

## **PAPER 4. KEEPING GROWTH INCLUSIVE**

### **I. BACKGROUND AND RATIONALE**

Although GoVN's overall policy and regulatory framework continue to evolve, there is a clear and consistent national commitment sustainable development much of which focuses on poverty reduction, social equity, income and employment generation and environment friendly development. This is evidenced in a range of policy commitments and statutory provisions, *inter alia*:

- “The Government's Comprehensive Poverty Reduction and Growth Strategy (CPRGS), approved by the Prime Minister in May 2002, which spells out a two-pronged strategy for growth and poverty reduction: (i) completing the transition to a market economy; and (ii) keeping development socially inclusive and environmentally sustainable;

Beyond pro-poor and equitable growth (seen as the over-riding way of reducing poverty), CPRGS and other policy instruments envisage two public sector approaches to poverty alleviation in Viet Nam: through (i) the implementation of targeted programs and (ii) a more general pro-poor focus in public expenditure patterns.

- The National Committee for the Advancement of Women (NCFAW) Plan of Action to 2005 provides a clear pathway forward for increasing the involvement of women in public and economic life of the nation.

- The National Program for Sustainable Development (Vietnam's Agenda 21);
- The Legislation on Natural Resources and Environment Protection;
- National Program on job Creation;
- National Program 135, and Program 134;
- Program on basic health care for the poor, and so on.

In overall, the current policy context provides a wide range of opportunities and initiatives aimed at promoting pro-poor and socially inclusive development. Notwithstanding these opportunities (as articulated by policy commitments on the part of GoVN), it is equally clear that there are significant challenges in doing so. The population and especially poor groups of the people are still facing with a number of constraints in benefiting from the achieved economic gains. In order to mitigate the gap, the Resolution of the 6<sup>th</sup> plenum of Central Party Committee, 10th session on “Further improvement of economic institutions towards socialism-oriented market economy”<sup>1</sup> has promulgated that one of the objectives which need to be reached by 2010 is to “*consolidate harmoniously economic growth with social progress and equality, cultural development and environment protection*”.

### **II. THE RESEARCH GOALS AND OBJECTIVES OF THE PAPER**

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<sup>1</sup> Resolution No 21-NQ/TW, dated 30/1/2008.

The overall objective of the paper is to provide a broad-way assessment of problems as discontents of current economic development pattern and policy adjustments in Vietnam and recommendations on what and how should be done as a contribution to foster the structural change in the coming-ten year of Vietnam.

Immediate objective 1. To overview the present policies and programs run by the GoVN to redistribute the outcomes of the economic growth.

Immediate objective 2. To look closely at development issues supposed to arise from Vietnam's efforts in seeking for fast economic growth such as fast urbanization, income and employment, regional, social and gender inequalities, environmental degradation.

Immediate objective 3. To suggest measures to deal with these issues in order to reach the stated objective of harmonious economic growth, social equality and environment protection.

### III. RESEARCH METHODOLOGY AND APPROACH

The study is approached by the following research methods:

1. **Literature review** is to consider whether existing policies of Vietnam have direct and indirect implication for poverty reduction, environment protection, etc. Moreover, in the process of execution of desk study, relevant data sources are identified; information and materials are gathered and aggregated as appropriate, to serve as the basis for soliciting the research issues and the challenges which need to be addressed, as well as the opportunities which should be captured.

Desk review should focus on identifying several data sources such as “*Vietnam's Household Living Standards Surveys - VLHSSs* (from 1998 to 2006): these sources are used to derive information of poverty incidence and its distribution (by sectors, regions, rural–urban, social groups); *Migration survey* (various years); and other secondary data and information available in relation to the fields include: (1) “*Project Readiness Assessment: Social Assessment*” by Johanna Pennarz, L. Ng. Hung and Ng. Th. Hien, 2006); “*Strategic Evaluation of the Japanese Social Development Fund (JSDF)*”, Country Report Vietnam by J. Pennarz and Ng. Th. Hien (2007); “*The impact of Globalization, industry shift, labour market and workers' benefits*”; “*Globalization, growth and the face of disadvantaged labour: analysis and policy implications*” by Ph.Th. L. Huong and et al, 2008; *Trade, growth, employment and wages*”, by Ng. Th. L. Huong et al, 2008; “*Globalization, Industrial adjustment and employment tendency in Vietnam Textile & garment industry*” in “*Globalization, Adjustment and the challenge of the Inclusive growth: furthering inclusive growth in industrial upgrading in Indonesia, the Philippines and Vietnam*, by D. H. Minh, Tr. Q. Long and Ng. A. Duong, 2008; Capacity, sustainable development, gender equality and poverty reduction, Ng. Th. Hien and L. Ng. Hung, 2005; and others.

Desk review also aims to consolidate and to compare the findings and results of the theme-related, previously conducted researches.

**2. Field study:** The field work is conducted by key informant interviews on policy-makers from related agencies (e.g. MPI, MOLISA, MONRE, etc.), donors and representative of civil society organizations, local agencies, firms and experts on the most critical issue pertaining to employment, poverty, social inequality and environment; focus group discussions with some of target groups such as a group of farmers who are directly affected by or benefit from a certain policy or program. For this purpose, some special research tools like a *checklist*, *guiding questions* and *In-depth interview* are used to develop case studies. It is expected that this information was both corroborate the earlier analysis as well as provides additional insights into the issues of poverty reduction, social balance and environmental protection.

## CHAPTER 1. THE OVERVIEW OF CURRENT ECONOMIC GROWTH

### 1. Concepts of Economic Growth and Inclusive Development

This is to answer the question how economic growth links to inclusive development in Vietnam nowadays.

Economic growth aims to create more and more wealth and physical interests for the society. It may also create more opportunities (jobs, incomes. etc. for the people involved) and increased revenues, savings for different purposes such as education, health care, etc. So, economic growth provides critical condition for economic prosperity and hence preconditions for poverty reduction and hunger eradication.

Global economic intergation provides huge opportunities of investment, capital, technology inflows and, at the same time creates difficulties for bothe firms, households and individual workers, that many of them face the danger of loosing employment. Local economic growth of Vietnam has been effected much by the external factors, shocks and crisis as shown in Table 1.1.

**Table 1.1. Vietnam's Economic growth rates in the last decade (%)**

	2001	2004	2005	2006	2007	2008	2009
<b>National</b>	6,9	7,8	8,4	8.44	8.48	6.23	5.52
Agriculture, forestry, fishery	2,9	4,4	4,1	3.69	3.4	3.79	1.83
Industry & Construction	10,4	10,2	10,7	10.38	10.6	6.33	5.52
Services	6,1	7,3	8,4	8.29	8.68	7.2	6.63

**Source:** *Vietnam's Economy in 2008*. Economic Management Review. CIEM. Publisher Of Political Theory. Hanoi, 2009

Fast economic growth involves increasing the use of natural, human, financial resources that may degradate some important natural resources. It may also contains inequalities in terms of benefit sharing among different regions, social groups, access to resources, poverty and other social problems: some regions, groups of people may get rich very fast while other regions and groups of peole, especially those in rural, social and economic difficult, remote areas, ethnic, etc. may be left behind. The information of table shows a part of this picture.

Under the impact of market mechanism involving more competition, scarce resources the participation and benefit from the results by different groups of people may differ, depending much on their competence, abilities and condition. This asks for effective interventions by the government.

**Table 1.2. Vietnam's Poverty Incidence: 1 USD/person/day, %**

	<b>1998</b>	<b>2002</b>	<b>2004</b>	<b>2008</b>	<b>2009</b>
National	37,4	28,9	24,1	13.1	11.3
Urban sector	9,2	6,6	10,8		
Rural sector	45,5	35,6	27,5		
Red River Delta	29.3	22.4	12.1	8.8	
Northern Mountain	64.2	43.9	35.4	30.2	
North of the Center	48.1	43.9	31.9	29.1	
South of The Center	34.5	25.2	19.0	12.6	
The High land	52.4	51.8	33.1	28.6	
South-east	12.2	10.6	5.4	5.8	
Mekong Delta	36.9	23.4	15.9	10.3	
Region of ethnic minority	75,2	69,3	-		

Source: *Report on the Implementation of Millennium Goal of Vietnam*. MPI. 2006. Development Report of Vietnam, 2008.

However, types of economic development determine the way to deal with inclusive problems or the way of interventions of every nation. For example, economic growth based totally on market principle, where the governmental intervention is minimized on the resource wealth and allocation, hence not every thing is equally distributed, that some one can get more when the others may not. For example, FDIs are going mostly to urban sector, industries and services, while very few of it is going to rural areas and agriculture. According to recent statistics, 89% of FDI registered in 2008 of Vietnam (of US\$ 64 billion) go to the two former sectors<sup>2</sup>. On the other hand, a market-based economic development with more macro-interventions by the Government in resource and wealth allocation may help to minimize disparities.

In Vietnam, the Government issued a document on growth and poverty reduction in 2002, reflecting the relationship between economic growth and measures to deal with the consequences of too fast economic growth. This document tries to set forth some of intervention policies of the Government through a number of development programs and projects targeting correction of the market failures. However, this important document does not touch upon some important issues emerging after Vietnam's accession to WTO and more deeply integration into international economy.

People, especially children and elderly have better education of environment preservation, understanding more about the inter-link between poverty and environment, become accountable for it. This encourage the poor to participate in the development and as result, poverty rate decreased while the life quality improved generally, the poor have more says in deciding their issues.

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<sup>2</sup> Sdd.

## **2. The major issues of recent economic growth of Vietnam in the context of WTO accession and deep integration into the world economy**

2.1. Growth is made up mainly by the amount of investments, low investment returns and quality have been claimed as the major problem of VN's growth strategy. This tendency has been continued in 2009. ICOR increased steadily, from 4.85 in 2005 up to 5.9 in 2008<sup>3</sup>.

2.2. Lacking an effective linkage of economic growth to the tendency of international integration, especially in the fields of income, job, skill training, technology and management.

2.3. Interventions thru development programs seem too broad, lacking the focus and effectiveness. The poor, especially vulnerable people who live in disadvantageous conditions, have not been well prepared to guard themselves their lives when they run over shocks, difficulties.

2.4. Inefficient compliance of the legislation on natural resource effective use leading to spending too much scarce resources with less return, lacking effective incentives for recycling used resources. Air, water pollution becomes popular and has been claimed as spreading both urban and rural areas.

2.5. Social security has been troubled by inflation and economic crisis. Increased steadily CPI in recent years, especially in 2008-2009, have caused risks to social life and pushing up poverty incidence and widening rich-poor, regional gaps.

2.6. Inequality has been observed as increased in different dimensions of the social life: between social groups, regions, gender, etc. caused by different reasons, including ineffective interventions, external shocks, etc.

In general, reaching the present level of economic development, mainstreaming the world trend of economic development, Vietnam has gained lots of success but, at the same time, face not less challenges and potential risks in sustainable social development. In order to ensure sustainable development the Government of Vietnam has issued a number of measures to deal with the situation, hopefully they help to harmonize the society by getting the people in the rolling chain of the development and hence getting to harmonized society.

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<sup>3</sup> Sdd.

## **CHAPTER 2. GOVERNMENT'S RECENT DEVELOPMENT POLICIES AND PROGRAMS: THE OVERVIEW AND CRITICAL PROBLEMS**

This is to (1) figure out general picture of and (2) analyze critical problems possibly emerging from currently Government-run development policies, programs in order (3) to point out process of their adjustments to the international and internal situation. These problems may occur during rapid urbanization, implementation of big-scale investment and capital- and natural resources-incentive projects to seek for fast economic growth as well as state-supported programs to mitigate their negative impacts on the social and natural lives; regional, social and gender gap issues that have been often neglected during intervention, decision making and implementation process and hence making bottlenecks in achieving the quality of the development. For this, several development policies and programs (like National Program on Job Creation, Program 135, Program on basic health care for the poor, etc.) will be selected and looked closely for in-depth discussions.

### **1. The Rationale for formulation of PR policies in Vietnam**

Poverty reduction and hunger eradication have been seen by the Vietnamese Communist Party and Government as the resistant enemy that should be battle long with endurance<sup>4</sup>. However, the way of thought has been changed much in looking at the roots of poverty, making policy decisions. Recent strategy of policy measures have been renovated much in terms of the direction, the way of approaching the target groups and targeting the people. Poverty reduction policies have been seen as one of important social policies

There would be different consequences resulted from certain government's interventions depending on how they are formulated, implemented and how capable potential recipients are to react to those policies. Effective formulation of certain policy measures depends much on the competence and knowledge of the situation, reasons and abilities of different targets, while effective implementation of policy measures is determined by not only the quality of policy but also the abilities and attitude of executive agencies and recipients, that may result in various policy risks.

Risks involved in policy process have been neglected, especially at the stage closer to the targets. There are different kinds of risks in relation to poverty reduction policy measures for various groups of people and risks are often in the form of misleading target groups, support, funds and approaches. They also vary from region to region, group from group and field from field, the special and careful attention should be paid at every stage of policy process.

International and national experience shows that to minimize policy risks it requires well-prepared criteria and indicators to be applied at every step of the process including

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<sup>4</sup> Nguyen Thi Hien and Le Ngoc Hung. *Capacity building, Sustainable development, Gender equality and Poverty reduction*. Publisher of Political Theory. Hanoi 2005.

target identification, sorting out, fund allocation, project development, implementation and monitoring and evaluation, etc. For this it also requires policy measures to specify clearly objective for every policy measure based on rationale already discussed. Current poverty reduction policies of Vietnam have been aiming at the following:

- + Policy measures must have positive impact on the target people, poor community and the poor themselves, create better opportunities so that they actively participate in development and benefit from it, minimize discriminations against vulnerable people such as minority people, women, anvalids, disabled, wedoes, etc, allowing them to share benefits from the Government's social wealfare programs.

- + The policy measures would not set the poor in passive way, depending on the assistance, sitting, wait for 'dropping figs', setting forth conditions so that they can go on their own feet.

These are what policy measures the Government of Vietnam try to reach thru different development programs which are overviewed below.

## **2. Development Programs**

### ***2.1. Comprehensive Poverty Reduction and Growth Strategy (CPRGS)***

CPRGS was enforced in 2002 when the progressive efforts were made to prepare for Vietnam's accession to some important international trade organizations AFTA, WTO. To reveal the relationship between economic growth and social equalities, CPRGS, at that time, provides an important document to launch a number of policy measures in order to provide legal corridor for the poor paticition in and share the result of fast economic growth in recent years. Since then, a number of national development programs, projects have been formulated and launched at all level, from the central down to grassroots targeting poor community.

The main contents of CPRGS are: (1) confirming that poverty reduction as a major factor to ensure social equality and sustainable development; (2) Poverty reduction must be based on fast and broad economic growth with high quality and value-added, providing more opportunities for the poor and poor communities through out the country to be involved in and share the fruits of the development; (3) Poverty reduction is structured as a compoment of socio-economic development plan and strategy and; (4) Poverty reduction is not only the task set forth for the State, CPV, Governmental agencies but also of the whole society and first of all of the poor who have to cease opportunities to escape from poverty<sup>5</sup>.

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<sup>5</sup>Socialist Republic of Vietnam. "*CPRGS document. Point III "The relationship between growth and poverty reduction"*". Hanoi May 2002. Pg. 45-47.



## 2.2. The case of Program 135 period 1999-2004

Program 135 was started in 1999 when the economic growth reached very high rates but the poverty incidence was still high (37.4% in 1998)<sup>6</sup> to assist 1,200 the most difficult communes in 37 provinces and cities. By the end of the period (2004) it is valued that 2,374 communes benefiting from the support and investments in more than 300 districts of 52 provinces and cities, among them 388 communes located along the border lines, 67 communes of ATK regime and 1,919 extremely socio-economically difficult communes; 2,240 communes got funds from national budget and 134 communes got investments from municipal budget from 11 provinces. Table 2.1 gives us some information of interventions by the Government through this Program.

**Table 2.1. Summary of funds coming from national budget by Pr. 135**

*VND billion*

Projects	Before 1999	1999	2000	2001	2002	2003	2004	Total
Infrastructure construction	0	483,2	701,2	880,0	893,2	1.116,5	1.120	5.194,1
Building commune centers	432,0	103,0	101,0	230,0	250,0	265,0	350	1.731,0
Training commune officials	0	7,2	7,2	7,2	10,0	11,0	11	53,6
Planning residents	0	0	0	0	10,0	10,0	15	35
Production development	0	0	0	50,0	50,0	50,0	64	214
<b>Total</b>	<b>432</b>	<b>593,4</b>	<b>809,4</b>	<b>1.167,2</b>	<b>1213,2</b>	<b>1.452,5</b>	<b>1.560</b>	<b>7.227,7</b>

### Some major assessments about Pr. 135 of 1999 – 2004:

It is reported that a great number of infrastructure items have been constructed and improved by projects within Pr. 135, using integrating approach in combining different fund sources to form huge physical factors to change the face of Vietnam's rural sector. During 6 years 22 thousand structures have been completed (Table 2.2).

Regarding the components of commune cluster center (CCCs) construction, 528 projects/commune clusters were started and of which 193 were completed by the end of 2004. CCC often contains essential infrastructure structures like markets, schools, electricity cable systems, clean water supply, polyclinics, commune people committee (PPC) office building, agricultural extension station, television transfer, radio/louder speakers, commune culture house, etc.

<sup>6</sup> Nguyen Thi Hien and Le Ngoc Hung. *Nâng cao năng lực, Phát triển bền vững, Bình đẳng giới và XĐGN*. NXB Lý luận Chính trị. Hà Nội 2005. Trg 97.

**Table 2.2. Example of some important results of Pr. 135**

<b>Fields</b>	<b>The number of Structures</b>	<b>Money used, % of the total funds</b>
Transport	6,952	38
Irrigation	4,004	19
schools	5,228	21
Drinking water installation projects	2,972	8
Electricity projects	1,367	7.9
Clinics	415	1.3
Rural markets	167	1.2
Land reclaiming projects	825	1.4
Other projects		2.2

However, one of problem that is widely reported is that fund allocation equally to communes under the Program is not equal because of the different sizes of the population, areas and so on; On the other hand, other criteria set forth by the Government to govern fund allocation did not ensure the compliance, resulting in the situation some poor provinces got less than richer, more over the latter have more resource to finance the implementation of their projects additionally while the form do not afford.

- The contribution by poor people to the implementation different projects was not transparent, the combination of resources makes the implementation complicated, as a result accounting work and financial management of projects was poorly done due to the lack of local capacities and accountability.

- M&E was difficult and hence poorly done due to the lack of capacity and responsibilities of the involved counterparts and as the program was divided into different components and project.

- Not all the poor can benefit from the Program, egg. the very poor living in communes which are not on the list of eligible for Pr 135. As a result poverty reduction is not sustainable.

These kind of problems require frequent policy adjustments so that government interventions would be closer to the needs and cover the targets.

### ***2.3. Poverty Reduction Programs***

By multi-discipline targeting Poverty-targeting programs try to cover mostly areas of the socio-economic lives of the poor, from improving livelihood conditions, skill training, awareness, basic social services, creating jobs and development infrastructure to building capacities for poor communities. Within these programs thousands projects have been formulated and implemented, involving thousands VND billions. For example, National

Target Program on Poverty Reduction and Employment Creation<sup>7</sup> spent hundreds billion VND and does not only support in job creation but also educating, providing production tools, cheap credit, support housing to the poor. The information from table 2.3 indicates two main approaches used by pro-poor programs and projects.

**Table 2.3. Funds spent on NPRPEC in Rural areas, 2001-2005, VND billion**

	Components	1998-2000	2001-2005	Executive agencies
1	Health care	800	500	MoH
2	Education	834		MoE
3	Production tools	-	-	
4	Support to Minority	262	150	CEMMA
5	Support for housing	-	250	
6	Support to vulnerable	-	70	MOLISA
	Sub-total			

## **II. Poverty Reduction Projects**

	Components	1998-2000	2001-2005	Executive agencies
1	Credit	6000	750	VBA
2	Agricultural Extension	200	100	MARD
3	Building Poverty reduction models	-	100	MOLISA

## **III. Poverty Reduction projects for Communes not included in Pr 135, VND billion**

	Components	1998-2000	2001-2005	Executive agencies
1	Infrastructure	3825 (Plus Pr 135)	1400	MARD
2	Support to production	200	90	MARD
3	Training	100	100	MARD
4	New Economic regions		1400	MARD
5	Resettlement	1200	700	MARD

Source: Assessment Report of the NTP on PRHE and Pr. 135. VIE/02/001 Pro. Hanoi, June 2004.

- Poverty reduction program and projects use multi-dimensional principle to cover different areas, aspects and factors that may affect their targets, focusing more and more on the marginal people.

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<sup>7</sup> Starting in 1998, NPPREC (so called Program 143) was enforced by Decision 143 of the Prime Minister, aimed to reduce poverty down to lower than 10% in 2001-2005 (by 1.5 to 2 % every year) and create 1.4 to 1.5 million jobs every year. The Program was divided into different components such as investment projects on the development of infrastructure for health care, education, support to purchase production tools, housing, special supports to vulnerable, minority people. The total funds for PR program for two stages is of VND 6,200 billion.

- Poverty reduction policies and solutions have been implemented focusing on providing cheap credits, technical training, support to health care, education and assistance to extremely difficult ethnic minority people, funding the construction of infrastructure, resettlement and construction of new economic regions, improving legal base for PRHE and providing physical conditions for production development and life improvement in poor communes, especially those in the mountainous, border, island, remote areas with relatively big amount of money.

+ *Infrastructure projects*: For two years, 1999 – 2000, the total of VND 3,000 billion was spent on the construction of 6,500 projects in poor communes (National and local budgets combined), of which<sup>8</sup>... 2.5 project for every commune.

+ *Credit projects*: the poor borrowed VND 5,500 billion<sup>9</sup>, of which 5,015 billion from The Bank for the Poor lent to 5 million poor. On average, every poor household borrowed 1.85 million dong, help 100 poor households escape from poverty in 1999-2000.

+ *Projects to support extremely difficult ethnic minority people*: The national budget spent about VND 60 billion to help 20 thousand ethnic households in living conditions and 90 thousand households got loans without interest to develop their production.

+ *Resettlement and New economic region projects*: National budget spent VND 500 billion to resettle 118 thousand households, moving 38,925 households to newly developed economic regions and stabilize the lives for 23,543 free migrant households.

+ *Technical training and agricultural extension projects*: VND 25 million funds spent (of which VND 17 billion by national budget) to provide technical training to 2 million poor, built up 400 model of growing rice, hybrid corn, beans and used by poor farmers.

+ *Skill training projects for people working with the poor and in poor communes*: The team of PRHE specialized workers have been trained and e.g. by the end of 2000 about 1,798 communes in 22 provinces and cities got skill trained PRHE workers of which 1,474 got payments from local governments.

+ *Health care Support Projects for the Poor*: Free healthcare scheme and providing health insurance cards have been realized for the very poor people and children. It is reported that by the end of 2008 more than 1.2 million health insurance cards worth VND 3.6 billion

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<sup>8</sup> trong đó ngân sách Nhà nước đầu tư trực tiếp cho 1.200 xã năm 1999 và 2000 là 1.878 xã với tổng số vốn gần 1.700 tỷ đồng; Ngân sách địa phương lồng ghép và các nguồn khác trên 1.300 tỷ đồng đầu tư cho 650 xã nghèo khác)commune huy dodojng trên 17 triệu ngày công lao động của nhân dân tham gia xây dựng các công trình, huy động đóng góp bằng tiền và hiện vật trong nhân dân với trị giá hàng chục tỷ đồng.

<sup>9</sup> (bao gồm cả vốn các tổ chức đoàn thể 350 tỷ đồng, vốn tiết kiệm chi tiêu của các địa phương 338 tỷ đồng, vốn lồng ghép và vốn ghép khác trên 300 tỷ đồng). Tính đến cuối năm 2000, đã cung cấp vốn tín dụng ưu đãi (lãi suất thấp, không phải thế chấp) cho trên 5 triệu lượt hộ nghèo với mức vốn bình quân 1,85 triệu đồng/hộ, góp phần giảm 700 hộ nghèo

had been awarded to the poor, free treatment and health examination had been provided to 3 million people and 2 million poor through out the country.

+ *Projects on education support to the poor*: Education tuition reduction and example system had applied to 1.3 million, other kinds of fees were reduced and exempted for over a million, free textbooks were provided to 1.4 million poor students and pupils, all worth VND 172 billion.

- *Projects on support to production and trade development*: In total, a budget of VND 40 billion from both national and local budgets have been spent on these purposes and benefited about 3000 households. They were technically supported and financially to access to production means like land and to develop off-farm activities. For example, 524 poor farming households in Can Tho and Dong Thap got the support of VND 3 billion to buy back farming land.

#### **2.4. Program on education and training**

Literacy and education are considered as one of important factors to ensure contribution to poverty reduction, that is why effective interventions in these fields have been paid special attention through a program targeting poor regions. This program comprises of 9 projects with different targets but the common focus, i.e. rural poor areas. One of the most important project is *support education in mountainous, ethnic minority people and very difficult regions*. For the time of 2001-2005, VND 641 billion was spent on the building of the system of preparatory schools, district and provincial boarding-schools. This aims to educate carders for socio-economic management and leadership, training teachers for mountainous areas, commune-based day-boarding schools; undertaking research on the construction of mix-classes at village level to assist compulsory primary education and illiteracy eradication.

It is reported that this program has achieved positive results in terms of quantity: newly built one central, 5 provincial, 76 district ethnic board-schools (Table 2.4.). Especially, people-feed ones. Along with this the Government enforced Decree 168 on spending VND 2 billion yearly to support targeting pupils with learning materials, education fees, etc.

**Table 2.4. Actual development of schools in the mountainous and ethnic minority areas and very difficult regions**

<b>Types Schools</b>	<b>2001, # of schools/pupils</b>	<b>2002, # of schools/pupils</b>	<b>2003 (# of schools/pupils)</b>	<b>2004, # of schools/pupils</b>
Commune day-boarder	104/3500	392/17.000	519/52.000	680/60.000
District ethnic boarding-schools	190/38.000	205/45.000	218/47.000	266/60.000
Province ethnic boarding-schools	43/14.000	44/18.100	45/18.300	48/20.000
Central ethnic boarding-schools	10/3500	10/3700	11/4200	11/4400

There are still dissolved problems of Program on education for ethnic, mountainous and very difficult regions:

- Delay in the implementation of trade training and education for children of ethnic minority people.
- Insufficient incentives for teachers as according to Decree 35/CP while living costs are increasing.
- Overload in district and provincial boarding-schools due to increasing number of school children resulting in the shortage of living and learning conditions.
- There is no state support policy for people-feed boarding schools while the local authorities and parents do not afford (Assessment by MPI).

**Table 2.5. The rate of children going to school by grade and social group<sup>10</sup> (%)**

Education	Primary	Lower-secondary	Upper-secondary
National	90,1	72,1	41,8
The poorest group	84,5	53,8	17,1
Average group	91,9	77,6	42,6
The richest group	95,3	85,8	67,2
Kinh Hoa groups	92,1	75,9	45,2
Ethnic minority groups	80,0	48,0	19,3
Urban area	94,1	80,8	59,2
Rural area	89,2	69,9	37,7

Source: The WB, *The report of development of Vietnam 2004. Poverty*, Hanoi 2004. Page 62.

### **2.5. Program on Sanitation, Clean water and Environment in rural areas**

Regarding environment protection, Vietnam has had a plan for implementation of Agenda 21 of different commitments to environment protection. With the support from UNDP and development assistance agencies of some countries like Danida of Denmark Agenda 21 of Vietnam (VNAgenda 21) was worked out to form official legal framework for harmonizing economic development and environment preservation and ensuring social equalities (*Source: TTXVN 27/8/2002*).

Program on sanitation, clean water and environment (PSWE) is one of the efforts made by the Government toward the implementation VNAgenda 21 and Millennium goals. A number of policy documents so far have been enforced to provide instructions and management of the program. Some of the most important ones include Decision 62/2004/QĐ-TTg on the provision of credits for realizing the national strategy of supply rural clean water and environment sanitation; Circulation 66/TTLT/BTC-BNN&PTNT on the guide of

<sup>10</sup> The WB, *The report of development of Vietnam 2004. Poverty*, Hanoi 2003. Page 62.

Decision 42/2002/QĐ-TTg; Decision 1329/2002/BYT-QĐ standards of hygienic eating and drinking; a great number of handouts, reading materials and information, notices, etc. have been published for advocacy purpose. Government planned to spend VND 16,400 billions on this PSWE and for the period to 2005 40% of the total estimated funds was spent. Major fund sources are national budget 22%, off budget 19%, local budgets 38%, international fund 16% and credit of 5%. Credits (5%) have been used as cheap loans (0.5%/month) by Decision 62/2004QĐ-TTg mainly for the implementation of clean water and environment components in 10 provinces, but this proved an important point that drink water and environment protection for rural people may also sourced from cheap credits.

The national budget sent mostly to provinces, their departments (89%) to support them in doing management, monitoring, developing projects and line ministries and social organization (11%) to do propaganda, building up technology experiment demonstrations according o the management mechanism of the Program. Noteworthy is the contribution by the people (38%), plus 5 % of loans, indicates great success of the Program, proving that cost sharing rule works perfectly in this field.

However, the practical implementation of the Program showed some constraints as follows:

- + There has not been yet the master plan on supplying clean water and environmental drainage for rural areas as a whole. Along with this, the lack of renewed planning of rural residential areas induces greater costs of clean water provision.

- + Insufficient and ineffective allocation of funds caused delay, and did not satisfy the demand of clean water of broad rural areas with great population, especially a portion (7%) given to related public services (70% of the total finance of VND 1320 billion was for development).

- + The participation by the users was not relevant, technology transfer was slow and ineffective because of the lack of information to and capacity of the recipients (to make correct choice of adequate projects).

- + There were a number of limitations in relation to the monitoring over the implementation of the Program, the coordination among stakeholders and combination of resources.

- + The shortage of effective evaluation of both quantity and quality of water supplied, poor follow-up and lack of statistics to ensure sustainability (local authorities concern more the construction of works rather than their sustainability of water reservoir and sources).

- + Less attention paid to the O&M of built works; lack of measures to prevent water pollution.

- + There little participation of non-state investors, resulting in waiting-attitude of local authorities and users from the Government money. There is no credit policies to encourage

private investors, the users to build on their own small-size water supply projects. This issue should be considered carefully in the coming time. (M&E report. MPI).

+ What is noteworthy is that the Government uses state budget (national and local) and other sources for the purpose of narrowing the gaps only when the economy has achieved fast and stable growth rates for almost two consecutive decades. Its interventions and adjustments have been made relatively on time and put in practice to specific stages of economic development.



## CHAPTER 3. PRESENT SITUATION OF VIETNAM'S EFFORTS TOWARDS SUSTAINABLE DEVELOPMENT: MAJOR ADJUSTMENTS

### 1. Present situation of urbanization in Vietnam

#### *1.1. The increase of rural –urban immigrants*

Along with rapid development of industrial zones, processing-export zones (PEZs), focal residential region (FRRs) and foreign investment in Vietnam the habitants in urban areas also increase rapidly (Table 3.1).

**Table 3.1. The degree of urbanization seen through rural-urban migration**

Years	National (1000 persons)	Rural area		Urban area	
		(1000 people)	Share (%)	(1000 person)	Share (%)
2000	77.635,4	58.863,5	75,82	18.771,9	24,18
2005	83.106,3	60.769,5	73,12	22.336,8	26,88
2006	84.155,8	61.332,2	72,88	22.823,6	27,12
2007	85.085,2	61.863,4	72,71	23.221,8	27,29
2009*	85.789,573	60.415,311	70,4	25.347,262	29,6

*Source:* GSO. The Yearbook of 2008 And Primary result of population and housing census of 2009.

According to the latest data of a survey on the population, labor force and family planning mobility done in April 1, 2008 by the GSO, the results of rural-urban taking place during 12 months from April 2007 to March 2008 are as follows (Table 3.2).

**Table 3.2. Rural-urban mobility during 12 of April 2007-March 2008**

Residentail place of 1/4/2008 by age	Total number of people – migrants during the last 12 months of 4/2007-3/2008	Residential place before moving from 4/2007-3/2008	
		Urban area	Rural area
National	1.154.996	483.767	671.229
0-14	174.514	80.312	94.202
15-29	683.586	249.814	433.772
30-59	267.769	138.776	128.993
60+	29.127	14.865	14.262

*Source.* Survey on population, labor and family planning mobility of 1/4/2008

In one million of migrants those of urban sector accounts for 42% and rural sector shares 58% and the rate of female migrants is about one and a half that of male. Binh Duong province has the highest rate of migrants, 4.23%, then comes HCMC (2.12%). Noteworthy that Binh Duong is also a province which has the highest rate of people migrating out (1.52%).

Rural-urban migration contributes considerably to the urbanization. Most of households which have member-migrants can more or less improve their income situation. But, at new residential location immigrants have needs housing, jobs and other basic services. These needs may induce big pressures on the social infrastructural system in their new residential places like housing, education, health care, transportation, water, sanitation. Hanoi and HCMC are under this pressure mostly and immigrants have also to suffer from the shortage of these essential services and this can affect badly on their and their family members health status. Moreover, when parents migrate in cities for jobs leaving their children behind at home in the countryside all they suffer lots from missing each other and children lack the take care by their mothers and fathers. In case one spout migrates they both also suffer from missing each other that can also leads to changes in the families, the labor structure and division in the families.

At the integration and development, urban workers need high qualifications and skills to access new technological developments and to meet increasing demand for labor recruitment and employment. However, immigrants practically do not have required skills and knowledge they tend to find low skill, low income jobs that is there are not many high income employment opportunities for them.

### ***1.2. Restructure of economy and labor***

The process of industrialization, modernization and urbanization can be clearly seen in the restructuring economy and labor, especially in agricultural and rural sectors. This is one of macro indicators reflecting the level of the development and urbanization by transforming from a traditionally agro-based economy and manual working labor force basically into an industry- and service-based one with increasing knowledge and more advanced technologies (Table 3.3)

**Table 3.3. Economic and labor restructure by economic sectors, %**

Years	Agriculture, forestry, fishery		Industries, construction		Services	
	Value	Labor	Value	Labor	Value	Labor
2000	24,53	65,09	36,73	13,11	38,74	21,80
2005	20,97	57,10	41,02	18,20	38,03	24,70
2006	20,4	55,37	41,54	19,23	38,05	25,40
2007	20,34	53,91	41,48	19,98	38,17	26,12
2008	22,09	52,62	39,73	20,83	38,17	26,55

Source: GSO. Yearbooks 2000-2008.

### ***1.3. The development of urban administration, industrial zones, focal residential urban points***

According to GSO's classification, there were about 500 urban residential points with urbanization rate of 17-18% in 1995, of which 76 cities under the administration of provinces and 424 small towns but by 2008 these numbers became much bigger with 713 urban residential points with 5 centrally managed cities, 91 under municipal administration and about 617 small towns<sup>11</sup>.

There were 577 industrial zones and clusters by the end of 2008, of which 358 under operation (60%), spreading over 55 provinces and cities in three focal economic regions. These industrial zones attract 3564 FDI projects with US\$ 42,667 billion<sup>12</sup>.

During the last 15 years focal urban regions have been also rapidly formulated. According to the Ministry of Construction (MOC), there were about 135.7 million square meter of housing in urban areas and it increased to 235.7 million in 2005 (by 74%).

The degree of urbanization is clearly reflected in the change of agricultural land use. During the last 15 years (1993-2008) off-farm land, mainly for residence purpose in urban area, and land for special use for non-farm activities and public increased rapidly, from 1,891.7 thousand hectares in 1993) up to 3,385.8 thousand hectares in 2008, making about 4% yearly (Table 3.4).

**Table 3.4. Actual changes in land use caused by urbanization process in Vietnam**

<b>Items</b>	<b>1993 (1.000ha)</b>	<b>2006 (1.000ha)</b>	<b>2007 (1.000ha)</b>	<b>2008* (1.000ha)</b>
I. National total	33099.1	33121.2	33121.1	33115.0
1. Agricultural land	16989.6	24583.8	24696.0	24997.2
2. Non-farm land, of which:	1891.7	3256.9	3309.1	3385.8
- Residential land	774.0	602.7	611.9	620.4
- For special use	1117.7	1401.0	1433.50	1533.7
- Other non-farm land	-	1253.20	1263.70	1211.8
3. Unused land	14217.8	5280.5	5116	4732.1

Source: Statistic Yearbooks of different years. GSO. By Decision 1682/QĐ-BTNMT, August 26 2008 of Minister of MONRE.

Non-farm land area increases mainly by the area of unused land. However, in recent years a part of farm land area has been taken for non-farm use, namely for the development of industrial zones, manufacturing and export zones, urban construction and infrastructure structures for socio-economic purposes.

<sup>11</sup> GSO. Yearbook 2008.

<sup>12</sup> GSO. Yearbook 2008.

According to GSO during 2001- 2005 the State took back 466,814 ha of farm- and non farm land for industrial development purpose, urbanization and infrastructure. To the MONRE, 366,440 ha, about 78,5% of taken land area during 5 years and 3.89% under use agricultural land have been transferred to non-farm land during 2001- 2005, on average 73,288 ha of land was taken for non-farm purposes every year, of which rive field land was of 277,000ha, accounting for 75.6% of total taken agricultural land. Out of total taken agricultural land 39,556 ha have been used for industrial development (for industrial parks 15,383 ha, for industrial clusters: 24,173 ha) making 10.79%; 70.322 ha, accounting for 19.19%, was used for urban development; 136.175 ha, accounting for 37.16%. for the construction of public utilities, especially for transportation.

However, land taking back reveals a number of problems impeding the process of construction different projects and the development of the economy in general. It is because land acquisition policy is not fair, not basing on legal ground soundly and particularly it is not professionally and properly implemented. Therefore, it needs renovation and improvements.

#### **1.4. The development of firms, non-farm businesses and services**

The development of non-farm firms, services represents one of important economic indicators reflecting the degree of urbanization and it is presented in table 3.5 below.

**Table 3.5. Actual development of firms during the process of urbanization**

Years	Total		Agriculture, forestry, fishery		Industries, constructions		Services	
	Firms	Laborers (people)	Firms	Laborers (people)	Firms	Laborers (people)	Firms	Laborers (people)
2.000	42.288	3.536.998	3.378	267.254	14.937	2.352.092	23.973	917.652
2.005	112.950	6.237.396	2.429	279.082	42.953	4.381.466	67.568	1.576.848
2.006	131.318	6.715.196	2.399	256.362	48.569	4.707.761	80.350	1.751.073
2.007	155.771	7.382.160	2.447	253.333	56.582	5.169.946	96.742	1.958.881
Increase	20%	11,8%	-5%	-1%	21%	12%	22%	11%

*Source. GSO. Yearbook of 2008.*

Business development is closely linked to that of industrial, processing, export zones and focal economic centers as well as big urban regions with big number of population, increased labor-force of labor relations. But, the development of off-farm, private business activities is meaningful for the urbanization of rural sector in the relation to the development of small-scale industrial clusters, services, small towns in the rural areas and agricultural and rural economic, labor restructuring.

Since 2002, private businesses units have been seeing fast growth rate. As a result, in 2007 the number of there were more than 3.75 million private off-farm businesses, as 1.43 times bigger than that in 2002, it increased by 7.45% every year (Table 3.6). Among them, those in industrial and construction sub-sectors accounted for 80% and those in trading and services were of 49% in rural areas.

**Table 3.6. The number of non-farm private firms**

<b>Years</b>	<b>Firms</b>	<b>Number of laborers (people)</b>
2002	2.619.341	4.436.747
2003	2.712.177	4.842.660
2004	2.913.907	4.988.232
2005	3.053.011	5.583.617
2006	3.299.705	5.765.965
2007	3.751.158	6.593.867
Increased/year	7,45	8,25

Source. GSO. Yearbook of 2008.

Along with the development of private off-farm businesses, the growth of trade villages have also contributed to the urbanization, especially in the suburbs, which, in turn, promoted the formulation of village- and commune-based economic centers and hence rural markets and towns.

However, land taking back policy for urbanization and construction of industrial parks and clusters has had a number of weaknesses and it has negative impact on the life of related people, especially the poor, farmers. Most of them do not have non-farming skills and are elderly people and live on farming returns. They often find difficult to transfer jobs while functioning land taking policies are not fair, there are no clearly defined legal base and are not properly implemented.

### ***1.5. Problems caused by the urbanization process in Vietnam Recently***

First, Economic growth and restructuring at high rate induce complicated consequences such as food safety, environment degradation, natural resources exhausting, rich-poor, urban-rural gap widening and income disparities.

Second, the population and labor increase in urban areas is very popular and critical during urbanization process, pushing up the speed of urbanization and leading to overload in different aspects of the social and economic lives. The most important concerns are the shortage of basic social services, increased social costs such as those of urban transport management, social administration, security, and the shortage of local budgets, while other disorder issues such as increases in street trading activities, urban unemployment, resulting in pollution, etc.

Third, increased urban population and workers and economic growth requires increase in transportation services accordingly to meet the increasing demand, but in fact insufficient transport services, mainly two-wheel transport means, in urban areas cause problems.

Land for urbanization and construction of infrastructure, housing become more expensive as the needs for housing increase faster due to pressure of increased population. Along with land taking a number of social problems immerge in relation to stabilize the life

of people whose land was taken, employment for them and their family members when they moved to new residential areas.

Demand – supply of housing and services: basic social services like drinking water, schools and health care, etc. are always in the situation of demand exceeding supply because the construction of these public utilities did not take into account of the service needs of new migrants. The increase of immigrants in cities forms unplanned resident areas in most of big cities where neither housing nor utilities are built up.

Social problems become more and more complicated: the process of urbanization leads to increase in urban population, faster economic growth and increased income of a greater part of the people but it also results in the problem of social inequality. How many new jobs are created for new immigrants and how many for urban-rooted people?; continuing rich poor polarization, shortage of health and education services, immerging social evils as well and unemployment.

Increased dangers of environment degradation: natural environment in urban areas becomes worse due to increased population, businesses and services. Air pollution increases to alarming level in big cities, the life of urban people seems to be much worried.

#### ***1.6. The tendency of urbanization to 2020***

Basing on the implementation of socio-economic development plans for periods of 2001- 2005 and 2006- 2010, by putting into place of all kinds of resources domestic and foreign in the direction of industrialization and modernization, gradual developing knowledge economy and active integration into the international economy we can achieve the target as an industrialized country at the initial stage by the year 2020. By this, it is anticipated possibly to achieve some major indicators in terms of development and urbanization as presented in table 3.7 below.

**Table 3.7. Estimated indicators of the development level and urbanization to 2020**

Indicators	2010	2015	2020
1. Per capita GDP (US\$ )	1200	2100	2800- 3000
2. Human Development index	0,770	0,782	0,795
3. The rate of urban population (%)	> 30	> 35	45- 50
4. The rate of farming workers (%)	< 50	< 45	35- 40
5. The rate of trained workers (%)	30	45	55

Source: Five-year Economic development planning for 2006-2010; The Draft for 2011 – 2015; Draft of Training Development Strategy for 2011 – 2020.

#### ***1.7. The directions of Urbanization to 2020***

- Continuing speeding up the process of urbanization and expanding the spaces to the whole country, paying more attention to the quality.

- Urbanization must be strategic so that it can spread equally and cover the whole country and focus more in the rural sector.
- Emphasizing in restructuring labor by moving more workers from primary to secondary and tertiary sectors.

## **2. Labor market, wages and employment: Major findings**

### ***2. 1. The present situation of labor force***

The national labor force increased 2.3 % every year for the period of 2000-2008, reaching about 49 million people in 2008. The labor force of urban sector was of 12.7 million in 2008, accounting for 26.3 percent and increased 6.53 percent as compared to 2007 while that of rural areas was still big, 73.7 percent of the total national labor force but increased slowly, 0.9 %.

On average, every year, the national economy (with the average growth rate of 7.6% annually) creates about 913 new jobs, much less than the number of annual new entrants the labor market (1.2 million people). This induces imbalance between the economic growth and social equality. In 2008-2009 the situation of employment became worse due to the impact of economic and financial crisis.

Labor force has seen slow restructuring leaving a greater rate of labor working in primary sector (64.1 % in 2000 to 52.5% in 2008). This is explained by two main factors: first secondary and tertiary sectors are not able to draw faster attraction of labor from the primary sector even huge new investments made to promote these two sectors; Second, industrialization and modernization of the primary sector are too slow to enable labor to move faster out of it, even though farming land area has been reduced considerably these years. Along with this, the quality of labor force can also be claimed as additional reason for the situation.

Another reason of migration is search of employment and income opportunities in rapid development areas. Regardless a number of barriers, rural-urban migration has been rapidly increasing due to the shortage of jobs and low earnings in the primary sector while increase employment and job opportunities in the second and tertiary sectors as recently increase of investments and construction of industrial zones and manufacturing and export parks in especially in big cities and towns. For example, there are now in Hanoi and its surrounding areas 8 industrial zones such as North of Thang Long, South of Thang Long, Sai Dong B, Noi Bai, Thach That – Quoc Oai, Quang Minh Hanoi – Dai Tu, and Phu Nghia and 6 under construction and planning. These zones have attracted 27 new investment projects and possibly created a huge number of new jobs. By quarter IV of 2009 there were 1155 investment projects in 12 manufacturing and industrial zones located in HCMC and its suburbs attracting 247,461 workers. At the same time there were very few new and big investment projects in rural areas.

## 2.2. The structure of professional levels of agricultural labor

It is clear that only a greater part of rural labor is engaged in farming. A part of the labor force, those of 15-24 age, go for further education, upper-secondary education or to colleges or universities in cities and big towns; another part goes to seek for jobs but off-farm, not only in the countryside but also in cities and towns or industrial zones. Those who have higher education degrees, college or university education, tend to seek for jobs in off-farm sectors, industries and services. These points explain why education structure of agricultural labor different from rural one. Only 0.1% of those working in agriculture have tertiary education and 97.65% farmers have not gone through any training events. Therefore, professional degree structure of agricultural population is some how 1/4/3/92 but that of rural labor force is 0.1/0.1/0.9/97.7.

The figures of three poorest regions, Northwestern, South of the Center and the Mekong Delta, indicate deeply unequal distribution of labor force as they have the greatest rates of untrained farmers, over 98% and very few of them have college and university education. The Southeastern region has the biggest number of people of tertiary education, as much as 5 times to the Northwestern's. This points out also unequal education opportunities among regions.

**Table 3.8. Opportunities of the labor working in agriculture by technical training and professional degree and regions, 2006**

	No training	Primary	Middle	College	University
National	97.65	1.26	0.87	0.12	0.10
The Red River	97.08	1.54	1.13	0.15	0.10
Northeastern	97.55	1.18	1.08	0.10	0.08
Northwestern	<b>98.62</b>	0.68	0.61	0.08	<b>0.03</b>
North of the Center	97.09	1.5	1.2	0.12	0.09
South of the Center	<b>98.38</b>	0.79	0.65	0.11	0.08
High land	97.94	0.99	0.85	0.10	0.12
Southeast of the South	96.59	2.26	0.86	0.13	0.16
The Mekong Delta	<b>98.4</b>	0.93	0.46	0.12	0.09

Nguồn: Tổng cục Thống kê. *Kết quả tổng điều tra nông thôn, nông nghiệp và thủy sản năm 2006.*  
[www.gso.gov.vn](http://www.gso.gov.vn).

Education and training degrees of rural carders are very low, especially when looking at those of local officials. Only 57% of them have undergraduate and graduate degrees, 43% have lower that tertiary education of which 50% just complete secondary schools. It is obviously that the labor force of rural and agricultural sectors has low education and training levels and most of farmers do not have any training. This, in turn, means that there are fewer education and training opportunities for labor working in rural and agricultural sectors.

Regarding Policies on training Rural labor, having recognized that the shortage of education and skills as the reasons of being left behind of rural areas recent policies have



been given more priorities to increasing the knowledge levels, educating and training human resources for rural and agricultural sectors. One of policies supporting education for the poor is tuition fee exemption. In 2002, 13.2% of the total poor, general, in the country and 20% of the food poor ones were exempted education fee for their children. Among five people groups of households, the poorest one had the highest rate of fee exempted, 56.9%, then the group of above poor line people, 23.3% but still 6.5% of close-to-rich households and 1.9% of rich people also benefited from this policy.

In general, education fee exemption and reduction policies for the poor have helped children of poor households to continue to go to schools but these policies could not help those children who never go to schools and who dropped schools can go back to schools. Therefore, the most important and essential point is to open more opportunities for all children to study, especially rural children. Even though the MOET said that it did not intend to increase secondary education fees but the roadmap for reducing it seems not to gain the support and in fact it is informed that education fees was decided to be increased in this May (2010). This is incorrect direction in education and training development in Vietnam now and in the future as it may reduce education and training opportunities for those who are in difficulties to hope for study. Another example is of the man power training program for farmers has been just started but it has less chance not be successful (Box).

**Box 3.1. Program on vocational Training for farmers**

*The Gv't has "placed an order" to MARD to implement a program of training 300 thousand rural workers for 2009-2015 in modern production in the future. Completing this kind of training the farmers may have occupation of relatively comprehensive skills.*

*Farmers are given with money when they attend training courses. These "scholarships" are awarded in the form of cards with average amount of 500 thousand VND per person. The value of a "Agricultural skill training card" depends on the training duration, ranging from 1-3 months or 6 months. The State plans to spend VND 15 billion annually to provide these scholarships to farmers and for the period of 6 years the total funds to be sourced is VND 900 billion.*

*Not all farmers going for training are awarded with money, but MARD will provides details of requirements. For example, poor farmers and those who come from remote regions, those of the state support policy shall be 100% fee supported by the Program; the State will support capital for farm owners or owners of private husbandary firms have the needs of training.*

*The Program on skill training for farmers will contribute to increase the rate of trained rural workers from 20% in 2010 to 40% in 2015 and 50% in 2020.*

*However, the constraint now is the knowledge levels of the farmers that is in the rates of illiterate farmers are rather at places, eg. 20% in the Northwest, 14% in the High Land. If it includes also the rate of people who have not completed primary schools and illiteratcy the rates will be 41 % in the Northwest, 34% in the Mekong Delta, 31.4% in the High Land, etc. Thus, this will be a huge challenge for the Program of Human Development for rural areas.*

*Nguồn: Hà Yên. "Sẽ phát tiền cho hàng triệu nông dân học nghề". WWW. Vietnamnet. 18:28' 06/02/2009 (GMT+7)*

Another example is a program worth US\$ million on vocational training for the youth. If the rate of people going to schools at the right age increased and covered most of children of the school age it would have been less costly for the society and the Gv't to run these training programs like these programs.

### ***2.3. Actual gaps in wage and salary***

The livelihood of most of people (84%) has been improved<sup>13</sup> thanks to the increased per capita income (64% in 2004 as compared to 1999). However, there are rather big gaps in incomes and income increases among different groups of people who are working in different areas, fields. For example, average monthly income of people who are working in businesses, household economic units was of VND 664.2 thousand, while that of those people who are working in the state sector was VND 1.1 million and in FDI firms was of VND 1.316 million and their respective increase are 2.34, 8.55 and 8.6 % accordingly as compared to 1999.

There are also concerns in relation to employment and incomes of certain groups of people, for example female workers. The rate of female workers to the total labor force has seen decrease of about 1.5-1.6% in ten year time, (to 48.3% in 2009), but female workers in agriculture decreases slowly. It noteworthy that most of female workers are working in low income fields, households (80,3%), and therefore few (less than 14%) are working in higher income sectors, such as FDI firms.

There are also relative differences in the education, technical qualifications between working men and women. For example, in 2006, there were about one million working women never went to schools, 73.75% working women who have never had any technical training and only 0.07 % of them have graduate education. All these figures are much lower than those of their counterparts, men. One of main reasons is working women often have fewer opportunities to study. They have more family burden and obligation and less effort to advance themselves.

Having limited education and professional competence employment of female workers is not stable and hence their income is also uncertain and lower than that of men. For example, in 2006, average income of female labor was just 79% of men's (Table 3.9).

Female labor is also a vulnerable group in terms of employment and salary, especially when there are impact and shocks from in the economy and from outside. For example, in 2008-2009, the world economic crisis induced great impact on Vietnam's economic growth rate and then on jobs and incomes of a number of people. This circumstance the rate of female workers losing jobs was rather high, accounting for 55.57% of the total number of workers losing jobs. A study conducted by The Center of Woman studies (VNWU) in 2009 indicates under the impact of world economic crisis many firms had to reduce their

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<sup>13</sup> Tổng cục Thống kê. Động lực và thực tiễn phát triển KT-XH 2001-2005. NXB Thống kê.

production, their workers had to rotate work off and their wage-incomes decreased 30-50%. And, once more, unskilled or low qualification female workers fell in a danger of losing jobs and lower income.

**Table 3.9. Average monthly incomes by gender**

Sectors	Average income/month/person, 1000 VND				Income rate of Female's to Men's, %		Increase rate 2004/1998, %	
	1998		2006		1998	2006	Female	Male
	Female	Male	Female	Male				
All	410	525	731	925	78.1	79.2	7.5	3.5
Households	352	502	523	761	70.1	68.9	5.1	5.3
State sector	436	494	1046	1157	88.4	90.4	11.5	11.2
Collective	256	326	587	913	78.6	64.3	10.9	13.8
Non-state	528	651	1082	1239	81.1	87.3	9.4	8.4
FDI firms	599	705	1036	1837	85	56.4	7.1	12.7

Source: GSO. VHSSs of 1998-2006.

Employment and income of working female immigrants are also unstable. Another study done in 2009 reports that they often change their jobs but they have no chance to enter any labor contracts, neither enjoy social policies accompanied labor contracts. According to this study working female immigrants easier loose jobs and more difficult to get jobs back than male immigrants and local female workers.

In short, there are gaps and differences among groups of working people in access to employment, income, in payments and especially groups of female, workers, immigrants and rural women; lacking opportunities to access to education, training, technical skills and knowledge also composites reasons of inequalities in job and income.

### **3. Environment Protection in Vietnam: Major findings**

#### ***3.1. Legislation and policies of environment protection: Recent adjustments***

Vietnam has so far paying more attention to have a comprehensive legislation on environment protection. Some important legal documents enforced recently include Criminal Law (2005), the Law on environment protection (2005), the Law on Bio-diversity (2008), The Law on Aquaculture (2003), the Law on Water resources (1998), and the Land Law (2003). Along with these systems of directive legislation the Prime Minister, the MONRE and other concerned ministries and sectors have issued and organized the implementation a great number of different strategies, plan and decisions on environment protection. However, recent development and implementation of policies on environment has also revealed gaps and problems such as (i) in fact, many policies, development programs and projects, enterprises that are undertaken at all levels, from the center down to grassroots have not considered environment preservation properly and (ii) incentives and sanctions are not valid enough to deal with related law and provision violation.

### ***3.2. Environmental degradation situation: problems***

Vietnam has been facing partial development, focusing too much in economic targets, neglecting environment protection, short-run rather than long-run objectives. That is why sustainable development and dealing with problems of environment degradation are great concerns of Vietnam nowadays. These problems are enormous, but there are three major ones.

#### ***3.2.1. Water pollution***

Water is a special natural resource critical for the life and environment and the sustainable development of a country (the Law on Water Resource, 1998). However, recently Vietnam has emphasized much in the exploitation natural resources including water for the purpose of economic growth, paying insufficient attention to the protection and saving both surface and underground water resource. This induces water pollution at many places, especially in industrial zones and trade villages.

*Water pollution in cities and urban sector:* By the Report of national actual environment of Vietnam 2006, most of rivers, canals in cities are polluted, especially in the two biggest cities Hanoi and HCMC. Surface water in downtown of these cities is seriously polluted, all results measured are far higher than the allowed indicators, even higher than those of sewage because it is mixed with rain and waste water from industrial factories going into rivers. Many of canals become drainages with BOD<sub>5</sub> 5 - 16 times higher than Vietnamese standard, the value of DO is approximately 0, where creatures cannot survive.

Though The Law on Water resources of 1998 and Decree 88/2007/NĐ-CP dated from 28 May 2007 of the Government provide "prohibiting water rain and waste emission to ensure standards and norms of water drainage result, water environment becomes more polluted. This provides one fact more that the complying laws and supervising law compliance are ineffective.

*Water pollution in trade village:* trade villages are often interposing residential areas in rural areas with different kinds of production activities. Waste water from these trade villages will affect seriously the health of people living in those communities. The results of recent investigations showed that the level of pollution does not decrease but increases. Food processing, husbandry, poultry raising, animal sloughing, silkworm, weaving and dying villages waste a huge volume of high and very high polluted water every day. Indicators like COD, BOD<sub>5</sub>, SS, total N, total are dozen times higher than Vietnam standard (VNS). Especially, the pollution level of waste water from cassava and can processing factories is 200 times higher than VNS. Metal work villages like copper, aluminum casting and recycling waste castoffs firms eliminate different toxic like chemicals, acid, etc. polluting water environment, as a result indexes of metal like Cr<sup>+</sup>, Zn<sup>2+</sup>, Pb<sup>2+</sup> are as much as 1.5 to 10 times VNS.

*Water pollution in rivers:* Vietnam has had a big network of rivers, streams and basins. To know about the pollution degree in this system of rivers, MONRE selectively assessed water pollution of basins of three big rivers, Cau, Nhue-Day and Dong Nai in 2006. The result indicates that the water in all three rivers was polluted and seriously polluted at different sections and the degree of pollution is increasing. These sections are those crossing by industrial zone, residential regions and the water pollution in some of those sections is beyond the allowable level. For example, the section of Cau crossing Thai Nguyen city water becomes dark and smells mix of organic substance, oil, grease, etc. the content of chemicals like SS, BOD<sub>5</sub>, COD is 2-3 times higher than VNS. In the basin of Nhue-Day, COD index in several sections is 7 - 8 times and BOD<sub>5</sub> is 7 times higher than VNS. These sections are mainly located in the downtown and suburb of Hanoi, some of them are rivers located outside Hanoi but receive water directly from those sections running from the downtown of Hanoi. Many sections in the basin of Dong Nai River are seriously polluted, especially the downstream. One section of Thi Vai River is “dead” one, it is of 10 kilometer long as it is seriously polluted with DO always of zero, that non organism can live.

*Water pollution is observed in almost all localities in the country, among them Ninh Binh province is one of examples. According to DoNRE of Ninh Binh, now, most of rivers running cross Ninh Binh's territory are polluted. Especially, Day River is polluted from the upstream to down stream and waste coming from industrial zones within the province such as Gian Khau and Ninh phuc, and sea water encoaches the basin. Some rivers such as Ben Dang (NhoQuan district), Dao khe (Hoa Lu district) and Hoang Long are all polluted by the waste coming from trade and residential villages. Underground water sources in Kim Son, Yen Khanh and Yen Mo districts are exhausted due to digging wells by individual households. In Kim Son district and Ninh Van. At present, there are 28 firms and individual units releasing wasted water to water reservoirs (excluding industrial zones) with the estimation of 55-60 million cubic meters a year making more pollution of water sources. While, at the same time, most important problems of environment management is the shortage of qualified man power, techniques and managerial skills and limited awareness of water users about environment protection.*

The National Assembly of Vietnam enforced The Law on Water Resources in 1998 (Number 08/1998/QH10) and Decree 179/1999/NĐ-CP (December 30 1999) of the Government on the implementation of The Law on Water Resources but water pollution has not been reduced. Facing this, the Government has issued Decree 120/2008/NĐ-CP (of December 10 2008) on the management of river basins. The decree states clearly that (there are now 11 big basins in the whole country) River basin commissions are created for the basin of big rivers and sub-commissions are created for intra-provincial river basins for undertaking re-evaluation of the actual situation, planning, managing and protecting river basins. With this decisive provision, it is hopefully water pollution in rivers will be kept under the control.

### *3.2.2. Air pollution*

According to MONRE (National environment report 2007), air environment is relatively good in the whole country of Vietnam, but the quality of it in big cities, industrial zones and trade villages decreases.

*Air environment in big cities and urban areas:* National Environment Report 2007 tells us that air pollution in big cities is formed by hanging dirt and smoke of PM<sub>10</sub>, SO<sub>2</sub>, NO<sub>2</sub>, CO, gasoline, oil and lead. The level of pollution varies by seasons of the year (it decreases in rain season and increases much in dry season), by geographical location (it increases in locations near to big and busy roads) and by time point during the day (it increases at rush hours). In recent years, the concentration of dirt and smoke in big cities like HCMC, Hanoi, Da Nang and Hai Phong is all higher than the level allowed by VNS and WHO. At intersections, dirt is as much 5 times as higher than VNS. Some of gas like SO<sub>2</sub>, NO<sub>2</sub>, CO are generally in the limit but it tends to increase, especially at big sections of big roads.

*Air pollution in trade villages:* According to National Environment Report 2008 by the MONRE, air pollution in trade villages is relatively heavy, especially in plastic and metal recycling, construction material production and stone exploitation villages. Investigation results say that dirt in stone exploitation is higher than VNS by 3 - 8 times, the content of CO<sub>2</sub> at place is as much as 6.5 times higher. In food processing, raising animal, poultry villages toxic air like SO<sub>2</sub>, NO<sub>2</sub>, H<sub>2</sub>S, NH<sub>3</sub>, NH<sub>4</sub> produce fishy, nasty, stink smell that may affect the health of people.

Field study in trade villages in Ninh Binh Province indicates that the process of modernization and industrialization does not only induce dirt in urban areas but also the countryside, particularly in the surrounding areas of trade villages. Observations in Ninh Van Commune show that the whole commune is of noise and dust coming from art stone-engraving village and Duyen Ha and He Duong cement factories. Along the main road crossing the commune and areas along it are covered by white dust 'white roads, white houses, white trees, grass, etc. This art stone-engraving village is a long-established one but it has seen strong development for about the last decade and attracting a relative big number of people in the commune to work and generating stable incomes for local households. However, most of stone-engraving households use their housing as workshops, along the main road crossing the village making the whole village under the dust-smoke and mud. Along with this noise and stone dust coming from cement plants make the environment polluted seriously.

### 3.2.3. Degradation bio-diversity

Bio-diversity is a diversity of living being, critical for the planet but it decreases nowadays to the alarming level. Particularly, bio-diversity reduction is in the following aspects:

*The degradation of natural bio-diversity:* To the MONRE most of eco-systems of Vietnam including those of forest, mangrove, flooded forests and seas are seriously depressed.

(i) *The eco-system of forest:* the coverage of forest was 44% in 1945 and it decreased to 28.2% in 1995. Facing this situation the Government of Vietnam paid more attention to growing and protection of forest by enforcing Program 327 and then Program 661 – newly growing 5 million ha of forest in the whole country. As a result, the forest coverage increased to 36.7% in 2005. However, it is still far lower than the average coverage level of ASEAN member-countries (48.6%). Most of increased areas are productive forest, while natural forest is depressed.

(ii) *The eco-system of flooded forest:* Flooded forest, grass plots, salt-marshes, water areas belonging to rivers, lakes are all heavily degraded. Now, the total areas of mangroves is just of 155,290 ha, decreased by 100,000 ha as compared to 1990 (down by 40%); two biggest flooded areas of Vietnam (the Northern Delta with a bit more than 1.7 million ha) and Cuu Long Delta (with about 3.9 million ha) become agricultural and aquaculture land.

(iii) *The eco-system of seas:* Most of sea system and areas along the sea coast of Vietnam are degraded. Among these eco-systems the exploited fishery quantity decreases considerably, many crustacean, species of fish, etc. cannot be founded now. The quality of sediment at the seabed where a number of species live is poor due to pollution.

*Reduced species and natural gene sources:* Species of animal and plants of Vietnam decrease, many of them face the danger of extinct. According to statistics of Red Book there were 721 species in Vietnam facing danger of extinct at national level in 1992 but it increased to 1056 species, by 46% in 2004. According to IUCN, the increase in the danger at international level of species in Vietnam is not only in the number but also in the degree of danger. In 1996 25 species of Vietnam were endangered but it went up to 46 species in 2004, by 84%.

*The coverage of forest increased but the quality decreased:* The area of forest is expressed in the coverage: It was 28.2% in 1995 and it increased to 36.7% in 2005> However, the quality of forest has not been improved at all because most of natural

**Box 1: Vedan pays VND 111 billion as environment protection cost collection of previous years**

Just one year after Vedan started its operations it began to let out waste to pollute the environment... Some of farmers and fishermen who earn their living in Thi Vai river had to quit. They complained and got some assistance. By the middle of 2008 the case was alarmed nationally because it became really dangerous for the society. Environment pollution is clear.

To DONRE of Dong Nai province (November 2009), Vedan Stock Company Vietnam paid VND 111 billion (out of VND 127 billion) as the environmental protection cost for previous years.

Source: <http://www.vnexpress.net>

Nov. 2009

Water in Nhue-Day River is more and more polluted.

and productive forest belongs to poor group, very narrow area of primeval forest (about 0.57 million ha).

*The eco-system of agriculture, breeds, seeds, varieties are affected:* many new breeds, varieties have been applied and from time to time they become popular and gradually reject local ones. Therefore many breeds and varieties of specious gene that can well adapt to changing climate, diseases decrease and disappear.

*Decreased income sources from aquaculture:* The income source from aquaculture is estimated as much as of 3 million tons, of which exploitation ability as much as 1.4 million tons. However, as small capacity ships and boats (84% of fishing ships and boats) concentrating in exploitation along the shore and using killing means depress the sources (making reduction of 25% now as compared to 1990) in both quantity and quality of aquaculture species. Moreover, it makes the living environment of sea species upset.

To overcome the bio-diversity degradation, by the end of 2008, the National Assembly of Vietnam enforced the law on Bio-diversity (Law 20/2008/QH12 dated from November 13 2008). The Law emphasizes the content of planning bi-diversity preservation, introduction of sanctions to actions breaking bio-diversity (9 groups of actions and behavior), provisions of state managerial functions over bio-diversity, mechanisms and human resources for preservation and sustainable development of bio-diversity in Vietnam. This provides the first and highest legal framework on the bio-diversity and hopefully it will make an important contribution to overcoming the present situation of bio-diversity degradation in the future.

### ***3.3. Reasons of environment pollution and diversity degradation***

#### ***3.3.1. Reasons of polluted water from industries***

- Lack of responsibilities of firms, businessmen, especially enterprises located in industrial zones, trade villages. Most of them try to abuse reduction of costs in relation to treatment (making it as their profit). See the case of Vedan Stock Company (box 1).

- Increased new establishments: According to GSO (2008), there were 42,288 enterprises in 2000 but in 2007 the number was of 155,771 in the whole country, by 268%. Water is mostly polluted by mining and processing industries, accounting for about 21% of the total number of enterprises and increased 200% as compared to 2000.

So far 70% of production and export and industrial zones in the whole country have not make any investments in treatment of waste; among the rest of 30% of zones did, many of them do act to cope with the situation and legislation (Sai Gon Gai Phong Newspaper,



2009)<sup>14</sup>. Among 90% of surveyed enterprises did not meet the standard of waste water, do not have waste water treatment equipment<sup>15</sup>.

*Waste water from trade villages:* waste water from trade villages poorly affects water used in residential areas, underground water and in rivers. There are now 2.790<sup>16</sup> trade villages in the whole country, of which 90% do not follow the Environment Law (MOLISA, 2009). A case of Hanoi's trade villages is one of examples (see Box 2). The results of a survey on 255 trade villages in Hanoi (Expanded), of which 59 dying, leather (23%), 43 food processing (16.9%), and 135 handicraft (53%) villages. Every day, water coming out from these trade villages into Nhue and Day rivers causes serious pollution of water.

*Waste water from residential areas and hospitals:* population increases, especially in cities and towns while technical infrastructure of waste water treatment is not developed accordingly, then waste water comes directly into rivers. Only a few of a great number of hospitals have installed waste treatment equipment, but not all of installed treatment equipment work properly.

*Agricultural activities:* a lot of chemicals, pesticide and fertilizer have been used and abused to increase productivity and yields of plants and animals, also polluting water, land and hence damage peoples' health. According to the National Report of Actual environment 2006 by MONRE, on average, farmers use 3 kilogram of pesticide per a hectare every year in Cau River basin.

### 3.3.2 Reasons of polluting air

According to National Report of Actual environment 2007, major reasons of air pollution are as follows:

*Road transport:* It is reported that road transportation pollutes the air most in Vietnam, possibly 70%. It is because of old, engine-used means and poor roads. These means dismissing CO, NOx, VOCs, lead dirt, benzene and especially mechanical dirt (Box 2)...

#### **Box 2: Economic development and environment protection**

In focal economic region in the South of the country, to create VND 1 billion to GDP, enterprises in the region dismiss 3.1 ton BOD, 5.9 ton hanging out waste, 2.9 ton of CO<sub>2</sub> into the air and 44 ton waste matter.

Source: Báo Khoa học và Phát triển

*Industries:* Industries are located in urban areas and in industrial zones induce pollution and negative impact on human being by dismissing toxic like benzene.

<sup>14</sup> Data and information released at Workshop "Prevention, fight against crime and breaking the law on environment protection in IZs and PEZs" held by The Ministry of Police in HCMC in June 8, 2009.

<sup>15</sup> Data and information of Workshop "Environment Protection and Sustainable development" Co-organized by The Central Commission of Science and Education, MoNRE, The Commission of Science, technology and Environment of the National Assembly, Vietnam's Union of Scientists and technologists and Hanoi National University in Hanoi, October 28 – 29, 2003.

<sup>16</sup> Data and information of Workshop on "Issues of breaking the Law on the environment in traditional villages" co-organized by the Ministry of Police and State related agencies, in August 26, 2009.

*Mining industries:* in a number of provinces like Quang Ninh, Thai Nguyen, Lao Cai, etc. mining is taking place widely by using primitive means and technologies, resulting in serious pollution of water, air in surrounding areas. Transport of coal, ore, etc. by poor roads and vehicles also creates dirt and smoke.

*Construction work and living/welfare of the people:* Construction projects are taking place every where, in urban and rural areas and there is very little concern about waste, pollution these work may make for the surrounding areas.

### *3.3.3. Reasons of bio-diversity degradation*

Bio-diversity degradation have been claimed for increased population, rapid urbanization, trading and services that push up the demand for the use of natural resources including plants, forest, animals, etc.

## **4. Regional Inequalities: Major findings**

### ***4.1. Macro interventions: policies, management***

In order to boost the economic development, the government of Vietnam has been focusing on developing main economic regions through by establishing three main economic regions, namely in the North, the Central Coastal and the South in 1997 and 1998.

These policies have been fostering economic development in the three regions resulting in the most dynamic development of these regions in Vietnam. However, alone with the development, there is a big gap between remote and mountainous regions and the rest of the country. In recent years, therefore, the Government has issued many policies and programs to pull the economies of remote regions that aim the target of pro-poor growth and reduce the inequality among regions. For example, rural infrastructure investment programs, infrastructure investment for aquaculture production, trade village, electric system, schools, dispensaries, etc. have been implemented in these regions. The target of these programs is to enhance accessibility of the poor to basic necessities and services. In addition, some policies that directly influences the lives of the poor like providing house, land, fresh water and inputs for living and production... In general, these programs have immediately significant effects on the improvement of the poors' access to markets and basic services that contribute to decline inequality among regions caused by economic development. For example, implementing No30a Resolution of the Government, the poverty rate of 62 poorest districts has decreasing from 47% in 2008 to 43% in 2009.

### ***4.2. Situation of inequality in Vietnam***

Similar to other countries, Vietnam has faced inequality issue between provinces and even within each province. Although the poverty rate of Vietnam has been decreasing over past years, the GINI coefficient, especially GINI co-efficient by income, has been increasing.

In 1998, GINI coefficient of Vietnam was 0.39, but it increased to 0.424 in 2006 and 0.434 in 2008 and these coefficients tend to rise recently in most of regions (Table 3.10).

**Table 3.10. The poverty rate and Gini coefficient of Vietnam, 2002-2008**

	<b>2002</b>	<b>2004</b>	<b>2006</b>	<b>2008</b>
Poverty incidence	28,9	19,5	16	13,4
Gini of the nation	0,418	0,42	0,424	0,434
The Red River Delta	0.390	0.390	0.395	0.411
The North-eastern	0.360	0.390	0.407	0.415
North-western	0.370	0.380	0.392	0.403
The North of the Center	0.360	0.360	0.369	0.371
Sea-coastal South of the Center	0.350	0.370	0.373	0.380
The High Land	0.370	0.400	0.407	0.405
South-Eastern	0.420	0.430	0.422	0.423
The Mekong Delta	0.390	0.380	0.385	0.395

*Source:* GSO. VHLSS of 2008. 2010. WB and Vietnam. Pro-poor Growth.

Three aspects of regional inequality can be analyzed, namely: (1) inequality between regions, (2) inequality within region, and (3) inequality between rural and urban areas.

A level of inequality between regions can be clearly showed by considering the rate of poor households, levels of incomes and expenditure per person a month of regions.

Fast economic growth and accompanied it social security policies of Vietnam have supported the poorest regions to benefit most from recently implemented poverty eradication programs and projects. Regions with the highest poverty incidence have achieved the highest poverty reduction rates, 10% and 8% accordingly in the Northwest and High Land for 2004-2008. However, looking at relative figures poverty reduction is faster in the better-off regions than in the poorer ones. As a result, the disparity between the rich and the poor regions has been widened, from 7.6 in 2004 to 9.7 times in 2008.

In general, thank to high economic growth rate the living conditions of the people have been improved with the average double income and expenditure increases in the last four years, 2004-2008. These increases are relatively equal in the whole country, so the relative gaps in income and expenditure between the richest and the poorest regions have not seen changes. This, on the other hand, means that there have been no changes in the relative regional inequality in recent years. But, this is also seen as the success of Vietnam if one judges this on the theory of the relationship between the economic growth and inequality. At the initial stage of the development fast economic growth did not induce bigger regional disparities, therefore, from this perspective to some extend, Vietnam has been succeeded in the inclusive development policies.

**Table 3.11. The rate of poor households, per capita income and expenditure levels by region**

	Poverty rates (%)			To 2008	Income (VND1000)			To 2008	Expenditure (VND1000)			To 2008
	2004	2006	2008	2004	2004	2006	2008	2004	2004	2006	2008	2004
<b>Nation</b>	<b>18.1</b>	<b>15.5</b>	<b>13.4</b>	<b>-4.7</b>	<b>484.4</b>	<b>636.5</b>	<b>995.2</b>	<b>2.1</b>	<b>359.7</b>	<b>460.4</b>	<b>704.8</b>	<b>2.0</b>
The Red River Delta	12.9	10.1	8.7	<b>-4.2</b>	488.2	653.3	1048.5	<b>2.1</b>	417.7	531.8	813.9	<b>1.9</b>
The North-eastern	23.2	22.2	20.1	<b>-3.1</b>	379.9	511.2	768.0	<b>2.0</b>	324.9	414.6	630.8	<b>1.9</b>
North-western	46.1	39.4	35.9	<b>-10.2</b>	265.7	372.5	549.6	<b>2.1</b>	250.8	324.7	496.8	<b>2.0</b>
The North of the Center	29.4	26.6	23.1	<b>-6.3</b>	317.1	418.3	641.1	<b>2.0</b>	275.7	350.0	560.2	<b>2.0</b>
Sea-coastal South of the Center	21.3	17.2	14.7	<b>-6.7</b>	414.9	550.7	843.3	<b>2.0</b>	366.4	453.3	706.5	<b>1.9</b>
The High Land	29.2	24.0	21.0	<b>-8.2</b>	390.2	522.4	794.6	<b>2.0</b>	321.3	431.0	670.9	<b>2.1</b>
South-Eastern	6.1	4.6	3.7	<b>-2.4</b>	833.0	1064.7	1649.2	<b>2.0</b>	624.4	818.1	1292.6	<b>2.1</b>
The Mekong Delta	15.3	13.0	11.4	<b>-3.9</b>	471.1	627.6	939.9	<b>2.0</b>	376.1	485.5	709.3	<b>1.9</b>
<b>Regional gaps</b>	<b>7.6</b>	<b>8.6</b>	<b>9.7</b>	<b>2.2</b>	<b>3.1</b>	<b>2.9</b>	<b>3.0</b>	<b>-0.1</b>	<b>2.5</b>	<b>2.5</b>	<b>2.6</b>	<b>0.1</b>

Source: GSO. VHLSS of 2008. 2010

Another important indicator that can be counted in assessing equalities is access to basic social services of the people.

**Table 3.12. Access to basic social infrastructure and services by regions, %**

Communes	Having electricity			Having cultural houses			Having inter-commune bazars		
	2004	2006	2008	2004	2006	2008	2004	2006	2008
<b>Nation</b>	<b>98.1</b>	<b>99.0</b>	<b>99.1</b>	<b>30.1</b>	<b>35.1</b>	<b>42.6</b>	<b>62.1</b>	<b>63.6</b>	<b>62.6</b>
Red River Delta	100.0	100.0	100.0	49.8	52.1	59.1	67.9	70.0	65.0
North-eastern	96.7	99.1	98.3	27.3	33.0	38.2	52.7	55.6	54.7
North-western	80.2	84.8	89.8	30.6	33.9	38.1	29.8	25.4	28.8
North of the Center	98.5	99.7	99.7	37.8	42.3	50.7	62.2	65.5	65.6
South of the Center	100.0	100.0	100.0	21.7	26.2	29.5	73.7	72.8	75.1
The High Land	97.9	99.3	99.3	16.4	30.7	37.0	37.9	50.7	47.1
South-Eastern	100.0	100.0	99.5	26.7	37.0	46.3	70.5	73.9	70.2
Mekong Delta	99.8	100.0	100.0	15.7	19.4	30.3	69.0	66.4	69.2

Source: GSO. VHLSS of 2008. 2010

Basic social services such as electricity, schools, clinics, etc. have been built up in most of communes nationally. But, the infrastructure conditions to provide services to the people

such as culture houses have not adequately been set up. In regions with better development conditions like the Red River Delta, Southeast and South of the Center the rate of communes having culture houses is higher (50-60%) than in other regions (30-40%). This seems that the Government has not paid sufficient attention to improving the spiritual life of the people. And, incomprehensive human power development reflects to some extent inequalities in accessing to public services by the people. This inequality, in turn, can be seen more clearly thru indicators of cultural life such as sport, culture and recreation by income groups. On average, the richest group spends on these activities as much as 90 times than the poorest group. Practically, accessing opportunities to and using these infrastructure items and services by the people, and especially those in difficult areas are much fewer and then bigger gaps among regions and income groups. This means that social and cultural poverty is much serious than financial or economic poverty in Vietnam.

**Table 3.13. Literatecy, Using basic social services by region, %**

	Literacy <sup>17</sup>			Visits to clinics/hospitals <sup>18</sup>			Using tap water			Number of worked hours <sup>19</sup>		
	2004	2006	2008	2004	2006	2008	2004	2006	2008	2004	2006	2008
<b>Nation</b>	<b>93.0</b>	<b>93.1</b>	<b>93.1</b>	<b>79.6</b>	<b>78.1</b>	<b>84.5</b>	19.1	23.5	26.2	<b>31.9</b>	<b>33.0</b>	<b>33.1</b>
The Red River Delta	96.2	96.4	96.7	...	84.2	88.1	19.0	23.8	25.0	<b>31.4</b>	<b>32.7</b>	<b>33.1</b>
The North-eastern	93.1	92.9	92.4	...	74.3	82.1	12.0	16.1	19.7	<b>31.1</b>	<b>32.2</b>	<b>31.8</b>
North-western	80.0	81.4	80.3	...	64.1	79.2	10.4	12.2	10.3	29.4	31.4	30.4
The North of the Center	94.1	94.1	94.4	...	71.2	82.9	10.7	12.9	16.0	29.7	29.3	29.1
Sea-coastal South of the Center	93.4	94.0	93.5	...	80.6	85.9	15.9	20.2	23.9	30.6	32.2	32.6
The High Land	87.7	88.6	88.7	...	75.3	81.4	11.8	12.9	15.7	31.7	32.5	32.1
South-Eastern	94.5	94.5	94.6	...	85.8	89.9	35.6	41.0	42.2	41.6	42.6	43.0
The Mekong Delta	90.6	90.8	90.8	...	76.0	80.4	20.4	26.1	30.5	28.4	29.6	29.7

Source: GSO. VHLSS of 2008. 2010

Figures in above table indicate that although most of population over ten age are of literacy, about of 20% of the population in the Northwestern region cannot read and write, 7-time higher than this rate, about 3% in regions of the Red River Delta. Even though Vietnam

<sup>17</sup> The literacy rate of population over 10 age

<sup>18</sup> The rate of times/visits to state hospitals and clinics

<sup>19</sup> Average number of worked hours per person in a week time of the workers over 15 years old for main job during the year.

has completed compulsory primary education, with low starting point, difficult development conditions many children of school age in those regions cannot go for further education because many of them have to enter the labor market at early age. There for the portion of labor of 15-19 age in those regions is often higher than in other more developed regions: 16% in the Northwest in 2008, about thrice as compared to that in the Red River Delta (6%).

It is clear from the above information that the Northwest is among the most vulnerable regions in terms of using basic social services. The rate of households use tap water is far low to the other regions and as much as one-fourth of the highest one, the Red River Delta.

So, it is clear that difficult regions have the biggest inequalities in terms of most of development indicators, especially in access to public services and essential infrastructure items. Employment opportunities are also limited in these regions and considerable income gaps between those who are working in agricultural and non-agricultural sectors make the income disparities slowly narrowed in recent years.

Regional inequalities can be explained by the investment policies of the Government. Table 3.14 below obviously illustrates the total of investment capital and income in three main economic regions compared to others. In general, provinces/region with high the level of investment capital are provinces/regions have high GDP capita level, too, such as Ha Noi, Ho Chi Minh city, Binh Duong, Dong Nai...It seems that there is a positive correlation between capital level and GDP capita. The income gap has reduced among regions. In 2007, this gap between the highest GDP capita (Southeast region) and the lowest GDP capita (mountainous areas of the North) was 5.5 times, in 2009 it is estimated about 5.3 times.

The inequality is found bigger within region than it between regions. The gap between the rich and the poor within region shows clearly this gap between regions.

**Table 3.14. Investment and GDP per capita by regions, 2007-2009**

	Investment			GDP per capital		
	2009	2007	2008	2009	2008	2009
	%	%	%	Mill. VND	Mill. VND	Mill. VND
<b>63 Provinces</b>	100	100	100	15	18	22
The Red River Delta	21.9	28.0	26.2	14	18	21
Northern Mountain	6.8	8.5	9.6	7	8	10
Sea Coastal	13.8	17.7	17.8	9	11	14
The High Land	2.7	3.3	3.5	9	11	14
South-eastern	42.6	28.1	27.8	37	45	52
The Mekong Delta	12.1	14.5	15.0	11	14	17
Northern main economic zone	19.1	24.4	22.8	17	21	25
Central coastal main economic zone	6.9	8.2	7.3	10	13	17
Southern main economic zone	44.5	30.5	30.5	32	39	46

Source: MPI

The outcomes of 2006 VLSS also indicate that income gaps within a certain region/province much wider than those between provinces and regions. Table 3.15 the income disparities between the 20% income highest and the 20% income lowest group in most of regions had increased, except for the South-east which witnessed the decrease of 0.2 percent point for 2002-2006. Regions which have seen these widening gaps are the High Land and North-east, 1.5 and 0.9 percent point respectively. These are also regions which have the highest poverty rates in the country. On the contrary, the least increasing or decreasing gaps are in the Red River Delta and, South-east and Mekong Delta where the lowest poverty rates are recorded.

**Table 3.15. Income gaps of the 20% income highest and the 20% income lowest groups, 2002-2006, times**

	2002	2004	2006	Increase/decrease in 2006-2002	Rate of poor households in 2006
Red River Delta	6.9	7.0	7.1	0.2	10.1
North-east	6.2	7.0	7.1	0.9	22.2
North-west	6.0	6.4	6.6	0.6	39.4
North of Center	5.8	6.0	6.3	0.5	26.6
South of Center	5.8	6.5	6.6	0.8	17.2
The High Land	6.4	7.6	7.9	1.5	24.0
South-east	9.0	8.7	8.8	-0.2	4.6
Mekong Delta	6.8	6.7	6.8	0	13.0

*Source: GSO. VLSS of 2006.*

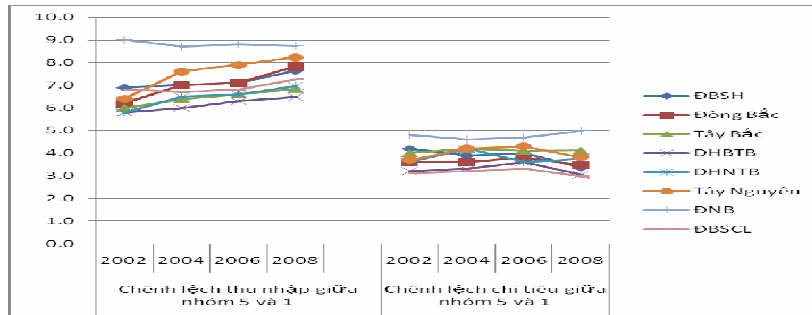
Urban inequality, in general, has been being higher than it in rural areas, but it has a downward trend. Whereas in rural areas where accompanied by main labor force in agriculture sector with small size, so the gap of income among income groups was lower but it has an upward trend. These tendencies also can be obviously presented by a chart below.

Income gaps between the highest and lowest income groups are the highest in the South-east of the South but it is the only region that has seen decreasing tendency (Figure 3.1).

Contrast to income gaps, in terms of expenditure gaps between income groups within region are lower than those of income gaps in most of regions and tend to decrease, except for the Southeast of the South. It is maybe, because people now spend most of their income on basic needs, especially in less developing regions. With relatively higher per capita income as compared to other regions (as high as thrice to the Northwest and twice to other regions) high-income group in the Southeast spends more on other than basic goods and

services, making expenditure gaps between income groups higher than those of other regions and widen.

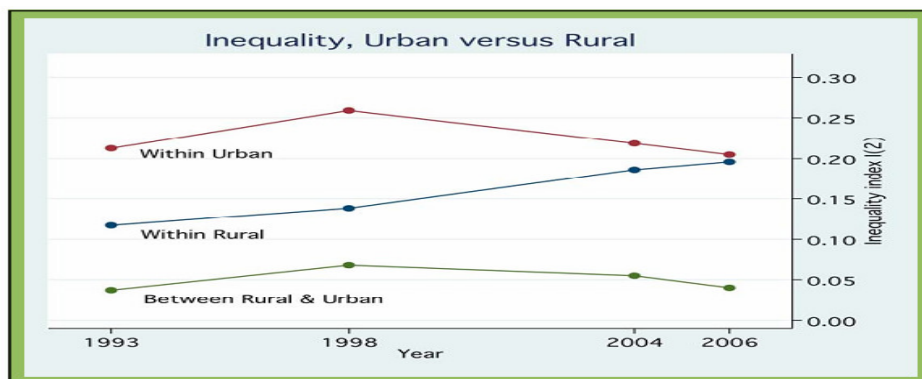
**Figure 3.1. Income and expenditure gaps between the income highest (5) and lowest (1) groups and by region**



Source: GSO. VHLSS of 2008. 2010

In general, inequalities in urban area are higher than in rural area but in are in the tendency of decreasing. On the contrary, income and expenditure gaps among income groups of rural area are not that large but they tend to widen since 1998 (Figure 3.2). Urban – rural inequalities tend to decrease and have seen considerable decrease in 2004-2006.

**Figure 3.2. Urban -rural Inequalities**



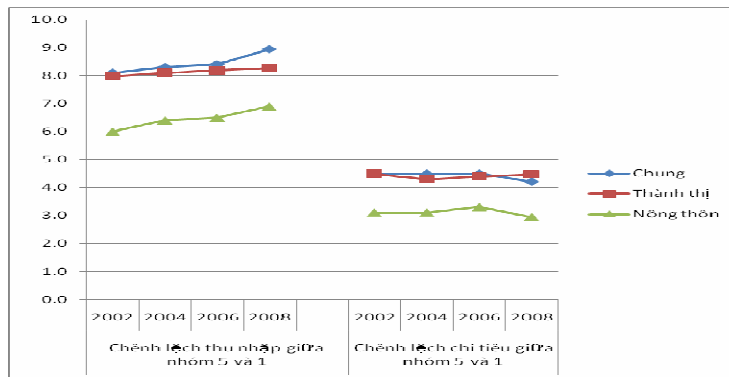
Source: John Luke Gallup, 2008, “Causes of Changing Income Distribution in Vietnam”

Figure 3.3 below also indicates increasing trend in the gap of income and increasing trend of expenditure of the nation caused mainly by fluctuation in these gaps in rural area.

In rural area, opportunities to access to infrastructure and public services such as roads, schools, hospitals, electricity, etc. are much fewer than in urban area. Moreover, employment and higher-income job opportunities are of limitation in rural, especially in difficult, remote and mountainous areas as compared to urban area.



**Figure 3.3. Income and expenditure disparities between the highest and lowest income-groups by urban –rural area**



Source: GSO. VHLSS of 2008. 2010

#### **4.3. Main reasons of rising region inequality**

There are many reasons leading to increase in these inequalities, however, it can be divided to 3 main groups of causes:

*Firstly*, the regional inequality can be caused by spatial, geographic determinants and history of the region. Regions where have advantages of natural conditions, main transportation system (Red river delta, Mekong river delta, and Southeast region) are potential to foster their economic development. Having the rapid economic growth of these regions, the average income and consumption of people have been increasing fast. While regions that do not have preferences of the nature (like provinces in Northern mountain region, especially remote provinces where common borders with China and Lao, and provinces in the Central Highland), they are hardly to attract investment resulting in low economic growth. In these regions, income of households comes mainly from agricultural sector in small size and high dispersion so that average income and consumption of their people are still very low. Therefore, it can be seen that spatial and geographical conditions are one of important determinants of income and consumption inequality between regions.

*Secondly*, economic development process and policies to boost economic growth are also important reasons increasing the widening gap between regions. Almost of countries, in given period, have to choose and decide which province(s) or region(s) where have competitive advantages to be invested. These provinces/regions are regarded as leading groups that pull the economy as whole. At that time, similar to other countries, the government of Vietnam has promulgated strong preferential policies for investment in important cities (like Hanoi, Ho Chi Minh city, Hai Phong, Da Nang) or main economic regions (in the North, the Central coastal and the South). These preferences have contributed to the rapid economic growth in these regions in one side. In the other side, they have

increased the inequality between provinces/regions. The highest inequality levels are found in some big cities, such as Hanoi and Ho Chi Minh city. This finding is corresponding to economic growth and inequality theories as Vietnam is in the first of the development then the inequality is in direct proportion to the development. However, the inequality is correlated to the poverty rate too, so the Northern region and the Central highland are the poorest regions of Vietnam where have the highest poverty rate.

Thirdly, economic growth is not always accompanied by widening the inequality if the economy has a target of the pro-poor growth and good governance. Besides the preferential policies, many other policies had been issued to support the development of remote regions. These policies have contributed to improve the life and production conditions and therefore reduced the gap between regions.

#### ***4.4. Some remarks***

+ In fact, implementing supportive policies to remote regions is limited: because of the big gap between demand for and supply of investment, limited corresponding investment from local authorities and low efficiencies in program management. According to Mr. Trang A Pao, former President of the Nationality Council of Vietnam National Assembly, results of 135 program phase 1 show that all villages that belong to this program did not escape from the poorest village list after finishing the program.

+ In these remote areas where agricultural production is still small and dispersed, it seems that supportive credit policies for production are inefficient as they could not solve problems comprehensively resulted from lacking of knowledge and markets.

+ Regional inequality can be considered by population, labor allocation and environment between regions. The higher economic growth region is, the higher density of population and labor, simultaneously the high pollution.

+ Until now, loss of tax revenue is severe then the state budget is negatively affected, therefore income redistribution policies are not effective.

### **5. Social Inequalities: Major findings**

#### ***5.1. Food poverty and efforts to reduce***

The situation of food poverty and hunger was quite serious during the last years of 1990s but it has been considerably improved among different groups of people, especially the chronic poor ones and among ethnic minority people. Statistics indicate that the rate of food poverty decreased from around 35 percent at the entrance of the New Century to about 10 percent after 5 year time.

**Table 3.16. Food poverty incidence by region**

Years	National	Urban	Rural	Areas of Ethnic minority
1998	15,0	2,5	18,6	41,8
2002	10,9	1,9	13,6	41,5
2004	7,8	1,5	8,9	40,2

Source: GSO, 2008.

During five to six year time food poverty decreased by almost half, from 15% to 7.8 percent (table 3.16). The reduction in rural areas and of ethnic minority people was much slower than it was in cities (from 2.5 to 1.5 percent for the same time range).

### ***5.2. Income and expenditure, Poverty gap: How far are the poor to the rich?***

Income increase is faster in rural area than it was in urban areas for the period of the first five years of 2000s but average income of urban residents were as much as 2.26 times higher in 2003. But for many reasons income of rural people slowed down difference to that of urban areas has been widening more and more in recent years.

In general, spending by all residents increased during the last two decades. Nationally it increased by almost more than 8% annually for 1999-2003 (it was reported as high as 6.6 % for 1995-1999). But expenditure by the poorest groups increased by less than 4.7 % every year while that of the richest group was 7.1 percent.

Spending on food tends to decrease nationally, from 66 % in 1999 to 57% of their total expenditure in 2003 and rural people spend more on their food than urban ones and the poor spend most of their earnings on food (over 70% of their family total expenditures). It is also observed that in 1993 a group 20 percent of the poorest shares only 7.8 and 8.4 percent in 2002 of the total expenditures of the whole population.

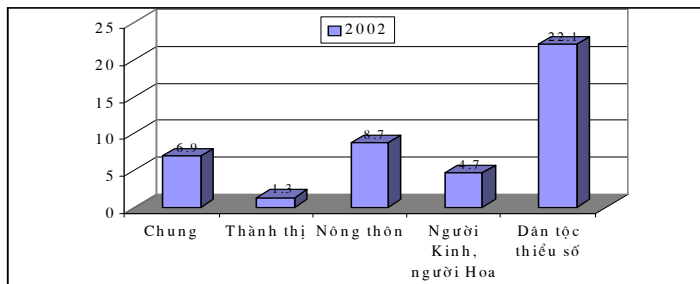
With very active governmental interventions implemented especially during the last decade Vietnam has achieved important results in advancing social equality.

An important indicator to measure the social inequality is rich - poor gap. That is, the gap in income level of the group of 20 percent of the rich and the group of the 20 percent of the poor is called rich - poor gap. This gap is often calculated in the time. For example, in 2002, nationally, the share of expenditure by the group of the rich was 45.9 percent, as high as 6 times the group of the poor (7.8 percent). The rich-poor gap increased from 4.95 times in 1993 to 5.49 times in 1998 and 6.03 times in 2002.

The rich – poor gap between the people in the plain the groups of the minority people and the Kinh and Hoa is still big (Figure 3.4). Therefore, strengthened poverty reduction efforts in the mountain, among the ethnic groups of people, in remote and isolated areas are

important and objective. For the nation, the rich-poor gap tends to increase, reached to 7.1 times in 2006 (GSO. VLSS of 2008).

**Figure 3.4. Rich - poor Gap<sup>20</sup>, 2002.**



Another common indicator that is often used to measure social inequality is Gini. Gini is calculated by two methods: (1) The level of income and (2) level of spending. Vietnam is relatively equal to other countries in terms of Gini by the level of spending, i.e. 0.35 in 1998, that of Thailand is 0.45 and Indonesia's is 0.43.

However, inequality tends to increase: Gini by spending level increased from 0.34 in 1993 up to 0.35 in 1998 and 0.37 in 2002. Gini in rural area is 0.28, much lower than that in urban area. But inequality in urban area is higher than in rural area because economic growth does not create equality by itself.

GINI of Vietnam increased from 0.34 in 1993 to 0.37 in 2002 and again down to 0.36 in 2008; The GINI of the urban sector is more or less stable, 0.35 and 0.28 is that of rural areas. Thus, from GINI it can be said that recently rapid economic growth is relatively equal. It is explained about positive impact of active and relatively effective macro interventions. However, inequalities have been observed, including social ones, in different aspects such as income, spending on basic needs and services (food, education, health care, etc.). This reminds us about how to be careful not to fall in average-income trap.

### ***5.3. Inequality in access to basic social services: case of education and basic health care***

The improvements of the recent legislation provides equal base for all people to access to basic social services including education and basic health care. The Law on Education provides that all children of school age to go and benefit from the public education. Based on this legislation the government has also issued a number of policies to ensure the law effective in practice.

#### ***5.3.1. Education***

Vietnam is among poorest countries but it has had higher rate of educated population over 10 age and, lower rate of illiteracy people, 91% in 1999. The rate of children of school

<sup>20</sup> GSO. Vietnam's Economy in 3 years, 2001-2003. NXB Thống Ke. Hanoi 2003. Page

age going to schools is also high, 93% in 2002, the rate of children completed primary education increased from 68.5% in 1998 to 77% in 2002, and the rate of completed secondary is also high, 71.2 %. However, these rates of children of ethnic minority group are far lower than those of Kinh and Hoa<sup>21</sup>.

The achievements of Vietnam in education are enormous. The rate of literate population is high as compared to that of the poorest countries in the world. However, education and training in Vietnam face so great difficulties and constraints that many scientists and managers have been talking about “to make education prosper” to respond to new challenges emerging to the development process.

Some major challenges for education and training in Vietnam nowadays:

- Educational inequality among social groups and communities. It is clear in the rich – poor polarization in the society;
- The rate of population going for education is low, especially for upper-secondary, college and university;
- The quality and levels of education and training are poor<sup>22</sup>, not to the requirement of the industrialization and modernization of the country in the context of globalization and regional and world economic integration.

These all three challenges may have negative impact on the capacity of Vietnamese economy.

The rate of NER of the group of poor households is much lower than that of the group of rich. For example, in 2002, the NER of upper-secondary school for the poor group was 17.1 percent, as much as one third of the rich group and less than a half of the group of average households. The NER of the whole country was more than 90 percent while this rate of the ethnic group of people in the northern mountainous areas and Highland was lower than 70 percent.

The rate of ethnic people going to upper-secondary schools is also low – equal to about a half of the national rate. The NER for upper-secondary education pupils in the rural areas is also lower than that in urban area: 37.7 and 59.2 percent accordingly. The higher grades of education, the lower are the NERs of the poorest and ethnic groups (Table 3.17).

The poor and ethnic minority children found out very difficult in accessing basic services. A comparison of the rates of school enrolment of children of the rich and poorest groups, the Kinh, Hoa and minority groups indicates that there is minor gap in grades of primary education, but this gap becomes greater and greater in higher grades of lower-

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<sup>21</sup> UNDP. Vietnam implements millennium Goals. 2005; pg. 21.

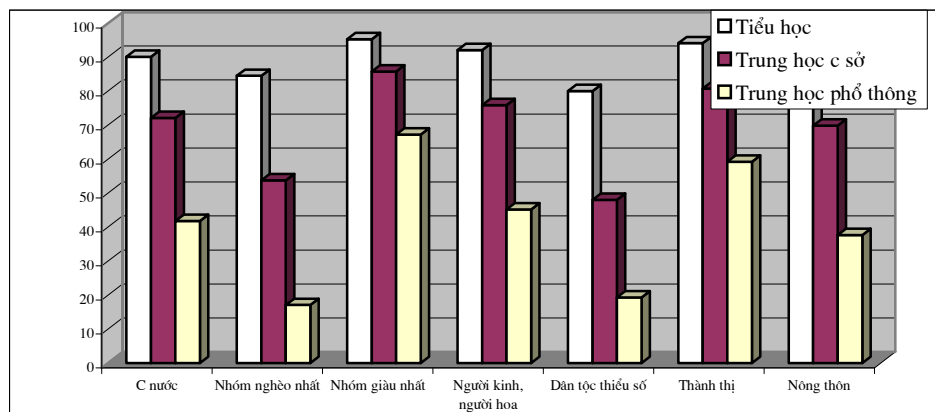
<sup>22</sup> Though the NER is high ( more than 90 percent) for primary education as compared to that of poorest countries, the time Vietnamese pupils spend on learning at schools is just 40 percent of Thailand. By UNDP (2003). Sdd. Pg. 11.

secondary and upper-secondary education. The rates are particularly low for the children from the poorest and minority groups.

**Table 3.17. The rate of children going to school at the right age<sup>23</sup> (percent)**

Education	Primary	Lower-secondary	Upper-secondary
National	90,1	72,1	41,8
Poorest group	84,5	53,8	17,1
Average group	91,9	77,6	42,6
Richest group	95,3	85,8	67,2
Kinh and Hoa people	92,1	75,9	45,2
Minority groups	80,0	48,0	19,3
Urban sector	94,1	80,8	59,2
Rural sector	89,2	69,9	37,7

**Figure 3.5. The rates of school enrolment by rich-poor , minority and region, 2002**



Source: The World Bank. *Development Report Vietnam 2004: Poverty*. Hanoi 2003. pg 62.

Regarding school quality, physical conditions in rural areas provide one of big issues that have not been solved regardless there have been considerable efforts made at both national and local levels. This is also a reason of an unequal opportunities in access to education due to undeveloped and lack of needed infrastructure such as schools, roads accessing to schools, etc. Schools allocated close to home, good roads are goods conditions for better access to education by the people living far a way. For example, according to an assessment of a study done in 2006, the average time amount spent on going to lower-

<sup>23</sup> The WB, The report of development of Vietnam 2004. Poverty, Hanoi 2003. Page 62.

secondary schools for Kinh and Hoa People is 12 minutes but for ethnic people is 25 minutes and doubling that of the nation (15 minutes)<sup>24</sup>.

The lack of schools and pre-schools and kindergarten classes limiting the sending children to school at their early ages, especially in remote, poor regions like in the northern mountainous areas and Mekong Delta. For example, there are 13.85% of communes in the Mekong Delta have kindergartens, making just one seventh of the Red River Delta (90.11%). Six in 8 regions have the rate of communes having pre-schools under the national rate (98.68%): the Red River Delta has 99.89% while the Mekong Delta has 94.63%. However, it is noteworthy that in the mountain and difficult regions parents may not always take their children to schools even when the schools are located in the center of the commune. The polarization in education increases from primary to upper-secondary education with 15% of communes having upper-secondary schools in the Northern mountain, 7.5 %, much lower than that in the highest region (the Red River delta, 11.7% and South-eastern region of the South, 14.2%), Table 3.18).

**Table 3.18. Distribution of lower- and upper-secondary schools by region: The rate of communes having schools**

Regions	Lower-secondary		Upper-secondary	
	<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>
National	8237	90.79	978	10.76
The Red River	1845	99.14	218	11.71
Northeastern	1685	91.58	161	8.75
Northwestern	514	93.97	41	7.5
North of the Center	1482	90.37	175	10.67
South of the Center	578	82.57	75	10.71
High land	506	88.77	48	8.42
Southeast of the South	534	84.76	94	14.92
The Mekong Delta	1093	85.06	164	12.76

Source: GSO. *The Results of VLSS of rural and agricultural, fishery and forestry sectors of 2006*

Thus, it is seen that regional disparities in the percentage of commune having schools is as much as the rich-poor gap, 7 times.

Regarding the quality of schools in rural areas, the results of a recent research indicates big related issues<sup>25</sup>: up to 60% of respondents see that “schools are of good conditions”, 36% say “average”, only 6.4% of them view them as “not good”. The assessment by interviewed managers and local leaders is some how critical: only 49% of them consider schools are in

<sup>24</sup> WB and donors. *Vietnam Development Report 2008: Social Relief*. Hanoi. 2007. p. 18.

<sup>25</sup>

good conditions, 43.7% see them as “average” and the rest, 7%, view them as poor. The assessment by local people is similar.

Regarding the management of schools in rural areas, according to the above mentioned research a bit above one-third of rural schools are under “average quality of management”, though a big number of rural schools have been newly constructed, renovated and upgraded recently. To this study, the evaluation of rural schools from two sides, the people and managerial ones provides objective outcomes and information of the situation of education, in general, and school conditions in particular as of average degree that is it may not meet the requirement of the development, modernization and industrialization of rural and agricultural sector.

Therefore, change of thought of education management and policies on education for rural areas is essential in the coming time. As the leadership and management of the society is still underdeveloped in Vietnam with weaknesses and ineffectiveness. The weakness is in the lack of reliable and scientific information, seriousness in planning, monitoring work. For example, a professional state management agency like the Ministry of Education Training that after 22 year renovation, the management of education is still “standing at the same position”. This is evidenced by the fact that only 54% of the total number of universities and colleges from the whole country had reports and 46% did not have reports on their performance to the 2008-2009 Conference of the educational sector. This Ministry had also to postpone the submission of its Strategy of the development of Education to the year 2020 because of “lack of information, lack of accurate data” about the situation of education in the whole country. That is why insufficient, unreliable information, data needed to assess actual situation, quality of the outputs of education development in rural areas, in difficult, remote areas, etc. do not what surprise one and that needs improvements.

Constraints in education and training, especially inequality in education opportunities as analyzed above relate to the thought of education management and policies which do not cope with the development of a market-based economy. This though is still now governed by the management mechanism of subsidized system, bureaucratic, command that dominated the society before. Along with that the issue of benefits of certain group of people also impedes reforming education system.

The most important point here is that a part of managers, leaders and scholars still use the fact of poverty, slow development of the country to argue to not increase the rate of children going to schools at the right age and focus more on the quality of education. This leads to a reality that many students, including rural ones, have to go to additional classes (more than 60% of students with average of 4.77 years in urban areas and 4.03 years for rural areas). This kind of education policies seem to make more than a half of students suffer from



too much education, that is eat too much and too tasty “specialities” while about other half of students, including poor ones, may not have chance to go to secondary schools. This reality becomes more contrast when there is only about 15-20% of the population of 18-24 age enter universities and colleges, meaning hunger for tertiary education. This means that there may be darker parts in the common picture of education when we discuss about education for rural sector and for farmers and the poor. It can be also said that the development of rural areas now is more dependent on the policies of education development nowadays.

### *5.3.2. Health care*

Vietnam has gained great achievements in ensuring health care of the people. The rate of child malnutrition and mother mortality decrease greatly from year to year. For example<sup>26</sup>, The rate of child motility under 5 year old decreases by 32.5 percent, from 82.3 a thousand in 1979-1983 down to 46 a thousand in 1987-1996; the rate of malnutrition children aged lower 5 with low weight decreases from 48.8 percent in 1993 down to 35.6 percent in 1998 and 30 percent in 2002.

The average life expectancy of both men and women increases. The life expectancy of men increases from 67 years in 1999 to 70 years in 2002 and that of women from 70 to 73 for the same period<sup>27</sup>.

It is similar as in education sector, Vietnam faces challenges of social inequality in health care. The 1998 VLSS<sup>28</sup> shows 41.6 percent of the respondents said that they were sick in the last four weeks before they answered the interviews. The rate of women sick (44.7 percent) was higher than that of men (38.2 percent). The rate of people sick in rural area was 42.3 percent, higher than it was in urban area (38.75 percent). The rate of sick people in the group of the poorest, 42.9 percent, higher than that of the group of the richest (39.3 percent).

Per capita expense on health care of households has not seen much change for the period of 5 years, 1993-1998. The level of expenses on health care and disease prevention of households was VND 175,700 a person a year (equal to US\$ 12.55) in 1998. This rate of the urban area was VND 255 thousand, 151 thousand higher than that of the rural area. Nationally, the expense on health care in the South-eastern provinces was the highest (VND 313 thousand a person a year), as high as 4 times the northern mountainous and hill areas (VND 80 thousand a person a year). The expense on health of group of the richest households was VND 370 thousand, as high as 7 times that of the poorest group.

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<sup>26</sup> The WB. Vietnam: Healthy for sustainable development: The Overview study of Vietnam’s health sector. Hanoi 2001. Pg. 7

<sup>27</sup> GSO. Survey on the population’s mobility and family planning in April 1, 2002: The main results. Thong Ke Publisher. Hanoi 2003. Pg. 43.

<sup>28</sup> Do Thi Phuong Lan and others. “Health care”. In GSO – UNDP. The living standard in the Vietnamese economic explosion’. Thong ke Publisher. Hanoi 2001. Pg. 195-196.

Obviously, poor people, households and regions do not afford health care services and therefore they have to suffer more from sickness, illness than the rich ones. In this case the vicious circle of poverty – illness- poverty is emerging. A poor, hungry man or household hardly escapes from this vicious circle and he can easily fall into another vicious circle. The most effective direction for this case is to strengthen the institutional capacity of health care system so that all social groups can be able to access health services to their capacity.

The problems of institutional capacity development can be addressed in the following ways:

- One, promoting more development in private health care sector. In fact, private health care sector has been moving fast in the whole country. As a result, in 1998, the number of times using private health care services increased quickly and reached 1.76 times a person a year compared to 1.4-1.7 times a person a year of public health care services.

- Two, consolidating and developing public health care sector and strengthening the network of healthcare services to the mountainous, remote and isolated areas. Developing the system of social and health insurance to increase the rate of the people accessing these services. Now, the system of social and health insurance has attracted only 12 percent of the population.

- Three, improving the capacity and qualification of health care employees, in both prevention, treatment and management skills.

In short, a strong nation is one that is healthy and capable to take care of their health. Illness, disease and poor health form a burden for the society and may lead to famine. It may bring about losses for the economy. For example, it is estimated that its economic accrued damages may account for 8-9 percent of GDP. Investments in physical development of manpower is very important. However, the portion of state expenditure to the total government's expenditure on health care continuously decreases, from 4.4 percent in 1994 to 3.0 percent in 2001. It is noteworthy that improving health state will make important contribution to poverty reduction and sustainable development. This can explain why the Overview report of health sector of Vietnam by international organizations published in 2001 was titled "Health for sustainable development". It is important to emphasize that health is also the objective of sustainable development.

There have been radical changes in provision institutions of health care services during the last decades. Entering XXIst century most of communes in the country have clinics with average of 4 staffs each and 30 percent of them have medical doctors and 85 % have health professionals and nurses. Thanks to this access by people in general and the poor particularly to health care treatment and disease curing improve; the mortality rate of children under 1 year old decreased from 44.4 percent in 1999 to 18% in 2004; mortality the rate of children

under 5 year old reduced from 35.6 percent in 1993 to 30 percent in 2002; average expectancy increased from 67 years in 1999 to 70 5 years.

Private health care services have seen boost and can be now found in every corner of the country, hence helps to reduce the pressure of public health care utilities. This also helps to improve the quality of basic health care services. However there have been observed a number of problems in this very important fields of the social life. One of critical problems is in the increase of disease examination and treatment care costs and medicine prices that many poor cannot afford any way, over-load hospitals and health care units at national level, in big cities like Hanoi, HCMC, Da Nang that requires more effective interventions from the State.

Some policies, systems and forms of health care management enforced recently prove effective such as health care insurance and awarding that to the poor and children under six. This seem to be a curing mean for the situation of the transitional period.

#### ***6. Gender inequalities: Major findings***

Gender equality represents social equality for both man and woman, in different fields of socio-economic life. It is also a mean, the way of work to realize the objective of gender equality. Gender equality is institutionalized as legal provisions such as those on equally in education and training said in Education Law (2005). It provides “The State realizes social equality, creating conditions for all to have education”, the State and community provide enough conditions for the poor to go to schools, for able ones to reflect their talent, etc. Gender equality can be measured by gender development index (GDI)<sup>29</sup>

Vietnam is considered successful in advancing gender equality. The Law on Gender was enforced in 2007 aiming to ensure man-woman equality in various fields of social and economic life, such as in access to basic social services like education, basic health care.

The rates of female going to school and participating social labor force are high as compared to those of developing countries, e.g. the rate of girls going to lower- and upper secondary schools are now 48.5 and 49.5 percent respectively; the rate of females participating in the labor force is 48.4 percent and the rate of female members of the National Assembly is 27.3 percent as the highest among the Asian countries.

However, Vietnam is left behind in terms of gender equality in several indicators. The rate of women’s access to resources like land in terms of having their names in land use right certificates (so-called Red books) is just 10-12 percent; the amount or hours working per day is rather high, average of 13 hours as compared to 9 hours of men<sup>30</sup>.

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<sup>29</sup> UNDP applied GDI first time in Human Development Report 1995. GDI is computed on the aggregate of data by female and male on average expectancy, literacy rate of adults, general enrolment rates and income sharing.

<sup>30</sup> UNDP. *Vietnam implements millenium goals*. August 2005. pg. 21.

GDI of Vietnam was improved slightly from time to time. For example, it was of 0.537 in 1995 and thanks for that Vietnam was ranked as the 74 among 130 countries in terms of gender equality, GDI was of 0.662 and as 91 in 1999 and 89 among 174 countries in 2002. In 2006 Vietnam was ranked as 80 among 136 countries.

There are still issues to be dealt with such as discrimination against women and girls in several aspects of social life, in the family, at work, for example, why should it be different between man and woman in age in recruiting ad? Family violence against women becomes common in the poor ones, harassment at work.

Women In Development (WID) requires full participation in the development of females as implementers of development goals and benefit from it. For this, their access to resources and social services have to be improves, hence to improve the status of women in both family and society.

Gender and Development (*GAD*) requires to consider the participation of both women and men in all aspects of economic development, education, politics, health, etc. Hence, gender inequality is not only the issue relating to women but also to men.

There for there has been increasing the need for gender mainstreaming. The Gender Law has had some provisions on GM in socio-economic activities . This is to promote profound gender equity by integrating gender elements in the process of socio-economic policy, decision making and implementing<sup>31</sup>.

### **Problems:**

Working age; housework overload of women. wives; vulnerability of woman-headed families, widows

Education and training opportunities and for advancement: females often have to make more efforts than men do for similar gains?

Building awareness of gender equity, gender mainstreaming, GAD.

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<sup>31</sup> World Bank (2002). *Sđđ*. Tr. 42.

## CHAPTER 4. RECOMMENDATIONS OF FURTHER ADJUSTMENTS

### 4.1. Some solutions for urbanization in Vietnam

*4.1.1. Strengthening urbanization targeting equal growth, linking to solving problems of agriculture, peasants and rural areas and poverty reduction:* Reviewing and adjusting master plan of socio-economic development in the whole country, regions and localities; planning the development of economic, technical sectors; re-planning of land use, especially agricultural land, removing not-realized plans of all kinds”, setting aside sufficient land area to ensure national food safety; training planning to meet the requirements of the society and labor market.

Improving investment environment and restructuring investments, on the one hand, focusing on growth industrial centers, leading economic sectors such as oil, telecommunication, airlines, etc.

Constructing master economic developing strategy should entail the linkage between economic sectors, focal economic regions of development strategy, allocation and use of human resources to have a relevant labor force to the level of economic development.

*4.1.2. A solution of the development of human resource to meet the requirements of industrialization and modernization and to the level of urbanization:* Human resource development and professional training labor force represents an essential factor and breaking through element, providing active position for the process of industrialization, modernization and urbanization, satisfying the demand for technically trained workers, particularly for transfer employment for rural workers whose land is taken for non-farming purposes.

- Concentrating national resources and efforts of the society in training man power, especially those of high qualifications and skills to meet the requirements of the structuring economy. For this, it is essential to create a system of practical technical training (vocational) with three levels (primary, intermediate and college).

- Renovating training system to demand driven one, linking training to the needs of businesses and labor markets: encouraging firms and private sector involved in providing training services, particularly vocational and technical training . Paying more attention to reallocating training undertakings to focal economic development regions, rural mountainous areas; rebuilding training of national standard and international quality.

*4.1.3. Solution of the development of agriculture to meet the requirements of Industrialization, modernization and urbanization process:* The State should have a system of consistent policies with sufficiently strong incentives to train workers for agricultural sectors, especially for skilled farmers, at the same time to encourage private firms, businessmen to be involved in providing training to farmers. Building up and implementing the planning of training premises, especially paying more attention to moving training units

to rural sectors, remote, mountainous and difficult areas; building up national and international standard training units .

- Stabilizing and improving employment and income for farmers in the areas where land is taken for the construction of industries, urbanization and socio-economic infrastructure.

- Eliminating and gradually eradicating social evils from the social life, promoting information, education, making changes in the perception about value orientation, healthy life style, starting from every family, school to every individual and member of political and social organizations to prevent and fight against social evils.

- Implementing comprehensive urban planning, focusing more on the provision of social services like transportation, residential locations, green parks, well implementing legislations relating to emission of waste, health care, etc. better control over air, water pollution.

- Speeding up the reallocation of factories, plants, production premises from residential locations and cities.

#### *4.1.4. Solutions of development of labor market:*

- Further improving institutions of labor market, providing adequate legal framework, ensuring equal treatment between labor employers and employees, at the same time, delegating and increasing responsibilities of local authorities in the state management over labor, ensuring democracy, openness, transparency; completing salary, wage policy so that workers can survive as a contribution to the formulation of a healthy labor market in the country, attracting high-educated labor to work in key sectors of the country.

- Attracting domestic and international resources to make investments in expanding technical training, skill improvement for young workers for economically dynamic regions, industrial zones, service and labor export; focusing on training labor for export, particularly in technical skills, languages and legal knowledge.

- Strengthening the development of small- and medium enterprises (SMEs), farm economies, cooperatives, paying special attention to the development of services and processing farm products, rehabilitating traditional villages and cottages to make locally consumption goods and for exports.

- Completing the system of transactions of labor market through planning and expanding the coverage of employment services, building up information stations of labor market in the whole country to collect and disseminate labor market information on time and sufficiently. Diversifying communication channels on the national labor market and connecting to focal economic regions, big cities, and industrial zones and for exporting labor.

*4.1.5. Balanced development of urban and rural sectors by speeding up the process of industrialization and modernization of rural and agricultural sectors, by re-structuring agriculture, withdrawing rural labor, especially farmers from agricultural sector:*

- Planning rural development, especially planning of economic development based on the potentials, advantages of different rural localities, planning of agricultural land use and agricultural, fishery and forestry development, etc.

- Increasing state investments in agriculture, rural development, and first of all in the development of rural infrastructure including irrigation, roads, bridges, power, markets, schools, etc.; more assistance for technical, skill training for agriculture and rural sectors through policies of cheap credits; more incentives for domestic and international investors to come to rural areas, especially policies on the development of small and medium-size businesses to create more jobs, for example preferential in renting land, spaces, cheap credits, tax example, etc. This is, on one hand, to increase farmers' income by outside working and by increasing per capita farming land areas and to reducing farmers. On the other hand, to gradually reduce rich-poor gaps, giving priority to growth to improve general level of life of the society, providing incentives to get rich legally and poverty reduction.

*4.1.6. Solution of solving social problems caused by rapid urbanization:* Limiting the increase of social polarization in income and living standard of the people in cities, including immigrants.

- Stabilizing and improving employment situation, increasing income for people in the areas where land was taken back for the construction of industrial zones and infrastructure.

- Strengthening propaganda, mobilizing and educating to increase the awareness and understanding about the value, healthy life style from every individual, family and community by direct communication, participatory approach.

- Improving the system of social security to the condition of a market economy and urbanization, socialization of this system to advance social equality to make contribution to social stability and socialist orientation.

- Gradually diversifying and socializing investments in collecting and treating urban wastes, promoting recycling and re-using waste to reduce costs and effective use and save natural resources.

- Realizing master urban planning, focusing on issues of transportation, residential regions, parks, green, complying legal provisions on waste management of public means, better control over air pollution in every residential region.

- Strengthening environment management by law, building up environment protection monitoring and evaluation indicators, educating people about environment and its protection.

## **4.2. Regarding labor, wage and employment**

- Stabilizing macroeconomic policies to promote economic growth for more employment and income generation opportunities;
- Strengthening professional education and technical training for more qualified labor force for economic growth and global integration
- Improving legislation for social safe net for vulnerable workers, pronging to unemployment;
- Population and labor allocation policies: Emigration of population and labor should be controlled by plausible policies that have clearly oriented to avoid free emigrants without authorities control. In case of regions that would be fostered to development, policies should focus on incentives to attract investment, population and labor, for example the budget should subsidize partly or even totally costs for resettlement, training and education for labor and population move to, etc.

Whereas, in case of overloaded big cities, like Hanoi, Ho Chi Minh, Binh Duong, Dong Nai, industrial zones should be planned far away from the centers; at the same time, policies to subsidize housing, school, hospital and waste treatment centers in these regions. All factories would design a waste treatment system and be supervised to make sure that implementing will be ensured. More important, punishment regulations need to be strict and clear to avoid increasing in the pollution rate corresponding with the growth rate of these regions.

## **4.3. In Management of environment**

The above analysis of the actual situation and the root reasons of environment that may produce negative impact on the inclusive growth provides the base for suggesting measures to be taken in order to improve the living environment for human being and natures. Some reasons may affect one aspect but other reasons may affect a number of areas, distroying the living environment of not only present generation but also future generations. Therefore, in the coming time, especially from now to 2015, the State should focus on resolving macro issues that may have impacts on different areas, as four followings:

*4.3.1 Improving the state management and legislation on environment protection.* The State should strengthen man power for the state management at all levels, especially in the fields of M&E the impact of environment in order to improve the enforcement of the legislation on environment. The Environment Law should also be amended by enforcing more penalties and responsibilities of stakeholders, moving gradually from the focus on propagandas for awareness to applying sanctions; preventing the abusing natural resources for fast economic growth, avoiding too focus on economic growth neglecting the target of environment protection (work of agencies issuing business and investment license).



*4.3.2. Increasing funds for M&E of environment:* directing so that water drainage systems are constructed in consistent way to drain all rain and waste water collected and transferred to treatment facilities; giving investment priorities to drainage system construction in big cities and towns (urban areas of grades I and II), urban areas of tourism purposes or those that may have direct impacts on the environment; constructing drainage systems in industrial, high tech, economic and processing zones.

*4.3.3. Increasing finance for the construction of environment treatment centers:* First of all the Government should make investments in the installation water waste in residential locations, especially in big cities like Hanoi and HCMC.

*4.3.4. Strengthening and improving the quality of planning:* Practically, enterprises, particularly manufacturing ones are located along roads and on rice fields, as transportation and land costs may be lower, inducing negative impact on agro-ecosystem and people livelihood surrounding. To overcome this situation the planning should direct enterprises to move far away residential locations, not use rice fields and move in industrial zones to make waste treatment centrally.

#### **4.4. In Narrowing Regional Disparities**

##### *4.4.1. Regional development policies*

In order to reduce the gap between regions, Vietnam should continuously apply the supportive policies for the remote regions that help these regions in catching the development of others up. Especially, these policies should focus on investment in rural infrastructure to improve their people's accessibility to markets, basic services. However, the first thing the government should do is that make sure about the corresponding investment sources of local authorities to ensure feasibility of these policies. In case of the poorest locals, the central state budget should supply 100% of the total investment, if not, these local authorities can not find sources to invest, consequently, the project will be delayed and inefficient. Moreover, the rich provinces should be encouraged to twin with and support for the poor provinces. The rich provinces are responsible for both investment and supervision implementing the programs in the poor provinces that improve the efficiency of investment.

*4.4.2. Direct support policies to production activities of the poor and ethnic minority people.* Along with national-target programs to provide the support to the construction of infrastructure items there are also direct support projects to develop production activities. There have been actually problems in the implementation of these projects, especially in identifying and targeting beneficiaries, the way of implementing and coordinating programs and projects. The beneficiaries should be poverty stricken households who are able to get rid of if they access to the support. Poor people who are not able to work should be objects to social security and relief programs. With this, it is necessary to sort out poverty-stricken people and work out separated poverty reduction programs and projects for them. Poverty

reduction programs and projects should also be designed as development-based ones to ensure sustainability by enhancing social participation, self-reliance measures and effectively strengthened coordination among different agencies and levels. There should be a vice-prime minister to take the leading role in the implementation and coordination of poverty reduction efforts.

Decentralization of poverty reduction programs and projects is essential, but it should be specifically planned and designed to the qualifications of management, supervision and directing of local governments and authorities, avoiding the situation that responsibilities and power are said to delegate down to commune level but in practice provincial and district authorities direct everything. For this, it is essential to educate and train local/grassroots managers, leaders and cadres prior to delegating work down.

#### *4.4.3. Population and human resources allocation policies*

- Migration and labor should be controlled by an adequate legal framework by specific direction and planning to prevent uncontrolled migration flow. For regions of focal development policies should focus on incentives to attract investments, population development and labor attraction. For example, the state budget can support partly or fully costs of reallocation, training, re-training for labor transfer, v.v.

- For locations that are crowded like Hanoi, HCMC, Bing Duong, Dong Nai provinces, etc. IZs and PEZs should be planned to locate farther from the downtowns, social undertakings like schools, hospitals, residential places etc. should also be included into the plans coupled with certain support policies.

- Environment and anti-pollution issues should be prioritized in cities and big and crowded towns by promoting effective following related legislation and imposing effective fines. For this, waste treatment systems must be installed, supervised and monitored strictly before and during operations of factories and plants. Moreover, fine regulations should be provided clearly and ensure effective enforcement and warning.

#### *4.4.4. Policies on the attraction of investments and participation by different economic sectors, in and out of the country organizations to reduce poverty*

- Poverty reduction requires coordinated efforts by the participation, contribution and collaboration from the whole society. Because of limited budget of the State, socialization poverty efforts should be further promoted particularly in terms of private investments. Specifically, social and economic undertakings like roads, schools, bridges, bazars in localities where investors can do business there should be mechanisms to involve private firms and even FDI. State budgets (both central and local) should be used for those in rural, difficult, mountainous regions where private and FDI firms are hesitant to get involved.

- Poverty reduction strategy should be based on development policies.

#### *4.4.5. Social security policies*

Social security policies of Vietnam should be re-considered in the direction that, e.g., disabled, policy objects shall be supported directly or by life-time supporting system. Further, the State should set up also direct support system to farmers over 65 age in rural and difficult areas to ensure equality and minimum living conditions.

Funds to implement these policies the social participation should be sourced by the contribution by the whole society, firms, local and international donors. However, one of conditions to tap out financial support is to have an open, transparent and effective management and monitoring mechanism over these funds to make sure that money contributed are effectively used and used to achieve the stated objectives.

#### **4.5. In Reduction of Social Gaps**

- + More effective social policies for marginal, vulnerable groups;
- + Effective measures to narrow gaps, disparities;
- + Promoting education for all
- + Combining policies, development programs and projects.

#### **4.6. In proving gender equity**

- + Building up development capacity for both women and men;
- + More efforts for effective implementation of the Gender Law and other newly enforced related legislation.
- + Strengthening the implementation of on-going pro-poor and development programs targeting gender equality and advancement of women.

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**(More to be updated).**

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Decision 289/2008/QĐ-TTg by Prime Minister issuing supportive policies for ethnic groups that are in preferential groups, poor households, households that under the threshold of poverty line and fisherman dated on 18/3/2008;

Resolution 30a/2008/NQ-CP signed 27/12/2008 by Prime Minister about a program for supporting in fast and sustainable reduce the poverty in 61 poorest districts (now 62 districts). Implementing this Resolution, Prime Minister issued 2 Decisions, namely: