Conference on Environment and Development in Rio de Janeiro in June 1992 has been commonly considered the most important landmark on the international sustainable development movement. In the same line, many official reports on sustainable development of national and international development agencies around the

world such as those of OECD (1995, 1997, 1998, 2001), the World Bank (1989,1995), the Great Britain Department of the Environment (1994), Australian Ecological Sustainable Development Steering Committee (1992) and Australian Research Council (1995), Canadian International Development Research Centre (1996) were mostly prepared by the office staffs specializing in environment issues (such as the Department of Environment of Great Britain) and constantly focused on how to integrate environmental issues into the conventional development paradigm.

### **A broad-based approach to development**

The previous section has brought into view the prevalent approach of sustainable development in the literature, which holds that sustainable development is development that cares about environmental conservation. However, many researchers such as Weaver et al (1997) have realized that this way of reasoning is insufficient as it fails to address the key and 'highly confused question of what development itself means' (Adams 1990:4). The problem of sustainable development is not simply how to integrate environment concerns into the conventional model of development, which is very 'anthropocentric' and 'econocentric' (Cernea 1996). Instead, the problem is how to make socio-economic development authentic without environmental deterioration. A broader approach to sustainable development is therefore important.

A broad-based perspective is found in the most commonly cited concept of sustainable development in the literature, which was first provided in the Brundtland Report:

Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs'.

(WCED, 1987:43)

In this definition, development means meeting human needs and the sustainability of development is measured by its ability to last over generations.

The most significant idea of this definition, which is the concern over intra- and inter-generational fairness, has been reemphasized in the Rio Declaration on Environment and Development (UNCED 1992):

The right to development must be fulfilled so as to equitably meet developmental and environmental needs of present and future generations.

(UNCED 1992:1)

The use of “generation” as a unit of time is certainly to emphasize that ‘human beings are at the centre of concerns for sustainable development’ (UNCED 1992:1). ‘[Human beings] are entitled to a healthy and productive life in harmony with nature’ was in fact declared as the foremost principle of the Rio Declaration. Sustainable development is, then, firstly about the maintenance of human well-being.

The focus on human welfare makes economic growth an important component of sustainable development. The economy is the production and distribution system of goods and services for human consumption. Economic growth is basically the increase in the value (which reflects both quantity and quality) of total final products and services per capita in the economy. As the proportion of people who are living in poverty remains huge, the human population is increasing, and human needs in general are enlarging, and it is perceived that ‘no [economic] growth is no solution’ (Ramphal 1990:11). However, “human needs” considered in the Brundtland Report and the Rio Declaration are not only material needs. They include also human social, spiritual/mental, and natural needs. Therefore, sustainable development must not be merely material growth oriented as conventional. It must take into account both quantitative and qualitative dimensions of human life, which consist of both economic and social concerns.

Although the Brundtland definition does not directly mention the environment, its idea is entirely in line with the development-and-environmental approach to sustainable development discussed in the previous section. In particular, the Brundtland Report (WCED 1987) and its advocates commonly argued that focusing on human social and economic life without environmental concerns is insufficient to ensure development being sustainable and lasting over generations. The problem is that, as discussed in the previous section, social and economic expansion has been often destructive to the natural environment, which is surely the survival of human beings and the resource base of human social and the economic life. Therefore, environmental conservation is indispensable constituent of sustainable development.

In short, from a broad-based perspective sustainable development must entail together economic and social betterment and environmental protection.

### **Is sustainable development realistic?**

The previous section has explored the principal ideas underpinning the Brundtland definition of sustainable development. This definition's merit lies on its emphasis on a common moral value that no society in the world would object (Reid 1995; McNeill 2000). In particular, it calls for attention to intergenerational 'quality of life', equity, and justice, with respect to the use of the world's limited resources (Adams 1995a:354; Aghion & Howitt 1998:155). Therefore the definition is the one that people (not only researchers but also national and international developmental agencies) often refer to when a value-neutral expression of sustainable development is needed.

While everyone considers the Brundtland definition value-free no one, however, finds it a clear working definition (Adams 1990; Reid 1995) because it announces the goal but does not provide any hint regarding the prerequisites of sustainable development (Adams 1995a; Vivian 1992; Aghion and Howitt

1998:155)<sup>2</sup>. The lack of suggestions on prerequisites of sustainable development poses a limit to the definition's role in guiding sustainable development actions.

What sustainable development entails is a big question that can be found in the beginnings of a substantial number of the research works in the last fifteen years, since the publication of Our Common Future report in 1987 (Muschett et al 1997:3) However, until very recently, it was still claimed that not many of these works gave us clear answers to the above question, and none of them could successfully define in full the notion of sustainable development and what it entails (Chichilnisky 1997; Farrell and Hart 1998; O'Hara 1998; Lee et al 2000; Esty 2001). Studying the literature, we experience more arguments on limitations of the existing sustainable development definitions (O'Hara 1995; Lemons et al 1998:3) than attempt to provide refined ones. We find more similarly repeated information on the history of the term sustainable development (Beder 1993/1996; Reid 1995) than analytical explanations of the term's meaning. We observe more complaints about the vagueness of the term (Adams 1990; Reid 1995) than arguments on what sustainable development entails. We see more evidence of the unsustainability of the existing development processes (Lemons et al 1998:1-3) than arguments on how to build sustainable development.

It is thus possible to conclude that the huge volume of the literature on sustainable development does not necessarily and adequately contribute to the process of conceptualizing sustainable development. The term remains controversial despite everyone finds it a desirable.

The apparent difficulty of obtaining a clear definition of sustainable development as well as a detailed explanation of what sustainable development entails can be considered evidence of the complicated task of defining and

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<sup>2</sup> Yet, this vagueness is claimed by many such as Reid (1995) and Bromley (1999) to be a source of the definition's advantage as it is widely open for interpretations and hence retains that sustainable development is something to work on every day.

describing a sustainable process of development (McNeill 2000). There are two major reasons for this. First of all, the two terms "sustainable" and "development" appear to be incompatible (Goulet 1995:44). No one truly knows what sustainable development is because we really cannot point to any example where it has occurred (Muschett 1997:2). While social, economic, and environmental processes are obviously 'three basic systems' (Barbier 1987) of development, it is apparent that these processes have never been well-matched. Therefore, sustainability as the balance of these three processes is hard to be possible.

The most popularly acknowledged disparity is that of economic growth and environmental conservation (Anderson 1993). The sequential impression is that the non-renewable natural resource base is 'a cake of finite size' and 'sustainability is impossible' (Common 1995:47). This way of reasoning can be seen in the following argument of the economist Paul Ekin:

There is literally no experience of an environmentally sustainable industrial economy, anywhere in the world, where such sustainability refers to non-depleting stock of environmental capital. It is therefore not immediately apparent that, on the basis of past experience only, the term sustainable development is any more than an oxymoron.

(Ekins 1992: 412)

The similar historical disparities have also been perceived in the social expansion - environmental condition linkage and even in the economic growth - social condition link.

However, it is not the disadvantage resulting from the lack of historical experience of sustainable development that prevents researcher seeking agreement on the sustainable development idea. The fundamental obstacle here (as the second reason) is actually the dissimilarity of researchers' responses to the acknowledged mismatches of developmental factors. In particular, researchers of a specific discipline normally do not agree with trade-off

solutions provided by different disciplines' colleagues (Esty 2001). In other words, there is no consensus among researchers from different disciplines on the priority order of developmental objectives such as economic growth, environmental conservation, and social equity. The key reason for this disagreement is found lying on the variety of researchers' disciplinary-based sets of value.

## **Different Disciplinary Perspectives to the Key Constituent of Sustainable Development**

'Sustainable development has economic, social and ecological dimensions' (Trzyna 1995:216). However, economic, social, and ecological processes are usually mismatched and it is therefore common that trade-off solutions need to be discussed. In such discussions, it is apparent that there are big gaps between the ways economists, environmentalists, and sociologists consider economic, social, and environmental issues and what is the core of sustainable development. It should be, therefore, meaningful to investigate these different perspectives.

### **The economic perspective**

Economic growth has been long considered the central element of development and economics, therefore, dominated conventional development thinking.

Based on their disciplinary orthodoxy, economists believe that "the invisible hand" of the free market will eventually solve almost (if not all<sup>3</sup>) economic, social and even environmental problems (Beckerman 1974). Some economic arguments regarding environmental role of the market are that scarcities will lead to technological innovations (Romer and Sasaki 1986) and new

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<sup>3</sup> It should be noted here that in economics, the theory of externality is maintained to discuss economics' limitation.

technologies together with *laissez-faire* capitalism (with a price mechanism that reflects rational human demands) could prevent massive ecological disruptions and permit reasonable rates of growth (Anderson & Leal 1991; Beckerman 1974; Bernstam 1991; Taylor 1994)<sup>4</sup>. In other words, economists argue that in principle, conventional economic development must be adopted if development is to be sustainable, as ‘if we can get the economics right, everything else will fall into place’ (Cernea 1993:27) and ‘sustainable development is economic development that lasts’ (Pearce 1999:69). Thus, the key characteristic feature of the economic perspective to sustainable development is the belief that economic development is the heart of sustainable development. In their practical recommendations they argue for a free market with perfect competition and information (Pearce et al 1989).

In response to critics’ evidence of economic growth destroying the environment and broadening social inequality, economists have generalized their doctrine into the idea of Kuznets Curve applied to both social and environmental cases. In 1955 Simon Kuznets suggested that ‘as economic development occurs, income inequality first increases and after some ‘turning point,’ starts declining’ (Kuznets 1989). The idea was interpreted as an inverse U shaped relationship between income level and income inequality. Later, environmental economists developed this idea and suggested the environmental Kuznets Curve, which postulates an inverse U shaped relationship between income level and pollution (Ekins 1997; Hilton and Levinson 1998).

As regards the process of theorizing sustainable development, it is evident in the literature that the blueprints for sustainable development provided by economists are basically economic essays that use the cases of up-to-date environmental, social, and economic issues to interpret conventional economic doctrines. Hence, these economic theories of sustainable development should

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<sup>4</sup> Tisdell (1988) even cited arguments that environmental degradation, resource depletion, and even species extinction may be economically rational and justifiable in terms of economic utility theory and various project-appraisal economic techniques.

indeed be catalogued as sustainable economic development theories. Looking at the reality of sustainable economic development theorizing in recent decades, one can witness economists' attempt to strengthen their doctrines with the new theoretical body such as ecological economics (Underwood 1999) or natural resource and environmental economics (Costanza et al 1997). The key tasks are to, on one hand, try to put the right economic values to natural resources (including even air and natural water) in order to make them accountable commodities in the market (Bhalla 1992; Costanza et al 1997) and, on the other hand, to estimate future costs of present uses of natural resources (Common 1995:168; Costanza et al 1997).

### **The social perspective**

Sociology is the science that studies social structures and behaviours. Being human oriented, sociologists argue that the foremost aim of all social activities, including economic growth and environmental conservation is to support the social betterment process towards an equitable, peaceful, healthy and happy society (Brohman 1996: 204). Moreover, they hold that it is social concerns such as equity (in all terms of gender, race, and class), health and security of present and future human generations that matter most in development thinking and practice (Simon 1989; Vivian 1992; Kabeer 1994). Development that does not benefit those social aims is not worth sustaining (Lemons et al 1998:10; McNeill 2000:11). This human-centred perspective has been agreed by over 170 countries at Rio de Janeiro in June 1992 in the Rio Declaration on Environment and Development as the foremost principle, which read:

Human beings are at the centre of concerns for sustainable development. They are entitled to a healthy and productive life in harmony with nature.

(UNCED 1992:1)

As economic activities are indeed the most dynamic and fundamental activities of the modern society of human being (WCED 1987:54), there is a close link

and large overlap between social concerns and economic concerns. For instance, production and distribution activities, relations and structures are also important parts of social activities, relations, and structures and they are not only economists' interests but also the critical study subjects of sociologists. However, the developmental perspective of sociologists is significantly different from that of economists. While economists so far put more emphasis on the growth of the economy, sociology puts more emphasis on the effectiveness of the economy in distributing social benefits (Smeeding et al 1990; Atkinson et al 1995). While economics considers all individuals equally as economic agents (consumers and/or suppliers) sociology looks at them under many different lenses such as gender, class, race (Clark 1994). While economists generalize human needs as the market's demands, sociologists believed that a considerable amount of human needs are not reflected or not properly reflected in the demand side of the market due to a number of political, cultural, religious and other social constraints (Trzyna et al 1995:32).

As far as environmental issues are concerned, sociologists perceive that the natural environment is not only the stock of resources for economic activities but also, further than that, the survival foundation of human beings in both physical and spiritual terms (Harrison and Huntington 2000). Sociologists do not simply put economic values on the environment, they also put on it cultural and spiritual values and consider it an essential element of human welfare (Lomons et al 1998:16).

In a nutshell and at the risk of overgeneralization, the social perspective towards sustainable development can be summarized as follows: sustainable development must be human-oriented and human well-being has to be the foremost priority. Changes in social norms, values, and political arrangements are the key factor of development processes. Therefore, improvements in social organization and relations in order to achieve social goals such as equity, equality, freedom are the core of sustainable development. The social perspective defines sustainable development as a process of improving social

welfare equity and equality for all members of the society while living within the carrying capacity of supporting ecosystem (IUCN/UNEP/WWF 1991). The key requirements are to enlarge development opportunities to all members of the society, especially disadvantaged groups, meeting and securing human basic needs, and fulfilling human desire of freedom through protecting human rights and supporting democracy.

These key requirements can be seen influencing sociological sustainable development discussions such as those on economic, political, and social transformations. Sustainable development can be found being considered in the literature under sociologists' terms like sustainable society (Brown 1981; Milbrath 1989), sustainable human development (Griffin 1994; Tisdell 2000), or sustainable livelihood (Hussein 1998). The top priority of almost all sociological sustainable development agendas is to target the poor and other marginalized groups such as women and refugee (Braidotti et al 1994). Meeting basic needs, empowerment, and participation are increasingly deemed to be the advisable strategies (Serageldin 1996).

### **The environmental perspective**

In the two previous sections, it has been brought to light that as regards the question of *what is the decisive constituent of sustainable development* the economic perspective maintains that development in economic sphere is the answer while the social/sociological perspective argues that it has to be the improvement in social settings to ensure human freedom, equity, and equality. None of these arguments on the heart of sustainable development is, however, agreed by environmentalists. From their perspective, environmentalists conclude that it is not economic development or human freedom that decides sustainability. The reason is that a healthy environment is the basic and immediate foundation for human existence and development (Trzyna 1995:31)

but the global ecosystem has been dramatically worsening by population and economic growths (Meadows et al 1992).

According to environmentalists, it is the natural environment that the survival and well-being of all human being, today and future generations primarily and eventually rely on (WCED 1987:1,13, 32-35). It is the healthiness of the natural environment that decides the survival and well-being of mankind as well as its social and economic activities (WCED 1987:13, 37-41). Furthermore, given its importance to human welfare, it is believed that the carrying capacity of the nature for humankind is limited (Trzyna 1995:31). Therefore environmental conservation is vital for the existence and development of humankind.

As the global system's unsustainable and rapid changes, including ecological and biological changes, have come most basically from population and economic growth (Meadows et al 1992), the conventional trends in social transformation and economic growth are not seen as sustainable. Although there may be some social, economic, and technological scope for expanding nature's carrying capacity, the possibility is limited and negligible to the evident destructiveness of current social and economic trends (Trzyna 1995:31). Therefore it is not economic and social development but environmental conservation that must be put in the centre of sustainable development thinking and actions (WCED 1987:57-60; Lemons et al 1998: 31). Conceiving that the conventional trends in economic and social changes are usually environmentally destructive, environmentalists affirm that they are not in themselves capable of ensuring sustainable development (WCED 1987:2-3; Meadows et al 1972/1992). They are also not convinced that the current rate of global environmental depletion could be reversed to a sustainable level before "doom day" arrives by "getting economics right" or "putting humans first" (Rees 1993). Believing in the limited opportunity of human kind within the planet's ecosystem as well as the dependency of human kind to natural laws (WCED 1987:1; Tokar 1992), environmentalists hold that

environmental considerations need to be immediately put in the centre of all development thinking and practice at all level worldwide in order to make sure that every social and economic activity is environmentally sustainable and contributes to the end goal of conservation (IUCN/UNEP/WWF 1991; Muschett 1997:47-48).

In due course, as one can observe from the literature, in theorizing sustainable development environmentalists and ecologists are very enthusiastic critics of conventional economic and social norms and ask for radical changes (see such as Shrader-Frechette 1998). At the same time, they are actively calling for bringing environmental knowledge into development thinking, planning, policy and decision-making, as well as developmental practice (see for example Baumol 1988; Yusuf et al 1989; Lloyd 1998; Bromley 1999). In particular, during the last two decades environmentalists and ecologists have actively offered alternatives to the conventional philosophy regarding the interrelationship between human and the nature, as well as alternatives to developmental thinking, planning, and practice through their ecologically sustainable development theoretical framework (Yusuf et al 1989; Dietz et al 1992; Soderbaum 1993; Lemons et al 1998). This framework highlights development and conservation integration.

## **Summary of key themes**

### **The idea of sustainable development is still debatable**

The discussion so far has revealed that sustainable development, as a balance of economic growth, social cohesion, and environmental protection, is increasingly and widely believed to be the most desirable development path of humankind. However the term remains 'different things to different people' (Buchdahl and Raper 1998). It is because researchers from different disciplines consider the roles and value of the main developmental factors namely

economic, social and environmental processes in different ways and thus the priority orders for development thinking and actions they recommend are diverse. This consequence is the main obstacle to seeking a consensus as to what sustainable development is and how to achieve it.

This finding reveals that criticism (and self-criticism) seems to be the norm in the development field and for many researchers 'sustainable development is not something we get right once - it is something that we must work on every day' (Bromley 1999:3). Therefore sustainable development is usually considered a subject of exploration, argument and criticism rather than a subject of description and protection. While such a critical norm is helpful in encouraging the process of advancing human knowledge about sustainable development, it undermines the process of establishing a universal definition of sustainable development. The consequence is that there is no working definition of sustainable development which is yet generally accepted by researchers from many different disciplines. This lack of a common working definition in turn makes the process of theorizing sustainable development for action problematic. Given that much attention has been paid to the sustainable development question during the last two decades, one can assert that the huge effort so far does not necessarily and adequately contribute to the process of conceptualizing and theorizing the notion of sustainable development.

### **Sustainable development is a vision rather than a model of development**

Sustainable development that is 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs' (WCED, 1987:43) is an initiative rather than a working definition. As such an initiative has been widely accepted, it appears to be the most popular developmental desire of humankind today. Therefore, sustainable development should be considered a vision guiding development attempts. As

no consensus on what sustainable development entails and how to achieve it has been achieved yet, sustainable development is certainly not a model and far from a blueprint for development. It is a vision to share.

### **The sustainable development vision needs to be shared**

Arguments on sustainable development would lead to nowhere if they failed to contribute to sustainable development practice by generating a neutral definition of sustainable development and enlarging the consensus on relevant issues. As Harvey Brooks observed:

There is a need for a relatively value-neutral definition of sustainability that permits consensus among people with widely differing value perspectives and world view to agree on whether or not the objective criteria for sustainability have been met in any given development strategy or project in term of their value system.

(Brooks1992:19)

And Sikor and Norgaard have also suggested:

Sustainability is a matter of implementation. If we had an 'objective' definition of sustainability agreed to and understood by all, we could employ technology, institutions, and moral appeals to 'manage sustainability'

(Sikor and Norgaard 1999:49)

In order to overcome the lack of correspondence and facilitate common consensuses in the development field, three following interlocked key tasks in theorizing sustainable development are recommended.

Firstly the most general idea of sustainable development as a fundamental desire and the common moral value of humankind today needs to be clearly expressed in a value-free declaration. Such vision of sustainable development should be considered the norm and set as the guideline for all research as well as practical attempts to conceptualize, theorize, and implement sustainable

development. Secondly, a working definition of sustainable development needs to be established. This working definition must reflect the general idea in the sustainable development declaration, encourage researchers to seek common consensus, and guide sustainable development practice. Last but not least, a set of precise and all-embracing explanations of the established definition must be provided. This set of explanations has to reflect consensus being sought in the academic debate on sustainable development. It, therefore, should be considered a guiding theory for sustainable development practice. Nevertheless, in theorizing sustainable development, one has to always bear in mind that it is not something we can get right once but something that we must work on every day in order to be open-minded and conscious in the academic field.

### **Core prerequisites of sustainable development**

Given that development is a process of positive changes, sustainable development is a harmonizing process of positive changes in economic, social and environmental terms.

The idea of sustainable development is built on the most common notion of development, which is reaffirmed as a process of positive changes. Sustainability is firmly and clearly defined as a stage of economic, social and environmental harmonization. Sustainable development, as development in general, is not a static stage but an on-going process. This process should be sound and stable itself and directed towards sustainability.

In line with the majority opinion in the development filed, in this definition economic, social, and environmental are reaffirmed the three major aspects of development in general and sustainable development in particular. In addition, the definition reflects a common consensus among Brundtland Report followers that in principle for development to be sustainable and especially in the existing developmental context of the world, improvements (positive

transformations) in all economic, social, and environmental conservation terms are necessary. This is a big challenge but if humankind fails to achieve it, there will be no sustainable development.

Being convinced by arguments of economists, sociologists and environmentalists, sustainable development supporters generally believe that economic growth and efficiency, social equity, equality, and freedom, and environmental conservation are all play important facet of the development process. Thus they do not ask 'economic or social or environmental development now?' but 'how to put forward all of them in a sustainable manner?'. Given the mismatches between economic, social, and environmental processes (discussed earlier), the approach reflects the optimism of sustainable development supporter's. They suggest that with proper effort human beings can reach for the situation where all economic, social, and environmental concerns are best addressed (WCED 1987:8).

Although believing in the possibility of sustainable development, sustainable development supporters appreciate that making development sustainable is a huge challenge. The biggest challenge here, precisely, is not how to promote economic, social and environmental activities in size and amount in technical terms but how to realise and sharpen up the sustainable manner in which these activities have to be promoted in order to improve the quality of these activities.

Hints for overcoming sustainable development challenge can be found in the definition cited above. They are **to change** and **to ensure** the **positive** aspects and **harmony** of changes. In other words, for sustainable development to be achieved economic, social, environmental processes all need to be harmoniously enhanced.

To accurately illustrate this line of reasoning, it is argued that on one hand, in sectoral developmental practice, planning and policymaking for the improvement of each individual sector must be undertaken with consideration

of its systematic links to the other sectors. This systematic consideration will make the sectoral improvement sustainable. For example, economic improvement will be sustainable only when its social and environmental impacts are fully taken into account. Consistent with this argument, one can assert that sustainable development requires sustainable economic improvement, sustainable social betterment, and sustainable environmental conservation.

On the other hand, it can be further argued that the sustainability considerations in improving each of the three developmental sectors (which are economic, social, and environmental processes) are needed but not enough for sustainable development. The sufficient condition of sustainable development is that collective attempts (such as those of international and national governments) at all levels need to be done to ensure balance considerations are paid to the three sphere of developmental issues in general development planning, policy and decision-making.

In short, **sustainable development requires sustainable social betterment, sustainable economic improvement, and sustainable environmental conservation to be attained jointly.** The 'sustainable' requirement is constantly attached to all processes of social betterment, economic improvement, and environmental conservation in order to emphasise that these three processes must not be considered in isolation. Instead, their linkages have to be always the central matter. It is the soundness of these linkages that express and contribute to the sustainability of the three processes and especially the general development process. If social betterment, economic improvement, and environmental conservation processes fails to contribute to the creation and perfection of the sound linkages between them, they will not be sustainable themselves and will fail to make the general development process sustainable.

## **Chapter 3**

# **Official Development Assistance issues and its Linkage with Sustainable Development**

In the previous chapter, critical issues surrounding the ideas of sustainable development have been discussed. As regards the requirements to pursue sustainable development objectives, Chapter 2 considered international ODA as a potential means to support sustainable development. The purpose of this present chapter is to test this proposition. In particular, it will investigate the developmental role of ODA in both donor and recipient countries and then discuss its potential to facilitate sustainable development.

## **Background**

### **The term Official Development Assistance**

There are many different ways to move towards defining the concept of Official Development Assistance (ODA). However, for many people in the field of development studies, ODA is simply a technical term, which was adopted in 1969 and refined in 1973 by the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (Raffer and Singer 1996:3). Consequently, the DAC's original definition is still valid:

ODA consists of flows to developing countries and multilateral institutions provided by official agencies, including state and local governments, or by their executive agencies, each transaction of which meets the following tests:

- a) it is administered with the promotion of the economic development and

welfare of developing countries as its main objective, and b) it is concessional in character and contains a grant element of at least 25 per cent (calculated at a rate of discount of 10 percent).

(Quoted by Fuhrer 1996: 24)

However, in this thesis, the concept of ODA is employed in a broader and more flexible sense than a technical financial term for DAC statistics.

In particular, ODA here is used to connote the existing phenomenon in international relations that is usually called 'foreign aid'<sup>5</sup> or 'development aid'<sup>6</sup> and popularly portrayed as benevolent donations given to poor countries by generous, rich nations in order to help the former to meet the primary needs and move towards self-sustained state of development<sup>7</sup>. To paraphrase, ODA is ideally an international unilateral transfer of resources including capital, goods, and services (normally from high-income nations) for the benefit of other, normally low income, nations and their citizens (Britannica 1997).

There are three fundamental features that attribute a cross-border transfer of resource to be ODA. They are 1) official recognition, 2) generosity, and 3) development orientation. ODA resource must be generous in nature, officially transferred from donor(s) to recipient(s), and exclusively aimed at supporting the development processes in the recipient countries. The wording of the term Official Development Assistance (ODA) itself, indeed, perfectly includes 'official' for official recognition, 'development' as the goal, and 'assistance' to express the generosity of the transfer of resources. This is the reason why the term ODA is preferred in this thesis instead of 'foreign aid' or 'development aid'.

It should be noted here that according to Bauer (1993) the term 'foreign aid' is widely used in the U.S. while 'development aid' is prevalent in Europe and

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<sup>5</sup> See, for example, Feis 1964; Mihaly 1965; Tendler 1975; G. Arnold 1996; Raffer and Singer 1996; Bowen 1998.

<sup>6</sup> See, for example, OECD 1985; Raffer and Singer 1996.

<sup>7</sup> Similar points of view can be found in Hoy 1998: 11; Simon and Närman 1999: 149

Japan. The earlier gives emphasis to the trans-border characteristic of ODA while the later lay emphasis on its objective. These terms will be found using interchangeably with ODA throughout this thesis. In addition, one can find some less popular other terms like ‘overseas aid’ (Mosley 1987), ‘international aid’ (ActionAid 1998; Hoy 1998), ‘official aid’ (WB 1998) and ‘economic aid’ (Benham 1961) being used elsewhere in this thesis. This is because these terms were employed to mention the same phenomenon of ODA by some different authors in the relevant literature, to which this thesis refers. Another linguistic notification that should be pointed when talking about the topic of ODA or aid is that in the literature the idioms of ‘aid’ and ‘assistance’ are basically exchangeable. There is not very high demand for differentiating these two terms. The demands that exist are, however, mostly derived from one or two of following two reasons. First, in some cases the term ‘assistance’ should be used instead of ‘aid’ in order to dispel the possibility of emotional uneasiness of the recipients from the negative implication of the term aid - for instance, aid is given with the grace of donor country (Raffer and Singer 1996). The second reason, which is also in favour with the use of ‘assistance’, reads that because for many English users ‘to aid’ means ‘to financially assist’, using aid to express ODA phenomenon may miss out the non-financial component of ODA, which is not less important than financial one (Tendler 1975). Nevertheless, in the framework of this thesis, the two terms aid and assistance are considered to be equivalent.

Although this thesis’ approach in defining ODA is not very divergent from that of the DAC definition, it is important to acknowledge that in discussing ODA issues this thesis might not fully agree with some ways that DAC, at some places, interprets ‘development’ and ‘concessionality’.

The preceding paragraphs have served to formulate a general idea of ODA for coming relevant discussions in the rest of this chapter, as well as the present thesis. However, everyone close to the issue understands that in development debates the term ODA, while being used in the context of relations between the

advanced industrial powers and the less developed countries, means different things to different people (Arnold 1962). It is because when researchers in the field of development studies might agree about the three fundamental features of ODA, it seems difficult for them to seek consensus on defining ‘official’, ‘generosity’, and ‘development’. Put another way, there are many different arguments about 1) which transfer is official and 2) among official transfers, which one is generous and development oriented enough to be ODA. This awareness will be reminded and partially addressed in later discussions on ODA throughout this chapter as well as the rest of the thesis.

To sum up, the present thesis employs the term ODA to consider the cross-border transfer of resources from developed donor countries to recipient developing countries that is concessional in nature, officially recognised, and for development objectives. This current chapter is primarily focused on key issues of ODA. For this purpose, however, other forms of aid/assistance and relevant arguments in the literature will be addressed when appropriate. The next section on different forms of ODA will provide further comprehension about ODA as well as its linkages to other relative types of aid and resource transfers.

## **Forms of ODA**

In this section, different forms of ODA identified under different approaches will be discussed. The aim is to explain by examples which resources are in practice considered ODA and how official, concessional, and developmental-oriented they are. Furthermore, it is supposed that in discussing different forms of ODA we will have chances to contrast this thesis’ approach to the ODA phenomenon with other popular approaches.

At the risk of oversimplification, two major perspectives in categorizing ODA resource transfers can be identified. They are economic and political perspectives. As will be discussed later on, social and environmental concerns

are increasingly gaining their positions in influencing ODA's thinking and practice, and in reshaping ODA's directions, objectives and pattern. However, hitherto in the literature no clear social or environmental approach in classifying ODA is yet identified.

From an economic perspective, one often investigates whether an ODA transfer is economic or non-economic, in which only ODA that plays the role of a direct economic input for the recipient economy is considered economic aid. Two major types of economic aid are capital transfers and technical assistance (Arnold 1996). ODA transfers that are aimed at purposes other from direct economic input such as food aid, emergency aid (or disaster relief), and military aid are grouped in the mixed bag of non-economic aid (Lappe 1980). It seems to be not appropriate to consider military aid here as one type of ODA, one might say. In the literature, as a rule military aid is always promptly excluded from development aid, or ODA, due to the argument that it is not developmentally focused. However, it is suggested here that military aid needs to be mentioned because in practice there is still no clear cut to separate military aid from non-military aid, and thus in some cases parts of military aid are still wrongly counted in ODA statistics. A proper understanding of military aid is hence necessary to identify military aid component of existing ODA records and consider the possibility to exclude it from ODA planning and statistics. In addition, this insight is believed to serve for realizing the comparative position of "real ODA" against the whole background of government-to-government resource transfers, which comprises many non-ODA forms of transfers.

Also derived from economic perspective, and in combination with social and moral concerns, many people argue that an insightful separation between the three forms of ODA: grant, concessional loan, and debt forgiveness is important to differentiate ODA from ordinary economic loans/credits (Tsikata 1998:4) and to mark the concessionality levels of ODA transfers.

It is observable that in ODA statistics, the economic approach is usually employed to differentiated forms of ODA. As in DAC statistics, grant, concessional loan, and debt forgiveness are commonly considered as three terms of aid and different types of aid include technical cooperation, investment project assistance, programme/budgetary aid or balance of payments support, and so on (DAC 2000a).

Although not usually being used in official statistics, the political perspective is considered as popularly as economic perspective in the literature for classifying ODA forms. From political perspective, the administrative features/settings, the tying extents, and the political and military motives of ODA resources are three main foundations to base on in grouping ODA transfers. Accordingly, multilateral ODA versus bilateral ODA, tied aid versus untied aid, and military aid versus development aid are differentiated (Rodrik 1995; Chinnock and Collinson 1999). It should be, however, remembered that there are overlaps between economic and political perspectives in classifying ODA forms. For example, multilateral versus bilateral ODA are often separated in ODA statistics due mainly to economic concerns of the flows of aid rather than because of political concerns about administrative features of the resources.

Before closing the overview of perspectives in classifying ODA forms, some attention should be paid to social and environmental perspectives. As mentioned above, although social and environmental concerns are increasingly gaining their influence over ODA thinking and practice, until now in the literature no clear social or environmental approach in classifying ODA is yet identified. Social and environmental factors are only taken into account as purposes of ODA. For example, considering environmental purpose of ODA, the UNDP office in Vietnam has used the phrase “environmental ODA” in its 1999 Compendium of Environmental Projects in Vietnam merely to consider ODA projects supported by ODA fund. As it defined:

An ODA environmental project is any ODA project for which the main

objective is either the conservation of the natural environment or support for sustainable management of natural resources.

(UNDP 1999e:2)

## **ODA and Donors**

### **Motives behind aid giving decisions**

The reason for donors giving ODA is a fundamental question that everyone who concerns with ODA issues wants to make clear. In a broad sense, this question asks about the philosophy or the rationale underpinning ODA-giving activities in general. However, in many cases, this question demands an explanation about actual expectations that lead donor governments to make decisions to give certain amounts of ODA to a certain group of recipients.

It is apparent in the literature that there was not much disagreement on the reason why ODA activities have been in general supported by the public in donor countries. The most common finding was that the support of the public in donor countries for ODA-giving activities is mainly derived from the belief that ODA mutually benefits both donor and recipient countries (Helmich 1998). "Mutual benefit" is therefore the most general philosophy underpinning ODA-giving activities.

However, the same consensus among researchers is not found in the debate on what are the common expectations that donor governments have in mind when deciding to give away a certain amounts of ODA resources. It is because the situations of donor countries are not homogeneous. Their desires, capabilities and difficulties are not same. Therefore, the priorities and objectives that different donor governments put in their ODA strategies are different. In addition, the priority orders and objectives of almost all donors are not fixed

over time. They are changeable according to the local contexts (of both donor and the recipient countries) and the international contexts. As the consequence, it is not easy to find a general answer to the question of the motives behind ODA-providing decisions of donor countries.

Although arguments on the ODA motives are diverse, at the risk of overgeneralization, one can identify two extreme motives behind ODA-giving decisions of donors. They are 1) the donors' selfish expectations of subsequent political, economic, social benefits of ODA activities and 2) the donors' humanitarian desire to help disadvantaged recipient countries. These two extreme motives can be put at the two ends of a "ODA-giving motive" spectrum within which every donor can find the right place for their ODA motive.

If we put "selfish expectations" at the right end and "humanitarian desire" at the left end, it would be agreed by many that the volume of ODA generated under the right-half motives is greater than ODA generated under the left-half ones. As Boone has observed:

Despite the popular belief that aid is primarily to assist the poor, substantial evidence points to political, strategic, and economic and social welfare interests of donor countries as the driving force behind aid programs.

(Boone 1995:19)

Raffer and Singer have also acknowledged:

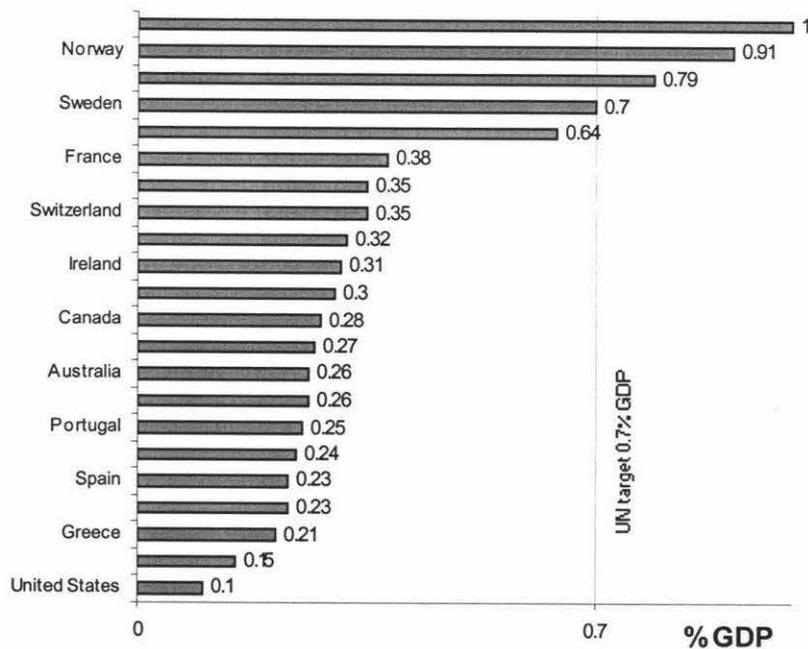
While humanitarian reasons appear to have been the main driving force behind proposals by academics and NGOs, their importance in donors' *realpolitik* was minute at best.

(Raffer and Singer 1996:62)

There is much quantitative evidence supporting such remark. In political terms, most Western aid did not go to the poorer countries but to 'the allies and other countries on the Sino-Soviet border' (Raffer and Singer 1996:62) during the

Cold War time. In addition, much more aid went to former colonies of donors than the poorer lands (WB 1998:16). In economic terms, in general the volume of grant aid is much smaller than that of loan aid (ActionAid 1998). More aid is given to economic sectors such as infrastructure construction or investment, where aid is easier to be tied, than aid to social sectors (such as rural development) and environmental projects (ActionAid 1998). However, quantitative analysis could never fully explain the motives of giving aid. Take grant aid to be an instance, it is observable that recipient governments that are willing to support donors politically would received more grant aid than others.

**Figure 3.1 ODA as a percentage of DAC donors GNP 1998**



*source: The Reality of Aid 1998/1999 (ActionAid 1998)*

In short, selfish expectations of subsequent economic and political benefits are a decisive motive behind ODA giving decisions of almost donors. These benefits will be further discussed in the ensuing sections.

In considering about the selfishness of aid donors, it should be noted, nevertheless, that among the donor community, the Scandinavian donors including Sweden, Netherlands, Norway, Denmark are notable as the models of recipient-oriented considerations rising above selfish interests. They are the only four of the DAC's 22 donors managed to reach the UN target for aid of 0.7% GNP in 1999 (Figure 3.1). For this reason, many of criticisms targeting the general egocentricity of donors in the literature, as well as the rest of this thesis, are not applied to the few cases of those generous Scandinavian donors.

### **Economic benefits of giving ODA**

General arguments on the economic benefits that ODA brings about to donor countries has been summed up by Fleck and Kilby:

Support of foreign aid relied heavily on domestic economic interests of donors. The desire to serve domestic economic interests was explicitly acknowledged. Presidential administrations routinely highlighted domestic economic benefits of foreign aid. Even at such watershed points as Truman's Point Four program and Kenedy's establishment of USAID, presentations to Congress emphasised economic advantages to the United States.

(Fleck and Kilby 2001:599)

ODA directly helps to enlarge both input and output markets for the donor economies. ODA relations are the bridges between donor economies and its necessary sources of raw and semi-processed materials from recipient Third World countries. The same relations are also the gutters for donors to export their industrial products, technologies, and expert services to economies in transition of the recipients. In the words of Simon and Närman (1999:153) 'ODA could contribute to increased international trade that benefits developed donor economies'.

In addition, ODA helps to create a stable and predictable economic environment in recipient countries for investors and businessmen from donor

countries to develop their profitable business. USAID, the agency responsible for distributing most U.S. foreign aid, pointed out that:

Aid is given to promote economic growth in developing countries, which serves to open new markets for U.S. goods and provides investment opportunities.

(Atwood 1995)

and further than that,

Trade generated from aid has more than offset initial costs; between 1990 and 1995, exports to developing countries increased by \$98.7 billion, which supported roughly 1.9 million jobs in the United States.

(Atwood 1995)

Mosley (1987) also found that ODA in many cases was used to subsidize donor countries' exportation and helped donors to gain competitive advantages by both achieving economic efficiency (i.e. economics of scale) and unfair protection.

ODA helps to create employment opportunities in donor countries. Northern politicians openly stress employment effects of ODA to their constituencies. The Federal Republic of Germany even introduced a law demanding that employment effects in Germany must be proved for each German ODA project (Erler 1985:85). As an other example, in defence against Republican plans to substantially slash aid fund in the mid-1990s, US-AID 'distributed fat folders of documents showing that nearly 80 percent of its budget is recycled to the United States' (*Time*, 29 May 1995).

Discussions above have portrayed the roles of ODA activities in supporting donor countries' economic development. The convincing economic benefit of ODA is an important rationale for donors to generate ODA fund to the Third World.

## **Political benefits of giving ODA**

It is popularly aware that besides economic interest, political and strategic interests of donor countries are 'the driving force behind aid programs' (Boone 1995:19).

The influence of political and strategic interests in ODA decision-making are especially visible during the Cold War time:

From the end of World War Two to the end of the Cold War, support for foreign aid relied heavily on national security. National security was an explicit objective of foreign aid and an essential factor in maintaining foreign aid budgets.

(Fleck and Kilby 2001:599)

This argument was confirmed in a range of studies such as those by Maizels and Nissanke (1984), McKinlay and Little (1977, 1978a, 1978b, 1979), Mosley (1987).

In their studies, McKinlay and Little (1977, 1978a, 1978b, 1979) found that in bilateral aid patterns, it was not 'recipient needs' but 'donor's interest' that was the key factors motivating international aid flows. In particular, they found that more aid went to former colonies (i.e. in French and British aid cases) or proxies for military importance of donor countries (i.e. in US aid case) while an inappropriate amount of aid went to developing countries having lower quality of life indicators and/or low income per capita (McKinlay and Little 1977, 1978b).

A recent research project of Boone (1995) also generated similar findings. He found that 1) large nominal amounts of US aid were 'determined by political rather than need-based factors'; 2) large OPEC aid disbursements are primarily to neighbouring Arab countries; and 3) French aid reflected 'France's special relations with her former African colonies' (Boone 1995:20). Therefore, there

is considerable evidence to agree that 'political factors largely determine aid flows' (Boone 1995:39).

## **ODA and recipients**

### **The economic roles of ODA in recipient countries**

Most of people believe that in principle ODA is helpful to support development, especially economic development, in recipient countries.

The customary economic excuse for ODA (or foreign aid) is that aid will assist the recipient economies to make progress in the transition period from economic stagnation to self-sustaining growth stage of economic development. In particular, aid is believed to positively accelerate economic growth in recipient economies. This belief, as Krueger (1986) has observed, had two intellectual underpinnings.

The first was the Harrod-Domar model, which extended the Keynesian emphasis on investment to include its capacity-increasing effects. The second was economists' emphasis on physical capital and the view that shortage of capital largely accounted for the poverty of developing countries

(Krueger 1986: 57).

Supporters of this hypothesis were traditionally convinced that the critical bottleneck of economic growth in developing countries was the shortage of investment because of low domestic savings rates (saving gap) and lacking foreign exchange availability (foreign exchange or trade gap). Tsikata has seen this thinking being reflected in the expectations of the early champions of ODA (or foreign aid) during the late 1950s to the 1970s, which anticipated:

It [ODA] would boost investment and growth in low-income countries by supplementing domestic saving or relaxing foreign exchange constraints.

(Tsikata 1998)

Later, the 'capacity-increasing effects' consideration was further enlarged beyond the emphasis on physical capital to argue that ODA could also help improving human capital in recipient countries. These arguments were backed by a huge volume of quantitative examinations showing that empirical data revealed a positive relationship between aid, growth, domestic savings, investments, and human capital improvements in recipient countries. Some of them were researches of Chenery and Strout (1966), Papanek (1973), Gulati (1975), Mosley (1980), Levy (1987 and 1988).

Mosley (1980), for example, found that about 25 percent of the growth in the Third World during the 1970s was explained by domestic savings and capital flow from abroad. Especially in the poorest countries, aid was found to be positively related with growth using 5-year lag period. Other illustrations were Levy's researches. In a 1987 research (Levy 1987) he tested the effect of foreign aid on capital formation using cross-sectional data on forty-six low-income countries. Utilizing the Two-Stage Least Squares method to deal with the simultaneity problem, he found that on the average the aid flows contributed to fixed capital formation. In another study (Levy 1988) he found the impact of aid on investment to be greater than unity for Sub-Saharan African countries. Mosley and Levy's findings were in line with Papanek's finding in 1973, which concluded that foreign aid, which disproportionately went to countries with low savings rate had a more significant positive effect on growth than other forms of foreign resource inflows (Papanek 1973). Recently, using average cross-sectional data for eighty countries over the 1971-1990 period, a study of Bauer (1992) showed that foreign aid had a statistically positive effect on economic growth in developing countries.

Such findings were consistent with the classical economic theory of foreign aid which asserted that ODA accelerated economic growth by supplementing the domestic capital formation (Chenery and Strout 1966; Gulati 1975; Gupta

1975; Over 1975; Islam 1992). The experience of individual countries such as Bangladesh and India, where foreign aid appeared to have played an important role in the development process (Cassen 1994), were usually referred to in order to confirm the theory.

The general conclusion of proponents of ODA to developing countries, therefore, is that ODA is 'necessary and sufficient for economic growth in the less developed countries', and hence should be encouraged and promptly increased in order to help recipient economies to soon achieve the point of "take-off," at which time the economies would become self-sustaining and able to dispense with further aid and develop under its own momentum. This was the dominant idea for a time, notably in the 1950s and 1960s when it gained influential position in development thinking of that period (Mosley 1987; Raffer and Singer 1996).

### **The economic impacts of ODA on recipient countries**

Despite empirical evidence and the tested hypothesis provided by aid proponent economists, there are a number of economists who dispute the economic effectiveness of foreign aid to recipient countries. These opponents of foreign aid built their conviction on a range of research findings, which had similar starting assumptions to aid proponent economists but showed opposite category of results. They found foreign aid had a negative effect economic growth in the less developed countries (Graham 1997; Griffin and Enos 1970; Weisskopf 1972; and Boone 1994). With further investigations, they realised that aid had a negative effect on growth through its direct negative effect on savings. In particular, associated with increases in aid volume were greater increases in consumption (in comparison with investment) and decline in savings in both public and private sectors. This hypothesis had been thoroughly tested and explained by Griffin (1970).

Studying cross-section data for thirty-two developing countries in the 1960s, Griffin (1970) found that having foreign aid flows available, governments in the recipient countries reduced their tax rates, reduced their efforts to collect taxes, or changed the composition of their expenditures by increasing public consumption. In addition, foreign aid also had a negative effect on private savings in that the availability of the foreign capital may result in the reduction of the interest rates, which in return may reduce the incentive of local people to save. Griffin and Enos (1970) further argued that the availability of foreign aid as a source of capital might increase imports which might lead to a rise in consumption.

Heller (1975) used panel data for eleven African countries to test the government response to aid flow. He found that 30-60 percent of the value of the aid was used for government expenditure and about one third was used to reduce taxes.

In short, ODA does not necessarily benefit recipient economies. The question rising from this finding is that why ODA could not bring about economic growth to some recipients as it seemed to have done for some others? Many researchers have been trying to look for the answer from political nature of ODA and political, social, and economic settings of recipient countries.

## **ODA and Sustainable Development**

As sustainable development is a harmonizing process of positive changes in economic, social and environmental terms, to understand the roles of ODA in sustainable development in developing countries, it is important to consider the roles its roles in not only socio-economic development but also environmental conservation in recipient countries. Unfortunately, little systematic empirical research has investigated the environmental benefits and impacts of ODA in the Third World. Accordingly, argument on the environmental roles of ODA is

mostly qualitative. One of the best places to find the key perceptions of such argument is international agreements and policy documents on sustainable development.

The following section will explore major international agreements and policy documents on sustainable development to reveal how sustainable development supporters consider the role of ODA in sustainable development.

### **ODA is essential for sustainable development**

Believing in the potential benefit of ODA to not only economic and political but also social and environmental processes in Third World recipient countries, many people agree that ODA is necessary and valuable to sustainable development. This assumption has been evident in many international sustainable development forums, where appeals to increase quantity and quality of ODA resources and activities to the Third World were repeatedly made.

In the Summary of Proposed Legal Principles for Environmental Protection and Sustainable Development Adopted by the WCED Experts Group on Environmental Law, Our Common Future (WCED 1987), it was affirmed:

States shall ... provide assistance to other States, especially to developing countries, in support of environmental protection and sustainable development.

(WCED 1987: Principle 7)

This affirmation confirmed to the way the Stockholm Declaration of the United Nations Conference on the Human Environment (1972) had considered the rationale for utilizing ODA as a solution for environmental problems:

Environmental deficiencies generated by the conditions of under-development and natural disasters pose grave problems and can best be remedied by accelerated development through the transfer of substantial quantities of

financial and technological assistance as a supplement to the domestic effort of the developing countries and such timely assistance as may be required.

(Principle 9)

The same belief was later further explained in the Hague Recommendation on International Environmental Law (1991):

The conservation of biodiversity is a necessary instrument for the future but many countries burdened by serious debt servicing problems and unfair terms of international trade are not in a position to make this investment. In consequence a global strategy should be formulated in order to provide new and additional financial resources.

(Principle II.5d)

The end goal of supporting environment protection and conservation in the Third World is the sustainable development of the whole world, not for the stake of the Third World only. The Economic Declaration of the Economic Summit of Industrialized Nations (1990) confirmed this point:

Cooperation between developed and developing countries is essential to the resolution of global environmental problems.

(Principle 71)

The contention that ODA needs to be generated for sustainable development underlines, on one hand, the exceptional situation of the Third World in the whole development process of the world, as shown in Rio Declaration on Environment and Development (1992):

The special situation and needs of developing countries, particularly the least developed and those most environmentally vulnerable, shall be given special priority. International actions in the field of environment and development should also address the interests and needs of all countries.

(Principle 6)

On the other hand, the contention highlights the special responsibility of industrially developed (donor) countries. This responsibility was pointed out in the Declaration of the Hague (1989):

The international community and especially the industrialized nations have special obligations to assist developing countries which will be very negatively affected by changes in the atmosphere although the responsibility of many of them for the process may only be marginal today.

(Preamble)

The same line of argument is also seen in the Draft International Covenant on Environment and Development, IUCN (1995):

Acknowledging that addressing the particular situation and needs of developing countries, especially those of the least developed and of the most environmentally vulnerable, is a high priority, and that developed countries bear a special responsibility in the pursuit of sustainable development.

(Preamble)

In short, it is widely believed by international community and donors that ODA resources and activities are essential to support sustainable development in developing countries – an important constituent of the world, and that generating such ODA to the developing world is a international responsibility of the developed countries such as those in the OECD.

## **Sustainable development consideration in ODA policies**

### **ODA policies does reflect sustainable development consensus**

A review of existing ODA policies of donor countries reveals that almost (if not all) donors consider sustainable development to be a foremost goal of their ODA funding and activities.

For example, in an announcement about its basic philosophy and principles of ODA activities, Japan has pointed out:

Environmental conservation is a task for all humankind, which all countries, developed and developing alike, must work together to tackle... Economic growth is a necessary measure for the improvement of welfare, and "human-centred development" is indispensable to the realization of sustainable development.

Japan will therefore implement its ODA to work for globally sustainable development by providing assistance for balanced economic growth and social development ... and pursuing environmental conservation and development in tandem

(JICA 2000:13).

Similar perspective and emphasis on sustainable development through ODA can be found in ODA policies of most donors, both bilateral and multilateral. For instance, in the US, the Agency for International Development (US AID) pledged to make special efforts "to help nations move progressively away from crisis and toward sustainable development." (Bandow 1997) and in the UK the Department for International Development (DFID) has 'fully committed to the promotion of sustainable development' (DFID 2000:23), which was defined as 'growth that is equitable and environmentally sustainable' (DFID 2000:16). The World Bank has also affirmed that 'sustainable development, built on a balance of economic growth, social cohesion, and environmental protection, is fundamental to the Bank's core objective' (WB 2000:4).

In short, responding to international expectations of sustainable development impacts of ODA flows and activities, donor countries and their ODA agencies have generally made sustainable development a priority and principal goal of their support to developing countries. This finding serves to conclude that ODA activities do target sustainable development, at least in principle and policy.

The common commitment of donors in directing ODA efforts towards sustainable development goal is notable as it allows the goal to gain a prominent position in national and international development thinking, planning, and decision-making. The most significance of this enactment is that through the official cross-border flows and international development forums of ODA, the idea and knowledge of sustainable development would be delivered, discussed and multiplied throughout the Third World. This is genuinely beneficial to the processes of realising, seeking consensus, and co-operating for making sustainable development.

### **Sustainable development is not yet the main goal of ODA**

We have realised ODA is political (Chapter 3). This character of ODA can be seen, to some extent, in the way donors use the phrase 'sustainable development' in their ODA policies. While almost all donors claim sustainable development is the goal of their ODA activities, it is found that in practice ODA resources have, in many cases, not been used for 'a balance of economic growth, social cohesion, and environmental protection' as the World Bank (2000) had stated. The *unsustainable* direction of ODA use is evident, above all, in ODA policies of donors.

The International Development Goals (IDGs), which were formulated at the DAC meeting in 1996, provide the rationale for continued development assistance to developing countries. The set of goals (Box 3.1), which were supported by all DAC Member Countries, the UN System and the International Financial Institutions, reflects the common developmental consensus among ODA donors.

It is clear from this set of IDGs that developmental approach of donors, and also of ODA activities, is very much human-centred. The concern over environmental issues is mentioned in the last goal but only limited in terms of developing national strategies. No economic goal directly appears in the set of

IDGs but it is the foremost goal of ‘reducing the proportion of people living in extreme poverty by half between 1990 and 2015’ that stresses the importance of economic growth. The three developmental dimensions of this set of IDGs are now being discussed in turn.

### **Box 3.1: The International Development Goals (IDGs)**

- IDG1. Reduce the proportion of people living in extreme poverty by half between 1990 and 2015
- IDG2. Enrol all children in primary school by 2015
- IDG3. Make progress towards gender equality and empowering women, by eliminating gender disparities in primary and secondary education by 2005
- IDG4. Reduce infant and child mortality rates by two-thirds between 1990 and 2015
- IDG5. Reduce maternal mortality ratios by three-quarters between 1990 and 2015
- IDG6. Provide access for all who need reproductive health services by 2015
- IDG7. Implement national strategies for sustainable development by 2005 so as to reverse the loss of environmental resources by 2015

The set of IDGs does not ignore the conventional body of development: economic growth. For donors such as Japan who maintain that economic growth is a necessary measure for the improvement of welfare the goal of ‘to reduce the proportion of people living in extreme poverty by half between 1990 and 2015’ (IDG1) can be read as nothing new but a plea to fuel economic growth as usual. However, since one sees no explicit respect to economic efficiency and distribution effectiveness in the set of IDGs, urging stronger economic growth would be a danger for sustainability. Without an improved economic distribution mechanism, more growth will widen the rich-poor gaps, which is a prime source of social instability. Without enhanced economic efficiency, more economic growth will put more pressure on the natural resource base. Both economic inefficiency and distribution ineffectiveness are, eventually, blockages of long-term economic growth. Therefore, in economic terms the set of IDGs have nourished economic growth but failed to highlight

the equal importance of economic efficiency and effective distribution. Thus it is not inherently sustainable.

Putting stress on human development is the key feature of IDGs. In particular, attacking poverty (IDG1), improving education (IDG2), gender equity (IDG3) and health security (IDG4-5-6) are the tasks. Obviously, these tasks are meaningful as they are clear for actions and helpful to address the important social issue of *human basic needs*. Gender equity, as an essential element of the general social equity, has been highlighted. However, one could say that, on the whole, social equity has not been sufficiently considered. It is vital to emphasise social equity and equality in a complete manner as a developmental goal, to include equity and equality in terms of not only gender but also race, class, and age. Without such a thorough perspective on social equity, maternal mortality ratios, for example, might be reduced but the maternal risk of poor mother would not be lessened. The lack of full attention to social equity, therefore, prevents the IDGs from ensuring that proposed social changes would be positive.

In addition, social changes proposed by IDGs are also unsustainable as they are not necessarily economically supportive and environmentally friendly. In economic terms, lack of full attention to social equity would be a source of failures to ensure people's equal opportunities to access into employment and other economic activities, which would obstruct economic improvement. In environmental terms, no attention about the importance of changing the conventional naturally destructive social norm could be seen in the IDGs. This is a big limitation that precludes IDGs from being useful goals for sustainable development.

The discussion so far has put on view economic and social shortcomings of the IDGs. Last but not least, it is meaningful discussing the IDGs' limitation in terms of environmental conservation.

Among the seven goals of the IDGs, only the last one concerns about environmental issues. Although it is beneficial to put environmental conservation in such a set of goals for international development actions, the way environmental problems are portrayed in the IDGs is not biologically sufficient. Being influenced by the overall human-centred perspective of the IDGs, environmental resources mentioned in IDG7 fails to highlight the importance of the conservation of 1) the total environment (which includes comprises closely inter-related natural and man-made factors); 2) the great natural ecosystem (or biodiversity); and 3) the surrounding life-supporting natural environment.

First of all, considering only environmental resources as the subject of reservation, IDG7 left the issues of man-made environment totally out of the set of international development goals. It was a mistake because the impacts of changes in the human-made environment on human life, especially that of the poor, are substantial. Secondly, the expression environmental resources failed to note the importance of biodiversity. When limiting the consideration on environmental resource, the meaning of biodiversity is undermined because many wildlife species are not usually considered resources because they lack economic value, especially in developing countries. If we do not preserve these species for the reason that they are not resources for every-day human use or for any economic production or service activities, humankind will never sustain biodiversity. Last but not least, IDG7 fails to urge for the conservation of the comprehensive surrounding-life-supporting natural environment. Improved water source is essential to human basic needs but there are many more other environmental problems that affect the every-day life of people, especially the poor, like air pollution, sea pollution, and hazardous waste.

In summary, although environmental conservation is taken into account in the last goal of the IDGs the consideration is weak and inadequate. The result of this limitation is that development planners and policy-makers often consider improperly or even ignore environmental conservation issues.

## **Recommendations**

The main findings of this part are that on one hand, it is acknowledged by many that official development assistance to developing countries is necessary and beneficial for sustainable development. This acknowledgement has been consistently confirmed in a range of official international development documents last three decades. On the other hand, the consensus on sustainable development as the most desirable developmental end has been commonly affirmed in ODA policies of all donors, both bilateral and multilateral. However, in practice sustainable development has not yet been the foremost goal of ODA activities. Instead, the attention and support of donors are often concentrated on socio-economic development efforts in developing countries.

Given the reality that in ODA policies environmental considerations are existent but not at the same priority with socio-economic concerns, and that social and economic considerations are often insufficient as social equity, economic efficiency and distribution effectiveness are frequently ignored, it is possible to argue that the development path that donors are presently pursuing is not sustainable.

Therefore, it should be recommended that if ODA is to support sustainable development, there must be a fundamental change in developmental perspective and in the policies of aid donors. In particular, sustainable development as a balance of economic improvement, social cohesion, and environmental protection must become the mainstream developmental approach of all donors and aid agencies.

## **Chapter 4**

# **Government: its linkages with Sustainable Development and ODA**

The two previous chapters have served to discuss major issues of sustainable development and ODA. In those discussions, sound governmental policies were frequently considered to play vital roles in facilitating sustainable development as well as ODA effectiveness. Such popular emphasis on the importance of sound governmental policy leads to a proposition that government has an essential role in making development sustainable and making ODA work for sustainable development purposes. The key task of this chapter is to test and discuss in detail this proposition.

### **The general roles and issues of government**

#### **The concept of government**

Government, in its broadest sense, is a mechanism through which ordered rule is maintained, collective decisions are made and enforced (Coulter 1997:10; Heywood 2000:19). Therefore, forms of government can be identified in almost all social institutions: family, schools, business enterprises, communal organisations, cities and so on (MacIver 1947:31,192). However, in the present thesis, focus is exclusively put on the form of government at national state level, of which the most popular perception has been observed by Heywood:

Government is commonly understood to refer to the formal and institutional processes which operate at the national level to maintain order and facilitate collective action.

(Heywood 2000:19)

The idea here is that government is basically a process (or mechanism). The key features and components of this process (such as legislation, adjudication and execution) were thoroughly analysed by many political researchers such as MacIver (1947), Ranney (1966) and Coulter (1997). One critical point in terms of conception that was commonly emphasised by all of those studies on governmental processes is the relations between government as a process or mechanism with the Government as a certain executive organ practising government and the State as a central subject for government.

While government is, in general, a process of maintaining order and facilitating collective action, the Government is often used to indicate an administrative organ – the ‘political executive branch alone’ (Heywood 1999:64; 2000:19) - of government and is ‘identified more narrowly with the specific group of ministers or secretaries, operating under the leadership of a chief executive, usually a prime minister or president’ (Heywood 1999:64). This typically occurs in parliamentary systems, where it is common to refer to ‘the Blair Government’ (in the UK) or ‘the Labour Government’ (in New Zealand), making the Government equivalent to the Administration in presidential systems (such as that of the United States). Thus, the term government has two different (but interrelated) meanings. It can be used to refer to, as in the words of Ranney (1966:21), either ‘a set of institutions’ (a process) or ‘a particular aggregate of persons’ performing central administrative functions (an executive organ) of a national state.

The state is, however, a broader notion than the government. This distinction was best described by MacIver:

When we speak of the state we mean the organization of which the government is the administrative organ. Every social organization must have a focus of administration, an agency by which its policies are given specific character and translated into action. But the organization is greater than the organ. In this sense the state is greater than and more inclusive than the government. A state has a constitution, a code of laws, a way of setting up its

government, a body of citizens. When we think of this whole structure we think of the state.

(MacIver 1947:31)

Based on such insight into the relationship between the state and government, Coulter (1997) has defined clearer the concept of the state as follows:

The state is defined as having three elements: geographical boundaries, a people unified within those boundaries, and a government that rules over them within those boundaries. A fourth element needed to arrive at the nation-state is sovereignty.

(Coulter 1997:39)

Although the terms the state and the government are often used interchangeably in discussion and writing (WB 1997:20; Heywood 2000:19,42), it is important to always keep the above distinctions in mind when studying issues of government, especially when considering the role of government in the society and development. These distinctions will be revisited later on in this thesis' relevant arguments.

## **The importance of government**

The importance of government has been for long a chief concern of philosophers, political researchers, economists and many other social scientists as well. Plato, Aristotle, Hobbes, Locke, Rousseau, Marx and Engels, Mill are among the most popularly cited classical writers in this issue.

The importance of government has many dimensions. While philosophers (including both economic and political philosophers) tend to focus on the basic rationale of the existence and universal functions of government as an indispensable and sovereign regulator in the society, social scientists such as sociologists concentrate more on particular structural and practical issues of governments in particular social contexts. Economists, in a different way, are

inclined to pay much attention to the potential roles and impacts of governmental intervention in the economy. In general, however, it is possible to identify two major functions of government namely the administrative function and the developmental acting function. Administrative function is the function of government when it plays the role of a regulator in the society and the economy. Developmental acting function is, on the other hand, function of government when it plays the role of a player in the society and the economy, who produces and provides goods and services for the consumption of citizenry. Between these two major functions, is commonly recognized that the earlier is the unique function of government as there is no alternative institution in the society and the economy which can undertake such function. The latter can be seen as the expanded function of government because many of the goods and services that governments are providing today can be alternatively provided by other agents in society and the economy such as private firm or collective organizations. As its administrative function is a unique function of government, it is worth studying the nature and the importance of governmental administration in the human society.

### **Administrative functions of government**

Administrative functions are the core functions of government because it directly serves government to the meet the basic need of law and order of the human society. This need has been observed by MacIver:

Without law there is no order, and without order men are lost, not knowing where they go, not knowing what they do. A system of ordered relationship is a primary condition of human life at every level. More than anything else it is what society means.

(MacIver 1947:61)

The need of law and order is the foremost rationale for people to organise themselves in a state and at the same time the major purposes for them to elect

and obey a state government, as it was concisely summarized in the Preamble to the U.S. Constitution:

... to ... establish justice, insure domestic tranquillity, provide for the common defense, promote the general welfare, and secure the blessings of liberty to ourselves and our posterity...

(cited by Weaver et al 1997:85)

Thus, administration is the core function of government. This is the reason why in defining government, the maintenance and enforcement of ordered rule and collective decisions are always referred to. This recognition is a basis to stress the role of government in the society and the economy, and to call for its better administrative performance.

Nonetheless, administration at state level is not only the core function of government. More importantly, it is the unique function of the government. No institution other than the government could have the capability to administer the state as the government does. Only the government has the authority to make law, make nationally collective decisions, and enforce them. Such unique capacity derives chiefly from its endorsed sovereign right – or sovereignty, which has been defined by Coulter:

Sovereignty has been described essentially as the absolute, indivisible, and complete power of the state government over the people in its state. There should be no higher authority. Sovereignty is justified as necessary to rational rule in order to prevent chaos.

(Coulter 1997:39)

The above perception of Coulter was about the sovereignty of the government over the people in its state and thus was about the sovereignty of the government at national state level only. At international level, however, such sovereign right of a government is considered as the sovereignty of the state in international relations. The principle of sovereign equality (Charter of United

Nation - Articles 2 and 78) ensures a state an autonomous and independent agent in international relations.

As no other institution has the same sovereignty as government at both national and international levels, the administrative function of government is unique and constitutes the important role of government in administering the state and cooperating with other governments in administering the world. Administration is the basic and important function of government.

### **Government as a goods and services provider**

The previous section has discussed the importance of the administrative function of government, which includes the legislation, adjudication, and execution of law. Many people may consider law and order are nothing but a sort of public good or service (WB 1997:27) and thus government's administrative function is included in to the its general role of providing public goods and services.

However, law and order provided by the government is not to primarily serve to the well-being, security, and the satisfaction of other human needs and wants. They are primarily for influencing human behaviours and decisions. Therefore, this thesis intends to separate administrative function of government form its general function of providing goods and services.

Traditionally, government is expected to provide only public goods such as defense and education for citizenry (Smith 1776-cited by WB 1997:20). The provisions of those public goods are very unique and important role of government because individuals and other institutions of the society namely the market and the civil society will not have incentive and capability to provide them. However, today the functions undertaken by the state has expanded dramatically (WB 1997:19). Governments today are not only regulators and providers of critical public goods but have been increasingly working as actors in the development field worldwide (WB 1997:17). They have started to guide

foreign trade, redistribute income, and operate social insurance (WB 1997:20,21). Further than that, they have also started controlling, intervening, and undertaking economic activities of the market, as Goldin and Winters have observed:

[A] great deal of investment had been directed or financed by government in most countries: in road and other communication systems, in power networks, in water supply and sanitation, in health, education and research. The role of government has been of crucial importance in maintenance as well as in investment.

(Goldin and Winters 1995: 103)

The major reasons for the public to support developmental activities of the government is the desire of development and the belief in the capacity of government to generate desirable development, as Weaver et al put it:

Everywhere in the world today ... the people expect the government to produce development. Governments that are able to bring about development can gain increased legitimacy from their performance. Conversely, failure to produce development eats away at rational-legal legitimacy. Even constitutionally elected governments that are unable to provide development for their citizens find themselves resorting increasingly to patronage and force to maintain their hold on power, while growing more vulnerable to an unconstitutional overthrow.

(Weaver et al 1997:92)

Recently, much work has been done to discuss the developmental roles of the state. Notable researches are those of Jones (1979), Hill (1982), Aoki et al (1997) the World Bank (1996, 1997, 1998). Based on the findings of those researches, it is possible to categorise developmental functions of the modern state into two groups: core functions and expanded functions. Minimal or core functions include the provisions of pure public goods including defense, law and order, property rights, macroeconomic management, public basic health and education, and the protection of the poor such as the provisions of disaster relief (WB 1997:27). Expanded functions comprise basic education,

environmental protection, antitrust policy, health and social insurance, financial regulation, consumer protection, and social benefits provisions (WB 1997:27).

## **Government and Sustainable Development**

### **An overall observation from the literature**

Reviewing the literature, it is found that government is widely held to play a fundamental role in building sustainable development. For example, in the Preamble of Agenda 21 (UNCED 1992), it is proclaimed that the successful implementation of the Agenda as an action plan for sustainable development 'is first and foremost the responsibility of governments'. In the landmark documents of sustainable development such as Brundtland Report, the Rio Declaration on Environment and Development (UNCED 1992), and Agenda 21, the roles of government have been consistently highlighted.

Acknowledging the supreme role of government in development, in its Principle 2 the Rio Declaration on Environment and Development affirms:

States have, in accordance with the Charter of the United Nations and the principles of international law, the sovereign right to exploit their own resources pursuant to their own environmental and developmental policies, and the responsibility to ensure that activities within their jurisdiction or control do not cause damage to the environment of other States or of areas beyond the limits of national jurisdiction.

(UNCED 1992- Principle 2)

The important role of government in sustainable development is then boldly confirmed and clearly described in almost all principles of the Declaration (with total 27 principles). Governmental roles include national governance roles (Principles 8, 11, 13, 18 and 22), international cooperation roles (Principles

5, 7, 9 and 27), economic intervention roles (Principle 8 and 12), social intervention roles (Principles 8, 9, 13, 22 and 24), and environmental intervention roles (Principles 10, 11, 14, 15, 18, 19, and 26).

However, not much attention in the literature has been paid to distinguish these two groups of functions of government. Brundtland Report, for instance, stressed the important role of governments in sustainable development without differentiating their administrative and intervention roles. In particular, the Report inclusively emphasised governmental roles in a range of sustainable development tasks such as 'providing the legal means', 'getting at the sources', 'investing in the common future', and 'dealing with effects' (WCED 1987:20-21 and chapter 12).

According to the Report, '[g]overnments must begin... ensuring that their policies, programmes, and budgets support development that is economically and ecologically sustainable' (p.20) and 'should also reinforce the roles and capacities of environmental protection and resource management' of its agencies (p.319). Not only governmental policies but also its developmental programmes and budgets are together figured to be important to sustainable development. These requests are solely based on the recognition of the unreplaceable position and function and the inherent power of governments in both developmental administration and intervention. The Report thought that governments play key roles in stabilise development processes in general and have, in particular, 'the greatest influence on the form, character, and distribution of the impacts of economic activity on the environmental resource base' (p.311). The Report also explained further the unique and vital role of the governments and its official agencies in building sustainable development by saying:

It is these agencies through their policies and budgets, that determine whether the environmental resource base is enhanced or degraded and whether the planet will be able to support human and economic growth and change...

(WCED 1987:312).

In a nutshell, mainstream opinion in the field of development about the connection between government and sustainability can be interpreted as follow. Due to sustainable development' chief concerns over collective issues such as poverty and distribution, equity and equality, as well as common cultural and natural assets, and additionally due to the relevant indispensable function and responsibility of government, it is no doubt that government plays a decisive role in making development sustainable.

### **A closer look at the debate**

Nevertheless, arguments on the role of government in sustainable development processes in the literature are not all homogeneous as they are derived from many diverse perspectives and concerns. One who is close to these arguments would perceive the increasing criticism against the political nature and existing social and economic intervention extent of governments.

For example, a popular opinion about the limitation of democratic governments in supporting sustainable development has been summarised by Beder:

Governments tend to act to satisfy the current concerns of voters rather than the long-term welfare of voters, their children and the environment. They are elected for short terms of office, and then face another election in which they are judged on their performance over the previous three or four years. This seldom leads to long-term decision-making

(Beder 1996:282)

As regards the economic role of government, it is prevalent the request that government should reduce its legislative interventions into the economy, replace legislation by market instruments and give way for the market to play its roles (Beder 1996:117). Such recommendation seems to abate the role of government in economic processes. In addition, as governmental legislative interventions into the economy often include governmental social and environmental legislation, economic arguments in many cases attack not only

economic but also social and environmental conservation roles of the governments (WB 1997). This criticism is allied by a range of social arguments on the disadvantage of governmental top-down approach and mechanism in facilitating sustainable social betterment (i.e. poverty alleviation or equitable distribution) such as those of Friedmann (1992) and Fernando et al (1997). The resulting proposal of these social arguments is that the civil society, major groups (such as women and youths), and non-governmental organisations should be empowered and empower themselves to actively gain their voice, play their roles, and facilitate effective bottom-up mechanisms in development processes (Friedmann 1992; Karl: 1995; Fernando et al 1997).

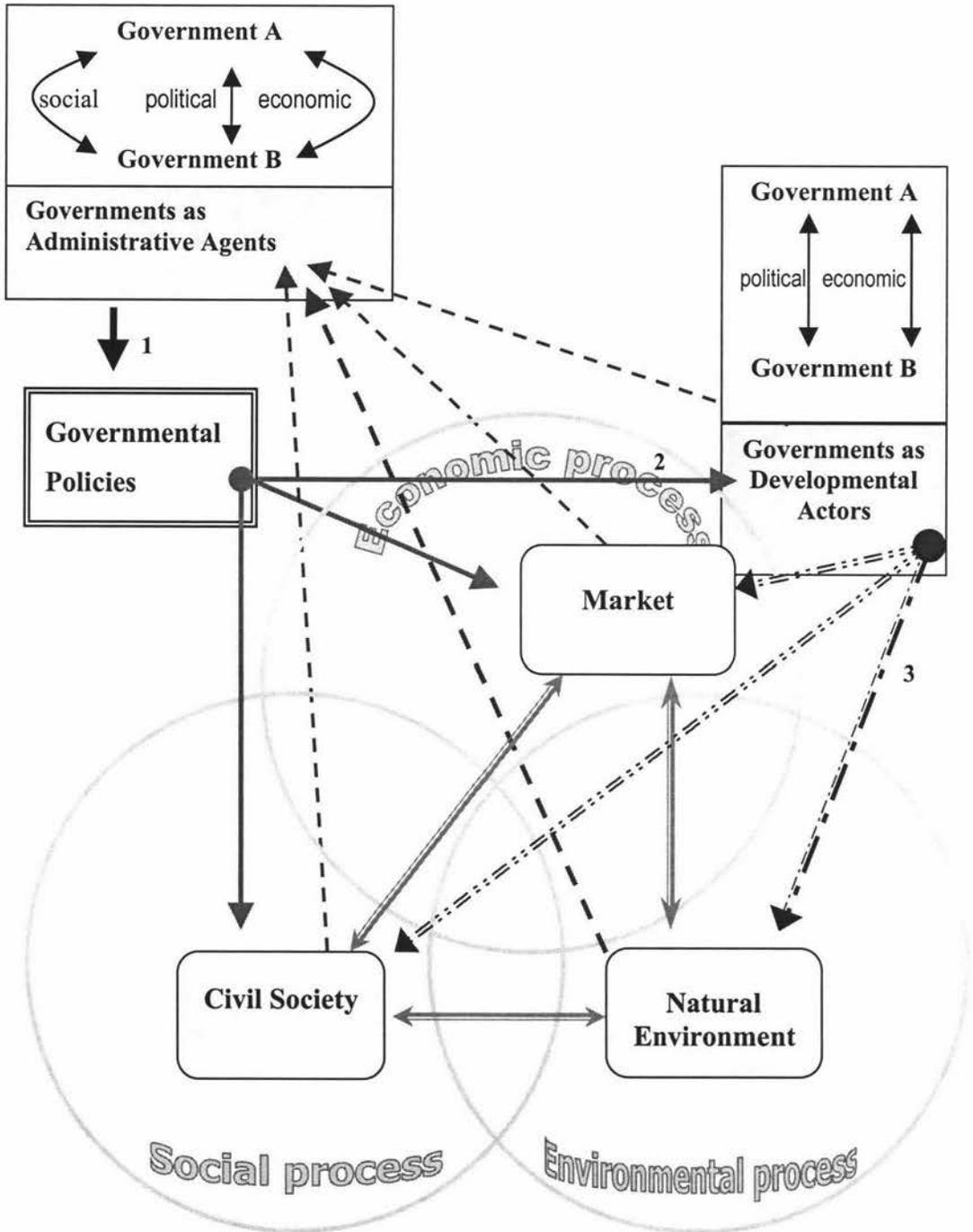
Such increasing attention to the market and civil society in the literature leads to a widespread doubt in the role of government in sustainability. The answer to this doubt is, however, rested in the differentiation between the two principal developmental functions of government broached earlier, namely administrative agent and developmental actor. Understanding these two functions of government and their impacts on all economic, social, and environmental conservation processes is the key to realise governmental role in sustainable development.

### **Conclusion on the roles of government in sustainable development**

A systematic approach to the linkage between government and sustainable development can be summarized as in Figure 4.1. As the Figure demonstrates, government affects sustainable development processes in two different ways: as administrator and as developmental actor.

As an administrative agent, government uses policies to influence economic, social, and environmental processes through actions of the market and the civil society. Governmental policies are exclusive products of governmental administrative activities. These policies are also the key means for

Figure 4.1 Governments and development processes



governments to act as administrative agents in the society in general and in development processes in particular.

Governmental policies have direct influence to the market and the civil society, and the activities of governmental developmental agencies as well. As regards the link between governmental policies and the nature, it can be said that although governmental policies does not indirectly impact the nature, they can significantly affect the environmental consequences of economic and social activities of the market, the civil society, and state-owned developmental agencies. It should be noted here that the most direct way for government to affect the nature is through their policies and developmental agencies (1,2,3 in the network).

Although developmental policies are exclusive products of government, it does not mean that the market and the civil society have no influence over governmental policies. Governmental policies do reflect concerns, interests and issues of the civil society and the market. However, those feedback from the civil society and the market are reflected in governmental policy only after going through the administrative process of government. Therefore, government as administrative actor has a supreme role in making policies directing sustainable development processes. The civil society, the economy and even governmental developmental agencies can affect these policies but not directly.

As governmental policies affect all social, economic, environmental processes and their linkages they have an important role in sustainable development. As a development actor, government's developmental agencies (governmental development actors) are, on the other hand, heavily under influence of governmental policies and fairly independent from the market and the society in comparison with other agents in the market and social organisation. Activities of governmental developmental agencies affect economic processes, the market, social processes, and the civil society, the nature and ecological

processes directly. However, due to their relatively autonomous position from the market and the civil society governmental agencies' socio-economic and even environmental conservation/exploitation activities are the subjects for much criticism. Some popular critical arguments are that governmental developmental activities are inefficient in economic terms, not grassroots and the poor oriented, and politically rational rather than based on actual socio-economic and environmental needs (WB 1996, 1997).

Acting as economic agents, they affect the market in general and other economic agents in particular. It has been long debated by economists about the roles of governmental sectors in the market. The general conclusion is that they defect the free-market and the recommendation is that they should reduce their activities. However, another group of arguments is that state-owned sectors can help in fixing market failures.

Nevertheless, despite criticism concerning state governments in their roles as developmental actors, especially those of developing countries, governments remain considerable forces in economic development, as well in social processes. Accordingly, their economic, social, and environmental roles remain significant. One cannot underestimate these roles of governmental development agencies.

In short, it is reasonable to conclude that government plays very significant role in sustainable development. As an administrative agent, government has an irreversible, supreme and important role in regulating sustainable development. Members, political parties, and administrative regimes of the government may change but the general administrative role of government in the development process is permanent. However, as developmental actors, governmental agencies play, however, different kinds of roles in development processes. The roles of government as development actors at the present time are still considerable but they are subjects to change. Where and how to change is the question that people doing development studies need to think about.

## **The link between government and ODA**

As ODA flows and activities are those that are administered by governments and government agencies, it is no doubt governments of donor and recipient countries are the foremost players in ODA field. However, if one looks at the whole picture of ODA it is apparent that governments are not only players in the field. Besides governments of donor and recipient countries, other important agents involving ODA resources and activities are:

1. International developmental agencies;
2. Tax payers in donor countries, which are customarily referred to as the public in donor countries;
3. Suppliers of ODA related goods and services, which are normally based in donor countries;
4. Non-Governmental Organisations, many of which base in donor countries;
5. Beneficiary organisations in recipient countries, which include economic and social institutions and groups;

These five groups play different roles in ODA activities but all of them are important players in ODA field.

First of all, international developmental agencies are distinctive institutions from national governments that play a vital role in development assistance field. As donor developed countries always considered themselves democratic, opinions of tax-payers in donor countries are said to have consequential impacts on ODA giving decisions of donor governments. The public in donor countries thus can be considered a decisive factor affecting the generation and provision of ODA resources. Suppliers of ODA related goods and services in donor countries are, in another front, important as the quality of their goods

and services decides the effectiveness of ODA resources and activities in the Third World. As pointed out by Nishigaki and Shimomura (1998), in many cases aid funds do not go to recipient countries but are paid to these suppliers for their provision of goods and services to developing countries under “ODA contracts” between the donors and the suppliers.

Non-Governmental Organisations (NGOs) are increasingly active forces in the ODA field. There are many NGOs now expanding beyond their national origins to become international NGOs with widespread acting scale and scope. NGOs are in fact enlarging sources of aid funds to the Third World. But as their aid flows namely NGO-aid are regularly not considered ODA, their roles as donors will not be discussed in this thesis. However, as mentioned elsewhere earlier, many NGOs are now working as ODA delivery and management agents. With the advantages of their voluntary forces, grassroots expertise, and adaptable working systems and networks they are increasingly believed to hold the answers to ODA effectiveness issues. Some of ODA’s goals such as capacity building, grassroots empowerment, and social participation are recently thought to be best achieved by NGOs actions. In addition, NGOs are famous for the ability to raise public awareness in donor countries about Third World problems in general and ODA issues in particular. According to Helmich et al (1998):

Much more work is being done by NGOs to explain development and development assistance to the public, than is being done by governments.

(Helmich et al 1998:22)

In short, as a dynamic force of the civil society, NGOs are gaining their irreplaceable position and voice in development discourse and particular in ODA field of activities.

We have so far talked about three distinctive groups of players in ODA field. They, nonetheless, share one common feature: belonging rather to donor side. In the recipient side, however, not only recipient governments are considered

ODA stakeholders. Those who are close to ODA issues would agree that there beneficiary organisations in recipient countries should be regarded as a separate group of players in ODA field. The beneficiary organisations, which include economic and social institutions and groups, are targets of a sizeable amount of ODA funds. They play very essential roles in ODA project identification and implementation. These beneficiary organisations' capacity to best utilise aid funds are the objective and at the same time the key for the success of ODA attempts.

We have so far briefly reviewed different roles of five major ODA player groups beside national governments of donor and recipient countries. One conclusion could be drawn from the review is that although overlaps are existent in general the five groups play different roles in different parts of the ODA filed. However, none of them can work independently from national governments. More significantly, in principle none of them have sufficient capacity to manage the whole ODA process from ODA attraction/generation through allocation to implementation. This is to highlight that governments of donor and recipient countries do have very important roles in the ODA business. Other players can play supplementary roles to compliment to governmental attempts but cannot replace governments. In addition, governmental support is crucial for these supplementary players to succeed in their endeavours to assist the needy in the Third World.

Some major roles of governments in ODA activities will be now discussed. First of all, donor governments have a decisive roles in generate ODA funds to developing countries. As discussed earlier, in political speeches it is often claimed that governments provide ODA funds based on the desire of their people. However, the volumes and directions of ODA funds are in fact far autonomous from public awareness and knowledge.

As studies on public attitudes, knowledge, and opinions have revealed:

Spending on public information about development and development assistance is almost scandalously low, given the size of development aid budgets. Not surprisingly, therefore, public knowledge about development and development assistance is shallow in most DAC Member countries.

Most people thought that their governments spent as much on aid as it did on social security and medical care.

(Helmich 1998:22)

For example, respondents to a poll on US public attitudes towards US ODA in 1993 believed on average that the US government was spending 30 per cent of the Federal Budget on foreign aid (Helmich 1998:22). In fact, the figure was only 0.1%.

Thus, it is misleading to argue that the volumes of ODA flows are dependent on public sentiment in donor countries. It is the donor governments who have decisive roles in deciding how much aid should be offered. A similar way of reasoning has been found in the literature in arguing that donor governments play the same roles in making decisions about to whom, for how long, for to what purposes their ODA is directed. In addition, donor governments also have key roles in deciding who and the extent of involvements of NGOs as well as suppliers of goods and services in ODA programmes and projects. Although international development agencies are highly respected in terms of developmental expertise and techniques, they are very much dependent on donor governments in sources of funding and even directions of activities. The right of donor governments to intervene into the business of multilateral aid agencies has been acknowledged by DAC:

There is a need for close co-operation between recipient governments and the multilateral lead agencies but the processes of consultation and co-ordination should provide an opportunity for bilateral donors to express their views during the formative stages of policy and programme consultations between recipients and international agencies.

(DAC 1992:8)

Therefore, it is important to recognise the decisive roles of donor governments in making ODA-giving decisions.

While donor governments play many important and decisive roles in shaping the ODA business, they certainly can not ensure that the ODA resources and activities they have given would effectively bring about the outcomes that they wanted. In realizing ODA effectiveness, recipient governments are essential actors besides the donor counterparts.

It is clear that recipient governments have little power to influence ODA-giving decisions of donors. However, as they have the sovereign rights in international relations and especially in their own development processes recipient governments have predominant roles in planning, utilizing, and managing in-flowing ODA resources into their countries. Therefore, recipient governments perform a decisive role in co-operating with donors in deciding the purposes, targets, and beneficiaries of ODA resources into their countries. In discussing the principles for effective aid, the DAC has recognised that recipient governments are vital in terms of ODA coordination, utilization, and management. It stated:

Central responsibility for aid coordination lies with each recipient government...[and] better investment management and resource use in developing countries are essential for more satisfactory economic and social development...;

(DAC 1992:8,9)

In order to discuss further on more specific roles of a recipient government in facilitating ODA effectiveness, especially for the sustainable development purposes, it is believed that an actual case of a particular ODA recipient developing country needs to be put on focus. This thesis chooses Vietnam – a developing country, an economy in transition, and an ODA recipient – to be the case to study. In the following Part II of the thesis, the on-going discussions

so far on issues of sustainable development, ODA, and the role of government will be further explored against the development context of Vietnam.

## **Part II**

# **Government, ODA, and Sustainable Development in Vietnam**

## **Chapter 5**

# **Background Information on Socio-Economic Transition, ODA, and Government in Vietnam**

In the previous chapters, general issues of sustainable development, ODA, and government have been discussed and their linkages have been reviewed. From this chapter, focus of the thesis will move to the linkages between issues of sustainable development, ODA, and government in the case of Vietnam.

This chapter, in particular, will provide background information on the geographical, social, and political (governmental) settings of Vietnam, its modern development context and ODA relations in order to serve as a foundation for later discussions on the roles of government and ODA in sustainable development in the country in subsequent chapters.

### **The country of Vietnam**

Vietnam is located in Southeast Asia with an area of 331,738 square kilometres, stretching along the west of South China Sea from China to the Gulf of Thailand. Vietnam borders Laos and Cambodia to the west. In 2000, the country had a population of about 78 million people and an average annual population growth rate of 2 percent, being the second most populous country in Southeast Asia (after Indonesia) and the 13<sup>th</sup> in the world (GSO 2000). Despite initial success in industrialising the economy, Vietnam retains a large rural area with 76 percent of the population living in rural area (GSO 2000) and two thirds of the workforce engaging in agricultural activities (IMF 1999a).

Most inland border areas are mountainous and sparsely populated. Ethnic Vietnamese (Kinh) account for about 87 percent of the total population, and live mainly in the major delta areas and coastal plains. The remainder of the population consists of 53 ethnic minority groups, generally located in the mountainous areas (IMF 1996).

The two delta areas of the Red River in the north and the Mekong River in the south are the most densely populated regions of the country. The two largest cities, Ho Chi Minh City (4.5 million people), and Hanoi (2.5 million people), account for about 47 percent of the urban population (IMF 1996, 1999b). The country's most notable comparative advantages include a low-cost, highly disciplined and literate labour force, a diverse natural resource base, and a strategic regional location for business and trade (IMF 1999a).

Vietnam's natural resources include limited but productive agricultural land, oil, coal, and a variety of mineral resources, hydro-electric potential, forests and marine resources. The total land area of the country is approximately 331,100 km<sup>2</sup>. About 23 percent of the land is cultivated and 28 percent is classified as forest and woodland. The climate is predominantly tropical, but sub-tropical northern areas experience cool winters. The central region and parts of the northern coast are exposed to frequent typhoons. In general, its natural resources valued on a per capita basis are relatively limited (IMF 1996, 1999a, 1999b).

## **Political structure and government in Vietnam**

Following reunification of North and South Vietnam in 1976 Vietnamese leaders attempted to organise the country's political systems (and economic systems as well) along orthodox Soviet lines of the former Soviet Union. The shift towards a market-oriented economic system in recent years has coincided with some less dramatic changes in the political structure.

## **The Communist Party**

In political terms, the Communist Party is the only and leading party of the State and the society of Vietnam. The leadership of the Party was first affirmed in the 1980 Constitution and is still recognized in the recently adopted 1992 Constitution (hereinafter the Constitution).

The Communist Party of Vietnam, the vanguard and general staff of the Vietnamese working class, armed with Marxism-Leninism, is the only force leading the State and society;

(1980 Constitution Article 4)

The Communist Party of Vietnam, the vanguard of the Vietnamese working class, the faithful representative of the rights and interests of the working class, the toiling people, and the whole nation, acting upon the Marxist-Leninist doctrine and Ho Chi Minh's thought, is the force leading the State and society.

(1992 Constitution Article 4)

Although in the new Constitution the Party is not considered 'only' in terms of force leading the State and society, in deed it remains the only political party in Vietnam today. Its ideology profoundly influences political, social as well as economic life of the country. For example, democratic centralism is the principle governing the organization and activity of the National Assembly, the People's Councils, and all other State organs (1992 Constitution - Article 6).

The National Party Congress, of which the meeting is held every five years, is the highest leading body of the Party. The Congress nominates a Central Committee of the Communist Party of Vietnam (with 170 members in 1996). The Central Committee in turn elected a new Political Bureau (Politburo) of the Party (18 members in 1996). Finally, as an innovation of the Eighth Party Congress 1996, a five-member Politburo Standing Committee was created, in order to maintain operational contact with the day-to-day management of the State. The Central Committee generally meets twice a year in plenary sessions,

to review, among other things, the implementation of the resolutions adopted by the Party Congress and to discuss important issues of Vietnam's socio-economic development. The Politburo is the most important executive organ of the Party and issues resolutions according to the lines recommended by the Congress and the Central Committee. These resolutions are indicators of future policy directions of the Government.

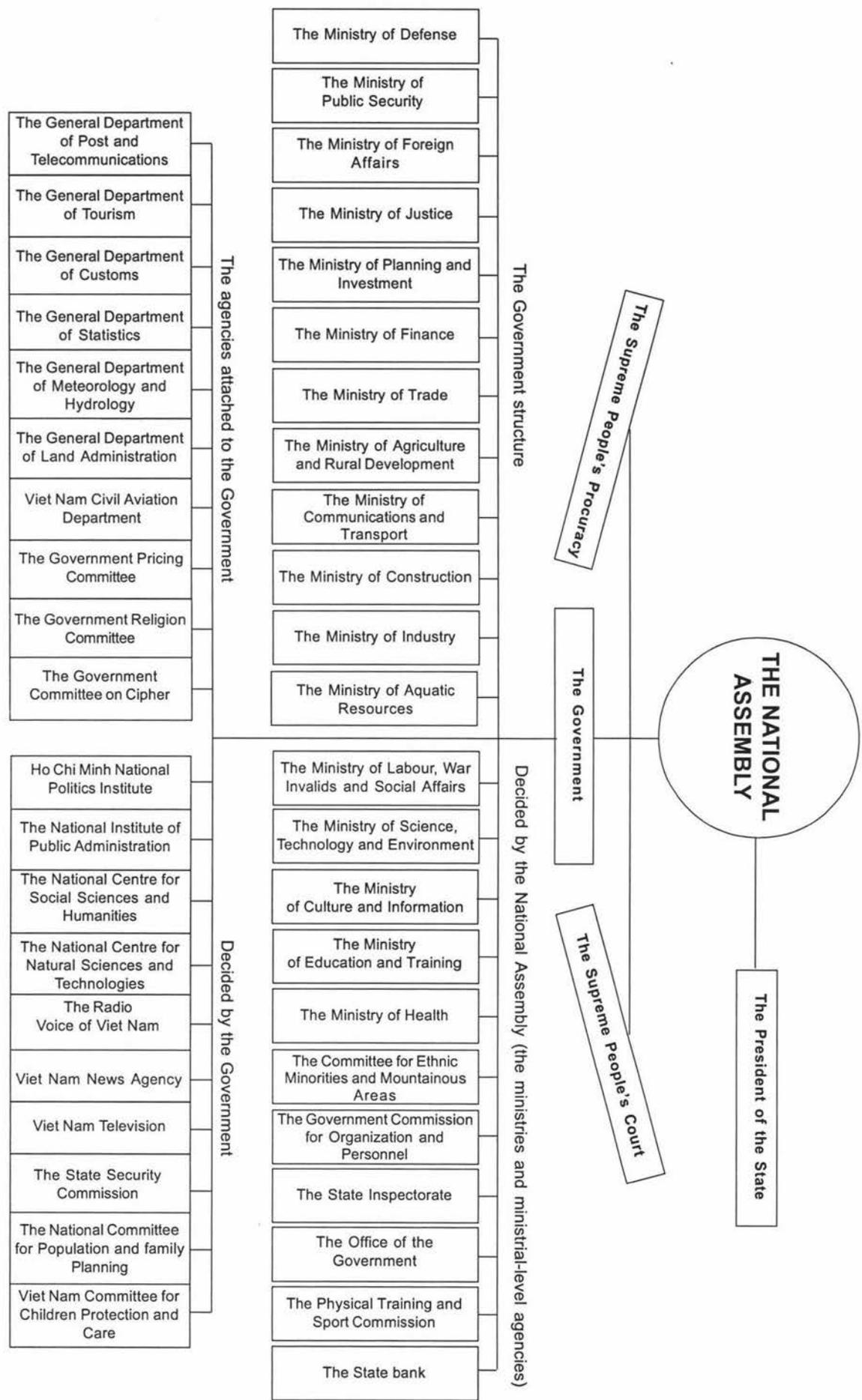
At the grassroots level, the link between party authorities and the people is ensured by various mass organisations which are grouped under the roof of the Vietnam Fatherland Front, such as the Women's Union, the Peasant's Union, the Youth Union, and the Union of Peace, Solidarity and Friendship Organisation. These mass organisations are intended to provide a forum for their members to articulate views and opinions about the ongoing political, social and economic processes in the country.

### **The National Assembly**

The National Assembly is the highest representative organ of the people and the highest organ of State power of the Socialist Republic of Vietnam. It is the only organ with constitutional and legislative powers (1980 Constitution, 1992 Constitution). Following the adoption of a new Constitution in 1992, the National Assembly acquired enhanced legislative and oversight powers. Non-Party members were elected in the general election of 1992, and since then the spirit of the Constitution has translated into an increase in the power and independence of the National Assembly (UNDP 1998).

According to the Constitution, members of the National Assembly are elected by universal and direct suffrage through secret election. Each legislature lasts five years. The National Assembly meets twice a year (the Standing Committee of the National Assembly acting on its behalf at other times) and has the authority to approve ordinances. The National Assembly elects, and has the power to dismiss, the members of the Standing Committee, which include the

**ORGANIZATION OF THE STATE APPARATUS**  
(The 1997-2002 tenure)



Prime Minister, the President and Vice-President of the State. Other members of the Standing Committee are the Chairman, the Chief Justice and the Chief Prosecutor.

## **The government**

The Government of Vietnam is the executive organ of the National Assembly and the supreme administrative organ of the State. It is currently divided into four levels of administration: (i) central; (ii) provincial and urban authorities; (iii) urban precincts and rural districts; and (iv) urban wards and rural communes. The Central Government is headed by a Prime Minister, who is assisted by five deputies. There are currently 17 line Ministries, and 9 State Committees or equivalent institutions, the most prominent being the Office of the Government and the State Bank of Vietnam. Another 26 Subordinate Committees and General Departments responsible for such fields as customs, statistics and land administration, complete the structure of the Government at the central level. The main institutions of the judicial system are the Supreme People's Court and the Supreme People's Procuracy.

A more detailed introduction about the governmental setting of Vietnam can be seen in Figure 5.1. Such unique political setting of Vietnam significantly affects the direction and pattern of the development process of the country. A general overview of the country's development in the modern time will now be exposed.

## **Vietnam in transition**

Since her re-independence<sup>8</sup> in 1945, Vietnam has had a distinct historical evolution. Soon after gaining independence she fell into long-lasting wars until

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<sup>8</sup> Vietnam has recorded history as an independent nation since 1010, see SarDesai (1994) for historical evidence.

1975. This historical background strongly affected her economic, social and environmental development. The development path of Vietnam since 1945 has gone through three periods: a period of wartime (with a war economy and divided society) from 1945-1975<sup>9</sup>, a period of post-war macro economic crisis from 1976 to 1985 and from 1986 till now a period of significant economic and social reforms. The last fifteen years since 1986 was a period of remarkable economic performance (WB 1999a, 2000a, 2000b).

After thirty years of war and ten years of economic mismanagement<sup>10</sup>, by the mid 1986, it was clear that major reform of the economic system was required if the country was to avoid complete collapse. In 1986 the socio-economic reform (*doi moi*) adopted by the Vietnamese Communist Party officially began. Initially, the reform measures were implemented slowly but their early success encouraged the government to accelerate the process further (Harvie and Tran 1997). Today, it is possible to say *doi moi* was 'the most significant turning point in the development process of Vietnam' (UNDP 1999a:7). The key for the success of *doi moi* so far is the Party and the government's explicit recognition on failure of central planning (UNDP 1999, 2000b). The *doi moi* policy for a comprehensive renovation of Vietnam's society and economy based on three fundamental elements:

- 1) the shift from a centrally planned to a market-oriented economy with State management;
- 2) the "democratization of social life", with the aim of developing the rule of law in a State of the people, by the people and for the people; and

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<sup>9</sup> See for more historical information: SarDesai 1994

<sup>10</sup> After reunification in 1975, Vietnam attempted to develop a centrally planned economy based on collective farming and development of heavy industries. These economic policies led to a drop in agricultural production, imbalanced economic structure, and social dissatisfaction (Harvie and Tran 1997).

3) the implementation of an open door policy and the promotion of co-operation and relations for peace, independence and development with all countries.

(Tran T.D. 1999)

Since then, in more than a decade, Vietnam has undergone dramatic economic and social transformation.

### **Economic growth and socio-economic transformation**

*Doi moi* has had significant impact on Vietnam's economic development. Vietnam has emerged as a successful transition economy. Once known by the world for her long lasting wars, Vietnam is now mentioned as a potential trading partner and a place for foreign investment. A high GDP growth rate was attained in the mid-1990s and it has been accompanied by FDI inflows and well-performing external sector (IMF 1999a, GSO 2000).

Vietnam's economic growth over the last 15 years followed a hump-shape. From 1986 to 1991, GDP grew at an average rate of less than 5 percent per annum (see Table 5.1). This period witnessed the weakening of the traditional export market in Eastern Europe, a cut in foreign aid from the former Soviet Union, and the absence of international assistance from international financial institutions (IMF 1996). FDI was almost non-existent in these years, as the Law on Foreign Direct Investment was not in place until 1988. Low levels of production together with monetary mismanagement in the mid 1980s led to hyperinflation in this period of more than 700 percent a year in 1986, and this remained at a three digit level over the following two years (IMF 1996, GSO 2000).

Strong economic reforms, initiated against this background, have played an important role in bringing the country out of the economic crisis. The stabilisation program adopted in 1989 helped control inflation to a two-digit

level by the early 1990s and further reduce it to a more stabilised level. The move towards Asian markets of Japan, Singapore, Hong Kong, Taiwan and South Korea and also increasingly Western Europe diversified Vietnam's export markets and offset the loss of her traditional market of Eastern Europe (GSO 2000).

**Table 5.1: Macroeconomic indicator of Vietnam, 1986-2000**

Year	GDP growth rate (%)	Inflation (%)	Export growth rate (%)	Import growth rate (%)	FDI inflows (US\$ million)
1986		774.7			
1987	3.66	231.8	8.24	13.92	
1988	5.9	393.8	21.55	12.26	
1989	8.53	34.7	87.48	-6.93	
1990	5.1	67.5	23.54	7.29	120
1991	5.96	67.5	-13.19	-15.04	165
1992	8.65	17.4	23.62	8.64	333
1993	8.07	5.2	15.70	54.49	923
1994	8.84	14.4	35.81	48.45	1631
1995	9.54	12.7	34.39	34.16	2236
1996	9.34	4.5	34.54	34.11	1828
1997	8.8	3.2	26.49	12.03	2400
1998	5.8	9.2	0.91	-3.00	1900
1999	4.8		23.34	2.04	693(?)
2000	6.7	-0.6	23.99	30.79	1514(?)

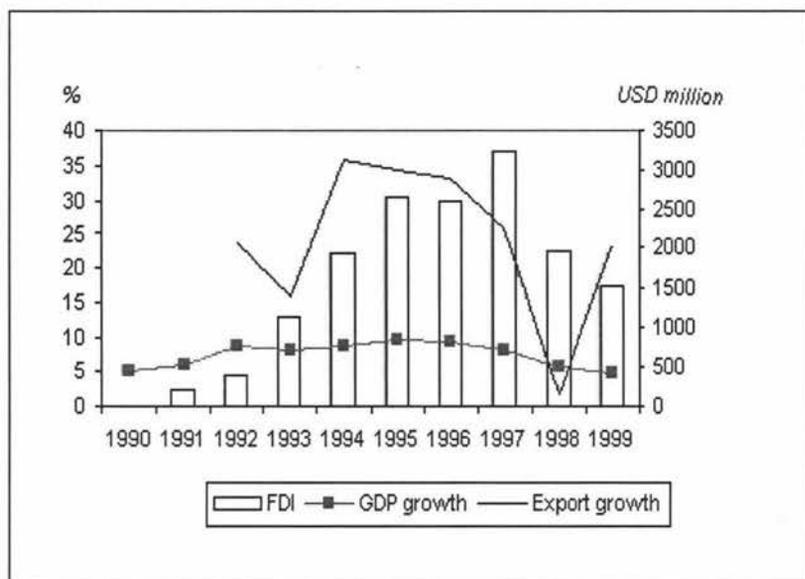
*Source: GSO various issues*

From 1992 to 1997, Vietnam's GDP expanded at an average rate of 9 percent. This period saw a boom in FDI, export and import and a series of major reform policies. Output per worker also increased rapidly, but mainly reflected capital-intensive investment in the SOE sector (IMF 1999a, WB 1999a). The high growth rate of this period has been attributed to private consumption and FDI inflows (IMF 1999a, GSO 2000) and is often referred to as the high growth era (ADB 2000a, WB 2000b).

However, the high-growth period essentially ended in 1997 when the Asian economic crisis hit Vietnam hard. FDI inflows (of which 67 percent comes from the Asia-Pacific region- CIEM 1999) dropped dramatically, having serious adverse impacts on industry and services. In 1998, the growth rate

decelerated to 5.8 percent followed by a further fall to 4.7 percent in 1999. In 2000, GDP growth picked up and was estimated at 6.7 percent, being higher than the planned rate of 5.6% (GSO 2000).

**Figure 5.2 GDP, Export Growth and FDI of Vietnam 1990-1999**



*Source: Vietnam Living Standards Survey 1997/98 (GSO 2000)*

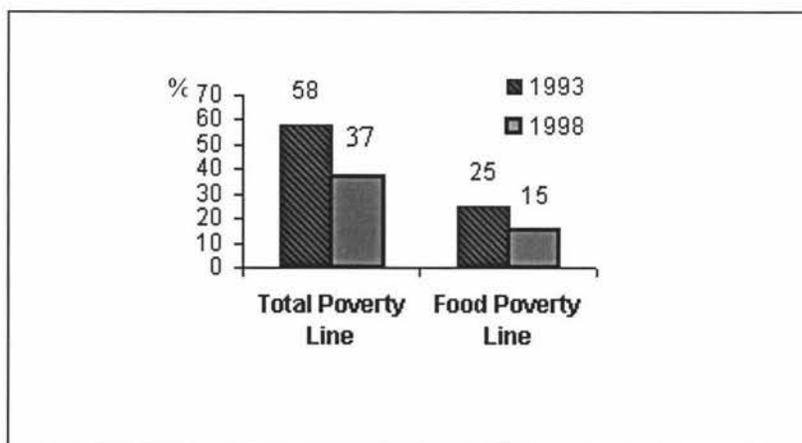
Besides economic improvement, social betterment is another outstanding achievement of the process of transition in Vietnam in the last fifteen years (WB 1999a, 2000b). The most significant positive sign is that rapid and widespread economic transformations did not cause sizeable harmful impact on the society of Vietnam. The society remains fairly stable and further than that, poverty was sharply reduced and people’s general living status and welfare have significantly advanced. According to national household surveys, poverty dropped dramatically declined in Vietnam between 1993 and 1998 (Figure 5.3) and poverty decline took place fairly equally in different regions of the country (Figure 5.4). In reviewing the 1990-1999 decade of development in Vietnam, the World Bank has marked:

Almost all indicators of human well-being have improved markedly throughout the 1990s, and Vietnam has generally outperformed countries at similar income levels. For example, its net primary school enrollment rate (92

percent) and its adult literacy rate (94 percent) are amongst the highest in the developing world. Similarly its infant mortality rate (37 per 1,000) and its life expectancy (67 years) are significantly above international norms.

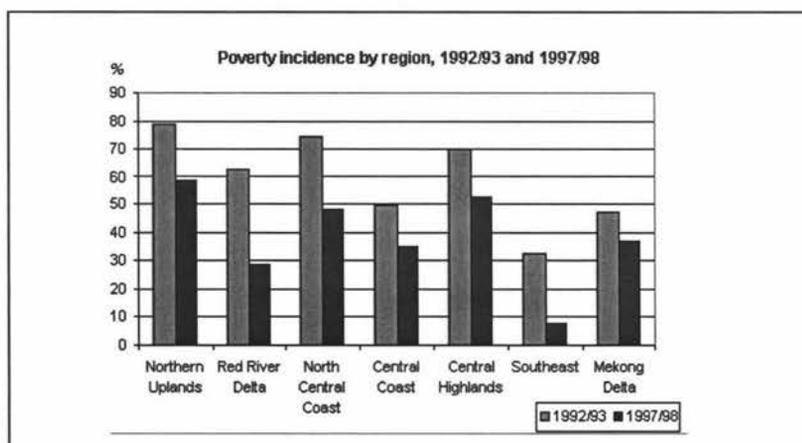
(WB 2001:14)

**Figure 5.3 Changes in poverty incidence in Vietnam 1993-1998**



Source: GSO (1999), Vietnam Living Standards Survey 1997/98, Hanoi

**Figure 5.4 Poverty incidence by region of Vietnam 1992/93 and 1997/98**



Source: GSO (1999), Vietnam Living Standards Survey 1997/98, Hanoi

## **Environmental conservation**

The previous two sections have served to realize the extensive impacts of socio-economic reforms in improving and expanding economic and social activities in Vietnam over the last fifteen years. These reforms have been successful in generating strong economic growth and rapid social modernisation. However, these initial socio-economic achievements have, at the same time, created visible threats to the country's environment. The fact that despite 'general recorded great and very important achievements' in economic, social, and political terms, 'the living environment is increasingly polluted' (CC 2001) has been acknowledged by Vietnamese leaders in their review of the situation of the country during the decade 1991-2000 in the Strategy For Socio-Economic Development 2001 – 2010.

In economic terms, in present and the next decades, industrialization and modernization is and will continue to be the development trend in Vietnam. The emphasis on industrial development, especially the sectors of power, transportation, coal and construction materials, poses a lot of risks of natural environmental destruction and pollution. In social terms, increases in consumption and urbanization are the two most important trends that directly endanger the living environment.

Responding to these problems, as can be observed from issued governmental policies, the Government has considered a rich range of measures, from regulatory (development of institutional and legislative framework, capacity-building, strengthening international cooperation and implication of international treaties), economic (market-based instruments to be applied in parallel with "command-and-control" ones), to communicative (awareness raising, training and education, information management) measures.

All of these three groups of action have been implemented in practice but at different extents. *Environmental conservation communication programs* have been carried out using mass media, leaflets, issue study competitions, and

through social and community meetings and forums. However, for many reasons, the echoes of these actions seem to be soon dropped off among other everyday economic and social concerns. Some *economic instruments* such as tax reduction for import and/or installation of clean technology and tax on forest and mineral resources, as well as the removals of many subsidies on chemical fertilizers and pesticides have been applied. However, the effectiveness of these applications is not very clear.

The most considerable progress in environmental conservation actions is perhaps the making of environment-related law and connecting legal documents. For example, the first draft of the Law on Environmental Protection (LEP) was written in 1991 as a result of a government project which was supported by IUCN Law Centre in Bonn. The LEP was submitted by the National Environment Agency (NEA) to the National Assembly, adopted on 27 December 1993, and enacted in January 1994 by Decision 29L/CTN of the President of State. The NEA has reviewed the draft of National Conservation Strategy (1985) and has prepared the proposal for a new one. In 1990, the National Plan for Environment and Sustainable Development (NPESD) was prepared and this plan was approved in 1991. The Plan was to provide the gradual development of a comprehensive framework for environmental planning and management and to propose specific actions to address priority areas. On the international side, Vietnam is the country in the region has ratified the largest number of international environmental treaties.

In short, since the early 1990s much has been done in Vietnam, especially by the government, in an effort to conserve the environment. The conservation and development effectiveness of such effort will be discussed further in the next section- regarding the question about sustainable development in Vietnam.

## **ODA in Vietnam - an overview**

Vietnam used to receive ODA from former Communist Bloc members since the 1950s, chiefly from the former Soviet Union. Soviet aid was, in average, about 10 percent of Vietnamese GDP (WB 1998:105).

In the late 1980s Soviet aid to Vietnam dropped sharply, leaving Vietnam with only limited foreign assistance, which was 'less than one percent of GDP primarily from the UNDP and Sweden (SIDA)' (WB 1998:105). The first Consultative Group Meeting of western (DAC) donors for Vietnam was not organised until 9 November 1993 (in Paris) and 'large-scale ODA did not arrive until 1994-1995' (WB 1998: 107). These dates marked the integration of Vietnam with the international donor community and created important opportunities for donors to support rapid and sustainable national development. There are now 25 bilateral and 19 multilateral development agencies and more than 350 Non-Governmental organizations, with a wide range of assistance modalities, operating in Vietnam (GOV 2001:37).

Since the first 1993 meeting in Paris, the Consultative Group has been working closely with the government of Vietnam for an attempt to develop the country. Apart from annual formal CG meetings, informal Mid Year CG meetings have been commonly agreed to start since 1997. CG members include DAC bilateral donors, world development agencies like UNDP, and international financial institutes such as the World Bank and the Asian Development Bank. Significantly, international NGOs are also invited by the government to all CG meetings and their opinions are willingly listened.

### **General Trends**

In spite of the global decline in ODA flows (WB 1996:17; ActionAid 1998:29), assistance to Vietnam has expanded greatly since 1993. Substantial and increasing ODA pledges were continuously made over the eight Consultative Group (CG) meetings held between 1993 and 2000. Cumulative

donor pledges during 1993-2000 amounted to some US\$17.5 billion and at the last CG in December 2000 and total ODA commitments of donors for Vietnam in 2001 reached US\$2.2 billion (UNDP 2001a:7). According to Government data, the total value of signed ODA projects and programmes since 1993 currently exceeds US\$14 billion (GOV 2001:2). According to UNDP's survey of donors, total disbursements over the period 1993-2000 amounted to some US\$7.5 billion and as high as US\$9.2 billion if the estimate for 2001 is included. Given the rapid growth in disbursements in recent years, the gap between annual pledges and disbursements is rapidly narrowing (UNDP 2000a:11).

Such general trend of the steady increase in ODA commitments to Vietnam reflects the strong support of donor for Vietnam's development and reform policies. This trend, in general, supports the hypothesis that aid is the reward for reform. In other words, it indicates that reform, especially economic reform, in Vietnam so far was in line with donors' expectations.

### **Sectoral trends**

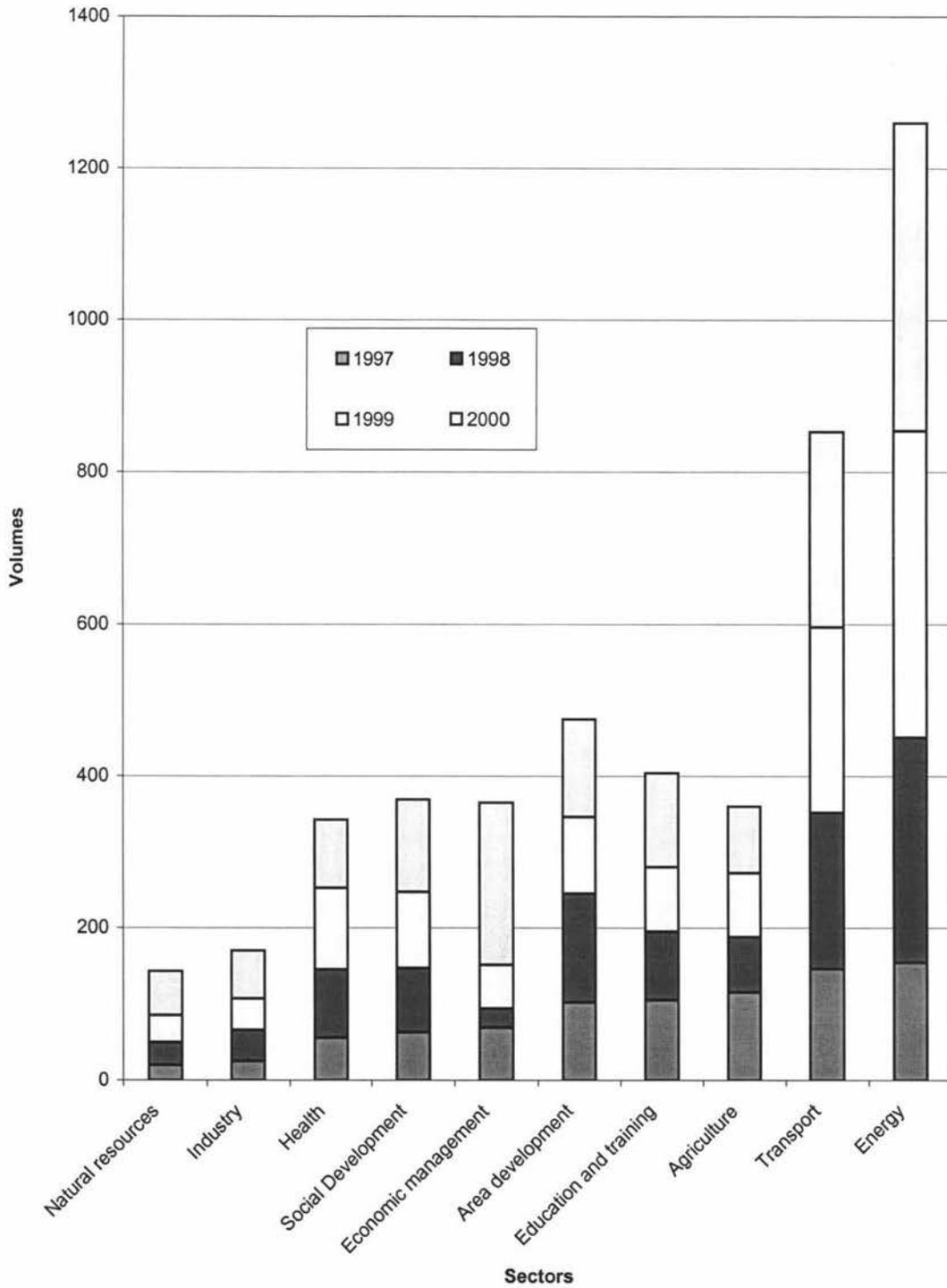
Trends in ODA for top ten sectors in Vietnam are computed in Figures 5.5 and 5.6 based on statistic data of the UNDP Vietnam. ODA funds allocated to major infrastructure programmes and projects are the fastest expanding (from 15% in 1993 to 56% in 1999) and largest share of total ODA to Vietnam. More than half of the investments in major infrastructure benefited the energy sector, of which projects were aimed mainly at power plant construction. Over 86 per cent of ODA disbursements to the energy sector came from Japan for few power plants namely Pha Lai, Phu My and Ham Thuan - Da Mi<sup>11</sup>. The transport sector is the second largest recipient sector (16% of total ODA or more than US\$257 million in 2000). More than 93 per cent of the programmes are concentrated in a few donor portfolios, namely JBIC (US\$148 million in

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<sup>11</sup> See JBIC 1999 for more information.

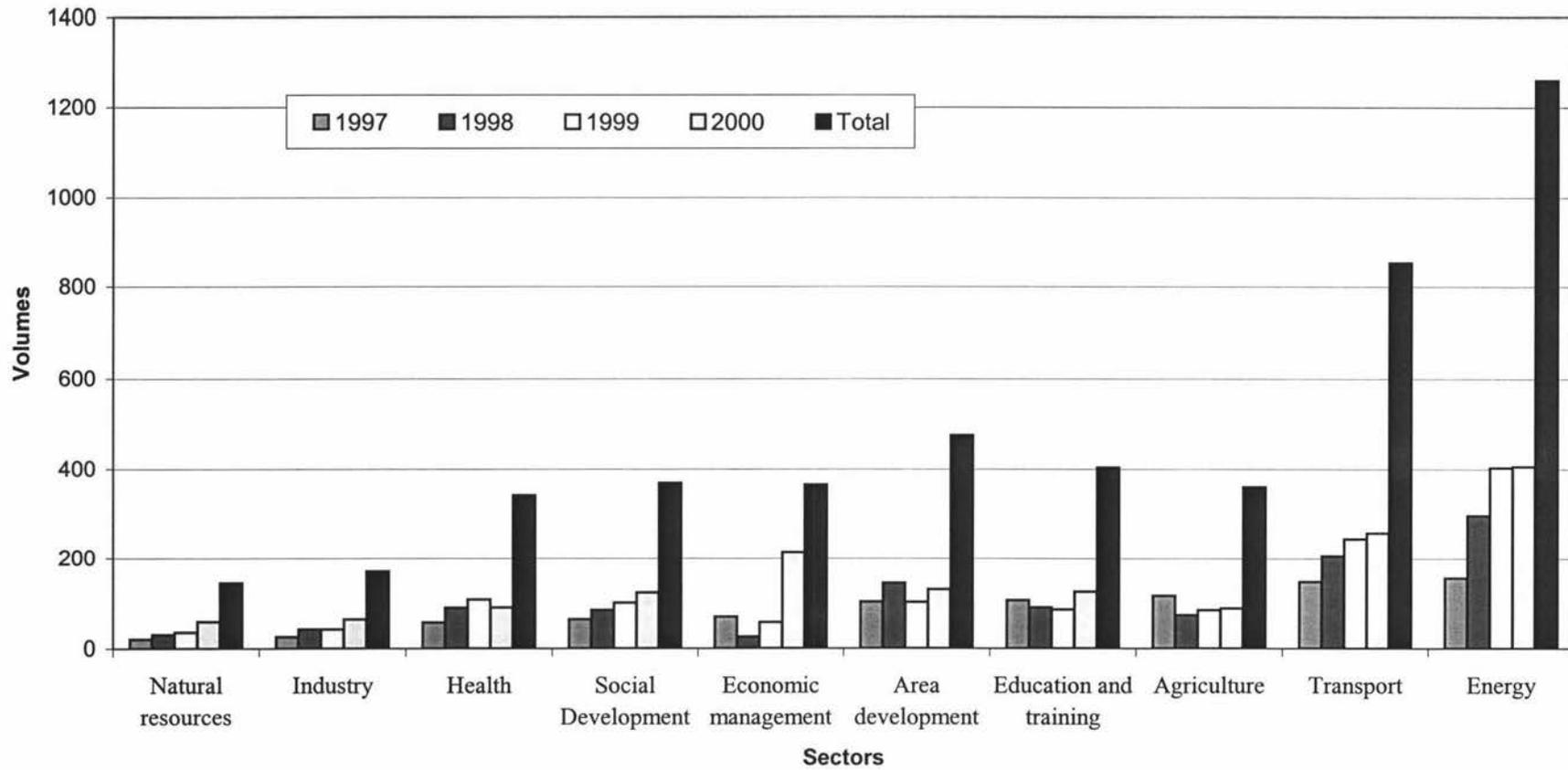
**Figure 5.5 Accumulated ODA to Top 10 Sectors in Vietnam 1997-2000**

Source: UNDP annual reports on ODA in Vietnam 1998-2001



**Figure 5.6 Trends in ODA Volumes to Top 10 Sectors in Vietnam 1997-2000**

*Source: UNDP annual reports on ODA in Vietnam 1998-2001*



2000), ADB (US\$55 million in 2000) and the World Bank (US\$38 million in 2000).

Urban development programmes are increasing major ODA recipient sector in Vietnam. ODA funds to this sector amounted to US\$32 million in 2000, a 75 per cent increase over the previous year. Projects in this sector include urban drainage systems funded by JBIC, a number of projects promoting environmental management in urban areas and strengthening urban infrastructure and urban management supported by UNDP and UNICEF as well as bilateral donors including Switzerland, Finland and Spain. The increased donor support is in line with the growing urbanisation of the country – one-third of the population is projected to live in urban areas in 2010 - up from 24% currently (UNDP 2000:13).

ODA funding for telecommunications is also considerable, amounting to US\$18 million in 2000. A significant element of ODA to telecommunications is a JBIC loan to improve the coastal communication system in the southern part of Vietnam as well as a French project to develop the telephone network.

Policy and institutional support sector received 15 per cent of total ODA disbursements (US\$241 million) in 2000. Most of the funding was for the purpose of improving the country's economic management system and came from Miyazawa Initiative loan (which aims to assist private sector development, audits of SOEs and the shift from non-tariff trade barriers to more visible tariffs). This form of ODA is important to support the country's transformation to a market economy as well as its integration into the world economy. The support is oriented towards improving economic management and public administration reforms.

Human development is the third category in terms of ODA disbursements in 2000, slightly ahead of rural development. Most of the funds for human development were allocated to education and training (US\$124 million in

2000) and health (US\$90 in 2000). The remainder was spent on a variety of sub-sectors of social development, like social legislation and administration, housing, culture, prevention of crime and drug abuse and media development. Over the period 1993-2000, education and training and health each absorbed nearly US\$0.5 billion of assistance, most of it in the form of free-standing technical cooperation on a grant basis.

### **ODA donors in Vietnam**

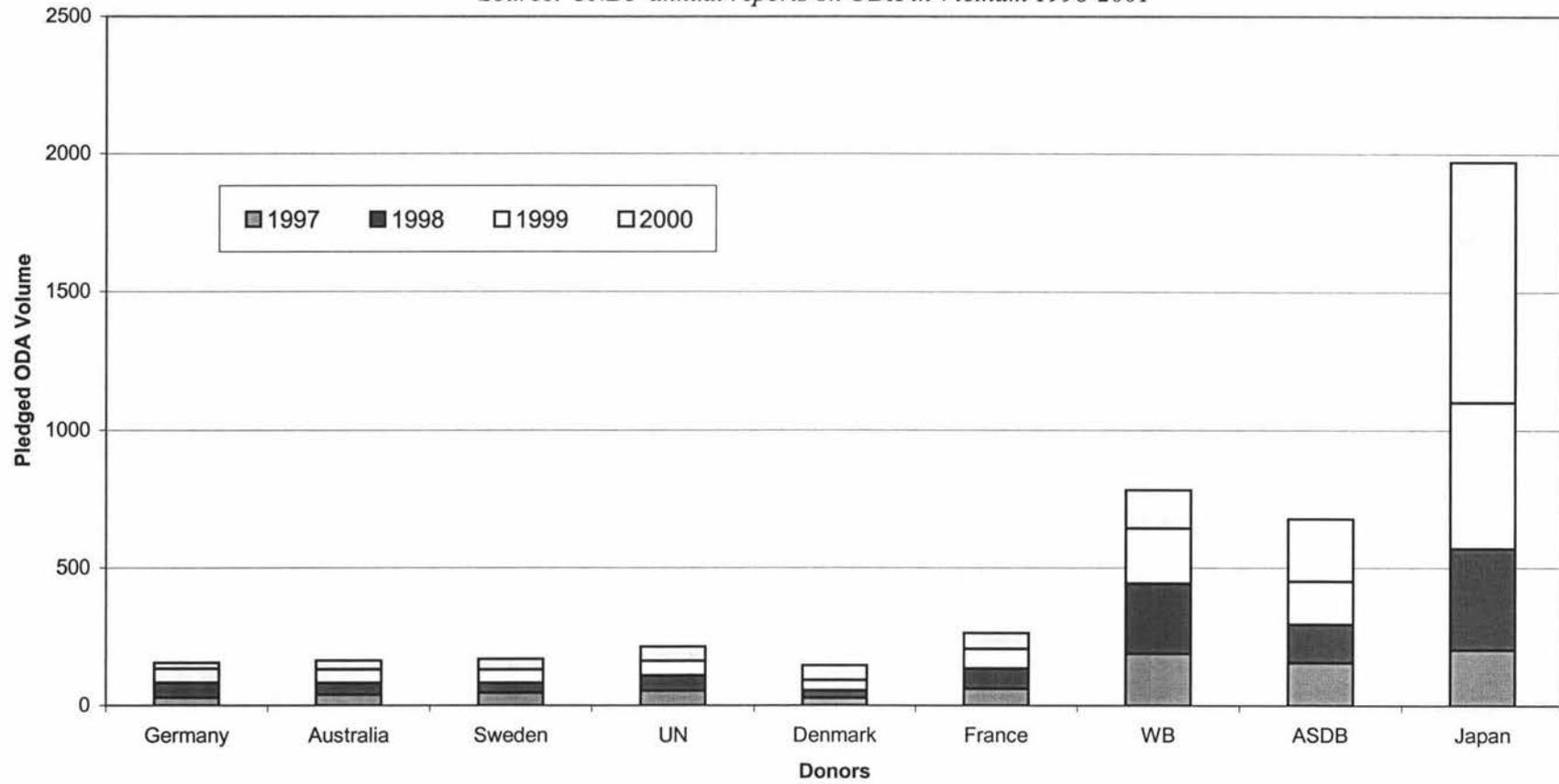
Although there are now more than 25 bilateral and multilateral development agencies donating ODA to Vietnam, their contributions are not the same if not greatly differed. In 2000, for example, the top ten donors accounted for over 93 per cent of all ODA disbursed to Vietnam, with the top three disbursers alone accounting for 76 per cent (UNDP 2001a:11). The differences of ODA volumes among donors are resulted from their different interests in Vietnam and their funding capacities as well. The reality of pledged ODA volumes by top nine donors in Vietnam between 1997-2000 is illustrated in Figures 5.7 and 5.8, according to annual ODA surveys of the UNDP Vietnam.

Japan is the largest donor to Vietnam and its position has been strongly strengthened year by year and reached US\$870 million in 2000. Three major sources of Japanese ODA funds to Vietnam include the Japan Bank for International Cooperation (JBIC), which is major in loan aid for large-scale transport and power projects, Miyazawa Initiative loan, which aims to assist private sector development, audits of SOEs and the shift from non-tariff trade barriers to more visible tariffs, and JICA, which is major in grant-based ODA allocating to training, transport, health and economic management. JICA increased disbursements to urban drainage and water supply programmes.

After Japan, the WB and ADB are two major donors in Vietnam. ADB, for the first time, became the second largest donor to Vietnam during 2000, with more than US\$226 million in disbursements. Transport remains ADB's largest

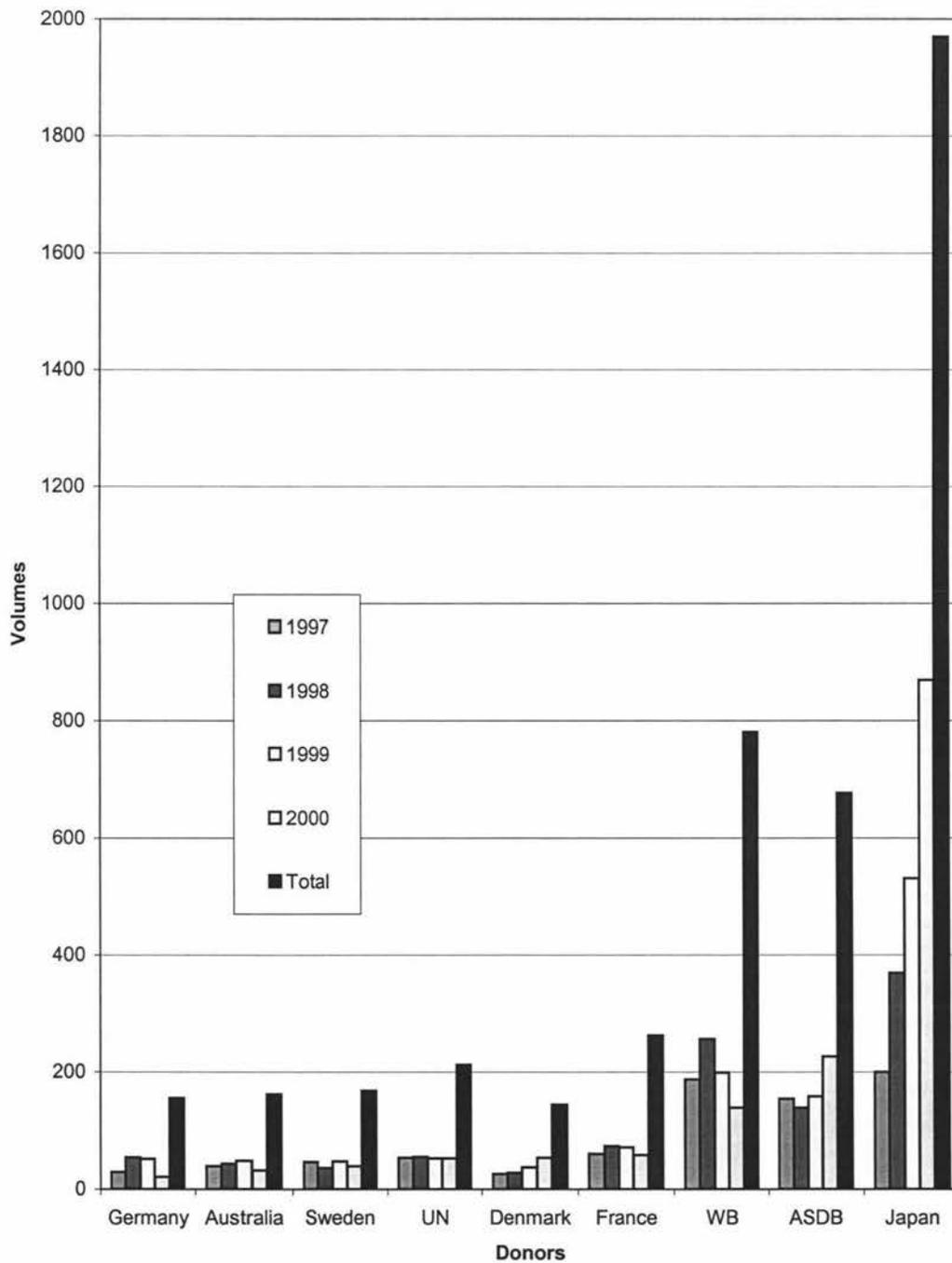
**Figure 5.7 Accumulated ODA Commitments by Top 9 Donors in Vietnam 1997-2000**

*Source: UNDP annual reports on ODA in Vietnam 1998-2001*



**Figure 5.8 Trends in Pledged ODA Volume by Top 9 Donors in Vietnam 1997-2000**

*Source: UNDP annual reports on ODA in Vietnam 1998-2001*



recipient sector (more than US\$54 million in 2000), followed by the industry (including support for industrial reform program to encourage stronger private sector development and greater efficiency in SOEs), energy (including power rehabilitation and distribution projects), financial, rural infrastructure and agriculture, irrigation and flood control, and water supply and sanitation sectors. World Bank disbursements have never lower than those of the ADB until a slight fall in calendar year 2000 to US\$139 million (from US\$158 in 1999)<sup>12</sup>. The Bank is the key supporter of rural development in Vietnam. Rural development is one of the two largest areas its involvement in the country, besides transport sector development. The Bank's rural finance programme (largely quick disbursing in nature) is the biggest in this area (UNDP 2001a) with the total commitments reached US\$122 million in 2000. Other rural development activities of the Bank include improving rural roads in order to increase access for the rural poor, health care for the poor, rural energy and transport, and significantly the Poverty Reduction Support Credit (PRSC) programme.

France is the fourth largest ODA donor of Vietnam (with US\$58 million disbursements in 2000). France's disbursements went largely to human development, agriculture, communications and infrastructure. The biggest disbursement was in human resources development – half of which is a project to support students learning French. One third of French ODA continues to flow to infrastructure including energy, transport, urban development, drinking water and sanitation. Other active donors in Vietnam are the United Nations agencies, whose ODA is predominantly in the form of pure grant-funded technical assistance. Among the agencies, UNDP with its administrated funds, is the largest donor, followed closely by UNICEF. UNDP technical assistance is being increasingly directed at policy and institutional development. The health sector received most of the UN contributions, particularly from WHO,

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<sup>12</sup> Most of the decline was, as cited in UNDP 2001a, the result of the termination of a power rehabilitation project.

UNFPA and UNICEF (amounting to US\$11 million in 2000) covered areas such as expanded immunization programmes, national health and drug programmes, primary health care and nutrition, and reproductive health strengthening. Considerable sums also went to social development, institutional development, education, rural development and natural resources.

Bilateral donors as a group provided some 73% of ODA disbursements, with Japan alone accounting for 54%. Among bilateral donors, Japan and France are two biggest ones in terms of aid volume (though the volume of Japanese ODA in Vietnam is outstandingly bigger than that of France). This fact is in line with the hypothesis that economic and political interest of donor countries is the driving force behind aid programs. In particular, the supposition that 'more aid went to former colonies or strategic economic markets of donor countries' seems to be correct in the case of Vietnam. The fact that Japan and France are the two biggest bilateral donors of Vietnam can be said to be the logical consequence of the historical and physical setting in which Vietnam is the former colony of France and situates in the "Southeast Asia II"<sup>13</sup> area that having Japan being the chief donor at stake. Besides the two biggest bilateral donors Japan and France, some other big donors that contribute big shares of ODA to Vietnam are multilateral donors namely the WB, ADB, and UNDP. The fact supports another general hypothesis that multilateral aid is more in favour of least developed countries than bilateral aid.

The present chapter has so far provided background information on the country, the government, the transition, and ODA activities of Vietnam. Based on such information, the next chapter will move a step further linking the issues of sustainable development, ODA, and the role of government in Vietnam.

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<sup>13</sup> Southeast Asia II is a geo-political division identified by the Ministry of Foreign Affairs of Japan, which includes Vietnam, Cambodia, Laos, Thailand, and Burma. See for more details: JICA Annual Report 2000.

## **Chapter 6**

# **Sustainable Development in Vietnam and the linkages between Sustainable Development, ODA, and Government**

This chapter starts with a in depth investigation on sustainable development thinking in Vietnam and then moves to discuss in detail the multi-sided linkages between sustainable development, ODA, and government in the country.

### **Sustainable development consideration in Vietnam**

In the previous chapter, different aspects of the transition process of Vietnam in the last more than a decade have been reviewed for an insight into the big development picture of the country.

From general findings of the review, it came into sight that development in Vietnam was clearly not yet a balance of economic, social and environmental factors as the situation of the environment was not necessarily improved along socio-economic development. The deterioration of the ecosystem and living environment (such as various forms of pollution) are the prime point to say that development in Vietnam so far was not sustainable. However, environmental concern is certainly not the only point. Evidence of inefficient production and ineffective distribution in economic terms as well as the increase of social inequity, inequality, and problems is another important source to worry about the sustainability of the existing developmental trends in Vietnam. Nevertheless, as many researchers and observers like the UNDP Vietnam (UNDP 1999e) have remarked, in many facets, the time of more than a decade

was not long enough to firmly conclude about all economic, social, and environmental trends and the sustainability of the whole development process of the country. Therefore, when talking about sustainable development in Vietnam, "how is the potential of sustainable development in Vietnam" rather than "is development in Vietnam sustainable" should be the central question.

To discuss the developmental direction, and the potential and/or challenges of sustainable development in Vietnam, it is perhaps worth studying the newly adopted (in April 2001) 'Strategy for Socio-Economic Development 2001-2010' by the National Party Congress - the highest leading body of the state of Vietnam. This Strategy is the most important developmental policy document of Vietnam since it is the principle framework for governmental actions that will influence the transition of Vietnam in the new decade (GOV 2000; UNDP 2000a:27, 2001; WB 2000).

## **The Strategy for Socio-Economic Development 2001-2010**

### **Background**

The Strategy for Socio-Economic Development 2001-2010 was presented by the Central Committee of the Communist Party of Vietnam (CPV), 8th Tenure, to and adopted by the ninth National Congress in April 2001. A National Congress is the highest leading body of the Party, which is 'the force leading the State and society' (Article 4 – the Vietnamese Constitution) of Vietnam. Thus the strategy is the most important policy framework for developmental action in the country.

As it was made public by the CPV Central Committee (CC) over the six months before the Congress (WB 2000) in order to 'ask for comments and suggestions from the entire Vietnamese people living at home and abroad', this document has been considered a product of 'entire Vietnamese people' (VNA 2001). According to the Vietnam News Agency, the Committee has received

‘warm response from the people’ and ‘millions of opinions from revolutionary veterans, Party members at grassroots levels, officials, members of the armed forces and people of all nationalities from the plains to mountain, border and island areas’, of which many has been supplemented to the document (VNA 2001).

The Strategy consists of eight main parts. Part I reviewed the situation of the country and international context by the time of the Strategy. In particular, this part evaluated the implementation of the 1991-2000 Socio-Economic Strategy and reviewed the contemporary international context. Part II is significant in providing strategic goals and development approaches of the Strategy. The overall goals of the 2001-2010 ten-year Strategy (Box 6.1) was stated at the beginning and then precisely explained by a clarification of five groups of specific goals.

**Box 6.1. The overall goals of the 2001-2010 ten-year Strategy**

To bring our country out of underdevelopment; improve noticeably the people’s material, cultural and spiritual life; and lay the foundations for making ours basically a modern-oriented industrialized country by 2020. To ensure that the human resources, scientific and technological capacities, infrastructures, and economic, defence and security potentials be enhanced; the institutions of a socialist-oriented market economy be basically established; and the status of our country on the international arena be heightened.

*Source: CC 2001:5-6*

Five development approaches were described in detail in the end of Part II. Based on strategic goals and development approaches identified in Part II, Part III outlined orientations for economic development in four economic sectors, namely agriculture, forestry, fishery and rural economy; industry and

construction; infrastructures; and services, and four economic regions, including urban regions, lowland rural regions, midland and mountain rural regions, offshore and island regions. The Part also sketched in depth important orientations for all six administrative regions of the country. Part IV, V, VI and VII provided guidelines for, respectively, synchronized formation of institutions of the socialist-oriented market economy, development of education & training and science & technology, cultural and social development, and acceleration of administrative reform and building of a clean and strong state apparatus. The last part of the Strategy, Part VIII, is about organization of the strategy implementation.

## **Sustainable development considerations in the Strategy**

### ***The sustainable development vision of the Strategy***

Sustainable development was adopted as the foremost development approach<sup>14</sup> of the Strategy for Socio-Economic Development 2001-2010 of Vietnam, as the Strategy committed to sustainable development through balancing economic growth, social equity and environmental protection in the very beginning of its clarification of development approaches:

To ensure rapid, efficient and sustainable development, economic growth is to go along with social progress and equity, and environmental protection.

(CC 2001:7)

Sustainable development supporters would find this approach reflecting an advanced approach to sustainable development. As the Strategy is primarily focused on socio-economic development, the explanation of this approach, which emphasized environmental conservation as an inseparable aspect of the

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<sup>14</sup> The Strategy categorizes in details five approaches to be employed in development. They are sustainable development, economic development as the central task, releasing and promoting all development resources, proactive international economic integration, and combining development with defence and security.

process of socio-economic development, is very much in line with the sustainable development doctrine when it read:

Socio-economic development is to be closely associated with environmental protection and improvement, to ensure harmony between man-made and natural environment, to conserve biodiversity.

(CC 2001:7)

and

To proactively incorporate environment improvement into every socio-economic development scheme, plan, program and project, regarding environment-related requirements as a major criterion for evaluating development solutions.

(CC 2001:7)

Such a sustainable approach is consistently stressed throughout the Strategy, in guiding sectoral and regional planning (CC 2001:9), as well as science and technology development (CC 2001:23). In rural infrastructure development, 'to effect rational planning and raise the efficiency of land, water and forest resources utilization in combination with environmental protection' (CC 2001:10) was underlined while industrialization was urged 'to enhance operations for product quality control, industrial property ownership protection, and environmental protection' (CC 2001:22). In urban development, solving environmental pollution problems (related to water, sewage, waste...) is stressed (CC 2001:23). Regarding the development of offshore and island regions, the Strategy did not forget to ask for environmental protection while boosting 'the cultivation, exploitation and processing of marine products', 'oil and gas exploration, extraction and processing', 'develop shipbuilding and maritime transportation', and 'expand tourism' were boosted (CC 2001:15). It emphasized:

To associate socio-economic development with environmental protection and improvement along the entire seacoast.

(CC 2001:16)

Last but not least, science and technology studies were requested to serve not only socio-economic goals but also environmental conservation:

*Natural sciences* are to attend to researching scientific grounds for developing key technological fields and exploiting natural resources, protecting the environment, forecasting natural disasters, and preventing and mitigating their consequences. *Technological sciences* are to concentrate on responding to the demands of raising productivity and quality of product, business competitiveness and efficiency, environmental protection, and ensuring national defense and security; to attach importance to the development and application of information technology, biotechnology, new materials technology, and automation technology.

(CC 2001:25)

In short, the Strategy for Socio-Economic Development 2001-2010 of Vietnam applied fairly thoroughly the sustainable development approach in identifying developmental goals. However, a closer look at the Strategy revealed that its overall perspective to sustainable development was relatively anthropocentric and econocentric.

### ***The Strategy is solely people-oriented***

The Strategy for Socio-Economic Development 2001-2010 of Vietnam viewed people as the central objective of the development process. This orientation was reflected clearly in the overall goals of the Strategy (Box 6.1). Among the range of goals that are mostly vague and political such as ‘to bring our country out of underdevelopment’ or ‘to ensure that... the institutions of a socialist-oriented market economy be basically established’, only the second goal, which stated: ‘[to] improve noticeably the people’s material, cultural and spiritual life’, provided us with a realistic measure of what it wanted to achieve. This goal, as obviously can be understood as “to improve human

living status”, was indeed the core meaning of the Strategy’s two other major goals: escaping from underdevelopment and industrializing the national economy. Other goals namely enhancing economic, defense and security potentials, and the national status on the international arena can also be seen as the strategic conditions for and demonstrations of the goal of improving the living status of Vietnamese people. Thus, in the Strategy, “development” was chiefly meant “better human living status” and the overall goals of the Strategy were basically human-oriented. This direction was also evident in the way the Strategy emphasized economic growth to be vital to development in Vietnam, as ‘to better meet essential consumption demands’ (CC 2001:6) was underscored as the aim of economic growth. Even the task of environmental conservation mentioned in the Strategy was aimed exclusively at serving human life, for the sake of humankind only and not, by any means, for the sake of the nature. This essence was clearly reflected in the way the only note about environmental conservation in explaining the Strategy’s strategic and specific goals was put as subsistence to social targets:

To raise noticeably the quality of life, in material, cultural and spiritual terms alike, in a safe and healthy social environment; to protect and enrich the natural environment.

(CC 2001:6)

In short, the Strategy for Socio-Economic Development 2001-2010 of Vietnam solely focused on people as the objective of development. Economic growth and environmental conservation were all considered the means to improve the status and the quality of life of Vietnamese people.

Nevertheless, it should be noted that the Strategy emphasized not only material but also cultural and spiritual aspects of human life. This is a comprehensive and progressive perspective. As will be discussed later on, this perspective was important for the Strategy to realize not only economic solutions but also other social solutions for development problems in Vietnam.

***The Strategy considers strong economic growth is vital***

While being solely human-oriented and thinking higher living standard and better quality of life to be the end goal of development, the Strategy for Socio-Economic Development 2001-2010 of Vietnam consistently considered economic development with strong growth is vital for achieving this goal. This was succinctly express its elucidation of development approaches:

To consider economic development the central task, and the synchronized laying of foundations for an industrialized country an urgent requirement.

(CC 2001:8)

In evaluating achievements and limitations of the previous development decade (1991-2000), as well as in setting overall strategic goals and specific orientations for sectoral and regional development, the Strategy constantly use economic progress as the key measure of development. In particular, the Strategy evaluated the achievements and limitations of the 1991-2000 Socio-Economic Strategy firstly by economic indicators such as GDP, domestic saving, and the structure of the economy. It concluded that '[while] the economy has made a new step forward in terms of productive forces, production relations and international economic integration... our economic development level still falls far below the average world standards, and below many neighboring countries' (CC 2001:3). Out of five identified 'weaknesses and inadequacies' in the socio-economic realities of the 1991-2000 period (CC 2001:3), the first three were exclusively about economic efficiency, competitiveness, domestic savings and purchasing power, domestic and foreign direct investments, economic growth rate, production relations, economic law, macro-economy uncertainty, financial, banking and planning systems, business environment (CC 2001:3).

Accordingly, economic targets were put as the foremost specific goals of the new decade 2001-2010, as the Strategy started listing specific goals as follows:

To ensure that by 2010, GDP will have at least doubled the 2000 level. To increase visibly the efficiency and competitiveness of products, enterprises

and the economy; to better meet essential consumption demands, and a considerable part of production and export demands. To ensure macro-economic stability; a sound international payment balance and growing foreign exchange reserves; to keep budget deficits, inflation and foreign debts within safe limits to effect positively economic growth. Domestic savings are to amount to over 30% of GDP. Exports are to increase at a rate more than double that of GDP growth. Agriculture is to account for 16-17% of GDP, industry 40-41%, and services 42-43%. Agricultural labor is to drop to around 50% of the workforce

(CC 2001:6)

Considering that economic development with strong growth is vital to development in Vietnam, the Strategy spent the whole Part III and Part IV enunciating development orientations for all sectors and regions of the economy, and describing the synchronized formation of institutions of the socialist-oriented market economy. Even in Part V, the central target of national development of education and training and science and technology is emphasized from the beginning to serve economic development:

In order to meet the requirements in... human resources which represent the decisive factor for national development in the period of industrialization and modernization, it is imperative to create a fundamental and comprehensive change in education and training.

(CC 2001:23)

Thus, it is possible to conclude that the Strategy for Socio-Economic Development 2001-2010 of Vietnam put much emphasis on economic development, especially strong growth.

***The Strategy stresses industrialization is the essential task***

In emphasizing the vital role of economic growth in development, the Strategy pointed out that the principal means to achieve economic growth is industrialization. Right in the beginning of the Strategy, the title of 'the Strategy for Socio-Economic Development 2001-2010 of Vietnam' was

accurately spelled out to be ‘the Strategy for accelerated industrialization and modernization along the socialist line, laying the foundations for ours to become by 2020 basically an industrialized country’ (CC 2001:1). This consideration that industrialization is essential to the national development was solidified in the overall strategic goal (Box 6.1), which urged to ‘lay the foundations for making ours [Vietnam] basically a modern-oriented industrialized country by 2020’ (CC 2001:5). In the development approaches section, the Strategy further stressed that ‘the synchronized laying of foundations for an industrialized country an urgent requirement [of development]’ (CC 2001:8) and directed that the industrialization aim must be considered ‘right from the beginning of the development process and in all its stages’ (CC 2001:7).

Accordingly, the Strategy consistently reemphasized industrialization as the central mid-term objective of all major economic regions as well as in all sectors of the economy. In agriculture, emphasis was put on rural industrialization (CC 2001:9) through developing industrial crops (CC 2001:10), industrialized animal husbandry (CC 2001:16) and industrial breeding technologies (CC 2001:10). In manufacturing, a range of models of industrial parks (CC 2001:12,13,15,16,17), industrial clusters (CC 2001:11,12), coastal industrial zones (CC 2001:16), and industrial bases along main highways (CC 2001:17) are facilitated in an attempt to mobilize all resources from the State and the whole society for industrializing the economy. Even cultural and social development, together with education and training, and science and technology, was asked to serve ‘to increase rapidly endogenous capacities... to meet the requirements of industrialization and modernization’ (CC 2001:17).

In short, in the Strategy for Socio-Economic Development 2001-2010 of Vietnam, industrialization was emphasized a prime practical task that set the foundation for long-term development of the country.

### *The Strategy pays little attention to environmental issues*

Previous sections have made clear that the Strategy for Socio-Economic Development 2001-2010 put much emphasis on human living status and economic growth. From the sustainable development perspective, it is very important to realize how the Strategy addresses environmental issues in order to analyze the sustainability of the future that the Strategy has sketched out.

As has been discussed earlier, sustainable development was set as the foremost approach to development in the Strategy. This approach was supported by the constant attachment of environmental protection requirement to socio-economic concerns throughout the Strategy. However, a closer look at the Strategy reveals that although the importance of the environmental aspect of development is aware, little attention has been paid to explain its link with social and economic processes and, especially, no realistic guideline was provided to integrate environmental concerns into socio-economic planning practice. While the Strategy listed 'to protect and enrich the natural environment' (CC 2001:6) as one of its goal, no working targets regarding environmental conservation were set or referred to. The Strategy does not even link itself to any other national or international environmental conservation law, strategy or policy documents such as the adopted Vietnam National Action Plan on Biological Diversity.

In its perspective, while the Strategy dedicated that 'socio-economic development is to be closely associated with environmental protection and improvement, to ensure harmony between man-made and natural environment, to conserve biodiversity' and even pointed out the requirement that 'to proactively incorporate environment improvement into every socio-economic development scheme, plan, program and project, regarding environment-related requirements as a major criterion for evaluating development solutions' (CC 2001:7), it provided no recommendation for any change in the conventional environmentally destructive socio-economic planning and

practice, and suggested nothing on the environmental cost of the rapid development of social and economic infrastructure (such as the establishments of industrial parks and coastal industrial zones) that it had planned. As much evidence of large and permanent bad impacts of inadequately planned industrial development has been noted in the history, it is reasonable to worry about the environmental unsustainability of the Strategy when it strongly urged rapid industrialization but insufficiently considered the potential environmental consequences of socio-economic expansion. In addition, in social terms, although the Strategy emphasized not only material but also cultural and spiritual aspects of human life, there is no where in the Strategy that one could find a clear suggestion about changes in social norm regarding the human-nature relationship. Such ignorance further deepened the danger that rapid industrialization effort poses to the environment, especially the natural ecosystem.

One important array of environmental problems in Vietnam has been identified in the Strategy was 'the remaining war consequences to the environment' (CC 2001:7). However, it is unfortunate that the Strategy did not consider further how to solve these problems in the new development context of the country and especially if and how the extensive social and economic development attempts in the new era would solve or exacerbate these past problems. Last but not least, the lack of considerations about environmental conservation as a global issue and suggestions on the roles, rights and responsibilities of Vietnam at regional and international levels is another limitation of the Strategy in terms of environmental conservation.

In short, the Strategy for Socio-Economic Development 2001-2010 of Vietnam failed to properly guide integrating environmental concerns into socio-economic planning practice and thus does not satisfactorily address environmental conservation problems.

## **Conclusions on Sustainable Development Policy in Vietnam**

The above section has analyzed the Strategy Socio-Economic Development 2001-2010 of Vietnam under the sustainable development perspective. It is realized that the Strategy put the well-being of the country's people at the centre of its concern. It emphasized not only material but also cultural and spiritual aspects of human life. For the decade to come, the Strategy determined that economic growth is vital for meeting human needs of the country and for this end, speedy industrialization is essential.

While giving the priority to human-oriented economic development, the Strategy paid little attention to environmental issues and the environmental conservation cause. It is therefore reasonable to worry about the unsustainability of the Strategy when it strongly urged rapid industrialization but insufficiently considered the environmental aspect of socio-economic expansion. Provided that the focus of the Strategy is on socio-economic development, its failure in setting environmental conservation targets, in linking itself to other environmental conservation law, strategy or policy documents, and in providing or referring to a framework to integrate environmental concern into socio-economic planning considerably reduced the its ability to put the sustainable development approach into effect and to thus it fails to ensure the sustainability of the socio-economic development future that it has sketched out.

As the Strategy for Socio-Economic Development 2001-2010 of Vietnam is the most important development policy document in Vietnam, it is possible to base on the overall findings here to conclude that although developmental thinking and policies of Vietnam are sustainable development-oriented, in the short-terms and in the mid-terms much more emphasis is put on socio-economic development than that on environmental conservation. While the linkage between economic growth and social betterment attracted substantial attention of Vietnamese people and their representative government little concerns were

paid to the relationships between environment conservation and economic growth, and between environment conservation and social changes. From the broad-based sustainable development perspective, the existing development thinking and planning in Vietnam is clearly not sustainable development. However, the country's approach to economic development is fairly sustainable in social terms. It should recommend here that Vietnam needs to further promote its advantageous approach to socially sustainable economic development and actively integrate environmental concerns into socio-economic development thinking and practice.

## **The role of ODA in sustainable development in Vietnam**

The previous section has made clear that in term of policy, development in Vietnam is not yet sustainable. Such lack of sustainable development incentive in developmental thinking in Vietnam is an obstacle to the attempt of converting the existing unsustainable development trend, which is discussed in Chapter 5, of Vietnam. However, given that ODA in general has potential to support sustainable development (as demonstrated in Chapter 3), one might want to examine if ODA has potential and if it is working for facilitating sustainable development in Vietnam. This is the main concern of the following discussion.

The important role of ODA in development in Vietnam has been acknowledged the government of Vietnam, as it has confirmed in an overview of ODA implementation during the period 1993-2000 (GOV 2000):

Many ODA funded projects have been completed that are actively contributing to socio-economic infrastructure development, including support for hunger eradication and poverty alleviation and rapid and sustainable economic growth.

(GOV 2000:31)

As shown in Chapter 5, ODA resources have been used to support not only economic and social but also environmental conservation sectors (UNDP 1999b, 1999e). At the risk of overgeneralization, it is possible to identify four main functions of ODA in the transition of Vietnam. Firstly, ODA resources have been used to finance macro reforms including reforms in governmental administration, policies, and infrastructure. Secondly, ODA conveys many valuable ideas and advice for reform. Thirdly, ODA has in many cases carried out important developmental tasks that were ignored by both the government and non-state sectors. Last but not least, ODA resources have helped to activate the government's effort and resources for development, especially economic development.

On the economic side, although the proportion of ODA resource in the total investment of the economy was not that massive but it has been effectively used for reforms in governmental economic administration, economic policies, and economic infrastructure (JICA 1995; WB 1999). While reforms in these three areas were all important for improving economic performance, reform in economic policies was beneficial since it set the foundation for the national economy, facilitated the market mechanism, and boosted foreign trade, export-oriented production, domestic and foreign direct investment (JICA 1995, UNDP 2000b). In addition to policy reform, improved governmental economic administration has supported the economy performing properly and improved economic infrastructure has helped the economy developing fast and strongly (IMP 1999a; WB 2000a).

Similar roles have also been played by ODA in social side. ODA played a significant role in improving the government's capacity social administration (UNDP 2001e). It also helped to upgrade and build the social infrastructure such as hospitals and schools. However, the significance of changes in social policies was less than that in economic policies (UNDP 1999b). Last but not least, progress (though not yet satisfactorily) on the environmental side in the last decade was achieved mainly in policy and strategy making with the special

support of foreign aid. As nearly 70 percent of national funding for environmental researches and policy-making came from ODA (UNDP 1999e), the role of ODA in environmental conservation effort in Vietnam is no doubt respectable. In short, ODA has been useful and important source of finance for macro reforms in not only economic but also social and environmental terms in Vietnam.

Secondly, ODA does not only finance policy reform, it also advises reform. Many experts appointed and paid by the World Bank, UNDP, and other donor countries have been working closely with the government (UNDP 2001e). In the 2000 Annual Report of the World Bank Vietnam, the intent of using advisory and technical assistance services to influence recipient government has been exposed:

Any differences with the Government lie mainly in the pace of reform and the urgency for action... We are seeking to resolve these differences through a major program of advisory and technical assistance services.

(WB 2000c:2)

In reality, the enhanced focus of Vietnamese governmental policies on human development and poverty alleviation since the late 1990s reflected undoubtedly the contemporary developmental doctrine of the DAC and international financial institutes. Increased attention to biodiversity and establishing different types of protected areas were also derived from international experts' advice<sup>15</sup> (UNDP 1999c). It is therefore possible to say that donors' ideology does influence development thinking and policies in Vietnam.

Thirdly, ODA resources have helped to activate the government's effort and resources for development, especially economic development. In fact, in order to attract more foreign aid, addition to adjusting developmental policies the

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<sup>15</sup> It should be noted here that the overall environmental conservation attempt of Vietnam is not yet satisfactory as described in an earlier discussion on sustainable development in Vietnam. However, the contribution of ODA to such attempt remains high.

government of Vietnam has showed effort to effectively put these policies into practice (UNDP 1999f ; WB 2001). Governmental effort has been made to attack poverty, to fight corruption and to further integrate the Vietnamese economy into the regional and global market (WB 2001). Such effort has not been financed only by ODA resources but by increasing domestic resources as well. It was ODA that motivates governmental effort and resources for the adjusted developmental objectives.

To sum up, it is evident in Vietnam that since its arrival in 1993 ODA has played a significant role in the progressive transition of the countries by financing reforms in governmental administration, policies, and infrastructure, and by influencing and activating domestic effort in all economic, social, and environmental aspects.

## **Government and development in Vietnam**

The previous chapter provided an overview of the political and governmental structure of the State of Vietnam. It was presented that the Communist Party of Vietnam, the National Assembly and the Government constitute the core leading institution of the process of government in Vietnam. The following sections will study and discuss issues regarding the role of government in development in the country.

Vietnam used to follow 'the rigid central planning model' (GOV 2000) of development until the early 1980s. This model led to the expansion of the role and the power of the State in development. This model was first constitutionally confirmed in the 1959 Constitution of the country, which read that '[t]he State leads all economic activities according to a unified plan' (the 1959 Constitution - Article 10) and '[t]he State sector of the economy, which is a form of ownership by the whole people, plays the leading role in the national economy (the 1959 Constitution - Article 12). This model was even stronger

emphasized in the renovated 1980 Constitution, where the formal name of the country was changed from the Democratic Republic Of Vietnam (the 1946 Constitution - Article 1, the 1959 Constitution - Article 1) to the Socialist Republic Of Vietnam (the 1980 Constitution - Article 1), and where the State embraced to 'build the centrally-run economy' (the 1980 Constitution - Article 16), 'guide the national economy according to unified plans' (the 1980 Constitution - Article 33) and 'hold a monopoly on foreign trade and all other economic relations with foreign countries' (the 1980 Constitution - Article 21). The State sector was endorsed to play 'the leading role in the national economy, and is given priority for development' (the 1980 Constitution - Article 18). The overwhelming role of the State in development is more significant as the shares of other sectors of the economy are as minimal as 'near zero' (GOV 2000a:23).

The invention of the famous slogan *doi moi* in 1986 marked the first official beginning of the re-orientation of development, especially socio-economic development towards a 'market-based, multi-sector economy with a socialist orientation'. This change was reflected in the latest 1992 Constitution, which claims:

the State promotes a multi-component commodity economy functioning in accordance with market mechanisms...

(the 1992 Constitution - Article 15)

**Table 6.1 Structure of GDP at current prices by ownership (%)**

	1995	1996	1997	1998
Total	100.0	100.0	100.0	100.0
Domestic sector	93.7	92.6	90.9	89.9
State	40.2	39.9	40.5	40.1
Collective	10.1	10.0	8.9	8.8
Private	3.1	3.4	3.4	3.4
Household	36.0	35.3	34.3	33.9
Mixed	4.3	4.1	3.8	3.6
Foreign invested sector	6.3	7.4	9.1	10.1

*Source: Statistical Yearbook 1998, Statistical Publishing House, Ha Noi, 1999, p. 24.*

Due to such open policy, from a base near zero a decade and a half ago, the non-State sector has grown to account for about 60 per cent of GDP in 1998 (GOV 2000a:23 - see Table 6.1). An important caveat discussed in depth in subsequent items of this report is, however, that more than two-thirds of the non-State sector is accounted for by collectives, household businesses and farms. Furthermore, the foreign invested sector, which makes a major contribution GDP (10 per cent), is mainly invested in joint-ventures with State-owned enterprises. Thus, the private corporate sector, whose legal foundation was established only in 1992, still accounts for but a tiny fraction of GDP (3.4 per cent in 1998). The changes in shares of the state and on-state sectors in some aspects of the economy of Vietnam are showed in Tables 6.1, 6.2, and 6.3.

**Table 6.2 The structure of investment outlays by source (%)**

	1995	1996	1997	1998
Total	100.0	100.0	100.0	100.0
State invested	38.3	45.2	48.1	53.5
State budget	19.9	20.8	21.2	21.5
Central	11.5	11.3	10.2	9.3
Local	8.4	9.5	11.1	12.1
Credit	4.5	10.4	13.1	15.4
SOEs	13.8	13.9	13.7	16.7
Non - state invested	29.4	26.2	20.6	21.3
Foreign invested sector	32.3	28.6	31.3	25.2

*Source: Statistical Yearbook 1998, Statistical publishing house, Ha Noi, 1999, p. 227.*

**Table 6.3 The structure of employment by ownership (%)**

	1995	1996	1997	1998
Total	100.0	100.0	100.0	100.0
Public	9.6	9.1	9.2	9.1
State enterprises	5.1	5.1	5.2	5.2
State administration	4.3	3.6	3.7	3.6
Collective	0.3	0.3	0.4	0.3
Private	90.1	90.3	90.2	90.2
Households & farms	89.1	89.2	89.0	88.9
Private companies	1.0	1.1	1.2	1.3
Foreign invested sector	0.28	0.64	0.64	0.67

*Source: Statistical Yearbook 1998, Statistical publishing house, Ha Noi, 1999, p. 204.*

It is possible to conclude that the Government of Vietnam has been playing a fundamental role in socio-economic development of the country as both a regulator and a player. Although the role as a player of the state is decreasing due to the increased roles of non-state sectors but such trend is just starting and among domestic sectors, the role and power of the state-owned sector remain far influential from other sectors such as private and collective sectors.

## **The role of government in ODA attraction, utilization, and management in Vietnam**

Chapter 3 revealed that ODA resources and activities are often under control of the government involved including donor and recipient governments. It also argued that although recipient governments have inferior role in deciding ODA volumes and directions, they are important agents that influence the effective utilization and management of ODA resources.

As the Government of Vietnam is not only the sovereign regulator but also a prominent player in development in the country, it is understandable that it holds vital roles in utilization and management ODA resources and activities in Vietnam. The role of the State or Government in ODA attraction, management and utilization in Vietnam is endorsed in the “Regulation on the management and utilization of Official Development Assistance”.

As the Regulation considered ‘ODA shall be an important source of revenues for the State budget and shall be used to support the implementation of priority socio-economic development objectives’ (Article 2 – first section), it pointed out the direct and dominant role of the Government in ODA management:

The Government shall exercise unified management of ODA on the basis of delegating authority, enhancing responsibility as well as ensuring close collaboration between sectoral management bodies and local levels of administration.

(Article 2 – second section)

Ensuring the overriding role of the Government in ODA activities was even described as the foremost requirement of ODA attraction, management and utilization as follows:

[T]he Government shall play a managing and guiding role, bringing into full play the proactiveness and accountability of Line Agencies and Project Implementing Agencies.

(Article 2 – third section)<sup>16</sup>

The role of the Government and its specified ministries and offices in ODA activities, which were thoroughly elucidate in Chapter VII of the Regulation, has been summarized in the first article (Article 37) of the Chapter:

The Government shall take decisions on the strategies and plans for ODA attraction and utilization for each period, approve the list and contents of project/programme proposals for ODA funding, approve ODA projects/programmes subject to the approval by the Prime Minister, exercise a macro-level role in the management and implementation of ODA projects/programmes as well as issue normative legal frameworks on ODA management and utilization.

In particular, the Government is the only and decisive agent in the practice of mobilization, negotiation and conclusion of international framework treaties on ODA (Chapter II). These tasks are carried out chiefly by the Ministry of Planning and Investment with the support of the Ministry of Finance, Ministry of Foreign Affairs, and Office of the Government and approved directly by the Prime Minister.

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<sup>16</sup> "Line Agency" and "Project Implementing Agency" mean, according to Article 5 of the Regulation, 'a Ministerial-level agency, a sectoral management agency, the People's Committee of a province or a centrally-managed city which has an ODA project/programme' and 'an organizational entity which is assigned with the responsibility for directly managing and utilizing ODA and counterpart funding in order to implement a project/programme according to its approved contents' respectively.

## **Chapter 7**

# **Conclusion on the Role of Government in the ODA-Sustainable Development Link and Recommendation for Vietnam**

This chapter summarizes and combines findings of the previous chapters. It reveals the role of government in making ODA work for sustainable development in general and in the development context of Vietnam in particular. Recommendations on what and how the government of Vietnam should do to maximize ODA effectiveness and facilitate sustainable development will then be given and explained in detail.

### **The role of government in making ODA work for sustainable development**

The range of discussions in the last five chapters has served to realize critical issues on sustainable development, ODA, and the relevant roles of government in terms of both general theory and specific case of Vietnam.

In general, it appears that sustainable development is an emerging vision in the field of development. This vision reflects a strong desire of humankind about a developmental path in which economic growth, social equity and cohesion, and environmental conservation are harmonized. It is also found that ODA itself is not fully supportive of sustainable development but in many aspects it is a potential source of sustainable development. This finding leads to a recommendation that effort needs to be made to maximize the effectiveness of ODA for sustainable development goals. Regarding the role of the state, it is revealed that the state government has a very unique and important role in

facilitating sustainable development and holds the conclusive role in deciding the volume and direction of ODA resources and activities. Nevertheless, the roles of the governments of developed countries, which are normally ODA donors, and those roles of the governments of developing countries, which are normally ODA recipients, are not the same. While donor governments are asked for a heavier burden of supporting sustainable development worldwide, they, however, hold decisive power in making decisions on ODA volumes and targets. The roles of recipient governments in shaping the ODA picture are inferior to those roles of donors although they are still key players in ODA business, in comparison with other agents such as private firms and social organizations.

Accordingly, in general, government plays very important roles in making ODA work for sustainable development. As 'foreign aid in itself is neutral with respect to development, for its positive or negative effects depend on government policies' (WB 1999:37), it is the sound cooperation of donor and recipient governments that ensures effective generation, allocation, utilization, and management of ODA resources for sustainable development. It is the incentive of the governments, especially donor governments, that decide if ODA resources are used for sustainable development purposes or not. It is the effort of the governments, especially recipient governments, that decides the sustainable development progress of ODA activities.

### **The important role of the government of Vietnam in making ODA work for sustainable development.**

In the particular case of Vietnam, it is apparent that the Vietnamese government is a very important agent in making ODA work for sustainable development. It is because like anywhere else in the world, ODA to Vietnam does not fully committed to sustainable development. It is important that the government of Vietnam is able to prevent and/or minimize (if not convert to

better ways) unsustainable impacts of ODA. In addition, the government of Vietnam is the only representative of the country that can affect, to some extent, decisions of the donors on the volumes and directions of ODA inflows to the country. The government is also important as it plays considerable role in development and in maximizing the effectiveness of ODA. Another reason for the importance of governmental actions for facilitating ODA in Vietnam to serve sustainable development purposes is that an appropriate development strategy offered and enforced by the government can, on one hand, attract more ODA donation to the country and on the other hand, can mobilize and coordinate local resources with ODA resources for the most sustainable general outcome. Different aspects of the role of the Vietnamese government in facilitating sustainable development outcomes of ODA activities will be discussed in turn.

Discussions so far in this chapter has revealed that although sustainable development is not yet the dominant theme in development thinking and practice in Vietnam. In other words, development in Vietnam is rather focused on economic growth and social betterment. However, it was also realized that the government of Vietnam and international donor community play very important roles in facilitating sustainable development in the country. Especially, the role of the Vietnamese government is significant because it is presently involving in and dominating the large shares of almost all aspects of development in the country.

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