

# The Elimination of Primary Education Contributions for the Poor in Vietnam—A Case Study in the Political Economy of Pro-Poor Policies

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## A. Background—The Education Sector in Vietnam

In 1945, 90 percent of Vietnam's population was illiterate. When the new communist leadership came to power, it set the elimination of illiteracy as one of its primary objectives. Although this goal has not yet been reached, enormous progress has been made. By 2000, Vietnam's literacy rate stood at 95 percent, substantially above the levels in countries with comparable incomes per capita.

During the first postwar decades, the government made large investments in literacy campaigns and placed a primary school in every community. During those years, primary and lower secondary school pupils neither paid fees nor bought textbooks—which they borrowed from the school library. As a result, and despite the tightness of funds, impressive progress was made in expanding access to education, thereby laying the foundation for universal primary education.

In the late 1980s and early 1990s, with the onset of *doi moi* policies of economic liberalization, there seems to have been a deterioration in the quality of education accompanied by high drop-out rates and an ensuing decline in enrollment rates in lower and upper secondary education.<sup>2</sup> Primary education enrollment rates, on the other hand, increased steadily throughout the decade. Between 1992/93 and 1997/98, per capita public spending on education increased more than threefold aided by economic growth and the high priority placed by the Vietnamese government on the sector. Moreover, over the decade, government expenditure was reallocated from higher to primary and lower secondary education, leading to a doubling of expenditure on primary education, improved targeting of public expenditure on education to the poor, and to an increase in net enrollment rates in primary education from 80-86 percent to nearly 94 percent. A participatory poverty assessment carried out in 2001 showed that infrastructure was perceived to have improved over the 1990s and to have become more physically accessible.<sup>3</sup> Finally, indicators of the quality of primary education also improved, with repetition and dropout rates declining from 12 to 3 and from 9 to 5 percent respectively.

The progress achieved in the 1990s, however, also had its limitations. The actual amount of hours of education received by children in Vietnam is still significantly below the norm in many other countries while the level of public expenditure on education varies greatly across regions and, overall, is rather low by international standards. Moreover, rising private costs of education spurred by the introduction of user charges are widely seen as placing a high burden on the poor. These increased costs are

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<sup>1</sup> I would like to acknowledge the research assistance and contribution of a background note by Juan Jose Almagro (see bibliography section for reference to the background note).

<sup>2</sup> *Report on the Financing and Delivery of Basic Services at the Commune Level in Ky Anh, Ha Tinh, Vietnam*. OXFAM UK and Ireland Aid. Hanoi: 1996. *Vietnam: Education Financing Sector Study*. World Bank, 1997: 16.

<sup>3</sup> *Perspectives of the Poor on Health and Education in Vietnam*. A Participatory Poverty Assessment. Report to the Asian Development Bank and Ministry of Labour Invalids and Social Affairs. By Canadian Centre for International Studies and Cooperation and Rural Development Services Centre. Hanoi: Labour and Social Affairs Publishing House, 2001.

burdensome enough that, according to some of the people interviewed for the 2001 participatory poverty assessment, education has become harder to access for the poor over the 1990s despite infrastructure and other improvements. Partly as a result of high costs to households, enrollment rates in 1998 varied significantly across income levels, with only 82 percent of the poorest children aged 6-10 years enrolled in primary school, compared to 96 percent of the richest children. Finally, although these contributions are nominally “voluntary,” if children cannot muster the funds to cover them, they are sometimes sent home, punished or otherwise publicly humiliated.

## **B. The System of Fees and Contributions Introduced in the 1990s and Its Impact**

In September 1989, a nationwide system of official fees was introduced in public schools which was subsequently abolished in 1991 through the Compulsory Primary Education Law. Even after 1991, though, parent-teacher associations can decide to impose fees, including on primary education. Official fees, however, are found to play only a small role in determining the full price that families pay for sending a child to school. The role of unofficial contributions and other school-related out-of-pocket expenditures, on the other hand, is much more important. In fact, over the decade, schools and communities have had increasing incentives to raise their own resources as public funds were scarce, decentralization proceeded, and pressure to increase enrollment rates stepped up. Similarly, parents were increasingly expected to bear the costs associated with school attendance, such as textbooks and other school supplies. Typically, contributions are imposed to support the parent-teachers’ association as well as for textbooks, uniforms, building funds, insurance costs, opening and closing ceremonies, examinations, and in-kind contributions to labor funds.

The number of fees and contributions and their amounts varies enormously by school since the right to determine “fees, charges and other contributions of people” is assigned to various local authorities.<sup>4</sup> Therefore, the fee and contribution structure found at each commune reflects a series of decisions issued by various levels of government. As a result, one study found that in one school these charges were negligible while in another they added 50 percent to the public budget.<sup>5</sup> Similarly, a 2000 *Public Expenditure Review* found that, in the communes visited, there were between 4 and 8 fees and between 11 and 14 education-related contributions.<sup>6</sup>

The new system of cost-sharing or “socialization” –as it is called in Vietnam- was meant to mobilize resources in support of education, promote parents’ ownership of their children’s education and increase the accountability of local government in the delivery of educational services. The 2000 *Public Expenditure Review*, however, found that households had little information about the basis of the charges, no knowledge of the commune budget or of how their contributions were actually spent and perceived the overall system as confusing and non-transparent. In fact, despite the injunction from the “Grassroots Democracy Decree” for commune officials to record contributions and withdrawals in the Treasury system and to publish their budgets and actual expenditures, this is often not done.

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<sup>4</sup> Article 25 of the Law on State Budget, which assigns various responsibilities and rights to People’s Councils and People’s Committees. Cited in *Public Expenditure Review*. Washington: World Bank, 2000. Vol. 2, Annex C. A household’s contribution bill to primary education depends on the cumulative effect of central decisions, plus additions from the province, district and commune levels of government. PER 2000, Vol. 2, Annex C.

<sup>5</sup> In the schools included in the study, they were found to add about 25 percent per pupil to total spending. *Education Financing Study. Primary Education in Vietnam*. September, 1999: p.12.

<sup>6</sup> PER 2000. Vol. 2, Annex C.

In addition, although fees and contributions are meant to be earmarked for a certain purpose, in practice they are often used fungibly to finance general commune expenditure. They are also treated differently in different communes and districts, in some cases being kept by the school that raises them while, in others, they are pooled at the district level and re-distributed among the schools of the district. Overall, lack of information among the population about how contributions are being used and treatment of contributions as general taxation impairs the role that contributions are expected to play in enhancing households' ownership of educational services and their ability to hold local government accountable.

The introduction of cost-sharing has dramatically increased the private cost of education. Total private spending on education as a percent of GDP doubled in five years, increasing from 1.7 percent in 1992/93 to 3.4 percent in 1997/98.<sup>7</sup> The impact of these contributions, moreover, is highly regressive. According to Vietnamese government officials, fees and contributions were intended to be introduced in more affluent areas where most households could afford them. Poor communities, however, had no alternative but to levy charges on their pupils as well, since, in the newly decentralized context, poorer provinces do not receive enough cash transfers from the center to cover even the minimum costs of service delivery. As a result, per capita expenditure for children in the wealthiest income quintile are two-and-a-half times the expenditure for children in the lowest income quintile and non-wage current spending per pupil at a Hanoi school is 10 times higher than at a school in Soc Trang province.<sup>8</sup> These differences in expenditure levels and enrollment rates across income quintiles are worrying in and of themselves and will likely translate into rising income inequality as returns to education increase in an increasingly market-oriented economy.<sup>9</sup>

Exemptions can only be claimed from fees and not from contributions (which account, by far, for the largest part of households' expenditure bills for primary education). The existing system of fee exemptions, moreover, is far from pro-poor without significant differences in benefit incidence over the various income quintiles. Just as the overall bill of fees and contributions for a household varies across the country, so do the fees from which children can be exempt. Groups entitled to fee exemption include the disabled, orphans, children of disabled and ill veterans, and children belonging to ethnic minorities. Not all of these children, however, are necessarily poor, which reduces the progressive impact the exemption system could have.<sup>10</sup> Moreover, due to the limited coverage of the exemptions and their accounting for only a small portion of parents' direct outlays for education, they have a limited impact in relieving the burden of primary education costs on the poor.

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<sup>7</sup> Out of this increase, 14 percent is due to the increase in the numbers of children enrolled and 84 percent is due to rising private spending per pupil. Estimates based on the 1992/93 and 1997/98 Vietnam Living Standards Survey. Nga Nguyet Nguyen, *Trends in the Education Sector*, Policy Research Working Paper 2891. Hanoi: World Bank, 2002.

<sup>8</sup> *Vietnam Education Financing Sector Study*. World Bank, 1996 and *Education Financing Study*, 1999. Soc Trang province illustrates the difficulty of the issue at hand. The province decided to eliminate the system of contributions for primary education in an effort to increase enrollment rates. As a result of this measure, however, the funds available to local schools declined dramatically.

<sup>9</sup> In 1993, there was no clear difference in real earnings between completed education levels. By 1998, on the other hand, the higher the education level one had completed, the higher the earnings. Estimates based on the 1992/93 and 1997/98 Vietnam Living Standards Survey. Nga Nguyet Nguyen (2002): 21.

<sup>10</sup> For a more comprehensive list of groups often listed as eligible for fee exemptions, see PER 2000, Annex C, p. 51.

## **C. The Process Leading to the Commitment to Eliminate Contributions on Primary Education for the Poor Contained in Vietnam's Poverty Reduction and Growth Strategy**

### **1. Background Factors**

#### **The Education for All Initiative**

The Education for All Initiative, launched by the World Education Conference in Jomtien, Thailand in 1990 has significantly raised the profile of education goals in the international development agenda. The Conference adopted the World Declaration on Education for All (EFA) as a framework for the decade of the 1990s. In that declaration, participating governments and donors committed themselves to assigning priority of resource allocation to basic education and, more specifically, to reaching a number of targets by the year 2000. These targets included achieving universal primary education and laying the foundation for nine years of education for all. Vietnam was an active participant in the Jomtien conference, set up an EFA committee in 1992, identified national EFA objectives for 1993-2000, and drew up an action plan to achieve them. The government implemented the plan over the 1990s and most of the goals were reached.

The second EFA forum, the World Education Forum held in Dakar, Senegal in 2000 was organized to assess progress towards the targets established in Jomtien, review them and continue to gather support in the development community for the EFA goals. Of the six education goals outlined in Dakar, two focused on primary education. Goal two refers to “ensuring that by 2005 all children, particularly girls, children in difficult circumstances, and those belonging to ethnic minorities have access to and complete free and compulsory primary education of good quality” while goal five aims at the elimination of gender disparities in primary and secondary education by 2005. The Dakar conference also emphasized that credible national EFA plans were an essential condition for effectively reaching EFA goals and it established a set of principles to be applied in the development and implementation of national EFA plans. Key among these principles was that EFA strategies needed to be placed within well-developed education sector frameworks directly linked to poverty-reduction.

As a follow-up to the Dakar conference, the donors present at the consultative group meeting for Vietnam of December 2000 decided to cooperate in the preparation of a national EFA plan for Vietnam, with UNESCO as the focal point. Vietnam was one of the countries selected for additional support under the EFA fast-track initiative.<sup>11</sup> Within this framework, Vietnam established a set of “localized” EFA goals –as part of a set of Vietnam Development Goals--including increasing the net enrollment rate in primary education to 97 percent in 2005 and to 99 percent in 2010. Since the large majority of the children currently not enrolled in primary education in Vietnam are poor and the most important factor keeping them out of school is the high private cost of education, the EFA initiative has contributed to placing the issue of primary education contributions for the poor at the center of the education sector policy debate in Vietnam.

#### **The Role of Civil Society in the Elimination of Primary Education Contributions on the Poor**

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<sup>11</sup> The EFA fast-track initiative is a donor-supported plan to provide grants to fund EFA action plans in 18 selected countries, mostly but not exclusively in Africa, and including Vietnam.

Civil society organizations inside and outside Vietnam played a key role in raising awareness of the shortcomings of charging user fees for primary education and, in particular, of the impact of these user charges on the poor. At the international level, OXFAM, Results International and other NGOs started an active and effective research and advocacy campaign in 1999 while many of their field offices were actively involved in this campaign at the country level. According to the head of OXFAM's office in Vietnam, the activism of international NGOs in general and of OXFAM in particular on the issue of private costs of education for the poor derives from their rights-based approach to livelihoods and their focus on poverty-reduction. She viewed the role of OXFAM on this issue, as in most others, as one of attempting to translate the concerns of grassroots movements into national, regional, and international policy changes through a combination of research and advocacy. International NGOs have also been critically supportive of the poverty focus of the World Bank and official donors, and their involvement in a joint donor-government-NGO Poverty Working Group has been key in bringing in the perspective of local NGOs into the policy debate.

In Vietnam, international NGOs played a crucial role in documenting, researching and transmitting the discontent on user charges expressed by the poor and local NGOs to policy-makers. Three British NGOs seem to have been particularly active in the area—OXFAM, Save the Children UK and ActionAid. OXFAM co-authored with Ireland Aid one of the first reports touching upon the impact of primary education user fees on the poor.<sup>12</sup> The report, using a combination of quantitative and qualitative data based mainly on interviews with district officials, local leaders and households, aimed to track changes in local livelihoods and access to basic services over the first half of the 1990s. The focus of the study was on the financing and delivery of basic services at the commune level in two communities of the same district and one of its main findings was that primary education contributions weighed heavily on the poor to the point of preventing some poor children from attending school.

International NGOs played a central role in the Poverty Working Group. In early 1999, the Vietnamese government invited the Poverty Working Group to advise it on a poverty strategy for incorporation into its 5-year plan and 10 year strategy to be submitted to the 9th Party Congress in March 2001. The Poverty Working Group took on the task and the World Bank coordinated the Participatory Poverty Assessments (PPAs) commissioned by the group in 2001 and subsequently endorsed by the Consultative Group. The participatory poverty assessments were carried out jointly by the World Bank, three international NGOs and one international project: ActionAid Vietnam, Oxfam GB and Save the Children Fund (UK), and the Vietnam-Sweden Mountain Rural Development Program.<sup>13</sup> The PPAs, included in the *Vietnam Voices of the Poor* report, involved more than a thousand households and

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<sup>12</sup> *Report on the Financing and Delivery of Basic Services at the Commune Level in Ky Anh, Ha Tinh, Vietnam*. OXFAM UK and Ireland Vietnam Program. Hanoi, March 1996.

<sup>13</sup> . The PPAs were assigned based on pre-existing initiatives of the four NGOs in various parts of the country. ActionAid had already been approached by Ha Tinh province for support to develop a provincial poverty strategy in summer 1998 and undertook the PPA there. Save the Children (UK) ran a pilot PPA in HCMC, in part to refine a research plan for a larger PPA to inform their own program activities. Oxfam UK expressed interest in undertaking a PPA, largely to be able to influence local poverty policies in Tra Vinh province-- where they had a program—as well as national poverty policies. Vietnam Sweden MRDP (Mountain Rural Development Program) combined its PPA with an already-planned participatory program evaluation.

clearly demonstrated that the poor in Vietnam were suffering from the cost of education.<sup>14</sup> These assessments were instrumental in bringing into the policy debate the concern expressed by a wide range of poor Vietnamese regarding education sector user fees.

In fact, the PPAs include many references to the cost of education and the burden this places on poor households. These costs include the direct costs of fees, books, pens, the various contributions to insurance and construction funds and the cost of clothing and food. The poor also stressed that schooling also entails opportunity costs in terms of lost labor, though the exact amount varies according to the age of the child and across location. Where the perceived returns to education are low “because having a few years of often low-quality primary education is thought unlikely to make a difference to future livelihoods, the very tangible costs of sending children to school may soon begin to outweigh the perceived benefits”. Furthermore, the report highlighted the plight of migrant population, or *ho khau*, who do not have permanent registration, face difficulty accessing public services and cannot enjoy exemptions from school fees.<sup>15</sup>

#### **Voices of the poor**

##### ***Box 1: Poor households find the costs of schooling a real burden***

Primary education is far from free in HCM City, and is in fact becoming increasingly expensive. The reduction of state subsidies some years ago means that parents have to cover more of the expenses involved than before. These expenses surpass the financial capacity of the poorest families, particularly those with many children.

The dilemma that many focus groups have identified is that the majority of poor families cannot afford to send their children to school beyond primary level, if at all, and at the same time they cannot afford not to, since they know that a low level of education is likely to keep them in the poverty trap. Unfortunately the impossibility of paying the necessary school expenses is the overriding factor, leaving most parents and children with aspirations that remain unfulfilled and without any prospect of a change for the better.

One specific problem is the accumulation of expenses at the start of the school year, which poor families have great difficulty in paying at one time. Where there are more than one or two children of school-going age in a family, often one child has to drop out of school to let another one in, or one or more children don't go to school at all, or else some or all of them go to special free classes which are of inferior quality, and which seldom provide them with the necessary qualifications or tools to get a good job afterwards”. (Ho Chi Minh City)

*Voices of the Poor – Synthesis of Participatory Poverty Assessments* World Bank and DFID (UK) in partnership with Action Aid Vietnam, Oxfam (GB), Save the Children (UK) and Vietnam -Sweden MRDP, November 1999, p.59

## **2. Role of Key Actors**

### **The Government of Vietnam**

At the eve of the PRSP process, the government of Vietnam had already developed and approved two key strategic documents with implications for the education sector for the 2001-2010 decade—the Socio-Economic Development Strategy and the Education Development Strategic Plan (EDSP). These documents reflected the government's continued commitment to poverty-reduction and a prioritization of investment in education. The EDSP also reflects the Vietnamese government's view that the

<sup>14</sup> *Voices of the Poor – Synthesis of Participatory Poverty Assessments* World Bank and DFID (UK) in partnership with Action Aid Vietnam, Oxfam (GB), Save the Children (UK) and Vietnam -Sweden MRDP, November 1999, p.42.

<sup>15</sup> *Idem*, p.50

continuation of the impressive progress on educational outcomes made over the previous decades requires sustaining the existing efforts to raise all possible financial resources for the sector.<sup>16</sup>

In this vein, the EDSP states that the public sector should provide most of the financing for education and includes a commitment to step up public expenditure on education, increasing outlays on the sector from 15 percent of total government expenditure in 2000 to at least 18 percent by 2005 and to 20 percent by 2010. The plan also states the goal of supplementing government expenditure on education with resources from the international donor community as well as a continuation of the policy of “social contributions.” Indeed, the EDSP aims to “supplement and improve the legal rules, the macro policies encouraging strongly socio-economic organizations and individuals to invest in educational development.”<sup>17</sup>

Interviews with donors, NGOs and government representatives consistently conveyed the view that many Vietnamese government officials see private contributions to education as very positive. Contributions are perceived as key to the achievement of a significant expansion in access to education over the 1990s without an accompanying increase in donor-dependence. They are also viewed as fostering parental involvement in the education of their children, enhancing self-reliance of communities and, perhaps most importantly, as a key source of financing for the provision of quality education. Indeed, just before the finalization of Vietnam’s PRSP, the Comprehensive Poverty Reduction and Growth Strategy (CPRGS)<sup>18</sup>, the Ministry of Finance approved Decree 10 encouraging administrative units to become more autonomous and to enhance their revenue-raising capacity so as to increase their efficiency and accountability in carrying out their duties. According to officials at the Ministry of Finance, what the decree means for schools is that they will be more autonomous in their ability to manage the state budget and not that they have ever-increased abilities to create new fees and contributions. However, since the decree does not explicitly exclude schools from its purview, it includes them by default and hence it confirms the statutorily discretionary nature of fee-raising.

Government officials interviewed for this case study also strongly conveyed the view that the government is acutely aware of the problems posed for the poor by user charges and that many government programs are already in place to address this shortcoming. Key among these programs are the National Target Program for Hunger Eradication and Poverty Reduction, set up in 1998 by Decree 133, which provides a framework to address some of the most pressing needs of poor households. This framework includes many pre-existing government-supported poverty-alleviation services and programs. The main target groups of the program are orphans, ethnic minorities, the disabled, and war victims. Moreover, program number 135, established in 1999, provides the 2,400 poorest communes with an exemption from the payment of fees as well as a central government block transfer to cover the costs of a health center, a school, an electric system and rural roads.<sup>19</sup>

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<sup>16</sup> “To mobilize many financial resources, to combine resources within and outside the country and social contribution for educational development.” EDSP. Hanoi: Education Publishing House, 2001: 43.

<sup>17</sup> *Idem.* Hanoi: Education Publishing House, 2001: 43-44.

<sup>18</sup> Vietnam’s Poverty Reduction Strategy Paper is called Comprehensive Poverty Reduction and Growth Strategy (CPRGS). Henceforth, Vietnam’s PRSP will be referred to as CPRGS.

<sup>19</sup> There are also a number of other programs including a program targeted to ethnic minority students in mountainous areas, a boarding school program for poor students, funds to help teachers reach national standards in poor areas with a focus on training, school “consolidation” programs to help convert schools built with poor materials to be converted into more solid and lasting structures.

In addition to a sense that the government is already doing a lot to alleviate the burden of school fees on the poor, there are also other reasons why government officials felt that it would be difficult to go much beyond existing policies. With primary enrollment almost universal, education officials in Vietnam are shifting their focus to secondary education, viewed as the necessary next step in catching up with educational standards in the more developed countries in South East Asia. The Ministry of Education, therefore, is heavily focused on the expansion of lower secondary education. Indeed, the Education Sector Development Strategic Plan has as one of its goals the universalization of lower secondary education, with targets of increasing the net enrollment rate from 74 percent in 2000 to 80 percent in 2005 and 90 percent in 2010.<sup>20</sup>

The achievement of this goal will require much attention and resources, competing with the attention and resources needed to get the remaining 10 percent of students into primary school and alleviating the burden of school fees on the poorest. The Ministry of Education, thus, although aware of the problem, has a number of at least equally important tasks to fulfill and goals to reach while at the same time, before the advent of the CPRGS, it felt that there was not much it could do –mainly for financial reasons-- to go beyond the policies that already existed. Even more importantly, the Ministry of Finance strongly held the view that social contributions were essential to funding the costs of education and that their elimination was not financially feasible. Before the advent of the PRSP, these reasoning held the day.

### **The Role of the Donor Community**

The donor community and, in particular, the Bank and DFID played a key role in the process leading to the commitment to eliminate primary education user fees on the poor through awareness-raising, documentation, research and coalition-building throughout the second half of the 1990s culminating in the break-through achieved through the window of opportunity provided by the PRSP process in 2001.

The *Poverty Assessment and Strategy* of 1995<sup>21</sup> was the first report to document the problems faced by the poor in completing primary education and to identify financial barriers to access as a key constraint. The report urged the government to review its education pricing policies with a view to reducing the private costs of schooling on the poor. In particular, it recommended the elimination of official fees and, since these constituted only a small part of total education costs to households, the provision of free textbooks to students and the establishment of schooling subsidies geared at eliminating the need for parental contributions to schools either nationwide or targeted towards areas with high incidence of poverty.

The *Education Sector Financing Study* of 1996 complemented the 1995 poverty assessment's focus on the impact of fees on the poor with an analysis of the level, efficiency and incidence of public sector funding for education.<sup>22</sup> The study found that the level of public expenditure on education in Vietnam was low by international standards and needed to be increased. The study also concluded that public education subsidies were inequitably distributed and contributed to high levels of inter-regional and inter-provincial variation in school participation rates and that the steep private costs of education led to

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<sup>20</sup> ESDP. Hanoi, 2001: 26.

<sup>21</sup> *Poverty Assessment and Strategy*. Washington: World Bank, 1995.

<sup>22</sup> *Education Financing Sector Study*. Washington: World Bank, 1996.



high dropout rates. The study proceeded to make very similar recommendations to those contained in the 1995 poverty assessment—the elimination of official fees, the establishment of a government program of subsidies targeted to poor communities and the provision of free textbooks.

A 1999 *Primary Education Financing Study* stressed that the existing system of exemptions from school fees and contributions was inadequate and that the private costs of education were too high for the poor.<sup>23</sup> The study proceeded to recommend that private contributions to primary education be supplements to a government-provided acceptable minimum level of funding and that effective mechanisms be put in place to facilitate the implementation of exemptions for the poor to ensure that no child was prevented from attending school due to financial reasons.

A comprehensive *Public Expenditure Review* carried out in the year 2000 by the World Bank devoted a lot of attention to the fee and contribution system, including in primary education.<sup>24</sup> The review confirmed the poor targeting of public expenditure on the poor and identified it as a constraint to faster growth and poverty reduction. It also showed that the decline in the tax-to-GDP ratio by 4 percentage points over 1998-2000 had resulted in significant declines in non-wage spending and social transfers that compromised the government's efforts at poverty reduction. The review found the existing system of user fees to be non-transparent and insufficiently accountable. In particular, it found that these fees generated between 23 and 61 percent of the overall resources of the communes studied and that they were "so complex that households often do not understand how their payment is calculated. None of the six communes publishes a budget indicating what charges have been collected from households and how those funds have been spent, leading to a dissatisfaction among residents."<sup>25</sup>

The review recommended improving the existing system of user fee exemptions from primary schools since it found it was very limited, it did not work in a pro-poor way, and it forced schools to fund exemptions from their own resources. The goal of the reform of the fee and contribution system would be to reduce the level of out-of-pocket expenditures for poor households and to examine other mechanisms to increase income transfers to the poorest. In this regard, the review recommended the establishment of a system of exemptions which is clear to understand and linked to the economic status of households. The review also recommended a revision of the system of budget transfer norms which, for education, is based on population and not on the number of students, a system which penalizes poorer provinces.<sup>26</sup> In this regard, the review encouraged the government to base funding on a core or minimum cost per student which would reach every school throughout the country as well as to set a minimum level of expenditure per student on current non-wage expenditure.

A World Bank Policy and Research Working Paper on *Trends in the Education Sector from 1993-98* used data from the 1993 and 1998 Vietnam Living Standards Surveys to track changes in the education

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<sup>23</sup> *Education Financing Study. Primary Education in Vietnam*. Peter Brooke et al. Hanoi: 1999.

<sup>24</sup> *Public Expenditure Review*. Washington: World Bank, 2000.

<sup>25</sup> *Public Expenditure Review*. Washington: World Bank, 2000: p. vi.

<sup>26</sup> The review found that in the determination of overall funds to be transferred to the provinces, there are few norms that relate specifically to the education sector. In practice, the education component is a result of negotiations between the Ministry of Finance, the Ministry of Education and Training and the provinces and is primarily based on population and not on the number of students. Poorer provinces tend to be sparsely populated but have families with a higher-than-averaged number of children. A formula of budget transfers based on the number of pupils, thus, is more favorable to them than one based on overall population figures.

sector in Vietnam over the decade.<sup>27</sup> The study played a central role in documenting the burden imposed on poor households by user charges and the impact of these charges on enrollment rates. It pointed out, for instance that if a typical poor household from the lowest income quintile had two children in school—one in primary and another in lower secondary education—, it would cost this household 14 percent of its total non-food expenditure to school its children. Since 75 percent of the poorest households are also below the food poverty line, the study stresses, the costs of education in this situation are particularly burdensome. This report noted great variation in both public and private education spending across regions and identified decentralization as a key factor in driving a wedge between the resources available to the poorest and the richest regions in the country.<sup>28</sup> The study also documented that 9 percent of primary school age children and 18 percent of the poorest children in this age range were not enrolled in primary education. One of the conclusions of the study was that a key reason why increases in enrollment had been lower among poorer children were “undoubtedly...the high burden of private financing for education” and recommended that “the government should make a concerted effort to make quality education available to all, in part by reducing the financing burden on poor households.”<sup>29</sup>

The documentation, analysis and awareness-raising campaign of the international community on the issue of primary education user fees was thus built up progressively by the reports and studies mentioned in this section. It culminated with the publication of the *Attacking Poverty Report* (1999) which reflected the collective endeavor of the World Bank, the government of Vietnam and the DFID-funded work of three international NGOs and one international project. The *Attacking Poverty Report* produced in 1999 by the donor-government-NGO Poverty Working Group constituted a key turning point in placing the issue of the burden of primary education contributions on the poor on the policy agenda in Vietnam.<sup>30</sup> This report was based on quantitative data from the Vietnam Living Standard Surveys of 1993 and 1998—as well as analytical work building on them-- and on the PPAs of the *Voices of the Poor* report. The summary *Attacking Poverty Report* stressed that poor children are less able to attend school than better-off children and the role played by low public and high private expenditure on education and limited fee exemptions in keeping poor children out of school. The report recommended that the government increase its expenditure on education and that it revisit its policies in the area of financing basic social services, including basic education, with a view to reducing their burden on the poor.

The *Attacking Poverty Report* was a highly influential document and one of the keystones leading to the eventual decision of the government of Vietnam to eliminate primary education contributions by the poor. The credibility of the *Attacking Poverty Report* derived from the quality of the research it was based on, its combination of quantitative and qualitative data and analysis, as well as from the fact that it reflected the joint views of the government of Vietnam and a group of donors and civil society organizations that had been working together in a coordinated fashion over the years. On the role of user

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<sup>27</sup> Nga Nguyet Nguyen, *Trends in the Education Sector from 1993-98*. Policy Research Working Paper 2891. Hanoi: World Bank, 2002.

<sup>28</sup> In fact, the study found that the Southeast—the richest region in the country—had the highest level of public spending on education. Nga Nguyet Nguyen (2002): p.15.

<sup>29</sup> Nga Nguyet Nguyen (2002): 26-27.

<sup>30</sup> Tra Vinh. A Participatory Poverty Assessment. Oxfam UK in partnership with Tra Vinh province, the World Bank and DFID (UK). November 1999. Ho Chi Minh City. A Participatory Poverty Assessment. Save the Children UK in partnership with Ho Chi Minh City, the World Bank and DFID (UK). November 1999.

fees in basic services, however, the report still revealed significant differences of opinion between the donor and NGO community, on the one hand, and the government of Vietnam on the other:

There are significant differences of opinion between the government of Vietnam and its development partners. For example, one area where they differ is the appropriate role of the government versus households themselves in financing basic social services. The government believes that self-reliance is important and that co-financing of these services is essential to reduce dependency...The donors and NGOs believe that a better way to assist the poor should be to channel state subsidies through basic social services...<sup>31</sup>

#### **D. The Breakthrough—the PRSP Process and Vietnam’s Comprehensive Poverty Reduction and Growth Strategy**

By the time the PRSP process came around, therefore, a lot of groundwork had been laid on the issue of education user fees and contributions. The PRSP process allowed for the final break-through due to its focus on poverty, the prominence it accorded to consultations with the poor and the increased institutional leverage it gave to poverty units and planning and social sector ministries in government as well as to the donor and NGO communities.

According to many interviewees, it was the CPRGS consultations that constituted the turning point on the issue. During CPRGS consultations with poor communities all over Vietnam, concern about the costs to households of primary education came out very strongly as a top priority.<sup>32</sup> In fact, statements about the need to reduce the financial burden of educating young children were repeated in every consultation site, from the richest to the poorest parts of the country. In both Ho Chi Minh City (one of the richest areas in Vietnam) and Lao Cai (one of the poorest), all community level discussion groups raised the burden of school costs as a pressing problem. In Ho Chi Minh City, user charges were identified as the major cause for school drop-outs while all village groups in Lao Cai stated that contributions and other side costs attached to schooling were often prohibitive for poor households.

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<sup>31</sup> *Attacking Poverty Report*: p. xv.

<sup>32</sup> Shanks, E. and Turk, C. (2002), *Refining Policy with the Poor, Vietnam Local Consultations on the Draft Comprehensive Poverty Reduction and Growth Strategy* (Volume I: Approach, methodology and influence), World Bank together with SCUK, ActionAid, CRS, Plan in Vietnam and Oxfam GB for the Poverty Task Force, Hanoi.

**Box 2 Covering the costs of schooling—Voices of the Poor in the CPRGS Consultations**

Life is hard for Nguyen Thu Thi in Tuong Lan village as a single mother who must make enough to feed and send her three younger children to school. Her husband passed away 8 years ago while trying to find scrap metal from one of many unexploded ordinances left from the war. Her two means of income are from collecting firewood or sometimes collecting small rocks for the rock mining company nearby. *"I had to borrow from the bank, the Women's Union and buy meals on credit at the local food vendor so that I have enough money to send my kids to school. The government subsidies, although helpful, don't provide enough for me to keep all my kids in school. Thank goodness we are at least healthy."* Her oldest child had to stop school in 4th grade to work to help out.

One mother said that because she was not able to find work, she could not pay the fee (called a 'contribution'): *"my children cried and did not dare to go to school."* Another mother reported about her son that *"the school did not allow him to go to school or take examination unless I made the payment"*, which she could not, so he dropped out.

SCUK, ActionAid, CRS, Plan in Vietnam, Oxfam GB, World Bank (2002), Community Views on the Poverty Strategy, Vietnam Local Consultations on the Draft Comprehensive Poverty Reduction and Growth Strategy (Volume III: Reports from the six consultation sites), for the Poverty Task Force, Hanoi.

The fact that poor people across the country consistently identified the elimination of fees and contributions on primary education as their top policy priority provided the needed additional legitimization to all the research, traditional as well as participatory, that had already documented the burden posed by these costs on the poor and their role in preventing access by poor children to school. It was the commitment of the PRSP approach to turn priorities identified by the poor through a consultative process into policy priorities in a poverty-reduction strategy that was key for the breakthrough.

The process that followed the consultations placed the commitment to eliminate these fees and contributions on the poor on the CPRGS. The strategy provides a central role for education and includes education targets such as increasing primary school net enrollment to 97 percent by 2005 and to 99 percent by 2010 and the primary school completion rate to 85-95 percent by 2010. The popular consultations had helped underscore findings from previous research that the elimination of fees and contributions on the poor was essential to the achievement of these targets. This issue was picked up by a number of stakeholders in their interactions with the Ministry of Planning and Investment (MPI) during the process of elaborating the CPRGS. The World Bank, for example, used the evidence from the consultations in its correspondence with MPI and suggested that reducing the costs of education for poor households was one of the most important changes that could be made to the earlier CPRGS drafts. Later drafts of the CPRGS include the commitment to "...reduce and eliminate school fees and other contributions for children from poor families and poor areas" and to "construct the package of exemptions and full support mechanisms in primary education for children from poor households,

covering school fees, cost of textbooks, contribution fees, cost of meals, lodging costs, transport costs.”<sup>33</sup>

The structure of CPRGS working groups also contributed to the translation of the wishes of the poor as expressed in the consultation process into a policy commitment. CPRGS working groups were chaired by the Ministry of Investment and Planning (MPI). This strengthened the position of MPI—which could coordinate dialogue and action across ministries-- and allowed the formation of coalitions between it and poverty and sectoral experts (in this case education sector specialists) while weakening the relative position of the Ministry of Finance. This re-balancing of influence allowed those favoring the elimination of the fees and contributions for the poor to take the day over those—in particular the Ministry of Finance—who felt that enough was already being done and who were more concerned with the financial implications of the measure.

The CPRGS, however, continued to reflect the view that there is a role for contributions in financing education, though now explicitly tempered with the caveat that this policy should be balanced with “exemptions and deductions for poor people.”<sup>34</sup> This typically Vietnamese compromise solution seems like the natural culmination of a dialogue and exchange process between, on the one hand, those individuals, units and institutions that are most concerned with the access to education and overall welfare of the poorest and, on the other, those who are most concerned with providing the highest possible quality education to the largest number within a tight resource environment. The CPRGS process was a key step in clinching this compromise.

#### **E. The Limitations of the Break-Through**

The CPRGS is signed by both the Prime Minister—in representation of the government—as well as by the Communist Party of Vietnam. Therefore, it has backing at the highest level. However, although the commitment reflected in the CPRGS was a very important step in actually having the fees eliminated, it was not the final one. The implementation of this commitment is not easy for several reasons. First, the CPRGS came into being after the development of a 10-year Socio-Economic Development Plan (SEDS, 2001), traditionally Vietnam’s premier planning document, as well as a 10-year Education Sector Development Plan (ESDP, 2001). The CPRGS, therefore, is one among several long-term planning documents actually used by the Vietnamese authorities.

In some aspects, it is easy to see the CPRGS as the translation of the SEDS into concrete measures and programs, as the relationship between the two is commonly defined. The overlap in vision between the two documents, however, is not perfect and, where they do not coincide, which document will prevail in practice is unclear. Similar issues arise regarding the ESDP, which contemplates fees and contributions as an important component of education sector financing and does not mention exemptions for the poor. Finally, Decree 10—discussed in section 2 above—encourages administrative units—including schools—to raise their own resources and allows them to manage their own revenue accounts, again without mentioning any exemptions. This multiplicity of at least potentially contradictory documents, however, does not seem to be viewed as a problem by the Vietnamese government. Unlike in western systems, in Vietnam older norms—or parts of norms—are not officially abrogated so as to ensure formal consistency

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<sup>33</sup> *Comprehensive Poverty Reduction and Growth Strategy*. Hanoi: Vietnam, 2001: p.8.

<sup>34</sup> *Comprehensive Poverty Reduction and Growth Strategy*. Hanoi: Vietnam, 2001: p.81.

between them and newer norms that are in conflict with them. Rather, the legal system seems to function through a relatively decentralized but also highly consensual method through which an understanding is reached as to which core of norms are actually to be applied, which not, and for which discretion in application applies.

In our case, this system means that a study of existing formal norms cannot tell us whether user fees on the poor will actually be eliminated or not. In practice, it seems that the education financing system –like much else in Vietnam-- works in a highly consensual fashion where actual policies are the result of protracted negotiations among actors/government institutions holding differing views until they eventually converge into a *de facto* unwritten compromise. In the words of one interviewee, “everything is consensus-driven, the decision-making process is thus very long and very slow, it lasts until everybody agrees.” Therefore, the commitment on the elimination of user fees on the poor expressed in the CPRGS will likely work itself out into actual policy after the conclusion of a series of ongoing negotiations among various key actors, including the Ministry of Education and Training, the Ministry of Finance and other actors in the development community.

This fluid and consensual view of the policy-making process means that new policies are rarely seen by Vietnamese government officials as a clear departure from their predecessors. This view helps explain why most policy-makers do not see the commitment reflected in the CPRGS as a change in government policy. In the strictest of these interpretations, the CPRGS just stated a policy that was already in existence. Namely, since the government of Vietnam already was trying to “reduce and eliminate” user charges on the poor through its various programs, the CPRGS commitment means, at most, an expansion of the scope and definition of the poor for exemption purposes. This narrow view, however, was only held by a minority. The large majority of those interviewed –particularly outside government-- did believe that the commitment comprised in the CPRGS was a step forward. For some, it “set a framework for dialogue” on the issue, for others it “made clearer a policy that already existed and helped make it actually happen,” for others yet “it provides a basis for those who advocate this position to further press the government to implement it. It strengthens their bargaining position.” Almost all members of the donor and NGO community interviewed viewed the commitment contained in the CPRGS as a breakthrough in a long-standing campaign to have the user charges eliminated and were now focusing on implementation. Nobody denied, however, that moving from commitment to implementation still remained a challenge.

A second challenge facing implementation is the decentralized government system in place in Vietnam. Expenditure is highly decentralized, with more than 73 percent of total spending carried out by provinces, districts and communes. Due to decentralization, those responsible for the implementation of the commitment contained in the CPRGS are local government officials –in particular provincial and district people’s committees--, some of whom are not aware of the existence of the CPRGS and who have a great amount of leeway as to the final design of school funding systems. In fact, they have the ability to raise their own revenue –an ability which is enhanced by decree 10—and they receive transfers from the state budget in “block,” with only general, in practice non-binding, guidelines as to their sectoral distribution. Therefore, it is difficult to enforce the local implementation of financing rules designed at the center. Moreover, in the absence of survey studies, it will be difficult to even know whether the fees have actually been eliminated, since local authorities do not send detailed reports to central ministries.

Thirdly, schools have incentives not to exempt poor students from the payment of fees and contributions. The government has established a set of high and heavily input-biased standards schools are expected to fulfill, particularly but not exclusively regarding school construction. Reaching these standards is very costly and, coupled with insufficient resource transfers from the center, it acts as a disincentive for schools in poor areas to exempt any of its students from much-needed fees and contributions.

Last but not least is the financial challenge posed by the elimination of the fees. A recent study uses information from the 1998 Vietnam Living Standards Survey to make an estimate of various potential policy measures in the basic education and health sectors, including the elimination of primary education contributions. The study finds that the poorest two quintiles spent about \$53 million on primary and about \$35 million on lower secondary education and that covering these costs out of the state budget would increase public education spending by about 5.9 and 3.8 percent respectively.<sup>35</sup> A number of other initiatives to cost the financial requirements of this policy measure and to find resources to fund it are also currently underway, as will be detailed in the next section.

## **F. The Way Forward—Making it Happen**

The same actors involved in making this commitment materialize in the CPRGS are now working on the process of developing a strategy to implement it. As part of this strategy and in the context of the continually-rising focus on education fostered by the *Education for All* Initiative, two further studies have been elaborated and the donor community and the government of Vietnam have developed a joint primary education program –the Primary Education for Disadvantaged Children program-- supported by a loan meant, among other things, to facilitate the elimination of primary education user charges on the poorest.

Three further studies have recently been published whose recommendations jive in perfectly with the CPRGS. In April 2002, OXFAM published a study on *Financing Basic Education in Vietnam* which contains a series of case studies that confirm that ability to pay is a determining factor affecting school participation rates of children from poor families and, specifically, that school participation rates of the poor decline as costs rise. The study recommends the introduction of a pupil-based norm for central government transfers to the provinces accompanied by a targeted mechanism to reach out-of-school children. It also urges the government to extend exemptions from construction fees and other non-tuition costs to all students from poor households at the primary and lower secondary levels. The study, therefore, confirms the findings of the CPRGS participatory process and buttresses the commitment included in the CPRGS.

The *Providing Quality Basic Education for All* study (2002) was put together by a DFID-led task force including the World Bank and the Government of Vietnam. The study underscores the challenge posed by children who are not yet in school and expresses the view that, in order to achieve universal primary enrollment, all user fees and contributions may need to be eliminated or, if applied, that exemptions for poor children will be necessary. The goal of increasing primary education completion to 100 percent

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<sup>35</sup> The aggregates exclude payments on private tutoring or additional classes since the policy measure under consideration is to abolish obligatory costs associated with the basic education package provided by the schools. Menno Pradhan, *How much does it cost to relieve the poor from private contributions for basic education and health?* Washington: World Bank, July 8, 2002.

poses similar problems and points toward the same solution—i.e., lowering the costs of education to households by eliminating user fees and contributions. The study also includes an estimation of the resource requirement to implement this policy and finds that, measured in terms of government spending on primary education in 1998, the 1998 index of spending would have to rise to 156 percent in 2005 and to 218 in 2010.<sup>36</sup>

Thirdly, the *Achieving the Vietnam Development Goals: an Overview of Progress and Challenges* study underscores how target number one under Vietnam's Development Goal to achieve better education for all hinges on addressing the issue of affordability. That target, aimed at increasing the net enrollment in primary school to 97 percent in 2005 and to 99 percent in 2010, is predicated upon getting 1.6 million children—1 million of which come from the two lowest expenditure quintiles—to attend primary school. The study goes on to stress that affordability is the key constraint limiting school attendance by the poor and recommend that additional resources be found to reduce and eventually eliminate the direct costs of school attendance borne by poor families such as user charges.

The UNESCO-led EFA initiative and the fact that Vietnam is an EFA fast-track country place basic education at the center of the policy agenda and help coordinate the efforts of the development community in Vietnam to move forth with implementation. The *EFA Draft Action Plan* for Vietnam (December 2002) contains the twin commitment of the CPRGS to eliminate the direct costs of basic education for the poor in order to make universal primary education affordable to households while encouraging the continuation of private contributions to education in order to attain the highest quality education possible. The strategy it puts forth to achieve these goals is based on government provision of all basic inputs for quality basic education free of charge to households—from teachers' salaries to all non-wage inputs such as textbooks and other learning materials, classrooms and other premises, equipment and maintenance.

The action plan envisages that this measure will be introduced gradually, with community funding of essential school inputs declining from 16 percent of all EFA education expenditure in 2003 to 0 in 2015. Moreover, as of 2003, the action plan envisages the establishment of an education safety net for poor families that need to be exempted from user charges. The commitment in the EFA Plan, therefore, is broader than the one included in the CPRGS, since it contemplates the elimination of compulsory contributions at both the primary and lower secondary levels and not only for the poor, but for all students. The first steps to be taken in 2003, however, go in the same direction as the CPRGS—that of ensuring that poor pupils are exempted.

The Bank continues to be a key actor in the implementation phase and it is leveraging the various policy and lending and instruments at its disposal to help translate the commitment expressed in the CPRGS into action. The first step was to express concern about the implications of Decree 10 in the PRSP Joint Staff Assessment. In that statement, it lamented the contradiction between, on the one hand, the commitment to eliminate user fees and contributions for the poor in primary education and health expressed in the CPRGS and, on the other, the newly-enacted Decree 10 with its encouragement of the revenue-raising capacity of public service entities including schools, clinics and hospitals. The assessment is quite forthcoming regarding the importance staff place on the CPRGS commitment. It states that “Staff believe that the commitment to provide access to basic education and health services

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<sup>36</sup> *Providing Quality Basic Education for All*. Hanoi: 2002: p. 19.



free of charge is one of the most important statements made in the CPRGS and recommend strongly that steps are taken to protect this commitment in light of Decree 10.”

Secondly, the Bank made “enhancing equitable, inclusive and sustainable development” one of the key support themes of its 2003-2006 country-assistance strategy (CAS) for Vietnam. Within this theme, the CAS acknowledges that high cost recovery was one of the main elements preventing access to social services by the poor during the period of the previous CAS and includes making basic social services accessible and affordable for the poor as one of the priorities of the current CAS. The document however, is not very specific as to how this priority will be made operational. For the education sector, the challenge is taken up in the Primary Education for Disadvantaged Children (PEDC) program. The main objective of the PEDC is to foster primary education universal enrollment and completion by getting poor students to go to school, stay in school and provide them with a quality education. In order to achieve these goals, the plan targets school age children who do not attend primary school as well as children who are at risk of repeating or dropping out, including 1.1 million poor students.

In line with all the research mentioned, the program acknowledges that the single most important factor in excluding children from primary schooling stems from the imposition of unregulated user charges on the poor. Therefore, the program puts forth, as key policy and institutional reforms to achieve its objectives, the formulation of guidelines to direct government resources to educationally-disadvantaged school districts and to lower direct costs of education for poor children by helping schools that receive assistance under the program. To this end, it envisages eliminating user charges on all children living in the 189 poorest districts, which are the target of the program. The PEDC, thus, provides an implementation and financing plan for the commitment included in the CPRGS and in the EFA Action Plan.<sup>37</sup>

PEDC is co-financed by DFID, CIDA, NORAD and AusAID, in line with the PRSP-supported trend toward donor coordination. This joint support of the PEDC by a significant part of the donor community in Vietnam further enhances the credibility of the program and contributes to facilitating its implementation, policy-wise as well as financially. Finally, the commitment to eliminate user charges on the poor may become part of the conditionality in the upcoming Poverty Reduction and Strategy Credit (PRSC). Having the commitment included under the PRSC would send a signal of the priority attached by the Bank to this pro-poor measure and significantly add to the likelihood of its implementation. This is particularly the case since the PRSC is approved at the highest levels by both the Vietnamese government and the Communist Party of Vietnam—unlike sectoral programs, which are only approved by the relevant ministries. If the measure is not included in the PRSC while other education sector measures are, on the other hand, much of the momentum built up through the process described in this case study leading to the breakthrough in the CPRGS might be lost and the likelihood of implementation uncertain.

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<sup>37</sup> The PEDP’s elimination of user charges on all children in the poorest districts should go a long way toward meeting the EFA Action Plan commitment to eliminate primary education user charges on the poor. It will, not however, cover poor children in richer districts. How the EFA action plan will make its commitment operational for those children has not yet been determined. How poor children in other districts will be reached is also unclear as of yet.

## F. Lessons learned

This case study underscores **the centrality of good applied research in supporting policy change**. The wealth of quantitative and qualitative research on the problems posed for the poor by user charges on primary education helped place a key concern of poor communities onto the policy agenda while documenting its impact. The fact that both quantitative and qualitative research showed the burden placed by the fees on the poor and the role they played in preventing access to schooling was very powerful from a credibility standpoint, as it combined the legitimacy of “the voices of the poor” emerging from qualitative research with the credibility of systematic evidence from quantitative research.

**The good relationship and strong cooperation among the various development actors in Vietnam** was also important in bringing about the change in policy as well as in helping implement it. The NGO and donor communities worked together with the Vietnamese government in the elaboration of many of the research pieces cited in this case study. The fact that the research was joint work helped bolster its credibility. The involvement of well-respected NGOs strengthened the credibility of the research as reflecting issues of concern by the grass-roots and, in particular, the poor. Having the World Bank and other development agencies—such as DFID—as co-authors of many of the studies contributed to the technical credibility of the research. The Bank played a crucial leadership role in the process by combining intellectual and policy leadership with good partnership skills in bringing together the rest of the development partners throughout the process. Finally, the participation of the government of Vietnam contributed to their “owning” the emerging research results, thus facilitating the translation of policy implications into government policies. This sustained cooperation among development actors is also helping ease and finance implementation, with the Primary Education for Disadvantaged Children program being jointly-financed.

**The PRSP/CPRGS process was key in catalyzing the policy change.** The PRSP process contributed to the policy change in at least three key ways—first, thematically, through the priority placed on poverty reduction; secondly, process-wise, due to the importance placed on the participatory process and the direct voices of the poor in shaping the policy agenda, and, thirdly, institutionally, by encouraging coordination among ministries and strengthening the position of sectoral ministries and experts and of the Ministry of Planning in PRSP working groups.

**The focus of the PRSP process on poverty-reduction** was key in making this policy change come about. There are many concerns and competing objectives in development policy, including education policy. In the area of user charges on education, there are financial concerns—strongly influencing views on the issue by the Ministry of Finance and provincial authorities in charge of service delivery and of meeting central government standards—, public sector management concerns—having to do with efficiency and espousing the preference for revenue autonomy of public sector agencies, as reflected in decree 10—and overall educational attainment—one of the objectives of the Ministry of Education as well as of parents themselves. Given this multiplicity of goals, some of which clearly militate against the elimination of user fees, the priority placed by the PRSP on the welfare of the poor was key in having school access by the poor trump other objectives.

**CPRGS consultations were seen by many as the break-through in bringing about the policy change.** The premise of the PRSP process that policy priorities would be derived from the preferences

expressed by the population and, in particular, the poor in popular consultations provided strong legitimacy to the participatory process and helped turn the concerns of the poor into policy. In the case of primary education user charges, CPRGS consultations came in the heels of much research documenting their impact. The emergence of these charges as a top concern of the poor in the participatory process was the final push needed for the government to commit to their elimination.

**The PRSP process**, through the emphasis it places on poverty, **is strengthening the relative position of poverty units and social ministries within governments** thereby helping their policy positions gain strength and increasing their likelihood of being adopted and implemented. During the process of elaboration of the CPRGS, the fact that working groups were inter-ministerial and that the process was led by the Ministry of Planning and Investment contributed to the policy change regarding user fees. Many officials in the Ministry of Education had for a long time supported the provision of free basic education, in particular for those who could not afford user charges, but their position had traditionally been trumped by the concerns of the Ministry of Finance. The structure of the CPRGS process, with the Ministry of Planning and Investment chairing working groups helped change this balance of power and was key in allowing the policy change.

This case study also underscores the **challenges posed by the implementation of PRSPs in a decentralized context**. PRSPs are built from the grass-roots up beginning with the participatory process. However, once preferences revealed by the consultations have been aggregated, priorities, strategies and policies are determined at the national level. In a decentralized context, however, much decision-making power resides at lower levels of government and the central government has little control as to how policy priorities are determined and how funds are used at the local level. This is particularly challenging in the PRSP context since some of the policy areas that are most decentralized are basic social services, like primary education and primary health care. This challenge requires creative thinking adapted to the specific circumstances of each country.

To conclude, the commitment to eliminate primary education user charges on the poor in Vietnam was the culmination of a long process of joint research and advocacy by NGOs, the donor community and parts of the Vietnamese government, with an important leadership role of the Bank. The PRSP process catalyzed the final breakthrough leading to the commitment expressed in Vietnam's CPRGS due to its focus on poverty, the link between popular consultations and policy priorities and the institutional prominence it accords to units and organizations focusing on poverty issues.

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## **Interviews**

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