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INSTITUTE OF CURRENT WORLD AFFAIRS

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HERE COME THE B-52'S OF FOREIGN AID

The World Bank, IMF, ADB, ODA, are carpet bombing their way through Vietnam. Will the dikes hold?

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Dear Peter,

The Vietnamese are masters of "absorption." They "Vietnamized" Chinese culture, transformed French baguettes into a Vietnamese staple, turned "Que Sera Sera" into a Vietnamese hit and learned to speak Russian better than any Asians ever did. Just last week, the "Apocalypse Now" Bar opened in the heart of Hanoi.

Today, Vietnam's "absorption" capacity faces a challenge of a new and different kind. The World Bank and the International Monetary Fund (IMF) will resume lending in a few weeks. The "buzzwords" of this impending foreign development have already flooded the country. Vietnam now struggles to adapt them to its own reality.

"I want to believe that the Vietnamese will be wise enough to direct this flow of aid, to take what they need and refuse the rest," says a young Westerner who has been working for two years with the State Planning Committee, Vietnam's government agency responsible for coordinating all foreign aid. "But I would be dreaming. There is no such thing as a homogeneous Vietnamese vision of development. The urban elite will win over the advocates of rural development. The Vietnamese have no miracle answer to what development is."

The developers are already in town. They drink wine and beer every Friday night at the "billabong," the famous watering hole at the Australian Embassy. Some dream of razing Hanoi's old French quarter and erecting shining high-rises in its place. Some dash back and forth in helicopters from their office to oil and gas fields off the Vietnam coast. A smartly-dressed young woman sent to Vietnam to work on an education project instead peddles her services as an independent real estate agent. Charity aid workers sulk over their

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beers, bemoaning the lack of coordination and infighting between agencies. A World Bank consultant arrives in flip-flop sandals and Bermuda shorts brightly printed with Tintin caricatures. Brand new and numerous white 4-wheel drive Toyotas bearing the United Nations logo surround the building. They are all here now, the powerful international agencies that in the past 25 years have done some good but also wreaked havoc in so many developing countries. Will the dikes hold?

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- "What is a lobby?"

The question breaks the silence of the cramped documentation center of the Hanoi United Nations Development Program (UNDP) and startles me. Across the table from me, a young Vietnamese woman looks seriously puzzled. It is late on Friday and we are alone in the deserted room. I am sifting through World Bank reports. The young woman's hands rest on a thick Vietnamese-English dictionary.

- "It is for my boss," she says as she shows me a photocopy of an article clipped from Asia Inc., the Asian business magazine.

The woman is an assistant to the Vice-Chairman of the State Committee for Cooperation and Investment, Vietnam's main gate to the country's 70 million consumers. Better known by its acronym of SCCI, the agency evaluates foreign investment projects and grants business licenses. SCCI, in brief, is a big player in the country's drive to create "market socialism."

- "My boss is very interested in this article," she explains. "Once the embargo is lifted we will have to deal with lobbyists. He wants to know what they are."

Carefully, I begin to explain. Lan (not her real name) replies with this Vietnamese expression: *Ngươi van dong chinh tri o hang lang*. Translated literally it means: "people participate in campaigns politics in corridors." Not a bad way to define lobbyists but rather long, I must admit. "Westerners often wonder why it takes me so long to translate what they say," says Nguyen Thanh Ha, a Hanoi researcher who speaks fluent English and often works as an interpreter. "They use concepts for which there is no word yet in Vietnamese."

Ha cares about words. As a social scientist with the Institute of Science Management, one of the research arms of the Ministry of Science and Technology and one of the hundreds of Vietnamese Research Institutes, he studies the response of Vietnamese institutions to foreign technology.(1) In his spare time, he

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(1). Vietnam's exposure to western technology is recent. It was not before 1866 that the first technical book - on the details of steam engines - was published by a Vietnamese. The first "translation office" was set up in 1835. At the time, Emperor Ming Mang made it clear he wanted multilingual specialists only "for the purpose of preparing replies to foreign countries, nothing else."

wonders about foreign words and the influence they have on the way Vietnamese talk about themselves and their society. "When you look at our history you see that the Vietnamese believed in imitating the West in matters of utility but in maintaining their own traditional values in matters of substance," says Ha. "Are we doing it now? Adopting the new words but giving them our own meaning?"

An American professor investigating the upcoming changes in Vietnamese Universities was often surprised by the vocabulary she encountered in Hanoi. "They picked up all our jargon," she says. "They use words we are comfortable with. But do they mean it?"

Take "non-governmental" for example. At PACCOM, the People's Aid Coordinating Committee, the first thing the director tells me is: "We are non-governmental." Puzzled, I ask who pays his staff salary. "The government," he answers. "But it does not intervene."

Same for NEDCEN, the Non-State Economic Development Center, a newly-created government creature mandated to support the development of Vietnam's private sector. NEDCEN's brochure says it is a "non-governmental organization." Membership of NEDCEN is free, the organization does not charge for its services and receives no help from foreign organizations. So who pays for the staff, the office, the electricity? "The government," says director La Van Nhan. "But it does not intervene."

Researcher Ha knows many expressions the Vietnamese adopted without quite understanding them. One of them is "rapid participatory rural appraisal", the latest fashion in development planning technique. In Vietnamese, the expression was translated as *danh gia nhanh nong thon*, literally "operation rapid



Young man selling pomeloes in Hanoi under a poster of Sylvester Stallone. Even Rambo is now part of Hanoi street life

The first Western adviser invited to Vietnam came in 1865. The Kings considered the introduction of Western knowledge as an attack upon the foundations of Vietnamese traditional society. Vietnamese attitudes to Western Technology 1802-1867, by Nguyen Thanh Ha, 1987.

rural." According to Ha, few Vietnamese really know what it means, spare a few scientists.(2)

Every foreigner in town has a story to tell about language problems. "For days we talked to the authorities about our marketing program to attract funds," recalls Leigh Scott-Kemmis, an Australian investment banker involved in a non-profit Foundation raising funds to protect Hanoi's architectural heritage. "We made no progress. They thought we wanted to open shops."

But the Vietnamese are learning English fast. And Ha cannot wait to see how many English expressions will have been "Vietnamized" in a few years time. "The challenge," he says, "will be to adopt the words to our reality, to find a Vietnamese way."

Is there a Vietnamese way to development? Will the country succeed in handling the powerful network of international organizations that left so many developing countries sinking in the shifting sands of debt and structural adjustment programs?(3) With an economy that grew by 8.3% last year without the IMF or the World Bank, does Vietnam need those loans in the first place?

In mid-November, aid donors to Vietnam will converge on Paris for a "donor's conference." There, the Vietnamese government will outline its priorities for development. Donors will indicate the level of financial commitment they are ready to make. "We are expecting about one billion dollars in commitments," says one of the conference organizers. (About US\$350 million from the World Bank, US\$250 millions from the Asian Development Bank, US\$200 million from Japan and the rest from various governments.)

So if we already know what the donors will give, what's the point of the conference? "The conference is a catalyst," says United Nations economist Ray Mallon, "It forces the Vietnamese authorities to get their act together, to set priorities, to stop being driven

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(2). "Rapid rural appraisal", or RRA, is a development research method that has gained widespread recognition during the past ten years. It is better known by its complete name: Participatory Rapid Rural Appraisal (PRRA). The method emerged because commonly-used survey methods took too long for data to be collected, analyzed, and disseminated to be useful to community members or development workers. By the time the surveys were analyzed, the problem had changed. The method emphasizes "participation" as a result of disenchantment with information-collection methods which gave key responsibilities to outsiders rather than community members. Participatory Rapid Appraisal for Community Development, A training manual based on experiences in the Middle East and North Africa, by Joachim Theis and Heather M. Grady, International Institute for Environment and Development, 1991.

(3) For more details, read Graham Hancock's Lords of Poverty, probably the strongest indictment of the "aid bureaucracy" ever written. During my three-week researching foreign aid in Vietnam I met four young Vietnamese currently reading pirate-photocopied copies of the book.

by the demands of the ministries. For the conference they have to establish an overall strategy to use outside resources."

It's mid-August and Raymond Mallon hardly finds any time to have a beer with his buddies. As United Nations Development Program resident economist in Hanoi, he is responsible for helping Vietnamese authorities prepare for the donors' conference. Reaching consensus on government priorities has been a long and painful process. Making sure that the list is realistic has been even more difficult.

Two weeks ago, for the first time, representatives from all of Vietnam's ministries (called here line ministries) met to discuss the document. Trade-offs were discussed: your bridge, my hospital or his school? "They do not understand why we insist on prioritizing," says another UNDP worker. "They are still in the shopping list mentality. They want to ask for everything and see what they get. We insist on priorities."

Sounds simple. But it is not. "It is a mistake to assume the Vietnamese have a common view of the country's development," says a technical advisor to the World Bank. "They do not. They are a maze of interest groups: provincial powers, political factions. And they are all fighting for their cause. The rural interests and the private companies are under-represented in the development debate. The urban elite and the government workers are best equipped to push their views."

Nobody knows for sure how much money is already "in the aid pipeline." Not one single Vietnamese agency controls all that information. Most ministries, agencies and research institutes tend to keep quiet about the aid they get for fear of losing it to someone else. "The whole society is in transition," explains a Vietnamese researcher. "Not all those institutions will survive in the newly emerging world and they know it. Government may soon cut funding for half of the research institutes. Foreign aid will be crucial to their survival. They are not in the business of exchanging information."

In 1992, according to the State Planning Committee, Vietnam received US\$350 million in bilateral assistance, compared to US\$75 in 1991.(4) Multilateral assistance from United Nations Agencies stood at an additional US\$75 millions. Much more is coming.

World Bank, ADB and IMF representatives crowd the lobbies of the city's best hotels. "Absorptive capacity" is becoming a local buzzword. For a while I wondered if it meant how many Halida or 333 (the local brews) a representative could consume. It does not.

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(4). Most OECD countries resumed bilateral aid during the past two years. Japan resumed ODA to Vietnam in November 1992 after a 14-year freeze. Australia had resumed ODA a few months before. Canada did the same recently. ODA now comes from all over the place: US\$16,5 million from the Kuwait Fund for an irrigation scheme, US\$50 million from the Korean Economic Development Corporation Fund for roads and water supply systems, US\$10 million from Germany, US\$34 million from France, etc, etc.

"Absorptive capacity" means the amount of loaned money Vietnam can simultaneously put to productive use without wasting it. Consensus among foreigners is that Vietnam's capacity is low. "They have no good accounting system, not enough skilled people to do feasibility studies of international standards, their managing skills are weak, and they will never find enough counterpart funds to match all the loans they will be offered," says an Australian economist who has been working in Vietnam for over three years.

Not everybody is that pessimistic. "The Vietnamese people borrow only if they know how to reimburse," says Duong Duc Ung, Director General of Foreign Economic Relations of the State Planning Committee (SPC), the government agency responsible for the coordination of foreign aid. "Our staff is big and we learn fast."

Ung works in a small room on the third floor of the State Planning Committee office, a large pentagonal-shaped complex of old French colonial buildings. These dirty pink structures are in dire need of repair. At one entrance, visitors are welcomed by a strong stench of urine. Many thought SPC would collapse as market economics took hold and "planning" became more and more a thing of the past. Many employees were trained in the now deceased Soviet Union. "They are a communist thing of the past," says my Hanoi neighbor who works for the government. "Why are you interested in them?"

SPC did not collapse. It underwent a period of decline and is now being revitalized by its new mandate as "focal point" for all multilateral and bilateral foreign aid. SPC has drafted new regulations on aid management. The document awaits the signature of the Prime Minister. "Many foreigners do not understand the role of SPC," argues Mr Ung, a 50-year old economist trained in St-Petersburg. "They waste their time and money trying to get around us. We may be a little bureaucratic but we are the main gate they have to go through and we are improving."

Do the Vietnamese really understand the difference between the aid the Russians gave them - real gifts they did not have to reimburse - and the loans they are about to receive?(5)

Most loans to Vietnam will demand a 10 to 30% "counterpart fund." Many wonder where the cash-strapped government will find that kind of money. "Their attitude right now is the more loans the better," says Adam McCarthy, an Australian economist completing his thesis on the economy of the City of Hanoi. "But where will they find the money? Borrow at commercial rates, print money, raise taxes?"

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(5) From 1978 on, the Soviet Union was by far the largest bilateral donor to Vietnam. At its height, assistance reached 1,8 billion rubles and took the form of about 100 infrastructure projects (hydro-electric stations, dams etc.) Just before the Soviet Union's collapse, a conference was held in Moscow to assess the aid program to Vietnam. Among its major conclusion: it was wrong to "give" to Vietnam, Moscow should instead give incentives to the creation of joint-ventures between state-enterprises. For all their experience in Vietnam, the Russians have not been asked for advice in preparation for this new round of "aid" to Vietnam.

McCarthy worries particularly about the fate of small local labor-intensive projects. "The government might stop funding them because it needs the money for counterpart funds in bigger projects," he says. "Those small projects are often more efficient than the big ones because they use appropriate technology."

Vo Hong Phuc, SPC Vice-Chairman, says authorities know the difference between a grant and a loan.(6) In a speech given in Hanoi in July, he said "grants" will be used for social matters such as education or health. "Concessional loans" will be used to build economic infrastructure such as roads, telecommunication systems, ports, etc. This way, he argues, "loans will help improve productive capacity and lead to an improvement of domestic revenues through taxation. Those taxes will then be applied to sectors such as education and health."

The facts seem to support Phuc's words. Only three ministries will receive multilateral loans in 1993: the Ministry of Transport, the Ministry of Water Resources and the Ministry of Energy. "Other ministries have projects ready but they will have to wait," says Nguyen Dinh Dong, an engineer with the five-member management unit the Ministry of Transport set up to manage multilateral loans.

Dong will be on the front-line of Vietnam's attempts to manage World Bank money. His department will be in charge of two crucial loans to rebuild Highway Number 1, the country's major road link between the North and the South. Potholed, congested, often flooded in the central part of the country, the narrow two-lane road has been a powerful obstacle to the country's development. To hasten the work and avoid



Crowded ferry to Haiphong.  
Transport problems hamper economic growth

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(6) Opponents of the foreign-aid business such as Graham Hancock dislike the use of the word "aid" to describe the loans and the grants given by governments and international agencies. That so-called "aid", they argue, has done more good in the past 25 years to the donors and the loaners than to the recipients. However, for lack of a better word and for the sake of comprehension, I will use "aid" through this newsletter as a generic term covering both loans and grants.



corruption and waste, the Ministry has designed a tight system of foreign supervision. "The foreign consultants will help us choose contractors and will supervise quality control," explains Dong. "This way, we will avoid Vietnamese bad habits." (Dong would not say much about those "bad habits" except that Vietnamese people will often rather do a favor to a friend or a relative than chose the best company for a job.)

Highway No.1 will be Dong's first experience with international competing bids. "Before, the government simply named a company to do the work," recalls Dong who taught himself English reading novels. "We never had bids." Dong expects that most bids will be won by foreign contractors who will sub-contract domestic firms and hire local laborers.

Dong admits his team's management ability leaves much to be desired. "We could not do it without the help of the foreign consultants," he says. "All those World Bank procedures are very new to us." The Bank left Dong piles of document detailing those procedures but he has not found time to read all of them yet, much less to translate them for his colleagues who read Chinese and Russian but no English. (As I called on Dong, on a Sunday afternoon, at his home, he was reading one of those documents!)

If Dong's dedication is a sign of his team readiness to face the B-52's of foreign aid, Vietnam may be in a better position than some foreigners think. His team has been working together for the past two years, getting acquainted with World Bank and ADB requirements under the supervision of New-Zealand and Canadian consultants. They got their first computer two months ago. "At first, people work somehow lazily", admits Dong. "But now that the deadlines are approaching, everybody is working very hard." Fifteen new recruits will beef-up the team during the next few weeks. Knowledge of



Road crew at work in Hanoi.  
Improving roads is a government priority



English is a prerequisite. "This loan is important for the country," says the soft-spoken engineer who earns US\$20 a month and first heard people speak English when he went to work in Iraq in 1990 just in time to be caught there by the Gulf war. "Today's young people do not realize how lucky they are," he says. "They meet English speakers in Hanoi and have cassette tapes to study."

Dong does not know where his ministry will find the 15% counterpart fund (about US\$40 million) Vietnam will have to pay over the next three years. According to SPC's spokesman Ung, the counterpart funds and the debt are not real problems. "In comparison to other countries we have a small debt," says Ung. "The real question is not the size of the debt. It is our capacity to repay. We have to be careful. Our ability to repay is not so big. That is our problem: how much money can we take?"

SPC's experts are working on that problem. Some say Vietnam can absorb US\$500 million a year, others say US\$600 million. One expert even says US\$1 billion. The real objective is to keep the debt within safe limits," insists Ung. "Just like in South Korea where revenues from exports always exceeded loan repayments."

Another nightmare looms over the aid/loan process: coordination or rather the lack of it. "Money will flow all over the place, and you will have waste and duplication," says a veteran of development aid. "The State Planning Committee is unable to coordinate it all. There will be bottlenecks and the ministries will scramble to avoid SPC's controls. Donors will be screaming."

Provinces are in a constant tug of war with the central government. "There are 53 provinces in Vietnam and that means 53 Vietnams," says development worker Lawrence Egan who has worked two years in Vietnam. "Each province is not the least interested in the problems of the other one. The central government should defend the common good but the structure simply does not allow it to."

Officially, SPC is the focal point for all foreign aid, except for non-governmental kind. No ministry, no province should accept official foreign aid without first telling SPC.

The reality is quite different. "The process is not always respected," admits Ung. (Recently, SPC caught - and stopped - the Ministry of Science in Technology from signing an important aid agreement with the Government of Thailand)(7)

Both donors and recipient countries tend not to like coordination. Governments prefer to deal with donors on a bilateral basis so they can play one against another. "Vietnam is like a beautiful girl in

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(7). Communist countries do not have a monopoly on centralized controls of foreign aid. South Korea created a "super-ministry" to manage all foreign loans. And so did Thailand. Vietnamese officials studied and discussed those different strategies during a training seminar held in Hanoi in July. They learned from an ex-Finance Minister of the Philippines of the disastrous results of Manila's failure to set up a central agency to control aid.

a businessmen bar in Japan," says Hisashi Nakatomi, first secretary of the Japanese Embassy in Hanoi. "She smiles and tells all the men she likes them better than the others. She promises plenty to all. They shower her with gifts. But only one gets the prize."

Donors also prefer bilateral relations because they are competing for the best projects. "All agencies are under stress to deliver, to spend their aid budget on good projects. Nobody wants to be blamed for the dud projects that failed," says Andrew Bartlett, a UNDP planner now working with SPC to strengthen aid coordination.

Donors on their own will never coordinate. Political and commercial interests are simply too strong. Aid-coordination is definitely the job of the recipient government and few have done a great job of it. The record of world "aid coordination" is dismal. Many hope Vietnam will do better.(8)

In most developing countries, the proliferation of aid projects has overwhelmed the government bureaucracy's capacity to manage them. Donors often insist on different reporting requirements and technical assessments. (Differences in fiscal years are already rattling the Vietnamese bureaucracy: Vietnam's fiscal year goes from January 1st to December 31st, Japan's begins April 1st and ends March 31st, Australia's goes from July 1st to June 31st!)

Early on Bartlett got his first glimpse of the challenge ahead. He took a Vietnamese delegation to three neighboring countries to look at the way they coordinated aid. Members of his delegation came from the State Planning Committee, the Ministry of Foreign Affairs, the Ministry of Science and Technology and the Office of the Prime Minister, the four key-offices responsible for aid management. While in Bangkok, the delegation was taken to task by some unhappy Thai officials who complained they had received no answer to their offer of scientific cooperation and were wondering if the Vietnamese cared. Members of the delegation were aghast. No one had heard about the offer. "All the Vietnamese could say was: Who did you offer it too?" recalls Bartlett.

Information exchange is not a Vietnamese strength. At least not as far as government goes. "The legacy of war time secrecy, based on the military principle of limiting the flow of information to those with a proven need to know is still very apparent and also makes

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(8) According to Canadian policy analyst David J. Ross, the list of problems with aid coordination is so long "we may be tempted to throw up our hands (...) Attempts in the past thirty years to get donors and recipients to work together, to define policies, to work to implement them has been fraught with difficulties."

David J. Ross, "Aid coordination", Public Administration and Development, an International Journal of Training, Research and Practice, July-Sept. 1990. Volume 10, #3, p.331

discussions and scientific debates more difficult," writes researcher Nguyen Thanh Ha.(9)

Soviet-trained Ung says the ministries and provincial authorities will have to cooperate but stops short of saying how he will force them to. Most foreigners are skeptical. "Ung himself is of the old school," says a European expert who has worked with him. "He does not believe in exchanging information. He knows information is power. He keeps it to himself."

Ung's office is definitely not an information disseminating place. Ung sits at a desk. The phone is on another. Brand new books about foreign countries' Official Development Aid (ODA) are neatly stacked on book shelves. Employees joke that I am lucky to see these books. They are not allowed to touch them. "We could set up data banks, give them computers, organize meetings, circulate reports until we die," says Bartlett. "If the Vietnamese do not want to share information, it will be useless."

Among foreign experts, Ray Mallon is probably the most optimistic about Vietnam's progress. "I have seen the Vietnamese work together in preparation of the donors conference. At first, they were reluctant to share information. Now they are not."

But will they close ranks well enough to manage the upcoming flash flood of money? "ADB and the World Bank will dump more money in this country than it can absorb," complains one young Western aid worker. "Some good projects will be done but badly planned projects will also be funded because of donor pressure. It is the same story all over again: money spent on useless and sometimes environmentally flawed projects. It makes me sick."

Competition between donors of ODA is fierce. "They are all so hypocritical," says a young disillusioned economist. "They ask what Vietnam wants, what its priorities are, but they do not really care. The game is mostly donor driven."

The Vietnamese want donors to train officials at the provincial level. But donors are more interested in training influential people. "Most donor countries are now into policy making," explains Ray Mallon. "It's the new fashion. It looks good on your report if you have trained the new Finance Minister. What prestige or influence do you get if you have trained officials from the People's Committee of Nghe An or some other province?"

Tensions between national development plans and strategies of donor agencies are common place. Donors know what they want to fund and often it has more to do with their commercial interests than the recipient country's needs. For example, Australia gives wool to Vietnam to manufacture clothing and carpets. Vietnam sells those to Northern Asian countries thus opening "potential markets" for

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(9). "The limits of elitist science and technology policy-making. The case of Vietnam", by Nguyen Thanh Ha, Institute of Science Management. Presented in Gothenburg, Sweden, August 1992.

Australian wool.(10) "The donors do not change," says pragmatic Mallon. "I do not think they have improved much. Not through bad intentions but that is just how things are. It's up to the receiving countries to become wiser." And he believes Vietnam has.

According to Mallon, the Vietnamese leadership has closely studied the borrowing experiences of countries like Thailand, Malaysia and the Philippines. "Manila was too weak on controls," he says. "The Thais did better. But then maybe they were too tight. Some of the infrastructures that should have been built was not and you can see the results in Bangkok."

So, will the Vietnamese benefit from the past 25 years of development mistakes? "If we achieve a few per cent less waste it will be great," says Bartlett. "With a couple of billions worth of assistance coming this way over the next five years, a few percent would be a lot."

Bartlett's bookcases are filled with essays and reports recalling all the horror stories of development aid. Success for him means a greater number of projects that are environmentally sound, socially acceptable and financially sustainable.

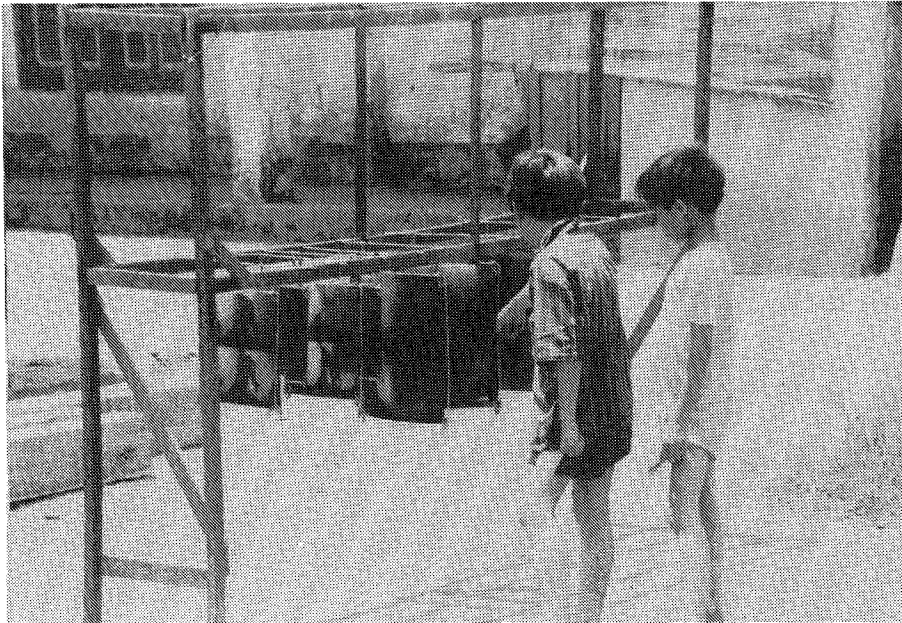
Both sides will have to work hard at it. "Take eye care for example," says Simon Franken, a Dutch ophthalmologist who has spent most of his career among the poor in India and came to Hanoi briefly as a consultant. "They want the latest state of the art equipment. With the same amount of money they could buy much cheaper stuff from India or China and restore sight to thousands of people. I wish they would put their money where their socialist mouths are."

The Ministry of Health also wants money to build two high tech hospitals while the World Bank would rather fund the primary health care system (PHCS). "What do you think the Ministry will do?" asks a tired Westerner. "Domestic money will come out of primary health care budget and be rerouted into the hospitals, leaving World Bank money to do primary health care."

Some say it shows how the Vietnamese "know what they want". Others call this "collective corruption." SPC admits "things often get mixed up". For example, SPC recently sent back to the Ministry of Health a proposal submitted to JICA, the Japanese International Cooperation Agency. The ministry was asking JICA to finance the building of a glucose factory. Vietnamese hospitals badly need glucose solution and the project is on the government's priority list. But the proposal submitted included a business component. The factory would not only make glucose for hospitals. It would also produce sweets and sell them to bring some revenues to the Ministry. (The proposal made a lot of sense considering Vietnamese agencies are constantly told to find their own source of funding. But Japan could not support it.)

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(10) The Vietnamese have improved the way they manage such "gifts". Previously they would have simply given aid to state-enterprises. Now they sell it. Revenues go into State Budget.



X rays drying in a hospital courtyard.  
Health care facilities badly need funding

In South-East Asia, Japan is becoming an increasingly important player in the aid-business. Close to 50% of Japan's Official Development Aid (ODA) goes to Southeast Asia. At the end of 1992, Japan provided a low-interest loan of ¥45,5 billion (nearly US\$ 370 million) to help Vietnam pay off some of its arrears to Tokyo. "We are working hard to erase the bad memories of the war years", says Hisashi Nakatomi, first secretary of the Japanese Embassy in Hanoi and long-time Vietnam watcher. (11)

But relations are uneasy. "The Vietnamese find us too difficult to deal with," admits Nakatomi. "We demand too many details. They like the Americans and the French much better. Just look around here."

We are sitting in Nakatomi's office, a dark cramped cubicle in a decrepit and molding suburban building of the stalinist type. This is the Japanese Embassy but no flag flutters on the roof; there is no red carpet, no nice trees. Nearby is what used to be the foreigners ghetto, the walled-complex where foreigners had to live prior to *doi moi* and where many still live. "Why do you think we are here," asks Nakatomi. "Why are we not in one of the nicely renovated villas downtown?". (The Japanese ambassador does have a villa downtown though) Nakatomi says Japan is not trusted yet in Vietnam. "This is a battle field," says Nakatomi, puffing on his cigarette. "And I am a warrior".

(11) Japan's interest in Vietnam is in the long term. Japanese made goods are too expensive for Vietnamese consumers but Vietnam has substantial natural resources and the potential to become a low-wage production base once ODA has been used to rebuild its infrastructure. Japan currently buys 70% of Vietnam's crude oil.

With all those big players jockeying for a piece of the action, many NGO workers worry that Vietnam is just about to exchange the "top-down" approach of its past communist command-economy for another kind of "top-down" approach, the one favored by the multilateral agencies. "The past twenty years have showed us that big projects designed by bureaucrats in their air-conditioned office often have no relevance to the lives of the poor," complains a Hanoi-based NGO worker. "With the arrival of the big donors, our role in Vietnam is definitely changing."

At least 150 NGO's are active in Vietnam today. And their number keeps increasing. Close to half of them are American-based. "I can't keep track of all the new arrivals," says Mary Etherton, director of Hanoi's new NGO Resource Center, on the ground floor of Save the Children Sweden's office.

Opened a few months ago, the Resource Center keeps a data base of all NGO's working in Vietnam, the type of projects they are involved in, and the provinces where they work. "This way we can stop reinventing the wheel," says Etherton "and stop over aiding some provinces while others get no aid at all."

It took two years for a few determined NGOs to convince the authorities of the need for such a Center. "The Vietnamese authorities did not like this networking at all," recalls one of the founding members. "For so long they played us against each other. The more info we exchange, the less they can do that."

In 1992, Vietnam received US\$40 million in humanitarian aid from non-governmental agencies. Close to US\$25 million came in through PACCUM, the government's official agency. The rest went directly through ministries such as Health, Labor, Agriculture.

Created in 1989, PACCUM sees itself as the "focal point" for all non-governmental aid to Vietnam. NGO's wishing to work in the country are expected to register with PACCUM, discuss projects and locations with them, hire staff from them, etc.

One year ago, NGO employees could hardly move without PACCUM's authorization. One Canadian who tried to organize a holiday through a private travel agency was told he could not. "All they wanted was their cut in car rental," he says angrily. A year later controls have been relaxed. But PACCUM is wary of the NGO Resource Center. "We are the only ones who can tell NGOs which province to work in," insists Phan Trong Thai, deputy director of PACCUM. "The Center must obey the law."

According to Thai, the arrival in Vietnam of big aid money will not reduce the NGOs role. "They do more with less money," he says. "They are more efficient." The NGO's believe a lot will change for them in the coming years. "We are going back to our more normal role," says Etherton. "We do not usually get involved in building bridges and dikes. We did it here because there was no one else."

"Normal role" may mean something the Vietnamese authorities do not like such as advocacy in favor of the poorest and support for the emergence of local Vietnamese NGO's. "We want to work at the grass

roots," says Etherton. "Our challenge is to help the people who fall in the cracks as the system changes."

PACCOM and the NGO's have different views of what "grass roots" means. "In the Philippines there are many NGO's but a lot of money stays with them and does not go to the poor," says deputy director Thai. "We do not want those intermediaries."

The fact that NGO's would view the People's Committee as the same kind of "intermediary" seems to escape PACCOM's understanding. For PACCOM, the People's Committee "is" the people. In many cases, that has not been the NGO's experience. "In the commune where we work, we were not allowed to rent a house from an individual", recalls an NGO worker. "Our only choice was to rent from the Committee."

There are presently no local NGO's in Vietnam. And if PACCOM has anything to do with it, there will not be any. "There are thousands of NGO's in Bangladesh," says Thai in disgust. "All you get is chaos. We do not want to see that happen here."

But Etherton is not deterred. "Time will come," she says. The Center hopes to send some of PACCOM's staff on a fact finding mission to the Philippines or to Thailand to see how NGO's are organized there and what kind of contribution they make to the welfare of the country. Through regular workshops and training sessions, the Center hopes to nurture groups who could potentially become successful local NGO's. "Some of the mass organizations like the Women's Union are already beginning to view themselves differently," says Etherton.

PACCOM argues that the Vietnamese would not trust local NGO's. "People would worry about money disappearing," says Thai.

But Vietnam's first NGO may be already as visible as a Red Cross on a white flag. Told two years ago it had to generate its own funding and become self-sufficient, the Vietnamese Red Cross took it seriously and appealed for help to the International Federation of Red Cross and Red Crescent Societies. "They do not have the feeling yet of being an NGO," says Birgitte Gammelgaard of the Danish Red Cross, "but they know that their very rich structure will collapse if they are all forced to become volunteers. In the South, the local chapters are increasingly independent. In the North, the process is much slower."

While touring provincial Red Cross facilities, Lars Nopp, of the Swedish Red Cross, was repeatedly asked by employees for speed boats, cars, or houses better suited to sustain typhoons. Instead, he offered training in fund raising. "I told them they could rent their half-empty warehouses for parties or youth activities."

The Women's Union, with its impressive network of delegates and members reaching all the way down to the commune level, is also desperate to keep its network alive. Funding has not been entirely cut yet but the threat is looming. "The Women's Union was happy to be offered to manage small credit schemes," recalls Mary Etherton. "They are the only mass organization that has not gotten big into the business of making money." (By contrast, both the Youth Union



and the Labor Union own advertising agencies, guest houses, import-export companies, travel agencies etc.)

It is a busy morning at the NGO Resource Center. The phone keeps ringing. Reports pile up on the shelves of the rattan bookcase. Meetings and workshops are organized weekly. Vietnamese staff of various NGO's are getting together and discussing their work.

With a small grant from a Scandinavian aid organization, the Center pays a part-time director and a Vietnamese assistant. Other organizations donated furniture and books, and loaned a computer. "We will take anything," says Etherton laughing. "Subscriptions to magazine or periodicals on development would be great. We badly need info on training programs offered in the region. Many NGO's would like to send their Vietnamese staff abroad for short training periods, but few know what is available in the area."

An ever larger number of foreigners working in Vietnam worry that the Vietnamese are buying whole the western model of development. "One Swiss researcher came to do research here on non-motorized transportation," recalls Lawrence A. Egan. "He told the Hanoi transport authorities too many cars would harm the city. It did not go down well. Who are we to tell them not to make the same mistakes we made. If they want cars, what can we do?"

A few weeks ago, as I rode my bicycle downtown Hanoi I saw my first Mercedes painfully honking its way through Hanoi's anarchic and slow traffic. The same day, a nation wide survey showed that the gap between the rich and the poorer was deepening quickly.

Foreign aid will be crucial for a while to build infrastructure but the toughest challenge Vietnam face may be elsewhere. Just like Richard Bird wrote: "In order to stimulate economic development and improve the social conditions of their citizens, developing countries cannot rely on investments and aid from abroad but must secure their own financial resources through taxes." (12)

Most Vietnamese now regard taxes as a punishment not as part of a social contract. "I am smart and I am strong and I earn more money than my neighbor, why would I give it to the government?" says a young Hanoi scientist. "They do not know how much I earn, how can they demand income tax from me?"

Fiscal evasion is the norm in Vietnam. Tax collectors "negotiate" tax payments more than they collect it. The system needs a massive overhaul. And it may prove much more difficult than "absorbing" foreign aid and certainly more difficult than absorbing beer at the billabong or absorbing Johnnie Walker scotch whisky with dinner, like so many Vietnamese "new rich" already do in Hanoi.



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Hanoi. August 20th, 1993

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Received in Hanover, September 02, 1993.