

# **A Critical Examination of Poverty Reduction Initiatives in Vietnam**

**Son Thanh Tung**  
**PhD**

**2015**

**A Critical Examination of Poverty Reduction Initiatives in  
Vietnam**

**Son Thanh Tung**

**A thesis submitted to Auckland University of Technology in  
fulfilment of the requirements for the degree of Doctor of  
Philosophy (PhD)**

**2015**

**Department of Economics**

**Primary supervisor: Professor. Ian Shirley**

**Supervisor: Dr. Carol Neill**

# Table of Contents

Attestation of authorship .....	v
Acknowledgements .....	vi
Preface .....	viii
Abstract .....	x
Abbreviations .....	xi
Chapter 1: Introduction.....	1
1.1 Rationale for the research.....	1
1.2 Research objectives.....	4
1.3 Outline of chapters.....	6
Chapter 2: Methodology .....	9
2.1 Conceptual framework.....	9
2.2 Research methodology.....	12
2.3 Data collection and analysis .....	13
2.4 Conclusion .....	19
Chapter 3: International concepts and measurement of poverty .....	20
3.1 Interpretations of poverty.....	20
3.1.1 Poverty in absolute terms .....	20
3.1.2 Poverty in relative terms .....	21
3.2 Measurements of poverty.....	29
3.2.1 Measurements of poverty in absolute terms.....	30
3.2.2 Measurements of poverty in relative terms .....	31
3.3 Conclusion .....	35
Chapter 4: International development agencies' approach to poverty .....	37
4.1 The development of PR strategies .....	37
4.1.1 Economic growth as a main instrument for PR .....	38
4.1.2 "Basic Human Needs" campaign .....	38
4.1.3 Setbacks in PR .....	40
4.1.4 A new phase of global commitment to PR .....	41
4.1.5 Multidimensional poverty approach: Pro-poor economic growth as well as empowerment and governance for the poor .....	42
4.1.6 Environmental sustainability, social security and human rights .....	44
4.2 Pro-poor economic growth .....	45
4.3 Empowerment.....	50
4.4 Investment in human and social capital.....	51
4.5 Governance .....	52
4.6 Social security.....	56
4.7 Gender inequality.....	57

4.8 Environmental sustainability .....	59
4.9 Conclusion .....	59
Chapter 5: The Development of Vietnam .....	61
5.1 Vietnam's development patterns.....	61
5.1.1 Phases of development .....	62
5.1.2 Post-war economic crisis.....	64
5.1.3 Subsequent economic reform .....	65
5.1.4 The drivers of Vietnam's economic growth .....	67
5.2 Economic development.....	68
5.3 Socio-economic challenges .....	71
5.4 Political and state administrative system.....	80
5.5 Decentralised administrative process .....	82
5.6 Participation .....	86
5.7 Accountability.....	87
5.8 Conclusion .....	89
Chapter 6: Poverty reduction in Vietnam .....	91
6.1 The development of a poverty focus .....	91
6.2 Interpretations of poverty.....	92
6.3 Poverty measurement and poverty lines .....	93
6.4 Targeting process .....	95
6.5 The role of international donors and development agencies .....	95
6.6 Vietnam's contemporary PR strategies .....	97
6.7 Pro-poor economic growth .....	98
6.8 PR policies and programmes .....	101
6.9 PR administrative and technical organisation .....	103
6.10 Financial organisation .....	106
6.11 Policy evaluation process .....	108
6.12 Conclusion .....	108
Chapter 7: Field Work interviews.....	109
7.1 Interviews and participants.....	109
7.2 Vietnam: An economic growth success story.....	113
7.3 Challenges for achieving poverty reduction in Vietnam .....	115
7.4 Definitions and conditions for defining poverty in Vietnam .....	119
7.5 Poverty measurement and poverty line.....	123
7.6 Targeting of poor people.....	128
7.7 Poverty reduction policy design .....	134
7.8 Implementation of poverty reduction policies.....	149
7.9 Monitoring and evaluation.....	157
7.10 Conclusion .....	165

Chapter 8: Critical assessment of poverty reduction programmes and policies in Vietnam .....	167
8.1 Impressive PR achievements .....	167
8.2 Integration of PR and social welfare into socio-economic development strategies .....	170
8.3 Decentralisation in PR programmes .....	173
8.4 Empowerment of local authorities and the poor .....	175
8.5 The application of multidimensional poverty .....	176
8.6 Low poverty line .....	179
8.7 Exclusion of urban migrants in Poor Household Surveys and Household Living Standards Surveys ....	182
8.8 Targeting leakage .....	185
8.9 Substantial free-support PR policies and programmes .....	188
8.10 The weak coordination mechanism of PR policies .....	190
8.11 Limited resources for PR programmes .....	196
8.12 Lack of poor people's needs assessment .....	200
8.13 Slow mechanism for policy implementation and update .....	202
8.14 Lack of impact analysis .....	204
8.15 High education and healthcare fees.....	206
8.16 Poverty among ethnic minorities .....	207
8.17 Conclusion .....	208
Chapter 9: Conclusion .....	210
9.1 Summary of the research programme .....	210
9.2 The research journey.....	220
References.....	223
Appendix 1: PR policies and programmes designed during 2005-2010.....	230
Appendix 2: Summary of absolute and relative concepts of poverty .....	234
Appendix 3: Vietnamese government's resolution on Sustainable Poverty Reduction 2011-2020 .....	235
Appendix 4: Poverty rate estimation in different provinces in Vietnam.....	242

## Figures

Figure 1: Conceptual framework.....	10
Figure 2: Interactive dimensions of poverty and well-being. Source: OECD, 2001.....	28
Figure 3: Multidimensional Poverty Index: Three dimensions and ten indicators. Source: UNDP, 2010. ....	33
Figure 4: Measuring poverty at different aggregation levels. Source: OECD, 2001. ....	34
Figure 5: Real GDP growth and GDP per capita in Vietnam 1994–2001. Source: Shirley & Neill, 2013.....	69
Figure 6: State administration in Vietnam .....	81
Figure 7: A decentralising state. Source: World Bank, 2009. ....	84
Figure 8: PR integrated with socio-economic development strategies and plans. Source: VNOG, 2003. ....	97
Figure 9: Approach to PR. Source: MOLISA, 2014. ....	98
Figure 10: Universal and targeted PR policies. Source: MOLISA, 2014. ....	103
Figure 11: Decentralised PR administrative organisation .....	106
Figure 12: Economic growth and PR in Vietnam: Two-decade progress. Source: World Bank, 2012a. ....	168
Figure 13: Poverty rate estimation in different provinces in Vietnam. Source: World Bank, 2013. ....	242

## Tables

Table 1: Gaps in well-being indicators between urban and rural areas. Source: VNOG, 2013. ....	78
Table 2: Poverty estimates by region and urban/rural areas. Source: World Bank, 2013. ....	180
Table 3: Sector approaches of Vietnam’s PR projects and policies. Source: MOLISA, 2014. ....	192

## **Attestation of authorship**

I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person (except where explicitly defined in the acknowledgements), nor material which to a substantial extent has been submitted for the award of any other degree or diploma of a university or other institution of higher learning.

# Acknowledgements

First of all, I would like to express my deep gratitude to Professor Ian Shirley, who provided me with great support in receiving the NZAID scholarship to conduct my PhD research at AUT. You have tirelessly guided me throughout the research path and always encouraged and provided me with considerate care for my life in New Zealand. I would also like to thank Mary, who has given me care and encouragement to complete the research and Anthony, Mark and David who have always supported me.

I would like to thank Dr. Carol Neill who has given me great support from my initial days in New Zealand. You supported me in applying for the scholarship and then, after I received it, have patiently provided me with guidance throughout the research.

I would like to thank especially Chris Hawley, a special friend who has always accompanied and supported me for my life and research in New Zealand. You are the one who worked hard to seek a scholarship for me in pursuit of my study. I would also like to thank Sao for your encouragement on my journey.

I would also like to thank Dr. Love Chile who has always encouraged me during my research; David Wilson who also supported me in the application for the scholarship; Robin Hannah, Gwen Ferguson, Kirstin Hannah and Michael Fletcher, friendly colleagues at the Institute of Public Policy.

I would like to express my deep gratitude for my mother who has always loved and made sacrifices for my life, despite remaining at home alone and far away. She continues to pray for me and my study. My thesis is especially dedicated to my late father who always loved and cared for me. I would also like to thank my brothers and sister: Tuan, Toan, and Thu who have in so many ways supported and encouraged me. I will not forget my close relatives who have always supported me from far away.

I want to thank all of my friends who have always supported me and stayed by my side. I particularly thank my friends, Joost Van Buuren who has always supported me from afar and Viet Huong who has always encouraged me from the beginning of the research journey.



I would also like to thank the research participants in Vietnam who have supported and provided me with data for the research. Especially, I want to express my sincere thanks to the NZAID programme that has provided me with financial support without which this research could not have been conducted.

Finally, I would like to thank the University of Social Sciences and Humanity and the Faculty of Urban Studies and Management for providing me chance to carry out this research.

## Preface

I was born into a relatively poor Vietnamese family which went through a difficult time in our country's history when my father, who served in the American-backed government was sent to prison (called a "Re-educational Camp") for 6 years, from 1975-1981. My brother was also imprisoned for 3 years after his failure to leave the country (the movement of Vietnamese boat people) when he was 20 years old. My mother had to struggle to make ends meet while bringing her children up to be educated. When my father returned from the camp, he earned an income by teaching English language in language centres in Ho Chi Minh City. From that time on, the family economy gradually improved.

But it was largely because of my mother's efforts that my brothers and sister were able to go to University and advance our educational capabilities. My two brothers and sister have now been working in the field of development and social work in the projects for the poor funded and run by international organizations and NGOs such as the United Nations Development Programmes, Terre des Hommes, Habitat, Saigon Children Charity, Christina Noble Children Foundation, Okkenden Venture, and Vietnam Relief. These experiences have been very influential in the formation of my own values and beliefs.

In terms of education I majored in English and education at the University of Social Sciences and Humanities (USSH). I secured a good position in the Vietnam Commercial Bank, a state-owned bank which monopolized import-export transactions, working in the International Relations Division. Two years later, I became a sales executive in a Japanese trading company with a good salary and working environment but I was not satisfied with business targets.

I wanted to make a useful contribution to the disadvantaged no doubt motivated by my involvement in Church community work. I left my secure job and went to a poor remote province far down the Mekong River Delta to work in a project called "Capacity Building for Poverty Reduction" run by the United Nations Development Programme. This was a radical shift in my working life. Sometimes I ask myself why I chose a new unstable adventure to work in a much less secure environment.

During my involvement in the UNDP project, my idealism was seriously challenged. I found that the UN experts were less idealistic than I had imagined. They worked for very high salaries in the UN bureaucracy where corruption was endemic. In the project I was involved in, there was always compromise (corruption) between foreign project management officers and local authorities. This was my first lesson. I went back to Ho Chi Minh City in 1998 after 6 months in the project and started a new profession as a teacher of English language which I pursued for three years. I then decided to go abroad for further education using all my savings plus some loans from my sister. I initially chose Environmental Management. When I returned from abroad, I started teaching Urban Environmental Management in the Faculty of Geography, at the University of Social Sciences and Humanity.

A feature of my research projects is that the focus is on either environmental protection or poverty reduction or the combination of the two such as housing for the poor, the poor's involvement in environmental management (the waste collectors, waste pickers, itinerant recyclable buyers), and the impact of pollution removal policies on small enterprises. My selection of the PhD research topic is within this orbit. My life has clearly been shaped by my family background –a poor family struggling for survival- and my brothers' and sister's humanitarian commitments as well as the philosophy I learned from the Church in terms of compassion, love and humble service. I hope to apply these lessons in serving the poor communities of Vietnam when I return home upon the completion of my PhD.

## **Abstract**

Poverty is one of the major challenges facing humanity today. Despite the remarkable achievements of the past five decades (such as the approximately 700 million people that have been lifted out of poverty over recent years), around one billion people are still living in extreme poverty. International development agencies such as the World Bank and the United Nations have been seeking various strategies to reduce global poverty, especially in the developing countries. The “frameworks” aimed at alleviating poverty have evolved from the pursuit of economic growth to “pro-poor” economic growth in combination with the development of policies emphasizing empowerment and governance for the benefit of the poor in an equal and sustainable society.

It is a “framework” that has been applied in many developing countries, especially those that receive financial and technical support from the international development agencies. But as this research demonstrates each country has a distinctive development trajectory shaped by its populations over time and reinforcing those cultural, economic, social and political forces that are fundamentally important in the framing and implementation of poverty reduction policies.

Vietnam stands out as one of the most successful countries in the Asian Pacific region in lifting large numbers of its citizens out of poverty. The macro-economic strategy (Doi Moi) was at the centre of these policy initiatives accompanied by land reforms, significant funding in infrastructure and utilities and strategic investment in human capital. More recently the country has launched a wide range of poverty reduction programmes the success of which remains uncertain. What is certain is that despite the country’s achievements in alleviating poverty many Vietnamese people continue to experience poverty today and thus this developing country of over 90 million people in this the twenty-first century continues to face enormous challenges.

## Abbreviations

ADB	Asian Development Bank
CEMA	Committee for Ethnic Minority Affairs
CPC	Commune People Committee
CPI	Consumer Price Index
CPRGS	Comprehensive Poverty Reduction and Growth Strategy
DB	Directing Board for Poverty Reduction
DEMA	Department of Ethnic Minority Affairs
DOLISA	Department of Labour, Invalids and Social Affairs
DPC	District People's Committee
DPI	Department of Planning and Investment
EU	European Union
FAO	Food and Agriculture Organisation
GDP	Gross Domestic Product
GSO	General Statistics Office
HDI	Human Development Index
HEPR	Hunger Eradication and Poverty Reduction
HPI	Human Poverty Index
ILO	International Labour Organisation
IMF	International Monetary Fund
MARD	Ministry of Agriculture and Rural Development
MDG	Millennium Development Goal
MOED	Ministry of Education
MOF	Ministry of Finance
MOFA	Ministry of Foreign Affairs
MOLISA	Ministry of Labour, Invalids and Social Affairs
MPI	Ministry of Planning and Investment
MDP	Multidimensional Poverty
M&E	Monitoring and Evaluation
NGO	Non-Governmental Organisation
NOPR	National Office for Poverty Reduction

NTPPR	National Targeted Programme for Poverty Reduction
OECD	Organisation for Economic Co-operation and Development
OEMA	Office of Ethnic Minority Affairs
OL	Office of Labour
OPF	Office of Planning and Finance
PCE	Per Capita Expenditure
PHS	Poor Household Survey
PL	Poverty Line
PM	Prime Minister
PPC	Provincial People's Committee
PR	Poverty Reduction
SME	Small and medium-sized Enterprise
SOE	State-Owned Enterprise
UN	United Nations
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNICEF	United Nations Children's Fund
VASS	Vietnam Academy of Social Sciences
VHLSS	Vietnam Household Living Standard Survey
VNOG	Vietnam Government Office

# Chapter 1: Introduction

## 1.1 Rationale for the research

When the British economist and social reformer William Beveridge left Oxford University about 100 years ago, the Master of his college said: “When you have learnt all that Oxford can teach you, then one thing that needs doing by some of you is to go and discover why, with so much wealth in Britain, there continues to be so much poverty and how poverty can be cured” (Sinfield, 1993, p. 6). A century later, these words continue to echo around the world, and while the definition and goals of economic development may differ between countries, there is common agreement that the issue of poverty remains a major challenge in both the developed and the developing worlds<sup>1</sup>.

Sen (1983) argues that poverty reduction (PR) in its absolute or relative definitions remains an urgent priority for countries in both the developed and developing worlds. In 1990, the World Bank endorsed this view in its *World Development Report*, stating that “reducing poverty is the fundamental objective of economic development” (World Bank, 1990, p. 24). This commitment was subsequently translated into development targets (Allen & Thomas, 2000). In 2000, the United Nations (UN) Millennium Declaration at the UN Millennium Summit set eight Millennium Development Goals (MDGs)<sup>2</sup>, the first of which was aimed at eradicating extreme poverty and hunger. In 2013, the World Bank made its primary goal the reduction of world poverty to 3 per cent and the elimination of extreme poverty by the year 2030 (World Bank, 2013).

Despite significant achievements towards the reduction of poverty over recent decades – reducing the number of the extreme poor by more than 700 million and the attaining of the first MDG – the halving of extreme poverty – in 2010, five years ahead of the schedule – poverty remains one of the greatest challenges facing humanity in the twenty-first century. At the current rate of PR progress, around 1 billion people remain in absolute

---

<sup>1</sup> The term “developing countries/world” and “developed countries/world” are mainly used by global institutions such as the UN and the World Bank. See Haynes (2008).

<sup>2</sup> In 2000, 189 nations made a promise to free people from extreme poverty and multiple deprivations. This pledge became the eight Millennium Development Goals to be achieved by 2015. See <http://www.undp.org/content/undp/en/home/mdgoverview.html>

poverty – with an income below US\$1.25 per person a day in 2015 – equivalent to approximately 14 per cent of the world's population (World Bank & IMF, 2014). Statistics from 2011 indicate that Sub-Saharan Africa and South Asia account for 80 per cent of the global poor (World Bank & IMF, 2014). People in these regions who are living in extreme (absolute) poverty are trapped as they are unable to escape from severe material deprivation. As a consequence, they are being left behind on all comparative indicators (Chen & Ravallion, 2010; Sachs, 2008). The absolute poor population is lower in other parts of the world. For example, in 2011 the levels were measured as 13 per cent in China, 14 per cent in East Asia and the Pacific, 6.5 per cent in Latin America and the Caribbean, and 25 per cent in the developing world outside China (World Bank, 2012b).

Although there have been significant reductions in poverty when measured according to the US\$1.25 absolute poverty line, the poverty rate has not reduced much when measured against the poverty line of US\$2 a day. Indeed, there was only a modest drop in the number of people living below \$2 per day between 1981 and 2008, from 2.59 billion to 2.47 billion (World Bank, 2012b). In developing countries, PR is uneven and painfully slow with the gap between the rich and the poor growing wider. Figures from the World Bank in 2012 also show that 663 million people who have moved above the US\$1.25 poverty line are still living in poor conditions by the standards of middle- and high-income countries and are very vulnerable to further poverty if exposed to natural disasters or economic crises.

In fact, the fuel and financial crises since 2008 have had sharp negative impacts on vulnerable populations and slowed the rate of PR in some countries (World Bank, 2012b). Food shortage and increasing food prices in recent years due to the higher demands generated by growing populations as well as natural disasters are recognised as threatening the lives of the extreme (absolute) poor. Statistics from the Food and Agriculture Organization (FAO) in 2011 show that economic crises and increased food prices were estimated to push as many as 100 million more people into poverty in 2008. The FAO's figures also show that in 2009 about 1.02 billion people were estimated to be chronically deprived of adequate food, and from 2008 to 2009 the number of undernourished people increased by 105 million. In 2010, the number of people who



suffered from chronic hunger was estimated to be 925 million (FAO, 2011). Meanwhile, since 2012, global food prices have continuously increased due to adverse weather conditions, Asia's strong demand for food imports, and the persistent European financial crisis (World Bank, 2012b).

A wide range of policymakers, social researchers and development agencies have called for a more systematic approach to the reduction of world poverty. One such example was articulated by Jaime Saavedra, director of the World Bank's Poverty Reduction and Equity Group, who emphasised the severity of absolute poverty and urged for greater efforts on creating more and better jobs, delivering better educational and health services and basic infrastructure and protecting the vulnerable (World Bank, 2012b). Today, many international programmes are working towards the elimination of extreme poverty and hunger in the developing world, particularly in Africa, Asia and Latin America (Sachs, 2008). If the World Bank's goal of reducing poverty to 3 per cent by 2030 is to be achieved, then a much higher PR rate is needed for the developing world than what has been achieved so far (Chen & Ravallion, 2010; Sachs, 2008; World Bank & IMF, 2014).

Turning from the general to the specific, poverty has been a long-standing concern in Vietnam, a country that has undergone successive periods of colonisation as well as destructive wars. When Vietnam seized independence for a brief period in 1945, Ho Chi Minh, the president at the time, stated that poverty and illiteracy were the country's new enemies. He articulated a mission for the nation aimed at enabling working people to escape from wretched poverty, to be gainfully employed, and to enjoy a prosperous and happy life (VNOG, 2003). This mission lasted for a very brief period in Vietnam's history, however, because the country was soon involved in further wars which drained its resources and capacities. In 1990, 15 years after the end of the Vietnam War, Vietnam embarked on a new strategy aimed at advancing its economic and social development. At the time 65 per cent of its population were still said to be poor (Klump & Bonschab, 2004).

Although some progress has been made in Vietnam over recent decades, poverty remains a major concern in terms of subsistence, and the definition of poverty has been widened to include other dimensions. This research is aimed at examining PR approaches in Vietnam, including the definition and measurement of poverty and the design,

implementation and evaluation of PR policies. By adopting this approach, the research should provide an evidential base capable of influencing PR initiatives in Vietnam. It could also provide insights for socially and politically similar developing economies in the region such as China, Cambodia, Laos, Indonesia, the Philippines and Thailand.

There have been a number of reports by international scholars and development agencies such as the World Bank, the Asian Development Bank (ADP), the International Monetary Fund (IMF) and the UN Development Programme (UNDP) which have conducted assessments of poverty and PR achievements in Vietnam. However, these reports focus on the various programmes implemented by the government of Vietnam, with recommendations centred on how to better utilise the resources of the state and make the various PR programmes more efficient and effective. In the process, the broader macro-environment is effectively ignored, as is the history of economic and social development in Vietnam. This approach takes the frameworks of the international development agencies as given and sets aside questions that might be focused on the fundamental relationship between the drivers of development and the projects that have been established to address poverty in Vietnam. The research described in this thesis by contrast was designed to directly confront these issues.

## **1.2 Research objectives**

In general terms, this research set out to examine PR initiatives in Vietnam within a broader critical framework of both national and international development. It is not simply aimed at evaluating different programmes or projects for the purposes of comparison or assessment; it is motivated by a desire to address a number of critical issues. After an initial reading of the various evaluation reports assessing PR in Vietnam, there appeared to be an assumption that alleviating poverty in Vietnam is the same as alleviating poverty in the Philippines or Thailand or any other developing country. Questioning these assumptions impressed as a starting point for the research.

If the national context is important in framing both the extent of poverty in Vietnam and policy responses to the alleviation of poverty, then what is the relationship between definitions of poverty and the measurement systems that are put in place to define

poverty and ameliorate its impact? Is the measurement of poverty in Vietnam the same as the measurement of poverty in other comparative countries and what is the significance of the policies advocated by the international development agencies in addressing the domestic environment in Vietnam? What is the relationship between the broad thrust of macro-economic policy and the plethora of PR programmes dominating the landscape in Vietnam?

These issues take us well beyond traditional approaches to programme evaluation. In the first instance, answering them requires an in-depth and historically sensitive understanding of poverty and how definitions and the measurement of poverty have changed over time. Secondly, it requires a comprehensive interpretation of PR initiatives as advanced by international development agencies such as the UN and the World Bank. The understanding of universal concepts of poverty and PR strategies functions as a platform for analysing PR programmes in Vietnam.

In order to build an evidential base for an in-depth examination of PR initiatives in Vietnam, the researcher employed an innovative methodology aimed at capturing the dynamics of development in the country, thereby ensuring a culturally and historically sensitive framework for critically analysing poverty. The *development patterns approach* as advanced by Shirley and Neill (2013) stems from their effort to understand economic, political and social connections. The application of the development patterns framework places emphasis on the relationships between human beings, institutions and socio-economic systems. The authors state that:

If we want to capture the dynamic relationships between human beings, the institutions that they have established and the broader systems or structures of societies, then only a framework that is simultaneously historical, empirical, and critical can address these changing relationships over time. (Shirley & Neill, 2013, p. 16)

The patterns of development are shaped by populations directly involved in economic and social development with the goals of the research focused on identifying the drivers of development.

The aim is to identify distinctive patterns of development not according to any prescribed formula or tradition but rather as shaped by human populations as they engaged and mediated the political and economic conditions prevailing at particular periods of historical time (Shirley & Neill, 2013, p. 19).

By employing a development patterns approach, the researcher sought to build an in-depth understanding of both Vietnam's development over time as well as the structure and systems that have been significant in defining and measuring poverty and designing and implementing PR initiatives. Once this historically sensitive framework is in place, documentary evidence will be explored so as to construct an evidential base for an examination of PR initiatives. The documentation identifies the processes and approaches used in defining and measuring poverty, implementing PR programmes as well as any initiatives aimed at evaluating policies and processes. This foundation then paves the way for the fieldwork component of the research which will involve in-depth interviews with key informants to gain a critical insight of these policies and practices in Vietnam. The approach adopted during the research programme is outlined in the conceptual framework presented in the next chapter.

In order to achieve its objectives, the research focuses on investigating how poverty is conceived and measured, as well as the way in which PR initiatives have been developed, implemented and assessed in Vietnam. Thus, concrete research questions were formulated as follows:

What approaches have been adopted in addressing poverty in Vietnam? How is poverty defined and measured? In focusing on policy and practice what can we say about the formulation, implementation and evaluation of PR initiatives in Vietnam?

### **1.3 Outline of chapters**

There are nine chapters in this thesis. After the overview given in this introductory chapter, Chapter 2 discusses in detail the conceptual framework and the research methodology, including the methods used for data collection and analysis.

Chapter 3 assesses and documents different interpretations of poverty and measurement of poverty over time and identifies the underlying assumptions on which these different

interpretations are based. These interpretations are developed into a conceptual framework for understanding poverty through an examination of theoretical discourses on poverty since the nineteenth century.

Chapter 4 focuses on different approaches to PR articulated by international scholars and major international development agencies that have been engaged in conducting poverty research and PR programmes over the past seven decades. The PR strategies generated by international development agencies such as the IMF, the World Bank, the UNDP, and the ADB are examined in order to build a comprehensive framework for a critical assessment of PR initiatives in Vietnam.

Chapter 5 focuses on Vietnam's economic and social development over time with the aim of establishing the context for a theoretical and empirical analysis of poverty and PR initiatives. This phase of the research traces the development patterns that have been shaped by successive waves of colonisation and wars against the French and Americans, as well as the economic crises generated by the international economic sanctions imposed on Vietnam after the country was reunified in 1975. The Vietnamese economy has been marked by accelerating economic growth since the beginning of the 1990s when economic embargoes were lifted and the country adopted a series of economic reforms. The socialist market economy led by the Communist Party has played a central role in the framing of PR initiatives.

Chapter 6 examines Vietnam's system of PR policies and strategies, the national organisational structure, the processes of defining and measuring poverty, as well as the design, implementation and evaluation of PR policies and programmes. This overview provides a preliminary understanding of the PR system in Vietnam as a background for an in-depth analysis of the PR initiatives in the following chapters.

Chapter 7 summarises the original data on PR approaches and practices. The data, generated from fieldwork research based on documentary evidence as well as participant interviews, provide insights on both definitions and the measurement of poverty as well as PR policy design, implementation and evaluation. The empirical data also identify

critical issues that challenge the effectiveness of PR policies and programmes and provide the basis for analysing poverty policies and practices in the next chapter.

Chapter 8 critically analyses the main themes drawn from the research findings. It examines the “achievements” recorded by Vietnam over the past three decades in addressing both rural and urban poverty while at the same time detailing the challenges faced by the country today as it seeks to maintain its socialist market strategy and simultaneously advance funding for a plethora of PR programmes.

Chapter 9 summarises the research programme and the relationship between Vietnam’s PR framework and the international approach. It also identifies challenges to the country’s PR, particularly relating to implementation.

## **Chapter 2: Methodology**

The chapter discusses in detail the selection of methodology for this research. Specifically, it describes and justifies the conceptual framework and the research approach, including the methods used for data collection and analysis.

### **2.1 Conceptual framework**

In order to achieve the objectives of this research, the researcher adopted a comprehensive approach which comprises building an understanding of international frameworks focused on poverty reduction (PR), and of the context and operation of Vietnam's approaches in this area. First, international frameworks for PR were examined through international concepts of poverty and PR strategies. In this process, common concepts and PR approaches were identified from international literature to contribute to the conceptualisation of a broad framework for understanding international approaches to PR.

After an understanding of international frameworks had been achieved, the next step was to examine Vietnam's PR initiatives. The country's approach to poverty can be characterised by its development patterns and socio-economic systems. After these domestic factors had been critically analysed, the country's PR initiatives, which are the focus of the research, were pinpointed. After critically examining the country's PR initiatives, the research concentrated on the impact of the development patterns and the socio-economic systems on the PR initiatives and also related the country's PR approach to the international framework.

In brief, the approach of the research is informed by a conceptual framework that incorporates four phases to provide for a holistic understanding of PR initiatives in Vietnam. These include: 1) international concepts of poverty; 2) international approaches to PR; 3) Vietnam's patterns of development; and 4) its socio-economic systems, which together provide for a contextualised approach to poverty in the country (see Figure 1).

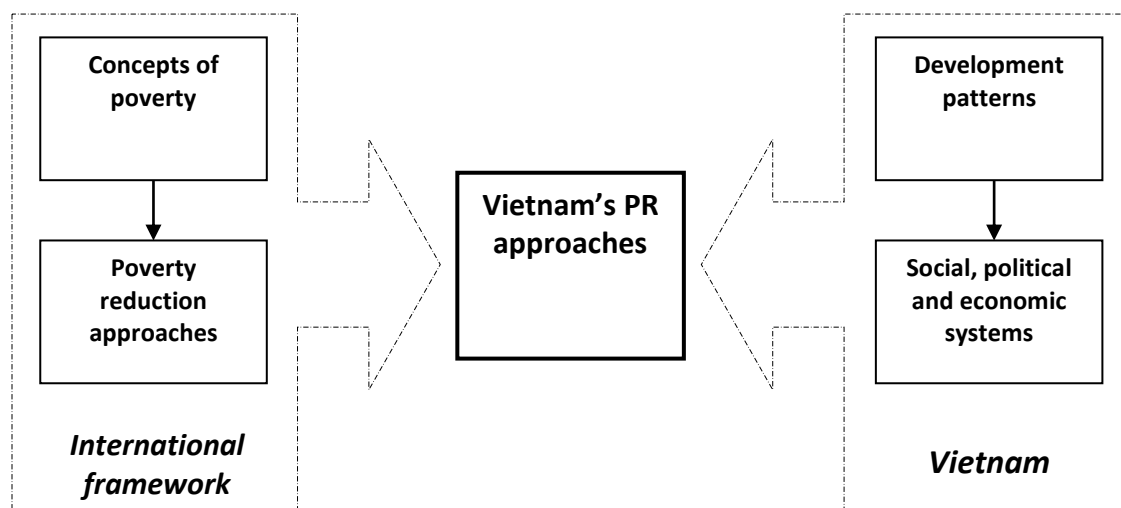


Figure 1: Conceptual framework

The first phase involved a comprehensive examination of international concepts and measurements of poverty and formed a theoretical basis to assess concepts and measurement of poverty in Vietnam. This research phase included an investigation of concepts of poverty, and the identification of different interpretations of poverty and the underlying assumptions on which these different interpretations have been developed. It also investigated different ways of measuring and analysing poverty. The various interpretations of poverty need to be analysed comparatively in order to provide an in-depth understanding of poverty. These interpretations and conceptions have been articulated by prominent international academics and practitioners as well as major development agencies and reflect theoretical discourses on poverty since the nineteenth century.

The second phase of the research built a comprehensive overview of international PR strategies. This phase involved an examination of different approaches in formulating strategies for PR. Different PR approaches are addressed by academics as well as major international development agencies such as the World Bank, the United Nations (UN), the Asian Development Bank (ADB), and the Organisation for Economic Co-operation and Development (OECD). All of these organisations have been engaged in conducting poverty research and PR initiatives in developing countries over the past seven decades. A comparative analysis of the approaches to PR by these agencies was conducted in this



phase. Their approaches have over many decades reflected evolving policy options and strategic conceptual interpretations on poverty. The analysis concentrated on PR strategies initiated from the 1950s through the 1990s, when PR became a focus for the world's development agencies, and up until the time of writing.

The third phase of research focused on the patterns of development of Vietnam. The analysis conducted in this phase enhances our understanding of the country's development patterns that have influenced PR approaches. The patterns also inform the shaping of Vietnam's contemporary socio-economic system, which is the focus of the fourth phase of the research. Development in Vietnam has been shaped by its own particular patterns, as well as external forces such as those wrought by successive waves of colonisation, wars against major international powers, and the imposition of economic sanctions. Domestically, economic crisis and market-oriented reforms (Minh Hoa & Thanh Tung, 2013) have had major impacts. Identifying the patterns of economic drivers, and the political and social conditions and forces that have shaped the country's development provides understanding of the context for its current PR programmes.

After the patterns of development had been identified, the research focused on examining the existing socio-economic system of Vietnam. The analysis conducted in this fourth and final phase of the research provides insight into the system that is the context for a theoretical and empirical examination of PR and directly conditions the PR approach in the country. This phase analysed the socio-economic and administration systems and the particular role of the Communist Party as the monopolistic leading force in the country. Economic development is strongly conditioned by the socialist-oriented market economy.

Building on the earlier phases describing international concepts and strategies and defining Vietnam's patterns of development and socio-economic system, the final phase critically examines Vietnam's approaches to poverty since the 1990s when the government first started its PR initiatives. The examination encompasses poverty concepts and measurement, targeting, policy formulation, implementation, and evaluation contextualised by the country's socio-economic system and development patterns. It was informed by an investigation of the documentation relating to the PR policy system and

through the conducting of participant interviews to gain an in-depth understanding of PR policy processes.

Upon completion of all the research phases, the interactions between the development patterns, the socio-economic system, and the PR processes were critically analysed. The critical analysis of the PR initiatives provides answers to the research question on the effectiveness of the PR initiatives in the country. Vietnam's contextualised PR approach is then related to the international concepts and PR strategies and any gaps between the international framework and the country's approaches are examined.

## **2.2 Research methodology**

In order to achieve the objectives of this research, qualitative research with an inductive approach and Shirley and Neill's (2013) *development patterns approach* were employed.

Flick (2002) asserts that qualitative research is of specific relevance to relationships between social issues. Qualitative research is also considered to be an interpretive and naturalistic approach in which a researcher will try to understand a phenomenon by establishing the meaning people bring into their interpretations of the phenomenon (Denzin & Lincoln, 2005; Merriam, 2009). Travers (2010) asserts that qualitative social research should address the social world through subjective meanings and understandings brought by research participants into their interpretations (Travers, 2010).

On the basis of the above definitions in the literature, a qualitative approach was chosen to direct this research through all of its phases. The research includes an analysis of in-depth interpretations of the underlying development and socio-economic dynamics that drive the country's PR approaches articulated by both international and national experts who have long been involved in PR processes in Vietnam. These interpretations also highlight the achievements and challenges of the PR processes conditioned by the existing social, economic and political systems.

The research approach is inductive in that each research phase is conducted based on the outcomes of the previous ones. For example, the analysis of Phase 1 (international concepts of poverty) provided a basis for understanding the deprivation dimensions that international PR approaches (Phase 2) have to cope with. Likewise, the outcomes of the

phases analysing the Vietnam's development patterns (Phase 3) and social, political and economic systems (Phase 4) provided insights into, and the background for, understanding Vietnam's PR approaches.

This research adopts Shirley and Neill's (2013) development patterns approach throughout, particularly when analysing Vietnam's PR policy context. The development patterns approach is one by which evidence is assembled to gain deep understanding of historical phases of development in political, social and economic aspects. The aim is to establish the dynamic relationships between policies and social systems (Shirley & Neill, 2013). Accordingly, before PR policies in Vietnam were assessed, the country's phases of development over time were examined in order to provide an overview of historical Vietnam in political, social and economic terms as well as identify the main conditions and forces that drove periods of continuity and change.

The analysis of Vietnam's development patterns thus enhanced an understanding of the social and political contexts for the formulation of PR initiatives, and the establishment of the subsequent social, political and economic systems which have determined the existing PR policies and programmes. This also facilitated an understanding of why Vietnam's contextualised PR approaches may differ from other countries' approaches. Unless insight into the domestic factors is obtained, appropriate PR policies cannot be recommended.

In addition, the development patterns approach was also represented through the examination, in chronological order, of international approaches as well as Vietnam's approaches to poverty to understand comprehensively the development of concepts and strategies to cope with poverty according to specific national and international contexts.

### **2.3 Data collection and analysis**

Two common data collection methods in qualitative research were used in this study: documentary analysis and semi-structured in-depth interviews.

During the initial phases of this research – international concepts of poverty and international approaches to PR – Vietnam's development patterns, socio-economic system and PR system, the method of documentary analysis was employed. A range of documentary sources were engaged with to gain data on concepts, measurement of

poverty and PR strategies. The evidence from these was then comparatively analysed to find similarities and differences in the understandings and arguments of different authors. The analysis also sought to identify the advantages and disadvantages between different approaches in order to identify a common framework in these areas. Another prominent feature of this data-collection method was the chronological examination of documents in order to uncover changing approaches to definitions and PR strategies in accordance with the development patterns approach.

In the final phase of the research, the core data-collection method used was semi-structured in-depth interviews, a social research method which is developed from an interpretivist perspective (Travers, 2010). According to Travers, semi-structured in-depth interviews are guided by a set of general themes and conducted in a flexible way. During interviews of this type, interviewers can ask additional questions, express opinions and explore new themes (Travers, 2010). In this research, semi-structured in-depth interviews were used to gain insight into the Vietnamese government's approach to poverty, including poverty concepts and measurement, targeting, PR policy design, implementation and evaluation, and achievements and challenges. This method allowed key informants to freely and anonymously convey their perspectives and thereby provide a comprehensive picture and deep understanding of the national PR initiatives and how the country's development patterns and the socio-economic system determine its approach to PR. The data collection and analysis process is described in detail in relation to each research phase below.

### ***2.3.1 The first phase of the research***

In order to identify international approaches to poverty concepts and the measurement of poverty, the documentary analysis was centred on texts that presented theoretical discourses on poverty since the nineteenth century. Writing from books, journal articles, and discussion papers was sourced to critically examine different concepts on the definition and measurement of poverty. These concepts have been articulated by a range of renowned international scholars including economists and sociologists dating from nineteenth century such as Seebohm Rowntree and Charles Booth (Rowntree, 1948) through to more recent and contemporary writers such as Peter Townsend (Townsend,

1970, 1977, 1986), Amartya Sen (Amartya Sen, 1976, 1983) and Martin Ravallion (Ravallion, 1992; Ravallion & Chen, 2011). The literature highlights how much interpretations of poverty have evolved from initial conceptions in the nineteenth century to contemporary definitions, and is replete with critical debates between scholars on different conceptions of poverty.

In addition to the conceptions of the main authors in this field, the perspectives and concepts of major international development agencies such as the World Bank (World Bank, 2001), the UN Development Programme (UNDP, 2010a) and the (ADB, 1999) on poverty were also analysed. These perspectives are presented in global reports such as the *World Development Reports* by the World Bank and the *Human Development Reports* by the UNDP. The international development agencies' reports also provide data on different approaches to poverty measurement that countries have adopted. The websites of the development agencies such as the Food and Agriculture Organization (FAO, 2011) and the World Bank (World Bank, 2012b) are a rich source of current statistical figures on world poverty and hunger.

Analysis involved identifying the different concepts, definitions and measurements of poverty. Some prominent concepts (themes) emerged and for each concept the different authors' perspectives were comparatively analysed to see whether they conflicted with or supported each other.

Where perspectives articulated by nineteenth-century scholars such as Rowntree were quoted or reported in current literature, these were traced back to the original sources to check the validity of the data. If the original sources could not be found, the data were cross-checked with other contemporary documents. For important concepts such as *absolute poverty* and *relative poverty*, comparative analysis was conducted in terms of definition, measurement, advantages and disadvantages.

### **2.3.2 The second phase of the research**

The second phase of the research focused on establishing an understanding of the international frameworks for PR strategies. Documentary analysis was used at this stage to examine evolving PR strategies generated by major international development agencies

such as the World Bank, the UNDP, the OECD and the ADB which have all been involved in global PR for decades. Renowned scholars' perspectives on PR strategies were also analysed. Collectively these documents engaged with approaches to PR initiated since the 1950s through to those pursued at the time of writing.

The approaches were contained in official documents including UNDP *Human Development Reports* (UNDP, 1990, 1997, 2003, 2010a), ADB reports (ADB, 1999, 2004, 2008), an OECD report (OECD, 2001) and World Bank *World Development Reports* (World Bank, 1980, 1990, 2001).

This documentation included PR reports and handbooks published by the international development agencies. For example, the World Bank examined evolving PR strategies in its *World Development Reports* in 1990 and 2000, as did the OECD in its 2001 report. In addition, literature in the form of academic books and journal articles also covers many debates on the different approaches to PR.

In the analysis for this phase, each international development agency's PR strategy documents were first examined to draw out the main themes and sub-themes. Changing themes and sub-themes as well as the most recent ones were identified. For example, for the theme of "inclusive economic growth", there were sub-themes such as empowerment, governance and decentralisation. Next, the development agencies' most recent PR strategies were comparatively analysed in order to identify similarities and differences in the themes and sub-themes among different development agencies. A universal international PR "framework" identified includes both common approaches as well as the specific policies employed by some agencies.

### ***2.3.3 The third phase of the research***

The third phase of the research aimed at increasing understanding of Vietnam's patterns of development and socio-economic system, which have impacted on the country's PR approaches. Documentation that provided evidence of the conditions and forces shaping Vietnam's development as well as the existing socio-economic system was analysed. Sources included reports, articles, working papers, books and statistical reports. Reports included those generated by government agencies, international development agencies

and research institutions. Research institutions' reports provide data on Vietnam's economic and political institutions which have impact on the country's economic performance. International development agencies and government agencies' reports focus mainly on the analysis of social issues dominant in society. Books, articles and working papers written by experienced domestic and international scholars describe various phases of development for Vietnam as well as specific socio-economic issues for the country. A large amount of statistical data on geographical and socio-economic features was also retrieved from the Vietnam Government Statistics Office.

The collected data were analysed to establish an understanding of Vietnam's historical development patterns and contemporary socio-economic and political institutions, which have significant impact on PR approaches in the country. First, historical data were used to build a picture of the different development phases encompassing political, social and economic changes in the country. Secondly, the data were used to describe the contemporary context including geographical features, political and governance systems, economic performance, and social and environmental issues.

#### ***2.3.4 The final phase of the research***

The aim of the final phase was to analyse Vietnam's PR frameworks and the context of implementation of PR programmes. Both documentary analysis and semi-structured in-depth interviews were used for data collection in this phase.

Documentary analysis was used to establish the country's approach to the definition and measurement of poverty, PR strategies, PR policy system, and to analyse the achievements of, and challenges for, Vietnam. To do so, data on the process of targeting, design, implementation and evaluation of PR policies and programmes were collected. Documentation included reports generated by the government agencies, international development agencies, and national research institutes. Books and articles by national and international scholars that analyse PR strategies and challenges were also referred to. Many of the government agencies' reports are national reports on topics such as Millennium Development Goals achievements, sustainable development, Vietnam development, and poverty reduction. The reports describe the definition and setting up of

poverty approaches, PR strategies, and the national system of PR policies and programmes. Reports by international development agencies and research institutes also analyse the achievements and challenges, and provide a preliminary evaluation of the country's PR policies. Various government policy documents such as strategies, programme documents and credit policies have also been analysed.

The final phase of the research involved semi-structured in-depth interviews. The interviews were conducted with both central and local government level officials. Central government officials provided knowledge particularly on policy formulation and coordination, whereas local government officials had insight into the implementation process and practical outcomes of specific policies. Interviews were also conducted with experienced international experts who have worked in international development agencies such as the World Bank and UNDP, which have provided technical and financial assistance to PR programmes in Vietnam. While national government officials had in-depth knowledge on the policy design and implementation process, international experts provided critical assessment as outsiders of the country's approach to poverty and pinpointed the challenges in PR in Vietnam.

At the central government level, the interview participants included senior officials from Vietnam's Ministry of Labour, Invalids and Social Affairs (MOLISA), and the Committee for Ethnic Minorities Affairs (CEMA). Officials from the World Bank and the UNDP working at central government level were also interviewed.

At the local level, interviews were conducted in the provinces of Binh Thuan, Dak Lak and Tra Vinh. In each province, senior PR officials from the Department of Labour, Invalids and Social Affairs (DOLISA), Department for Ethnic Minorities Affairs (DEMA) and district Offices of Labour (OL) participated in the interviews.

As most of interviews were conducted in the Vietnamese language, the data was translated and transcribed into computer-based Word documents. The data collected from both the interviews and the documentary analysis were merged and grouped into main themes.



In conducting the analysis for this research, validity and credibility were considered at all times. Data from different sources was always cross-checked, including between the documentation and the interviews. Finally, as the interviews involved only key informants who were free and willing to participate in the research, the data they provided were free from any pressure or obligations.

## **2.4 Conclusion**

To sum up, this research develops a conceptual framework that consists of the international concepts of poverty and PR strategies, Vietnam's development patterns, its social, economic and political systems, and, finally, the country's PR approaches. The four research phases followed an inductive approach by which each phase built on the preceding one. The research is characterised by Shirley and Neill's (2013) development patterns approach which was employed to gain wide-ranging insights into Vietnam's socio-economic system and PR initiatives. The qualitative method of document analysis was adopted to comparatively analyse the international approaches to poverty and in-depth semi-structured interviews used to gain insight into PR in Vietnam by collecting the interpretations of experienced experts. The results from this research methodology are presented in the following chapters.

## **Chapter 3: International concepts and measurement of poverty**

As described in the Chapter 2, an in-depth understanding of the international framework for poverty reduction (PR) is necessary because this framework can serve as a yardstick to examine PR approaches in Vietnam. The study of the international framework starts with an examination of the concepts and measurement of poverty as articulated by international scholars and development agencies.

### **3.1 Interpretations of poverty**

In the nineteenth century, Charles Booth and Seebohm Rowntree conducted social surveys of living conditions in England (Rowntree, 1948). They established a foundation for subsequent research and contributed to the formation of social policies aimed at reducing poverty (World Bank, 2001). Over the past 100 years, a wide range of research programmes have addressed issues of poverty and destitution in both the developed and developing worlds (Townsend, 1970). Although poverty has been significantly reduced over recent decades, it remains a major concern for both international scholars and governments.

Through the course of research programmes, the meanings of poverty have expanded beyond traditional interpretations to embrace new concepts. These interpretations have been adopted by national governments and international institutions alike and informed a variety of approaches to measuring and reporting poverty across the world.

#### **3.1.1 Poverty in absolute terms**

Traditionally, international scholars and organisations tended to define poverty in absolute terms. Bourguignon (1999) defines a person as being poor when his or her income is under a fixed level necessary to afford the most basic needs for physical survival or subsistence. This form of deprivation is termed “absolute poverty” or “physical poverty” or “extreme poverty” (World Bank, 2012a). Desai (2002) defines absolute poverty as having inadequate food measured in terms of calorie intake supplemented by non-food essentials. This definition was based on consumption goods and thus the

poverty standard was then fixed in terms of the money available for purchasing consumption goods.

The physical approach to defining poverty based on subsistence dates back to the nineteenth century when Booth and Rowntree conducted studies on the living conditions of people in English cities. The first scientific and comprehensive attempt to assess poverty based on a subsistence line, and measured by income and expenditure, was advanced by Booth from 1886 to 1892 (Rowntree, 1948). He defined an adequate standard of living in terms of a private consumption level below which parents could not afford food or school fees (Desai, 2002). His work was published in nine volumes as *Life and Labour of the People in London* (1892–1897), which prompted a series of social surveys to be conducted in a number of British towns in order to ascertain the proportion of families living in poverty (Rowntree, 1948).

In 1899, Rowntree was one of the first scholars to define poverty using an income-based measure. He defined poverty as having insufficient income to obtain minimum resources necessary to maintain physical efficiency including food, rent and other essential items (Haughton & Khandker, 2009). His book *Poverty: A Study of Town Life* (1901), which reported on the living conditions of inhabitants in the city of York, not only inspired other studies but also had an enormous influence on the British government's design of social policies. By demonstrating that poverty had structural rather than personal origins, this research was influential in advancing social legislation such as the Old Age Pensions Act in 1908 and the National Insurance Act in 1911 (World Bank, 2001). Absolute poverty remains a major concern in the world today, particularly in the developing countries. In the developed countries, considerable progress has been made in reducing absolute poverty. As a consequence, PR in these countries has focused increasingly on the social dimensions of poverty such as social exclusion and inequality.

### **3.1.2 Poverty in relative terms**

A number of international scholars do not agree with defining absolute poverty based on an arbitrary fixed indicator such as the level of income. They argue that human needs, even those for physical survival, differ from country to country, from people to people,

and from time to time. For example, Bellù and Liberati (2005) argue that the cost of a minimum diet to gain energy intake which serves as one of the basic factors to establish a poverty line differs as people do not share the same nutrition patterns (Bellù & Liberati, 2005). Human beings, according to these scholars, also have different personal needs depending on their personal characteristics, social positions and educational qualifications. Townsend (1986, p. 37) emphasises that human needs that are subject to present “conditions, obligations, expectations and customs” are probably different from those in the past (Townsend, 1986, p. 37). Donnison (1997) observes that living environments also create different needs. He illustrates this by arguing that people in rural areas may see a piped water supply and piped sewage as luxuries because they are accustomed to getting water from streams, a village pump or pits in the back garden for their sewage. They can manage happily without such things in the rural environment, but if they become crowded in cities, cholera soon teaches them that these things are necessities for an urban society (Donnison, 1997). Therefore, many scholars argue that it is not necessary to have a fixed criterion to measure poverty; poverty should be defined as a “relative” rather than “absolute” concept. Poverty thresholds as a consequence are then adjusted subject to conditions of a given society and time.

Some international scholars have also argued that the subsistence view of absolute poverty, which includes inequality based on physical criteria, is too narrow. This is one of the major factors behind moves among scholars and practitioners to widen the definition of poverty. Human beings, according to this school of thought, have not only physical needs in the form of food, shelter, clothing, income and goods for survival, but also needs based on values such as freedom and the ability to realise their full potential (Förster, Tarcali, & Till, 2002; Amartya Sen, 1987; Townsend, 1986). This thinking was introduced by scholars such as Harrington (1962), who focuses in his research on the social sufferings of African Americans encompassing elements such as fear and lack of self-confidence in addition to physical challenges such as limited income or unemployment (Harrington, 1962).

The broader social interpretation of poverty has been developed more readily in the past few decades. Townsend (1986, p. 35), for example, argues that “human beings are social

beings rather than physical beings” and “it is through social relationships and social roles that needs arise” (Townsend, 1986, p. 35). Sen (1990) further advocates shifting the emphasis from a narrow conception of primary goods and resources to capabilities and freedoms. He maintains that acquisition of a commodity is not the goal, but rather a means for a person to function in society with an adequate level of living. Anand and Sen (1997) maintain that human beings can be poor in quite different ways and thus income only plays a part in a broader and fuller picture of poverty and deprivation. Therefore, they assert that in order to provide a more comprehensive measure of poverty, several variables must be dealt with at the same time (Anand & Sen, 1997). Sahlins (1997, p. 19) emphasises the relativity of poverty concepts when he asserts that poverty is not a matter of deprivation of goods or “a relation between means and ends” but “a social status” or “a relation between people” that is “the invention of civilization”.

Similarly, Rein (1970) refers to political, legal and educational indicators which should be added to income for measuring an acceptable level of living (Rein, 1970). Donnison (1997) also affirms that people may be excluded from their society by many things besides lack of money. Examples include disabled people in wheelchairs not being able to get about in a world designed without thought for their needs; people having poor education which gives them none of the qualifications they need for a job or practices; habits of mind depriving women or ethnic minorities of opportunities that the majority take for granted; many people lacking essential commercial and public services or due to living in remote places (Donnison, 1997). In the *Human Development Report* for 1997, the United Nations Development Programme (UNDP) asserted that poverty cannot simply be reduced to a single dimension of human life. Although income indicates one important dimension of poverty, it provides only a partial picture of the many ways human lives can suffer (UNDP, 1997).

The relative view of poverty is not new. This type of thinking has been asserted by scholars since the eighteenth century when the Scotsman Adam Smith claimed that a peasant who could not afford a linen shirt to participate in social events in his village was considered to be socially poor even though he and his family might not be undernourished (Bourgignon, 1999; Townsend, 1986). Likewise, in 1941, Rowntree, after his second social

survey, admitted that his initial poverty line only measured the physical dimensions of poverty rather than other social dimensions (Rein, 1970). Townsend (1986, p. 41) advances the concept of relative poverty as the “widest concept as it takes into account that humans are not only physical but social and psychological beings” (Townsend, 1986, p. 41).

On the basis of the critiques of absolute poverty, international scholars started to define poverty in relative terms. Townsend (1986) defines “relative poverty” as not being able to meet the conditions of life in terms of diets, amenities, standards and services that allow individuals to play a full participatory role as a member of society. While Townsend emphasises the role of participation in society, Sen (1987) highlights “capability” when he defines poverty as an individual’s lack of capability to function and live to his/her fullest potential in society, though he admits that this capability is difficult to assess empirically (Förster et al., 2002). Sen (1990) emphasises the fact that poverty limits a person’s capacity to live the life he/she chooses, a view shared by Haughton and Khandker (2009) who elaborate that people in poverty lack key capabilities and experience insecurity, low self-confidence, a sense of powerlessness, as well as the absence of rights such as freedom of speech (Haughton & Khandker, 2009). Sen (1987) even argues that poverty is relative in the space of commodities or characteristics but absolute in the space of capability (see Ravallion, Chen, & Sangraula, 2009). From a broad social perspective, Sachs (2005) describes the relatively poor in high income countries as those that lack access to cultural goods, entertainment, recreation, and quality healthcare, education, and other perquisites for upward social mobility (Sachs, 2005).

Förster et al. (2002) regard relative poverty as being composed of two complementary components: resources (input) and functionings (output). The first (input) refers to available resources such as “diets”, “services”, “income”, “education”, and “healthcare” while the second (output) implies functionings such as “a participatory role as a member of society”, or “the ability to live to one’s fullest potential”, or even “self-confidence” – elements that are achieved or result from the conversion of resources.

Relative poverty is also defined and measured in terms of income or expenditure. In this sense, poverty is basically viewed as a phenomenon of inequality. Sachs (2005) and

Bourguignon (1999) define a relatively poor household as having its income level below a given proportion of the average national income (Bourguignon, 1999; Sachs, 2005). Bellù and Liberati (2005) link the concept of relative poverty to a standard of living defined in relation to the position of other people in the distribution of income and expenditure. Bourguignon (1999), Townsend (1986), Desai (2002) and Ravallion et al. (2009) all distinguish between the concept of relative poverty in the developed world, where it is equated with income inequality or social exclusion, and absolute poverty as experienced in the developing countries.

Debates continue on the definition of relative poverty. Some argue that, even if the national average income increases, the relative poverty rate will stay the same if the distribution of income is unchanged. In other words, it will only be possible to eradicate poverty if the income distribution system is perfectly egalitarian. Townsend (1979) argues that although the state benefits in England had provided enough to ameliorate subsistence poverty for most people, in terms of their position relative to the average living standard in society, the poorest group were no better off in the 1950s and the 1960s than they had been in the 1940s (Townsend, 1979). Moore also maintains that relative poverty refers to inequalities which existed in any society (Moore, 1989).

When poverty is defined in relative terms such as inequality, social exclusion or injustice, it tends to be framed as a subjective judgement or political preference rather than being based on objective and scientific facts. Alcock (1997) argues that the concept of social injustice is an abstract and philosophical approach to social values that has never been successfully applied to social policy debate or planning (Alcock, 1997). Moreover, the concepts of relative poverty are often abstract and difficult to measure.

When writers link relative poverty to inequality, it is not always done negatively. Donnison (1997), for example, argues that a completely equal society is impossible due to differences in individuals' capabilities, luck and taste. Therefore, variations in income and wealth arising from the differences can emerge (Donnison, 1997). However, Donnison maintains that this does not mean people should suffer from hardships and disadvantages due to inequality. Disadvantaged people should be treated with equal respect (Donnison, 1997).

Smeeding, Rainwater and Burtles (2001) affirm further that inequality plays a crucial role in creating incentives for people, including the poor, to improve their economic situations through saving, hard work, and investment in education and training. They maintain that without the powerful signals provided by big disparities in pay and incomes, the economy would operate less efficiently and average incomes would grow less rapidly. These authors argue that in the long run, poor people might enjoy higher absolute incomes in a society where wide income disparities are tolerated than in one where law and social conventions keep income differentials small. They indicate that in recent years the economies of Australia, the United Kingdom and especially the United States have performed better than other economies where income disparities are smaller (Smeeding, Rainwater, & Burtles, 2001).

While there are many critiques of both absolute and relative concepts of poverty, some scholars argue that both concepts can be considered simultaneously. Bourguignon (1999), for example, considers that absolute and relative poverty concepts are not exclusive but simply describe and analyse different social issues or conditions. He maintains that while some countries in Africa and Asia may have a dominant problem of absolute poverty and a lesser problem of social exclusion or relative deprivation, some countries in Latin America may have both absolute and relative poverty.

In reality, there have been some attempts to combine both absolute and relative features of poverty. Alcock (1997) advocates the combination of the “budget standard” method which draws on Rowntree’s absolutist tradition of a list of necessities and the “deprivation indicators” method which draws on Townsend’s (1978) relativist tradition of deprived lifestyle. At present, innovative approaches in the definition and measurement of poverty pioneered by the development agencies are trying to integrate physical and social dimensions of poverty.

Today, developed countries have made considerable progress in reducing absolute poverty so that destitution, while not totally absent, is a rare phenomenon in OECD countries. Developed countries are now more concerned with relative poverty in the form of social exclusion and inequality (Bourguignon, 1999; Desai, 2002; Ravallion et al., 2009; Townsend, 1986). Social exclusion and inequality apply across all social groups in society.



In Europe, social exclusion has been critically addressed in the European Social Agenda since 2000 (Atkinson, 2000, 2003). In the United States, relative deprivation has been accorded greater emphasis than absolute definitions (Rein, 1970). Harrington (1962) describes how relative poverty in the United States had become institutionalised when African Americans not only had the worst, dirtiest, lowest-paying jobs but also experienced lives of fear and lack of self-confidence (Harrington, 1962).

Reporting on and defining poverty in relative terms has become a prominent approach of international development agencies. It has also provided a platform for extending the understanding of multiple dimensions of poverty. In 1984 the European Union defined people in poverty as having so insufficient material, cultural and social resources as to be excluded from the minimum acceptable way of life of the society where they live (Förster et al., 2002; Townsend, 1986). The UN Economic and Social Council (1998) has described human poverty as a denial of choices and opportunities, a deprivation of human dignity and basic capacity to participate effectively in society, lack of sufficient food and clothes and access to educational and healthcare services, having no access to resources for production, insecurity and living on marginal and fragile environments, and not having access to clean water and sanitation.

The OECD maintains that an adequate concept of poverty should include well-being in all the most important areas across economic, human, political, socio-cultural and protective capabilities in which people are perceived as incapacitated in different societies. Economic capabilities include the ability to earn an income, to consume and to have assets, which are important to food security, material well-being and social status. Human capabilities are based on health, education, nutrition, clean water and shelter. Political capabilities include human rights, a voice in public policies and political priorities. Socio-cultural capabilities concern the ability of individuals to participate as a valued member of a community, and protective capabilities enable people to withstand economic and external shocks. By taking into account all of these areas of capability, poverty, gender and environment become mutually reinforcing, complementary and cross-cutting facets of sustainable development, as is illustrated graphically in Figure 2.

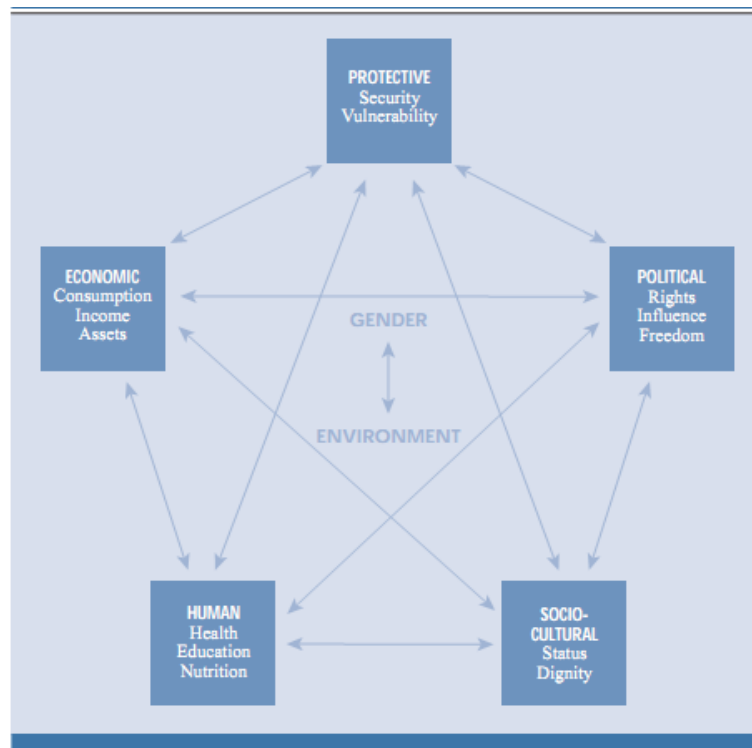


Figure 2: Interactive dimensions of poverty and well-being. Source: OECD, 2001

The World Bank (2001, p. 15) defines poverty as “pronounced deprivations in well-being” (World Bank, 2001, p. 15). It accepts the conception of poverty as encompassing not only material deprivations measured by an appropriate level of income or consumption but also low achievements in education and health, as well as other economic, social and political deprivations (Hayami & Godo, 2005; World Bank, 2001). It broadens the concept of poverty to include vulnerability and exposure to risk as well as voicelessness and powerlessness, and being socially excluded by social and state institutions. It emphasises that all these forms of deprivation severely restrict the capabilities and freedoms a person enjoys to live the kind of life he or she values (World Bank, 2001).

Similar developments in understanding were evident in the UNDP *Human Development Report* for 1997. From its human development perspective, the UNDP defines poverty there as the deprivation of basic choices for human development which includes good health, creativeness, a decent living standard, freedom, dignity, and respect (UNDP, 1997). Later, in the *Human Development Report* for 2010, the UNDP again proclaimed that the dimensions of poverty go far beyond income to encompass health, education, livelihoods, housing, social exclusion and participation. In general, the UNDP considers poverty as

multifaceted and multidimensional and highlights “a denial of human rights” (UNDP, 2010a, p. 4).

According to the Asian Development Bank (ADB, 1999), poverty is a deprivation of essential assets and opportunities to which every human is entitled. It emphasises access to basic education, primary health services, the poor’s right to work and to be rewarded, as well as protection from external shocks. The ADB also promotes empowerment for the poor to participate in making the decisions that shape their lives. They argue that poverty should be measured in terms of basic education, healthcare, nutrition, water and sanitation, as well as income, employment, and wages. Such measures must also serve as indicators for other important intangibles such as feelings of powerlessness and lack of freedom to participate (ADB, 1999, 2004).

Thus, definitions of poverty have evolved from physical to social dimensions. Within the social dimensions of poverty, the international literature particularly emphasises the human capabilities to fulfil a person’s role in society and pursue human values according to his or her interests and ability. In this process, the physical aspects of life are the basis on which human beings are able to live socially fulfilling lives. Furthermore, poverty is considered as relative deprivations and can be adjusted according to a specific social context and a range of flexible indicators.

As is evident from the above examples, all the development agencies embrace multidimensional definitions of poverty, although the weight they attach to different dimensions varies. Significantly, far more agencies today than in the past demonstrate an awareness of the dynamics of poverty. Poverty is often not a permanent state and people move in and out of it, and poverty can be the result of seasonal or random shocks. This perception is influential on the measurement and approaches to PR, which are examined in the following section.

### **3.2 Measurements of poverty**

The above analysis shows that definitions of poverty have evolved beyond traditional concepts of income and expenditure to social and human values. In other words, the

definition of poverty now includes relative terms when it once only involved absolutes. This section explores how the measurement of poverty has changed over time.

### ***3.2.1 Measurements of poverty in absolute terms***

Income-based absolute poverty measurement is still the most common approach used by international development agencies and national governments across the world. Absolute poverty measures are based on establishing a fixed level of income considered necessary for a person to survive physically. Absolute poverty lines are most widely used in developing countries in measuring or analysing poverty quantitatively, whereas developed countries tend to use relative poverty measures (ADB, 1999; Nielsen, 2009; Ravallion et al., 2009; UNDP, 2010a). Different countries have established their own poverty lines, and these reflect different social, economic and climatic conditions in determining an acceptable minimum income (ADB, 1999).

Developed countries tend to use higher standards for measuring poverty, either in absolute or relative terms (Desai, 2002; Förster et al., 2002). For example, Förster et al. (2002) affirmed that in the United States the poverty line for one person under 65 was US\$11,344 per year (approximately US\$31 per day) which is considerably higher than the World Bank's US\$1 dollar per day poverty line applied in low-income countries (Förster et al., 2002).

While being aware of multiple dimensions in poverty and defining it in relative terms, international development agencies still tend to measure poverty using income-based absolute poverty lines as used in reports by the World Bank (2001), UNDP (1997, 2010a), OECD (2001) and ADB (ADB, 1999, 2008; OECD, 2001; UNDP, 1997, 2010a; World Bank, 2001). For the purposes of measuring poverty in the world as a whole, the World Bank has aimed to apply a common poverty line that takes into account the purchasing power of national poverty lines varying across countries. Based on this international poverty line, people, either poor or not, are treated the same way even if they live in different countries with the same purchasing power over commodities. The World Bank in its 1990 *World Development Report* used a poverty line of US\$1 per day at 1985 purchasing power parity (PPP), which was based on compiled data on national poverty lines across 33 low-

income countries (World Bank, 1990). This poverty line is mainly applied for the lowest-income countries of Africa, Asia and Latin America. By applying this poverty line, it was estimated that one-third of the population of the developing world in 1985 lived in poverty (Chen & Ravallion, 2009; World Bank, 2001).

Since then World Bank researchers have continuously updated the poverty line with estimates of global poverty rate using new data. In its *World Development Report* for 2000–2001, the World Bank used an international poverty line of US\$1.08 a day, at 1993 PPP, and accordingly, one-fifth of the population of the developing world in 2004, slightly less than 1 billion people, was deemed to be poor (World Bank, 2001). Since 2008, the World Bank has been using the US\$1.25 a day poverty line, according to which an estimated 1.29 billion people, equivalent to 22 per cent of the population in the developing world in 2008, were said to be living in poverty (World Bank, 2012b).

The World Bank applies a poverty line of US\$2 for middle-income countries and US\$4 for transitional Central and Eastern European economies (Förster et al., 2002; OECD, 2001; World Bank, 2012b). It also identifies non-monetary measures of poverty using indicators of health and nutrition and education and “subjective perception” methods. However, as these data are either not available or difficult and costly to collect across countries, the World Bank mainly relies on income-based measures.

### ***3.2.2 Measurements of poverty in relative terms***

As mentioned above, income and expenditure levels are also used to define relative poverty. Likewise, income is used not only in measuring absolute poverty but also in constructing relative poverty lines commonly used in developed countries (Ravallion et al., 2009). This occurs despite the fact that many scholars argue that the arbitrary use of fixed income levels is a narrow subsistence view of poverty (Bourgignon, 1999). International scholars have tried to identify an income proportion level corresponding to the extent of relative deprivation (Förster et al., 2002).

The use of income prevails because it is said to accord with common sense and is independent from other subjective interpretations (Townsend, 1986; World Bank, 2001). Furthermore, resorting to income is necessary for the analysis of relative poverty in

quantitative terms. This income-based definition and measure of relative poverty is aimed at providing statistics for comparative analysis across countries, because they are independent of a specific country's definition of basic needs, as well as describing changes at different points in time (Förster et al., 2002).

The relative poverty line is much higher than measures of absolute poverty (Desai, 2002). In OECD countries, the relative poverty line is typically set at between 40 per cent and 60 per cent of the average national income (Nielsen, 2009; Ravallion et al., 2009). The European Union and Scandinavian countries define the European poor as those whose consumption expenditure or income falls below 60 per cent of the mean in the country where they live (Förster et al., 2002; Nielsen, 2009; Smeeding et al., 2001). In the United States, the relative poverty line is 42 per cent of the median household income (Smeeding et al., 2001). The definition of relative poverty lines enables analysts to keep track of changes of poverty rates within a certain country.

This measurement of relative poverty is also considered an indicator of the inequality in a nation. Besides this, a more precise measure of inequality is the Gini coefficient, a figure showing where a population sits on a scale running from complete equality (everyone getting exactly the same income or whatever is to be measured) to complete inequality (all the income going to one member of that population). These coefficients are useful because they are based on evidence about every member of the population (Donnison, 1997).

### ***3.2.3 Measurement of poverty in multidimensional terms***

In attempting to incorporate the multidimensional understanding of poverty, international development agencies have tried to design methods to measure poverty in multiple aspects. From the human development perspective, the UNDP in 1997 introduced an innovative measure of poverty called the Human Poverty Index (HPI), which took a broader approach by reflecting aggregate deprivations in health, education and standards of living using country averages (UNDP, 1997). Recently, the UNDP improved this measure of poverty by introducing a new index called the Multidimensional Poverty Index (MPI) in its *Human Development Report* for 2010 (see Figure 3). The MPI index has three

dimensions, mirroring those in the Human Development Index (HDI)<sup>3</sup> – health, education and living standards – and uses 10 indicators. These address the perceived shortcomings of the HPI by identifying specific individuals, households or larger groups of people as jointly deprived. It can also be broken down by dimension to show how the composition of multidimensional poverty changes in incidence and intensity for different regions and ethnic groups, with useful implications for policy. The MPI is regarded as most appropriate for developing countries and for capturing the widespread deprivation in South Asia, Sub-Saharan Africa, and in the poorest Latin American countries (UNDP, 2010a). To some extent, the choice of indicators and the weights assigned to them is arbitrary, and trade-offs between them are not captured (OECD, 2001). Composite indexes that include both economic and other poverty dimensions such as MPI may, however, provide more solid comparable measures than those based on unitary indicators.

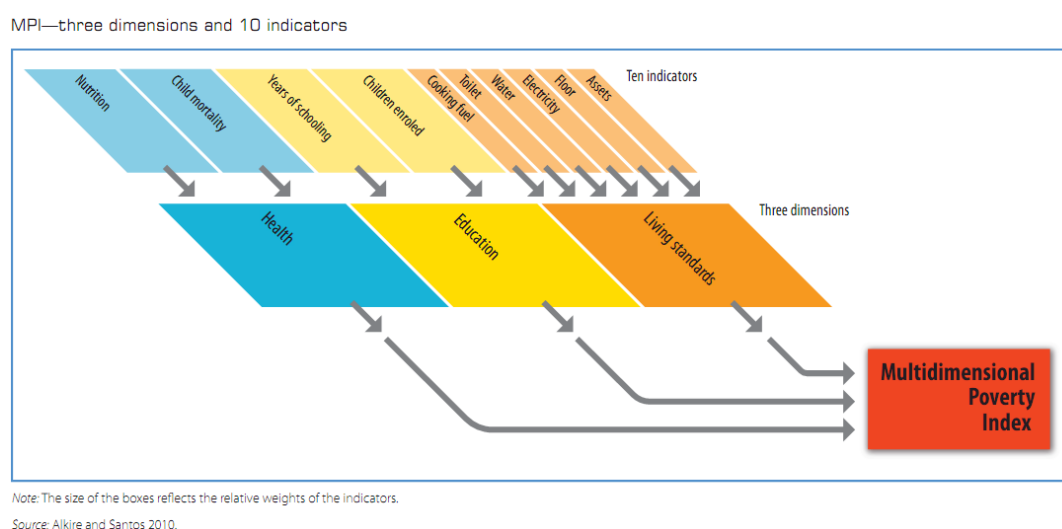


Figure 3: Multidimensional Poverty Index: Three dimensions and ten indicators. Source: UNDP, 2010.

Poverty can also be measured using different approaches at different levels of analysis as indicated in the OECD *Guidelines for Poverty Reduction* (2001) (see Figure 4). In Figure 4, consumption or income expenditure data at the top level are useful in identifying and

<sup>3</sup> The Human Development Index (HDI) which was launched in the 1990 *Human Development Report* is a statistic used to rank countries by level of human development. It combines information on life expectancy, literacy, education and living standard in a simple composite measure (UNDP, 2010).

analysing those households that fall below an absolute poverty line, thereby monitoring and comparatively analysing the numbers and proportion of poor people over time and among countries, as well as the depth and severity of poverty. This type of data is available from household surveys in many countries. Income-based measures are considered to provide a bird's eye view of poverty (OECD, 2001).

The middle level of analysis includes composite indicators that comprise both economic and other poverty dimensions which may provide more solid comparable data than unitary measures. The most prominent composite indicators are those from the HPI and the MPI developed by the UNDP. These indicators are vital in drawing attention to the multidimensional nature of poverty. At the bottom level of analysis, there are discrete indicators which measure poverty in various dimensions. This level is closer to the local community level and so is of more use in detailed planning and monitoring.

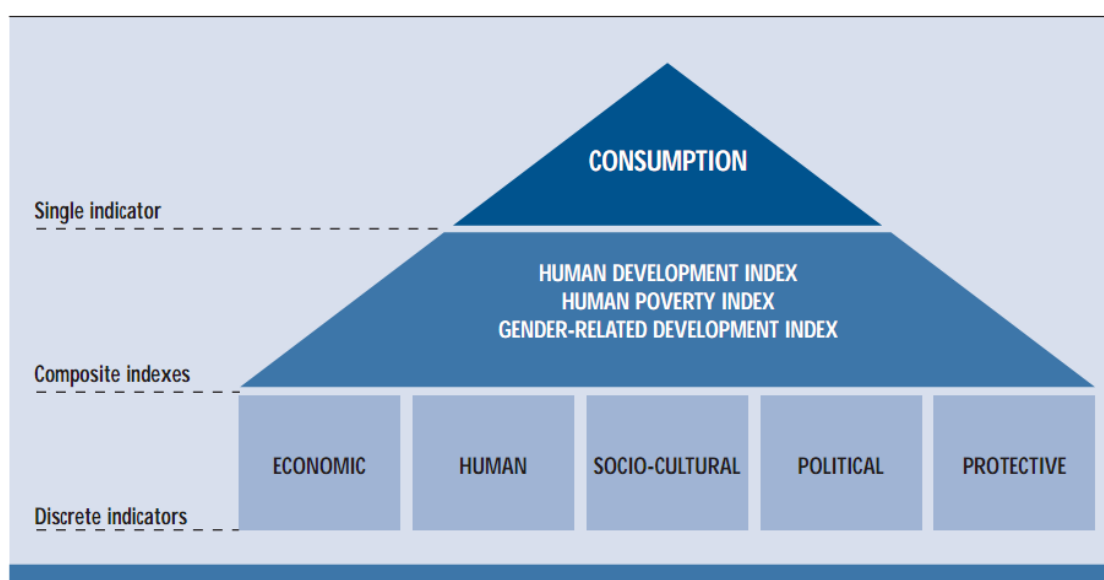


Figure 4: Measuring poverty at different aggregation levels. Source: OECD, 2001.

The selection of indicators for measuring poverty depends on the availability of data and the purpose of measurement. The less tangible dimensions of poverty are more costly and time-consuming, both to measure and to quantify. National data on human development are routinely collected in surveys and presented in global tables by the UNDP's *Human Development Reports* and the World Bank's *World Development Reports*. For the remaining dimensions there are no satisfactory methods available for standardising and



quantifying data that would permit comparisons. Qualitative and multidimensional data for discrete indicators which measure poverty in its various dimensions can be collected from participatory poverty assessments. These discrete indicators which are relative, contextual, qualitative and multidimensional are helpful in advancing and understanding specific situations and in advancing PR programmes. They are less useful for comparisons or for overall poverty monitoring and impact assessments, which require judgements based on philosophical and theoretical assumptions that can be quantified and measured.

### **3.3 Conclusion**

Poverty has been defined and measured since the initial studies of poverty were conducted in nineteenth-century England. Traditionally, poverty was defined in physical, absolute terms taking into account the most basic needs of the people such as food, clothes, and houses for subsistence. Over time, the definition of poverty has evolved beyond physical dimensions to signify social and human values such as education, health, sanitation, security as well as basic principles of human rights such as participation, freedom and capability. The multidimensional approach to poverty is also called the relative conception of poverty. “Relative poverty” refers predominantly to inequality in income in developed countries. Multidimensional poverty is also relative in the sense that the identifying and defining of dimensions, and the extent that each is used, depends on the social context of each country.

As concepts of poverty have evolved, international development agencies as well as national governments across the world have changed their approaches to measuring poverty. On the one hand, they maintain the traditional income- or expenditure-based measurement which still yields the most widely used data on income or expenditures worldwide. On the other hand, they have been designing multidimensional measurement approaches which are being experimented with in some countries. The selection of the dimensions of deprivation, physical and social, depends on the social context of each country.

The international concepts and measurements of poverty provide a basis for understanding the universal “framework” against which Vietnam’s approaches to PR can

be examined. Furthermore, this “framework” facilitates the study of how international development agencies’ PR strategies can solve poverty, given the change in definitions over time.

## **Chapter 4: International development agencies' approach to poverty**

The 1944 Bretton Woods Conference, led by Western powers, established the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development, which today is one of the five institutions that make up the World Bank. In 1945, the United Nations (UN) was officially established in order to promote peace and cooperation between countries in the world (United Nations, 2015a). Since that time, these development agencies have played significant roles in poverty reduction (PR) efforts throughout the world. Over the past seven decades, these global institutions have sought to address the challenges of poverty in both developed and developing countries. Their approaches have developed according to the changing concepts of poverty that have evolved from physical to social, cultural and political dimensions. This chapter presents a review of the approaches which have been adopted by the international development agencies.

### **4.1 The development of PR strategies**

After the Second World War, following the weakening of the European powers and growing demands for national recognition, many countries in Africa, Asia and the Caribbean achieved independence after long periods of colonial rule. However, soon after independence, these newly liberated countries faced two basic challenges: poverty and unstable political systems. In order to kick-start economic development and ideologically keep them out of the hands of Soviet Union, Western countries, led by the United States, launched the combined strategy of financial assistance and support of scientific and technological advances in these countries (Haynes, 2008).

Since then, development strategies, including PR, have been at the centre of the activities of the UN and the Bretton Woods institutions, including the IMF and the World Bank. The IMF and the World Bank have been actively involved in fostering economic growth and income distribution in poor countries (Goldin, Rogers, & Stern, 2002). The UN established development projects covering support in non-economic or multidisciplinary perspectives such as health, agriculture, education, social protection, and labour in many developing

countries, and the majority of the organisation's annual expenditure is spent on development initiatives operated by the UN agencies such as the UN Development Programme (UNDP), World Food Programme (WFP), Food and Agriculture Organization (FAO) and World Health Organization (WHO) (Jolly, 2010).

#### ***4.1.1 Economic growth as a main instrument for PR***

During the 1950s and 1960s, a variety of approaches to reduce poverty were driven by one main objective: accelerating economic growth. This was based on the assumption that an economy producing more goods would eventually benefit every citizen. Leaders would then not have to worry about the distribution of their gross national product (Donnison, 1997). A substantial part of the economic literature is devoted to economic growth. Many scholars argued that economic growth would benefit both the whole population in general and the poor in particular as it created opportunities for the poor to get jobs and increase their incomes. Thus, both the average incidence and the depth of poverty tend to fall with economic growth. Moreover, the lack of economic resources is considered a key dimension of poverty, as well as a major cause of its other dimensions (Dollar & Kraay, 2002; Haughton & Khandker, 2009; OECD, 2001).

Development agencies therefore designed various plans to accelerate the economic growth for developing countries. The World Bank provided loans at concessional rates on a large scale, while the UN agencies funded pre-investment and specialised development activities, as well as providing technical assistance to developing countries (Jolly, 2010). Large investment was made in physical capital and infrastructure in order to facilitate economic growth and PR. Many policies have been pursued to enable developing countries to produce and export more at stable and remunerative prices (Duraiappah, 2000). In addition to economic development, the UN also sought to foster the development of social progress, efficient national administrative systems, and progress in science and technology (Jolly, 2010).

#### ***4.1.2 "Basic Human Needs" campaign***

The development agencies' goal for economic growth was to a large extent achieved. Over 60 countries reached the 5 per cent growth target by 1970 and the average growth rate

for developing countries was 5.6 per cent during the 1960s. However, there was widespread dissatisfaction with the outcomes of economic growth. Many development specialists were concerned that the efforts for economic growth over the 1950s and 1960s had not resulted in perceptible improvements in the living standards of the majority of the world's population, especially the poor. They argued that economic growth was still important but growth alone was not sufficient to meet basic needs. Therefore, the 1970s marked a shift in emphasis towards improving the living standards of the poor.

A main vehicle for this was the Basic Human Needs campaign initiated by the UN International Labour Organization (ILO) in 1976 (Hayami & Godo, 2005). The ILO conducted research into a number of developing countries and came up with a set of proposals that were put before the World Employment Conference and published as *Employment, Growth and Basic Needs: A One-World Problem* (ILO, 1976). This report recommended the establishment of nation-level strategies to set goals that would meet the "basic needs" of a country's entire population. "Basic needs" was defined by the ILO as sufficient income for the purchase of food, shelter, clothing, and other essential requirements, as well as the supply of essential services of basic education, health, safe drinking water, and sanitation. The basic needs strategy also implied the participation of people in the decision-making processes that affected their lives (ILO, 1976; Jolly, 2010).

Meeting the basic needs and the reduction of income poverty then became a greater priority within international development agencies as well as governments. They set up a macroeconomic strategy which comprised two essential elements: an employment strategy to enable all families to generate sufficient income through rural or urban home production or through informal or formal employment; and the redistribution of income (Goldin et al., 2002; Jolly, 2010). For example, the World Bank developed a strategy to focus on economic growth and income distribution to meet the basic needs of poor people (Goldin et al., 2002).

Development specialists also realised that although physical capital was important, human capital was equally needed. Therefore, there was a major shift of investment from physical infrastructure projects to human capital development (Duraiappah, 2000). Also in 1976, the UN International Covenant on Economic, Social, and Cultural Rights – which had

been adopted in 1966 and emphasised people's fundamental rights to an adequate living standard including sufficient food, clothing, and housing and the highest attainable standard of physical and mental health and education so that they may participate fully in society – was enforced (Hill & Adrangi, 1999; United Nations, 1976).

#### ***4.1.3 Setbacks in PR***

Despite the advances during this time, enthusiasm for the basic needs approach did not last long and PR did not make much progress. Economic situations in both developed and developing countries were difficult during the 1970s (Hayami & Godo, 2005). The soaring of oil prices in 1973 and 1974 and again in 1978 and 1979 caused the foreign debts of many developing countries to rise sharply. At the same time, developed countries also had problems with national deficits and debts as priorities to tackle. All this made the development agencies' new strategies difficult to realise (Hayami & Godo, 2005).

In the 1980s, development agencies' strategies were shifted to emphasise the provision of health, nutritional, and educational services for the poor (World Bank, 1980). However, that decade continuously witnessed setbacks for development in most countries in Latin America and Sub-Saharan Africa. In order to handle deficits and debts, many countries had to turn to the IMF and World Bank for support. These institutions required developing countries to adopt structural adjustment policies as prerequisite conditions for loans. Structural adjustment policies were to be aimed at reducing soaring inflation, correcting disparities in foreign balances and national budgets, and restoring economic growth (Jolly, 2010). Accordingly, developing countries were pressured to shift from state-dominated planning to decentralised decision-making models and to initiate trade liberalisation and privatisation of the economy. Developing countries were especially required to tighten public expenditure (Duraiappah, 2000). The outcomes were that those countries, especially in Latin America and Sub-Saharan Africa, struggled following the global recession that began in 1987. Government budgets were severely reduced, particularly in the areas of education and health. Moreover, many governments had difficulties in liberalising markets and executing the decentralisation process. The policies of structural adjustment resulted in slow economic growth in many Sub-Saharan African and Latin American countries.

The economic crises of the 1980s exacerbated difficulties in the lives of the poor in developing countries. This forced national governments to review the effectiveness of their social policies. Some UN agencies addressed the challenges to the poor caught in the economic crises in international agendas. For example, the ILO attempted to organise a major international conference on the impact of structural adjustment policies on the poor and the UN Economic Commission for Africa also raised similar concerns. In 1985, the United Nations Children's Fund (UNICEF) also argued against the stringent economic policies imposed by the World Bank and IMF. These initiatives gradually affected international development communities and the World Bank then began to emphasise the inclusion of education and health and social protection in the adjustment of macroeconomic policies. The inefficient adoption of free market doctrines and economic crises in some East Asian countries initiated the concept of good governance in accelerating economic growth (World Bank, 1990).

#### ***4.1.4 A new phase of global commitment to PR***

In 1990, in response to the challenges facing poverty in the developing countries in the 1980s, the World Bank presented a new landmark PR approach in its *World Development Report* (World Bank, 1990). This approach encompassed the promotion of labour-intensive production systems to create employment and income for the poor, government investment on training, education and healthcare to increase the human capital of the poor to participate in the economy, and the provision of social safety nets for those who could not be productive. Labour-intensive production systems included the development of small-scale industries and promotion of small-farm agriculture. Investment in human capital meant investment in primary healthcare and education, especially among females, and providing microfinance. The provision of social safety nets involved food subsidies and social funds (World Bank, 1990). In that year, the UNDP's *Human Development Report* supported the structural adjustment policies but highlighted an efficient policy management mechanism to secure human development and the redistribution of income (UNDP, 1990).

The World Bank's and UNDP's early actions in this decade initiated new commitments to PR by governments and development agencies around the world (Booth & Mosley, 2003).

In 1995, 117 government leaders pledged to eliminate poverty in their countries by a date set by each nation in the UN Copenhagen Declaration on Social Development (United Nations, 1995). Subsequently, the UN General Assembly designated 1996 the International Year for the Eradication of Poverty and the period 1997–2006 the UN Decade for the Eradication of Poverty (Hill & Adrangi, 1999). Several OECD countries including Canada, Denmark, Norway, Sweden, the Netherlands, Switzerland and the United Kingdom established PR as a priority among their development objectives.

In 1995, the World Bank declared its motto to be “Our dream is a world without poverty” (Hayami & Godo, 2005, pp. 300-301). In 1996, the OECD announced its International Development Targets, with a commitment to halve the number of extremely poor people by 2015. At the UN Millennium Summit in September 2000, eight Millennium Development Goals (MDGs) were proposed in which the eradication of absolute poverty and hunger was ranked most important. The MDGs were endorsed by the 147 heads of states and governments attending the summit, including the OECD countries, the World Bank and the IMF and most major international non-governmental organisations (NGOs). Since then, the MDGs have been at the centre of international development strategies and been incorporated in national strategies (United Nations, 2015b). Thus, there was a dramatic global policy shift to PR in the 1990s and PR has since been at the centre of many development agencies’ assistance agendas such as the World Bank, OECD, UNDP and the Asian Development Bank (ADB).

#### ***4.1.5 Multidimensional poverty approach: Pro-poor economic growth as well as empowerment and governance for the poor***

Since the mid-1990s, it has been clear that economic growth itself cannot resolve the issue of poverty and that market competition is a powerful instrument merely for economic efficiency, not for improving equity. Contemporary worldwide scholars agree that the theory of “trickle-down” from economic growth is not sufficient. For example, Townsend (1986) rejects the idea that only economic growth can eliminate poverty and improve services (Townsend, 1986) and Bourguignon (1999) also confirms that the poor rarely benefit from economic growth in an unequal society.



The development agencies then developed the concept of “pro-poor economic growth” and began to look for non-market or non-economic instruments. A new paradigm emerged which emphasised strengthening the voice and power of the poor as well as more active roles for governments and civil society in PR (Hayami & Godo, 2005). Since 1995, the World Bank has pursued “pro-poor” development which places PR as the overarching goal of development assistance and promotes opportunities and institutions for the poor to participate in and take ownership of the development process (Hayami & Godo, 2005; World Bank, 2001). It redefined poverty as more than lack of purchasing power and as including a range of economic, social and political deprivations. In particular, the World Bank’s pro-poor growth approach was represented in the Poverty Reduction Strategy Paper (PRSP), which is a comprehensive and detailed document prepared by a developing country explaining its own plan to reduce poverty and which was widely accepted by most development agencies (Hayami & Godo, 2005).

In its 1997 *Human Development Report*, the UNDP promoted the human development perspective in defining poverty by referring to multiple dimensions of poverty rather than just the deprivation of material well-being. On that basis, the organisation established the aforementioned HPI, which contains three variables: health, education and living standards. In parallel, the organisation also highlighted pro-poor growth and empowerment of the poor (UNDP, 1997, 2003). In 1999, the regional ADB adopted PR as its overarching goal. The ADB’s PR strategy rested on pro-poor sustainable economic growth which includes two mutually reinforcing strategic focuses: a high and sustainable growth which creates and expands economic opportunities and a broader access to these opportunities which ensures the poor’s participation to benefit from growth. It also promoted inclusive social development which included human and social capital, social protection, and good governance (ADB, 1999, 2004). In 2001, the OECD’s Development Assistance Committee (DAC) formulated its *Guidelines for Poverty Reduction* which emphasise that it will support its partner developing countries to promote sustainable pro-poor growth, reduce inequality, and increase their shares of global trade and investment flows. Accordingly, any effective and sustainable PR strategy was stated as requiring the equal and complementary policy elements of promoting pro-poor economic

growth and equality, empowering the poor, ensuring the poor's access to basic social services, and promoting sustainable livelihood approaches based on the poor's needs and capabilities (OECD, 2001). The IMF (2010) focused on developing the poorest areas and sectors in its pro-poor growth strategy (IMF, 2010).

#### ***4.1.6 Environmental sustainability, social security and human rights***

In recent decades, the world has seen an accelerating number of serious environmental problems including pollution and depletion of natural resources, particularly in developing countries. The poor are often exposed to suffering as their living environments are usually adjacent to polluted areas or they live on natural resources. Degrading urban environments in developing countries are threatening the lives of many poor urban migrants who mostly live in slums or shabby houses by polluted areas. Moreover, risks including natural disasters partly caused by climate change, and economic crises, especially the 2008 Global Financial Crisis, have occurred more frequently and have pushed millions of people into severe destitution. One UNDP study indicated that women suffer more in poverty but that they, on the other hand, can play key roles in reducing poverty (UNDP, 2003).

Thus, since the late 1990s, in addition to strategies of pro-poor economic growth, empowerment and governance for the poor which serve as prerequisite for PR, development agencies have tended to highlight the dimensions of environmental sustainability, social security, gender equality and urban management. In its *Human Development Report* for 2003, the UNDP strongly promoted gender equality and environmental sustainability in PR and also encouraged efficient urban management (UNDP, 2003). In 2008, the ADB's *Strategy 2020* set the institution's long-term vision of an Asia and Pacific region free of poverty by 2020. This, it was claimed, would be achieved through the ADB's promotion of inclusive and environmentally sustainable growth and increasing regional cooperation and integration (ADB, 2008).

In *Development Strategy beyond 2015* (2012), the UN Committee for Development Policy suggested the post-2015 development framework should incorporate the core principles articulated in the Millennium Declaration, which are freedom, equality, solidarity,

tolerance, respect of nature, and shared responsibility gained in a sustainable and equitable way (United Nations, 2000). The Committee stressed that multiple and intertwined financial, energy and food security crises coexisting against the background of an unsustainable depletion of the world's natural resource base challenge progress on poverty eradication. Therefore, it suggested national sustainable development strategies should integrate the macroeconomic, productive, social and environmental dimensions. Such strategies should aim at increasing productive diversification and technological advance in order to create decent employment on a sustainable basis while social equity and environmental sustainability are secured (United Nations, 2012).

In 2013, the World Bank set two goals to measure success in promoting sustainable economic development. The first goal is to end extreme (absolute) poverty by 2030. The second goal is to promote shared prosperity by improving the living standards of the bottom 40 per cent of the population in every country (World Bank & IMF, 2014). The World Bank also stated that these goals are to be pursued in ways that are sustainable for the planet and its resources, promote social inclusion, and do not generate economic burdens for the inheriting future generations. In the *Global Monitoring Report* co-published by the World Bank and IMF in 2014, the setting of well-designed safety nets to assist the poor and vulnerable, redistribute the gains from growth, and enhance the poor to benefit from economic development is called for. The institutions also proposed sustainable environmental management to cope with the challenges resulting from natural resource depletion, ecosystem degradation and pollution, and climate change. Furthermore, they sought improvement in the availability and quality of data to enhance the monitoring of the progress towards achieving the MDGs and called for policies for economic growth to be adequate, inclusive, and sustainable (World Bank, 2013; World Bank & IMF, 2014).

#### **4.2 Pro-poor economic growth**

The current international literature supports the idea that economic growth in general terms can reduce poverty. Dollar and Kraay's (2002) research drew links between increasing economic growth and PR. They found that the income of the poor tends to rise proportionately with average income; for example, a 1 per cent increase nationally in per

capita income would be associated with a 1 per cent increase in the incomes of the poor. This relationship was considered robust and the findings held when tested across regions, time periods, growth rates, and income levels. The research concluded, accordingly, that economic growth is a precondition to PR (Dollar & Kraay, 2002). Hayami and Godo (2005) analysed poverty indexes and average gross domestic products (GDPs) per capita across 44 countries based on data from *World Development Indicators 2003* (World Bank, 2003) and affirmed that the prevalence of poverty among all people in society as well as the degree of poverty among poor people tended to decline in direct correspondence with increases in average GDP per capita (Hayami & Godo, 2005). Further, Sala-I-Martin (2006) suggest that rapid economic growth in the last three decades of the twentieth century was associated with progress towards decreasing international poverty rates from 15 per cent in 1970 to 6 per cent in 2000, using the World Bank's \$1 a day poverty line (Nielsen, 2009).

International development agencies have over recent decades argued that economic growth is the primary solution or the pre-condition to PR and human development. The OECD (2001) has maintained that effective strategies for sustained PR should engender income growth in most households and in aggregate GDP levels (OECD, 2001). The World Bank (1990, 2001, 2006) argued the important role of robust economic growth in creating income-generating opportunities and bringing well-being to the poor. The UNDP (2010a) continued to argue that growth is key to expanding many capabilities (UNDP, 2010a).

However, as already noted, economic growth alone cannot resolve poverty. Dollar and Kraay (2002) emphasise that the poor are often excluded from the benefits of economic growth due to inequalities in resource and income distribution and in access to market opportunities. They maintain that growth only benefits the whole society if its "fruits" are distributed in equal ways. Thus, a society which becomes increasingly unequal cannot avoid pushing more of its people into poverty. Some scholars have pointed to social, economic and political structures within countries as contributing to growing inequalities. Ravallion et al. (2009) argue that much inequality results from social and political barriers that have become more persistent and structural in all dimensions across social groups in society. They conclude that in these cases the poor will hardly be able to get out of the

poverty trap, even if they make all possible efforts (Ravallion et al., 2009; UNDP, 2010a). Hayami and Godo (2005) also assert that the level of poverty is considerably affected by inequality, which is determined as part of the economic and social system formed historically through the choices of economic policies as well as social or political events such as colonialism in the past (Hayami & Godo, 2005). Scholars have therefore concluded that in an unequal society, the poor face a “double handicap”: national income is constrained by inequality and when it does rise, it is only slowly translated into incomes for the poor members of society (Bourgignon, 1999; Ravallion et al., 2009; World Bank, 2006).

Inequality is inevitable in economic growth and the correlation between economic growth and inequality has been well-established. From their research of 44 countries, Hayami and Godo (2005) conclude that for many reasons such as quick privatisation, imbalanced economic development policies or colonial legacy, inequality rises in correlation with economic growth (Hayami & Godo, 2005). Growing inequality has hampered the economic development of some countries, particularly in Africa and caused poor people to be trapped in chronic poverty (Hayami & Godo, 2005; Sachs, 2005). However, Hayami and Godo (2005) consider that effective policies to rescue developing countries from this trap should be those of promoting growth rather than those directly geared to reducing inequality. They use the growth model of Thailand during the period 1962–1992, when GDP per capita increased more than fourfold, from about US\$500 to US\$2,300 as an example. Though the high growth of the Thai economy was accompanied by increased inequality in the beginning phase, the incidence of poverty declined sharply from 88 per cent to 23 per cent. The inequality index began to decrease and the poverty rate sank below 10 per cent in 2002, when GDP per capita reached about US\$2,900.

Thus, most scholars and development agencies now consistently advocate the concept of economic growth with an emphasis on the term “pro-poor”, which is expected to create chances for the poor to participate and share the benefits of economic growth. There is not a single clear definition of “pro-poor economic growth”, however, and different development agencies have different approaches to pro-poor growth (Cox & Healey, 2003). However, the pro-poor growth promoted by international development agencies

encompasses a number of components which aim at providing business opportunities for the poor to participate in the economic processes, to enhance their productive potential and generate income (ADB, 1999; UNDP, 2003).

The World Bank and IMF held that, in order to have a sustained economic growth and improved living standards, one of the most important conditions is that developing countries maintain *macroeconomic stability* (World Bank & IMF, 2014). Adequate investments in infrastructure are crucial to attract investment (UNDP, 2003; World Bank & IMF, 2014). The ADB (1999) especially has called for investment in infrastructure to connect the poor to markets and basic services.

The World Bank (2001) and the ADB (1999) in particular have promoted the redistribution of resources to the poor. The poor need to have access to land and microfinance as well as other basic productive assets. The government should apply equal fiscal measures and pro-poor public expenditure patterns. The OECD (2001) supported a legal governance framework to enhance the poor's access to economic opportunities. The World Bank (2001) promoted market reforms and mechanisms to create new opportunities to the poor, and encouraged the development of well-functioning international and domestic markets, either formal or informal, where the poor can sell their labour and products to finance their investments and ensure against risks.

The role of private sector investment in promoting pro-poor growth has been emphasised by development agencies. They have postulated that vibrant pro-poor economic growth will be driven by private enterprises that will create jobs and provide goods and services for the poor, as well as generate tax revenues to finance essential investment in social and economic services, infrastructure and PR.

The ADB (2004) suggested that the development of municipal services such as water, health and education – which are often undertaken by the state as the sole provider – should be invested in by the private sector to improve the poor's well-being (ADB, 2004). The OECD (2001) suggested an approach of applying private sector involvement and user fees within a legal framework of social equity to improve access as well as management efficiency. The ADB (2004) also recommended public-private partnerships and financial

assistance to private enterprises. It supported strengthening governance and business environments to encourage strong private sector participation (ADB, 2004). The World Bank (2001) called for public investment in infrastructure, communications, education and training. This was argued as being able to assist the privatisation process as these investments, particularly in remote areas, are very costly (World Bank, 2001). The UNDP (2003) has particularly promoted private sector involvement. It has argued for investment by large multinational companies, small enterprises and cooperatives in areas such as energy and environmental service delivery, and for developing non-traditional private small and medium-size enterprises (SMEs) and investment on research and development.

The UNDP (2003) and the World Bank (2001) have also encouraged small farmers to increase productivity beyond subsistence farming to alleviate chronic hunger in countries with predominantly rural populations. They emphasised the support of small-farmer agricultural productivity by conducting land reforms and raising producer prices for small farmers by lowering tariffs and eliminating quotas (UNDP, 2003; World Bank, 2001). The OECD (2001) particularly encouraged the private sector to invest in agriculture and infrastructure which were neglected by many donors during the 1990s (OECD, 2001).

A downside to private investment has been acknowledged, however. The UNDP (2003) warned of inequities between large and small-medium business interests. They have highlighted the fact that in some developing countries, while many SMEs are deprived of human capital, finance and opportunities to develop, some big monopolistic private groups which are assisted by the state have managed to deactivate market competition. This has inhibited the immense transformative potential of a healthy private sector to create competitive, well-regulated and inclusive markets. Instead, such inequity reinforces inequality and social exclusion (UNDP, 2003). Therefore, most development agencies such as the World Bank (2001), the OECD (2001), the UNDP (2003) and the IMF (2010) have called for impartial regulation of enterprise in order to create competitive markets and a vibrant private sector and the development of small and medium-sized private industries.

### **4.3 Empowerment**

Empowerment plays a significant role in the inclusion of the poor into the economic growth. It enables social dimensions of poverty to be addressed (OECD, 2001). The poor are often socially excluded because of social and institutional barriers. They lack representation in the decision-making process of social and economic development policies and therefore cannot access market opportunities and basic services (World Bank, 2001). Empowerment is aimed at enabling the poor to be included in this process where they can make informed decisions and choices (World Bank, 2001; Haughton & Khandker, 2009). The World Bank (2002, p. 6) defines empowerment as the expansion of assets and capabilities of the poor to participate in “designing, negotiating, influencing, controlling, and holding accountable institutions that affect their lives”. Thus, elements of empowerment include access to information, inclusion and participation, accountability, and local organisational capacity (World Bank, 2002).

For effective empowerment, researchers such as Haughton and Khandker (2009) have suggested the development of factors important to well-functioning democracies such as a robust media, institutionalised transparent, democratic and participatory mechanisms for making decisions and monitoring the implementation of policies and the performance of the public administrations. They also promoted legal assistance to the poor, and the provision of access to budgetary information (Haughton & Khandker, 2009). The OECD (2001) has promoted empowerment in terms of the recognised human rights of the poor to be able to influence state institutions and social processes that affect their lives, and to strengthen the norms and institutions that protect universal human rights through open political, economic, legal and judicial systems.

The UNDP (2003) considers human rights and its principles: universality and indivisibility, empowerment, transparency, accountability, non-discrimination and participation (Bellù & Liberati, 2005) as a condition for social and economic outcomes and inclusive development (UNDP, 2003). It has emphasised human rights and social equity to promote the poor’s well-being and freedom to influence socio-economic development decisions (UNDP, 2003). The ADB (2008) has also encouraged strong and proactive policies to



change the poor's feelings of social and psychological inferiority, to foster a sense of empowerment, and to create genuinely participatory institutions (ADB, 2008).

#### **4.4 Investment in human and social capital**

Investment in human capital has come to feature in all development agencies' strategies. Human and capital considerations go beyond questions of empowerment and participation to consider the way in which the poor are enriched to participate in decision-making processes and to make the most of market opportunities. Sachs (2005) considers that human capital, along with basic infrastructure, should be a priority for investment in development strategies (Sachs, 2005). Human capital is considered to be fostered by focusing on educational and healthcare services in line with economic growth strategies (Cox & Healey, 2003). This is something that has been adopted by all development agencies, and some have come to view expenditure on education and health as equivalent to a pro-poor strategy in assisting improved productivity and economic growth (Cox & Healey, 2003).

Social capital refers to community relationships, social networks, and norms which are determined by social structures shaped by the social and political environment of a country. Social capital has also been recognised by the international development agencies as imperative in alleviating poverty because it enables communities to support their own development. Increased social capital depends however on socio-political institutional reforms, which take time (Haughton & Khandker, 2009). On the contrary, if not supported, negative social norms and practices emerge that undermine PR through discrimination and hindrance of the poor to participate and develop due to their gender, ethnicity, religion or social status (Haughton & Khandker, 2009; Townsend, 1985).

The international development agencies have initiated a number of policies that seek to increase human and social capital for the poor. The OECD (2001) has fostered equitable participation by the poor in accessing basic social services, particularly education and health. The UNDP (2003) has promoted investment in human development through improved nutrition, health (including reproductive health), education, water and

sanitation. These are expected to foster a productive labour force that can participate effectively in the world economy.

The ADB (2008) has sought to expand the capacities of the poor through investments in education, health, essential public services such as water and sanitation, and basic social protections. In an effort to expose the poor to greater opportunities, they have sought to ensure that the relevance, quality, and quantity of education provided is designed to effectively increase workforce and more general social participation. Part of this strategy has been to reduce population growth rates to where all children can be assured of adequate investment in their future. This has particularly been sought through special education curricula and self-managed health and other services for ethnic minorities (ADB, 2008).

The ADB (2008) has also called for anti-discrimination legislation, land reform, the security of property and tenure rights, legal recognition of user groups, and accessible justice systems to promote social and human capital for the Asian poor to participate in economic development. It also proposed community-based groups to undertake microfinance, health, and natural resource management (ADB, 2008).

#### **4.5 Governance**

The quality of governance is critical to PR as it facilitates participatory and pro-poor policies as well as sound macroeconomic management (ADB, 1999). Development agencies tend to believe that a more democratic and accountable political system will ensure the poor's participation. In other words, a good governance system can respond to the voice of the poor (Cox & Healey, 2003). Therefore, a governments' commitment to good governance is required as a condition for international aids by development agencies (Sachs, 2005).

##### ***4.5.1 State and non-state actors' participation***

Haughton and Khandker (2009) demonstrate the links between good governance and pro-poor economic growth. They argue that the role of governments is most important in ensuring PR as economies achieve development. Governments can set up pro-poor infrastructure projects and create a favourable business environment for private

businesses, facilitate the empowerment environment for the poor, reform political processes and public administration to facilitate effective empowerment, create appropriate social and political environments that shape social structures for enhancing the poor's social capital, and maintain a stable political system (Haughton & Khandker, 2009). Governments have power to alter socio-economic realities that the private sector cannot by adopting appropriate policies that regulate markets to be efficient in distributing resources (Haynes, 2008). Haughton and Khandker (2009) assert that governments can minimise negative impacts and protect the poor in economic and natural crises by setting up preventive economic and environmental policies or national programmes to respond quickly to disasters.

In addition, it is necessary to include non-state actors in the process (Haynes, 2008). Civil society, the private sector, parliaments, local governments, trade unions, poor people, and external agencies are recognised as playing essential roles in formulating and implementing strategies for reducing poverty. The OECD (2001) has supported its partner countries to keep balance and develop partnerships between government, business and civil society. It also proposed engaging civil society in setting PR goals and measures in line with efforts to build democratic institutions.

The ADB (1999) has proposed that stakeholder participation is essential to help build democratic institutions for PR. It has also encouraged partnerships between governments, the private sector, civil society, particularly acknowledging the numerous vibrant and responsive national and international NGOs that cooperate in development work for the poor. The World Bank and the IMF have supported the participation of different non-state actors in formulating prioritised investment plans in order to increase public awareness of PR programmes and mobilise resources from NGOs and community groups (Sachs, 2005). The World Bank (2001) called for enhanced active participation of poor people, the middle class, and other groups in society into political processes, and urged the removal of social and institutional barriers that result from distinctions of gender, ethnicity, and social status.

#### ***4.5.2 Transparent, responsive and accountable mechanisms***

Weak governance, manifested in state institutions lacking responsiveness, transparency and accountability are recognised as likely to hurt the poor and limit their access to basic public services (Haughton & Khandker, 2009). The accountability and responsiveness of state agencies is argued as necessary in pro-poor development. This is particularly important because in nearly every country state agencies have been found to pursue activities that are biased against the poor. When the voice of the poor is not heard they are unlikely to receive prompt, efficient public services from the offices of public administration. Access to information or transparency is therefore considered a pre-condition for effective inclusion and participation for the poor. When provided with relevant information, the poor can make appropriate, well-informed decisions in their participation (Haughton & Khandker, 2009).

The World Bank (2001) has supported improvements in countries' political and social institutional processes so that they become more responsive to the needs of the poor and support them to access market opportunities and public sector services. It has promoted a governance system that provides more transparent, efficient and accountable public administration, legal institutions, and public service delivery to all citizens. Similarly, the ADB (1999) has supported strengthening public administration through a transparent use of public funds, effective delivery of public services, establishment of the rule of law, and the development of the private sector. The OECD (2001) has also strongly promoted democratic, transparent and accountable governance, freedom of association, and a free press. It has called for the rule of law and the impartial administration of justice, work conditions, and provision of power to the poor to control the type, quality and delivery of services they receive.

#### ***4.5.3 Macroeconomic stability***

The ADB (1999) has promoted sound macroeconomic frameworks as part of good governance in order to encourage efficient and productive investment and to keep inflation low to protect the real incomes of the poor. It has called for the prevention of interest and exchange rate distortions that can artificially reduce the cost of capital and discourage the use of labour. Further, the organisation promotes the maintenance of good public expenditure, fiscal discipline, economic growth and equity. This has included

supporting effective and progressive tax systems and ensuring countries provide adequate allocations for basic education, primary healthcare, and other public services.

The OECD (2001) has promoted macroeconomic stability through policies of low inflation and limited volatility in prices and production, supporting efficient competitive markets, and providing for adequate promotion of savings and private and public investments. It has supported policies which provide an enabling environment for private sector investment. It has also proposed the structural reforms of institutions, fiscal management, trade, labour market participation, financial sector stability, the development of infrastructure and land use (OECD, 2001).

#### ***4.5.4 Decentralisation***

The final tenet in the area of governance is based on the idea that local people such as community leaders, local government officials, civil society activists, farmers and entrepreneurs know best what does and does not work within their communities. It is argued, therefore, that they should be given chances to have a voice, and support to work their own ways towards better qualities of life (UNDP, 2003). Decentralisation has also been argued by scholars as providing a sound context for empowerment and participation. Haughton and Khandker (2009) as well as Sachs (2005) emphasise that this could be achieved through a decentralisation mechanism in which power is delegated from central to local governments (Haughton & Khandker, 2009; Sachs, 2005). Other scholars have further asserted that decentralisation will bring decision making closer to the poor and have greater impact on them (Cox & Healey, 2003). The UNDP (2003) has supported such stances, and affirmed that local governments can keep national governments in touch with local people's needs and make PR policies relevant, applicable and attainable at the local level.

Decentralisation policies have also been adopted by the ADB (1999) and UNDP (2003). The ADB (1999) has recommended public service provision should be devolved to the lowest level of government. It has maintained that this devolution process should be conducted step by step, starting with priorities such as basic education and primary healthcare. After that, the poor would be empowered and institutional arrangements will be developed to

facilitate the poor's participation and local governments' accountability (ADB, 1999). The UNDP (2003) has also argued for building up the capacities of local governments in formulating, planning, monitoring and implementing participatory local development plans, and working together with civil society and other local organisations. In line with this process, poor people are expected to be better included in the capacity-building programmes.

#### **4.6 Social security**

Social safety nets can prevent the poor from being “trapped” in extreme poverty or falling into crises. The poor and the vulnerable who live just above the poverty line are mostly affected by economic crises, natural disasters, crop failures, ill health, violence, and policy-induced dislocations (Haughton & Khandker, 2009; World Bank, 2001). As a result, there is a tendency among these groups to fall back into poverty. Therefore, helping them to cope with adverse shocks is a priority of the development agencies (World Bank, 2001), who have tried to support and set up local institutions and social processes to reduce vulnerability (Cox & Healey, 2003). They have been working towards establishing policy buffers to make economic growth more resilient to crises and income security policies such as social safety nets to mitigate the impacts of the calamities and protect the poor and the vulnerable (World Bank, 2001).

Social security measures are expected to minimise vulnerability and negative broader economic impacts on the poor by increasing human and physical capital, and diversifying the poor's sources of income, as well as increasing their access to various types of insurance. Policies focused on health, education, population, environmental management, labour market, and macroeconomic policies are recognised as being able to help reduce risks and enhance social and human capital for the poor to be less vulnerable to crises. In addition, it is argued that if a national mechanism is set up to respond quickly to crises, the poor will be protected, as impacts are reduced and provision is made to help them cope with adverse shocks (Haughton & Khandker, 2009).

The question of who receives social security is often addressed through the use of indicators and measures. The World Bank (2001) has built indicators for assessing

vulnerability of people who live on the margin of poverty by collecting data that measures physical assets, human capital, income diversification, links to networks, participation in a formal safety net, and access to credit markets. However, assessing vulnerability is even more complex than measuring poverty. There is often insufficient data to assess vulnerability accurately.

The OECD (2001) has worked with partner countries on supporting the capabilities of people to cope with risks and vulnerability in order to fight poverty. Human security is a priority in this approach, with measures set up to protect people from crises that cause lack of food, ill-health, unemployment, crime, domestic violence, armed conflict, as well as natural disasters and other environmental risks.

The ADB (1999) has also strengthened social safety nets to prevent extreme deprivation. In various countries it has helped to set up programmes designed to assist individuals, households, and communities to manage risks more effectively and ensure economic security. Such programmes include old age pensions, unemployment and disability insurance, and social safety nets, as well as policies to improve labour mobility and the enforcement of labour standards which cushion the adverse impacts of disasters, economic crises, or civil strife.

#### **4.7 Gender inequality**

Equality between men and women is considered a fundamental human right (UNDP, 2010). Gender relations influence economic growth through their impact on macro-aggregates, meso-institutions, and the actions of economic agents at the individual and household levels (Cox & Healey, 2003). Gender inequality is obvious in poverty situations across the world. According to the UNDP (2010a), 60 per cent of the world's poorest people are women who usually work both as family caretakers and income earners. About 75 per cent of the world's women cannot get bank loans because they are assessed as having unpaid or insecure jobs and are not entitled to property ownership. This explains why women, who make up more than 50 per cent of the world's population, own only 1 per cent of the world's wealth. Almost two-thirds of women in the developing world work in the informal sector or as unpaid workers in the home, factors which promote the

impoverishment of women and girls. Poor women and girls also find it more difficult to access suitable social services and income.

In societies where women are treated equally and are better-educated, they tend to have greater access to land, jobs, financial resources, and to participate in decision-making processes, becoming key income earners. Successful PR stories are attributed to the active involvement of poor women and girls in the development process (ADB, 1999). The UNDP (2010a) has stated that enhancing gender equality and giving women more control over decision-making in households and communities can generate better prospects and greater well-being for future generations. Both the UNDP (2010a) and the ADB (2008) see gender equality and women's empowerment as central conditions to achieve the MDGs and inclusive development (UNDP, 2010a).

The UNDP (2010a) has been working with partner countries to further the status of women by including them in planning, budgeting, and policy-making processes, and by promoting women's rights and opportunities in social and economic dimensions. Gender-disaggregated data is collected and analysed. Likewise, the ADB's (1999) partnership countries have set up strategies which are aligned to better impact on gender equity. The ADB has worked to enhance the quality of women's lives by giving priority to universal education for girls, providing accessible reproductive health services, and increasing economic opportunities and resources. It has provided important socio-economic returns through reduced health and welfare costs and lower fertility and maternal and infant mortality rates. The ADB's (1999) PR programmes have also worked to give women voice and promote their full participation in the development process, including in initiatives involving microfinance, water and sanitation, and environmental restoration. Further, the OECD (2001) has also supported programmes which focus on education for girls and reproductive health services. These are considered essential factors in defeating poverty and poverty-related problems such as illness, including AIDS, unsafe motherhood, and high population growth.



#### **4.8 Environmental sustainability**

Economic growth historically has contributed to the depletion of the world's natural resources, to environmental degradation, and to climate change. Environmental sustainability has become a major platform in development, and is considered to be critical to sustainable development and to achieving the MDGs. The relationship between degraded living conditions and insecurity with environmental degradation has been made clear by all development agencies. The ADB (2008), for example, has argued that the poor in both urban and rural areas suffer most from environmental degradation. Furthermore, poverty exacerbates ecological problems as many poor live in environmentally sensitive areas such as forest areas, fisherfolk communities, marginal land areas, vulnerable flood land, and congested cities and towns. In addition, the poor are vulnerable to natural calamities such as earthquakes, tsunami, and major storms. On this basis, the ADB has promoted the adoption of environmentally friendly technologies and environmental protection and management skills, as well as the establishment of institutional capacities to strengthen their enforcement. It has also strengthened initiatives for mitigation of and adaptation to climate change.

The UNDP (2003) has also promoted environmental sustainability and particularly focused on the improvement of urban environmental management. It has encouraged developing countries especially to protect ecosystems and biodiversity and to ensure that cities are well managed to provide livelihoods and safe environments for all people.

#### **4.9 Conclusion**

In summary, like the evolution of poverty concepts over time, international approaches to PR have also gradually changed over time. From the 1950s, when PR strategies were first formulated as the centre of development assistance policies for newly independent countries that encountered the problems of poverty and unstable political systems, these strategies have mainly fostered economic growth as the only solution to poverty. Accordingly, huge amounts of physical capital were invested in building infrastructure to serve production and export markets. Gradually, this approach was seen as not bringing benefits to the majority of people and in the 1970s human capital, via healthcare and

education services, was added to PR strategies, which then now centred on the “basic needs” of the poor as well as income redistribution for the poor. After the 1980s, when poor people suffered from slow economic growth and tightened expenditure on social policies due to the stringent conditions on loans from the IMF and the World Bank, a comprehensive approach was applied to poverty and the new strategies of pro-poor growth, investment in physical and human capital, and social safety nets were promoted. This decade saw the international development community make a greater commitment to the alleviation of poverty. During this time, in order to enable the poor to participate into economic growth, the concepts of empowerment and governance, which included elements such as democratisation, decentralisation, and human rights, were central to development as well as PR strategies. Since the late 1990s on, the concepts of gender equity and environmental sustainability have also been advocated.

In 2000, the issue of poverty was ranked first on the international development agenda. To be specific, PR was ranked first among the eight MDGs. As the world economy still recovers from the 2008 Global Financial Crisis, in order to secure pro-poor economic growth, the development agencies are now promoting macroeconomy stability and human security for the poor. The skills necessary for decent and sustainable employment are also emphasised. Thus, PR strategies have become both more comprehensive and specific to ensure the poor can escape extreme poverty and benefit from economic development.

The above analysis of PR strategies contributed to the development of a “framework” that incorporates the most effective approaches that the key development agencies such as the World Bank, UNDP and ADB have adopted. This framework represents strategies and policies aimed at supporting those who cannot participate in the economy. It will be utilised to provide criteria by which PR initiatives in Vietnam are analysed in the next chapters, particularly in relation to the country’s development patterns and its socio-economic context.

## **Chapter 5: The Development of Vietnam**

This phase of the research focuses on Vietnam, and examines its growth and development over time, its economic trajectory that has been shaped by successive waves of colonisation and wars against the Chinese, French, Japanese and the United States. It also examines Vietnam's responses to global development trends and international economic sanctions, its fluctuating economic and social policies, and its political and governance systems. The achievements of and challenges for what is today regarded as one of the most dynamic countries in South East Asia are also outlined.

In geographical terms, it is a coastal country lying on the fringe of the Pacific Ocean in Southeast Asia, bordering China to the north, and Laos and Cambodia to the west. It is characterised by long ranges of mountains which occupy two-thirds of the whole country.

The predominantly youthful population of Vietnam today of over 90 million people make up the thirteenth most populous country in the world comprising 54 different ethnic groups of which the Kinh is the largest, making up 85.7 per cent (General Statistics Office, 2014). Minority groups in Vietnam mostly live in the remote mountainous areas. The most popular religion is Buddhism, which dates back over two thousand years in Vietnam. Other religions include Catholicism, Protestantism, Islam and Hinduism alongside local religions such as Cao Dai and Hoa Hao. While the younger generations are drawn to the fashionable styles displayed by the Japanese, Hong Kong and Korean youth, most Vietnamese follow long-standing traditions that are evident in their attitudes to marriage, family relationships and education.

### **5.1 Vietnam's development patterns**

In order to understand the country that is Vietnam today, a development patterns approach was adopted with the aim of building an understanding of the country that is simultaneously historical, empirical and critical (Shirley & Neill, 2013). This meant constructing a comprehensive picture of Vietnam with particular emphasis on the way in which the country has been shaped by internal and external forces over time. An integrated approach to understanding development was adopted by tracking economic and social trends, as well as the way in which these trends have been influenced by

regional and national governments, by the cultural composition of the population, and by a series of economic imperatives from the industrial base of the country to finance and trade.

#### ***5.1.1 Phases of development***

Five distinctive phases or patterns of development can be identified. The first, from the establishment of the country in the seventh century BC to 1859 AD, was a period in which Vietnam went through a series of feudal regimes and wars against neighbouring China. From the second century BC until 938 AD, a period of over one thousand years, Vietnam was colonised and dominated by China. In the year 938 AD, Vietnam gained independence and started to develop some degree of economic and cultural separation from China, although conflicts continued until 1859 (VNOG, 2014b). The Vietnamese economy was at that stage mainly based on rudimentary agricultural production. Some groups who settled in coastal areas could live on fish. Culturally, Vietnamese people were influenced by the Chinese culture, including their religions and writing systems.

The second period of development, from 1860 to 1954, coincided with the French colonisation and administration of Vietnam. This was a period during which most Vietnamese lived in extreme poverty, with 90 per cent of the population regarded as illiterate. All land resources were concentrated in the hands of a small elite who were French, as well as domestic landlords. Vietnamese people farmed the land but productivity was low and they were required to pay high taxes to landlords by way of the feudal system. Plantations were developed to produce products such as rubber to supply European markets. Mineral industries were developed which used cheap labour and exploited mineral resources. Some light industries were established using old technology, and produced commodities such as sugar, wine, paper, and textiles. There was a small-sized healthcare system which mainly served French officials (VNOG, 2014c). At this time, Vietnamese people had their own writing system which was invented by Western missionaries. During the Second World War, there was a brief Japanese occupation of Vietnam, with the country gaining independence again after the war ended. A provisional government of the Democratic Republic of Viet Nam, a nationalist-communist group led by Ho Chi Minh, was formed but soon after the French returned and the country was

engaged in a nine-year war against the French, which ended in 1954. The French colonial rule ended after a landmark defeat at the battle of Dien Bien Phu.

A third phase of development, from 1954 to 1975, corresponded with US occupation and the American-Vietnam War. As a result of the Geneva Conference of 1954, Vietnam was divided into two parts: the Northern regime which followed the socialism supported by the Soviet Union and China, and the Southern regime which was supported by the United States. During this time, the North Vietnam regime applied a Soviet-style command-economy model of development. This model sought to pursue rapid industrialisation as the core of economic development, with the state controlling key resources of raw materials, labour and capital along with the marketing of outputs (Luong, 2003). Industrial production was developed, including mechanical engineering, chemicals, electricity, construction materials, coal, cement, paper, fabric, and sugar. Agricultural production was also fostered during this period. Farm land was redistributed to poor farmers, and this led to increased agricultural production in terms of both area and productivity. Infrastructure and educational and healthcare services were also consolidated (VNOG, 2014c).

Meanwhile, the Southern regime placed greater emphasis on having an economy based on market forces. Private-sector corporations and multinational companies were encouraged to establish a base in Saigon under American influence and as a consequence the South expanded both in size and relative prosperity. The government promoted “import substitution” strategies. Accordingly, industrial parks were developed which produced paper, glass, fabric, cement, and electricity. Farming land was also redistributed to farmers for agricultural production. During the period 1955 to 1965, the South’s economy grew rapidly until it was heavily damaged by the war and descended into crisis. The Vietnam War ended in 1975, with the Northern regime victorious. It immediately set out to unite the country (VNOG, 2014b).

The fourth phase of development, from 1975 to 1986, was dominated by what has been described as an old-style socialist government. Through this period the economy was fully subsidised, centrally planned and controlled. It was an extremely difficult period, characterised by serious social and economic crises emanating from the successive wars against the French and the United States, a trade embargo from 1975 to 1994 imposed by

the United States, and economic sanctions applied by the international community. Following the course of these crises, Vietnamese cities encountered serious infrastructure degradation.

The fifth phase of development, from 1990 to the present day, has been characterised by a distinctive form of economic development that has effectively avoided the extremes of capitalism and socialism while at the same time becoming effectively connected globally through international trade (VNOG, 2014b).

### ***5.1.2 Post-war economic crisis***

The legacies of the five phases of development are apparent in Vietnam's economic, social and political contexts today, especially in respect of the long-term effects of economic crises. From 1975 to 1988 Vietnam experienced a serious economic crisis, which was attributed to a number of factors. First, it was a consequence of the American-Vietnam War in which more than 4 million people died and millions more were injured. Another 1 million citizens fled the country after the war, including many skilled professionals and technicians (Wescott, 2003). In addition to the devastating human consequences, the economic infrastructure of the country was essentially destroyed. Most private businesses were shut down or confiscated by the government.

Secondly, the United States led the international community in imposing a trade embargo and economic sanctions against Vietnam from 1975 to 1994. These measures were put in place in retaliation for the Vietnamese army's intervention in Cambodia, which had been aimed at removing the Khmer Rouge from Cambodia. The measures had direct, negative impacts on the Vietnamese economy; its international economic relationships were terminated.

A third factor can be traced back to the collapse of the socialist governments at the end of the 1980s in Eastern Europe. As a result of this collapse, Vietnam no longer received non-reimbursement economic aid, which was estimated to be about US\$3 billion per year from its former "allies", especially the Soviet Union and China, and which made up 20–50 per cent of the gross national product (GNP) of North Vietnam's economy from 1965–1975 (Luong, 2003).

In addition to these external factors, the country also suffered from the old-style socialist system in which the economy was fully subsidised, centrally planned and controlled. This system operated during the height of the economic crisis, resulting in the stagnation of the national economy. This economic agenda, combined with the collective ownership of land and the closure of private enterprises, exhausted the country's industrial and agricultural production (Minh Hoa & Thanh Tung, 2013).

When the war ended in 1975, the policies of the new communist regime and its enforcement apparatus were initially aimed at large- and medium-scale businesses. Seen as "capitalists" by the Vietnamese communists, all private enterprise entities including industrial and commercial properties were confiscated and approximately 30,000 private companies were abolished. All private savings were deposited in state banks and could be withdrawn only with official permission. As a result, big business entities hastily exited from Vietnam, taking capital and savings with them. The free market system in the south of Vietnam was shut down and replaced by a fully controlled and subsidised system that lasted from 1975 until 1990. Vietnamese economic activities were excluded from the global economy and Vietnamese were unable to build on their trading relationships (Minh Hoa & Thanh Tung, 2007).

In 1990, 15 years after the end of the war, Vietnam embarked on a new strategy aimed at advancing its economic and social development. At this time 65 per cent of its population were still said to be poor (Klump & Bonschab, 2004). The Vietnamese government faced severe economic problems, including famine in the north, limited international trade, and a major fiscal deficit with resultant hyperinflation (Wescott, 2003).

### ***5.1.3 Subsequent economic reform***

The serious nature of the economic situation compelled Vietnam to seek a new development strategy. In 1986, the Communist Party's Central Committee proposed a radical economic blueprint in the form of Doi Moi (reform). The main goals of Doi Moi were aimed at improving lagging productivity, raising living standards, and curbing rampant inflation that had reached almost 500 per cent per year in the mid-1980s. It also sought to end the isolationism resulting from the international economic boycott, increase

foreign investment, and expand external trade and commercial relations. The reforms included three major elements. First, there was a change from a centrally planned economy based on public ownership to a multisector-based market economy under the central government's supervision. Secondly, there was the democratisation of social life by establishing a state based on the rule of law under one-party leadership. The third element involved a strengthening of Vietnam's external cooperation with other countries (United Nations, 2014). In the process of these reforms, several ministries were merged or restructured, allowing the government to effectively pursue macroeconomic stabilisation, price liberalisation and deregulation.

Along with the economic reforms came a series of political and institutional changes. Some political prisoners were released and a large number of candidates were allowed to stand for seats in the National Assembly. In 1990, 18,000 officials were dismissed or charged with corruption. The 1992 Constitution recognised the ownership rights of individuals and legitimised the private sector.

It was a bold strategy that was ratified by the Sixth Party Congress in 1986. Although some scholars such as Freeman (1996) describe the transition to Doi Moi as the overnight transformation of a stagnant peasant economy into a vibrant, market-driven, capitalist system, other writers are more circumspect. Stiglitz (2007), for example, refers to the pragmatism of the Vietnamese and provides a more balanced interpretation of Vietnam's approach to economic liberalisation. He describes how the Vietnamese authorities managed globalisation:

They rejected the shock therapy prescribed by the IMF and the World Bank, in favour of a slower and gentler transition to a market economy. The benefits did not just go to a few, but were widely shared. (Stiglitz, 2007, p. 40)

What Stiglitz, among others, understood was the historical forces that had impacted on Vietnam over many decades, drawing on extremely diverse traditions and shaping not only the nature of Vietnam's domestic economy but also those cultural values and beliefs that permeated Vietnamese thought and aspirations. Vietnam had survived successive waves of colonisation. Now, its leaders wanted to avoid a new form of colonial control as



prescribed by international development agencies acting as conduits for multinational companies and foreign ownership.

#### ***5.1.4 The drivers of Vietnam's economic growth***

The economic reforms had an enormous impact on the country as a whole. The booming commercial expansion and foreign investment first concentrated on Ho Chi Minh City and its immediate hinterland. In order to go beyond simplistic interpretations of development which owe more to ideological commitments than reasoned argument based on economic and social realities, it is important to understand the context out of which the reforms evolved, as well as the drivers behind the transition to Doi Moi.

Well before the advent of French occupation and administration in Vietnam, Southeast Asian enterprise was dominated by the trading of local products throughout the region, including trade with China. The colonial regime had some difficulty in creating markets for imported French products as there was stiff competition from industrious and enterprising local manufacturers. The French administration tried to control the Vietnamese market by suppressing or regulating the enterprise sector but these controls had limited success. Vietnamese entrepreneurs skilfully evaded government regulatory efforts and overwhelmed the French enforcement machinery.

When Vietnam was partitioned following the defeat of the French in 1954, the colonial apparatus was dismantled in the South. Saigon-Cho Lon (now Ho Chi Minh City) became the commercial, industrial, and political hub of the non-communist Republic of South Vietnam. Protected by the United States, South Vietnam quickly pushed ahead with a form of market liberalisation. At that time, Saigon, referred to as the “Pearl of the Far East”, was a major centre in Southeast Asia. Although industrial production had been damaged by war, small- and medium-sized businesses expanded across Southern Vietnam. The service system was to some extent modern and self-sufficient and these activities flourished as cities in the South were populated with more skilled business entrepreneurs and artisans. The presence of half a million Americans and US servicemen created further demand for local products and services.

Meanwhile, the Northern Vietnamese government applied the socialist model of the Soviet Union. The economy had three main sectors: state, cooperatives, and households. The state sector took the leading role in the economy, especially in industries and services. The cooperative sector dominated agriculture. Ninety-six per cent of farmers joined cooperatives and followed a collective production model in the period 1970–1975. The household sector existed in the form of household handicraft production and household garden plots in rural areas (Luong, 2003). The government confiscated all land resources and provided them to farmers. Industrially, the state set up some heavy industries which produced commodities and equipment for national defence. As the North engaged in war against the American-supported South its economy was severely weakened and as a consequence it had to rely on aid provided by socialist countries such as China, the Soviet Union and Eastern European countries (VNOG, 2014c).

During the economic crisis the Vietnamese economy was seriously damaged by the stagnation of production and the closure of a large number of medium- and large-scale enterprises. As a consequence, the economy had to rely on the informal sector for their goods and services. These small-scale enterprises provided vital goods and services that sustained the country during the economic crisis. They supplied inexpensive goods and services to poor urban residents, farmers and waged workers. They provided paid work for landless peasants and an expanding urban underclass. Despite their contribution, the informal sector was not officially recognised and supported by the Vietnamese government. Their economic production outputs were never included in official statistics, but the enterprise activities of the sector rapidly expanded to play an extremely important role in the country's economy. Operating from an individual or family base, informal sector agencies were strongly competitive but made little attempt to conform to government regulations in terms of labour, licensing or taxation. Doi Moi was a turning point in that the Vietnamese government allowed the existing economic enterprises to serve as both a model and stimulus for others who have since joined the informal sector.

## **5.2 Economic development**

In the wake of the economic reforms of the late 1980s, over the past two decades Vietnam's economy has experienced rapid and relatively stable growth. Compared to the

40 poorest countries in the world in 1986, Vietnam had the highest economic growth rate over the previous decade (Wescott, 2003). The increasing liberalisation of the economy resulted in a rapid expansion of the scale and productivity in almost every sector. Since the 1990s, Vietnam's GDP growth has nearly tripled, recording an average of 7.5 per cent on an annual basis and peaking at 8.5 per cent in 2007 (see Figure 5) (VNOG, 2013; World Bank, 2011a).

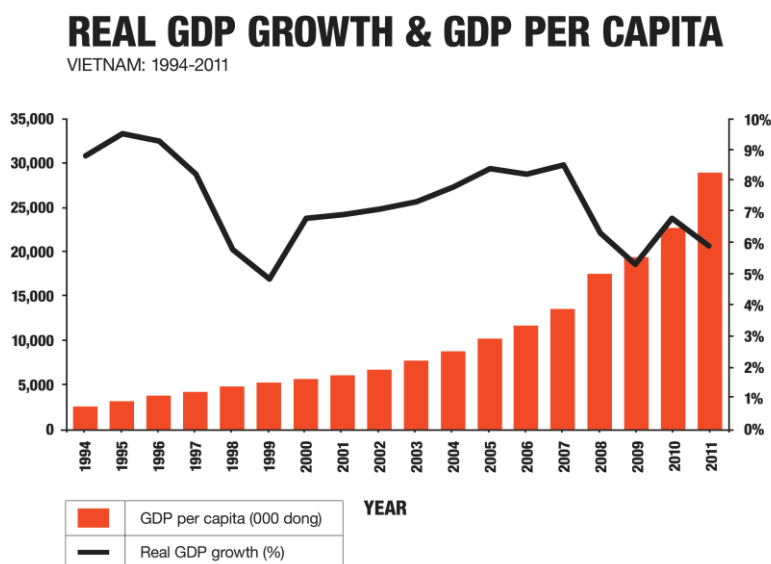


Figure 5: Real GDP growth and GDP per capita in Vietnam 1994–2001. Source: Shirley & Neill, 2013.

National resources for development have increased and international trade and foreign direct investment (FDI) have dramatically expanded over the past two decades. From a largely poor, agricultural-based country, Vietnam has advanced to a wealthier, market-based and rapidly developing economy and integrated into the regional and global community. Generally speaking, Vietnam's remarkable economic growth record over the past two decades has largely resulted from a mixture of the economic reforms, integration into the world economy, and a stable macroeconomic environment (United Nations, 2014).

The reforms designed to redistribute land in rural areas, liberalise agricultural markets and the substantial expenditure on infrastructure boosted the country's agricultural

productivity and generated opportunities for exporting agricultural commodities. This created employment and increased incomes for millions of people across the country, especially in rural areas. The economic growth and the successful agricultural policies combined with the investment in human capital have played a significant role in reducing poverty (VNOG, 2013). The World Bank, the UN, and the international community consider Vietnam as one of few successful development stories. Poverty rates declined from 58.1 per cent in 1993 to 9.6 per cent in 2012 (VASS, 2011; VNOG, 2013; World Bank, 2011c). Vietnam, within 25 years, has transformed from one of the poorest countries in the world to a lower middle-income country. GDP per capita rose substantially from less than US\$100 in the late 1980s to US\$1,596 in 2012 (VNOG, 2013; World Bank, 2011c). Some 43 million people are estimated to have been lifted out of poverty over the past two decades and most indicators of welfare have improved (World Bank, 2012a). The country is believed to be on track to achieving the first Millennium Development Goal (MDG) by 2015 (VASS, 2011; World Bank, 2011a).

Vietnam's human development progress has increased by 41 per cent during this period and the country is among more than 40 developing countries that have made impressive progress in human development terms in recent decades. In 2012, the country ranked the 127th out of 187 countries, belonging to the medium category of human development (UNDP, 2013). It is on track to achieve most MDGs by 2015 (United Nations, 2014).

As a result of Doi Moi market-oriented and international integration reforms, the private sector and the FDI sector experienced high growth up until the 2008 Global Financial Crisis. The growth rate of the FDI sector reached a peak of 14 per cent in 2006, while that of the private sector peaked at 9 per cent in 2008. While the private sector has stagnated, the FDI sector is still growing rapidly. New FDI capital resources are still pouring into Vietnam and existing FDI firms are continuing to expand their businesses. The FDI sector has contributed considerably to Vietnam's economy. The export ratio from FDI firms over total national exports has increased from 30 per cent in 1996 to 47 per cent in 2000, 57 per cent in 2005 and 63.1 per cent in 2012. The FDI sector currently has the highest rate of job generation in the whole economy (Nghia et al., 2013).

The ratio of FDI stock to GDP in Vietnam is the highest among Asian economies. Vietnam is considered as an attractive destination for FDI, particularly for labour-intensive manufacturers who have begun to leave China, where the average wages have increased at an annual rate of 10–17 per cent from 2000 to 2015 (Nghia et al., 2013). Companies with China-based manufacturing factories are now diversifying their production process by moving to South and Southeast Asian countries with lower labour costs. For example, while the industrial wages in China are estimated to be about US\$2 per hour, that figure in Vietnam, Indonesia and Cambodia is US\$0.49, US\$0.38 and US\$0.35 per hour, respectively (Nghia et al., 2013). Therefore, there has already been a significant transfer of work in apparel, footwear, sporting goods, and other labour-intensive products from China to these countries. In this sense, Vietnam's private-sector is very competitive. Vietnam is expected to become the tenth most competitive economy in the world for manufactures within the next five years, ahead of neighbour countries such as Indonesia, Malaysia and Thailand (Deloitte, 2013).

### **5.3 Socio-economic challenges**

#### ***5.3.1 The weakening state-owned enterprise***

In Vietnam, to manifest the characteristics of socialism, the Communist Party and the government select state-owned enterprises (SOEs) to play a leading role. Accordingly, SOEs operate and enjoy a monopolistic status in key areas of the economy such as oil and gas, coal and minerals, transport infrastructure, airline, railroad, and electricity, on such a large scale that they crowd out other economic sectors. State-owned groups and corporations enjoy many preferential treatment policies from the government. They increase business rights and opportunities especially through the implementation of national industry development plans and strategies. They are protected by the government, but this is often disguised through use of market mechanisms. For example, monopolistic SOEs are allowed to set the price according to "market mechanisms".

SOEs are favoured with access to many resources including land, capital, credits, and public purchase contracts. It is this preferential treatment that has caused them to become passive, dependent, inefficient and unaccountable. As a result, the SOE system is

leading to stagnation and inefficiency. Burdens caused by the stagnating and inefficient SOE sector have in turn become budget and public debt burdens, of which the last bearer are Vietnamese taxpayers and future generations of the country. However, given the lack of information about SOEs, society's ability to intervene is very limited. Recent research on the transparency of the SOE sector by the World Bank shows that most of the information regarding SOEs is for internal use (Nghia et al., 2013).

### ***5.3.2 Obstacles to the private sector***

The private enterprise sector has gained dynamism since Doi Moi was initiated, especially after the establishment of the Law of Enterprise in 2002. This sector has played a significant role in economic growth and employment creation. However, the domestic private economic sector has recently faced its biggest challenge, as illustrated by the contraction of production, reduction in investments, layoffs, and closures. The first reason for this is that the private sector suffers from an unfair field of competition, with a legal framework and policies that discriminate against it, especially domestic private enterprises. The private sector has been crowded out and is unable to develop its potential due to the monopolistic operation of SOEs and their ability to participate in policymaking. Compared to SOEs, the private sector has many difficulties in accessing economic resources, especially capital and land. Results from several surveys, especially those by Vietnam's Chamber of Trade and Industries (VCCI), indicate that inaccessibility to credit accounts for 21 per cent of small- and medium-sized enterprises' closure or withdrawal from the market (Malesky, 2012).

Private enterprises can only operate efficiently when the legal framework on contracts and transactions are clear and dispute settlement mechanisms are reliable and supported by an unbiased judicial system. However, surveys of the business environment by the World Bank and the VCCI's Provincial Competitiveness Index (PCI) show that these institutions are still performing ineffectively (Malesky, 2012). Moreover, although property rights of the people in general and private enterprises in particular are recognised in many of Vietnam's laws, in reality ownership rights, especially properties related to land, are not secure. In some cases, enterprises' property rights are easily encroached without effective protection from the state. For example, land use rights of

enterprises can still be revoked to serve loosely defined goals such as economic development. As a result, a large number of enterprises are facing the risk of being evicted from their existing land.

### ***5.3.3 Decreasing agricultural productivity***

The agriculture sector, which includes agriculture, forestry, and aquaculture, has always made an important contribution to the country's socio-economic development. Agricultural production has grown significantly over recent decades. However, Vietnam's agriculture is facing a number of serious problems that threaten the development of this sector in the coming years. According to the 2003 Land Law, farmers have the right to use, transfer, rent, inherit, collateralise, gift and contribute land as capital. However, the limited duration of the lease of land use for annual crops, for aquaculture, and forestry has created ambiguity about who has the rights to use the land after the expiry of the lease (Nghia et al., 2013). This uncertainty has decreased incentives for individuals and private firms to make long-term investments in agriculture. This has in turn reduced the value of agricultural land to a level much lower than other types of land, and led to excessive exploitation of agricultural land during the lease.

In order to achieve the national industrialisation strategy, the government has sacrificed massive agricultural land for industrial development. A large number of industrial parks have been built on agricultural land across the country. However, many newly built large-size industrial parks are not operating effectively as they are disconnected from the national infrastructure, not based on regional comparative advantages, and do not have regional supporting linkages. Similarly, a large number of new urban zones are being developed on arable land, many of which are not being effectively used. This has led to a significant decrease in the amount of agricultural land. At the same time, many large areas of agricultural land are still under the control of large state-owned plantations, despite their low efficiency.

In addition, agricultural resources have been exhausted due to pollution and excessive exploitation. Arable land resources are being polluted by excessive use of fertiliser and pesticides. The fact that irrigational water is also being polluted with seawater invasion

and waste and that groundwater is drying up, especially in the Mekong Delta and Central Highlands, is going to reduce the future supply of agricultural production.

Meanwhile, state agricultural support programmes, which assist farmers in credit access, input factor access, logistics, marketing, post-harvest and manufacturing, and even rural cash transfers in many cases, have been misdirected and have not served farmers. Those who benefited the most from these programmes are the middle organisations which are designated to redistribute the support to households and individual farmers. According to ground-level reports, the benefits of these programmes have not reached the farmers who directly work on the farms (Nghia et al., 2013).

#### ***5.3.4 Rural-urban migration, urbanisation and pressure on cities***

The urban population of Vietnam was 28,874,900 in 2013, making up 32.2 per cent of the national population (General Statistics Office, 2014). Since the 1986 Doi Moi reforms, Vietnam's urban population has started to grow. The country is now transitioning to an intermediate stage with rapid urbanisation. The urban population grows on average 3.4 per cent per year and the economic structure of cities is increasingly shifting towards industrial manufacturing as a share of both employment and economic output. In the 2000s, population growth was the fastest in the largest cities of Hanoi and Ho Chi Minh, their surrounding regions, and medium-sized cities. Meanwhile, small cities are growing the least or losing population (United Nations, 2014; World Bank, 2011c).

The main driver behind urbanisation is the migration of rural people to urban areas seeking employment in the cities. The peak migration period was from 2004 to 2009 when waves of rural migrants, mainly from the north, moved to industrial parks in developing cities, especially to destinations in the south of the country including Ho Chi Minh City and the neighbouring provinces, which host 45 per cent of the overall national manufacturing production. Recently, heavy and high-tech manufacturing activities have been more intense in Hanoi and its neighbouring region of Red River Delta in the north. The rapidly progressing industrialisation in Hanoi and the Red River Delta region is attributed to its proximity to the massive industrial bases in South China (World Bank, 2011c). Migrant workers make up 50–70 per cent of the total labour force in the new industrial parks.



Although Vietnam does not have major problems with slums in big cities compared with higher-income countries such as the Philippines, India, Indonesia and Brazil (World Bank, 2011c), it does have the problems of chaotic housing construction, illegal occupation of public land due to the lack of strict urban management of massive migration, and unhygienic housing conditions. About 90 per cent of migrants in Ho Chi Minh City are temporarily housed in unhygienic living conditions such as boarding houses that are available as rental and shareable housing units. These boarding houses are often spontaneously built, lack technical standards, are overpriced, and are located in polluted marginal environments. The increasing yearly flow of migrants has exacerbated the living conditions of poor urban populations living in shantytowns within the city. Although the governments of big cities have plans to build new houses for the migrants, they cannot meet the demand given their limited budgets. They also call on private investors to provide accommodation but this strategy has not been successful because low-income housing investment is not an attractive proposition, despite government incentives (UNDP, 2010b; Waibel, Eckert, Bose, & Volker, 2007).

Closely linked to the housing issue for migrants are infrastructural limitations such as water supply, electricity, adequate sewage and waste disposal. The infrastructural needs for increased urban populations have put huge pressure on cities at a time when the existing infrastructure is deteriorating. Although city governments have made significant efforts in the past two decades, access to basic services is still not universal (World Bank, 2011c).

Furthermore, the residential registration system in cities excludes migrants who do not have permanent residence status from accessing public services available to permanent residents. Migrants and their children are not fairly treated compared to permanent city residents in terms of access to educational, healthcare and other services such as water and electricity. They are not allowed to access these services or have to pay higher fees. This is a big issue when, given increasing migrant populations, needs for the services also increase. Attempts are being made to improve the residential registration system for migrants but progress has been slow.

#### ***5.3.5 Inequality between majority and ethnic minority groups***

Despite the impressive achievements in PR and living standards recorded over recent decades, there are still major challenges ahead for Vietnam. The level and speed of PR varies across geographic and demographic groups due to different levels of participation in the social and economic development process. The rate of PR has slowed down over time and most of the remaining poor households are concentrated in rural and mountainous areas, which are mainly populated by ethnic minorities. A significant gap exists in the PR rate between ethnic majorities and minorities. While only 9 per cent of ethnic majority group – the Kinh – were living in poverty in 2008, the rate for ethnic minorities is 50.3 per cent. The proportion of ethnic minorities in the poor population has increased from 17.7 per cent in 1993 to 56 per cent in 2008 (MPI, 2010). The fact that the concentration of minorities among the poor and the extremely poor has increased substantially in recent years, while the national poverty rate has been declining, indicates that the speed of PR for ethnic minorities is far below the national standard and that for the Kinh.

A government report on PR progress shows the highest level of poverty rates in the regions where the ethnic minorities reside: the North West, the North East and the Central Highlands regions (MPI, 2010). The Central Highlands and the Northern Midland and Mountainous Areas have the highest national poverty rates. The poverty rate in the Central Highlands was 1.5 times higher than the national rate in 2010 and 1.6 times higher in 2012. In the Northern Midland and Mountainous Areas, the poverty rate was 2.3 times higher than the national average in 2010 and 2.5 times higher in 2012. For this reason, poverty among ethnic minorities has emerged as a major issue for PR programmes in Vietnam (MPI, 2010; VASS, 2011).

In 2008, the minorities' per capita expenditure (PCE) is less than 50 per cent of that of the majority. This figure is even lower than that of 1993 (about 60 per cent) (VASS, 2011). Ethnic minority household incomes are one-sixth of the national average. Huge inequality also exists with regard to education. There was a 16.4 per cent difference in literacy rates for the population aged 10 and older in 2010 between the Kinh and the ethnic minorities (MPI, 2010). School attendance rates for children aged 6–14 in 2010 was 5.1 per cent higher for the Kinh than the ethnic minorities (MPI, 2010). Access for ethnic minorities to

public utilities such as the national electric power grid, improved water and sanitation was significantly lower than that of their Kinh counterparts (VNOG, 2013).

### ***5.3.6 Inequality between rural and urban areas***

More than 90 per cent of poor households and 94 per cent of extremely poor households live in rural areas. Surveys in 2008 showed that 18.7 per cent of the rural population lived in poverty whereas the comparable figure of the urban population was 3.3 per cent (VASS, 2011). In 2010, the same figure for the rural population was 17.4 per cent and that of urban population was 6.9 per cent (see Table 1). Rural–urban disparities in PCE are substantial. The rural PCE was just over 50 per cent of the urban PCE in 2008 (VASS, 2011). Multidimensional child poverty rates between urban and rural areas show clear disparity: the rate in urban areas was 15.9 per cent while the corresponding rate in rural areas was 34.5 per cent in 2010 (VNOG, 2013).

There are huge gaps in living conditions between rural and urban areas. In terms of housing conditions, table 1 indicates that 7.2 per cent of rural households lived in temporary housing in 2010, while the figure for urban areas was 1.9 per cent. Access to water and sanitation also varies between the two areas. The percentage of urban households with access to clean water was 10.4 per cent higher than that of rural households. The respective difference in access to sanitary toilets was 26.7 per cent (MPI, 2010). The quality of education in rural areas is substantially lower than education quality in urban areas. School dropouts occur more frequently in rural and remote areas, and the quality of learning and teaching, as well as school facilities in rural areas, is highly inadequate compared to the conditions in urban areas (VNOG, 2013).

Table 1: Gaps in well-being indicators between urban and rural areas. Source: VNOG, 2013.

	Urban area	Rural area
Poverty rate in 2010 according to new poverty line (%)	6.9	17.4
Poverty gap in 2010 (by expenditure) (%)	1.4	7.8
<i>Living conditions (in 2010) (%)</i>		
Households living in temporary houses	1.9	7.2
Households using clean water	97.7	87.4
Households using sanitary toilet	93.8	67.1
Households having garbage disposed by cart/truck	79.6	21.4
<i>Education (%)</i>		
Literacy rate of population aged 10 and older in 2010	97.0	92.6
Literacy rate of population aged 10 and older in 2012	97.5	93.6
<i>Health (in 2012)</i>		
Under-1 mortality rate/1000 live births	8.9	18.3
Under-5 mortality rate/1000 live births	13.4	27.6

Source: VHLSS 2010, 2012 by GSO

With respect to healthcare, there is huge inequality in maternal health indicators and child mortality rates between rural and urban areas. For instance, under-one and under-five mortality rates/1000 live births in rural areas are twice as high as those of urban areas. Other health indicators in Millennium Development Goal (MDG) 4 and MDG 5 all display significant disparity between rural and urban areas (VNOG, 2013).

Some factors are attributed to the inequality between ethnic minorities versus the majority and between rural and urban areas. There is a considerable variation in growth patterns and the speed of growth among different geographic regions. As Vietnam's economic development has been concentrated in the big cities, there is a wide gap in income distribution between rural and urban areas. While there is little chance of employment for the poor, particularly in rural areas, people in cities, especially those with skills have more opportunities of finding high-paying employment. The movement from agriculture into non-agricultural sectors including private businesses and foreign-owned companies, as well as the transfer from low-skilled to higher-skilled work in non-agricultural sectors, has changed the income distribution of Vietnam over time. There is increasing income inequality between workers in high-paying skilled employment and

others (mainly rural–urban migrants) concentrated in low-skilled and low-paying jobs, as well as those who still work in the agricultural sector. In this process, ethnic minority people who live in remote rural areas and have less access to education are left far behind.

### ***5.3.7 Environmental problems, resource degradation and climate change***

During Vietnam’s economic development, the natural environment including water bodies, air, and soil has been seriously degraded. Statistics show that many industrial enterprises in cities, industrial parks and craft villages have violated environmental regulations and discharged polluting emissions into natural systems. From 2006 to 2011, the Environmental Police Department detected 18,400 violation cases involving 6,973 organisations (VNOG, 2012).

Natural resources have been depleted. Land use change, deforestation, and pests and diseases have reduced the forest coverage over time. Exploitation of minerals has caused degradation of resources and environmental pollution. Environmental pollution and resource degradation have threatened communities’ health, the ecosystem and caused economic losses.

Climate change has emerged as one of the biggest challenges facing Vietnam, a coastal country situated in the Mekong Basin, during the development progress. According to a 2011 report on the impacts of climate change mapped by the Centre for Global Development which covers 233 countries and other political jurisdictions in the world, Vietnam ranks fifth in terms of extreme weather direct risks and eighth in terms of sea level rise direct risks (VNOG, 2012). The Flood Risk Map in Asia-Pacific developed by UNEP/GRID-Europe in 2011 shows the Mekong River Delta located in the extreme flood risk area (Preventionweb, 2011). The indicator of frequency of days and nights classified as “hot” has shown a rapid increase from 29 days in 1960 to 49 days in 2003 (VNOG, 2012).

The impact of climate change on Vietnam could be profound and far-reaching and can significantly undermine its socio-economic achievements. The mountainous and coastal geography, combined with the location in the area of tropical typhoons and storms, exposes Vietnam to sea level rise and extreme weather events such as floods, landslides

and heavy rainfall. Moreover, Vietnam has an economy based on agriculture production. Agricultural production accounts for 20 per cent of its GDP and agricultural labour amounts to 48.4 per cent of its workforce. The Vietnamese government is taking more comprehensive actions towards the adaptation of climate change.

#### **5.4 Political and state administrative system**

The economic reforms promoted by Doi Moi have not been replicated in the political system which persists with a one-party state in which the Communist Party is the centre of the country's political process. The Party forms the highest tier in the political system as stipulated in the 2013 Constitution. The Party has a central role in all bodies of government, politics and society from central to local levels (Luong, 2003). It performs various key administrative and executive functions which include controlling state and government appointments and framing policies. It provides political guidance to the legislative, executive and judicial bodies of the country and holds supreme power when it comes to all vital national economic and social issues (Minh Hoa & Thanh Tung, 2013). Only political organisations endorsed by the Party are permitted to contest elections in Vietnam.

Thus, laws and policies are designed at the central level by the National Assembly and the central government, with the ultimate authority being the Central Committee of the Communist Party. The National Assembly and the central government also make decisions on large-scale investment and important projects related to national defence, security, natural heritage, and utility priorities such as harbours, airports and national highways.

Local administration in Vietnam is structured in three tiers: provinces, districts and communes/wards which are under the central government. At all three levels there is a representative body (the people's council) and an executive body (the people's committee). People's committees mirror and are controlled by Party structures. The people's committees and people's councils often have overlapping membership. Local people elect people's council members who are nominated by the National Fatherland Front and approved by the Party. The people's council selects the chairman and vice-chairman of the people's committee.

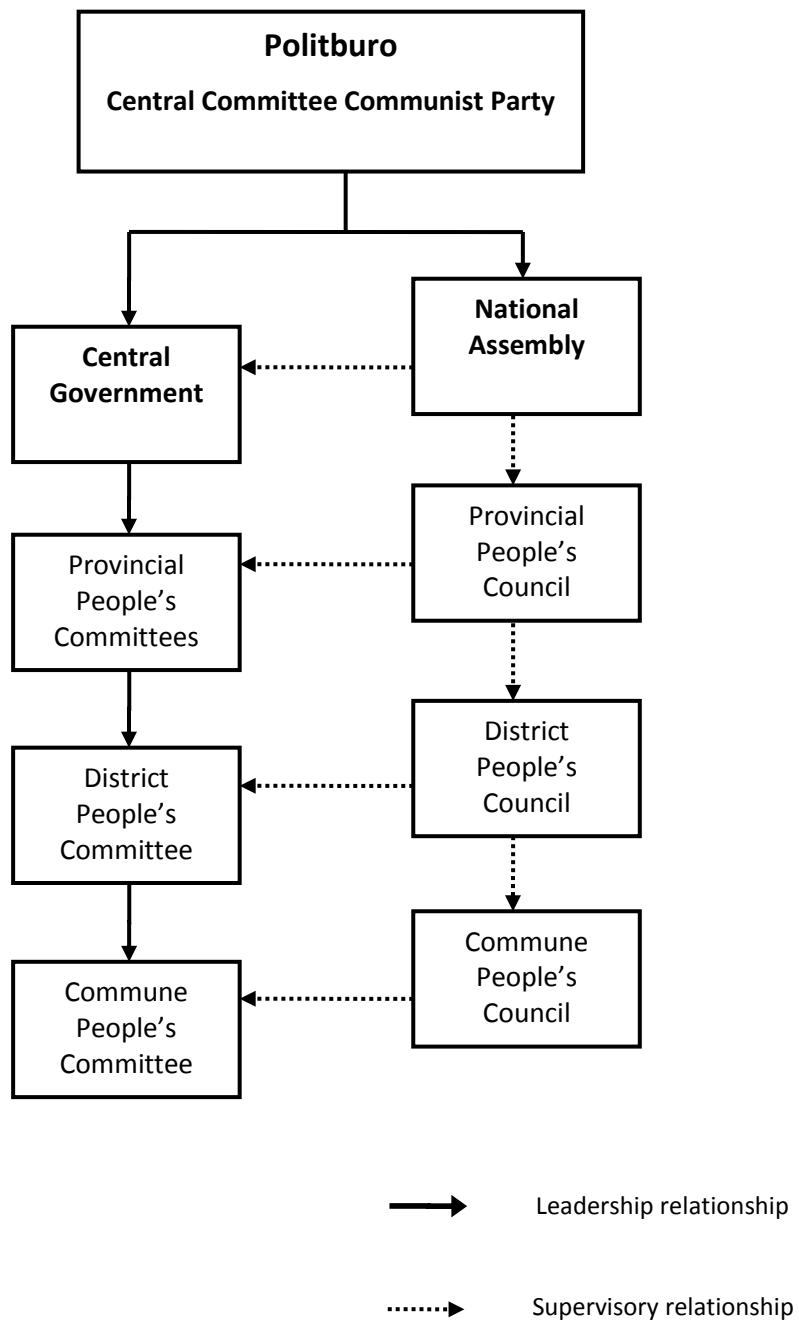


Figure 6: State administration in Vietnam

In accordance with the 1992 Constitution, a number of laws provide the basic framework for local government organisation. Accordingly, local people's committees have budgetary and administrative responsibilities. They are charged with maintaining law, order and security within their jurisdictions; forwarding budget requests to central government; reviewing and approving socio-economic development plans within their delegated authority; executing the budget; and undertaking other duties as assigned by central government. Large cities under central administration and a number of provincial governments enjoy a high degree of autonomy. For example, they are authorised to license foreign investments up to a certain value, approve certain major socio-economic development plans, and formulate their own budgets.

The 1996 Budget Law formalised the fiscal arrangements between different levels of government and assigned important budget responsibilities to local authorities, especially at the provincial level. Local governments have to remit their revenue to central government and the budget allocated for local governments is decided by central government, taking into consideration criteria such as local socio-economic features and development needs. Local provincial departments have a dual reporting responsibility to provincial people's committee and provincial people's council as well as central ministries.

### **5.5 Decentralised administrative process**

Although the one-party state has remained, some administrative reforms were implemented at the time of the economic reforms. As the centrally planned administrative system did not work efficiently, the central government, under the pressure to facilitate the country's economic growth in the 1980s, launched a decentralisation process. Even before the beginning of Doi Moi in 1986, in response to disappointing performance in the post-war years, there had been some experiments aimed at providing greater autonomy in some economic sectors. Agriculture, which had been collectivised since the 1950s, began a transformation process in the 1980s that established basic property rights for farmers, allowing them to keep some of their output (World Bank, 2009). Meanwhile, some SOEs were permitted to trade freely from 1981 (Wescott, 2003).



The decentralisation process means that state powers, responsibilities and resources are assigned by the Party to the central government, and then by the central government to local government or authorities and to private and civil society agencies under various forms of contract, partnership or principal-agent relationships (Wescott, 2003) (see Figure 7). The Party allowed market forces to play an increasing role in the economy. The incentive system is no longer based on selfless efforts to reach society's goals but allows rewards to accrue to the economic producers themselves. Through the decentralisation of power to enterprises and households, to lower levels of government and to service delivery units, the government has gradually transformed its own role from "director" to "rule-maker", thereby ensuring uniformity and consistency for the whole government apparatus (World Bank, 2009).

During this process, the central government of Vietnam had to undergo an internal organisational transformation and conduct a redefinition of its functions and tasks. In 1988, the central government apparatus was reorganised with a reduction in the number of management bodies. In 1992, bigger changes were made when the new Constitution and Law on the Organisation of the Government replaced the system of direct management using administrative "decrees" with management by "laws". In 2001, the revisions to the Law on the Organisation of the Government clarified the organisation and functions of the central government. Accordingly, there was a conceptual distinction between state administrative functions and the activities of service delivery units. In addition, the law affirmed that independent agencies under direct management by the government or the prime minister were not allowed to promulgate legal normative documents.

In 2001, local governments gained considerable decision-making power over a "block grant" from the central government for administrative expenditures and staff costs. This "block grant" programme meant local governments were allowed to use cost savings to increase staff remuneration. In 2004, the government issued Resolution 81 on decentralisation in state administration between the central and local governments including provincial, district and commune/ward levels. Accordingly, decentralisation has now focused on several main areas including budget management; provincial investment

and regional planning; grass-roots democracy; management of natural resources, land and public assets; management of public services; management of SOEs; and personnel and civil service management. For example, provincial authorities have power to decide on investment projects from local budgets and grant licences to foreign investment projects as long as these projects are necessary for local socio-economic development and appropriate to local management capacities. They are also given increased autonomy in allocating budget resources.

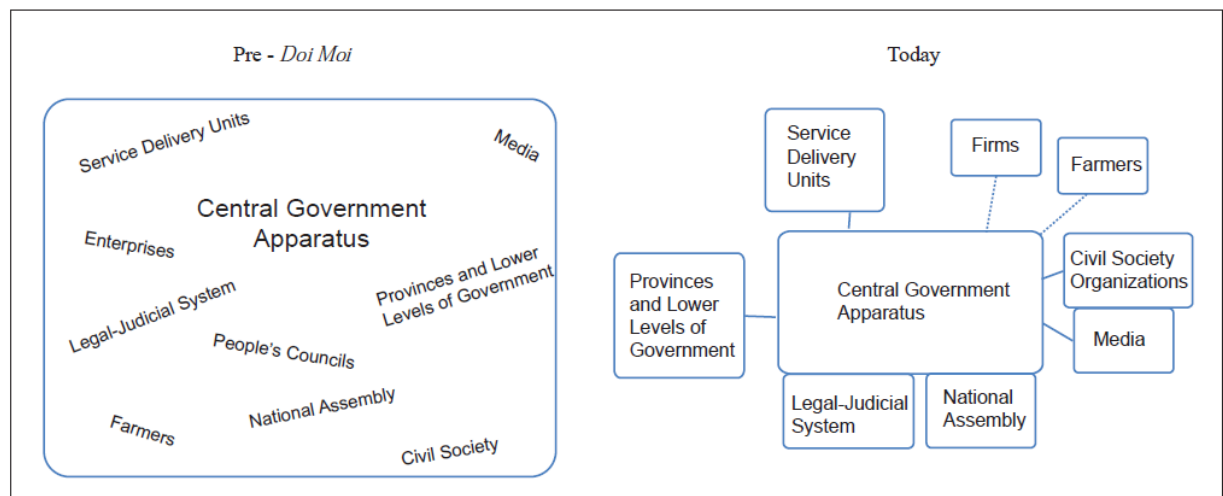


Figure 7: A decentralising state. Source: World Bank, 2009.

In public service delivery, particularly in health and education, SOEs have been given increased autonomy to perform and finance those functions on their own. Service delivery units gained the right to generate their own revenues by charging user fees on some services and borrowing from commercial banks. They have also been given significant authority over the use of their financial resources which are both self-generated and provided by the government through block grants. State service delivery companies have also been given more power on other aspects of their management. Furthermore, there is engagement of non-state actors in service provision. The non-state providers are even granted preferential policies (World Bank, 2009).

In economic production, state agricultural and industrial enterprises are given considerable autonomy to make production decisions. Many SOEs have gone through privatisation whereby managers are allowed to take shares in a new ownership structure

(Wescott, 2003). Providing higher autonomy to SOEs was aimed at improving service quality as well as increasing productivity. Some SOEs have saved administrative expenses by cutting unnecessary procedures. Managers have become more dynamic and entrepreneurial and organisational structures and human resources have become more efficient (World Bank, 2009).

Decentralisation has also taken place in some aspects of the legal and judicial systems. Lawyers have expanded rights to provide legal consultancy and participate in legal proceedings. There has been a delegation of jurisdiction to the courts to handle economic disputes. The National Assembly and the locally elected people's councils have been empowered to play an oversight role over the past two decades. Supervising bodies such as the State Audit of Vietnam now report directly to the National Assembly.

The process of decentralisation has not occurred in some areas, however. Civil society remains dominated by organisations that have close ties to the government, though there have been some changes in terms of the voice of civil society. The media is very close to the state although it is being given more autonomy in terms of financing and circulation, and to some extent content.

Thus, Vietnam has moved from a highly centralised hierarchical state designed for central planning towards a set of arrangements characteristic of a market economy. The extent of devolution from the national government to local authorities is significant (World Bank, 2009). This process has brought many positive results. It has enhanced local economic development by taking into account local priorities in decision making. Given autonomy, provincial authorities have been able to design socio-economic development programmes tailored to local needs. They can set friendly policies to attract investment. There is some positive competition between provinces to improve their business environments. The entry of non-state service suppliers and higher autonomy for the management of state facilities have encouraged innovation and increased the variety of services.

However, competition between provinces has also resulted in negative outcomes. Decisions made by one province can have a negative impact on others. Some provincial independent planning becomes inefficient due to cross-border impact such as

environmental problems. In these cases, a master plan or regional planning is needed. There are also problems with quality of service delivery such as healthcare, which needs a national standard.

In reality, there is a lack of specific guidance on decentralisation and an effective monitoring or follow-up mechanism of decentralisation at district and commune levels. Furthermore, in some provinces local authority officials' capacity is limited and therefore they are not confident to make important decisions, thereby leaving decision making in the hands of central government.

## **5.6 Participation**

In 1998, for the first time, the Vietnamese government promoted the concept of "grass-roots democracy" in Decree 29, dated May 11. This decree allowed citizens to participate in decision-making processes in the planning, implementation, monitoring and evaluation of social and economic development policies at commune/ward level. This was considered a landmark for democracy in the country. In 2003, this decree was replaced by Decree 79 which contained specific guidance and regulations to implement grass-roots democracy. By 2007, to improve the legitimacy of this policy, the National Assembly promulgated the Ordinance on Grass-roots Democracy.

In reality, however such participation cannot happen because other institutional arrangements have not been put in place. Information, which is a prerequisite for participation, is not transparent. Although access to government information is recognised as a right in the Constitution and regulated in many legal documents, such information is not easily accessible. In a survey in 2009, around half of households reported having no information on commune budgets and plans. The people who were interested in these budgets and plans said they got some information but that it did not meet their needs (World Bank, 2009).

Most Vietnamese legal documents regulating access to information do not clearly assign institutional and individual responsibilities for the publication of information. Although a list of information that should be disclosed is stipulated in the provisions of the current

legislation, that list is not enough. Citizens should be allowed to access all information that is not prohibited due to national security (World Bank, 2009).

Participation in decision making does exist but often focuses more on implementing what has already been decided. Participation in broader planning process is limited partly by the institutional organisation in which planning agencies are well established at the national and provincial levels while no planning agencies are set up at district and commune levels. Moreover, in reality, participation in policy-making processes is not encouraged by civil servants who believe that it will merely result in more work and slow down the process. As a result, citizens are not provided with essential means to participate. They are not given sufficient information or knowledge on issues being discussed.

In reality, policies are still made in a top-down manner with consultation limited to experts working in the governmental system. Although regulated by laws, social feedback has not been efficiently exercised. There is a lack of institutions that force decision makers to listen to people's opinions, counterarguments, and even experts' recommendations.

During the first decade of the twenty-first century, some experimental models, such as the Communal Rural Development Board, were set up in a few provinces using foreign financial assistance to promote grass-roots democracy. The aim was that through these boards community leaders and local residents could address their local development concerns and needs which were then supposed to be included in provincial socio-economic development plans. However, these models were not sustainable. After the projects had ended, the boards were dissolved. More than a decade after the issuance of Decree 79, the implementation of participation rights remains very limited.

### **5.7 Accountability**

Traditionally, leadership in Vietnam has been a collective process. Important issues are canvassed through various bodies including the Party committees, the people's committees and people's councils, the National Fatherland Front and other relevant councils before final decisions are made. No one leader has decisive power in the administrative system. For example, the prime minister does not have power to select his

deputy prime ministers and other members of the cabinet. Similarly, at local level, heads of local governments are not allowed to make final decisions. For example, the chairman of Ho Chi Minh City does not have the power to select his own committee. The chairman is effectively representing a group of leaders. These examples illustrate the emphasis on collective leadership in Vietnam. There is little emphasis on individual responsibility.

Senior officials in the government are indirectly held responsible for their decisions and, in principle, they are under the supervision of the elective system, the National Fatherland Front, the political system and the press. Vietnam has a dense elective system including over 300,000 representatives present in people's councils at commune/ward, district, provincial and central levels. However, most of the representatives serve a dual role in that they are simultaneously government officials (Nghia et al., 2013; Wescott, 2003). Such a representative system reflects and protects the interests of the government and its agencies rather than those of citizens they represent. This system cannot effectively enhance the accountability of government agencies.

Strengthening accountability requires transparency of information and citizen participation. At commune-level administration, local authorities are required to publicise the estimates and uses of annual budgets, funds and people's contributions so that citizens can supervise these processes. However, given the limited transparent information and participation, accountability cannot be achieved. This is also a matter of culture that needs time to be changed (World Bank, 2009). Accountability in public institutions in Vietnam was assessed to be very low in the last decade by the World Bank's World Governance Indicators (Nghia et al., 2013).

Institutional reforms which cover decentralisation, defining of functions, modernising public financial management, e-government and civil service reform (World Bank, 2009) have been a concern of the Party and the government for three decades since the implementation of Doi Moi. The overall aim has been to maintain stability and achieve sustainable growth. The government has also fostered market economy institutions, improvements of state management and facilitating the effectiveness of the rule of law. Many models have been tried in state administration, such as the "one stop shop", the application of ISO standard in state administrative procedures and state administration

assessment by citizens, to improve the quality of public service delivery. The results of the reform have been limited. There are still many problems regarding accountability in public institutions, empowerment and public participation in making policies, supervision and enforcement of regulations, local government accountability, and confidence in officials including the legitimacy of the authority.

The World Bank's World Governance Indicators for Vietnam were lowest for "voice" and "accountability" among the six dimensions of governance for the last decade. The criteria of regulatory quality and the rule of law were also assessed to be low. It is evident that the existing institutional system does not empower citizens and facilitate participation (Nghia et al., 2013). The prime minister affirmed in his 2014 New Year speech that political institutions and governance are not inclusive and do not empower citizens and enhance citizens' participation in making policies, policy debates, supervision and enforcement of regulations (Nghia et al., 2013).

The government's agenda for 2011–2016 continues to highlight institutional development as a priority. This is also stipulated in the Legislative Agenda up until 2016 of the Thirteenth National Assembly Congress. The National Assembly has just endorsed the 1992 Constitutional Amendment, and consequently the amendment of the laws on state organisations including the Law on the Organisation of the Government, the Local Government Organisation Law, the People's Court Law, the State Budget Law, the Public Investment Law and other relevant state management areas (Nghia et al., 2013).

## **5.8 Conclusion**

From this overview of Vietnam's geneology and development, we gain some understanding of those internal and external forces that have combined to shape the Vietnam of today. Although the geography of Vietnam has played a significant role in shaping its policy environment, the social impact of colonial regimes and war has determined the social and cultural lives of the Vietnamese for hundreds of years. The liberation of Vietnam as an independent nation did not eventuate until 1975 and even when it did arrive there were significant divisions between the north and south of the country. These divisions and the forces that underpinned regional development were

significant drivers for the nation's attempts to forge a coherent economic strategy and thus the fluctuating flirtations with external models and variants of capitalism and socialism can be readily understood.

What has emerged today, as Stiglitz (2006) suggests, is an example of Vietnamese pragmatism: a Socialist-market economy driven by a one-party state in which the Communist Party wields considerable power and control. Not only does the development of Vietnam provide an explanation of the various forces that have shaped the country today but it simultaneously establishes the dynamic context in which attempts to promote PR initiatives have been located.



## **Chapter 6: Poverty reduction in Vietnam**

The foregoing analysis of the development of Vietnam provides a dynamic interpretation of the country's political economy with a particular emphasis on the way in which social and economic conditions have changed over time. Not only does this phase of the research provide a platform for understanding Vietnam in the twenty-first century, but in the context of the research it also establishes the framework within which a critical examination of poverty reduction (PR) initiatives can be conducted.

This chapter presents the findings from the next phase in the research. It conducts a detailed documentary analysis that draws on Vietnamese government documents and reports as well as international records held by development agencies such as the United Nations (UN), World Bank, International Monetary Fund and the Asian Development Bank. These sources provide explanations of the context in which PR policies and programmes have been developed and delivered in Vietnam, and a platform of information for the fieldwork interviews which are presented in the next chapter.

### **6.1 The development of a poverty focus**

PR was first identified in 1945 by President Ho Chi Minh as a priority for the Vietnamese nation (VNOG, 2003). It was also a priority for the government following liberation in 1975. The state undertakes the main responsibility in distributing and redistributing the resources and setting up initiatives to fight poverty. From this perspective, Vietnam has comprehensively designed many PR policies and programmes with the aim of solving the problems of hunger and poverty as fast as it can. PR policies aim at not only "poor people" and "poor households" but also "poor communes", "poor districts" and "poor provinces".

The government considers PR to be a precondition and a long-term goal for ensuring social equality, sustainable growth, and a prosperous, strong, just, democratic and civilised society. PR is not just a "one-way street" in which resources from economic growth provide support to disadvantaged people, but is itself an important factor that establishes the groundwork for development to generate abundant resources and ensure stability during the period of economic "take-off". The considerable amount of social resources allocated specifically to PR programmes may be seen in the short term as a

diversion of resources away from generating economic growth, but from a big picture perspective, PR is the foundation for generating even more resources for economic growth and development (VNOG, 2003).

## **6.2 Interpretations of poverty**

The interpretation of poverty and the Vietnam government's responses to PR have changed over time. At the beginning of the 1990s, when the country began its economic reform policies, poverty was still defined as food shortage. Vietnam had survived an economic crisis resulting from war and international economic embargoes from 1975 until the early 1990s. Many people were hungry and the government's response was to support them with rice. Poverty was measured in terms of income sufficient to afford rice (VASS, 2011). The first PR program in 1993, starting in Ho Chi Minh City, had to solve the issue of hunger in addition to poverty.

From the initial attempts to solve the issue of hunger, the government has moved toward defining poverty in terms of income and has generated PR policies which support the livelihoods of the poor, including low-interest loan programmes and vocational training to create employment. Gradually, the government has shifted to a more comprehensive approach to meet other non-food needs including education, healthcare, housing, and legal awareness (VNOG, 2003).

Recently, the government has started to study the definition and measurement of poverty in multidimensional terms. In its report to the Congress in 2014, the government confirmed its determination to increase coverage for its PR policies with the aim of solving multidimensional needs of the poor (VNOG, 2014a). One of the drivers behind the multidimensional poverty (MDP) approach is the pressure by international agencies such as the World Bank and the UN who provide financial and technical support to the PR process in Vietnam. At the same time, Vietnam has signed several international treaties regarding human rights and the rights of children thereby, reinforcing the MDP approach.

Based on concepts derived from the United Nations Development Programme (UNDP, 2010b), the Vietnam government has assigned the Ministry of Labour, Invalids and Social Affairs (MOLISA) to study and build a platform for MDP measurement (VNOG, 2014a). On

the official MOLISA website, the government has provided directions for defining, measuring and organising the setting up of MDP reduction policies for the country (Thi, 2014). Since 2010, the UNDP has conducted an assessment of urban poverty in Ho Chi Minh City and Hanoi applying MDP criteria (UNDP, 2010b) and launched a project called “Support for Multi-dimensional Poverty Reduction in Urban Settings” in cooperation with the people’s committee of Ho Chi Minh City (UNDP, 2011).

At present, however, Vietnam officially remains wedded to the definition of poverty as agreed to at the Asia-Pacific Conference on Poverty Reduction organised by the UN Economic and Social Commission for Asia and the Pacific in Bangkok in 1993 (VNOG, 2003). The September 1993 definition states: “Poverty is a situation in which a proportion of the population does not enjoy the satisfaction of basic human needs that have been recognised by the society depending on the level of economic and social development and local customs and practices” (VNOG, 2003, p. 17). This means that, although the government has started to adopt a new conceptualisation of MDP, resolving “basic needs” remains first priority in practice.

### **6.3 Poverty measurement and poverty lines**

There are two poverty measurement systems operating in parallel in Vietnam. One system is conducted by the General Statistics Office (GSO), and the other by MOLISA. Basically, both agencies use national poverty lines which are set by the government every five years when it formulates a new five-year socio-economic development plan. However, having different objectives, the two agencies have different approaches to measuring national poverty. The objective of the GSO is to estimate the national poverty rate. To do this, it conducts the Vietnam Household Living Standard Surveys (VHLSS) every two years by taking population samples. The GSO updates the national poverty line and the national poverty rate by analysing the annual Commodity Price Index (CPI).

MOLISA’s system of measurement is more directly focused on identifying poor households who will benefit from PR policies, and investigating the causes of poverty. The agency conducts a Poor Household Survey (PHS) of all households nationwide every two years (described below in the section 6.4). One years after each PHS survey, the poor

households' living conditions are rechecked to see whether any are capable of getting out of poverty, and to identify any who are at risk of falling into poverty (Molisa, 2014a). All the poor household surveys and rechecking are paid out of local provincial budgets (Molisa, 2012). MOLISA conducts the PHS surveys and rechecks in order to target poor households as well as estimate national poverty rate without updating the national poverty line during the five-year period. This means the poverty lines used by MOLISA in PHS surveys and rechecks remain the same during a five-year period and therefore lower than the CPI-updated poverty lines used by GSO in their VHLSS surveys. As a result, MOLISA's national poverty rate estimates are always lower than those of GSO.

Nowadays, poverty assessment in Vietnam remains officially based on absolute poverty lines as identified by the cost of basic needs, which is essentially a food basket with a minimum acceptable calorie value (about 2,100 Kcal) and a composition that matches the consumption of poor families plus expenses for essential non-food items (UNDP, 2010b).

The setting of poverty lines was first conducted by joint work between the GSO and the World Bank and the first poverty line was applied in the VHLSS in Vietnam in 1993 (VASS, 2011). Poverty lines are formulated for every five-year social-economic development plan. For the stage 1996–2000, the poverty line was set at less than 15 kilos of rice/capita/month (equivalent to VND 55,000 or over US\$2) for rural mountainous and island areas; less than 20 kilos/capita/month (equivalent to VND 70,000 or US\$3.50) for rural plain and midland areas; and less than 25 kilos/capita/month (equivalent to VND 90,000 or US\$ 4.50) for urban areas.

For 2001–2005, in view of the country's achievements in PR and economic growth as well as the improvement in living standards, a new poverty line developed by the National Target Poverty Reduction Program also differentiated between different areas of the country: VND 80,000/capita/month (equivalent to US\$4) for island and rural mountainous areas; VND 100,000/capita/month (equivalent to US\$5) for rural plain areas; and VND 150,000/capita/month (equivalent to US\$7.50) in urban areas.

The poverty line was amended again for the period 2006–2010: VND 200,000/capita/month for rural areas and VND 260,000/capita/month for urban areas. For

2011–2015, the poverty line is VND 400,000/capita/month (equivalent to US\$20) for rural areas; VND 500,000/capita/month (equivalent to US\$25) for urban areas. The government also establishes lines for those people on the margins of poverty. Accordingly, the line is VND 401,000 (equivalent to over US\$20) to VND 520,000/capita/month (equivalent to US\$26) for rural areas; and VND 501,000 (equivalent to over US\$25) to VND 650,000/capita/month (equivalent to US\$32.50) for urban areas.

#### **6.4 Targeting process**

The targeting of poverty programmes is established through poverty measurement systems. The MOLISA PHS surveys are designed to target poor households who will benefit from PR policies. PHS surveys are carried out through a three-round process. The first round is the assessment through observation of the households' living conditions, including properties and assets. At the second round, they investigate households' incomes using forms and questionnaires and compare them with the government's poverty lines. After the second round, a list of candidates is identified. At the third round, participatory assessment meetings are organised where local inhabitants are invited to come to select "poor households". A household is considered "poor" when it receives votes from at least 50 per cent of the meeting participants.

To organise PHS surveys, at local levels (provinces, districts and communes) Survey Directing Boards have been set up. Local governments follow survey forms and other technical guidance documents designed by the central MOLISA. Provincial Survey Directing Boards can modify survey forms and technical guidance to correspond to their local socio-economic context. The provincial boards set up survey plans for the whole province and the Directing Boards of districts and communes set up their own plans accordingly. Directing Boards organise survey training for communes' and villages' survey collaborators. Usually, all government agencies and mass organisations at commune and village levels are mobilised to join PHS surveys.

#### **6.5 The role of international donors and development agencies**

International donors and development agencies such as the World Bank, the UNDP, the ADB, as well as the European Union and other countries contribute considerably to the

country's PR system through financial and technical support. The World Bank has supported the government in building poverty lines since the early 1990s. The UNDP has provided much technical support in PR programmes and the evaluation of these programmes. Before they start to work with the government, agencies always want to understand the country's socio-economic development strategies and plans for the period 5–20 years into the future. They also participate in framing policies for PR, including the contents and the mechanism for implementation as well as methods for measuring and targeting.

Development agencies tend to introduce new international approaches, experiences and models from other countries to Vietnam in forming policies. Recently, for example, they took part in framing the 10-year Poverty Reduction Orientation 2011–2020. The international development agencies have also exerted influence beyond the PR policy area. They have also participated in designing other socio-economic development strategies such as the Ten-Year Social-Economic Development Strategies. They are especially keen on addressing the poverty of ethnic minorities and often promote the omission of the centrally powered mechanism and a shift to decentralisation. Participation in designing policies is one of the conditions for their commitment to funding, which is financed through Overseas Development Aid or direct investments. Recently, development agencies such as the UNDP and the World Bank have been actively engaged in introducing the MDP approach to the Vietnamese government through providing financial and technical support for studying and formulating the definition and measurement of this concept in the country.

In general, the Vietnamese government is transparent and welcomes the participation of international development agencies in contributing to designing policies. They have also been very careful in absorbing new approaches, however. International development agencies can only provide technical support rather than interfering in the directions of policies. For example, the government refused the World Bank's loans to set up health insurance for all Vietnamese people, stating it could not afford that. Likewise, it also rejected the World Bank's proposed poverty line which was close to the international

standard as it thought the poverty line was so high that it would raise the national poverty rate.

## 6.6 Vietnam's contemporary PR strategies

As noted previously, since 1993 the Vietnam government, in cooperation with the World Bank, has set up poverty lines and conducted surveys aimed at measuring poverty in Vietnam. Since then, it has designed a large number of PR policies and programmes aimed at resolving poverty for different groups of people across the country. In 2002, PR initiatives were taken to another level when the government integrated its PR initiatives with the national 2001–2010 socio-economic development strategy, the national 2001–2005 socio-economic development plan, and other sectoral development plans. This integrated strategy was called the Comprehensive Poverty Reduction and Growth Strategy 2001–2010 (CPRGS). The CPRGS document thus realises objectives and policies in socio-economic development plans and PR and includes concrete measures with well-defined road maps for implementation (VNOG, 2003). The annual socio-economic development plans passed by the National Assembly serve as a tool for implementing the policies and measures contained in this strategy (see Figure 8).

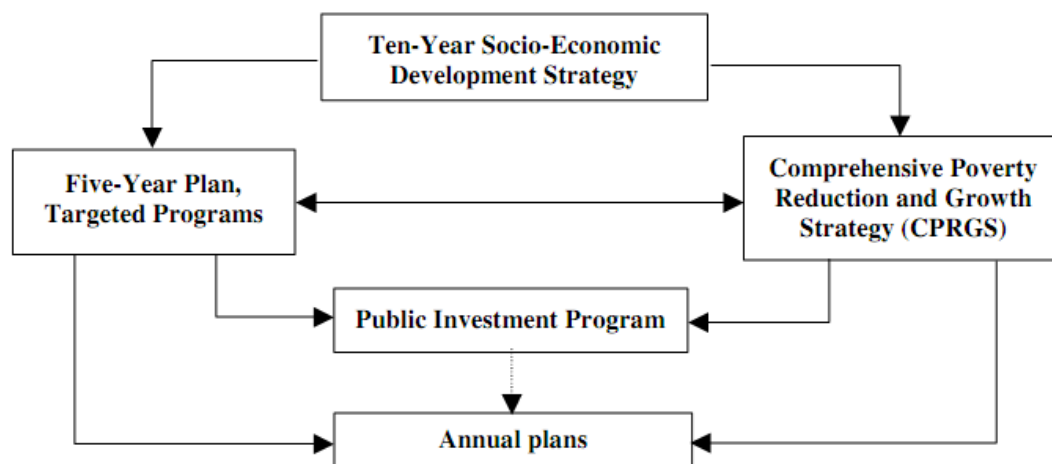


Figure 8: PR integrated with socio-economic development strategies and plans. Source: VNOG, 2003.

Currently the Vietnam government's approach to PR is very much part of national development strategies, as illustrated in Figure 8. In the Socio-economic Development Strategy 2011–2020 and Socio-economic Development Plan 2011–2015, PR criteria on

income and consumption were set up in line with other socio-economic criteria. The strategy prioritises the building of a social welfare system, encompassing social protection and insurance, including social insurance, unemployment insurance, and industrial accident insurance aimed at preventing the poor from falling into crises. For 2011–2020, the government issued Resolution 80/NQ-CP dated 19/5/2011 on Sustainable Poverty Reduction Orientation from 2011 to 2020. In this document, the government has integrated PR into the sectoral objectives of government agencies (Molisa, 2014c). The World Bank in its *Vietnam Development Report 2012* also confirmed that Vietnam’s socio-economic development policies are pro-poor (World Bank, 2011b).

Figure 9 shows the government’s PR approach to be two-pronged. First, it is based on pro-poor economic growth including socio-economic development policies and secondly, the more direct PR initiatives which include universal and targeted PR policies and programmes (Molisa, 2014c). The following sections will examine each of these in more details.

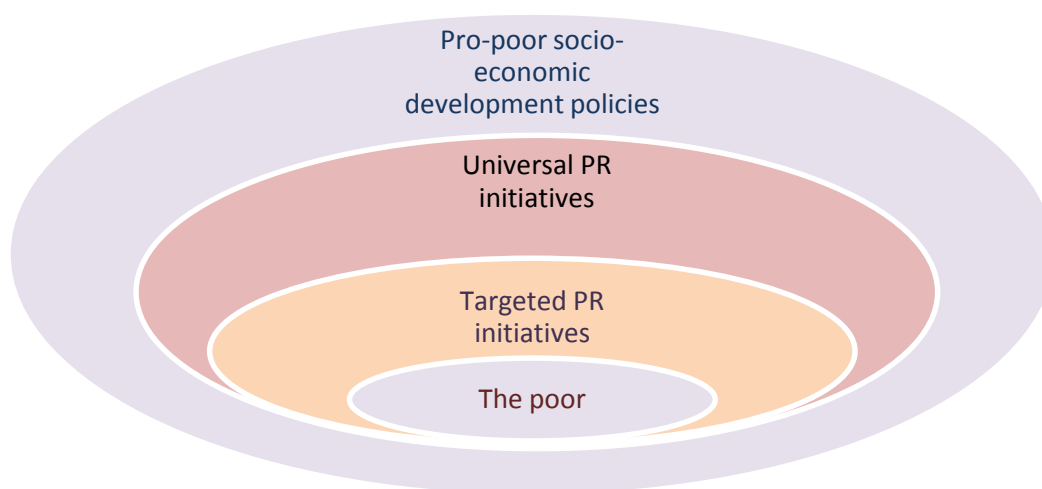


Figure 9: Approach to PR. Source: MOLISA, 2014.

## 6.7 Pro-poor economic growth

PR in a general sense is expected to be achieved through socio-economic development policies which are focused on pro-poor economic growth. This involves the generation of broad-based, high-quality and sustainable economic growth, which will in turn creates favourable conditions for poor people to access opportunities to develop and expand their



production and businesses. In this way they will be able to enjoy the fruits of growth and be lifted out of impoverishment (VNOG, 2003).

The Vietnam government takes a leadership role in pro-poor growth by allocating diverse resources for national PR objectives. The market economy is treated as the distribution mechanism, and the government actively engages to ensure that the poor are not excluded from accessing resources and benefiting from the nation's economic growth. Not only does this mean creating an environment for economic growth and development but it also means ensuring that the poor are able to participate in society by actively participating in a wide range of political, economic and social organisations (VNOG, 2003).

The government's socio-economic development policies on land, investment, capital, credit and opportunities to access the market have been revised or newly formulated in recent years with the aim of improving the distribution of resources and social benefits (Molisa, 2014c). The government's programme for development has focused not only on urban areas but also on developing agriculture and the rural areas, thereby ensuring food security, creating jobs, and increasing rural income.

On the basis of the CPRGS strategy issued in 2001, the government has formulated policies aimed at the promotion of small- and medium-sized enterprises (SMEs) through policies designed to create favourable legal business environments for these enterprises, which are expected to create employment for the poor. There is a system of organisations to promote and support SMEs at the central and local levels, as well as a legal framework and specific policies to encourage and support SMEs. SMEs are provided with easy access to the government's support programmes in various areas including investment and credit, land use, market information, technical consultancy, training services, human resources development and other services.

There has also been a gradual move towards establishing an integrated legal system with consistent policies and mechanisms to regulate all types of enterprises. These are based on the notion that the state respects and ensures the right of each citizen and each enterprise to have the freedom to conduct business in accordance with the law. Available funding sources are encouraged to be fully mobilised and all production powers utilised to

the fullest extent in order to secure economic growth and increase the income of people. The Enterprise Law promulgated in 2005 is aimed at accelerating business opportunities while continuing to abolish unnecessary business licenses and red tape. The revision of legal documents has been designed to facilitate equal access to public services, resources, investment, and business opportunities while ensuring that all types of enterprises have equal access to capital, credit, land, new technology, information, market and training opportunities, as well as to government support and incentives. The legal framework is designed at least to ensure a transparent and stable process.

The overall goal for the government is to foster an investment environment with efficient investment promotion measures and policies. In order to enhance the efficiency and competitiveness of the economy for economic growth, structural reforms of the national economy have been carried out by reorganising, renovating and improving the efficiency of state-owned enterprises (SOEs); restructuring the state budget; reforming the commercial banking system; reorganising and strengthening the health of financial and credit organisations; continuing with trade liberalisation; honouring international commitments (e.g. to the ASEAN Free Trade Area and World Trade Organization); and implementing bilateral trade agreements. Foreign investment is encouraged and considered to be a long-term component of building the national economy.

The government has sought to improve the socio-economic infrastructure of the country and ensure equal access across the country to basic productive and social services such as the water supply, healthcare and education. Attention has also been focused on human development, inequality reduction, environmental protection, and gender equality. The issues of urban poverty with regard to employment, income and the housing of migrants along with access to resources, public and basic social services are articulated as concerns in government policy documents. Social protection and safety nets have been recently developed for the poor and those vulnerable to natural calamities and crises thereby aiming to minimise the vulnerability of people.

The government has carried out a Public Administration Reform (PAR) and Legal Reform in pursuit of pro-poor good governance. They aim in theory at least to establish a transparent state administration with a simple organisational structure and a qualified

contingent of government staff and civil servants. Information about services, policies and development plans for the people is requested to be made public on a regular basis and this information is accessible for people through a “one-stop shop” system. Public administration reforms have also been undertaken focusing on the institutional environment, the quality of civil servants, and public finance in order to enhance accountability and provide citizens with better access to public services.

Initiatives have also been put in place aimed at increasing participation and transparency. The process of law drafting and promulgation, with emphasis on bringing in the effective participation of the people in the law- and policy-making process, is under constant review. At the same time, the government has indicated that it intends to implement more vigorously the decentralisation of public administration between central and local levels while strengthening the capacity and responsibility of the local administrative apparatus, including their supervision and monitoring responsibilities at the grassroots level. In terms of measuring programme outcomes, a system of qualitative and quantitative socio-economic indicators is currently being established in order to monitor and supervise the progress of implementing the CPRGS.

## **6.8 PR policies and programmes**

PR policies which more specifically target the poor are designed to address their practical needs have been developed in a gradual process since 1996. Although poverty measures have not been approached in multidimensional terms, PR policies have covered various aspects of the poor’s lives and are integrated in socio-economic development strategies (Molisa, 2014c). Various policies are designed by central government, through different ministries and government agencies. Central government has designed different PR policies and programmes targeted “poor households”, “poor communes”, “poor districts” and “poor provinces”. Local governments are also encouraged to build up their own programmes and integrate local initiatives with the central programmes.

In general, PR policies cover three main areas: livelihood, social services, and social welfare. Since the issuance of Resolution 80 on Sustainable Poverty Reduction Orientation from 2011 to 2020, PR policies are divided into two groups. The first group can be

regarded as universal PR policies for poor people across the country whereas the second group focuses on particular or targeted PR policies and programmes for poor people living in very difficult communes and villages in coastal areas, borderland communities and islands, as well as poor ethnic minority groups living in remote areas (Molisa, 2014c). (See Figure 10).

PR policies include both short-term and long-term strategies. Short-term strategies tend to be aimed at solving the immediate needs of the poor while long-term programmes aim to enable the poor to sustain themselves. Short-term PR policies include free and direct support to poor households such the free provision of rice, clothes, lighting oil, cash for paying electricity bills, seeds and plants, as well as school fees, health insurance, and housing (VNOG, 2014a).

The universal PR policies include production support; vocational training and employment generation; access to educational services; access to healthcare services; support for house, land, electricity, water supply, and environmental hygiene; access to information and culture; and legal assistance. Targeted PR policies, in addition to areas similar to the universal policies, focus on building infrastructure and support to personnel who work in very difficult and ethnic minority areas (see Figure 10). Low-interest credit programmes are included in many policies such as credits for production, school fees, and house construction (Molisa, 2014c).

About 40 per cent of all policies are included in three large national target programmes. These include the Socio-economic Programme for Extremely Difficult Communes in Ethnic Minority and Mountainous Areas (Programme 135), the National Target Programme for Poverty Reduction (NTP-PR) and the Rapid and Sustainable Poverty Reduction Programme for the 62 Poorest Districts (Programme 30a). In addition, PR policies are also formulated in another 15 National Targeted Programmes (NTPs) such as the NTP for Clean Water and Rural Environment Hygiene, the NTP for Employment and Vocational Training and the NTP for Healthcare and other national programmes such as Programme “Land Support for the Ethnic Minorities” (Programme 134) and the Programme for New Rural Development. At the local level, provincial governments also set up their own policies aimed at solving

particular characteristics of poverty in their provinces. At present, there are approximately 75 key programmes and policies across a variety of different sectors (Molisa, 2014c).

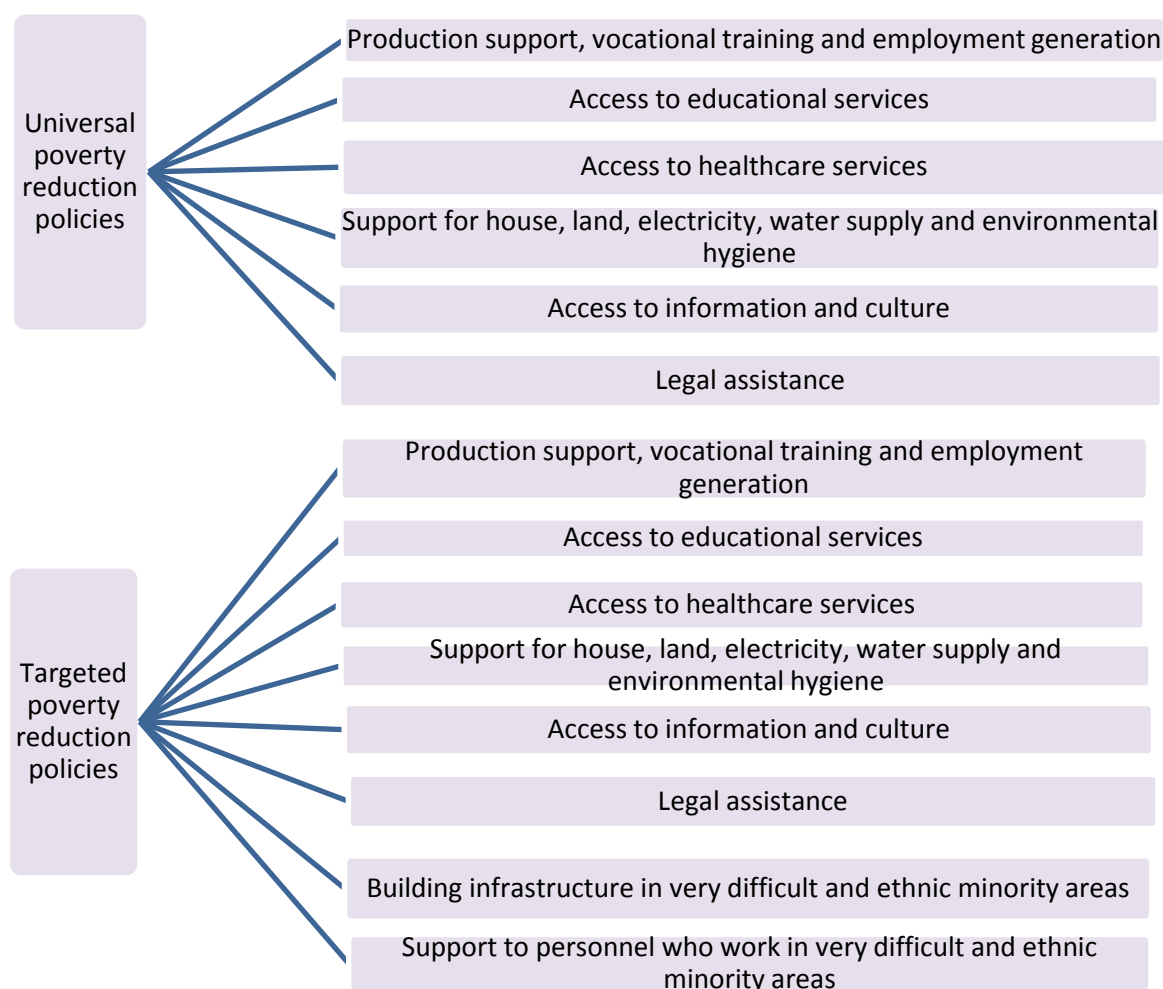


Figure 10: Universal and targeted PR policies. Source: MOLISA, 2014.

## 6.9 PR administrative and technical organisation

The national PR system is operated in a decentralised manner. There are four levels of administration: central, provincial, district, and communal. In order to directly coordinate PR policies and programmes, Poverty Reduction Directing Boards (DBs) have been set up at all four levels. At the central level, the head of the central DB is the deputy prime minister and the permanent vice head is the MOLISA minister. This central DB is assisted by the National Office for Poverty Reduction (NOPR) which is part of MOLISA.

MOLISA advises the government in designing and coordinating all PR programmes in Vietnam. Some other government agencies such as the Ministry of Planning and Investment (MPI), the Ministry of Finance (MOF), the Ministry of Agriculture and Rural Development (MARD), the Committee for Ethnic Minority Affairs (CEMA), the Ministry of Transport (MOT), the Ministry of Health (MOH) and the Bank for Agriculture and Rural Development (Agribank) are involved in PR. Representatives of these agencies and mass organisations including the National Fatherland Front, Vietnam Women's Union and Vietnam Farmers' Union are also on the DBs.

MOLISA, MPI and MOF play major roles in planning, financing and coordinating PR policies. MOLISA proposes budget plans for all PR national policies and programmes and for the provinces' PR policies. Technically, MOLISA sets up plans and legal documents to guide the PR implementation at local levels. MOLISA also has to provide technical training to provincial PR officials. The training includes skills to set up action plans, financial allocation and management and monitoring and evaluation (M&E) criteria and tools. Those provincial PR officials then provide technical training to the district and commune levels.

MPI and MOF are in charge of balancing needs based on available resources and financing the PR policies and programmes. In addition, MPI coordinates all national target programmes and MOF draws up budget plans, finances the policies, and monitors the use of the resources.

At the local level, Provincial People's Committees (PPCs) administer all PR policies and programmes and the use of all PR resources. At provincial level, a Provincial DB is set up. The head of the provincial DB is a vice chairman of the PPC and the permanent vice head is the director of the provincial Department of Labour – Invalids and Social Affairs (DOLISA). DOLISA advises the Provincial DB in implementing all PR policies, designing provincial policies, and coordinating all interventions in the province. Provincial DBs, assisted by DOLISA, set up criteria and organise, guide and coordinate the implementation of PR policies and the use of PR resources.

In order to set up local PR policies and programmes, PPCs and provincial DBs consult relevant provincial agencies, particularly DOLISA, the Department of Planning and Investment (DPI), and the Department of Finance (DOF). After PR policies have been implemented, relevant departments or agencies, on behalf of PPCs, can follow up the implementation. In general, provincial DBs implement all central PR policies and guidance in combination with local initiatives which are appropriate to their physical-social conditions and provincial budgets. DBs can set up some particular PR policies aimed at some special groups in their provinces. However, a local policy support norm must not be lower than that of central policies.

Similarly, at district level, the head of a district DB is a vice chairman of the District People's Committee (DPC) and the permanent vice head is the manager of the district Office of Labour. DPCs follow PPCs' PR policies strictly. DPCs and district DBs also play an important role in implementation as service-providing agencies such as Agribank, agriculture-extension centres, education departments and health departments have offices at district level. If communal authorities' capacity is limited, DPCs will carry out the policies and programmes. DPCs can make decisions on PR investment policies. Provincial DOLISA officials monitor the implementation of PR policies at districts and other provincial departments.

At commune level, the head of a commune DB is a vice chairman of the Commune People's Committees (CPC) who is assisted by an official who is in charge of PR in the commune. CPCs and commune DBs directly implement PR policies and programmes. CPCs, assisted by mass organisations, take the initiative in setting PR programmes and propose them with budget plans to higher DPCs. After the plans are approved by DPCs, CPCs implement the PR programmes. CPCs have a PR staff and heads of villages as PR collaborators at village level.

In general, local governments are allowed to formulate a particular PR management model that best assists them in implementing PR policies. For example, some local governments can formulate PR task forces inside the PPCs and the DPCs to assist provincial and district DBs in managing and coordinating PR policies. Some provinces set up provincial Poverty Reduction Project Management Units in order to undertake PR.

Mass organisations which spread from central to local levels are also active in PR. In theory, they serve as bridges between the Communist Party and local government. They are involved in providing credits to the poor through setting up credit groups and guaranteeing poor people's loans from banks. The Women's Union and the Farmers' Union are involved in selecting borrowers and managing capital in credit programmes. The National Fatherland Fronts set up People Inspection Committees at commune level. Leaders of the mass organisations are members of people's councils.

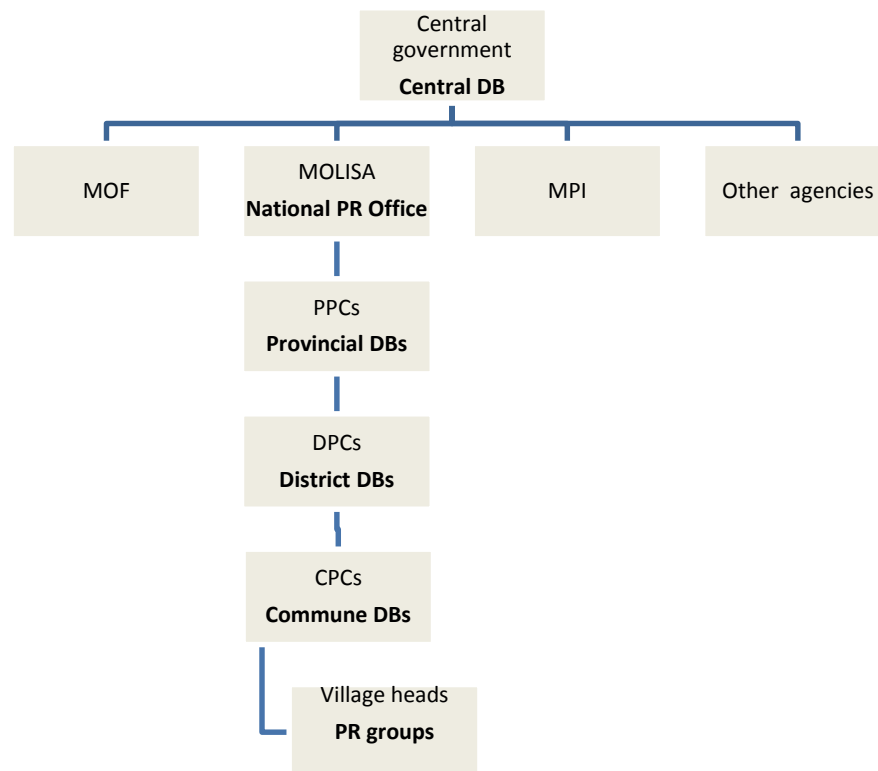


Figure 11: Decentralised PR administrative organisation

## 6.10 Financial organisation

Local governments and relevant government agencies annually draw up action and budget plans and submit them to MPI and MOF. These two ministries review all the plans and submit them to the prime minister before they are presented to the National Congress for final approval. After the plans are approved, MPI and MOF assign budget plans to provincial PPCs and relevant government agencies. Usually, depending on each province's socio-economic situation, the central government will provide part of the provincial



budget plans and provincial PPCs have to use their local budget to cover the remaining plans.

Likewise, in order to implement PR policies and programmes, the central government allocates part of the budget to local governments if local governments cannot finance them themselves. Funds are provided from the central government, via MOF, to local governments, via the provincial DPI. In addition to central funds, local governments have to contribute a local budget to implement provincial PR programmes and policies which combines both central government's and local authorities' PR policies and programmes. Provincial Party officials and PPCs are given a lot of discretion in the organisation and implementation of PR policies and programmes as well as in the allocation of PR initiatives and budgets in their provinces. The PPCs mandate provincial DPIs to allocate funds to relevant provincial departments and districts for implementing PR policies or programmes. PPCs usually separate central and local budgets. For poor provinces such as Tra Vinh, the central government has to provide 70 per cent of the total provincial PR budget.

The government provides financial resources to PR policies and programmes through two channels. In the first channel, resources are supplied to seven PR policies including agriculture-forestry-fishery extension, infrastructure to coastal and island communes, vocational training, replication of PR models, PR capacity building, legal assistance, and monitoring and evaluation (M&E). The criteria and budget plans are stipulated in the inter-ministerial Circular 102/TTLT/BTC-LĐTBXH signed by MOF and MOLISA in 2007.

In the second channel, a different financial and operational mechanism is applied for other remaining PR policies. A favourable credit policy for the poor is implemented by the Bank for Social Policy and the management mechanism for this credit policy is applied according to Decree 78/2002/NĐ-CP dated 04/10/2002. The health support policy for the poor is set up according to the Decision 139/2002/QĐ-TTg dated 15/10/2002 and inter-ministerial Circular 14/2002/TTLT-BYT-BTC signed by MOH and MOF. The educational support policy for the poor is set up according to six different Decisions and Decrees since 1997–2007.

### **6.11 Policy evaluation process**

The central government sets up M&E systems which include M&E criteria and tools of PR policies and programmes. In principle, evaluation is conducted on a regular basis to support the implementation of PR policies and programmes, or to adjust or set up new ones. Preliminary PR evaluation is held annually to give technical support to local governments or adjust policies for better implementation. Accordingly, every year, cross-disciplinary delegations are set up to examine PR programmes and policies conducted at localities to find any issues during the implementation. Every five years, a comprehensive PR evaluation is held. This evaluation is conducted to critically assess policies in order to adjust, remove or set up new PR policies and programmes.

Local governments also set up their M&E system based on central government's M&E criteria. They are supposed to conduct an annual evaluation and every two or three years do a more comprehensive evaluation of PR policies and programmes and report to the central government. Annually, local authorities check poor households' living conditions to see whether local PR targets are achieved. During these examinations, localities to be examined are selected at random. Questionnaires are sent to commune officials and poor households.

### **6.12 Conclusion**

The foregoing analysis of the processes of poverty definition and measurement, PR strategies and policies, targeting, and organisational structure of Vietnam's PR initiatives sets the foundation for the next chapter which analyses the in-depth interviews with senior PR officials and experts conducted for this research. Chapter 7 critically examines the efficiency of the above processes and discusses the achievements of, and the challenges facing, Vietnam's PR strategies.

## **Chapter 7: Field Work interviews**

Following the critical review of international and domestic reports on poverty reduction initiatives in Vietnam a series of interviews were conducted during 2013. These interviews were conducted in Vietnam with a view to gaining an in-depth appreciation of how poverty reduction (PR) policy and processes were developed and implemented 'on the ground'. The focus in the discussion with research participants was on the construction of PR policies including implementation and evaluation as well as the social-economic forces impinging on these processes. After the interviews were transcribed they were analysed according to the main themes and subthemes arising out of both the documentation and research interviews.

### **7.1 Interviews and participants**

A total of 16 interviews were conducted with both national and international experts who have had long experience in poverty reduction in Vietnam as well as in other countries. Most of these experts have been deeply involved in poverty reduction in Vietnam since the beginning of the process in the early 1990s. They have first-hand knowledge and experience in Vietnamese PR policy formulation, implementation and evaluation. The interviews with them were semi-structured and conducted so that the research participants were able to freely convey their ideas in response to the interview questions.

The interviewed experts work at both central and local levels. Central level experts tended to have knowledge based most particularly on policy formulation, whereas local experts had insight into more of the practical outcomes and challenges during the implementation of specific policies. Local knowledge is very important because Vietnam has a strong decentralised system in poverty reduction despite the overwhelming influence of the state and the practices of PR policies vary according to particular characteristics of the different provinces.

At the central level, interviews took place in Hanoi, the capital city of Vietnam. The interview participants were two senior PR officials of the Social Protection Department of

the Ministry of Labour, Invalids and Social Affairs (MOLISA)<sup>4</sup> and were previously the key experts who formulated the first poverty reduction policies in Vietnam in the 1990s.

One participant was a senior official of the National Office for Poverty Reduction (NOPR) of MOLISA and has had 15 years experience in poverty reduction in Vietnam. He was also involved in the formulation of the first poverty reduction policies in the 1990s.

Another high-ranking official at the central level interviewed was a senior expert of the Ethnic Minority Policies of the Committee for Ethnic Minority Affairs (CEMA)<sup>5</sup> who has been involved in poverty reduction with ethnic minorities for about 20 years.

As the World Bank and the United Nations Development Programme (UNDP) are important agencies which have been giving financial and technical support to poverty reduction in Vietnam since the 1990s, two international poverty reduction experts who were senior economists from these agencies were also interviewed. They were involved in technical support and the evaluation of poverty reduction programmes in Vietnam. They have had more than 10-years experience in programmes targeting the poor.

At the local level, interviews were conducted with poverty reduction experts in three provinces: Binh Thuan, Tra Vinh, and Daklak. Binh Thuan province is located in the Centre of Vietnam and has a high rate of poverty especially among ethnic minorities. Interviews were conducted with one senior official at the Social Protection Division of the provincial Department of Labour, Invalids and Social Affairs (DOLISA)<sup>6</sup> who is in charge of organising and monitoring poverty reduction programmes in the province and has first-hand knowledge of the process involved in implementing central poverty reduction policies at the local level.

At the district level, an interview was conducted with a senior official of the district of Ham Thuan Bac, who is in charge of organising poverty reduction policies. He has

---

<sup>4</sup> MOLISA is the agency which advises the Prime Minister and the Cabinet on poverty reduction policies and coordinates all poverty reduction policies and programmes in Vietnam.

<sup>5</sup> CEMA is the agency which advises the Prime Minister and the Cabinet on ethnic minority – relevant policies and coordinates all the poverty reduction policies and programmes dedicated to the ethnic minority communities in Vietnam.

<sup>6</sup> DOLISA, at provincial level, is vertically and technically under MOLISA, but under direct administration of the Provincial or City People Committee. DOLISA advises the Provincial People Committee on poverty reduction policies and co-ordinates all the poverty reduction policies and programmes in that province.

experience in implementation and effectiveness of the policies at this level including the targeting of the poor, measurement, implementation and evaluation. In this district, an interview was also conducted with an experienced official of the Office of Ethnic Minority Affairs<sup>7</sup>. This official has been involved in ethnic minority affairs and undertaking poverty reduction policies in their communities and therefore has deep understanding of the characteristics of the communities and effectiveness of the poverty reduction policies dedicated to the communities. An interview was also conducted with a senior official of the district Office of Planning and Finance who has been implementing poverty reduction programmes aimed at ethnic minority groups, particularly Programme 135, for about 10 years.

Tra Vinh is the poorest province in the Mekong River Delta located in the South of Vietnam where there is high ratio of ethnic minority people of which 40 per cent are Khmer people. In this province, interviews were conducted with two experienced officials of DOLISA who have been directly involved in organising and implementing poverty reduction policies in the province for about 20 years.

At the district level in Tra Vinh province, an interview was conducted with an official of the Office of Labour of Tra Cu district, who is in charge of poverty reduction programmes in the district. Tra Cu is one of the poorest districts in the Tra Vinh province.

In order to get an understanding of the poverty reduction policies targeted at ethnic minority communities in this province, an interview was conducted with a senior official of the provincial Department of Ethnic Minority Affairs (DEMA)<sup>8</sup>, who is in charge of poverty reduction programmes for ethnic minority people in the province and has had about 20

---

<sup>7</sup> Office of Ethnic Minority Affairs, at district level, is vertically and technically under DEMA (see footnote 10) but under direct administration of the District People Committee. The Office of Ethnic Minority Affairs advises the District People Committee on poverty reduction policies dedicated to the ethnic minority communities and co-ordinates all poverty reduction policies and programmes dedicated to ethnic minority communities in that district.

<sup>8</sup> DEMA, at provincial level, is vertically and technically under CEMA, but under direct administration of the Provincial or City People Committee. DEMA advises the Provincial People Committee on poverty reduction policies dedicated to the ethnic minority communities and co-ordinates all poverty reduction policies and programmes dedicated to ethnic minority communities in that province.

years involving in programmes aimed at alleviating poverty among the ethnic minority communities.

The final province was Daklak which is located in the Central Highland region of Vietnam. This region has the second highest rate of poverty in Vietnam, just after the Northwestern region, where there is high rate of poor ethnic minority communities living in remote areas. One official of Social Protection Division of the provincial DOLISA was interviewed. He has been involved in poverty reduction programmes since the beginning of the 1990s and has in-depth knowledge about the implementation of central policies at the local level.

An interview was also conducted with an official of the Department of Ethnic Minority Affairs (DEMA) in the province. This official has had very long experience implementing poverty reduction programmes dedicated to the ethnic minority people and thus has very deep understanding of the programmes as well as their advantages and disadvantages.

The interview questions were divided into the categories of concepts and measurement of poverty; the targeting of poor people; policy formulation; implementation and evaluation. In interviews with participants working at the central level, questions of all the categories were asked. In those with participants working at local levels, only questions about targeting, implementation and evaluation were asked as the experts at provincial and district levels are not involved and had little knowledge concerning the concepts of poverty and likewise they were not generally involved in the formulation of policies.

Each interview lasted for about 45 to 75 minutes. Interviews of participants at central level took longer, about 60-75 minutes as they answered all questions in the categories while interviews with local level participants took a shorter time, about 45-60 minutes. The interviews were based on a semi-structured interview schedule which addressed a list of pre-set questions allowing scope for follow-up questions exploring the issues in greater depth.

The interview transcripts were then analysed by coding according to a series of themes. These themes provide the framework for the examination of the fieldwork interviews in this chapter. In order to keep the interview participants' identity confidential, their names

are not presented throughout the thesis. Thus, each of them is coded as “p” such as p1 and p2 in interview quotations in this chapter.

## **7.2 Vietnam: An economic growth success story**

In discussing the achievements of Vietnam in terms of poverty reduction, most interview participants praised the PR achievements in Vietnam as a remarkable success story. One international expert, for example, suggested that the PR achievements should be the start of any discussions about PR:

In general, it is a very positive picture. Vietnam in late 1980s and early 1990s, income was very low for everybody almost. The progress Vietnam has made is remarkable. So any discussion has to start with that (p1).

Similarly, the other international participant also considered Vietnam as the major international success story:

Poverty reduction in Vietnam is one of the major international successful stories within the last 16 or so years (p14).

Economic growth was consistently identified by participants as the main driver behind reductions in the poverty rate in Vietnam. The former UNDP expert maintained that:

It has done well largely because of economic growth. The economy has grown on average by 7 per cent for over 20 years so that is why poverty has come down. There is a lot of creation of jobs, a lot of opportunities for exporting agricultural commodities that didn't exist before. Those opportunities increase income for millions of people. It is very impressive (p1).

Sharing this point, the former World Bank expert agreed on the role of the economic growth and particularly emphasized the importance of a “series of reforms”:

I think the major thing I have to say is it is not being so much PR policies now you defined, more it has been economic growth coming on top of the series of reforms which set a fairly equitable pattern of resources which is really like a main expansion with big reduction in poverty from 1993 to about 2006 (p14).

He identified some important policies which were designed after the introduction of the Doi Moi policy which redistributed resources and promoted investment in human capital combined with the rapid economic growth in the 1990s as dominant factors that explain the achievements in PR:

The thing which happened 4 or 5 years after Doi Moi came in, particularly the first Land Law and some of the subsequent: redistribution of land in rural areas, also the investment which was made in human capital, education, essentially. When you combine those with very rapid rate of economic growth which happened, from the mid 90s onward; if you put those two things together, that provides a lot of the explanation for why poverty, as defined in terms of monetary terms using poverty lines, fell so fast (p14).

Likewise, the reform policies generated increasing income in rural areas which expanded throughout most of 1990s. The international participant said:

If you think of agricultural reforms, combined with liberalization of agricultural markets, if you combine those with what happened in terms of the reform of the land, reform of the agricultural system, that explains very rapidly rising incomes in rural areas, expand most of it essentially throughout most of 1990s (p14).

Local participants also agreed with international experts that the economic growth played an important role in PR. One senior MOLISA official said:

Of course, the PR achievements did not purely result from PR policies. PR achievement is first the result of economic growth for many years, high and stable, whereas PR policies and programmes only contributed directly to PR to a particular section. PR achievements, we must assure that two thirds of this is thanks to economic growth, the other one thirds thanks to PR policies and programmes. (p11)

While the achievements of economic growth were identified as helping to reduce poverty, the improvement of infrastructure and utilities were also identified as significant achievements in helping improve the lives of the poor. The PR official at Binh Thuan province referred to the way in which the improved infrastructure had improved the lives of poor farmers. Previously, people had made products and wanted to sell them at markets, but they had no roads to transport the product to the markets any distance away. Consequently they had to rely on dealers, who came in and bought wholesale and got a lot of benefits. The poor households gained very little. Now, with roads opened, they were noted as being able to carry the products to markets and receive higher benefits from their products (p2).



The extension of electricity provision in Vietnam was also identified as providing substantial benefit for poor people. The international participant appreciated the provision of power to rural areas of Vietnam:

Vietnam should get more credit for the electrification of rural areas. If you are poor and you are living in rural areas, getting electricity is a big deal. It is important for the quality of life. It is a big commitment. It is not easy but the government did it. It is impressive (p1).

Likewise, increased provision in health care, including higher immunization rates and maternal health care for people in poor areas was noted as important. The foreign research participant highlighted the high immunization rate achieved, which he thought many countries in the region had failed to achieve:

It is also very impressive! Very high rate of immunization! And it seems that wherever you are, and whoever you are, you can get your child immunized. And again, a lot of countries in the region did not manage to do that. So I think it is also very impressive (p1).

He argued that maternal health care is also very impressive in Vietnam:

Even though now Vietnam is still basically a poor country, it is very impressive! (p1).

### **7.3 Challenges for achieving poverty reduction in Vietnam**

Despite the achievements of Vietnam in achieving economic growth which has instigated significant declines in poverty rates in the country, a number of factors were identified by participants as continuing to present obstacles for poverty reduction. The first was in terms of education costs. The former UNDP expert complained about the high school fees, particularly at junior secondary and secondary school that causes a high-drop-out rate in Vietnam:

The biggest problem at the moment is market user fees for health and education. According to the law, primary education is free but in fact, primary education is not free. Children have to pay local fees, uniforms, books and very often they have to pay for extra classes because if they don't pay for going to extra classes, the teachers don't get paid and they don't take care of the children. It costs money to go to school and clearly that has the biggest effect on the very poor. When you get junior secondary or secondary school, the fees are actually quite high relative to

people's income and so a lot of kids leave school and Vietnam according to UNICEF, has the highest rate of children leaving school after primary school. One of the reasons why the drop out is very high is because it is expensive to go to school (p1).

High health care fees were also identified as a challenging factor. In Vietnam healthcare for children under the age of six is free. But after that people need insurance. Even though poor people have insurance, the costs of medicine are high. Also, if they do not go to hospitals, they are not paid by insurance. That is why many poor people do not go to hospital until they get very sick and it is very expensive to treat or they never go to hospitals. Further, migrants cannot benefit from free healthcare (p1). As the former UNDP participant stated:

Even the poor who have insurance have to pay a lot of money for the medicine and for the doctor which is a problem (p1).

Several obstacles of the user-pays market system were argued as causing problems for the poor, but the participant at the same time expressed a recognition that health care insurance is a major cost for the country:

Vietnam is not a rich country and so how to afford decent health insurance for everybody is not easy (p1).

A bias in who can receive pensions was also noted as a challenge in Vietnam. The former UNDP expert mentioned the income gap between the old people who used to work for the government and those who don't. Those who previously worked for the government receive a pension when they retire, while others do not. This income inequality also exacerbated regional gaps because most of pension-receiving people come from the north:

There is a lot of inequality for old people between people who used to work for the government and retire and people who didn't work for the government and retire. It is a big income gap among the old people (p1).

The income gap for the elderly has become a political problem in that the government only gives pensions to old veterans who used to be communist soldiers from the North, not their rivals from the South. Meanwhile, many of these retired soldiers from the South who don't receive pensions are poor. The foreign participant expressed his view that:

If I were on the politbureau, I would give pensions to all the southern soldiers because that is one way that we say we are all one country now. The past is the past and what happened in the past is finished. I would say every soldier no matter what side they fought on they should receive the pension (p1).

Besides social policy issues such as education, health and pensions noted above, a lack of skills in the labour force was identified as a challenge to economic growth and to poverty reduction. This point, for example, was raised by the former World Bank expert participant:

One thing, which really challenges growth, is the skill level in the economy. And simply whether the composition of the labour force at the moment is appropriate for a country moving into middle income status wanting to industrialise (p14).

Participants also highlighted concerns about corruption in some areas. They identified corruption as a real challenge. The foreign participant said:

There are concerns about corruption happening at different levels. I think this is one of the areas which could really be slowing down economic growth and future development. I think this is very important to reduce it as much as possible (p14).

The plight of ethnic minorities in Vietnam was highlighted by participants as being of particular concern. One participant considered poverty among ethnic minorities as the first challenge for PR in Vietnam:

They have not benefited as much from economic growth as the majority Kinh population. That is why now an ethnic minority person is roughly must be five times more likely to be poor than a Kinh person. Ethnic minorities live mostly in the mountains, in difficult communes in Region 3. They probably have low level of education. They have different types of agriculture and difficult culture traditions. All of these things tend to interlock and create poverty trap for ethnic minorities (p14).

The particular cultural features of the minority people hinder them from rapidly integrating into the modern economy. One national participant argued that:

Now there are fewer and fewer forest resources for them. We want them to shift their production mode but what can they do? They just got out of the primitive communism society, how can we expect them to change their thinking overnight? How can they survive without land and forest? They may not want to go overseas

nor to cities to search for jobs. They are used to living freely in nature. They may not want to work 12 hours a day in industrial parks (p12).

Geographical obstacles also cause difficulties in the provision of services to the ethnic minorities. One international participant elaborated this issue:

You also need to understand how difficult (it is) to provide the services in areas where people live very far away, often in the forests or some places without much contact with towns. There is a gap but it is not specific to Vietnam. So, it doesn't mean that they shouldn't try to do it but I also understand why it has been difficult to achieve (p1).

Acknowledging difficulties in the living conditions of the minority peoples, the government has designed many PR programmes aimed at supporting them. One national participant emphasized that:

The second particular feature of Vietnam is we really focused on ethnic minorities and solved the inequality between the ethnic minorities and the Kinh (p11).

The participants confirmed that minority people have benefited from more programmes than the majority Kinh people. The perspective about poverty of ethnic minority started to take off since 2003 when the Party had the Central Resolution 4 about Task for Minority. The CEMA participant said:

Particularly since 2003, after the issuance of the Central Resolution 4 about ethnic minority people, the Party and Government has paid more attention. The Party and Government were interested in carrying out comprehensive investment in minority areas so that these areas could develop in terms of literacy, income, infrastructure, general development and in the conservation and development of the ethnic minority culture (p13).

Participants also asserted that development agencies and donors are also interested in ethnic minority poverty. They invested a lot in Programme 135 which is aimed at helping remote areas.

### **The role of PR policies**

In discussing more specifically the role and impact of PR policies in Vietnam, participants were mixed in their views of their success. The former World Bank official was uncertain about the role of PR policies in reducing the overall poverty rate in Vietnam:

It is not clear then what the link is between that and PR - policies of Hunger Eradication and Poverty Reduction (HEPR) (p14).

He did not underestimate the impact of the PR programmes but he disagreed with government evaluation reports which are always highly complimentary of the role of PR policies in the reduction of the poverty rate in Vietnam:

Sometimes when you see the evaluation of some of PR programmes, they were basically claiming all of the reduction of poverty was due to HEPR or PR programmes. Well, in fact, you have to “dig deeper” and look at what that fundamental underlying pattern would be in order to explain that rapid PR process (p14).

Although not having significant influence on PR achievements, the PR policies and programmes are seen by other participants as resolving the urban-rural and rich-poor gaps. One participant confirmed that:

The PR policies and programmes shortened the gap between urban and rural, rich and poor. That is the significance of PR policies. Without the PR policies and programmes, the rich-poor gap is very sharp (p11).

The senior PR official in Tra Vinh province considered PR policies as protecting the poor:

Second, it protects the poor from falling into extreme poverty. When we shifted from the centrally-planned to market system, the PR policies protected the poor from falling into extreme destitution (p5).

#### **7.4 Definitions and conditions for defining poverty in Vietnam**

How poverty has been defined in Vietnam was discussed with participants. When it came to definitions of poverty participants such as the senior official of MOLISA referred to an evolution of concepts over time. He saw this evolution as having come “naturally”; “a natural trend” (p12). It was noted that at the beginning, poverty was defined in subsistence terms as shortage of food.

At first, the poverty standard was measured in terms of rice because people were too hungry. So the government had to identify how much rice the poor needed and if their income was not enough to buy 13 kilos of rice, for example, they were considered poor (p12).

This concept of poverty developed at a time when many people were living in very harsh conditions. One participant recalled the difficult living situations of the poor in Ho Chi Minh city and Ha Tinh province in the early 1990s:

From 1990-1991 in Ho Chi Minh city, the first developed city in Vietnam since the reform and open door policy in 1986, there was a situation that some civil servants became poorer as they lived on their very low salaries. In 1993, at Ky Anh district, Ha Tinh province, a very poor district on Highway 1 at Deo Ngang Pass, local people didn't know what to do to earn a living apart from farming. Then, sometimes they came out to beg on the pass. They included many old people and children (p11).

To solve this problem, efforts were made to first eliminate hunger and then reduce poverty. The participant recollected this period of time:

Since 1993, starting from Ho Chi Minh city, there was a movement called "hunger elimination and poverty reduction (HEPR)". Later in 1996 we had a Party resolution about HEPR. Then we set up programmes. On the basis of these programmes, we identified who the beneficiaries were. The beneficiaries were identified by poverty criteria. At first, our poverty criteria were measured by rice (p12).

After initial identification of the poor's need for food, the government started to shift to non-food needs. He said:

We moved gradually because people do not only need food but other needs. So we raised the standard in order not only to meet the need for food but also other non-food needs. The policies then had to be attached to the concept of poverty standards at that time. Now that the concept of poverty is different so PR policies have to be adjusted accordingly. It does not only solve the eating needs but also other needs (p12).

One participant also mentioned "money" which was identified as an important need for the poor:

Later, we shifted to money. We identified that one of the biggest problems to the poor is the lack of capital. The capital here only meant money, purely capital for production and doing business (p11).

From the initial concept of poverty in subsistence terms, participants reflected that poverty has now been defined in new perspectives. All the national PR officials interviewed asserted that Vietnam has adopted a new concept of poverty and now

approaches PR in a more comprehensive manner. They affirmed that Vietnam has changed the interpretation of poverty from mono-dimensional to multi-dimensions. The senior PR official from the Committee for Ethnic Minorities Affairs (CEMA) said:

Now, the Party and the Government have a different conception on poverty reduction. That is Multi-dimensional poverty (MDP). Poverty is no longer understood as having enough food and clothes. Now we have to reduce poverty in terms of awareness, education, healthcare, entertainment, culture, infrastructure, production and so on (p13).

Most national participants confirmed that the government has had an MDP approach in their PR policies which touches all physical, cultural and spiritual aspects of life. One senior participant said:

In fact, in our current policies, we have got so many policies regarding MDP. They have covered all the aspects of life, from the policy for newly-born children being treated without fees to policy for poor pupils going to school being exempted from school fees and provided with food allowances and housing policy for the poor (p12).

An approach to MDP is now understood as being the most important way for solving poverty radically as indicated by the CEMA official, who argued that in using this “we must focus on the root of the problem” (p13).

One national participant emphasised that Vietnam will need to adopt a new approach to poverty, incorporating concepts such as children rights and human rights because it has been integrated with global standards and trends:

Our current perspective is, we have signed some treaties. How is the children right? How is human right? We have to solve these issues, step by step. So our approach has been changing (p12).

The adoption of an MDP poverty line is indicated in the Resolution for Sustainable Poverty Reduction in Vietnam from 2011-2020 (p6). This is not only confined to the definition of poverty. Vietnam has been encouraged to change in its measurement of poverty by international agencies. Accordingly, it is recognised that poverty should be measured in MDP terms:

Technically, they are asking us to change in the way we approach our target groups. Not just one criteria of poverty which measures people's incomes; we have to approach on the basis of needs (p12).

The government has made an effort to measure MDP by carrying out one pilot project in co-operation with UNDP in some big cities. One participant said:

United Nations Development Programmes have done MDP measurement in urban settings. They co-operated with Hanoi and Ho Chi Minh city and the Institute of Social Sciences (p12).

The Vietnamese government has also started to conduct research on measuring MDP with the assistance of foreign agencies and non-governmental organisations:

Now the Prime Minister is directing us to formulate MDP line. MOLISA has been researching on MDP and MDP line, with the assistance of foreign agencies and non-governmental organisations. We will go to study MDP in countries which have done this (p15).

MDP measurement is being tried by a technical team in the National Office of Poverty Reduction:

The technical team is trying the method of MDP measurement without applying the dimension of income. There are many discussions about MDP (P15).

The MOLISA official informed the researcher that they have to report to the government about the research of MDP by the end of the year 2014 (p15). However, MDP was noted as still being a new concept to Vietnam and the participants noted numerous challenges in applying the concept to actual policies. Observations were expressed that the application of MDP is still limited by the top leaders in Vietnam who are used to traditional concepts of poverty. One participant asserted that:

In terms of approach of MDP measurement, we are not concerned. Moreover, MDP is not a matter of resources, either. That is the matter of conception and awareness. We can understand this new concept but to convince the leaders to change their concept of poverty is difficult (p12).

Furthermore, to shift to an MDP approach in targeting, he argued that institutional change is needed:

It needs a process from our institutions. It is related to laws and the constitution which is being adjusted. So it has to start from the constitution. That needs our



step-by-step implementation. These things must probably go through a long-term process (p12).

There are still many debates over the MDP measurement. One participant noted, for example, that “they are debating over whether or not they should continue using income as part of the MDP poverty line” (p15).

No matter how many needs there are, it is important that the needs defined in the concept of poverty must fit the country’s resources and social context. This was what MOLISA senior officials at central and local level asserted. This issue of the understanding of poverty has been raised by the former UNDP expert when he commented on the poverty definition and PL setting in Vietnam:

It is not the problem in terms of policies. It is the problem in terms of how we think about poverty in Vietnam (p1).

## **7.5 Poverty measurement and poverty line**

The use of an income-based measurement of poverty was identified by participants as the normal approach in practice in Vietnam, but also creating tension in PR work between Vietnam and international development agencies. One participant said:

When we measure, we only base on income but international development agencies want us to measure multi-dimensionally (p12).

Interview participants explained the system of poverty measurement in Vietnam. What was clear is that there are two main measuring systems, which in itself caused challenges for policy making and implementation. The two agencies involved in poverty measurement were identified as the General Statistics Office (GSO) and MOLISA. The former World Bank expert asserted the “continuing argument” between these two agencies but he affirmed that:

They are two different poverty monitoring systems (p14).

The goals of measurement by the two agencies are different. Every two years, the GSO carries out a survey called Vietnam Household Living Standard Survey (VHLSS). The survey is conducted by investigating at random narrow samples:

They make a narrow survey of 500-700 households per province. They do it at random, according to percentage. Their goal is different (p9).

Then in the second year after the survey, GSO updates the government's poverty line (PL) and the poverty rate:

The following year of the VHLSS survey, GSO estimates poverty rate of Vietnamese households based on the CPI index but does not conduct another survey (p15).

In the meantime, MOLISA conducts the Poor Household Survey of all households nationwide every five year and does not take samples (p15). Every year after the survey, MOLISA carries out a check of poor households and estimates the national poverty rate (p15). The senior MOLISA participant explained the purpose of the annual checks by MOLISA:

MOLISA conducts annual checks on poor households to see if they are capable of getting out of poverty using a rapid assessment tool, and also identify those who are at risk of falling into poverty. They will investigate their incomes to see if they are under or above PL. Then, these households can be then put into list of poor households or out-of-poor households (p15).

The Tra Vinh province official added that through annual checks, they know whether they have achieved their PR targets or not. He confirmed the main goal for MOLISA's approach which is different from the GSO:

The goal of MOLISA is not to measure national the poverty rate but to identify or target poor and near-poor households who will be the beneficiaries of governmental PR policies (p15).

One participant described how they conduct the survey:

Here we have to survey all households, places with concrete addresses, names, birthday and numbers of household members (p9).

For that purpose, MOLISA does not regularly update the government's PL which is set very low to lower the poverty rate for its PR programmes given its limited resources. That differs from GSO's practice. The Tra Vinh PR official affirmed the domestic nature of this PL:

This PL is just for implementing policies within the country (p6).

The two measurement systems create two different national poverty rates. The MOLISA PR official asserted that the poverty rates between MOLISA and GSO tend to be similar for the first year of the 5-year period but differ in the following years as GSO updates the CPI

into the PL then, as the result, the estimated national poverty rates differ (p12). The local Daklak province MOLISA official also confirmed this:

There are 2 sources of national poverty rates. One is from GSO and one from MOLISA. These figures are often different from one another (p9).

As the GSO's PL is annually updated, it is usually higher than MOLISA's PL. The Tra Vinh province MOLISA official affirmed that if GSO's PL is applied in MOLISA's PHS surveys, the national poverty rate will be much higher than the current poverty rate measured by MOLISA (p6).

In fact, the MOLISA PL is set very low. The challenges for the Vietnamese government in defining poverty were identified as also influencing the setting of poverty lines and PR policies. This is one of the most pressing problems in Vietnamese poverty reduction as expressed by the international participant about poverty in Vietnam in the interview:

The measurement of poverty has been quite narrow in the sense that the PL is very low. It has not been raised, except for this year; finally it raised. In Vietnam, even after the PL has been raised this year, it is one of the lowest PL in the region (p1).

He became very sceptical about the low national poverty rate as measured by the government:

When the government said that the poverty rate is down to 10 per cent, I think we should be careful about that. We need to recognize that the poverty line is very low. The poverty line now doesn't make use of any sort of decent standard of living in any objective measurements. There is a lot of work still needed to be done about that (p1).

There were numerous debates about the setting of the poverty line. The other experienced international participant also mentioned a similar concern about poverty line setting (p14). One of the senior MOLISA participants also admitted that:

There was a lot of discussion about PL setting and how it needs to be updated and those sorts of things (p14).

The local Daklak province MOLISA official also agreed with this view saying that the PL becomes too low when there is inflation. He indicated that:

In theory, people have got out of poverty, but in reality, they are falling back into poverty as increasing prices have exceeded their incomes (p9).

However, the low PL setting was defended by senior PR officials in MOLISA. Basically, the setting of the PL is based on the overall perspective on defining poverty in Vietnam. As MOLISA's PL is used to target the poor for its Vietnamese PR policies, it must be set in a way that its poverty rate fits the national resources used for PR policies. One participant confirmed this point:

This PL is just for implementing PR policies within the country. This PL just fits the budget of Vietnam. If we use GSO PL, the poverty rate will be very high (p6).

A senior participant recalled the strategy to set the PL low, given the limited national resources, to help the poorest people first, although they were under pressure to set a more precise PL using international standard:

If we set up high PL, the national poverty rate will be very high. For our PR policies, where would money have come from? We needed to focus on the poorest group first though the PL did not reflect the real current poverty status of Vietnam. Though GSO's PL is more scientific, systematic and accurate, we cannot use it for our PR policies. I need to make PL low so that people can get over (p11).

Another senior MOLISA official also confirmed:

The PL depends on the governmental budget. We don't have enough money to support all (p15).

Therefore, the international participant doubted the current poverty rate which has been measured by a very low poverty line:

We also need to recognize that even now, by any sort of objective measure, a majority of Vietnamese people are still poor (p1).

MOLISA participants also confirmed that the actual poor population in Vietnam is still very high. In reality, their lives are still in difficulty and they fall deep into destitution when there is high inflation or natural or economic crises. One senior MOLISA participant asserted this point:

However, poverty in Vietnam is not only relevant to ethnic minorities. We have poverty everywhere (p12).

The PR official at Ham Thuan Bac district also referred to the unsecured living conditions of the poor:

The PR in the district is very not sustainable. If we stop supporting them, they will fall into poverty again. In mountainous communes where people live on agriculture production, if there are disasters like illness, drought or flooding, they will become poor again (p4).

The senior PR official at district level mentioned the high rate of people falling back into poverty:

The people living at the margin of the poverty line are very likely to fall back into poverty. This falling-back ratio is very high (p7)

Thus, the national poverty rate that GSO comes up with is used to report to international communities such as the United Nations while the poverty rates measured by MOLISA is reported to the government and Vietnamese agencies and is used for implementing PR policies. The poverty rate and poverty lines as set by MOLISA are officially used for PR programmes (p15).

In spite of all that, MOLISA officials were very proud of the fact that they can identify specifically poor households who will benefit from their PR programmes which GSO cannot match. That is one advantage and also the main goal of MOLISA. A senior participant said:

We manage to work down to household level and specific persons and our policies are for specific households and people. The GSO gives very precise figures but if we ask them where the households and people are located, they can't answer (p12).

The Daklak MOLISA official added to this point:

Here we have to survey all households, their locations, concrete addresses, names and birthday, and household members whereas GSO can only show the percentage of poverty in an area and cannot pinpoint specifically which one (p9).

Though, the Daklak official affirmed that the GSO is more systematic and better in scientific terms.

In scientific terms, GSO is better, more standardized. GSO's approach is more detailed with sufficient criteria and the exactness of each household is higher, more systematic. The other survey is with people participation. We cannot say it is not exact because it identifies each household (p9).

The Daklak official is convinced in MOLISA method if they follow the procedure tightly:

If we follow properly the procedure, MOLISA method is better (p9).

The international participants could see the constraints from both approaches. One of the foreign participants said:

Both approaches have problems. The main problem with GSO approach is you can't drill down as far you want to, at least if you don't use small area estimation methods. The problem with MOLISA method is it gives an awful lot of discretion to people, officials of the commune level, in terms of who does or doesn't get included on the poor lists (p14).

The former World Bank expert also confirmed the efforts to bring the two approaches together though they are quite different in goals:

It seems to me that the two systems are quite different. A lot of energy gets spent trying to bring those two systems together but they never seem to actually come together. That is why you will never again get the same answer if you do those two things by different ways (p14).

However, one MOLISA expert at the central level confirmed MOLISA and GSO have always cooperated in measuring national poverty and setting the poverty line to identify poor households to benefit the policies (p15). This official confirmed that the government always considers both poverty rates by MOLISA and GSO:

When the government reports the poverty rate to international agencies, they consider both rates by MOLISA and GSO (p15).

She illustrated this point by reference to the 2010 national poverty survey:

In 2010 national poor household survey, MOLISA and GSO co-operated very closely. Based on the new PL, GSO estimated the national and provincial poverty (poor household) rate of 14-15 per cent which was close to MOLISA rate of 14.2 per cent (p15).

The Daklak MOLISA expert also suggested these two agencies should support each other:

It is the best if two agencies co-operate with each other. Each has its own advantage (p9).

## **7.6 Targeting of poor people**

All local MOLISA officials from research provinces of Daklak, Binh Thuan and Tra Vinh had the same view on the poverty household survey (PHS) procedure that MOLISA implements

to target poor households. However, according to the international participant, Vietnam has a big problem with targeting:

The number of people who receive these benefits is quite small and the targeting is probably not that efficient. It is probably these benefits are not necessarily going to the poor which is difficult, which is always problem of targeting. How do you target? On what basis do you target? I think the biggest problem is the coverage is very limited (p1).

The donors (including the World Bank) do not want to support the government-designed targeted PR programmes because they are not confident in the targeting process:

These are government-designed programmes which the donors the World Bank and other donors don't like because the process by which the selection of households is undertaken, the targeting, didn't give confidence to the donors that the poor were going to be the ones that would get the benefits (p1).

This participant doubted the effectiveness of using the resources by the national PR programmes:

It is expensive. I think the question that we asked the government "Is it worth it? Is it the best use of your money to do this programme?" The government like these programmes and want to continue with them. I don't think these expensive programmes necessarily reach the poorest people (p1).

The international participants critically suggested re-evaluation of targeting to make it better.

So it means that it comes to a point at which you have to stop thinking what are the returns to targeting, versus some forms kind of universal transfers or other kinds of transfers which people would select themselves into, again you can spend a lot of money and time thinking about trying to design better and better targeting (p14).

Other national participants also acknowledged that targeting is not absolutely accurate. For example, the Daklak official said:

It cannot be exact 100 per cent. The accuracy of targeting is only 80 per cent (p9).

The Binh Thuan participant illustrated one example of wrong targeting in his province where some wealthy people benefit from PR policies:

The central government has education policy for the ethnic minority poor or households living in coastal communes. However, there are some problems hindering our implementation. That is the households in these areas are not poor though they live in poor communes. These wealthy people benefit the policy whereas other poor households in other communes do not. That money can help other poor people. Those policies aim at wrong beneficiaries (p2).

The participants discussed the factors underlying the problem of targeting. The former World Bank participant pinpointed the decision-making freedom given to local leaders in targeting:

The problem with the MOLISA method is it gives an awful lot of discretion to people, officials of the commune level, in terms of who does or doesn't get included on the poor lists. Some communes take it very seriously. They do it very rigorously. In other communes, that doesn't happen. There are inconsistencies (p14).

MOLISA participants at both central and local level also agreed that there was inconsistency between different localities. They admitted it depends on local authorities. Further, the Binh Thuan province official elaborated the view on the role of local authorities emphasizing the lack of rationality and corruption that leads to wrong targeting:

Heads of villages do not observe our regulations. They are in a position to be able to get their relatives or acquaintances into the list of poor households to benefit from the PR policies. So they are the ones who decide who is poor to benefit from PR policies and who do not, even though these people are very poor (p2).

In order to avoid corruption or bias caused by local authorities in targeting poor people, at the final stage of PHS surveys, MOLISA holds meetings where local people are invited to participate in the targeting process. However, these meetings are not as effective as expected:

We must have people participation. We hold meetings but sometimes there are not many people coming to the meetings. Some are absent (p9).

Another problem of targeting is said to result from the government's approach by which too many PR policies have been designed. This causes part of the population to have an



attitude of dependence on these PR policies and thereby resulting in a lack of preciseness in targeting. One participant said:

The government causes an attitude of dependence for poor households by having too many policies such as healthcare, education, housing, electricity, water and so on. People rely too much on the government and do not want to get out of list of poor households. So they understate their incomes and assets in PHS surveys and pretend to be poor (p2).

Some people also cheated in other ways:

Some people such as a couple living with their mother discharged their mother out of the house to live in a cottage and even cut her residence permit. So she became alone and was put in the poor household list and consequently was provided with a new house by the government (p2).

More people have been trying by all means to apply for poor household benefits:

They fought to be recognised as being poor. The first frustrating thing is there are too many applications for being considered as being poor (p2).

MOLISA's limited resources for national PHS surveys also leads to distortions during the surveys causing a lack of accuracy in targeting and measurement. The MOLISA officials asserted that their organisation does not have sufficient resources to organize an efficient survey and this caused the surveys not to be done in a proper manner by some MOLISA local staff who did not seriously carry out the survey. The MOLISA participant in Binh Thuan province elaborated this point:

Some surveyors, instead of coming to households to collect information, stayed in their office or at home to fill fake data in the survey questionnaires. This happened because the pay for surveyors is too low while this job requires a lot of hard work (p2).

The MOLISA officials at both central and local levels defended MOLISA PHS surveys by comparing their resources and scope of targeting to the GSO. For example, a senior participant said:

While GSO, during their VHLSS survey, has staff, specialists, budget, and only have samples of dozens of households, it takes them months to have final results. When we do this PHS survey, we don't have money and human resources. Our scope is

23 million households, given our limited staff and working conditions, the lack of preciseness is acceptable (p12).

The Daklak participant also supported this idea:

Meanwhile, MOLISA cannot follow the proper procedure of a survey. We cannot afford the money for surveying all households. So, we have to do it qualitatively thereby it brings subjective results. The exactness cannot be there (p9).

MOLISA doesn't have any resources and power to co-ordinate local provincial authorities in targeting. The senior participant compared MOLISA's practice with that of international agencies:

In your project, you have money, so you have power to create the rules of the game; you have the power to ask people to follow you. In my programme, I don't have any power. Then our approach to implement must be different (p12).

Another issue is the way in which PR programmes do not really aim at helping the real poor but focus on earning credits for "successful" PR programmes in their areas. To carry out PR programmes, local authorities do not pick up the households who are really poor but, instead, select those who are able to 'escape' poverty thanks to their programmes. This point was mentioned by the MOLISA official at the district of Ham Thuan Bac, Binh Thuan province:

When people are in the poor or nearly-poor list, we know what their needs are. This information is collected from villages to communes. For example, the target for this year is to reduce 500 households and 20 of which is for commune A. So we ask the Commune People Committee to select the most 20 possible (to get out of poverty) poor households. They have to identify the needs of the selected households (p4).

However, the MOLISA participants at central level did not agree with the idea that targeting is a big problem although they acknowledged that the targeting must be given greater monitoring and supervision. One participant said:

I must say that the reality you mentioned is just minor. We must monitor and evaluate more frequently. Now we are on the way to do this (p15).

In order to secure the accuracy of targeting, MOLISA at provincial level checks poor households' living conditions at random. The Daklak province MOLISA participant confirmed:

We check 1-2 times per year at random. We base on their reports about List of Poor Households to check (p9).

Another factor that affects the targeting is the exclusion of urban migrants in the VHLSS and PHS surveys in big cities. This issue was raised by the international participants, for example:

The people tend to exclude all people who are migrants or people who live in slums or people who live in institutional houses or people who are homeless. They were excluded from the survey. If it includes more people who are mobile or people who live in slum areas, it would be more accurate (p1).

The urban migrants are excluded because they do not have an official residence permit (Ho Khau) in the big cities where they are living. This participant elaborated this point:

The reason they are excluded is because residence in Vietnam is based on “Ho Khau”, the official residence. So anyone who does not have presence of living where they have the “Ho Khau” is excluded from the surveys. So they illustrated problems in the sense that everybody in Vietnam is considered to be living where they register but in fact in the real world, many of people live in places where they are not registered (p1).

The government is aware of this but they are not going to change this system very soon. This matter depends on local governments. He said:

They are very reluctant to change that rule because it takes more time, because it is more complicated, because local authorities don’t consider people who don’t have local residence to be local people, they consider them to be outsiders so they don’t have to include them (p1).

As a result of this exclusion, the government has not prioritised urban migrants. This is considered to be one constraint in Vietnam, as compared to other countries. The issue of urban migrants is left to the management of the local authority. This fact is confirmed by a national MOLISA participant:

We do not pay enough attention to urban migrants. In our country, as for the urban poor, the local authorities have to manage themselves (p11).

National participants also recognized the issue of urban migrants but insisted that the government needs to give priority to permanent residents and the issue of urban migrants is for the future. One participant said:

We have to support those people who have stable accommodation (at least six months). In the future, we will make policies for those people, by learning experiences from Ho Chi Minh city which is leading on poverty reduction (p15).

Some local governments do not want to have so many poor people because they do not want to give out too much money. This point was reflected by the former World Bank expert:

So some communes say we can't have more poor people than this because, if we do, we're going to have to give out so many insurance cards and we don't have money to do that. This is certain kind of reinforcing element in it which is a bit problematic (p14).

## **7.7 Poverty reduction policy design**

### *The Vietnamese government's perspectives in designing PR policies and programmes*

The important role of the Communist Party and the government in designing PR policies was highlighted. One senior PR expert recalled:

We based our direction and perspective on the Party and the State, the direction and guidelines of the Party and State toward the poor (p11).

He stated the Party and the government's perspective in PR:

Our perspective was to ensure that everybody must have well-being and social equity. People are poor due to limited capacity and capital, the State has to distribute and redistribute and have solutions to secure them. When they cannot take care of their life, it is the State responsibility (p11).

The role of the Party and the government in initiating directly PR policies and programmes makes Vietnam differ from many other countries. One senior participant said:

In Vietnam, the government is directly involved. The government is only the one who directly manages the PR programmes (p12).

Based on the Party and the government's perspective, the government has designed a very large number of policies to help different groups of poor people. The former UNDP participant expert said:

The government has a very large number of policies to help the poor. It is politics, I think. They aim at different groups of people who for different reasons the

government wants to do something, to help them. So many different kinds of programmes are designed for different groups of people to keep them happy (p1).

The Provincial PR official in Tra Vinh uttered:

There are many PR policies. Our PR policies are too good (p5).

The government, in short term, has a two-fold approach toward the poor: providing for immediate needs and building up their skills for jobs. One participant elaborated this point:

Some people say it is better to give the poor a fishing rod than fish. In other words I teach you how to do business in terms of livelihood. But some people say we should give both fishing rod and fish at the same time. If you don't give them fish to eat first, people have no energy to go fishing. If people are too poor, it is no use to offer a fishing rod when they have no rice to eat. In the short term, we can give both but in the long term, we should only give them a fishing rod (p11).

Many of the PR policies in Vietnam are free. This point was mentioned as the nature of the political system. For example, one senior participant in Tra Vinh province considered it as a fundamental difference between a capitalist and a socialist country:

Poverty reduction in Vietnam is a subsidy programme. It comes from Socialism. Only Vietnam and China have that nature. The goal of our society is a social and human goal (p5).

This subsidy PR system is to protect the poor absolutely. He said:

The nature of subsidy in PR policies has advantage and disadvantage. The advantage is nearly to protect the poor not to be poorer. It protects the poor absolutely (p5).

The participant at the district of Tra Cu, Tra Vinh province emphasized the free support in PR:

There are too many programmes which seem to be free support (p7).

One dominant idea that was reflected by most national and international experts was the Vietnamese system of PR policies is very comprehensive. The senior PR official from the CEMA affirmed this comprehensiveness in PR policies:

I want to confirm again that the Government now has a comprehensive approach to PR (p13).

A senior participant emphasized that the government's comprehensive approach has covered all the aspects of life (p12). For example, the Sustainable PR program (Program 30A) which was aimed at the poorest areas in Vietnam was illustrated as encompassing many dimensions. The CEMA expert elaborated this point:

In this Sustainable PR program, there is a comprehensive support from district to household level. These districts will be supported fully from infrastructure, training, labour export, vocational training, agriculture and forestry production, land clearance and restoration. In terms of education, there are education, low-interest loans and developing boarding schools, setting up legal mechanism for private semi-boarding schools, training for local staff, training for village medical staff, mid-wives, nurses and doctors. It is a comprehensive plan for all 62 districts (p13).

#### *First poverty reduction policies*

The first PR programmes were initiated in Ho Chi Minh city in the early 1990s to solve the poor's hunger and to support their livelihoods. One participant recalled:

From the early 1990s, Ho Chi Minh city authority piloted some PR models to help the urban poor to have jobs. Mainly they focused on the livelihoods, for example, establishing some co-operatives, small-handicraft co-operatives. They co-operated to borrow loans, learn skills to do business (p11)

At the same time, local authorities in the central areas of Vietnam were also asked by the government to set up PR programmes for the poor. He said:

In face of that, the government asked the local government to set up a programme to help these poor have jobs (p11).

The first PR programme in Ho Chi Minh city called "Hunger eradication and poverty reduction" (HEPR) was established in 1993 before the Party had a resolution about HEPR in 1996. Since then, national PR programmes were set up.

#### *Vietnam PR framework*

The Vietnamese general framework for PR is based on the Comprehensive PR & Growth Strategy (CPRGS) which Vietnam, together with other countries in the world, made with the support from the World Bank. One participant recalled:

Regarding the general framework for PR, there are about 79 countries, from 2001 or 2002, for a decade up to now, with the support from the World Bank, focusing on making the Growth and PR Strategy. Its nature is not purely PR but economic growth. Vietnam also made it and it was approved in 2002 (p11).

#### *The poverty reduction policy formulation process*

The main agency in charge of designing PR policies in Vietnam is MOLISA while at provincial level, the local MOLISA office (DOLISA) is in charge as stated by the senior official at Tra Vinh province:

Just for the PR policies, DOLISA is also the hub for PR. At central level, MOLISA is still the hub which consults the government (p6).

The MOLISA experts confirmed that the PR policies were set up based on the practical needs of the poor people. One senior official said:

The policies come from the practical needs of the poor. The process for policy formulation of Vietnam came from the reality, the concerns in the society (p11).

The setting of PR policies went through a process. He recalled:

There is a process to plan a policy including research, founding or setting up, consultation and assessment, Cabinet proposal submission and decision, guidance for implementation, monitoring implementation, and evaluation (p11).

He illustrated this process by giving an example of designing the policy for the setting of the Bank for the Poor and the National Target Programme for PR in 1998:

One example is, in order to prepare for the National Target Programme for PR in 1998, it took two years, from 1996-98, for research, with the participation of 50 scientists from different disciplines including healthcare, education, economy, society, finance and so on. With such a big programme, we needed to have a very systematic study and had to analyse each issue. There were many aspects to research. Some may research on infrastructure, some on credit, education, or healthcare. In brief, there are 3-4 dozens of different themes. So, after we had identified the problems, we need to do research. It is like a scientific research at national level, to formulate policies (p11).

#### *Types of poverty reduction policies*

Three basic groups of PR policies have been set up in Vietnam which are policies of livelihoods, social services and social welfares. One participant said:

I confirm that there are three basic groups of policies. In addition, there are other policies but they are not as remarkable. Three big groups are livelihood, social services and social welfares (p11).

The first policy that came into being was the credit policy.

At first we focused on supporting them on livelihoods. We set up the Bank for the Poor, then we renamed it the Bank for Social Policy. The main aim was to give loans to the poor with favourable interest, so that they have capital for production or business. The gap of interest will be compensated by the government (p11).

This credit policy was then extended to other target groups including the ethnic minorities, other poor districts, pupils and students. He elaborated this:

Later this credit policy for the poor was extended to other people such as the ethnic minorities in difficult zones, the extremely difficult communes. Afterwards, we extended it to 69 poor districts. Lately, this policy has been open to poor pupils and students (p11).

In the livelihood group, apart from the credit policy, there is an employment policy and credit programmes for employment which support vocational training. The programme was also extended to other target groups. This participant continued:

We had policies for employment and credit programmes for employment. We had policies such as vocational training for the poor so that they could get jobs or to start a business themselves. Then this policy was also extended for young rural people. We also had vocational training for young people who went overseas for work (p11).

The next were agriculture and fishery extension policies. These policies came into being as the majority of the poor in Vietnam are from rural areas and live on agricultural production, fisheries or forestry.

We set up this policy and did capacity building for them through the system of agriculture and fisheries extension policies. Then we could transfer advanced technology to them and they could learn better skills in organizing their production. Poor farmers learn new agricultural and aquacultural production models (p11).

Among the livelihood policies, there is another major policy which is infrastructure support. One participant argued that livelihood policies will not be efficient without the provision of infrastructure:



A person from the remote area can produce a hectare of bananas but it is very difficult to transport it to the market. If you use only a horse to transport five tons of bananas, I don't know how long he can sell all those products. That requires a lot of labour, doesn't it? That is why within PR policies there are policies of investment in infrastructure. The main aim is to improve the living environment, production environment, and the working conditions. The production capacity multiplies many times (p11).

Then, it was electricity which enhances the people's access to information of advanced agricultural technology.

In order for the people in the remote areas to access to technological advances, they must have access to television or system of radio. If you want to have TV and radio, you must have electricity (p11).

Then, it was irrigation which is crucial for agricultural production:

The third issue which is attached to agricultural production is water. Lack of water cannot bring 2-crop production. Flooding is also very deadly. So we have to solve the water issue (p11).

The construction of the marketplace for the transaction of agricultural products was regarded as being necessary:

However, it is still not enough because we need a place for transaction which is called the market. You must have markets to sell your products. Then we have markets: commune and inter-commune markets (p11).

The two issues of health and education were seen as indispensable in PR

If you are not educated, you cannot learn skills and absorb technological advances. It is not only this generation, there are generations of fathers and children and grandchildren. Then we have to invest in schools and healthcare centres (p11).

Within the livelihood policies, there were land policies which provided land to landless ethnic minority people, particularly in Central Highland, for agricultural production. There were also policies for forestation. He explained these policies:

We must make planning of land resources, provide them with land and prohibit them from selling. There were many policies for livelihood group including policies for land and for supporting them to clear land that means we gave them money for clearance and restoration of land. Development of terraced fields in the mountains

was also supported. Recently we have also supported a lot for forestation and provided rice to forestation workers (p11).

After the livelihood policy, the government invested in social services for the poor. It involved policies on healthcare and education. One participant recalled:

We provide them with a health insurance card and increase local healthcare centres, to help these local healthcare centres to be capable of better treatment. However, if you invest a lot to the healthcare system at the central level, the poor will benefit very little. That is why we should pay attention to the distribution of money to the local healthcare system (p11).

Similarly, the government also had policies in education which focused on fee support and boarding schools:

For education, we had policies for the reduction of tuition fees, boarding school support, and building systems of boarding schools. Boarding school students receive support for rent and meals. We also had policies for disabled children (p11).

The third policy group was social welfare. Social welfare policies are about the provision of housing utilities and other support.

We have these policies of housing and clean water for the poor. In addition, there are some other supports such as allowances for power bills when the price of power increases, or support for the poor to celebrate Tet (Vietnamese New Year) (p11).

#### *Role of foreign donors in poverty reduction policy design*

Foreign donors and agencies such as the World Bank, UNDP and other organisations have had an important role and participated in the PR designing process, particularly in technical terms. One participant said:

Not only in PR and social welfare, at present, international agencies, based on their goals, and co-operation documents, have been participating a lot into forming institutions and policies in terms of technical support. Particularly, they want us to change our approach in forming policies. During the implementation, they want to introduce and transfer experiences and models which have been applied in similar countries to Vietnam. This is one of the conditions for their commitment to financing (p12).

In general, Vietnam accepts this technical support and is transparent in its direction.

In principle, Vietnam welcomes this. We are transparent in our direction. They can participate in making the contents, mechanism and methods and targeting (p12).

However, both the international and national experts asserted that the influence of international agencies on Vietnamese PR policies is very limited and most of basic priorities of policy had been internally decided. One foreign participant confirmed this:

Foreigners have some influence but not as much as they want in designing policies. In Vietnam the government does what they want to do and it is largely an internal discussion. International development agencies can offer some technical advice but they are not deeply involved in policy making in Vietnam (p1).

There is some consultation but most priorities have been decided. The other foreign research participant confirmed this:

The policies tend to be made behind closed doors. There is some consultation process after which there is some marginal adjustment but the basic priorities of a policy are usually set internally before much of the consultation (p14).

Whether the government listens to the international agencies or not depends on the importance of donors. The participant confirmed:

Depending on how important they are and how much money or how much co-funding might be available they take, in degrees, notice of the comments (p14).

It takes a lot of time if international agencies want to have any influence on the direction of policies because it has to go through a long process:

The minister has to be convinced and then the minister goes to the Party and the Party discusses it and debates it and then they come back and it takes a long time. It is not that it never happens but they happen quite rarely (p1).

Despite all this, the international participants hailed Vietnam's decisiveness in making final decisions in formulating PR policies:

International development agencies have to find the government's initiatives which are actually a good thing about Vietnam. You have to do what the government wants. It is not really a question of money. The government has its policies and priorities (p1).

However, there was some compromise between the development agencies and the government in some areas. A senior participant gave one example:

Donors also expect that we will gradually shift to decentralisation. That is a long process of changing the institutions. Though, we will try to complete some specific tasks within our capacity now. We have been transparent in resources and also facilitated the decentralisation (p12).

However, international funding for PR in Vietnam has become more limited starting from the end of December 2012 because Vietnam has got out of low-income country status. A senior MOLISA official confirmed this:

When Vietnam has got out of the poor country status, in principle, international donors will withdraw capital. So, resources will be no longer as much as before. What remains for us is mainly technical co-operation (p12).

Instead, the international agencies provide loans for PR projects through financial agencies such as the World Bank. He continued:

Instead, they mobilize sources to support Vietnam. There are many ways of investment, but currently, the mainstream is direct investment through loans, mainly from the World Bank (p12).

#### *Remarks on the design of PR policies and programmes*

All national participants, central and local, shared the view that the government has provided so much support, especially subsidies, that the poor have become too dependent on the government's PR policies. A research participant said:

Because if you subsidy too much, support too much, you would make an attitude of dependence by the poor. That is also a constraint (p11).

Some participants maintained that too many people have been applying to be recognised as being poor. The Binh Thuan participant emphasised this point:

In the past, people felt very ashamed to be regarded as being poor. Now, they are competing to apply to be recognised as being poor. There are too many applications. People are very proud of being included in the List of Poor Households. It seems the PR policies have gone off the initial purpose (p2).

The Tra Vinh province PR official also confirmed this dependence:

Once they are considered as being poor, they do not want to get out of poverty to benefit from those policies (p5).

Participants suggested cutting the subsidy PR policies. One participant said:

So, if I design PR policies, I want to cut these supports so that they have to work to climb up and do not depend on the government (p2).

The Government is currently adjusting PR policies in a way that they will cut subsidy policies except in the most crucial areas. The senior PR official in Tra Vinh province asserted this point:

Now the Government is adjusting. They only subsidize some areas including health insurance and the reduction of school fees which need subsidy. The next is housing. Other areas such as support of credit, vocational training, and livelihood should not be subsidised (p5).

The Vietnamese government's approach was also regarded as being too ambitious. One senior official said:

China did in a simpler way. They only focused on the issue of "warm and full". After that, they solved the issue of "development". We were a bit too ambitious. We solved healthcare, education and many other issues while the country was still in difficulty and the resources are limited. Vietnam is a bit "greedy" or too ambitious (p11).

Participants affirmed their views that the Vietnamese government's approach in PR was not sustainable. For example, the senior PR official in Tra Vinh province said:

It is never sustainable. It might be sustainable if we were a rich country. We can't provide forever (p5).

The government designed a large number of programmes which do not well co-ordinate with one another. One foreign participant said:

There are too many programmes, hundreds of different programmes and they are not really well-co-ordinating with each other (p1).

MOLISA could not co-ordinate all PR programmes in Vietnam because they were not given power. The senior official of MOLISA elucidated this point:

In order to co-ordinate you must have authority and function. If you and I are the same level, how can I co-ordinate you? In order to co-ordinate, I must have power. If I don't have power, I can't. That is about the organization of implementation (p12).

At the provincial level, DOLISA does not co-ordinate different PR programmes run by departments. Even the Directing Board for PR failed to co-ordinate different PR programmes (p9). To illustrate this point, the Daklak PR official said:

DOLISA cannot co-ordinate all those programmes. What DOLISA can do is to provide the list of poor households but cannot make decisions on where PR programmes will be targeted (p9).

As a PR co-ordinating and advising agency, DOLISA receives different provincial departments' reports to make one comprehensive provincial PR report to the central government. The Binh Thuan participant said:

DOLISA receives all the reports from the departments to make one NTP report. DOLISA is not directly involved in their programmes (p2).

The reason that DOLISA cannot co-ordinate different programmes is because each department has its own source of funding and targets beneficiaries for PR programmes. Thus they do not need to co-ordinate with other. This leads to the fragmentation of programmes (p.9).

As a result, many programmes overlap each other as one participant confirmed:

Too many PR programmes overlap one another. This is a constraint (p11).

The Binh Thuan province official gave an example about overlapping policies:

There is overlapping between the provincial PR policy and the central government's Decree 49 about educational support. The implementation of the 2 sources is confusing. I think the provincial policy should be cancelled to implement the decree 49 (p2).

The Daklak official gave another example

For example, many departments are involved in water supply; or many departments such as Ministry of Construction and CEMA are involved in housing; or for forestry are Association of Farmers and Vietnam Fatherland Front (p9).

Some informants argued that there was an unequal allocation of resources between areas and people. The Daklak participant said:

The resources are not allocated equally between areas and beneficiaries. Some non-poor areas can benefit many PR policies while some real poor areas don't (p9).

The MOLISA official admitted that this was a problem and confirmed that the government has a plan to re-organise fragmented PR policies:

We will set PR policies in a more systematic manner, re-organise fragmented policies (p12).

The resources for PR which are already limited is very fragmented both at the central and local level. The senior official of MOLISA affirmed that:

Our approach is too fragmented. The PR resources which have been divided between different government agencies at the central level are even more dispersed when they are delivered down to local provinces, particularly when central PR programmes have to be integrated with other local programmes (p12).

As a result, the resources are very limited. A national MOLISA participant confirmed:

When the resources are scattered, they become too little when being delivered to beneficiaries (p12).

This point was also illustrated by the Daklak MOLISA official:

A programme supports a poor household with power bill; one supports school fees, one production development, one food, and one healthcare. Many things are provided each by a different programme run by a department but the resources are too small. For example, each programme gives about VND 30,000 per person (NZ\$1.70) or VND 70,000/person (NZ\$3.99) (p9).

It was argued that if the resources are focused, PR policies will be more effective. The Daklak official said:

If a household receives a big sum, they will easily make plans to use that money more effectively (p9).

As a result, many PR programmes are not very effective. The senior MOLISA official said:

There are so many policies, many programmes, but the real effectiveness and impact of each programme is limited (p12).

In order to effectively carry out PR programmes, one solution is to merge them. However, it is difficult to integrate central programmes with local ones to merge the resources. The senior MOLISA participant explained:

Each programme and policy has its own regulation of a specific target group, mechanism, or management organization. So how can they be integrated? (p12).

Various fragmented PR policies result in the disadvantages for governmental management and evaluation of these programmes. The Daklak participant elaborated:

Planning, monitoring, evaluation costs many times more for doing evaluation. You have to set up policies many times. They have to organize many times for evaluation of one small programme because one time of evaluation is not enough. If you make it a big programme and big sum, you can only do just one time (p9).

It was also evident that several PR policies contradict each other. The Binh Thuan MOLISA official gave an example about contradicting PR policies:

The governmental Decree 49 which provides support to pupils and students contradicts the Decree 6713 which supports the disabled (p2).

Another example is the contradiction between the two national programmes, one is PR and one is New Rural. This participant said:

There is contradiction between PR policies and “New Rural Development” policies. To be entitled to join the New Rural Development program, communes must have poverty rate of only 3 per cent-5 per cent. Therefore, some communes have tried to understate poor household rate down in order to be accepted into the New Rural Development program. As a result, many poor households protested against that (p2).

Although, in theory, poverty reduction has been integrated with the economic-social development plan, in practice, it is not integrated with the growth agenda and the budgetary process. The former World Bank expert confirmed that:

PR strategies and policies in Vietnam are not as integrated with economic growth and budgetary processes as they would be in some other countries. The growth agenda in Vietnam and poverty reduction agenda are operating at two separate channels (p14).

This was illustrated in the Comprehensive Poverty Reduction and Growth Strategy (CPRGS) document. He elaborated this:

The front is written by economic planners in the Ministry of Planning and Investment and then you have the back written by people in MOLISA and various ministries and it doesn't seem to me the two were really integrated (p14).

The view that the multi-tier system of government distorted the needs of the poor at local levels was mentioned by the participants. For example, one foreign participant said:



If a consultation happens at commune level, first of all, the needs will be addressed by the people who attend the meeting, then it is going to be addressed in such a way by the commune officials to be transmitted to district level, and district level will consolidate those again and change in different ways and then it goes to province, then it will come to national Government. So the needs of poor people are going to be shaped by all those different stages (p14).

Although some participants assumed that they understood the poor's needs as they conducted the annual check of the poor households, several participants affirmed that many central PR policies were not practical. According to the local Tra Vinh province official, some PR policies do not fit the local social or physical conditions of poor communities. He said:

Some policies cannot be applied in some specific local areas. For example, there is a need to plant mangrove forests in local coastal areas to protect the shores, but the Policy 102 just supported building a fish market or the like. Local communities disagreed with these policies (p6).

The Tra Vinh PR official confirmed that although sometimes the central MOLISA consults local communities before designing a PR policy, some policies do not meet local needs:

They usually consult local communities when they formulate a policy but particularly for the Policy 49 they did not (p6).

There is a high ratio of infrastructure investment in PR policies. For example, one international participant said:

A lot of money has been spent on infrastructure such as roads, health centres, market places and electricity (p14).

The reason stems from the fact that infrastructure projects are easier to be delivered and assessed as one participant explained:

These are also things which it is relatively easy to deliver and again which is reasonably easy to assess progress. Meanwhile freeing up agricultural markets or making public services more accountable to the needs of the poor are more difficult to do and also more amorphous to measure or monitor project results (p15).

Thus, several important components are played down. He said:

The agriculture extension parts were pretty consistently down played. Much less money was spent in that area of agricultural extension than on building health facilities (p15).

As there were no needs assessment or impact assessment of PR programmes, it is difficult to know which components are more important. The international participant confirmed:

Some people might think agriculture extension services were extremely important to generating incomes (p14).

He assumed infrastructure was a rational priority as decided by the central government:

There is an ordering of the policies of the interventions which go on within the programmes which in some ways is very rational from the point of view of policy makers but also means they do tend to have this very hard - infrastructure type focus (p14).

The designing of PR policies are not necessarily based on any evidence. The senior foreign participant commented that:

The PR policy design does not benefit from any evidence of past programmes because they don't want evidence from past programmes. There is no impact analysis. They don't really have a method of bringing the evidence of past performance into designing new programmes (p1).

Instead, policy making is mainly based on political considerations and administrative reports. He emphasised:

The only evidence they have about past programmes are the administrative reports. Policies are based on political consideration. This policy is something the Party believes in and it has the consensus, so they do it (p1).

He illustrated this point by using the micro-credit programme for fixing houses for the poor in rural areas whose impact has never been rigorously assessed.

The government likes the micro-credit programme and spends a lot of money out of it. Meanwhile some people said it is not a great programme primarily because in order to get the money people have to pay a kick back to local officials and poor people can't borrow loans from the bank because they are too poor. But the micro credit programme has never really been subject to rigorous impact assessment and just gets bigger and bigger (P1).

At present, some PR policies become outdated and cannot keep pace with current changing situations. This point was especially mentioned by local officials. For example, a participant from Tra Vinh province said:

For the Policy 102 for the poor ethnic minorities, the price of land always changes. For example, the government supports VND 20 million for buying an acre of land but the minimum price for an acre of land is now VND 40 million. How can you buy it? Or some universities charge higher fees than the provided allowances to poor students (p6).

Another participant gave an example about housing policy:

The government gives VND 8,000,000.00 plus the bank's loans of VND 8,000,000.00 for a poor household to build a new house. The new house is required to have solid foundation and roof and the durability of more than 10 years and from 28sqm and other quality specifications. This requirement is unreachable given this limited financial support (p7).

Further, it takes time to implement as well as to revise PR policies in case they are found to be not applicable. One participant said:

Poor students have to wait for about 5-6 months before they can receive allowances. That means the poor students do not have money to pay school fees timely. Usually, the government adjusts policies every five years (p6).

There is a lack of mutual benefit co-operation between regions, particularly when the current support is not sustainable. This point was especially mentioned by the senior MOLISA participant as he said:

In Vietnam, rich provinces often support poor provinces. However, the relationship between rich and poor provinces is not "give and take". Only giving money is not good. Rich provinces should co-operate with poor provinces on mutual benefits like investing in the production. It should be a mutual co-operation to be more sustainable (p11).

## **7.8 Implementation of poverty reduction policies**

### *Funding for PR*

Budgets are allocated from central to local government to implement poverty reduction policies if local governments cannot finance themselves. The senior MOLISA official said:

When we implement the policy, the government has to allocate budget to local governments to support their implementation of PR policies. The government allocation has to go through the Ministry of Planning and Investment (MPI) and the Ministry of Finance (MOF) for budget balancing and is reported to the Prime Minister (PM) (p11).

The local governments have to set up plans in which they have to identify central and local budgets:

They must set up plans. Given the central budget, how much is the local budget? The local governments have to build up their own programmes (p11).

Poor provinces which cannot cover all PR policies have to rely on central government funds as confirmed by a local participant:

Tra Vinh is a poor province in the south and almost cannot self manage financially but relies on the central funds. The central government contributes 70 per cent and we add 30 per cent to make it fit with our province's plan (p5).

As the government integrates PR with socio-economic development plans, central government's funding for PR goes directly to ministries' budgets. For example, during the 2011-2015 period, PR funds are provided directly through ministries to local governments, not through MOLISA. One local participant said:

For 2011-2015, given the Resolution 80, the Government allocates money vertically, directly to the ministries (p6).

He explained how the central funds are distributed in his province:

The government gives the province a whole sum. The Department of Planning and Investment (DPI) consults the PPC to allocate funds to different departments (p6).

DOLISA still monitors the policies implemented in technical terms. He said:

DOLISA, in terms of state administration, will monitor the implementation process of that policy (p6).

He also confirmed that provinces can set up PR projects if they can contribute some funds:

It is up to provinces. Provinces which have budget can set up projects (p6).

*Central government guidance for PR implementation*

After PR policies are designed, MOLISA sets up guidance documents and provides guidance to the local level for policy implementation. One senior participant said:

After the Prime Minister has passed a PR policy, we must set about implementation. The next stage is to organize implementation of the PR policy at local provinces. It means we must set up plans, programmes, and detailed guidance to local governments for implementation (p11).

He described the process of technical training of local leaders so that they can set up their local PR programmes:

When it sets about implementation, it can be set about by circulars and documents or by holding conferences and workshops. The objective of the workshops is to provide local governments with technical support. It means they have to build up action plans for implementation and know about the allocation of budget for implementation. They also know the mechanism for implementation. The next is to organize training to set up a PR programme (p11).

Then provincial governments provide guidance to district and communal levels in their provinces:

When organizing implementation of PR policies, we only provide guidance to provincial level. Then provinces in turn will guide district and commune levels (p11).

#### *Organization for PR implementation at local provinces*

A common national PR management mechanism is set up. MOLISA and DOLISA play important roles in PR as one participant confirmed:

At central level, MOLISA is the hub to consult the Government for the PR policies. DOLISA is the hub for provincial PR (p6).

Participants described the provincial PR mechanisms. One participant said:

They at local provinces have to set up their own mechanisms for PR implementation. They can use their old system or set up new system (p11).

The Provincial People Committee (PPC) plays a very important role in PR. All policies must be through PPC and all departments have to wait for PPC instructions and decisions before they can implement policies. A local participant said:

In general, regarding most policies, PPC directly leads all departments. We, DOLISA, have to wait for PPC instructions before implementing a policy. We had to wait for PPC to consult relevant departments for comments or guidance. During the implementation, if we find something wrong technically, we will report to PPC (p2).

Besides, PR Directing Boards are established at all levels. One senior participant said:

All provinces set up PR Directing Boards. At the central level, there is also a PR Directing Board led by a Vice Prime Minister directly in charge. At provincial level, the head of Directing Board is the vice chairman of PPC (p11).

Another participant described the role of DOLISA:

We are the permanent agency co-ordinating other provincial departments. We consult the PPC and assist the Directing Board in co-ordinating all PR policies. We monitor the implementation of PR policy. DOLISA gathers all the reports of the results of the PR policies by other departments. We also have to implement some PR programmes ourselves (p2).

A district Directing Board is also set up at district level. One participant said:

District People Committee (DPC) has set up a Directing Board for the PR programmes. Each sector has a member in the Directing Board (p7).

The participant who is a senior PR official at Ham Thuan Bac district confirmed that they followed strictly the provincial and district PR policies (p4). Based on the provincial 5-year PR plan, the DPC and the district party also sets up the district's 5-year PR Action Plan. He said:

At the district level, we have the five-year PR action plan which fits the district social conditions. On the basis of this programme, annually, the DPC makes a plan for PR (p4).

The Office of Labour is also the permanent agency for district PR who consults the DPC. One participant said:

The Office of Labour is the permanent agency for this and consults the DPC and the district Directing Board about PR initiatives in the district. We make reports about PR in general (p7).

The senior PR official in Tra Vinh confirmed the decentralisation in PR to district level:

According to Decree 49, districts make decisions on providing the allowances and DOLISA just monitors the process (p6).

The Binh Thuan PR official explained the process to implement a governmental policy:

At the provincial level, after receiving central policies, the PPC will send the policy documents to districts and communes. Some central policies go through the PPC like decrees and at the same time they also send copies to DOLISA (p2).

How local authorities organise the implementation of central PR policies depends on the local provincial social conditions. One participant elaborated this point:

Usually we base on the central programme. Almost all policies come from the central government and the province will adjust it according to its conditions (p9).

Local provinces can set up their own PR plans, budget, programmes and policies. One senior participant said:

Given the central budget, they have to decide how much the local budget is? Beside the general policies for the whole country, most local provinces have their own PR programmes and particular policies (p11).

One participant confirmed the necessity for local authorities to set up their own PR policies. He said:

That is also good because some general policies do not cover all issues. Some particular characteristics of a local province are only relevant to some particular policies. You can use local budget to form a particular policy which has impact on a particular target group, in addition to governmental general policies (p12).

Some big cities have their own PR policies as they have revenues available to fund these policies. One local participant said:

Provinces which have many particular policies are Ho Chi Minh city, Hanoi, Da Nang, Can Tho and some other big cities. As these cities have revenues, they can set up their own policies (p2).

He gave one example of a local PR policy:

The province of Binh Thuan has policies for the households who have just got out of poverty. This is an “encouraging policy” but the Central government does not have this policy (p2).

Another example is in the Poor Household Surveys, where local authorities can adjust survey forms to make it fit the local socio-economic conditions. Another local participant said:

The survey forms are based on the central guidance but we have adjusted the form. Tra Vinh makes some more criteria in forms because we have Khmer people who we need to have detailed information so that later we can design policies aimed at them (p6).

However, local governments tend to follow strictly central government's regulations or policies. One local participant confirmed that provincial authorities follow strictly central policies:

We stay close to the regulation and give guidance accordingly to implement PR policies (p2).

Similarly, district authorities follow provincial plans. One district participant confirmed this point:

The advantage is all levels from the central government to province and district governments have five-year PR Action plan as well as annual plan. That is the advantage, based on that we implement this (p4).

However, local support value must not be lower than the value defined by the central government. One participant at central level said:

In general, the principle is documents at low levels are not allowed to be off the track from the higher level. The principle for designing a local policy is the value of support of a local policy must not be lower than the level of a general policy (p12).

He gave examples about standards of local PR policies:

For example is about social protection policy. The minimum standard is VND 180,000 /person/month but some local governments raise the support higher than this standard to assure that the life of the target group fits the living conditions of that local social context. So, the local authority has the power to do it (p12).

When asked their views on the implementation of the PR programmes, most of the PR officials had positive comments. For example, one local participant said:

The policies are smooth. Though, during the implementation, there are some difficulties (p6).



*Remarks on the implementation of PR policies and programmes*

Though the government sets up many objectives or targets and exhorts various ministries and local governments to set up PR programmes, it often does not have enough funds for these programmes. One international participant raised this point:

The government provide a lot of unfunded mandates. Various government ministries were supposed to contribute to, for example, building better water systems or roads to remote communes or education for disadvantaged children. These programmes were largely set out in terms of objectives or targets which needed to be met from the ministry's existing budgets. But the amounts of money they actually had was not actually that great. In a lot of cases when things didn't happen, it was because it was just exhortation to do things by the government. There wasn't really funding to go with it and provinces are supposed to contribute so much toward PR programmes (p14).

He illustrated this point by one example:

If you go to provinces and you talk about the policy of providing land for the poor families under Programme 134, most of the provinces would tell you "we would really like to do it, but we actually haven't got any land to redistribute". So they have to go along with building water system, or building the houses for the poor. But then the policy of agricultural land for the poor had not been done. It seems the government doesn't have land and don't have money to acquire the land even if it was for sale (p14).

One international participant highlighted the decentralization in PR from central government to local authorities:

Everything here is implemented to the local government. It is very decentralized. The central government comes up with plans and spends money but the local government - this is the provincial government - organizes everything (p1).

Another foreign participant also praised this decentralization:

In some ways that is very good because it means policies are tailored toward the local conditions. That is good because it means that local governments are basically in charge (p14).

Within a province, decentralization also takes place. One local participant said:

Communes own the projects while districts approve them (p6).

However, the “multi-tier system of government” in Vietnam can result in some issues. For example, policies can be modified when they are delivered from the central to different local level. One foreign participant raised this point:

Vietnam has multi-tier system of government. It is possible for successive levels of government to modify policies as the policies move down from the top. So how policy is designed at central government and how it is implemented at communes might be quite different because it has been modified at provincial levels, possibly been modified in district levels, then been modified again at the commune level before it gets implemented. It also means if people of different levels of government don't like particular things, they have ways of kinds of changing it or moving it in ways which may be not entirely consistent with what the original policy objectives were (p14).

The other foreign participant also shared the same point of view when he found the implementation of PR policies different from province to province thereby making the effectiveness of PR inconsistent between provinces:

The implementation is quite different depending on where you are. Some programmes can be quite good and the others can be quite bad. There is not a lot of consistence in implementation. Everything is very too decentralized. It depends on the local government (p1).

He also blamed this inconsistency in PR implementation on the lack of the setting of minimum standards in implementation.

In other ways it is not good because there are no minimum standards in implementation that everybody must attain (p1).

Though there is a guidebook for PR implementation, given too much decentralization, the implementation differs between provinces and districts. He added:

They do have a guidebook for implementation. But it is too decentralized. It depends very much on the province. And then when you go to the province or the district, it also can be different from district to district (p1).

There is also a limitation of PR staff at local levels. One local participant said:

Most of PR staff had to hold many office positions at the same time. In Tra Vinh province, we have only three PR staff. At districts, there are only two persons, a vice chairman of DPC and a staff. At commune level, there is only one staff who is in charge of all social issues including PR (p6).

Participants interviewed claimed that the lack of PR staff causes difficulty in PR management and leads to a lack of effectiveness the delivery of PR. For example, one local participant from Tra Vinh said:

That is also a difficulty in the aspect of management. The district staff have to undertake many different tasks at the same time. This makes these staff become less enthusiastic and spend less time for PR because they consider PR less important and not their main priority and responsibility (p7).

The lack of specialized staff also affects the evaluation of the PR implementation. He added:

Evaluation isn't regularly done due to lack of specialized staff. This is only done one time at the end of the year. Evaluation is done at the end of the year. If we have specialized staff, we can do it twice a year to check all communes. But now, we can't do it deeply (p7).

Access to credit is one major problem as several poor people do not want receive loans from banks as they are afraid they cannot pay back the loans. One participant at Binh Thuan province confirmed that:

It is true that if they are too poor or too old and lonely, they cannot pay back. That is why the banks do not give them loans. So, the credit is for the poor, but the real poor cannot access the loan (p2).

However, there are other channels, through grass root organizations, where the poor can receive loans without having a mortgage. One participant said:

If the poor households don't have mortgage assets for borrowing money, they can still borrow money from other sources which are Associations of Women, Farmers, Youth, and Veterans (p4).

Though, there are cases where some poor people borrow money but do not know how to use it effectively. That is also a reason for the bank refusing to give loans (p4).

## **7.9 Monitoring and evaluation**

Monitoring and Evaluation (M&E) criteria and tools for the various PR programmes have been established but there was considerable debate over their effectiveness. A senior participant said:

After that, the next step is to set up a set of M&E criteria and a set of M&E tools. Often, there has to be a training of this set of criteria (p11).

The government organises the annual examination and monitoring of the implementation of PR. One participant described this process as follows:

Annually, we must set up governmental cross-discipline delegations to go to the field to examine and monitor the implementation and give technical supports. During the monitoring process, we particularly check the targeting of poor people. If we find any errors during the implementation, we have to examine to correct those errors or have to adjust the mechanism (p11).

One objective of this monitoring is to check the update of PR policies. He said:

Our policies could become outdated after some years of implementation, for example, due to the inflation rate. If we give little loans, they cannot do anything. When living standard changes, price index changes, these policies have to change accordingly (p11).

He emphasized three issues to be modified when doing the monitoring:

There are three things to be updated. First, we have to change the nature of support. Second, we have to change the target group. Third, we have to modify the mechanism of PR policies to overcome the leakage (p11).

MOLISA also carries out 5-year evaluations of PR policies and programmes. One participant described this process as follows:

The last step is to evaluate the implementation of the policies and programmes. We do it annually and every five years. Annually we do it preliminarily. For every five years, we do a final evaluation. Evaluation is done to prepare for setting up new policies or programmes. We have to re-check and evaluate comprehensively (p11).

At local levels when a PR project set up, a M&E framework which is based on the central government's framework is also set up. A participant from Tra Vinh said:

PPC sets up a monitoring framework, just like that of central government. The central government has the monitoring criteria system, so do we (p6).

Each province can have their own evaluation mechanism. Usually, at the end of a year, the PPC set up a team to evaluate PR programmes. The senior PR official in Tra Vinh province described the evaluation process in his province:

Annually, around November, we set up an evaluation team including Provincial Council, the bank and whoever is concerned in PR. The team will evaluate at random three communes per a district and three villages per commune. We select one good, one average and one weak. The district also sets up a team to evaluate the PR programmes. In addition, we interview through questionnaires. We provide three questionnaires to three persons: chairman, vice chairman and one official in a commune. The criteria for evaluation are included in those questionnaires. We also provide questionnaires to 15 poor and near poor households. That is for monitoring on the basis of Governmental decision 09 for 2011-2015 (p6).

He mentioned the annual Poor Household Survey to check if they have achieved the target:

After implementing those PR policies, we check how many poor and near poor households are reduced annually to see if we have achieved our target (p6).

Every year, provincial departments and districts report their PR programmes through DOLISA to PPC. The Daklak participant said:

We receive reports from districts and process them. There are many sources. Reports come from districts which are about the results of implementation of this and that and from departments. Then we synthesize these reports (p9).

However, local authorities are flexible and inconsistent in their methods of evaluation. The Daklak participant said:

In 2012, DOLISA co-ordinated with other departments to check PR. For example, we worked with relevant departments to check the issue of credits. Or we can receive the reports. The third way is to deliver questionnaires. So there is no fixed procedure but we change it every year (p9).

Local authorities do not rigorously carry out evaluation as it costs much more. He said:

We also deliver questionnaires but every 2-3 years. It requires more activities and costs more (p9).

Due to the lack of human resources, evaluation is not done very regularly. A participant at district level confirmed:

Evaluation isn't regularly done due to lack of specialized staff. This is only done one time at the end of the year. If we have specialized staff, we can do it twice a year to check all communes, for example. But now, we can't do it deeply (p13).

Provincial authorities do not always work with districts to organise annual evaluation. A participant said:

Every district does it separately and doesn't work with the province. Then we report to the province. Sometimes the province comes down here to monitor together with the district. For evaluation, we pick up some samples (p7).

Beside the lack of staff, the limited budget for M&E restricts the effectiveness of the evaluation. This participant elaborated this point:

The budget for management, evaluation, and monitoring is very limited. At provincial level, they have a budget from the government. However, at district level, this budget is little (p7).

At district level, the Office of Labour does not evaluate all PR programmes directly but receives reports from relevant district offices who evaluate their own PR programmes. A district participant said:

For agricultural production, it will be evaluated by the Office of Agriculture. They will report to the DPC. We only report PR in general. For example, for production, how many households benefit from the programme? How many get medical insurance? How many get credits? (p4).

In theory, evaluation is done at the end of a PR programme cycle. After that, new programmes will be designed based on the results of evaluation. A senior official interviewed said:

The policy adjusting process re-sets another cycle. We turn back to the policy making cycle from the beginning. It means the monitoring and supervising process is to identify the leakages and also find problems, to see if there are any new concerns. Possibly there are new concerns. That is a cycle to plan and implement a PR policy (p11).

However, in fact, no impact analysis of PR programmes in Vietnam has been conducted. This was confirmed by a foreign participant when he said:

One thing the government is not very good at doing is evaluation. The government is really not doing evaluation. They never evaluate anything. They have not integrated evaluation into its implementation. They don't do any impact analysis. They are not interested (p1).

One of reasons for doing impact analysis is they can stop ineffective programmes. He said:

One reason is they have to do evaluation because if you have an independent evaluation and some programmes obviously don't work and then you have to stop them. But everyone wants to say my programme works very well. So there is no evaluation (p1).

A national participant also confirmed that Vietnamese government has not been interested in impact analysis and not integrated it into PR implementation:

M&E was not interested by Vietnamese government as they considered it as regular tasks of the state agencies. In Vietnam, our perspective is we are willing to spend a lot of money but there is neither PR staff nor supervisors. They think if we have a policy, we will have find target groups (p12).

A PR official at MOLISA also added that the budget for evaluation is very low due to the fact that the government wants to have money delivered directly to the poor. He said:

The percentage of budget is very low for evaluations because there is a concept that money has to go to the poor directly. So they don't spent money for researching and evaluating policies (p15)

Without carrying out impact analysis, the government does not welcome other agencies' evaluation work as well. One international participant said:

Evaluation reports conducted by teams of foreign and local consultants are never official government's reports. So they never really fit into the system of the government. The government didn't want to do it that way (p1).

He gave an example of UNDP making an evaluation of one national targeted programme for PR which was not supported by MOLISA. He said:

For example UNDP did some evaluation of the NTP, years ago, and MOLISA didn't really like it and they didn't really help very much. And then UNDP did it but with a lot of sort of resistance from MOLISA (p1).

Nevertheless, it was perceived that it is a universal problem with governments 'all over the world' resistant to carry out impact analyses on their own programmes. A foreign participant said:

All over the world, governments don't like impact analysis. Because you do all these programmes and then you get impact analysis. Then it says it doesn't work. Why would you do that? Vietnam is not unusual in that way (p1).

National participants confirmed that they have no power and resources to organize monitoring and evaluation nationwide. For example, one participant said:

I told the international agencies that their projects cover only a few provinces, and some districts in each province, and some communes in each district. So you can do that within your budget. How can I do that to this (through the) whole country? So, the scope of evaluation is different. If the scope is different, the method also differs. In your project, you are given full power. In the meanwhile, in my programme, I don't have any power. You have money, so you have power to create the rule of law. You have the power to ask people to follow you. I do not have that power (p12).

Without independent impact analysis, the evaluation of PR programmes is mainly based on "administrative" reports sent from lower levels or the results of Vietnam Household Living Standard Surveys. However, this is not an efficient evaluation. One participant said:

They used the Vietnam Household Living Standard Survey to assess the impact of PR programmes. You know it is not the right instrument for evaluation. They have their own system of the report which is actually an administrative report. The local government implements the programmes and then the local government writes the report and the report is, we bought a hundred pigs and we gave away a hundred pigs to one hundred families and they are happy now. It is not evaluation. It is only money we spent, and all our targets were achieved (p1).

A local participant also confirmed that they are not very critical in their reports sent to central government. He said:

There is always some compromise in the reports and I used the polite words, not strong (p2).

As a result, international agencies do not care about the Vietnam's PR programme monitoring and evaluation reports. One participant said:

The foreigners don't care about the reports except the internal system (p1).

In fact, local evaluation has not been effectively conducted. One participant confirmed:

In fact, evaluation is just done on the surface. We should go deeper. We have so far only asked questions such as "How many get credits?" We should check in details what they do with loans or the effectiveness of the credits. These details need questionnaires but we have no time to do it. We just look at the general picture (p9).



As the result of no impact analysis or evaluation, the government keeps on maintaining old programmes or setting up new programmes even though these programmes may not be effective. A participant said:

Then no programmes have ever ended. You just keep adding programmes, but you never get rid of the programmes that don't work because you never do evaluation. But you know it is a pity because it is a lot of waste of money (p1).

Recently, the government has started to conduct a mid-term evaluation of the National Targeted Programmes for PR and Programme 135. However, it is not effective. One foreign participant said:

Certainly the mid-term evaluation was problematic, partly because quite a few of the activities hadn't actually even started on time. There wasn't very much to evaluate, but certainly come to mid-point target (p14).

He praised the evaluation of Programme 135-2 using the "revisit-household" method:

It is a very systematic evaluation of Programme 135-2, using re-visit household. It was again paid for by UNDP and co-ordinated by Vu Duc Tuan of the Indochina research and Consulting. They did an end-line survey. It was evaluation which met up international standards in the sense that they did a baseline survey and then they did an endline survey, and actually then trying to see what has changed between the two taking into account the counter-factuals using score matching (p14).

The government is going to have a new approach to evaluation in the future. A senior official interviewed said:

We will use many ways. Supervision by people and beneficiaries is also a way to supervise but we need a mechanism to do. Regular check by state administration agencies is also one way. We can use NGOs so that they can evaluate faster than us. And supervision by the Congress agencies is one. The Congress can supervise by specialization panels. Supervision of local People Councils at all levels is also a way, and assessment by mass organizations is also a way, like Women Associations, Farmers Associations, Youth Union, Fatherland Front (p12).

Independent monitoring and evaluation is considered to be necessity. He said:

We may have an independent M&E. In the near future I will apply independent evaluation (p12).

MOLISA has been asking international agencies to support the application of this model:

Now I am suggesting NGOs such as Action Aid and Irish Aid to co-operate with us and we suggest rapid assessment. We also suggest UNDP to support (p12).

The director of NOPR believed that the monitoring and evaluation approach was changing but slowly:

Recently, there has been change, though of course it is not as we expect (p12).

*Social welfare approach and universal PR policies*

In general, PR in Vietnam has increasingly overlapped with a fledging welfare system. One participant said:

Vietnam government should deal with larger issues, more systematic and more appropriate. We should shift our attention to social welfare (p12).

Social welfare policies should be separated from PR policies. One senior participant said:

The social welfare policies should be separated from the PR policies. Some people are not PR targets, such as the lone old and the disabled. If you provide support of livelihood to these people, they cannot make use of this support. These people should be covered by the welfare policies. Or regarding education and healthcare, welfare policy system must be applied, not the PR programmes (p.11).

However, applying social welfare policies and safety nets would take time to implement.

One participant said:

We have to use social welfare and safety nets to support the poor when they cannot support themselves. Doing so is more systematic but to shift to that system is a long story. In Vietnam, not until 2020 can we do it (p12).

Gaining a consensus for setting up social welfare policies is difficult as many Vietnamese politicians and PR staff do not understand social welfare. He added:

We must understand what “Social Welfare” means. Another important thing is to make everybody understand. To create a consensus is very difficult especially for the central level senior officials. It takes many years to do it (p12).

However, he confirmed that Vietnam has had some initiatives on social welfare through some resolutions made by the central party:

Regarding this, Vietnam has made some moves, particularly with the resolution 15 and the central party has had a “specialized” resolution on social welfare and we, MOLISA, are also starting (p12).

Some national and international officials suggested the government have overall policies instead of target policies in the long run. For example, one participant said:

In short terms, we can set up target policies but in long terms we should formulate overall policies to create an equal society. If we set up social welfare policies, it must be overall policies. For example, if you are eighty years old, live alone and have no income, you will receive allowances no matter you are poor or not. PR policies just exist for a period of time and should not last too long. If we continue to prolong them, we will be too indulgent (p11).

MOLISA has returned all PR policies to relevant ministries that makes PR policies become more systematic and not fragmented. Another participant confirmed:

So when we designed the resolution about the sustainable PR for 2011-2020 period, we returned all the policies to ministries. Then PR policies have a character of “systematic”. It means, for example, when we design policies for education, there will be policies for ordinary pupils and policies for disadvantaged ones such as the poor or ethnic minorities (p12).

At present, some people who live near the margin of poverty line are not intensively supported by the government. One participant said:

We have policies for the people living near poverty line. For example, there are education and healthcare policies for the near poor. Though, there are not many. We only focus on the poorest groups first (p11).

## **7.10 Conclusion**

This chapter has condensed a series of in-depth interviews conducted with a number of national and international informants intimately involved at different levels of the poverty reduction system in Vietnam. The interviews, which were conducted in the Vietnamese language, were then translated into English and transcribed for the purposes of analysis.

The process generated over 300 pages of typed interviews that were then analysed using the categories as set out in the questionnaire. From this detailed examination, a series of key themes were identified. These themes encompassed poverty reduction processes including the definition and measurement of poverty, targeting the poor, as well as the design, implementation and evaluation of PR programmes and policies.

The fieldwork interviews followed a detailed analysis of the documentation held by international agencies and the government of Vietnam and in that respect they were important in validating and clarifying the evidence that had already been accumulated. But the interviews added another dimension to the research in clarifying the central issues regarding the policies and practices at the centre of poverty reduction programmes in Vietnam. The next chapter will take these central themes and subject the outcomes to a critical examination, thereby providing a mechanism for integrating the various phases of the research programme.

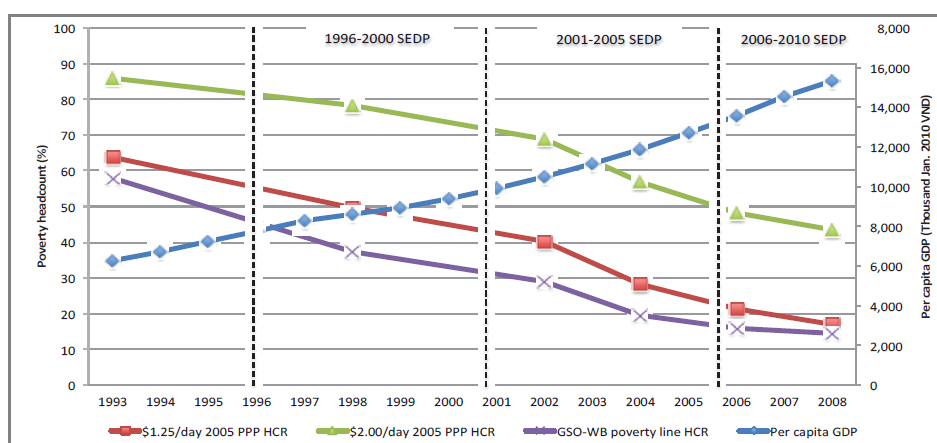
## **Chapter 8: Critical assessment of poverty reduction programmes and policies in Vietnam**

The analysis of Vietnam's development patterns and its relatively recent strategies aimed at poverty reduction (PR) generated a number of themes which are the focus of this chapter. These themes relate to changing concepts of poverty, the setting of poverty lines, and the sustainability of the myriad of programmes and management systems designed to alleviate poverty in Vietnam.

### **8.1 Impressive PR achievements**

The first finding that can be drawn from the four phases of this research is that Vietnam has made substantial achievements in alleviating poverty. In international terms it stands out as one of the major success stories of the past three decades. Over this period Vietnam has progressed from a low-income country in the 1980s to become a middle-income country today. The extensive documentation produced by international development agencies as well as the Vietnam government shows a significant drop in poverty and a substantial improvement in living conditions, irrespective of the measures being employed. The poverty rate dropped from 58.1 per cent in 1993 to 9.6 per cent in 2012, with approximately 43 million people being lifted out of poverty during that period (World Bank, 2012a). Vietnam's human development progress also increased by 41 per cent during this period, with Vietnam among more than 40 developing countries that have made impressive progress in human development terms in recent decades. In 2012, the country ranked 127th out of 187 countries, belonging to the medium category of human development as defined by the United Nations Development Programme (UNDP, 2013).

A related finding is that the remarkable achievement in PR is due to the country's high and sustained rates of economic growth, averaging 7.5 per cent a year between 1993 and 2008, rather than its PR programmes. Growth in per capita gross domestic product (GDP) during this period was correlated with poverty reduction rate, using a "basic needs" GSO poverty line initially agreed in the early 1990s or international standards of \$1.25 and \$2.00 person/day (World Bank, 2012a). (see Figure 12).



Source: WB-GSO poverty headcount calculated using 1993 and 1998 VLSS and 2004–2010 VHLSS. Dollar-a-day rates come from Povcalnet. Per capita GDP calculated using GSO population and GDP data.  
Note: HCR = Headcount Rate of Poverty, that is, incidence of poverty.

Figure 12: Economic growth and PR in Vietnam: Two-decade progress. Source: World Bank, 2012a.

The rapid and sustained economic growth generated employment as well as opportunities for exporting agricultural commodities that had not existed previously. These opportunities increased incomes for millions of people across the country. The research participants highlighted the fact that economic growth had come on top of a series of reforms aimed at achieving an equitable distribution of resources. Examples include the first Land Law 1993 and subsequent policies designed to redistribute land in rural areas. These policies, combined with the liberalisation of agricultural markets and investment in human capital (education and healthcare), were major drivers of the rapidly rising incomes in rural areas throughout most of the 1990s. The World Bank (2012a) has identified the country's economic growth strategy as being very pro-poor (World Bank, 2012a).

What is not clear is the contribution of the interventionist PR policies and programmes to the overall reduction in poverty. One senior national participant argued that the contribution of PR policies and programmes is to have shortened the gaps between urban and rural areas and between the rich and the poor. At the same time, another national participant considered PR programmes as protecting the poor from falling into extreme poverty, especially when Vietnam shifted from a centrally planned economy to one that placed greater emphasis on market forces.

In reality, no impact analysis of PR programmes has ever been conducted to assess the impact of PR programmes on PR progress in Vietnam. A few participants were critical of PR strategies, particularly the Government's targeted PR programmes and policies. One international participant suggested that more research should be conducted to "dig deeper" into the underlying patterns in order to explain the rapid progress of PR. They considered that although the government has a very large number of policies to help the poor, only some of them have actually worked. The National Targeted Programme (NTP) for PR, they felt, has not been hugely successful. The implementation of the programme has been very uneven and not had an obvious impact. One of the reasons for this is the number of people who receive these benefits is quite small and the targeting is not that efficient. The benefits are not necessarily going to the poor and it is very expensive to maintain the programme. The participants suggested that government should evaluate the effectiveness or impact of the programme against the extensive financial resources they have spent on it. What are the returns on the NTP versus some forms of universal transfer? They emphasised that if the government wants to maintain the targeted programmes, they should study how to design better targeting. One national participant even suggested that the government should replace target policies with universal policies. He argued that targeted programmes create high leakage during the selection process and large management fees. He insisted that universal policies are more socially equal.

One of the most remarkable achievements in PR centres on the investment in infrastructure. One participant considered that improved infrastructure such as electricity, roads, schools and healthcare centres have changed the lives of poor farmers. For example, the improved infrastructure has linked poor farmers to the market. With roads opened, they are able to carry their products to market and receive higher incomes. Statistics show that investment in infrastructure amounted to 79.21 per cent of the total expenditure for PR during 2011–2013 (Dung & Cuong, 2014).

One international participant was particularly impressed by the provision of electricity to the rural areas of Vietnam. He stated that Vietnam had spent a lot of money and done a very good job of bringing electricity to rural areas, an important factor in improving the quality of life of the poor living in rural areas. Today, in most rural areas of Vietnam,

people have access to electricity. He emphasised the fact that many of the countries in Southeast Asia have not been able to achieve this and Vietnam should get more credit for its commitment to rural electrification from the international community.

Research participants were also impressed by achievements in lowering child mortality rates, which many countries in the region had failed to achieve. The statistics show that the under-five mortality rate declined from 58 per cent in 1990 to 23.3 per cent by 2011, and that the infant mortality rate declined from 44.4 per cent in 1990 to 15.5 per cent in 2011. The under-one immunisation rate for measles substantially increased from 55 per cent in 1990 to 97.1 per cent in 2005, and has remained above 90 per cent ever since (VNOG, 2013).

The international participants were also impressed by improved maternal healthcare, even though Vietnam basically remains a poor country. The maternal mortality rate in Vietnam has dropped remarkably by more than two-thirds, from 233 per 100,000 in 1990 to 64 per 100,000 in 2012. Vietnam has made considerable progress in improving maternal healthcare services and ensuring access to adequate healthcare, especially antenatal care across the country. In 2011, 86.5 per cent of pregnant women received an antenatal check-up in each trimester, which is only 0.5 per cent below Vietnam's 2015 goal. The proportion of deliveries attended by trained health personnel increased from 86 per cent in 2001 to 96.7 per cent in 2011 (VNOG, 2013).

## **8.2 Integration of PR and social welfare into socio-economic development strategies**

PR in Vietnam was previously undertaken in a responsive manner rather than being organised in a systematic way in order to tackle the critical issue of poverty which was exacerbated by the long-lasting economic crisis from 1975 to the early 1990s. The number and range of PR programmes has rapidly expanded over recent years, but this has led to both fragmentation and duplication.

Since 2001, there have been some attempts to integrate both PR programmes and social welfare initiatives into the overall strategy for socio-economic development. The most graphic illustration of this was the launching of the Comprehensive Poverty Reduction and Growth Strategy for 2001–2010 (CPRGS), which set out to integrate PR with the country's



social-economic development policies such as the Socio-economic Development Strategies 2001–2010 and the Five-year Socio-economic Development Plans for 2001–2005 and 2006–2010. Recently, policy initiatives such as the Social-economic Development Strategy 2011–2020, the Social-economic Development Plan 2011–2015, and the Resolution on Sustainable Poverty Reduction Orientation from 2011 to 2020 (Resolution 80) have sought to provide universal coverage for PR initiatives nationwide by emphasising integration with the sectoral socio-economic development strategies. Resolution 80 divides PR policies into two types: universal policies which are integrated into sectoral socio-economic development policies; and targeted PR policies.

According to the new approach, the government has restructured the PR system by assigning relevant government ministries and agencies responsibilities for integrating PR into their sectoral policies. PR has become a regular task and requirement for these ministries. For example, when the Ministry of Education and Training designs policies for education, they are required to draft policies for both ordinary students and disadvantaged students, including the poor. Thus, PR-relevant education policies are integrated into the education system. PR policies in healthcare and the other sectors are designed in a similar manner.

In order to implement sectoral PR policies, the government has allocated funds directly to the relevant ministries and government agencies for 2011–2015. For example, in order to implement legal assistance policy for the poor, the government allocates funding directly to the Ministry of Justice (MOJ). This approach is different from previous times when funds were allocated via the Ministry of Labour, Invalids and Social Affairs (MOLISA) to relevant government agencies in order to implement PR programmes.

Aside from universal PR policies, there are targeted policies and the NTPPR 2012–2015 aimed at reducing poverty in the poorest areas where many ethnic minority people live. These targeted programmes are strongly supported by international agencies. These agencies are also major donors who expect the government to maintain targeted PR programmes in order to alleviate poverty among ethnic minority groups.

In line with its PR policies and strategies, Vietnam has instigated a series of initiatives designed to establish a social welfare system distinct from its PR programmes and commitments. The government has made a priority of building a comprehensive social welfare system as well as developing an insurance system to minimise the risks for poor communities. The government has increased the budget for PR policies and social welfare over recent years. The national budget ratio allocated for PR policies and social welfare has increased from 2.85 per cent GDP in 2005 to 4.14 per cent GDP in 2010 and 4.67 per cent GDP in 2011 (MOLISA, 2014a). The government's efforts have been supported by a number of PR experts. As noted above, several research participants supported the shifting of targeted programmes to universal (sectoral) policies as they doubted the effectiveness of targeted PR programmes.

An international participant maintained that PR strategies and policies in Vietnam are not actually integrated with macro-economic planning and budgetary processes. He emphasised the fact that the economic growth agenda and PR agenda are operating in two separate channels and as a consequence budgetary priorities do not take into account pro-poor activities. MOLISA (2014a) have also highlighted that PR programmes and funds are completely separate from mainstream planning and funding, especially in non-infrastructure projects. In reality, there has been lack of sufficient resources for the myriad of PR programmes. Although the budget for PR programmes has increased over recent years, it has never met budget goals. For example, during 2011–2013 the total central funding was VND 18,909,331, accounting for only 64 per cent of the budget plan (Dung & Cuong, 2014). Moreover, the central funding is always allocated very slowly and this affects the implementation of PR programmes at local levels.

Participants interviewed for this research maintained that there are not enough personnel, particularly at local levels, for implementing PR programmes as the central government does not want to bear the higher costs of an increasing number of PR personnel. At the same time, these personnel have to undertake many other tasks that affect the performance of PR programmes. One participant maintained that even in the CPRGS there was no cohesion between the different sections of the strategy, with one

section written by economic planners in the Ministry of Planning and Investment (MPI) and the other written by people in MOLISA.

In terms of the social welfare system, some participants described the current social welfare system as relatively underdeveloped, especially in responding to the disabled, the lone elderly, and children, who cannot take advantage of PR policies. This is evident in areas where local authorities do not include disadvantaged people in their PR programmes because they think they are not designed for disadvantaged people. For example, disadvantaged people cannot access credit programmes because they are considered unproductive and incapable of starting a business. They are either refused by the Bank for Social Policies or dare not borrow from the bank. Thus, disadvantaged people can only rely on social welfare policies which are initiated by the government. Since 2004, the UNDP has proposed to the Vietnam government that social welfare policies should be separated from PR programmes but the process to set up a comprehensive social welfare system has been slow without making significant changes. Further, although the government has formulated universal and targeted PR programmes, it has not defined a mechanism for the management and formulation of PR policies as well as resource allocation for these two types of programmes.

### **8.3 Decentralisation in PR programmes**

Several research participants confirmed that PR programmes have been progressively decentralised to local governments. Central government designs the frameworks for PR policies and allocates funding but local government (provincial level) organises the implementation of PR programmes. Local governments have been encouraged to set up their own plans and programmes and take the initiative in allocating resources, combining the central funding with local budgets in a way that best meets local needs. Local governments have the discretion to integrate central PR policies with local programmes.

As a consequence, most local authorities today set up their own PR programmes and policies, integrating central and local budgets, which encompass particular policies aimed at solving poverty characterised by local social conditions. Some local governments such as in Ha Noi, Da Nang, Ho Chi Minh, Dong Nai, Binh Duong and Ba Ria–Vung Tau have gone

further by setting higher poverty lines for 2011–2015 and designing a number of PR policies using their local budgets to support other poor groups who are not targeted by central policies, such as people who have just been lifted out of poverty but are still facing many difficulties. Some provinces with a high population of ethnic minority groups such as Tra Vinh, Soc Trang and Daklak have also set up their own policies specifically targeting these groups. Documentation reveals that these local PR policies are often more successful as they are more responsive to local conditions and local authorities tend to be more accountable to the poor.

International research participants appreciated this approach. They acknowledged that PR policies tend to be more tailored towards local conditions, and local governments have become more accountable. However, aside from these advantages, the decentralisation process in PR also causes a number of problems relating to the targeting and implementation of PR policies.

The decentralisation process in a multi-tier system of government such as Vietnam's is likely to distort the original PR objectives. The multi-tier system of government means that policies can be modified at successive levels of government. When policies move down from the central to local levels, PR policies are then modified in ways that are acceptable to local governments but inconsistent with the original objectives of the PR policies. A policy designed by central government can be implemented in a different way in communes in the northern Highland to those in the Central region because it has been modified at provincial levels and even district levels. It also means if people at different levels of government don't like particular aspects of the policies, they have many opportunities to change the policies in accordance with their own aspirations and priorities.

Therefore, the operation of the PR system makes the implementation of policies subject to differences at the provincial level and that makes it extremely difficult to assess the effectiveness of PR from one province to another and across the country as a whole. What this research demonstrates is that the inconsistency in PR implementation results from the fact that there is no setting of minimum standards in implementation of some PR policies and no efficient monitoring and evaluation (M&E) system. For example, targeting

has been done well in some provinces whereas in others it has not. This leads to the leakage of the resources. Though there is a guidebook for implementation, in practice the reality of implementation leads to differences between provinces and between districts.

Another factor that makes decentralisation inefficient is the limited capacity of local authorities at district and commune levels. Many officials charged with implementing PR programmes are incapable of designing and managing the programmes. As a consequence, all PR programmes and policies are designed and managed at central or provincial levels. Yet another contributing factor is that many provinces (particularly remote regions), are poor with limited local budgets, and so rely on central funds for implementation of PR programmes. Thus despite the “theory” of decentralisation, local authorities strictly follow central PR policies and this inevitably limits the degree of flexibility in designing PR programmes aimed at resolving local needs.

#### **8.4 Empowerment of local authorities and the poor**

Despite the limitations of the decentralisation strategy, the government’s approach to PR increases the ownership and the decision-making power of local authorities at district and commune levels. Local authorities at these levels are allowed to take the initiative in investing and setting up PR programmes. Communal authorities are encouraged to take ownership of PR programmes as long as they can demonstrate their capability to district authorities. This is a relatively recent initiative by the government to empower communes as owners of local PR programmes in their localities. Before, central government, via relevant ministries, was directly involved in PR programmes. The poor are also encouraged to participate in PR through decision making, implementation, and even in M&E. The government reinforces this engagement by promoting financial transparency and a democratic process where poor people are allowed access to PR programme-relevant information.

Again, there appears to be some disjunction between theory and practice, with some research participants claiming that information on PR resource allocation remains confidential between the different tiers of government, especially between central government and provincial authorities and between provincial authorities and

district/commune authorities. Commune authorities who directly implement PR policies and programmes and local communities can rarely access information on PR policies and programmes. This is common in communes in remote regions, especially those dominated by ethnic minority groups. Commune officials are not allowed to question their higher-tier authorities on the rationale for PR resource allocation while the criteria for resource allocation are too general and ambiguous. The lack of information on resource allocation causes difficulties for commune authorities to draw up and implement long-term PR plans. In reality, commune officials and local people have no voice in designing PR programmes. They are generally passive in building and implementing PR plans as all of the PR resources and socio-economic development plans are strictly controlled by provincial and district authorities. Even if communal authorities want to integrate different resources and programmes targeted in their locality to make PR more efficient, they are not given approval to do so.

At the same time, the rights of the poor to take part in PR programmes have not been clearly articulated or institutionalised. They have no voice in making decisions or in implementing, monitoring and evaluating PR programmes. They are not able to access financial information. They neither know how to participate in local decision-making processes or have adequate capacity to participate. Meanwhile, the mechanism for them to participate is weak and guidance and information to help them participate is not available. They are simply required to make a financial contribution towards development projects.

### **8.5 The application of multidimensional poverty**

The fieldwork data and documentary evidence illustrate how the interpretation of poverty and the Vietnam government's responses to PR have changed over time. Recently, the government has decided to introduce the concept of multidimensional poverty (MDP) into the measurement and implementation of poverty in Vietnam.

The MDP concept is new to many people in Vietnam, and senior PR officials working in the government have been intensively studying the concept of MDP and MDP-measuring techniques from overseas models. In addition to the conceptual issues, the introduction of

MDP requires a number of institutional changes including constitutional and law amendments. Relevant ministries and government agencies are required to integrate MDP criteria in setting up a MDP measurement system before reporting to the prime minister and getting his approval. Further, MOLISA is required to establish a draft Law of Social Welfare (or Social Development), which will be the basis for establishing MDP measurement criteria. The establishment of this draft law is based on the human rights stipulated in the Constitution and Resolution on Social Welfare promulgated by the Party. This draft bill will be developed with relevant government ministries and agencies. Once the prime minister has approved the MDP measurement criteria and the draft bill, he is expected to submit these documents to the Standing Committee of the National Assembly. After the Standing Committee has approved the bill, it will be presented to the National Assembly which must ratify it before it is promulgated by the president of the country. This is a time-consuming and challenging process, as confirmed by a senior government PR official, because many of the top leaders of the Central Party, government and Congress and high-ranking officials at ministry level still hold traditional views on poverty which are limited to income and other physical characteristics. In summary, it is very difficult to convince the top leaders to change their ways of defining and measuring poverty in multidimensional terms and thereby approve the new Law on Social Welfare. Thus, in spite of the government's determination to introduce the MDP approach, the process faces many challenges. Documents from MOLISA (2014a) show that although the government has approached PR as a multidimensional issue, it has not officially defined and set MDP measurement criteria nor formulated mechanisms for designing and implementing MDP reduction policies (Molisa, 2014b). Aside from the conceptual issues involved, the setting up of an MDP system faces a number of logistic hurdles, including the availability of data through the Vietnam Household Living Standards Surveys (VHLSS) conducted by the General Statistics Office (GSO).

Resources for PR in Vietnam are limited and this situation has been exacerbated by a reduction in financial support from international donors as Vietnam's economic status has improved. These limitations are consistent with the long-standing perspective of the Vietnam government on PR, namely that in fiscal terms the needs of the poor must be

“appropriate” to the socio-economic development of the country and the availability of national resources (VNOG, 2003). This is evident in the government’s definition of poverty as well as the setting of a low poverty line in order to limit the number of poor people catered to by its PR policies and programmes. Although there have been many debates among national and international researchers on whether the government should set a higher poverty line in order to support more poor people, the government has maintained a low poverty line and mobilised resources to help the poorest groups as a priority. This perspective is again addressed in recent statements in the article “Toward MDP Measurement in Vietnam” by the director of NOPR, as well as in the Central Party Resolution 15. Accordingly, an MDP approach which covers a number of physical and social dimensions is likely to be more complicated and costly, thereby threatening the sustainability of MDP policies. In 2014, MOLISA conducted a survey of basic needs as a foundation for setting MDP measurement criteria. In this survey, they suggested criteria including healthcare, education, and vocational training; living conditions such as housing, electricity, water supply and hygiene; employment; access to information, social participation in mass organisations, clubs and interest groups; living environment with security, safety and clean environment; having assets and having social insurance and assistance (MOLISA, 2014).

If the dimensions of MDP are limited, this will again limit the beneficiaries of future PR policies among a huge population who are still living in harsh conditions in rural areas, particularly ethnic minority groups living in remote mountainous regions. It will also make the application of MDP less meaningful in the country. Meanwhile, the application of MDP will probably reflect a more realistic picture of destitution in Vietnam, which is evident from the empirical research conducted by the UNDP in many countries described in their 2010 *World Human Development Report* (UNDP, 2010a). In this research, MDP poverty rates are often higher than income-based poverty rates in the same country. Furthermore in the urban poverty assessment report for Vietnam, the UNDP indicated greater deprivation, as was evident in the shortage of income in Ho Chi Minh City and Hanoi (UNDP, 2010a). Another way to increase the budget for MDP reduction policies is to merge fragmented NTPs in different fields including housing, water supply, and



healthcare. This not only increases the budget for MDP policies but also ensures better coordination for PR policies. The weak coordination of many PR policies limits the effectiveness of PR in Vietnam, as discussed in later sections.

Beside the issue of limited resources, the social dimensions of MDP such as human rights and freedom of speech are sensitive concepts in the Vietnamese political context, which is defined by a one-party administration system as stipulated in the Constitution. Although the protection of human rights is written into the Constitution, interpretations of this concept in Vietnam differ from those held by the international community. As a result, movements in support of human rights are becoming more prevalent in Vietnam and the government has been criticised for interpreting the concept differently by organisations such as Amnesty International and countries like the United States and the European Union (Amnesty International, 2014). For its part, the government has become increasingly sensitive to the use of the term “human rights”. That said, Vietnam has confirmed that the definition and measurement of MDP in the country will be based on the principle of human rights (Thi, 2014). Thus, in the case of Vietnam, there may be some disjunction between philosophy and policy with the government committed to the physical dimensions of human rights including living standards, education and healthcare – as per the UNDP’s (2010a) MDP indicators – while ignoring at the same time social but sensitive and difficult-to-measure indicators such as freedom of speech and democracy. The distinction between philosophy and policy or policy and practice here is highlighted by a foreign PR expert interviewed for this research:

It is not the problem in terms of policies. It is the problem in terms of how we think about poverty in Vietnam (p1).

It is how Vietnam’s leaders (re)conceptualise poverty that will decide the objectives of the PR policies they will design. This is relevant to the next theme, the setting of a poverty line in Vietnam.

## **8.6 Low poverty line**

Research participants considered the measurement of poverty remains very narrow and felt that the poverty line in Vietnam is very low. Both the official MOLISA poverty line for

implementing PR policies in Vietnam and the original GSO-WB poverty line were regarded as being very low compared to international standards. The MOLISA poverty line is not even updated with the Consumer Price Index (CPI) index during a five-year period and therefore it is lower than GSO-WB poverty line. As a result, MOLISA estimate of national poverty rate is much lower than GSO-WB estimate of poverty rate. For example, in 2010, while MOLISA official poverty rate was 14.2 per cent, GSO-WB poverty rate was 20.7 per cent (World Bank, 2013). (see Table 2).

Table 2: Poverty estimates by region and urban/rural areas. Source: World Bank, 2013.

**Poverty Estimates for 2010 by Region and Urban/Rural Areas**

	GSO-WB Poverty Rate		Official Poverty Rate	
	Incidence (%)	Contribution to total (%)	Incidence (%)	Contribution to total (%)
<b>All Vietnam (national)</b>	20.7	100	14.2	100
<b>Urban</b>	6.0	9	6.9	14
<b>Rural</b>	27.0	91	17.4	86
Red River Delta (Hanoi)	11.4	12	8.4	13
East Northern Mountains	37.7	21	24.2	20
West Northern Mountains	60.1	9	39.4	9
North Central Coast	28.4	16	24.0	20
South Central Coast	18.1	7	16.9	10
Central Highlands	32.8	10	22.2	9
Southeast (HCMC)	8.6	7	3.4	4
Mekong Delta	18.7	17	12.6	17

Most countries raise their national poverty lines as they become more affluent and as the aspirations and expectations of citizens change. Food consumption becomes a much smaller share of total consumption as citizens become more affluent. Unlike many other fast-growing economies, the GSO-WB line and MOLISA line have not been revised since it was agreed in the mid-1990s (World Bank, 2012a). For the time being, the MOLISA poverty line is VND 500,000/person/month in urban areas (equivalent to US\$23.50) and VND 400,000/person/month in rural areas (equivalent to US\$18.80). On average, this poverty line is equivalent to US\$0.78/person/day for urban areas and US\$ 0.62/person/day for rural areas, which is much lower than the international poverty line for low-income countries (US\$1.25/person/day). It is also lower than those of other

countries in Southeast Asia. For example, the poverty line in 2012 in Indonesia was around US\$22/capita/month (World Bank, 2014) and that of the Philippines was US\$24.40/capita/month (ADB, 2014).

Although research participants (especially the international participants) acknowledged the PR achievements gained by Vietnam over recent years, they expressed misgivings about the low national poverty rate, which was 9.6 per cent in 2012. They maintained the national poverty rate did not reflect the real picture of poverty in the country. This assessment was also made in a MOLISA (2014b) report which noted that though the poverty line had been set higher over time, it was still lower than the international standard poverty line. Further, they saw the poverty line as being based on income alone, thereby underestimating multidimensional poverty (Molisa, 2014b).

In fact, this low national poverty line means that many Vietnamese people are living in very harsh conditions but unable to benefit from PR policies because their incomes are just a little bit higher than the poverty line and as a consequence they are not considered as being poor. The people who live slightly above the poverty line experience negative consequences arising from the inflation rate and a rise in consumer prices. Considering the CPI, their incomes have in reality not been enough for them to be able to afford basic needs though they are still above the poverty line. This was recognised by both domestic and foreign research participants and in national and international reports.

Though acknowledging that the national poverty line is low, government officials interviewed maintained that, given the limited resources, setting a low national poverty line is the most feasible solution in Vietnam for the foreseeable future. The reason for setting and keeping the poverty line low, according to national PR officials, is that the Vietnam government does not have sufficient resources to support all the people living in destitution. Given the limited resources, they choose to support the poorest groups of society first. This perspective was expressed by all the MOLISA officials who participated in the research. In fact, there has been much discussion about this issue in Vietnam. Experts from international agencies such as the World Bank and UNDP, and from the GSO have always recommended that Vietnam should adopt a higher poverty line. In government meetings, senior officials have also debated the issue and advocated the application of the

GSO poverty line which is higher than MOLISA one and gives a more accurate picture of poverty across the country. However, MOLISA, which is mainly in charge of PR in Vietnam, has always insisted on their perspective namely that Vietnam should concentrate its PR resources on the poorest groups. Although they acknowledge that the poverty line does not reflect the current poverty status of the country, they argue that if Vietnam introduces a higher PL, the poverty rate will be much higher and this will be beyond the national capacity to solve. Participants asked, for example, where the money from for larger PR programmes if the PL was set higher, and asserted that there was no choice but to set a low PL so that people could 'get over' the line.

Because of the decentralisation mechanisms in place, local governments are allowed to set their own poverty line and PR policies and programmes to meet their local needs. In fact, some local governments have tried to adjust their provincial poverty line to implement their local PR policies. So far seven provinces/cities have set their own local poverty lines which are higher than the national poverty line and designed their own PR policies customised to particular local needs using their local budgets (VNOG, 2014a). Yet, after having raised the local poverty line, the budgets of the provinces are too limited to implement their own local PR policies (VNOG, 2014a).

### **8.7 Exclusion of urban migrants in Poor Household Surveys and Household Living Standards Surveys**

The Vietnamese residence registration mechanism prevents many poor migrants in the cities from receiving PR benefits and affects the accuracy of the national poverty rate, making it lower than the reality. This is an important issue that many international and national PR experts referred to when discussing targeting in Vietnam. The mechanism excludes a significant section of the poor population during the targeting process.

The local governments of big cities such as Hanoi, Ho Chi Minh City and Da Nang, where there are a large number of migrants who have come to the cities from rural areas in search of jobs, have excluded poor migrants from the Poor Household Surveys (PHS) conducted by MOLISA and the VHLSS conducted by the GSO. The reason is that these poor migrants, who are often landless and jobless, do not have residential registration or have

registered for less than six months in the cities where they are living. Even if migrants have registered their residence for over six months and are therefore eligible for being targeted in the surveys, they are still deliberately excluded by the local authorities (VNOG, 2014a). As a result, these poor migrants are not entitled to benefit from any PR policies for housing, education, healthcare, vocational training and other supports (VNOG, 2014a). Even worse, without residential registration, they are treated unequally in accessing social services such as education and healthcare compared to other citizens.

Migrants' children are not allowed access to state schools. They therefore have to go to private schools which charge higher fees. Meanwhile, they do not benefit from the school fees support policies aimed at poor households. A study in 2010 revealed that 45.4 per cent of poor migrants did not go to hospitals when they were ill because they did not have the money or health insurance (MOFA, 2011). According to the study, 56.7 per cent of poor migrants did not have health insurance because they did not have the money and did not know where to buy it. Nor are migrants allowed to connect to electricity and water supply systems. Thus, they have to access the services indirectly via systems installed at permanent residents' households and have to pay higher fees. They usually have to pay two to four times higher fees for electricity and water supply compared to urban residents. The study also indicated that 60 per cent of urban migrants had to live in shabby housing conditions – under 7m<sup>2</sup>/person – and 15.5 per cent had to change their accommodation at least twice a year. They do not benefit from housing policies and housing rentals often increase by 20–30 per cent per year (MOFA, 2011). Moreover, many migrants work in the informal sector without the benefit of social protection or employment benefits. Thus, local governments have been excluding a large number of poor people, especially rural–urban migrants, called the urban poor, from their PR policies and programmes.

One participant, a senior government official, acknowledged that the government has not developed any solutions to help these migrants and leaves the issue of poor urban migrants to local authorities to manage themselves. Government documentation confirms that at the moment there is no database on social welfare and poverty and therefore the government has not been able to manage the rural–urban migrants (VNOG, 2014a). At the

same time, local authorities in the big cities are reluctant to solve the problem. They argue that if they include the unregistered migrants in their poor household surveys, the survey process will be more complicated and more time-consuming.

According to the local government financial contribution mechanism, local governments have to use their own local budget to carry out surveys. Consequently, they want to minimise the costs for PR and have other priorities when it comes to budget expenditure. These authorities usually choose the easier option which is to consider unregistered migrants as outsiders in their cities so as to exclude them from any surveys. Local governments have power in deciding what should be done whereas central government agencies such as MOLISA and GSO either ignore or maintain that they cannot interfere in this issue. The decentralisation mechanism allows local authorities to make their own decisions on financial as well as technical terms. Local governments have to balance their budgets for PR activities. Even if decisions are not very reasonable, the central government and its relevant agencies are reluctant to intervene. This provides justification for the exclusion of migrants from surveys as this would increase their budgets for both the surveys and PR programmes.

The PR officials interviewed maintained that central government will try to fix this problem, learning from the experiences of Ho Chi Minh City in solving urban issues regarding migrants. In fact, this problem is not unique to Vietnam but common across many cities in Asia. However, solving poverty for urban migrants in big cities such as Ho Chi Minh City and Hanoi is increasingly urgent because the population of migrants in these cities has been rapidly growing and if the poverty of these migrant groups is not resolved, there is considerable evidence to suggest that this will, despite the government commitment to targeting, lead to major social problems.

The exclusion of the urban poor migrants from PHS means that both central and local governments do not design PR policies tailored to these groups of people. Government documents report that while the PR policies have so far been aimed at poor people in rural areas who account for over 90 per cent of the poor population, they have not targeted urban poor migrants though the issues of urban poverty and rural-urban migration have been discussed in many studies (VNG, 2014a). In order to solve this

problem, the issue of residence registration as a prerequisite for being considered as a poor household needs to be resolved. Poor migrants should be allowed to access PR policies and public services even without residential registration. Social infrastructure such as houses, schools and healthcare centres need to be built in industrial areas to meet the needs of labourers and their families

### **8.8 Targeting leakage**

Research participants were not convinced by the government's targeting process. They asserted that targeting is a major problem for PR programmes and policies in Vietnam. The participants claimed that the coverage of PR policies is limited and the targeting process is inefficient and needs to be re-examined. They insisted that it was the inefficient targeting that is making PR programmes and policies not very successful. This explains why international agencies prefer their own projects to the Vietnamese PR programmes and policies contained in the NTPs. The participants suggested the government should re-evaluate the procedure and criteria of targeting: "How do you target?" and "On what basis do you target?"

Although they affirmed that they have tried their best and that the results of targeting have been acceptable given the limited human and financial resources, national PR experts in the central government acknowledged that the targeting process has not been very efficient and needs greater monitoring and supervision. National PR officials at the local level who have been directly involved in the targeting process also admitted that there was leakage in targeting. According to a government report (VNOG, 2014a), existing poverty and social protection programmes provide only partial coverage and limited benefits to the poor and at-risk people. Government statistics indicate that in 2010, only 50 per cent of the extreme poor benefited from the government's PR policies and programmes (VNOG, 2014a).

As a result of the leakage in targeting, it seems evident that some of the PR resources might have gone to wrong beneficiaries while a number of poor people have not benefited from PR policies. The leakage could be regarded as a waste of the national PR resources. Given the fragmentation in designing and implementing PR policies, it is

difficult to get an accurate picture of the total national budget allocated for PR policies. A MOLISA (2014a) study indicated that, according to a Ministry of Finance (MOF) report to the Congress, the government allocated a huge budget for PR policies and programmes. From 2005 to 2012, the national budget for PR was approximately VND 734,000 billion (equivalent to US\$35 billion) to VND 90,000 billion (equivalent to US\$4.2 billion), making it over 12 per cent of total national expenditure, excluding the national budget for low-interest credit of VND 20,000 billion (equivalent to US\$952 million) and government's interest support of VND 7,000 (equivalent to US\$310 million)–8,000 billion (equivalent to US\$380 million).

That too much discretion has been given to local authorities at commune and village level in making decisions on the selection of “poor households” in PHS is one important cause for the leakage in the targeting budget. The efficiency of targeting depends on local authorities and therefore differs from commune to commune and village to village. There are inconsistencies between different communes and villages in conducting the surveys. Some have rigorously carried out the survey but others have not. In some communes or villages, there is corruption and bias during the targeting process. Local authority officials can give their close acquaintances priority to benefit from the government's PR policies. This means people who are not poor can receive PR support while people who are poor cannot. In carrying out some PR programmes, local authorities tend to select their relatives or acquaintances who cannot be regarded as poor. Local officials often justify their actions by saying that they have to select the most “capable” households so that these households can learn from the pilot PR projects and then transfer their know-how to other poor households in their communities. In reality, many of these pilot PR projects fail. As a result, know-how is not transferred to the poor while PR resources are wasted.

In order to avoid corruption or bias caused by local authorities, the targeting process allows for the participation of local residents during the selection of poor households. Local residents are supposed to come to selection meetings to vote for the List of Poor Households before final decisions are made. However, this participation component has not been seriously followed in practice. Press reports have shown that many local residents cannot access information regarding the selection process of poor households



undertaken by local authorities and therefore do not come to the selection meetings. Many poor households were not informed that their households had been removed from the Poor Household List by local authorities and the PR benefits that they used to receive had been given to other households who had better living conditions but were close acquaintances of personnel in the local authorities (Toan, 2013).

The efficiency of the surveys depends on the willingness and resources of the local government. In some provinces where the leaders show determination and are willing to spend more resources in PR, the surveys and targeting are more efficient. In other provinces where the leaders have other priorities than PR and do not want to spend large resources on the surveys, the targeting process will not be efficiently carried out, and as a result targeting as well as the needs assessment of the poor is not accurate.

The PR programmes constitute both a system for measurement of the poor and a system for allocating funds. In some poor provinces in the Central Highland and Northwest regions where economic development is limited, local governments do not have substantial budgets for PR, even if they do have a strong determination to pursue this objective. In theory, in conducting PHS, local governments are supposed to go through three rounds of poor household selection, but in reality, as acknowledged by a senior local PR official in a Central Highland province, given limited financial resources the local PR staff cannot complete the whole targeting procedure and choose instead to limit the survey procedure. This inevitably makes the targeting process less efficient. Meanwhile, central government does not have control of the targeting process at a local level. In carrying out PHS, central government has to rely on local (provincial) governments' resources and therefore it has a weak voice when it comes to intervening or directing the local governments' surveys.

Inefficient targeting also results from inappropriate PR policies. One local PR official illustrated this with an example of a PR policy which provides educational support to all households in poor coastal communes. This means that all households, whether poor or not, are allowed to receive financial support to pay for their children to go to school. In reality, not all households – the beneficiaries – in these coastal communes are poor. Many of them are very wealthy and able to get their children to school without any form of

support. Meanwhile, many poor people living in other communes who cannot afford school fees for their children do not benefit from this policy. One local PR official stated that he felt very unhappy when he had to deliver money to these wealthy households.

### **8.9 Substantial free-support PR policies and programmes**

During the past two decades, the Vietnam government has created a number of free-support policies for poor households. These policies cover free rice, clothes, lighting oil, cash for paying electricity bills, seeds and plants, as well as school fees, health insurance, and housing (VNOG, 2014a). These policies are part of the short-term PR strategy by the government aimed at solving absolute poverty which is still a challenging issue for the country.

Research participants considered that the Vietnam government has been too ambitious in designing so many PR policies and programmes, many of which include free support. They claimed that it was these free-support policies that have caused many poor people to lack motivation to work and rely instead on government support. The argument is that these individuals benefit from being recipients of PR policies because of being selected as members of “a poor household”. One MOLISA study that endorsed this interpretation maintained that the substantial subsidy in PR policies such as the provision of cash or materials without clear qualifications leads to misuse of the support system and thereby contributes to dependency (MOLISA, 2014). The government has also acknowledged that the free-support policies have been ineffective and created an attitude of dependence in poor people who then lack the motivation and incentive to move out of poverty (VNOG, 2014a).

One local PR official maintained that instead of feeling ashamed for being considered “poor” as they did in the past, more and more people have now been applying for classification as a “poor household” by local government. Some people are now proud to be considered “poor”. They even compete against each other to be selected as poor households. As a result, local PR officials have to convince people who are not poor to avoid applying for PR funding. One local PR official became very frustrated when he reported examples of this in his interview. Some people who are not poor, with land

which is rented, still ask for electricity bill support. Some have even exploited the PR criteria to become a “poor household”. A local PR official told of a couple who forced their mother to leave the house and stay alone in a cottage in the garden so she would be considered poor and thereby benefit from PR policies. The free-support policies have made targeting more difficult. In the PHS, a number of non-poor people under-report their real income and assets in order to be selected as poor households. Thus, it is difficult to assess the number involved in exploiting the PR system.

Aside from the problems of targeting and disincentives to work, both central and local PR officials interviewed were concerned about the sustainability of current PR policies, particularly the provision of free support. The government spends approximately VND 90,000 billion per year on PR programmes, which is 12 per cent of total national expenditure (Molisa, 2014b). This is a large proportion of the national budget and as a consequence some national PR officials have suggested that the government reduce their free-support policies. One local senior PR official argued that the government should only subsidise selected areas such as education, healthcare and housing while at the same time reducing support in other areas such as credit, vocational training and livelihoods.

The government has been aware of this problem, as noted by a senior central PR official. However, because poverty is still a major challenge for the country, government has maintained free-support policies as short-term strategies to help people in absolute poverty, particularly those ethnic minority groups living in the mountainous regions. At the same time, the most recent government strategy document, the Report on Implementation of PR policies and Laws 2005-2014 has indicated a desire to reduce free-support policies and increase policies which support credit, employment, vocational training, and production development. The government aims to increase the participation of the poor in PR policies and continue support for near-poverty people and those who have just emerged out of poverty. During the period 2013–2015, the government has indicated that it will cease designing new PR policies that may increase the national PR budget (VNOG, 2014a).

### **8.10 The weak coordination mechanism of PR policies**

Vietnam has comprehensively designed many poverty reduction policies and programs in order to quickly solve the problems of hunger and poverty. Various PR policies and programs have been designed by different ministries and government agencies. One international PR expert commented on Vietnam's comprehensive approach to PR thus:

So many different kinds of programmes are designed for different groups of people to keep them happy (p1).

Both national and international PR officials argued that PR policies and programmes in Vietnam which cover a wide range of areas are too fragmented. MOLISA (2014a) has tried checking all PR policies and programmes and acknowledges that it is a difficult task. In the same MOLISA study, preliminary statistics showed that there are over 70 valid legal documents on PR policies in which there are two government resolutions, over 10 government decrees, over 30 prime ministerial decisions, and over 30 circulars from different ministries. This figure excluded direct or indirect PR policies designed in other NTPs, central and local programmes, and social welfare policies.

PR experts maintained that there is no efficient coordination mechanism in designing and implementing PR policies and programmes between different government agencies, and MOLISA (2014b) had highlighted the problem of weak coordination (Molisa, 2014b). Although MOLISA, on behalf of the National Directing Board for Poverty Reduction, functions as the main coordinator of all PR policies and programmes, it fails to do this. MOLISA has no power to coordinate the designing and implementation of the fragmented PR programmes because, in terms of administration, it is at the same level of power as other government agencies and ministries. Further, though MOLISA is in charge of national PR, it does not have power in allocating resources which are under the Ministry of Planning and Investment and MOF. This weakens the role of MOLISA in coordinating PR programmes nationwide.

An overview of present management mechanisms revealed that different government agencies design and run different PR policies and programmes and have no incentive to coordinate or cooperate with one another. Each government agency has its own resources which are provided by the MOF and likewise each agency has its own target beneficiaries.

The MOLISA study (2014) revealed “a patchwork of similar programmes”. Each PR programme receives a small amount of funding and must meet separate budgeting and reporting requirements for local administration. This mechanism increases transaction costs and limits the potential impact that might be achieved with a more integrated programme approach (UNDP, 2009b). For example, the Ministry of Agriculture and Rural Development (MARD) designs and undertakes agricultural extension programmes for poor farmers; the Ministry of Construction runs housing programmes for poor households; the Ministry of Education and Training undertakes school fee support for students from poor households; and the Ministry of Health sets up healthcare insurance for poor people. Several PR programmes, especially in production support, land distribution and micro credit, have clear synergies that could be coordinated to improve the efficiency and impact of the programmes. This is not being conducted even where just one department is the implementer and monitor of a PR programme (UNDP, 2009b). What MOLISA can do is assist government agencies by providing them with the list of poor households so that they can implement their PR policies and in turn receive their reports of PR policies so that they can be integrated in the final report to the government summarising national PR programmes. Like other agencies, MOLISA also designs and runs its own PR programmes. This type of replication and fragmentation can only be solved if the same vision is introduced and understood across all agencies (Binh & Hung, 2012).

In addition, the decentralisation mechanism makes MOLISA unable to coordinate central and local policies and programmes. Local governments are given autonomy to design their own local PR policies and programmes whose resources partly come from local budgets. In principle, MOLISA is not given enough power to intervene in local government PR policies. If MOLISA wants to intervene in local government strategies, it has to report to the prime minister who is entitled to give instructions to local governments. These problems in the management of PR programmes have existed for some time and are one factor in limiting the interest of potential donors (UNDP, 2011).

Table 3 shows some of Vietnam’s PR programmes, particularly big programmes such as Programme “Socio-economic Development for Communes Facing Extreme Difficulties in Ethnic Minorities and Mountainous Areas”- Phase II (Programme 135-II), National

Targeted Programme for Poverty Reduction (NTPPR) and Programme “Rapid and Sustainable Poverty Reduction Programme for the 62 Poorest Districts” (Programme 30a) and their overlapping components. All components including infrastructure, production support, healthcare, education, water supply, housing, vocational training, and capacity building in these programmes overlap. In principle, government agencies insist that the overlaps can be avoided during implementation through the selection process of beneficiaries for each intervention but this does not happen in practice.

Table 3: Sector approaches of Vietnam’s PR projects and policies. Source: MOLISA, 2014.

	Roads, communal houses etc.	Production	Housing	Water	Education	Vocational Training	Legal Support	Capacity building in PR	Health
P135-II	X	XX		X	XX	X	X	X	X
NTP-PR	X	XXXX	X		XX	X	X	X	XX
Resolution 30a	X	XXXXX	X	X	XX	XX		X	X
RWSS		X		X				X	X
EFA					X				
Mekong Delta		X				X			
Central Highlands		XX				X			
Programme 134		X	X	X					
Other PR programmes	XX	XX	X		XXX				XX
	5	18	4	4	10	6	2	4	7

<sup>3</sup> More than one X in a cell means a project has several components or subcomponents that deal in the sector. For instance the Resolution 30a provides support in 5 production areas, it i) supports production activities, ii) gives loans for production, iii) builds irrigation systems, iv) supports forestry development and management, and V) gives extension training

In practice, the lack of coordination between PR policies leads to overlapping and a duplication of remedies. PR policies overlap in terms of content, target groups and areas. The MOLISA (2014b) study showed that nearly 1 million health insurance cards have been misdirected. Examples include one person receiving three health insurance cards from three different programmes because he or she met the requirements from three programmes at the same time: being poor, contributing to the war, and deserving social protection. Another example from the credit policies is that one poor household may benefit from five low-interest credit programmes: one from the Bank of Social Policy, one from the Women’s Association, one from the Veterans Association, one from the Office of Labour, and one from the Youth Association (Molisa, 2014b; UNDP, 2009a). These

problems occur because each of the government agencies runs its own PR programme and fails to coordinate or collaborate with others.

Within the credit policies, there is overlapping in terms of target groups and areas and details of loans and terms between the Government Decree 78/2002/NĐ-CP dated 04/10/2002 and the other 17 decisions and circulars issued by the prime minister and other relevant ministries. In brief, most of the contents of Decree 78 cover all those of the other 17 legal documents combined. Acknowledging this problem, the MOF has suggested a modification to Decree 78 so that it can replace the other 17 documents. However, there has not been a response from the government on this. Even within credit policies for housing, there are differences in terms of running agencies. The credit programme for poor households to “fix” their houses is coordinated by MOLISA while the credit programme for poor households to “build” new houses is coordinated by the Ministry of Construction. This results in difficulty in monitoring and evaluating the results and impact of the policies (MOLISA, 2014b).

Another example comes from the field of infrastructure building policies in poor communes. In one poor commune, there are many different infrastructure building programmes taking place at the same time such as Resolution 30a, New Rural Development, Consolidating Schools, and Programme 135 (UNDP, 2014). The Committee for Ethnic Minorities Affairs noticed this problem in its report to the government and suggested a transparent monitoring mechanism between different sources of funds as well as avoidance of overlapping resources (MOLISA, 2014b).

Likewise, within the production support policies, there are also many different PR policies which are issued by different agencies aimed at the poor in the same area. As a result, one local authority can receive funds from different sources for only one PR activity. For example, there are four different legal documents for land clearance for production which include Circular 08/2009/TT-BNN dated 26/2/2009 produced by MARD from Programme 30a, Decision 33/2007/QĐ-TTg and Decision 1342/QĐ-TTg to support ethnic minorities for living and production settlement until 2020, and Decision 1776/QĐ-TTg dated 20/11/2012 to support people suffering from natural disasters and difficulties in border areas, islands and forests (MOLISA, 2014a).

In addition to overlapping policies and programmes across different government agencies, there are overlapping PR policies and programmes between central and local governments. One PR official reported the overlapping between the central government Decree 49 and the Binh Thuan province's PR policy, which both provide education support to students from poor households. In response to the overlapping policies, he suggested that the provincial policy should be cancelled to implement Decree 49.

According to PR officials interviewed in this research, resources are not equally allocated between different areas of the country. Some areas or people benefit from many PR policies while other areas and people receive no benefits at all. One local PR official reported that in coastal communes where there are many government PR policies, people who are not poor can receive benefits. In other communes where there are not many PR policies, some very poor people are not entitled to benefit from any PR policies. The overlapping between PR policies in terms of targeting beneficiaries and the nature of support results in a lack of effectiveness in the targeting of policies and a waste of limited PR resources.

As well as overlapping, some PR policies are contradictory. For example, Decree 49, which provides support to pupils and students, conflicts with Decree 6713 which supports the disabled. According to Decree 49, parentless students are exempted from school fees. Meanwhile, according to Decree 6713, children over 18 years are not entitled to receive allowances. This means that many parentless students are not entitled to receive the allowances. Some policies target the same poor people but allocate different amounts of support because they are designed at different times, such as housing policies according to Decision 134 and Decision 167 (VNOG, 2014a). Likewise, poor households can receive different levels of support from different programmes. This happens, for example, in Programme 30a and Programme 135, when poor households benefit from different amounts of support from production support policies (VNOG, 2014a).

Another example is the conflict between PR policies and the New Rural Development programme. The latter provides a number of new investments and is attractive to local authorities. To be allowed to benefit from the programme, communal authorities must maintain a poverty rate as low as 3–5 per cent. In order to achieve this low rate, many



communal authorities have been distorting the poverty rate in their reports regardless of the number of poor households in their communes. Many poor households cannot benefit from PR policies and have protested against that. While MOLISA acknowledges this problem, the agency cannot interfere because the New Rural Development programme is run by MARD.

The interaction and coherence between different policies to create effectiveness is limited (Molisa, 2014b). Many PR policies are designed according to sectoral objectives without consideration of other sectors. For example, credit policies are not related to vocational training, employment, agricultural extension, and market information. This makes the credit programme ineffective (MOLISA, 2014b).

Research participants affirmed that there is also a lack of proportionality in PR policies at both national and local levels. There is a strong focus on the development of infrastructure such as electricity, roads, schools and healthcare centres, particularly for remote rural areas, while at the same time there is a lack of support in other areas such as agricultural extension, vocational training, and public service delivery improvement. One national participant insisted that investment in infrastructure is very important as it improves living, production and working conditions. The MOLISA study (2014) showed that a significant proportion of the budget was spent on building infrastructure: within the total central budget allocated for the NTP for PR for 2011–2013, the expenditure for infrastructure development was 79.21 per cent of the budget, whereas the budget for production support, capacity building for local PR staff, and project maintenance was 20.79 per cent (Dung & Cuong, 2014). As a consequence, there have been major improvements in infrastructure in poor communes: 97.42 per cent of communes have roads leading to communal centres, over 80 per cent have roads leading to main roads; over 84 per cent have the national electricity network connected to communal centres; nearly 70 per cent of households are connected to electricity; 100 per cent of the communes have primary schools and junior secondary schools, and 100 per cent have healthcare centres (VNOG, 2014b).

Though the building of infrastructure is necessary for the development of remote rural areas, there is the suggestion that other components should be developed. Research

participants considered that some components such as agricultural extension can be very important as they generate income for the poor and therefore the poor may prefer these policies. At the same time, the MOLISA (2014b) study placed emphasis on empowerment and production support as essential factors in reinforcing sustainable PR. One international research participant maintained that the reason that the government focuses on infrastructure is because infrastructure projects are probably easier to deliver and assess, whereas other projects such as freeing up agricultural markets or making public services more accountable to the needs of the poor are more difficult to measure in terms of outcomes.

Findings from the interviews as well as documentation indicate that the Congress and the government have acknowledged some of these problems and are planning to examine all PR policies and programmes. They have indicated that they intend eliminating ineffective policies and combining overlapping policies. The number of NTPs is going to be reduced from 16 to two or three. All of these initiatives are aimed at cutting back the number of PR managing agencies, management costs and procedures, and resources will be strengthened to make PR policies more effective and feasible. The government in its statements at least is determined to enhance coordination between different agencies and their PR policies. This may necessitate the creation of a legally efficient mechanism to coordinate different PR policies and make them more effective, particularly when PR policies become universal policies which will be undertaken by different government agencies. The aim is to combine different policies which provide cash in order to make one conditional support policy and at the same time central government is encouraging local governments to integrate different sources of funds for PR policies and programmes (VNOG, 2014a).

#### **8.11 Limited resources for PR programmes**

The resources for PR are relatively limited and are divided among many PR policies and programmes. This means that the fiscal support for each policy or programme is very small. For example, in the same commune, there can be three different infrastructure-building projects under three different programmes: Programme 135, Programme 30a, and the New Rural Development programme. Each programme is run by a different

ministry: Programme 135 by the Ministry of Ethnic Minorities; Programme 30a by MOLISA, and the New Rural Development programme by the MARD. The problem is that each programme only has a limited budget which is not sufficient to implement it. To solve this problem, the commune authority will seek to combine the three different sources of funding to carry out a successful infrastructure project according to their own needs. However, they are not allowed to do this because each programme is under a different technical and financial management mechanism. As a consequence, all the three infrastructure projects are not completed, which inevitably leads to a waste of national resources (VNOG, 2014a). There clearly needs to be a mechanism for integrating different funds for the same target group or area to reinforce capital investment and to implement policies more effectively.

Many PR policies such as credit, production support, healthcare and education provide little support which cannot make substantial differences to poor households. The education-supporting policy, according to prime ministerial Decision 4938 dated 18/6/2013, provides 15 kilos of rice/month for each primary or junior secondary boarding school student coming from difficult communes. This amount is equivalent to only VND 150,000 (US\$7.10). Similarly, there are other PR policies which provide very limited support such as policies to subsidise electricity bills, school fees, production development, and healthcare. Each of these policies, which are run by different ministries, provides approximately from VND 30,000/person (US\$1.50) to VND 70,000/person (US\$3.50).

Resources for particular policies are already limited when they are designed at the central level, and when they are implemented at local level, those resources can be redirected by local governments to serve other local objectives. This makes the funding support for each policy even more limited. Furthermore, the MOLISA (2014a) study indicates that the designing of too many fragmented policies not only leads to the fragmentation of resources but also increases costs for intermediary phases. The PR officials confirmed that having so many programmes makes PR more costly. The planning and M&E of such policies will cost more as these activities have to be set up at different times. If resources for PR are combined and concentrated on certain essential components, then PR policies are likely to be more effective.

After PR policies are designed at central government, funds are provided from the central government, via MOF, to local governments, via the provincial Departments of Planning and Investment (DPIs). Provincial DPIs will allocate funds to relevant provincial departments and districts for implementing PR policies or programmes. In addition to central funds, local governments have to contribute local funds to implement central government's PR policies and adapt the policies to meet local PR objectives. However, the implementation of the PR programmes with the collaboration of local governments is not always efficient. Many programmes fail to be realised. The reason is the central government's budget for PR is smaller than is necessary to achieve the PR objectives that it has set and local governments are supposed to contribute so much towards PR programmes or policies. However, many local governments cannot afford to implement those PR programmes. For example, Programme 134, which provides land for poor households, often cannot operate because local governments do not have enough land or money to acquire land, whereas the central government cannot provide more funding. As a result, they have to replace Programme 134 with other more feasible programmes such as building water systems or houses for the poor. This example illustrates how PR targets can be designed but not effectively implemented.

The MOLISA (2014a) study also confirms that many PR policies such as land provision for accommodation and production, water supply in ethnic minority areas, and compensation and relocation in some social-economic development project areas including hydro-power projects, mine exploitation, agricultural and forestry projects by state farms, cannot be completed due to limited resources. One reason for this problem is that there is an inefficient assessment of practical needs as well as resources before PR policies are designed. This makes budget planning for PR policies unrealistic in terms of resources. Further, central government does not usually meet the local budget plan requirements as defined in the socio-economic development plans submitted from local levels whereas the PR resources are allocated by central government in accordance with their own objectives. As a result, the implementation of local socio-economic development plans and PR policies in many cases is not feasible. Statistics show that only 58 per cent of the budget plan was met in 2013 (MOLISA, 2014a). During 2011–2013, the total central

funding was VND 18,909,331,000.00 (equivalent to US\$904,000.00) accounting for 64 per cent of the plan (Dung & Cuong, 2014).

In terms of human resources, the capacity of local PR officials is limited. They are not capable of carrying out PR policies and programmes. Moreover, the members of PR Directing Boards at provincial, district and communal levels have to undertake many tasks at the same time. They not only supervise PR programmes but also other socio-economic development programmes. Therefore, in many cases, these officials do not follow closely the implementation of PR policies and programmes. Likewise, there are no specialised PR staff capable of assisting the Directing Boards. There is also continual turnover in PR personnel.

While there are over 50 staff at the central MOLISA office, there is a shortage of PR staff at local levels – provinces, districts and communes. For example, at the provincial MOLISA office in Tra Vinh province, there are only three PR staff; at district level, only two staff – the vice chairman of the District People’s Committee (DPC) and a staff member; and at commune level, one staff member, who is in charge of all social issues, including PR. Moreover, according to the regulations, most of the local PR staff are required to undertake many other tasks at the same time. Given the limited central government budget, local governments are not allowed to recruit more staff for PR. That is why for a forthcoming PR project that the local government is setting up in Tra Vinh, a local PR official has asked for more PR staff in his office: seven specialised PR staff for the provincial office, two for the district office, and one at commune level.

The lack of specialised PR staff at all levels causes problems in PR management. There are simply not enough PR staff to monitor and evaluate PR programmes. This leads to an inefficient evaluation of PR programmes and policies as well as the inability to conduct a frequent impact analysis of PR. If there were more specialised staff, then evaluations could be conducted more effectively. The fact that PR staff are required to undertake many tasks at the same time makes them less enthusiastic and thus they spend less time on PR because they consider it less important and not their main priority or responsibility. This issue remains a major challenge for the future. In a recent document, the government

has stated that it will not increase PR staff in local government in order to avoid imposing a further burden on the national budget (VNOG, 2014).

#### **8.12 Lack of poor people's needs assessment**

Most PR policies are designed at the central level by the central government with little assessment of local needs and resources. The central government designs PR policies, draws up action plans and budget plans and local governments organise the implementation. Local governments make a compulsory financial contribution for the implementation of the PR policies. They are restricted from working on the framework of various central PR policies and programmes yet they are expected to set up uniform PR management mechanisms in order to implement central PR policies.

Components as well as budgets for the central policies are allocated evenly across the country according to national universal norms. PR policies are often framed in very ambitious terms and given unrealistic budgets. There are always limited resources for PR policies and in many cases these policies and their support do not meet the needs and priorities of poor areas. The MOLISA (2014a) study estimated that resources could only meet one-third of the initial budget plan for the 16 NTPs and 45 per cent for the NTP for PR. Infrastructure investment, for example, does not generally meet the local needs of poor households whereas the budget for infrastructure works is huge. At the same time, there is a limited budget for other production support policies.

Central PR policies often fail to meet the needs of poor people under quite distinctive social and physical conditions. One example concerns the support provided by the government to coastal communes in the Tra Vinh province. The coastal communes need to plant mangrove forests to protect the shores but the government supports the building of a fish market. As a result, many local communities are in conflict with central policies. The Tra Vinh PR official confirmed that the central MOLISA office often consults local communities before designing a PR policy but for that policy they didn't. Another example is the policy which provides cash or seeds for the poor to shift to a new agricultural production mode. Accordingly, most provinces provide from VND 80,000 to VND 100,000 (from US\$3.90 to US\$4.90) per person/year. This amount is too little to shift to a new

production mode and thus there is a significant gap between policy and practice (MOLISA, 2014a).

In the bi-annual PHS, the causes of poverty and the expectations of poor households are assessed. Some central and local PR officials confirmed that PR policies are based on the needs of the poor as well as those who live near the poverty line. However, other international and local PR experts and documentation revealed that the needs of the poor are not always reflected in PR policies designed by central government, and further that the needs of the poor are not rigorously assessed at local level.

Findings from the research show that the multi-tier government system can distort the needs of the poor at local levels. At village level, the poor are engaged in the process of defining needs which are then reported by village heads to commune authorities. Commune officials then transmit outcomes to the district level where authorities consolidate and modify the needs again before forwarding to the provincial government which in turn submits the outcomes to national government. In this way the needs of poor households are reshaped at each phase of the process.

Inefficient PHS at local level may lead to inaccurate needs assessment and this results from limited resources and/or corruption. While PHS, particularly in rural areas, are very time- and energy-consuming, the budget for the surveys is very limited, thereby discouraging survey conductors and inevitably affecting the accuracy of the survey results. Corruption or bias in the selection of poor households at local level also distorts the real needs of the poor. As budgets are paid by local governments, the central government agencies such as MOLISA cannot intervene in the survey process.

The government has recently stated that in order to design effective PR policies, it is necessary to identify beneficiaries and make exact budget plans as well practise transparency and openness in the implementation of PR policies (VNOG, 2014a). UNDP research shows that one of the drivers of the implementation of the NTP for PR is that policies and mechanisms for implementation are localised and tailored to local needs and conditions. In reality, even though a large number of policies have been developed and

local authorities have been assigned to develop detailed and localised guidelines, many provinces have not done this effectively (MOLISA, 2011a).

Local needs are not really considered by the Provincial People's Committees in designing local PR initiatives and allocating PR resources. The local poor's needs assessment is usually just a formality. Moreover, District Provincial Committees and Commune People's Committees do not participate in decision making on resource allocation, which is decided by Provincial People's Committees and therefore they have no voice in dispersing PR resources to meet local needs.

### **8.13 Slow mechanism for policy implementation and update**

The mechanism for issuing or making amendments of a PR policy or a guidance document is very slow. This affects the local authorities' implementation of PR policies. For example, the procedure for implementing the policy which provides support to school fees means it takes about 5–6 months before poor students can receive support to pay tuition fees. That means they often cannot pay school fees on time. Once a policy is found to be problematic or inapplicable, it takes time, at least 2–5 years, to adjust or revise PR policies because the adjustment of policies has to be approved by the central government and prices are continuously changing in the market. For example, the cost of building a house might go up from VND 5 million (US\$250.00) to VND 20 million (US\$1,000.00) due to inflation but many policies cannot be adjusted in a timely manner. So, there are many problems in this area during the process of implementation.

As PR policies are slowly updated, they become outdated and ineffective in a quickly changing market. One local PR official complained about the policy which supports the purchase of land for the poor minorities. According to the policy, the government provides support of VND 20 million (US\$1,000.00)/household for buying an acre of land. That support is sufficient for a poor household to buy an acre of land at the time the policy is issued. But the price has now risen to VND 40 million (US\$2,000.00) for an acre of land. Similarly, there is a problem concerning the policy which is about providing land for production and housing for the minorities living in the Mekong River Delta. The government provides VND 10,000,000 (US\$500.00), combined with the Bank for Social



Policy's loan of VND 10,000,000 (equivalent to US\$ 500.00) for the poor to buy 1 acre of land for producing two-crop rice. In fact, the price for this kind of land is now between VND 50,000,000 (US\$2,500.00) and VND 60,000,000 (US\$3,000.00) per acre, which makes it impossible to implement.

Another example is a housing policy which supports building new houses for the poor. The government provides VND 8,000,000 (US\$400.00) in addition to the bank's loans of VND 8,000,000 (US\$400.00) to build a new house for a poor household. The new house is required to meet prerequisite criteria including solid foundations and a roof with a durability of more than 10 years, a living area of 28m<sup>2</sup>, as well as other quality specifications. These requirement are however unattainable given the limited financial support. Similarly, the policy of school fees support for poor students has become outdated as the enrolment fees of some universities have risen higher than the allocated support.

This problem has been reported on by provincial officials to the central government in many meetings. In its report to the Congress, the government acknowledged that government agencies are slow in issuing guiding documents or circulars. This makes local governments unable to implement PR policies. In addition, modifications of PR policies which are not applicable in local circumstances are not timely (VNOG, 2014).

The process of formulating policies and guidance for implementation is still cumbersome and discouraging for local governments. After a PR policy has been designed, it takes time for central government agencies to issue guidance for implementation. The slow issuance of guidance makes it difficult for local governments to implement PR policies. Sometimes, local governments have to apply old documents and are therefore criticised for being out of date. Furthermore, after new guidance documents are issued, it is time-consuming to organise training for local staff to implement the guidance. The allocation of financial resources is slow, affecting the implementation of the policies, especially at local levels.

### **8.14 Lack of impact analysis**

In principle, the government has developed an M&E system which includes M&E criteria and tools for PR policies and programmes as well as conducting annual and five-year PR evaluations.

In practice, no impact analysis has been rigorously conducted by the central and local governments on the PR policies and programmes. The central and local governments have never integrated evaluation or impact analysis into the various PR policies and programmes. The government's perspective is that all PR resources should be delivered directly to the poor and therefore little resources are spent on administration, research and M&E. Evaluation is considered a regular task of government agencies and the allocated budget for evaluation is therefore very low. MOLISA has limited resources and cannot afford intensive evaluation exercises nationwide. It cannot therefore expect local governments to conduct evaluations. Local governments do not have capital or the human resources necessary to conduct an impact analysis on a frequent basis.

In the absence of any impact reporting of PR policies, central government relies mainly on administrative reports submitted by local governments who implement PR programmes and policies. Their reports only provide superficial information on the number of PR interventions conducted and the resources spent. For example, local reports only provide data on the number of loans provided, insurance cards issued, or vocational training courses conducted and never deeply assess the impact of the loans, insurance or vocational training on the lives of the poor. In the "administrative" PR reports, local governments often claim achievements of PR targets.

In its evaluation reports of PR policies and programmes, the central government also often uses data from PHS and VHLSS to "assess" PR policies. However, data from the surveys are not the right tools for assessing the impact of PR policies as they only provide information on the living conditions of poor people. In fact, government evaluation reports only describe the improvements in living standards of the poor. Therefore, government evaluation reports on PR programmes and policies are not reliable as a source of information and assessment.

As well as avoiding the task of conducting impact analyses of PR policies, the government does not appear to be interested in evaluation reports conducted by external agencies. The reports conducted by external agencies are not considered as official by the government. A former UNDP confirmed that the UNDP has conducted the evaluation of the NTP for PR but the evaluation was not supported by the government. There have also been other evaluations conducted by international and national agencies regarding PR in Vietnam but these reports have had little traction with the government (p1).

While needs assessment of the poor is inefficient, no impact analysis has been conducted on PR policies and programmes in Vietnam by the government. Therefore, there is no evidence of the effectiveness or success of many PR policies as a means of designing PR policies. This is confirmed by experienced international and national PR experts. For designing PR policies, the government draws primarily on administrative reports by local authorities and political resolutions framed by the Communist Party. An international expert confirmed that the government does not want to undertake impact analyses of their PR programmes and therefore they do not have a means of bringing evidence of past performance into designing new PR programmes.

There has not been, for example, any impact analysis of the micro-credit programme for repairing houses for the poor in rural areas although the government has been spending a lot of money on this programme. Without any evidence of the effectiveness of this programme, the government cannot be sure if it works – it just continues to deliver the programme. An experienced international PR expert claimed that the rate of bribery and fraud makes the programme ineffective. In order to receive loans, poor households bribe local officials. There also is also a high rate of fraudulent loans because some of the very poor cannot make repayments. Further, the poor are also unable to borrow from the banks as they have no income. It is difficult to assess the effectiveness of the credit programme given that there are no evaluation or impact studies in place. This would seem to be a prerequisite before continuing or designing similar programmes. Every year, the government spends approximately VND 20,000 billion (one billion US dollars) on credit programmes and VND 7,000–8,000 billion (US\$340,000,000.00-US\$375,000,000.00) on interest support (MOLISA, 2014a).

Because there are no effective procedures in place to conduct impact assessment of PR programmes, it is difficult to evaluate the efficiency and effectiveness of the myriad of PR policies and programmes, including the adequacy of allocated resources. Research participants maintained that the government keeps continuing PR policies and programmes without being assured whether or not the programmes are effective. The designing of new programmes or policies is mainly based on political considerations which receive consensus from politicians. One foreign PR expert doubted the effectiveness of the micro-credit programme for fixing houses in rural areas based on information he received by talking to local people. Yet, the government continues to maintain the programme.

Recently, however, there have been some, limited, changes. Supported by international agencies, the government has conducted a mid-term evaluation of the NTP for PR and Programme 135. The research suggests that government is changing its approach to M&E. They have plans to ask for the participation of many different agents including local people, beneficiaries, government agencies, non-profit organisations, the Congress and People's Councils at different levels, and mass organisations such as Women's Associations, Farmers' Association, Youth Unions, and the National Fatherland Front. MOLISA has asked international agencies for support in this area. One senior PR official confirmed that changes are taking place, albeit relatively slowly. Thus, despite of the government's new strategies for PR for 2010–2020, there is still a need for effective built-in M&E procedures within the national system (Binh & Hung, 2012).

### **8.15 High education and healthcare fees**

One participant raised the issue of user-pays for health and education, which he considered as being one of the biggest problems in PR. He affirmed that it is very expensive to go to school in Vietnam. In theory, by law, primary education in Vietnam is free. However, in reality, children have to pay for a variety of fees to go to school such as uniforms, books, facilities and extra classes. The very poor have trouble paying to go to school. When pupils go to junior secondary or secondary school, they pay higher fees which are high relative to the income of poor families. According to a UNICEF research report, Vietnam has the highest rate of children leaving school after primary school and

one of the reasons why the dropout rate is very high is because of school fees. Thus, education costs have become very expensive relative to poor families' income and this has the biggest effect on the very poor.

Likewise, the healthcare system also applies the user-pays principle which effectively excludes many patients, particularly the poor. Under-six children having a residence permit receive full support from the government while those over six need insurance. The poor can benefit from insurance policies but insurers only pay if people go to hospital; they do not pay for people who receive outpatient treatment. Medicines on the government list are covered but not many medicines are on the list. So, even the poor who have insurance have to pay a lot for prescription medicines and the doctor. As a consequence, many don't go to the doctor and so they get sicker and when they finally do go, they are very sick and it is very expensive to treat them. Some people don't go to the doctor at all, particularly old people. While acknowledging that Vietnam remains a poor country and that decent healthcare insurance for everybody is a major cost for the government, an international participant affirmed that relying on user-pays system in healthcare is very difficult for the poor.

#### **8.16 Poverty among ethnic minorities**

The foreign participant emphasised that although ethnic minorities have benefited from economic growth in Vietnam in general, they have not benefited from economic growth as much as the majority Kinh population. Statistics show that ethnic minority poverty rates have fallen as a result of rising incomes and expenditures. From a rate of 75.2 per cent in 1998, the level of ethnic poverty (excluding the Chinese) fell to 50.3 per cent by 2008, using the original GSO poverty lines (World Bank, 2012a). The research participants emphasised that although the central government has made many efforts to support the ethnic minorities, the inclusion of ethnic minorities fully in economic growth remains a major challenge.

The participants asserted that ethnic minorities have different cultural traditions different modes of agriculture. They are used to living on natural resources such which are becoming fewer and fewer. Meanwhile, it is very difficult for them to shift to new modes

of agricultural production. They cannot go to cities in search of jobs in industrial parks or take part in worker-exporting programmes. Another participant acknowledged that ethnic minorities probably have low levels of education and health-care . Because the provision of educational and healthcare services to their communities in remote areas is very challenging and expensive. All of these things tend to interlock and create a poverty trap for these people. The participant confirmed that the challenges in PR for ethnic minorities are understandable and this problem is not specific to Vietnam. The participants who were national PR officials said they had tried so many things and wondered what else they could do regarding this matter. This explains why donors want to have targeted PR programmes aimed at these people that cover all dimensions of needs for them.

### **8.17 Conclusion**

When reference is made to PR initiatives in Vietnam it is generally concluded that it is the myriad of programmes specifically designated for PR that is being considered. But as this research demonstrates, the achievement of lifting millions of Vietnamese households out of poverty can be primarily attributed to the economic strategies employed over the past three decades, especially the emphasis on economic growth and policies advanced under Doi Moi (reform).

These macro-economic strategies have been accompanied by a series of reforms aimed at redistributing land, liberalising agricultural markets, and investing in human capital. As the fieldwork for this research has demonstrated, these strategies have been particularly successful, with the investment in infrastructure and provision of utilities such as electricity singled out by participants for special mention.

It is also clear from this research, especially when Vietnam's approach to PR is compared with international trends, that there are many similarities between the philosophies of international development agencies and the rhetoric of Vietnam's policymakers. As illustrated in the overview of the international development agencies, policies aimed at reducing poverty have shifted over recent years from a preoccupation with income poverty to multidimensional poverty, and this is true (in the government's rhetoric at least) of Vietnam.

However, there is some disjunction between policy and practice. When the focus shifts from the macro domain of economic policy to the plethora of programmes specifically designed to ameliorate poverty, the practice falls short of the lofty aspirations and objectives. Notions such as decentralisation and empowering local authorities as well as “poor households” and communities are applauded by international agencies but the realities in Vietnam tell another story.

There are limitations to decentralisation both in management and funding with the poor having no effective voice in decision-making processes or in monitoring and evaluation of PR programmes. There are some groups in the Vietnamese population who are seriously disadvantaged such as the minority ethnic groups in remote regions of the country and urban migrants who are excluded from PR despite the government emphasis on targeting. Leakage is one of the reasons for the apparent limitations in targeting, as is corruption among local officials in both the administration of surveys and in the classification of “poor households”.

There are also major areas of conflict between central and local governments both in the formulation of poverty and in implementation. An obvious example is the controversy over the poverty line which does not reflect the extent of depth of poverty in Vietnam and which leads inevitably to disputes over what constitutes “poor households”. Similar misgivings were expressed both in documentation published by the international agencies and in the interviews conducted with domestic officials within both central and local government. There is no monitoring and evaluation system in place to measure the impact of PR programmes – just comments from all levels of government and from international experts questioning the effectiveness of PR initiatives. Thus, at the micro level comments about overlapping programmes, examples of households and population groups excluded from the benefits of PR programmes, and general complaints about the lack of adequate funding dominate the discourse on poverty in Vietnam.

## Chapter 9: Conclusion

### 9.1 Summary of the research programme

The overall aim of this research programme was to provide a critical examination of poverty reduction (PR) initiatives in Vietnam. The researcher was seeking to understand how poverty is perceived and defined in the country and how PR initiatives have been developed, implemented and assessed.

There is little doubt that poverty and destitution remains one of the greatest challenges facing humanity in the twenty-first century. Although a succession of countries have achieved rapid economic growth and advanced living standards since the Industrial Revolution, poverty remains a major challenge for development in the world in both absolute and relative terms. As the celebrated economist Jan Tinbergen noted in his 1977 report to the Club of Rome:

We have today about two-thirds of mankind living – if it can be called living – on less than 30 cents a day. We have today a situation where there are about one billion illiterate people around the world, although the world has both the means and technology to spread education. We have nearly 70 per cent of the children in the third world suffering from malnutrition although the world has the resources to feed them. We have maldistribution of the world's resources on a scale where the industrialised countries are consuming about twenty times more of the resources per capita than the poor countries. We have a situation where, in the third world, millions of people toil under a broiling sun from morning till dusk for miserable rewards and premature death without ever discovering the reasons why (Tinbergen, 1977, pp. 20–21).

As a researcher from a third world country, I wanted to discover the reasons why. Although many millions of people in both the first and third worlds have been lifted out of poverty since Tinbergen wrote his report, we still have, in 2015, approximately 1 billion people – around 14 per cent of the world's population – living in extreme poverty, particularly in Sub-Sahara Africa and South Asia. As the World Bank states, this is “intolerable”. Poverty reduction has become a fundamental goal for achieving human



development. International scholars, development agencies and policymakers have been calling for more intensive efforts to solve the issue of poverty and achieve the United Nations' (UN) goal of ending extreme poverty by 2030.

In Vietnam, poverty has been a critical issue conditioned by successive periods of colonisation, wars and post-war economic crises. Since the country gained independence for a short period in 1945, poverty, together with illiteracy, has been regarded as the country's new enemies. The focus on poverty has generated a number of reports by both development agencies (such as the World Bank, the International Monetary Fund, the Asian Development Bank and the United Nations Development Programme [UNDP]) and different departments and ministries within the government of Vietnam. A major theme of these reports has been the need to better utilise resources and generate better outcomes. The reports have been dominated by a preoccupation with a wide range of PR programmes implemented over the past two or three decades, and in the process the political economy of Vietnam and especially its economic and social development have been effectively "ignored". That was the starting point from which this research has evolved.

This research set out to examine PR initiatives in Vietnam within a broader critical framework of both national and international development. The primary interest of the research was to focus on the fundamental relationship between the drivers of development and the wide range of programmes and projects that have been established to address poverty in Vietnam.

I was interested in the policy responses to poverty in Vietnam and that in turn led to questions regarding the relationship between definitions of poverty and the measurement systems that are put in place to define poverty and prescribe policies aimed at its amelioration. These prompted questions regarding the frameworks as well as the prescriptions of international development agencies and it suggested a major area requiring attention. Namely, the relationship between the broad thrust of macro-economic policy and the plethora of PR programmes dominating the landscape in Vietnam.

These issues took the research well beyond traditional approaches to programme evaluation. It required an in-depth and historically sensitive understanding of poverty and how definitions and the measurements of poverty have changed over time. It meant assembling a comprehensive interpretation of PR initiatives as advanced by international development agencies and then building an evidential base for an in-depth examination of PR initiatives in Vietnam. It also prompted a series of questions that became central to the research. Questions such as what approaches have been adopted in addressing poverty in Vietnam and how do these interpretations resemble the policies adopted by the international development agencies? How is poverty defined and measured? And, in focusing on policy and practice, what can be said about the formulation, implementation and evaluation of PR initiatives in Vietnam?

The research began with a comprehensive review of poverty studies across both developing and developed worlds with particular emphasis on how poverty has been perceived and defined over time. The major debate evident in the international literature centres on definitions of absolute and relative poverty.

Since the initial studies of poverty conducted in nineteenth-century England, definitions of poverty have evolved beyond traditional physical elements such as income, food, clothes and housing to signify social and human values such as education, health, sanitation and security, as well as basic principles of human rights such as participation, freedom and empowerment. International development agencies as well as national governments have maintained traditional income-based measurements of poverty because income data are readily available and accessible and this approach enables a comparative analysis between countries across the world. However, some development agencies have started to introduce multidimension-based measurement approaches such as the Multi-Dimension Poverty Index designed by the UNDP which have subsequently been applied by a number of countries in the world.

Strategies aimed at PR have been rapidly expanded since 1950s when development assistance activities were designed by the Western nations to alleviate poverty in the third world. Although these international strategies to ameliorate poverty have also evolved

over time, economic growth has been consistently regarded as the most important instrument in bringing prosperity to poor countries.

As interpretations of poverty have changed over time, so too prescriptions for PR programmes have been extended to engage “the poor” in the process of development and to frame what is now referred to as “pro-poor economic growth”. These multidimensional approaches to PR place increasing emphasis on human capital, the redistribution of income, and the provision of safety nets for those excluded from current policies and programmes. It follows that concepts such as empowerment and gender equality have been added to the “pro-poor” vocabulary along with a greater emphasis on governance systems, including the language of democratisation, decentralisation, participation, accountability and transparency.

With the international context forming the backdrop both to perceptions of poverty and attempts to introduce PR initiatives, the next phase of the research focused on Vietnam in order to build an in-depth understanding of Vietnam’s development over time shaped by successive phases of colonisation, by wars against the French and the Americans, by alternative prescriptions for development driven by different ideological interpretations, and by Vietnamese pragmatism in advancing indigenous economic and social development. During this phase of the research, Shirley and Neill’s (2013) development patterns approach was adopted so as to avoid treating poverty and PR initiatives as isolated events or programmes in a social and political vacuum.

By adopting an integrated approach linking the different cultural traditions with political, economic and social realities, it was possible to identify five distinctive phases or patterns of Vietnamese development which encompassed the establishment phase (approximately 200 BC–1858 AD), French colonisation and administration (1858–1954), American occupation and war (1954–1975), the emergence of an old-style socialist state (1975–1990), and the development of a socialist-market economy from 1990 to the present day. These distinctive patterns of development provide a powerful explanation for the shape and characteristics of Vietnam today, not according to any prescribed formula or tradition but rather as shaped by human populations as they engaged and mediated the political and economic conditions prevailing at particular periods of historical time.

The outcome of this development journey is evident in Vietnam today, with its highly centralised government and the Communist Party integrated from central to local levels in all political and social organisations. Following liberation in 1975, Vietnam experienced a serious economic crisis which stemmed first from the consequences of war in which more than 4 million Vietnamese died and the country's infrastructure was severely damaged. It was further exacerbated by the international trade embargo which terminated a series of international relationships that had a direct impact on the Vietnamese economy. Aid from former allies also declined as a consequence of the collapse of the Communist regimes in Eastern Europe.

Alongside these external factors, the domestic economy stagnated under the weight of a Soviet-style command economy that saw big business entities leave Vietnam, taking capital and savings with them. This combination of factors produced a severe economic crisis which compelled the Communist Party to propose a radical economic blueprint in the form of Doi Moi (reform). This was a set of reforms aimed at improving lagging productivity, raising living standards, and curbing rampant inflation that had reached almost 500 per cent a year by the mid-1980s.

It was not an overnight transformation, as suggested by some commentators (Freeman, 1996), but rather a gentle shift to a market economy in which the benefits did not just go to a few, but were widely shared (Stiglitz, 2006). The socialist market economy introduced by Doi Moi resulted in rapidly expanding exports and high economic growth, which averaged out at 7.5 per cent per annum over the next two decades. The steadily high economic growth was stimulated by a series of reforms including the redistribution of resources from 1993–2006, the liberalisation of agricultural markets, and substantial investment in human capital. This combination of factors resulted in a significant increase in employment and expanding income for millions of Vietnamese people. These factors were also important in alleviating poverty.

The extensive documentation produced by international development agencies as well as the Vietnam government confirms a significant drop in poverty and a substantial improvement in the living conditions of the Vietnamese people, largely because of the government's macro-economic strategy and largely irrespective of the poverty measures

being employed. Vietnam's poverty rate fell considerably from 58.1 per cent in 1993 to 14 per cent in 2008 and to 9.6 per cent in 2012 (World Bank, 2012). The World Bank (2012a) estimates that 43 million people were lifted out of poverty, with other reports suggesting that 28 million Vietnamese have emerged from poverty over the past two decades (World Bank, 2011). Other indicators of these achievements include progress on the UN Human Development Index, a lowering in the infant mortality rate from 44.4 per cent in 1990 to 15.5 per cent in 2011, and a remarkable drop in maternal mortality rates from 233 per 100,000 in 1990 to 64 per 100,000 in 2011.

One of the most important factors in alleviating poverty identified from both the documentation and fieldwork interviews was the investment in infrastructure and utilities. It is an investment strategy that has been sustained over a number of years, with a recent report estimating that 79.21 per cent of the total expenditure for PR during 2011–2013 was allocated to infrastructure (Dung & Cuong, 2014). There is little doubt that this sustained investment has had a major impact on the rural areas of Vietnam in opening up roads and services and in extending the provision of electricity. When combined with a series of policies designed to redistribute land and invest in human capital, it is not difficult to see why the World Bank (2012a) regards Vietnam's growth strategy as being "pro-poor".

The interpretation and measurement of poverty in Vietnam has shifted from the shortage of food in the early 1990s to encompass other social dimensions today consistent with international standards and trends. However, the official definition of poverty is constrained by the long-standing perspective of the Vietnam government on PR, namely that the basic needs of the poor must be appropriate to the country's level of economic and social development, local customs and practices, and the availability of fiscal resources. On that basis, the measurement of poverty is confined to income and the most basic needs of the poor. As a result, the national poverty line is set much lower than the international poverty line and the poverty lines of other countries in the region. Encouraged by international development agencies, Vietnam is trying to adopt a broader approach as defined by multidimensional measures of poverty but because policymakers in Vietnam are wedded to their traditional concepts in defining and measuring poverty,

the new multidimensional approach will be limited to income and other physical dimensions such as housing, education, and healthcare, thereby excluding social values such as human rights and participation.

During the fieldwork interviews, it became evident that Vietnam government officials assumed that non-physical dimensions were likely to be more complicated and costly, thereby threatening the financial sustainability of PR policies. At the same time, social dimensions relevant to human rights are very sensitive in the political context of Vietnam being a one-party administration system in which government leaders and scholars have very different interpretations of these concepts. The government's narrow definition of poverty and the setting of very low poverty lines fail to reflect a realistic picture of destitution in Vietnam: a very large section of the population who remain in very difficult living conditions is excluded from the government's PR programmes and policies. Thus, a problematic issue in Vietnam's PR approach is the government's narrow conceptualisation of poverty.

Another associated problem is the use of two poverty lines: the GSO-WB poverty line which has not been revised since it was agreed in the mid-1990s; and the MOLISA poverty line, which differentiates between rural and urban areas. These different measures of poverty are further exacerbated by local governments who set their own poverty lines so that they can implement local PR policies. These different interpretations of poverty accompanied by different poverty lines undermine any serious attempts to develop national strategies aimed at ameliorating poverty, and at the same time makes it extremely difficult to assess what progress is being made in reducing poverty.

Beyond the framework of Doi Moi, which is essentially focused on economic development, the Vietnam government assumes major responsibility for redistributing economic benefits and developing PR initiatives. It has designed a large number of targeted programmes aimed at helping the poor. Since 2002, all national PR initiatives have been taken to another level when a range of PR policies and programmes were integrated into the Comprehensive Poverty Reduction and Growth Strategy 2001–2010, which was designed by the central government based on the Poverty Reduction Strategy Papers formulated by the World Bank. The strategy translates the government's Ten-year

Socio-economic Development Strategy, Five-year Socio-economic Development Plan, as well as other sectoral development plans into concrete measures with well-defined road maps for implementation. It is an action programme designed to achieve economic growth and PR objectives at the same time. In philosophical terms, the pro-poor economic growth strategy aims at ensuring that the poor are able to access resources and benefit from a growing economy as well as participate in the nation's political economy and its social institutions. In policy terms, the government is concentrating on promoting small- and medium-sized enterprises (SMEs), improving the investment environment, fostering trade liberalisation, strengthening credit and financial organisations, and restructuring the state budget. Government investment in human capital is aimed at ensuring equal access to social services, increasing social protection and safety nets, environmental protection, and gender equality. In theory at least, the pro-poor development policies advocate a governance model aimed at empowering the poor by ensuring a transparent, accountable, participatory and decentralised state administration. There is clearly some disjunction between policy and practice, however.

The long-standing issue of ownership rights has created an imbalance in terms of access to land and public resources. Some state-owned enterprises (SOEs) and a small elite have access to land and other public resources, whereas private enterprise is not protected by the state. The private sector, particularly SMEs, is disadvantaged in policy terms by practices that favour monopolistic SOEs in accessing economic resources such as land and capital. These policies have caused many SMEs to close or withdraw from the market, especially during the 2008 Global Financial Crisis. The decline in agricultural land across the country as a result of urbanisation and industrialisation also has constrained SMEs in investing in agriculture, a historically important sector of Vietnam's economy.

Although Vietnam has conducted a number of reforms to improve state administration and public service delivery over the past two decades, there still exist major gaps in making public institutions accountable. As a consequence, there is a disjunction between the rhetoric of empowerment and public participation and the implementation of policy. This occurs because many institutional arrangements such as information transparency and mechanisms for public participation have not been put in place. In PR programmes,

the lack of information transparency on allocated PR resources and the allocation criteria between different tiers of governments means that local authorities, particularly at commune level, are not able to make long-term plans for PR. They are not given access to the drafting of PR policies and these are strictly controlled by higher district and provincial authorities. Further, local commune authorities' and the rights of citizens to participate in decision making or in the implementation, monitoring and evaluation of PR programmes is constrained by the lack of access to information and by the lack of institutional procedures and processes.

The Vietnam government launched a decentralisation process in the 1980s in response to the disappointing economic performance in the post-war period aimed at facilitating economic growth. Throughout this process, central government gradually delegated its powers to lower levels of government, to service delivery units, enterprises and households. As a consequence, local provincial authorities have been mandated to design socio-economic programmes tailored to local needs. In PR, they have been encouraged to set up and implement their own PR programmes with the ability to integrate local resources with central funding. While some local programmes have been very successful, the lack of specific guidance as well as ineffective monitoring and follow-up mechanisms at local levels have resulted in inconsistency in the implementation of PR programmes and policies between different provinces, districts and communes, particularly in Vietnam's multi-tier system of government. Some PR policies set at central level have been modified in ways that are acceptable to local governments but in practice deviate from the original objectives. This is particularly obvious in the targeting process, in which a number of local governments use "ho khau", a residential registration paper, as an excuse for excluding poor urban migrants from their surveys and PR policies or when some local authorities are subject to corrupt practices in the classification of "poor households". These practices inevitably result in "leakage". The multi-tier system of government also distorts local needs when being reported from local to central levels where most PR policies are designed. In particular, the limited capacity and training of officials at local and provincial levels makes decentralisation confusing, fragmented and inefficient.



It became apparent during the research process, especially during the interviews with key participants, that the major challenges for PR in Vietnam were at the interface between policy and practice and especially in the implementation of policy. To articulate aspirations aimed at “pro-poor” growth is consistent with the accumulated policy advice of the international development agencies, international scholars and indeed the Vietnam government, but when some groups in the Vietnamese population are seriously disadvantaged and effectively excluded during the implementation of these policies then there are fundamental deficiencies in execution that need to be addressed.

The most seriously disadvantaged groups as identified in this research are the minority ethnic groups in remote regions of the country and urban migrants who are excluded from PR services despite the government emphasis on targeting them. Another group that is seriously disadvantaged because of shortcomings in implementation are those individuals and households that are excluded from PR funding because of “leakage” in the delivery of PR programmes as well as elements of corruption among local officials in both the administration of surveys and in the classification of “poor households”.

The integration of macro-economic strategies and programmes aimed at PR is both aspirational and understandable in policy terms but when conflicts emerge during the implementation of policy, such as differences between local and central government or between different ministries within government, then the policy objectives are effectively undermined.

Similar conflicts are evident in the promotion of two different poverty lines, neither of which is capable of estimating the extent or depth of poverty in Vietnam. This situation undermines the measurement of poverty and the empirical evidence required for policymakers who are charged with prescribing universal or targeted programmes. These conflicts are most evident in the application of “user pays” to healthcare and education. Although by law primary education is totally free, in practice children are required to pay a variety of fees to attend school. Similarly, although poor families are provided with insurance cards, access to hospital is an expense for patients or households.

Moreover, there are no monitoring or evaluation systems in place capable of measuring the impact of different PR programmes yet, and, as this research has indicated, a number of programmes are guilty of funding overlapping projects and services as well generating conflicting outcomes. An obvious example of conflicting outcomes concerns those households who actively orchestrated their responses to the “needs surveys” because they wanted to be classified as poor so as to benefit from the allocated funding. These practices in the delivery of PR programmes inevitably undermine both the aspirations and integrity of the policy objectives.

In practice, PR policies have not been integrated with macro-economic planning and PR programmes and funds are completely separate from mainstream planning. PR projects are not considered as a priority in budgetary discussions, and as a result the lack of resources for PR was a dominant theme. As a developing country, Vietnam faces demands for ongoing funding for infrastructure and utilities, for reconstruction, and for the provision of services and support of significant sections of the population who are still being rehabilitated in the aftermath of war.

## **9.2 The research journey**

When this research journey began, questions were raised concerning the apparent similarities between the PR programmes of the international development agencies and the initiatives devoted to the alleviation of poverty in Vietnam. There are many similarities of course, but as the focus shifted to the distinctive genealogy of Vietnam and its economic and social development over time then significant gaps emerged between the rhetoric of PR and the myriad of PR programmes that have emerged over the past two or three decades. There are differences in the way in which PR policies are conceived and measured, and while the Vietnam government conforms at least in its rhetoric to the international donors who fund a substantial number of PR initiatives, there are fundamental differences that stem from alternative cultural and political interpretations.

The most obvious difference is in the constitution of government and the role of political parties. Whereas the international development agencies use the terminologies of democracy and human rights based on constructs derived from Western traditions, the

Vietnamese government is a one-party state controlled and administered by the Communist Party. That said, the government has been resourceful and even pragmatic, as Stiglitz has suggested, in modifying its language to accommodate what are vastly different policy frameworks. Examples include its approach to the global economy and trade based on what the government refers to as the “socialist-market economy” and its economic reforms of the 1980s in pursuit of increased economic growth but framed in Vietnamese terms as Doi Moi.

The success of Doi Moi is not confined to the terminology or indeed the pursuit of increased economic growth but rather the scale and comprehensive nature of the reforms encompassing the redistribution of land, the liberalisation of agricultural markets, and the substantial and sustained investment in infrastructure and utilities that produced employment and income opportunities.

It seems evident that if Vietnam is going to address the engagement of civil society in PR initiatives then both the form and motivation for this engagement is not going to come from espousing Western constructs of human rights but from the cultural foundations of Vietnamese society today and the country’s political economy. This suggests a major area for subsequent research that might prove a very useful extension to this study.



## References

- Asian Development Bank. (1999). *Fighting Poverty in Asia and the Pacific: The Poverty Reduction Strategy*. Manila, the Philippines: Author.
- Asian Development Bank. (2004). *Enhancing the fight against poverty in Asia and the Pacific. The Poverty Reduction Strategy of the Asian Development Bank*. Manila, the Philippines: Author.
- Asian Development Bank. (2008). *The Long term Strategic Framework of the Asian Development Bank 2008-2020*. Mandaluyong City, the Philippines: Author.
- Alcock, P. (1997). *Understanding poverty* (Second edition ed.). London, UK: MacMillan Press Ltd.
- Allen, T., & Thomas, A. (2000). *Poverty and development into the 21st Century*. Oxford, UK: Oxford University Press.
- Amnesty International. (2014). Vietnam: *Amnesty International Annual Report on Human Rights 2013*. Retrieved 30/4, 2014, from <http://johnib.wordpress.com>
- Anand, S., & Sen, A. (1997). *Concepts of human development and poverty: a multidimensional perspective*. Human Development Papers. New York, USA: United Nations Development Programme
- Atkinson, A. B. (2000). *A European social agenda: Poverty benchmarking and social transfers*. Cambridge, UK: University of Cambridge.
- Atkinson, A. B. (2003). Multidimensional deprivation: contrasting social welfare and counting approaches. *The Journal of Economic Inequality*, 1(1), 51-65.
- Bellù, L. G., & Liberati, P. (2005). *Impacts of Policies on Poverty: The Definition of Poverty*. Rome, Italy: Food and Agriculture Organisation.
- Booth, A., & Mosley, P. (2003). *The new poverty strategies: what have they achieved? what have we learned?* New York, USA: Palgrave Macmillan.
- Bourgignon, F. (1999). *Absolute poverty, relative deprivation and social exclusion*. Paper presented at the Villa Borsig Workshop Series. Washington DC, USA: World Bank.
- Chen, S., & Ravallion, M. (2009). *Weakly Relative Poverty*. Policy Research Working Paper 4844. Washington DC, USA: World Bank.
- Chen, S., & Ravallion, M. (2010). The developing world is poorer than we thought, but no less successful in the fight against poverty. *The Quarterly Journal of Economics*, 125(4), 1577-1625.
- Cox, A., & Healey, J. (2003). The Poverty Reduction Strategies of the Development Cooperation Agencies in the 1990s: Their Record and What They Need To Do. In A. Booth & P. Mosley (Eds.), *The New Poverty Strategies. What have they achieved? What have we learned?* New York: Palgrave MacMillan.
- Deloitte. (2013). *Deloitte's Global Manufacturing Competitiveness Report*. Washington DC, US: Council on Competitiveness.

- Denzin, N. K., & Lincoln, Y. S. (2005). *The Sage handbook of qualitative research*. London, UK: SAGE Publications.
- Desai, M. (2002). *Poverty and Governance*. New York, USA: United Nations Development Programme.
- Dollar, D., & Kraay, A. (2002). Growth is Good for the Poor. *Journal of economic growth*, 7(3), 195-225.
- Donnison, D. (1997). *Policies for a just society*. London, UK: Macmillan.
- Dung, N. H., & Cuong, N. V. (2014). *Report "Analysis Framework of Technical Support - Mid term Evaluation of the Implementation of Sustainable Poverty Reduction 2011-2015*. Hanoi, Vietnam: UNDP and Irish Aid.
- Duraiappah, A. K. (2000). *Sustainable Development and Poverty Alleviation. Exploring the links*. Retrieved from <http://www.iisd.org>
- Food and Agriculture Organisation. (2011). *The State of Food Insecurity in the World. How does international price volatility affect domestic economies and food security?*. Rome, Italy: Author.
- Flick, U. (2002). *An Introduction to Qualitative Research*. London, UK: SAGE Publications Ltd.
- Förster, M., Tarcali, G., & Till, M. (2002). *Income and non-income poverty in Europe: What is the minimum acceptable standard in an enlarged European Union?* Paper presented at the 27th Biennial Conference of the International Association for Research in Income and Wealth (IARIW). Stockholm, Sweden.
- Freeman, D. B. (1996). Doi Moi policy and the small-enterprise boom in Ho Chi Minh City, Vietnam. *Geographical Review*, 178-197.
- General Statistics Office. (2014). Population by gender and city-rural. Retrieved 11 November, 2014, from <http://www.gso.gov.vn>
- Goldin, I., Rogers, H., & Stern, N. (2002). *The role and effectiveness of development assistance. A Case for Aid: Building a Consensus for Development Assistance*. Washington DC, USA: World Bank.
- Harrington, M. (1962). *The Other America: Poverty in America*. New York, USA: Macmillan.
- Haughton, J., & Khandker, S. R. (2009). *Handbook on poverty and inequality*. Washington DC, USA: World Bank.
- Hayami, Y., & Godo, Y. (2005). *Development economics: from the poverty to the wealth of nations*. New York, USA: Oxford University Press.
- Haynes, J. (2008). *Development studies*. Cambridge, UK: Polity Press.
- Hill, R. P., & Adrangi, B. (1999). Global poverty and the United Nations. *Journal of Public Policy & Marketing*, 135-146.
- International Labour Organisation. (1976). *Employment, Growth and Basic Needs: A One-World Problem*. New York, USA: Author.

- International Monetary Fund. (2010). *Growth Boost Key to Reaching Global Poverty Goals*. Washington DC, USA: Author.
- Jolly, R. (2010). *The United Nations and Development Policies*. New York, NY: Ralph Bunche Institute for International Studies.
- Klump, R., & Bonschab, T. (2004). *Operationalising Pro-Poor Growth. A Country Case Study on Vietnam*. Retrieved from. <http://siteresources.worldbank.org/INTPGI/Resources/342674-1115051237044/oppgvietnam.pdf>.
- Luong, H. V. (2003). *Postwar Vietnam: Dynamics of a transforming society*. Lanham, Maryland: Rowman & Littlefield.
- Malesky, E. (2012). *The Vietnam Provincial Competitiveness Index. Measuring Economic Governance For Business Development*. Hanoi, Vietnam: Vietnam Chamber of Commerce & Industry.
- Merriam, S. (2009). *Qualitative research: A guide to design and implementation. Revised and expanded from qualitative research and case study applications in education*. San Francisco, CA: Jossey-Bass.
- Minh Hoa, N., & Thanh Tung, S. (2007). *Urban Governance Screen for Climate Resilience Strategies: Assessment of Ho Chi Minh City, Vietnam*. Sussex, UK: Institute of Development Studies, University of Sussex.
- Minh Hoa, N., & Thanh Tung, S. (2013). Vietnam - Hochiminh. In I. Shirley & C. Neill (Eds.), *Asian and Pacific Cities - Development Patterns*. Oxon, UK: Routledge.
- Ministry of Foreign Affairs. (2011). *Economic News*. Hanoi, Vietnam: Author.
- Molisa. (2012). *Guidance to annual poor household survey*. Hanoi, Vietnam: Author.
- Ministry of Labour, Invalids and Social Affairs. (2014a). *Modifications to Circular 21 on guidance on Poor Household Survey*. Hanoi, Vietnam: Author.
- Ministry of Labour, Invalids and Social Affairs. (2014b). *Report on review of poverty reduction assistance policies*. Hanoi, Vietnam: Author.
- Ministry of Labour, Invalids and Social Affairs. (2014c). *Review of poverty reduction support policies*. Hanoi, Vietnam: Author.
- Moore, J. (1989, May 11). *The end of the line for poverty*. Speech delivered to the greater London area CPC.
- Ministry of Planning and Investment. (2010). *Millennium development goals 2010 national report: 2/3 of the way achieving the MDGs and towards 2015*. Hanoi, Vietnam: Author.
- Nghia, P. D., Thanh, N. X., Du, H. T., Tuan, D. T. A., Wilkinson, B., Anh, V. T. T., . . . Dapice, D. (2013). *Unplugging Institutional Bottlenecks to Restore Growth*. Ho Chi Minh, Vietnam: Vietnam Executive Leadership Programme, Harvard Kennedy School
- Nielsen, L. (2009). *Global relative poverty*. Washington DC, USA: International Monetary Fund.

- Organisation for Economic Co-operation and Development. (2001). *The DAC Guidelines Poverty Reduction*. Paris, France: Author.
- Ravallion, M. (1992). *Poverty comparisons. A guide to Concepts and Methods*. Living Standard Measurement Study Working Paper, 88. Washington DC, USA: World Bank.
- Ravallion, M., & Chen, S. (2011). Weakly relative poverty. *Review of Economics and Statistics*, 93(4), 1251-1261.
- Ravallion, M., Chen, S., & Sangraula, P. (2009). Dollar a day revisited. *The World Bank Economic Review*, 23(2), 163-184.
- Rein, M. (1970). Problems in the Definition and Measurement of Poverty. In P. Townsend (Ed.), *The Concept of Poverty*. London, UK: Heinemann Educational Books Ltd.
- Rowntree, S. (1948). Introduction. In F. Zweig (Ed.), *Labour, life and poverty*. London, UK: Gollancz.
- Sachs, J. (2005). *The end of poverty: how can we make it happen in our life time*. London, UK: Penguin Books.
- Sachs, J. (2008). The end of poverty: economic possibilities for our time. *European Journal of Dental Education*, 12(s1), 17-21.
- Sen, A. (1976). Poverty: an ordinal approach to measurement. *Econometrica: Journal of the Econometric Society*, 219-231.
- Sen, A. (1983). Poor, relatively speaking. *Oxford economic papers*, 35(2), 153-169.
- Sen, A. (1987). *Gender and cooperative conflicts*. Helsinki, Finland: World Institute for Development Economics Research.
- Sen, A. (1990). *Development as capability expansion*. Cambridge, MA: Havard University.
- Shirley, I., & Neill, C. (2013). *Asian and Pacific cities: development patterns*. Oxon, England: Routledge.
- Sinfield, A. (1993). *Poverty, inequality and justice*. Edinburgh, Scotland: University of Edinburgh.
- Smeeding, T., Rainwater, L., & Burtles, G. (2001). *United States poverty in a cross-national context*. Paper 151. New York, NY: Centre for Policy Research, Maxwell School of Citizenship and Public Affairs.
- Stiglitz, J. E. (2007). *Making globalization work*. New York, NY: WW Norton & Company.
- Thi, N. T. (2014). *Towards Multidimensional Poverty Measurement Approach in Vietnam*. Hanoi, Vietnam: Ministry of Labour-Invalids and Social Affairs.
- Toan, V. (2013, 23/12/2013). Suddenly lost "135", Daily, *Tuoi Tre*. Retrieved from <http://tuoitre.vn>
- Townsend, P. (1970). Introduction. In P. Townsend (Ed.), *The concept of poverty*. London, UK: Heinemann.



- Townsend, P. (1977). *The concept of poverty: working papers on methods of investigation and life-styles of the poor in different countries*. London, UK: Heinemann.
- Townsend, P. (1979). *Poverty in the United Kingdom: a survey of household resources and standards of living*. Middlesex, England: Penguin Books Ltd.
- Townsend, P. (1985). A Sociological Approach to the Measurement of Poverty - A Rejoinder to Professor Amartya Sen. *Oxford economic papers*, 37(4), 659-668.
- Townsend, P. (1986). Conceptualising Poverty. In Z. Ferge (Ed.), *The Dynamics of deprivation*. Surrey, UK: Gower Publishing Company.
- Travers, M. (2010). Qualitative Interviewing Methods. In M. Walter (Ed.), *Social Research Methods*. Melbourne, Australia: Oxford University Press.
- United Nations Development Programme. (1990). *Human Development Report 1990*. New York, USA: Author.
- United Nations Development Programme. (1997). *Human Development Report 1997*. New York, USA: Author.
- United Nations Development Programme. (2003). *Human Development Report 2003. Millenium Development Goals: A Compact Among Nations To End Poverty*. New York, USA: Author.
- United Nations Development Programme. (2009). *Mid-term evaluation report*. Technical Assistance project VIE/02/001 Support for the Improvement and Implementation of the National Targeted Programmes on Poverty Reduction. Hanoi, Vietnam: Author.
- United Nations Development Programme. (2010a). *Human Development Report 2010. The Real Wealth of Nations: Pathways to Human Development*. New York, USA: Author.
- United Nations Development Programme. (2010b). *Urban poverty assessment in Hanoi and Hochiminh city*. Hanoi, Vietnam: Author.
- United Nations Development Programme. (2011). *Project "Support to implementation of Resolution 80 on Sustainable Poverty Reduction Orientation 2011-2020 and National Target Programme for Sustainable Poverty Reduction 2012-2015"*. Hanoi, Vietnam: Author.
- United Nations Development Programme. (2013). *Human Development Report 2013 - The rise of the South: Human progress in a diverse world*. New York, USA: Author.
- International Covenant on Economic, Social and Cultural Rights, 2200A (XXI) C.F.R. (1976).
- United Nations. (1995). *Copenhagen Declaration on Social Development. World Summit for Social Development*. Copenhagen, Denmark: Author
- United Nations. (2000). *United Nations Millennium Declaration*. New York, NY: Author
- United Nations. (2012). *The United Nations Development Strategy Beyond 2015*. New York, NY: Author.
- United Nations. (2014). *Vietnam at a glance*. New York, NY: Author.

- United Nations. (2015a). *History of the United Nations*. New York, NY: Author.
- United Nations. (2015b). *We Can End Poverty. Millennium Development Goals and Beyond 2015*. New York, NY: Author.
- Vietnam Academy of Social Sciences. (2011). *Poverty reduction in Vietnam: achievements and challenges*. Hanoi, Vietnam: Author.
- Vietnam Government Office. (2003). *The Comprehensive Poverty Reduction and Growth Strategy*. Hanoi, Vietnam: Author.
- Vietnam Government Office. (2012). *Implementation of Sustainable Development. National Report at the United Nations Conference on Sustainable Development (Rio+20)*. Hanoi, Vietnam: Author.
- Vietnam Government Office. (2013). *Millennium Development Goals Full Report. Achievements and Challenges in the progress of reaching Millennium Development Goals of Vietnam*. Hanoi, Vietnam: Author.
- Vietnam Government Office. (2014a). *Report on implementation of poverty reduction policies and laws 2005-2014*. Hanoi, Vietnam: Author.
- Vietnam Government Office. (2014b). *Some Features of Development Stages of Vietnam*. Hanoi, Vietnam: Author.
- Vietnam Government Office. (2014c). *Some socio-economic features of Vietnam*. Hanoi, Vietnam: Author.
- Waibel, M., Eckert, R., Bose, M., & Volker, M. (2007). Housing for Low Income Groups in Ho Chi Minh City, between Re-integration and Fragmentation. *Asien, 103*, 59.
- Wescott, C. (2003). Hierarchies, Networks and Local Government in Vietnam. *International Public Management Review, 4*(2).
- World Bank. (1980). *World Development Report 1980*. Washington DC, USA: Author.
- World Bank. (1990). *World Development Report 1990*. Washington DC, USA: Author.
- World Bank. (2001). *World Development Report 2000-2001: Attacking Poverty*. New York, N.Y: Oxford University Press.
- World Bank. (2002). *Empowerment and poverty reduction: a sourcebook*. Washington DC, USA: Author
- World Bank. (2003). *World Development Indicators 2003*. Washington DC, USA: Author.
- World Bank. (2006). *World Development Report 2006: Inequity and Development*. Washington DC, USA: Author.
- World Bank. (2009). *Vietnam Development Report 2010. Modern Institutions*. Hanoi, Vietnam: Author.
- World Bank. (2011a). *Programme document for a proposed credit*. Washington DC, USA: Author.
- World Bank. (2011b). *Vietnam Development Report 2012. Market Economy for a Middle-Income Vietnam*. Hanoi, Vietnam: Author.

- World Bank. (2011c). *Vietnam Urbanisation review. Technical Assistance Report*. Hanoi, Vietnam: Author.
- World Bank. (2012a). *Vietnam Poverty Assessment: Well Begun, Not Yet Done: Vietnam's Remarkable Progress on Poverty Reduction and the Emerging Challenges*. Hanoi, Vietnam: Author.
- World Bank. (2012b). *World Bank Sees Progress Against Extreme Poverty, But Flags Vulnerabilities*. Washington DC, USA: Author.
- World Bank. (2013). *Jim Yong Kim says World Can End Extreme Poverty and Increase Shared Prosperity*. Retrieved on 20 Oct, 2014, from [www.worldbank.org](http://www.worldbank.org)
- World Bank. (2014). *Global Monitoring Report 2014/2015. Ending Poverty and Sharing Prosperity*. Washington DC, USA: Author.

## **Appendix 1: PR policies and programmes designed during 2005-2010**

### **A/ Cross cutting poverty reduction policies and projects**

1. Socio-economic programme for extremely difficult communes in Ethnic Minority and Mountainous Areas (P135-II) (Decision No. 07/2006/QD-TTg on 10/1/2006)
2. National Target Programme for Poverty Reduction 2006-2010 (NTP-PR) (Decision 20/2007/QD-TTg on 05/02/2007)
3. Rapid and Sustainable Poverty Reduction Programme for the 62 Poorest Districts (62 Districts) (Resolution 30a/2008/NQ-CP on 27/12/2008)

### **B/ Sector specific projects and policies**

1. Support for access to land, housing and access to water (P134) (Decision No134/2004/QD-TTG, dated on 20/7/2004)
2. Housing support for poor households (Decision 167) (Decision 167/2008/QD-TTg on 12/12/2008)
3. Support for boarding schools for ethnic minority students (Circular 109/2009/TTLT-BTC-BGDDT on 29/5/2009)
4. Scholarship and social aid for ethnic minority students (Circular No. 43/2007/TTLT-BTC-BGDDT on 2/5/2007)
5. Five Million hectares reforestation programme (Decision No 661/QD-TTg 1998)
6. Health care for the poor (Decision 139/2002/QD-TTg on 15/10/2002)

### **C/ National projects with a poverty impact**

1. National target programme on rural water supply and sanitation (RWSS) (Decision 77/2006/QD-TTg on 11/12/2006)
2. Education for all (Decision 872/2003/CP-KG)
3. NTP on job creation to 2010 (Decision No 101/2007/QD-TTg on 06/07/2007)
4. Concretization of schools and health care centres (Decision 20/2008/QD-CP 1/2/2008 and decision 47/2008/QD-TTg 2/4/2008)

5. Concretization of canals, rural roads, and infrastructure for aquaculture and rural industry for 2009-2015 period (Decision 13/2009/QD-TTg)

**D/ Poor or ethnic minority group based support**

1. Loans for the poor and the targets of social policy (Decision 78/2002/ND-CP issued on 4/10/2002)
2. Concessional loans to ethnic minorities in extreme difficulty (Decision 32/2007/QD-TTG on 5/3/2007)
3. Support investment in electricity network development in rural, mountainous and island areas (Circular No- 97/2008/TT-BTC on 28/10/2008)
4. Some policies to support minorities, the households of social policy targeting, poor households and close to the poor threshold households and fishermen (Decision 965/QD-TTg on 21/7/2008)
5. Transportation fee and price subsidy for mountainous and ethnic minority areas (Document No. 20/UBDT-CSDT on 10/1/2008)
6. Support the basic needs of minorities in disadvantaged areas (Decision 20/1998/ND-CP on 31/3/1998 and Decree 02/2002/ND-CP on 3/1/2002)
7. Develop Si La ethnic minority in Lai Chau (Decision No. 236/QD-UBDT on 16/5/2005)
8. Develop Si La ethnic minority in Dien Bien (Decision No. 237/QD-UBDT on 16/5/2005)
9. Develop Pu Peo ethnic minority in Ha Giang (Decision No. 238/QD-UBDT on 16/5/2005)
10. Develop Ro Mam ethnic minority in Kon Tum (Decision No. 292/QD-UBDT on 17/6/2005)
11. Develop O Du ethnic minority in Nghe An (Decision No. 304/QD-UBDT on 22/6/2005)
12. Develop Brau ethnic minority in Kon Tum (Decision No. 255/QD-UBDT on 29/8/2008)

13. Support to minorities, the poor and close to the poor households and the households of social policy in the areas where there is no national grid connection (Decision 289/2008/QD-TTg on 21/07/2008)

**E/ Regionally based support**

1. Support socio- economic development in border communes along Vietnam- Lao- Cambodia border (Decision 160/2007/QD-TTg)
2. Mekong Delta Land - Land allocation and employment support to the poor minorities in Mekong River Delta, 2008 to 2020 (Decision 74/2008/QD-TTg on 9/6/2008)
3. Delivering forest and forest protection to ethnic minority in Central Highlands (Decision 304/2005/QD-TTg on 23/11/2005)
4. State development investment credit (Decision 13/2009/QD-TTg on 21/01/2009)

**F/ Regionally based support with a poverty aspect**

1. Support Socio-economic development in the Central Highlands (Resolution 10/NQ-TW and Decision No- 25/2008/QD-TTg)
2. Support Socio-economic development in Northern Mountainous areas (Resolution 37/NQ-TW and Decision No- 27/2008/QD-TTg)
3. Support Socio-economic development in the Central Coastal region (Resolution 39/NQ-TW and Decision No- 24/2008/QD-TTg)
4. Support Socio-economic development in the Mekong Delta (Resolution 21/NQ-TW and Decision No- 25/2008/QD-TTg)
5. Support Socio-economic development in the Red River Delta (Resolution 54/NQ-CP)
6. Support Socio-economic development in the South East (Resolution 55/NQ-TW)

**G/ Guidelines and norms for poverty reduction intervention**

1. Support for teachers in extremely difficult areas (Circular No. 06/2007/TTLT-BGDDT-BNV-BTC on 27/3/2007)
2. Relocation program - Support ethnic minority migrants (Decision No. 33/2007/QD-TTg on 5/3/2007)

3. Relocation program - Support migrants at communes on border with China  
(Decision No. 60/2005/ QD-TTg on 24/3/2005)
4. Migration policy to implement zoning and residence plan in 2003 – 2010 (Decision  
190/2003/QDTTg on 16/9/2003)

## Appendix 2: Summary of absolute and relative concepts of poverty

	Absolute poverty	Relative poverty
<b>Definition</b>	Physical deprivation for survival or subsistence  Common in developing countries particularly in Africa, South and South East Asia and Latin America	Physical inequality and social deprivations  Common in developed countries in Europe, North America in forms of social exclusion and inequality
<b>Measures</b>	Absolute income level. For example: US\$1.00 per day	Relative income proportion (percentage). For example: 50 percent of national average income  Multidimensional Poverty Index (MPI) by UNDP including living standards, education and health  Discrete indicators to measure poverty in various dimensions
<b>Advantages</b>	Absolute poverty measures are easy for quantitative and comparative analysis in numbers and proportions across countries due to available data	(MPI index) more solid comparable quantitative measures which encompasses social dimensions than absolute measures  Discrete indicators closer to the local community level and more useful in detailed planning and monitoring.
<b>Disadvantages</b>	Narrow views of poverty because: <ul style="list-style-type: none"> <li>- Human needs are diverse across people, places and time</li> <li>- Human needs include more than physical needs to social needs such as freedom, capability, self-confidence, participation and other issues of human rights</li> </ul>	Choice of MPI index and the weights assigned to them is arbitrary, and trade-offs between them are not captured  Discrete indicators which are less tangible, qualitative, contextual, are more costly and time-consuming to measure and to quantify



## **Appendix 3: Vietnamese government's resolution on Sustainable Poverty Reduction 2011-2020**

**THE GOVERNMENT**

**SOCIALIST REPUBLIC OF VIETNAM**

**Independence- Freedom- Happiness**

\_\_\_\_\_  
No. 80/2011/NQ-CP

\_\_\_\_\_  
*Hanoi, May 19, 2011*

### **RESOLUTION**

#### **ON SUSTAINABLE POVERTY REDUCTION DURING THE 2011-2020 PERIOD**

To achieve the poverty reduction objectives is a major policy of the Party and the State aiming to improve material and spiritual lives for the poor, contributing to narrowing the gap in living standards between rural and urban areas, among regions, ethnic minorities and population groups. It also demonstrates Vietnam's determination to achieve the United Nations Millennium Goals.

In the past, efforts have been concentrated on successfully implementing the socio-economic development strategy and poverty reduction programs, providing the poor with better access to basic social services; improving infrastructure in poor districts and communes; and markedly bettering the poor's living conditions, with the national poverty rate falling from 22% in 2005 to 9.45% in 2010. Vietnam's recent achievements in poverty reduction have been acknowledged and appreciated by the international community.

Nevertheless, poverty reduction results are not really sustainable, the number of households living just above the poverty line and the annual rate of households relapsing into poverty remain high; the rich-poor gap among regions and population groups is still rather wide, the poor's life is still fraught with difficulties, especially in mountainous and highland regions and ethnic minority areas.

The above situation is primarily due to the nation's many difficulties. The state-allocated resources for poverty reduction, albeit great, still fail to meet demands. Besides, a number of poverty reduction programs and policies have been uncoordinated, short-term and loosely associated. Management, direction and decentralization mechanisms are still irrational. The realization of the poverty reduction objectives has not been properly organized in some localities. In addition, a portion of the poor still have a mentality of dependence, making no active efforts to escape poverty.

In order to make new improvements in poverty reduction in the coming time, the Government has resolved on the following orientations for sustainable poverty reduction from 2011 to 2020:

## I. OBJECTIVES

### 1. General objectives:

Sustainable poverty reduction is a central issue of the 2011-2020 socio-economic development strategy aimed at improving and incrementally raising the living conditions for the poor, first of all those in mountainous and ethnic minority areas; to make strong and comprehensive improvements in poor areas; and to narrow the gap between urban and rural areas, among regions, ethnic minorities and population groups.

### 2. Specific objectives:

a/ The average income per capita of poor households will increase 3.5 times; the rate of poor households will drop 2% a year, particularly 4% in poor districts and communes by poverty standards set for each period;

b/ The poor's living conditions will be markedly improved, first of all in health, education, culture, daily-life water and housing; the poor will have more and more convenient access to basic social services;

c/ Socio-economic infrastructure facilities in poor districts and communes and extremely disadvantaged villages and hamlets will receive concentrated and synchronous investment according to new-countryside standards, first of all essential infrastructure such as transport, electricity and daily-life water supply.

## II. BENEFICIARIES AND SCOPE

1. Beneficiaries: The poor and poor households nationwide, with priority given to poor ethnic minority, elderly, disabled, women and children.

2. Localities:

a/ Poor districts;

b/ Poor communes, including:

- Extremely disadvantaged communes in ethnic minority and mountainous areas;
- Extremely disadvantaged communes in coastal banks and on islands;
- Border communes and communes in former safety zones.

c/ Extremely disadvantaged villages and hamlets in ethnic minority and mountainous areas.

## III. POLICIES

1. General poverty reduction support policies:

a/ Support for the poor's production, vocational training, job creation and income increase:

- To create favourable conditions for the poor to have access to funding sources in association with guiding them how to do business, and to agricultural and industrial extension work and transfer of techniques and technologies to production; to effectively implement preferential credit policies for poor households, especially households of disabled persons and female heads;
- To properly implement vocational training policies for rural labourers, particularly poor labourers; to prioritize resources for investment in school buildings, classrooms and equipment and vocational teacher training; to combine vocational training with creating jobs for poor labourers. To expand the application of labour export support policies to poor labourers nationwide.

b/ Support for education and training:

- To effectively implement the policies on school fee exemption and reduction, scholarships, social allowances and learning expense supports for poor students at all educational levels, particularly preschool level; to continue implementing preferential credit policies toward students, especially poor ones;
- To implement policies on preferential treatment toward teachers working in disadvantaged areas; to encourage the formation and expansion of study promotion funds; to prioritize early investment in school buildings and classrooms in poor communes and extremely disadvantaged villages and hamlets to reach set standards;

c/ Support for health and nutrition:

- To effectively implement the policy on issuance of the health insurance cards for the poor and support members of households living just above the poverty line to buy health insurance card; to formulate a policy on support for the poor with serious or dangerous diseases. To study policies to support the supply of nutrition for poor women and children in poor areas;
- To further enhance policies on preferential treatment toward health workers working in poor areas. To prioritize early investment in hospitals and health centres in poor districts and communes to reach set standards.

d/ Housing support:

To continue implementing housing support policies for poor households in rural and mountainous areas to improve their housing conditions, giving priority to poor households with elderly and disabled members. To develop local mechanisms and policies on housing supports for the poor in urban areas on the basis of mobilizing resources of communities, families and family lines. To further effectively implement the program on investment in building houses for low-income earners.

e/ Support for the poor to access legal aid services:

To effectively implement the policy on free legal aid for the poor, create conditions for the poor to be aware of their rights and obligations and proactively access the State's aid policies and escape poverty.

f/ Support for the poor to enjoy culture and information:

To properly implement the program on bringing culture and information to grassroots level; to diversify communication activities, helping the poor access poverty reduction policies and popularizing effective poverty reduction models and examples of poverty escape.

2. Specific poverty reduction support policies:

a/ Poor ethnic minority households and people; poor households and the poor living in poor districts, poor communes and extremely disadvantaged villages and hamlets are entitled to the following priority policies:

- Poor households and people in extremely disadvantaged communes, communes in former safety zones, border communes and extremely disadvantaged villages and hamlets are entitled to production, job creation and income increase support policies under the Government's Resolution No. 30a/2008/NQ-CP dated December 27, 2008;
- Poor households in border villages and hamlets outside poor districts, if unable to afford enough food, are entitled to 15 kg of rice/member/month under the Government's Resolution No. 30a/2008/NQ-CP dated December 27, 2008;
- To apply higher investment and interest support levels to poor households in extremely disadvantaged areas;
- To expand the policy on --select--ion-based enrolment to households living in extremely disadvantaged areas;
- To grant scholarships for children of poor ethnic minority households living in extremely disadvantaged areas to follow tertiary education;
- To prioritize support for community cultural houses, bringing information to grassroots level and providing free legal aid to ethnic minority people in extremely disadvantaged areas;
- To formulate conservation projects for ethnic minority groups and sedentarisation projects to help people in extremely disadvantaged areas (rocky, flashflood-hit and natural disaster-prone areas).

b/ Continued and expanded implementation of policies on preferential treatment to poor districts and communes:

- Poor districts:

To continue effectively implementing policies to support fast and sustainable poverty reduction in poor districts under Resolution No. 30a/2008/NQ-CP, including policies on support for production, job creation and income increase; policies on education, training, vocational training and raising of people's intellectual standards; policies for cadres working in poor districts; and policies and mechanisms on investment in infrastructure in villages, hamlets, communes and districts.

- Poor communes:

To prioritize early investment in school buildings, classrooms, health centres and cultural houses in extremely disadvantaged communes in ethnic minority and mountainous areas to reach new-countryside standards;

To prioritize early investment in infrastructure in extremely disadvantaged communes in coastal banks and on islands and communes in former safety zones to reach new-countryside standards;

To expand the military-civil health program; to build poverty reduction models associated with security and defence to support production and create incomes for the poor in border areas; to increase border guards to hold key posts in border communes.

c/ National target programs, programs and projects funded with government bond capital or ODA capital and other programs must concentrate activities and resources on early investment in poor districts and communes in order to accelerate poverty reduction in these areas.

#### IV. ORGANIZANON OF IMPLEMENTATION

1. The Government shall uniformly manage, direct and administer the implementation of the poverty reduction program. The Prime Minister shall set up a Steering Committee for the program, with a Deputy Prime Minister acting as chairman and leaders of ministries and sectors as members.

2. The Ministry of Labour, War Invalids and Social Affairs shall:

- a/ Act as the standing body of the Steering Committee for the Poverty Reduction Program to assist the Prime Minister in uniformly directing poverty reduction activities nationwide;
- b/ Formulate and submit to the Prime Minister for approval a national target program on sustainable poverty reduction during 2011-15 and subsequent periods, consisting of poverty reduction projects; and a system of indicators for evaluation of national poverty reduction activities;
- c/ Assume the prime responsibility for implementing the project on support for fast and sustainable poverty reduction in poor districts under Resolution No. 30a/2008/NQ-CP and extremely disadvantaged communes in coastal banks and on islands;
- D/ Guide and direct the implementation of policies on vocational training, job creation and labour export for the poor.

3. The Committee for Ethnic Minorities shall:

- a/ Assume the prime responsibility for implementing the project on poverty reduction in extremely disadvantaged communes, villages and hamlets in ethnic minority and mountainous areas;
- b/ Formulate and adopt specific policies to support poor households, the poor and ethnic minority people in extremely disadvantaged communes, villages and hamlets in ethnic minority and mountainous areas; conservation projects for ethnic minority groups and sedentarisation projects to support people in extremely disadvantaged areas (rocky, flashflood-hit and natural disaster-prone areas).

*(This translation is for reference only)*

## Appendix 4: Poverty rate estimation in different provinces in Vietnam

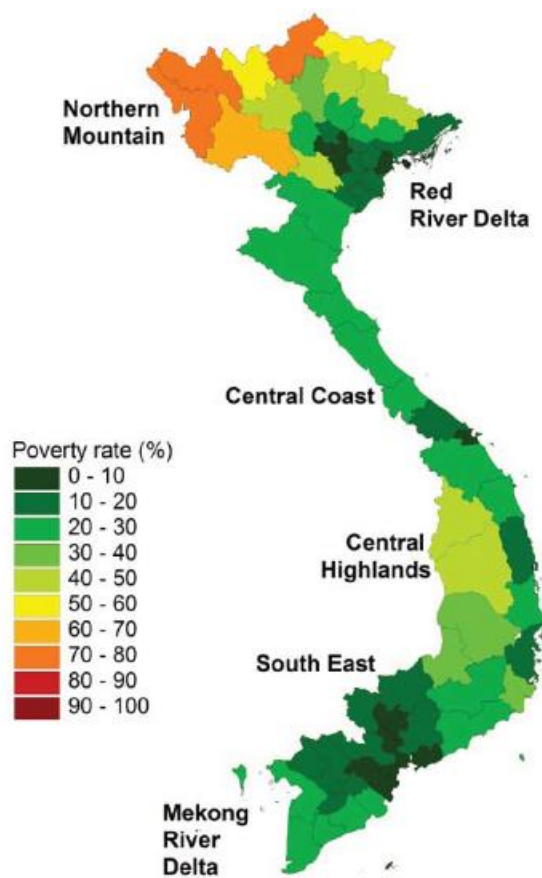


Figure 13: Poverty rate estimation in different provinces in Vietnam. Source: World Bank, 2013.