

Introduction

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INTRODUCTION

Since the publication of *World Development Report 1990* by the World Bank, the world's major interest of has shifted to poverty reduction in developing countries. It was coincident for Vietnam that the '*Doi moi*' (renovation) reform started to take effect around the same period. Vietnam's *Doi moi* in many spheres of socio-economic policies has played an important role to attain high macro economic growth, and led to remarkable achievement of poverty reduction. Therefore many donor countries appreciate the achievement of poverty reduction highly, and describe it as 'one of the greatest success stories in economic development'¹.

However, as many countries have already experienced, high economic growth does not automatically guarantee the conditions for poverty reduction. In other words, *Doi moi* reform in Vietnam cannot be seen merely as growth-oriented policy changes towards economic development. If we look carefully at the directions, speed and sequencing of reforms, we can find the Government's aims to prudently balance its investment in both economic growth and social stabilization, which can be assured by provision of basic conditions to improve welfare to the disadvantaged population. Especially, as the 10 year socio-economic strategy (1991-2000) stipulated to aim 'to eliminate hunger and reduce the number of population suffering from poverty'², 'hunger eradication and poverty reduction' has become one of the pillar concepts of the national development tasks.

It can be said that there are two main important characteristics of the poverty reduction efforts in Vietnam. The one is the extensive concentration of national resources towards poverty reduction programs. The Government has had the 'National Target Programs' to improve the livelihoods of the poor and living conditions in the poverty-ridden areas (so called HEPR Program and Program 135³). Outside the normal investment budget, the Government has drawn up separate budget for these special programs. The other characteristic is its participatory approach. The National Target

¹ World Bank *et.al.* (2003), *Vietnam Development Report 2004: Poverty*, Joint donor report to the Vietnam Consultative Group Meeting, Hanoi, December 2-3, 2003, p.1.

² Dang Cong San Viet Nam, *Chien Luoc On Dinh va Phat Trien Kinh Te-Xa Hoi den Nam 2000* (Strategy for socio-economic stabilization and development until year 2000), Document presented at the 7th National Congress of the Communist Party of Vietnam, Hanoi, 1991, p.10.

³ Exactly to say, Program 135 is not included in the six National Target Programs. However, Program 135 has very similar characteristics to other National Target programs in its budget allocation and implementation structures.

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Programs are implemented and monitored by the special committee with participation of related Ministries. Besides the National Target Programs, attentions for the poor are also paid in other Government policies and programs, in such fields as industrialization, agriculture, education, health, trade, reforestation, etc.. Moreover, it is not only the central Government but also many local authorities, mass organizations and enterprises have their own poverty reduction programs. From the year 2000 onward, 16 October has become the ‘day for the poor’, which promote wide participation from population in many activities to support the poor.

This report aims to illustrate how these efforts of the Government and other entities have contributed to the improvement of welfare of the population living in poor in Vietnam. However, this report does not simply intend to evaluate effectiveness of these policies and programs by providing their results (such as changes in GDP growth and poverty rate, or the number of schools and hospitals built). It rather assesses in detail the socio-economic changes which are affected much from various policy reforms, and examines improvements of welfare of the people in both qualitative and quantitative senses.

This report consists of 7 monographs; one introductory explanation of some policy reforms in *Doi moi* era, five studies on some specific issues crucial for poverty reduction, and a supplementary information on land use rights in Annex.

In Chapter 1, *Ha Huy Thanh* introduces macro economic and social policies since the Communist Party of Vietnam adopted the *Doi moi* reform direction at its VIth National Congress in 1986. This short chapter, however, argues that attempts for important reforms, especially on agricultural production, had started on experimentally basis even before *Doi moi* reform started. After *Doi moi* started, many policy changes on, for example, agricultural production, investment, enterprise, and external trade and regional cooperation, have occurred. Thanks to the positive effect of these policy changes, Vietnam has achieved rapid GDP growth, 7%-9% annually, from the early 1990 except some stagnant years affected by the Asian economic crisis. These new policies have also paid considerable attention to social equality, and therefore achievement of reduction of poor household rate has also been notable. Poverty rate, according to the General Statistical Office definition, has dropped from 58.1% in 1993 to 18.9% in 2002⁴.

⁴ In Vietnam, there are two official ‘poverty lines’ to determine the poor households. Chapter 2 discusses this issue in detail.

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In Chapter 2, *Vu Tuan Anh* provides empirical evidences of effects of HEPR Program and Program 135 from 1993. The chapter first of all reviews in detail the policy formulation process, budget allocation, implementation and contents of these programs, i.e. infrastructure building, health care, education, housing support, credit provision, land allocation, and technical support for agricultural production. Based on data from field surveys and reports of different authorities, the chapter also examines characteristics of the poor households, and assesses the results and impacts of poverty reduction programs. The chapter concludes that HEPR Program and Program 135 have effective mechanisms of targeting and provision of resources directly to the poorest households and communes, and can supply core resources for some key actions for poverty reduction. However, , there are some challenges to improve the effectiveness of the programs. The chapter recommends to have more activities for human resource development, capacity-building of local authorities, technical assistance for agricultural production, credit provision through more diversified channels, and more decentralized implementation and monitoring structure.

In Chapter 3, *Phan Si Man* reviews policies on rural infrastructure development in Vietnam and actual situation of infrastructure development in rural areas. There have been drastic policy changes during the 1990s, i.e. from concentration of resources for infrastructure building in two major agricultural centers (Red River Delta and Mekong River Delta) to more incremental investments in the poor remote provinces. The chapter examines the data of actual development of irrigations, rural roads, electricity, clean waterworks, market facilities, education and health service. It also studies infrastructures developed in the ‘communes in severe difficulty’ which are determined as target communes for Program 135. Field survey for this research reveals the fact that rural population have highly appreciated the benefits from infrastructure development which have increased production capacity, facilitated marketing activities and provided opportunities for income generation. However, the chapter also refers to some constraints and difficulties rural poor face. Especially local ‘contribution’, which poor population also has to bear, has become big burden for the poor.

In Chapter 4, *Bui Tat Thang* analyses the policies of liberalization in agricultural production and process of shifting economic structures towards more market-oriented ones. Examining trade liberalization processes of major agricultural commodities in Vietnam, the chapter indicates that people in general and farmers in particular have profited much from ‘marketization’ policy of the Government. Vietnam’s agricultural production has grown steadily, and some agro-products became main export goods in Vietnam economy. However, agro-products’ prices are unstable and influenced by

weather constituent, farmer's net receipt increase slowly. The differentiation between the rich and the poor shows an upward tendency that makes a part of the poor farmers difficult to improve their relatively miserable situation.

In Chapter 5, *Cu Chi Loi*, discusses that the magnitude of rural-urban migration in Vietnam has become bigger and bigger. Industrialization process has taken place rapidly in the last decade in urban area and in a number of industrial zones of Vietnam. The statistical data shows that most of migrants to urban area have found job and earned a living better than what they got in countryside. However, the migrants have faced difficulties in terms of housing, social services, which are resulted from the poor and biased policies against the migration. The chapter claims that the migration should be viewed as a contribution to the social economic development, and that the Government needs to formulate the friendly policy for migrants in order to mobilize best resources for development.

In Chapter 6, *Shozo Sakata* analyses how and how much market intrusion has benefited livelihoods of population in remote mountainous communes. Since the early 1990s, the Government of Vietnam has shown its intention to promote 'modernization and industrialization' and 'market-oriented development' of agriculture sector and rural economy. However, remote mountainous areas in general are in the weak positions to reap benefit from this intention, and many households in these areas are yet to gain access to various markets. The chapter, based upon the household survey conducted in two provinces of the Northern Upland, namely Lai Chau and Ha Giang, gives an overview on the levels of 'marketization' of livelihoods among the researched households. The chapter also argues that level of marketization of a household has positive relationship with its income level. It also suggests possibility that some socio-economic characteristics of households, such as education level of the households heads, ethnicity, and accessibility to land use rights influence the level of marketization and therefore household's income level.

The Annex, prepared by *Tran Thi Que*, provides some pieces of information of land management policies, especially of land use rights, since the early 1980s. This monograph does not have any direct reference to impact on poverty reduction, but presents important background information in order to learn under which conditions Vietnam's agricultural development has occurred.

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Ha Huy Thanh

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Hanoi

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