

# CHANGES IN SOCIAL STRUCTURE AND INCLUSIVE GROWTH IN VIETNAM

## Case Study of the Program on Poverty Reduction For Poor Districts

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### Introduction

There are several ways of measurement, assessment of social changes in Vietnam in recent years. Social changes are reflected in the changes of every component such as households in different fields of social life and namely in disparities and gaps between rich and poor ones. Vietnam's households' livelihood standard surveys (VLSS) provide a number of indicators, criteria that need treatment, analysis in order to point out structural changes in the dimensions from the scope, structure of households a to education, living standard, labor, and employment of households' members. Social changes can be measured and evaluated through structural changes of 5 twenty-percent income groups by income of households. Those changes are clearly reflected in the disparities between a so-called (by The General Statistic Office) twenty-percent of the richest group (group 5) and twenty-percent of the poorest (group 1) group. This paper uses some secondary data of the VLSS to clarify dimensions of recently social changes in Vietnam. The paper presents considerable improved living standard but it also pointed out relevant increased level of inequality economically among rich and poor households. Thus, inclusive growth requires implement programs, policies to support poor people and regions.

The Government of Vietnam has issued and implemented socio-economic development policies in order to reduce poverty and eradicate hunger but they are not sufficient to reduce social inequality. To speed up poverty reduction course and realize inclusive development, at the end of 2008 the Government of Vietnam promulgated the Program to support rapid and sustainable poverty reduction for sixty-one poor districts in 20 provinces which have had the poverty rate higher than 20 percent (in short it is called Program of Support to poor districts)<sup>1</sup>. A part of this paper analyzes changes of social structure in Vietnam to clarify practical requirement of the concern about social equality and poverty reduction. Part 2 introduces some of the best practices of policy model to support rapid and sustainable poverty reduction in identified poor districts of Vietnam in several recent years.

### Self-assessment of changes in the living standard and reasons

#### *Changes in the living standard perceived by key leaders*

Two ways of assessment of social changes that have been used by recent VLSS are (1) self-assessment by key leaders about changes in the living standards of the people and (2) self-assessment by the people about their living standards.

When commune key officials are asked to make an assessment about the living levels of the people living in the commune, the outcome of the VLSS done in 2008 is<sup>2</sup>: up to 99% of the asked officials said the living standard of their people was improved as compared to that in 2002 – 2003 time.

The following question was asked is the reasons of that improvement in the commune. The replies of commune officials are as follows:

- Improved living standard in 87% of communes was caused by “changes in income from farming”

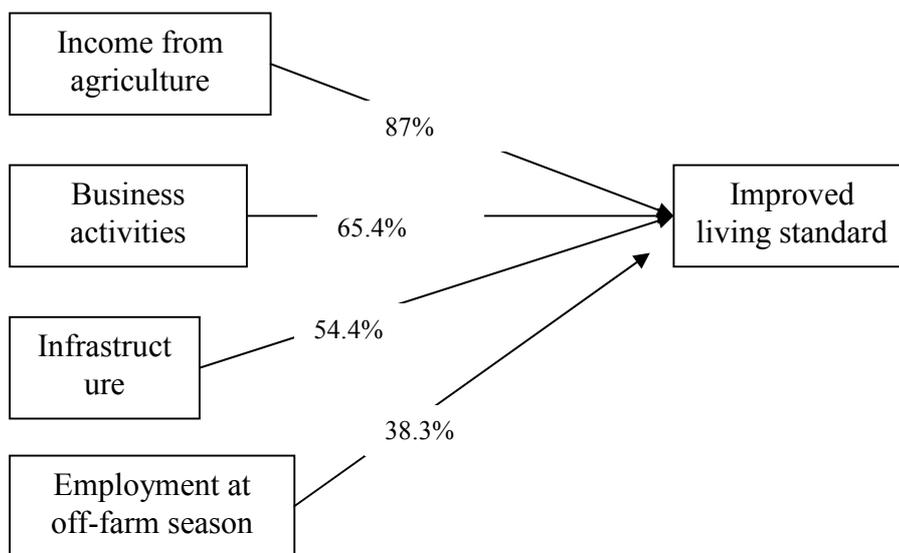
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<sup>1</sup> The Government of Vietnam (2008). Resolution on Program of Rapid and sustainable Poverty reduction for 61 poor districts. Resolution 30a/2008/NQ-CP, 27 December 2008

<sup>2</sup> General Statistical Office, (2009), The result of the Vietnam's living standard survey in 2008. Hanoi.

- In 65.4% communes the improved living standard was caused by “changes in the income from family-business of households”
- In 54.4% communes the improved living standard was caused by “changes in the infrastructure in the commune”
- In 38.3% communes the improved living standard was caused by “changes in employment at off-farm season”,
- In 12.6% communes the improved living standard was caused by “the impact of price”,
- In 11.4% communes the improved living standard was caused by “changes in the provision of social services”
- Very few communes specified the reason of “changes in education” “changes of the whether”, “changes in training opportunities” and “changes in the provision of health care services”.

This outcome indicates clearly that economic factors such as income, changes in the economic structure and infrastructure play an important role in improving the living standard of rural people (See Diagram 1). This proves that recent agricultural and rural development programs are of correct direction when they concentrated in increasing agricultural productivity to increase income, transforming agricultural economic structure and developing infrastructures including facilities to serve agricultural production and living of rural people like power, roads and irrigation schemes.



**Diagram 1. Some main reasons of improved living standard in communes**

*Self-assessment of the people about changes in the living standard*

With the people were asked to make their own assessment about their living standard the outcome of the VLSS of 2010 is: more than 30% of households said “their living standard was much improved in 2010 as compared to it in 2006; 52% of households said “It was improved a little bit”; 11% said “Unchanged” and more than 6% found “it is worse”. There is not much difference in the way of self-assessments made by rural and urban households (See table below).

**Table 1. The rate of households making self-assessment about their living standard in 2012 as compared to that in 2006, by rate and rural, urban areas**

(Unit: %)

Urban - Rural	All	Much improved	Improved little	Unchanged	Worse	No answer
<b>Nationwide</b>	<b>100.0</b>	<b>30.2</b>	<b>52.0</b>	<b>11.3</b>	<b>6.2</b>	<b>0.3</b>
Urban	100.0	28.0	51.2	13.6	7.1	0.2
Rural	100.0	31.1	52.4	10.3	5.9	0.3

Source: GSO. The results of VLSS of 2010. Hanoi. 2011. Table 9.8.1.

The reason why the life of households was not changed or became worse in 2012 as compared to it in 2006? The results of the VLSS in 2010 focused in the following major factors:

- 26.6% households mentioned the reason of “low income”,
- 26.4% households found that “they have had sick and ill or dead member”,
- 14.2% households caused “higher prices of food, food grain and other commodities”
- 6.7% mentioned “increased prices of agricultural inputs”
- 5.3% said that it was because of “loss of employment and/did not find new job”

**Table 2. The most important reasons worsening the life of the households in 2012 compared to 2006 by region and rate**

	All	Increase d Agricult ural input prices	Low price of agricult ural output	Diseases of animals and poultry	Drought, flood, bad harvest	Sick, ill, dead member	Increase d prices of food, grain, other commo dities	Low income	Lost job, not find new job	Conflict s among family member, with friends, neighbor s	Reduced farming, fishing, forestry areas	Accide nts (fire, transp ort accide nts, etc.)	Others	Not specifi ed
All	<b>100.0</b>	<b>6.7</b>	<b>2.4</b>	<b>1.9</b>	<b>3.7</b>	<b>26.4</b>	<b>14.2</b>	<b>26.6</b>	<b>5.3</b>	<b>0.5</b>	<b>1.7</b>	<b>0.8</b>	<b>9.9</b>	<b>0.1</b>
Urban	100.0	1.9	1.1	0.8	0.8	20.4	25.0	33.9	6.5	0.5	0.5	0.4	8.2	0.0
Rural	100.0	9.3	3.2	2.6	5.3	29.7	8.1	22.5	4.6	0.5	2.3	0.9	10.8	0.1

Source: General Statistical Office (2011). The results of Vietnam Living Standard Survey of 2010. Hanoi. 2011. Table 9.8.1.

### **Changes in the living standard: incomes of rich and poor groups**

The living standard of Vietnamese people has been improved remarkably in recent years. This has been assessed by local officials and people themselves. An indicator of monthly per capita income also indicates this statement: Overall monthly per capita income increased by 6 times in 2012 as compared to 1996. However, during this period monthly income of the poor group increase by 4.7 times, lower than that of the rich group (5.9 times). Though the income level increased strongly the income inequality between rich and poor households did not reduced but still increased, namely from 7.3 times in 1996 up to 9.2 times in 2010. Thus situation leads to an issue that economic growth did not reduce but raised economic inequality between the rich and poor households. In recent year, to solve the problem in the direction of curving down the increasing inequality Vietnam decide to

implement a number of practical poverty reduction programs and projects, especially in poor regions, districts and communes.

**Table 3. Monthly incomes levels of five income-groups**

Unit: thousand VND, current price

	1996	1999	2002	2006	2010	In 2010 Vs 1996	% Change, 1996 - 2010
<b>All</b>	<b>226.70</b>	<b>295.00</b>	<b>356.1</b>	<b>636.5</b>	<b>1387.2</b>	<b>6.1</b>	<b>512</b>
Group 1	78.58	97.00	107.7	184.3	369.3	4.7	370
Group 2	134.92	181.40	178.3	318.9	668.5	5.0	395
Group 3	184.35	254.00	251.0	458.9	1000.2	5.4	443
Group 4	250.24	346.70	370.5	678.6	1490.4	6.0	496
Group 5	574.70	863.30	872.9	1541.7	3411.0	5.9	494
Rich- poor gap	7.3	8.9	8.1	8.4	9.2	1.3	26

Source: General Statistical Office, (2011). The results of Vietnam Living Standard Survey of 2010. Hanoi. 2011. General Statistical Office, (2011), Statistical Year Book 2000 - 2010.

#### Changes in income inequality

One of objective indicators that can be used to evaluate social changes is GINI. GINI has had the value ranging from 0 to 1. GINI = 0 represents a *perfect equity*, while when it is equal to 1 it represents *perfect inequality*.

Vietnamese statistics indicates that per capita income GINI in 1994 is 0.350, in 1995 is 0.357, in 1996 is 0.362, in 1999 is 0.390, in 2002 is 0.420, and in 2010 is 0.433. GINI has been increasing as such proves increasing per capita income inequality in Vietnam during the last period. Average income level in rural area was more or less a half of urban area but income inequality in rural area increases while it decreased in urban area. This is revealed in decreased GINI from 0.41 in 2002 down to 0.402 in 2010 in urban area while that of the rural area increased from 0.36 to 0.395.

**Table 4. GINI by rural and urban areas and region**

	2002	2004	2006	2008	2010
<b>Nationwide</b>	<b>0.420</b>	<b>0.420</b>	<b>0.424</b>	<b>0.434</b>	<b>0.433</b>
Urban area	0.410	0.410	0.393	0.404	0.402
Rural area	0.360	0.370	0.378	0.385	0.395

Source: General Statistical Office (2011). The results of Vietnam Living Standard Survey of 2010. Hanoi. 2011. Table 9.3. Note: GINI counted by income

Vietnam reduced poverty rather fast during the last 20 years. However, the poverty rate is still high in rural area, especially in mountainous areas and region of ethnic minorities people live including northern mountainous, Highlands and North of the Center (Table 5).

**Table 5. Rate of poor households by region and rural, urban area (\*)**

	1993	1998	2002	2004	2006	2008	2010
Nationwide	<b>58</b>	<b>37.4</b>	<b>28.9</b>	<b>18.1</b>	<b>15.5</b>	<b>13.4</b>	<b>14.2</b>
Urban area	63	9.0	6.6	8.6	7.7	6.7	6.9
Rural area	23	44.9	35.6	21.2	18.0	16.1	17.4
<b>By Regions</b>							
The Red River Delta	60	30.7	21.5	12.7	10.0	8.6	8.3
Northern Mountainous	74	64.5	47.9	29.4	27.5	25.1	29.4
Central and Coastal areas	72	42.5	35.7	25.3	22.2	19.2	20.4
Tay Nguyen	67	52.4	51.8	29.2	24.0	21.0	22.2
South-Eastern	30	76	8.2	4.6	3.1	2.5	2.3
Mekong Delta	42	36.9	23.4	15.3	13.0	11.4	12.6

(\*) The rate of poor households is counted by an average income of a person a month of a household: (1) From 2002 backwards basing on the criterion of 1998: VND 149 thousand; 2002: VND 160 thousand; (2) Poverty criteria of 2004, 2006, 2008 basing on poverty standard set forth by the Government for 2006-2010 period and adjusted by price fluctuation as follows: in 2004: VND 170 thousand for rural area, VND 220 thousand for urban area; in 2006: VND 200 thousand for rural area, 260 thousand for urban area; in 2008: VND 290 thousand for rural area, 220 thousand for urban area; (3) The rate of poor households of 2010 is calculated by the poverty standard of the Government set forth for 2006-2010 period as of VND 400 thousand for rural area and VND 500 thousand for urban area.

Source. Jonathan Houghton. Introduction: Strange changes. In UNDP – GSO (2001). The living Standard at the time of Vietnam's economic booming. Hanoi. 2001. Pg. 15; GSO. Year Book of 2011. Hanoi, 2012

### **Inclusive growth: the Program supporting poor districts in Vietnam**

**Objectives.** According to statistics of the Ministry of Labor, War Wounded and Social Affairs (MOLISA) by the end of 2006, Vietnam had 61 poor districts (with 797 communes and towns) belong to 20 provinces with poverty rates of over 50%, 3.5 times higher than the average rate of the country. The population of those 61 poor districts is of 2.4 million people among them 90% ethnic minority people living with low income (averaging VND 2.5 million a person a year), revenues in the locality of every district of VND 3 billion annually.

Facing this situation, at the end of 2008, the Government of Vietnam launched *Program on the support to rapid and sustainable poverty reduction for those 61 poor districts* (briefly, the Program supporting the poor districts) to realize objectives targeting mainly reducing poverty, increasing income, strengthening education, training and new rural development as it is summarized in the table below.

**Table 6. The summary of key indicators of the Program supporting 61 poor districts in 20 provinces in Vietnam 2008 - 2020**

	2008	2010	2015	2020
Rate of poor households	over 50%	under 40%	Equal to average level of the province	Equal to average level of the region
Income	2.5 million/person	Increased 2-3 times	Up by 3-4 times	Up to 5-6 times
Farming laborers	Đại đa số	Under 80%	under 60%	about 50%
Rate of rural laborers trained	Rất ít	25%	over 40%	over 50%
Commune of new rural development	Not implemented	Starting implementation of new rural development program	Continuing to implement new rural development program	50% of communes met the criteria of new rural

### **Policies of the Program supporting the poor households, communes and the districts**

The Program has many detailed policies supporting the poor households and districts.

#### *For poor households:*

- Support to taking care of protection of forests: VND 200.000/ ha/year;
- First assistance of forestry seedlings for economic forestation of from 2 - 5 million dong a ha;
- Support of 15 kg of rice a person a month during the time of no food self-sufficient but not more than 7 years;
- Support of VND 05 million a ha a household for using land areas for growing goof grain on the forestry land and forest area the household is allocated for taking care of, protecting and production planting;
- Support of VND 10 million for a hectare of reclaimed land area; 5 million dong for a hectare of restored land area; 10 million for every hectare of steep land area;
- A loan of maximum VND 05 million a household at 0% rate (once) during 2 years to purchase animals (cow, goats, buffaloes) or chicken or fishery; once support of one million dong for building animal shed or creating area for aquaculture raising and 2 million dong to purchase animals for growing.
- Farmers who participate in training events can be provided with training materials, 100% of living and traveling costs and VND 10 thousand per diem per day per person;

#### *For communes and sub-commune*

Every communes and sub-communes in the poor districts in the Program are supported to have investments for building necessary infrastructure items including schools (classrooms, schools, kindergartens, housing for pupils and teachers); commune clinics; commune roads; irrigation schemes to serve water farming, animals, poultry, fishery and living; power to serve living and production; water items (wells, water reservoirs); markets at the center of the commune; radio transmission station of the commune; cultural house of the commune, village.

### *For districts*

Every poor districts in the Program are supported to have an upper-secondary school, district school for ethnic minority children, including residential housing for pupils; a district hospital, regional hospital, health prevention center; center of general agricultural services/extension; district-scale, inter-commune irrigation schemes; roads connecting districts, center of the districts to communes; center of communes; a support of VND 100 million annually for trade promotion, advertisement of products, especially agricultural ones and specialties of the locality; providing market information to farmers.

Support for export labor: every year export about 7,500 – 8,000 workers of a poor district to worker abroad (10 worker from every commune on average).

According to Resolution No 30a/2008/NQ-CP, the Program on support to poor districts are implemented by a central agency consisting of 14 ministries, Vietnam State Bank and local authority agencies including provincial people committees, district and commune people committees. Commission of Ethnic Minority has the task of adding special policies, mechanisms specific for 61 poor districts and submit them to the Prime Minister for approval and decision. The Program encourages economic groups, state general corporations take the task of providing assistance to at least one poor district for investments in infrastructure; support to production activities, technology transfer, providing free technical training and admitting laborers in order to increase income for the people from poor districts.

During the implementation of the Program, the Government, ministries and sectors are to issue specific policies, for example Decision<sup>1</sup> of the Prime minister (2009) on providing poor districts with more competent leadership and management cadres, Decision<sup>2</sup> (2009) on support to poor district in exporting 10 thousand workers in 2010 and 50 thousand in 2011-2015; Decision<sup>3</sup> (2010) on support in strengthening legal capacity to the people in poor districts.

### **Experience of integration poverty reduction policies in a local sustainable development program**

According to the Program supporting the poor districts and its policies, every locality, at provincial, district and commune levels, is to establish a steering commission of sustainable development consisting of a vice-chairman of local people committee as the commission chairman and representatives of 9 leading agencies in the locality as its members. This steering commission has to build and organize the implementation of a sustainable development program integrating poor reduction policies in its locality. The document of this program consists of the following contents:

Part 1: The situational analysis of sustainable development in the locality.

Part 2: Orientation, objectives, position and operation principle of pro-poor sustainable development

Part 3: Economic areas of priority targeting sustainable development.

Part 4: Social and cultural areas of priority targeting sustainable development.

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<sup>1</sup> Vietnam's Government (2009a). Decision on the policy of providing 61 poor districts with competent leadership and management cadres and preferential policy on attracting young intellectuals, technicians to work in communes of 61 poor districts by Resolution 30a/2008/NQ-CP 27 December 2008 of the Government. Decision 70/2009/QĐ-TTg 27 April 2009.

<sup>2</sup> Vietnam's Government (2009b) Decision on the approval of Project on the support to poor districts in strengthening labor export as contribution to sustainable poverty reduction for 2009-2020, No 71/2009/QĐ-TTg, 29 April 2009.

<sup>3</sup> Vietnam's Government (2010). Decision on policy of legal support to increase the awareness and understanding of the poor people, ethnic minority people about legislation for 2011 – 2020, *Resolution No. 52/2010/QĐ-TTg, 18 August 2010*

Part 5: Areas which use natural resources, protect environment and control pollution for sustainable development.

Part 6: The organization of the implementation of sustainable development.

A good experience that was drawn from the process of working out the above document is the application of a scientific method such as sociological survey and analysis tool of SWOT (Strength, Weakness, Opportunity, Threat) to assess an actual situation and needs of sustainable development integrating poverty reduction in the locality.

### **Design and implementation of specific projects supporting the poor in locality**

Based on the approved program on sustainable development, the people committee in every locality allocates certain agencies the task of design of a specific project to realize stated objectives. For example, an Association of Gardeners of a commune is assigned to plan and implement of a sustainable development of garden-pond-shed (GPS) for poor households in mountainous areas of the commune. Funds for this kind of project is VND 250 million and time frame is 10 months. Associations of Gardeners has designed and implement this task as planed as follows:

**Table 7. Plan of implementation of Project on increasing capacity of the development of Garden-pond-shed economy for poor households of Commune X**

	<b>Items</b>	<b>Outputs</b>	<b>Time frame</b>	<b>Implementers</b>
1	- Survey, selection of households	Participated Farm households met requirements	Jan 2006	VAC of the Locality
2	- Training in designing and improving G-P-S, improving nutrition by the model	Improved understanding and implemented design and improvement of GPS and nutrition	Feb. 2006	VAC and Women Union of the Locality
3	- Technical training on skill of growing fruit trees, vegetables and husbandry	Helping increase understanding and applying skills in cultivation, husbandry into GPS economy	Mar. 2006	VAC of province, DARD, Extension center
	- Training on techniques of fish raising	Help understanding effective husbandry, using feed from gardening economy.	20-25 mar. 2006	DARD, Extension center
3	Support to build up model of GPS and model of raising fish in the plain	Understanding and using source of bio-energy, reducing cutting forest for fuel	June 2006	Provincial GPS Association
4	Support to develop and save seedlings	Support to protect sources and supply of good seedlings and raising the awareness of using good seedlings	Jun-July 2006	Provincial GPS Association and commune GPS Club
5	Participating in Demonstration model	Understand to apply in the practice	May 2006	Local GPS association
6	Workshop	Increased local capacity	August 2006	Provincial GPS Association and DARD
7	Seminar to wrap up experience and draw lessons	Increased awareness to expand the model	Jan-Mar 2006	Provincial GPS Association and agencies in district

Good experience here is the combination of the program of support to poverty reduction and program of sustainable development in the locality: the implementation of this program has been assigned to certain organizations which should be well coordinated and organized with other government and non-government agencies at all levels in working out and implement specific project with stated fund and time frame.

### **Basic results of the implementation of the Program supporting the poor districts**

After three-year implementation of Resolution 30a of the Government, poverty rates in all poor districts reduced remarkably and per capita income of local households increased and other indicators were met. Figures in below table provides a summary of the results of the implementation of Program supporting to 61 poor districts in all 20 provinces and three selected provinces with their poor districts supported to reduce poverty and develop in a rapid and sustainable way.

**Table 8. Summary of the basic results achieved by the implementation of Program supporting 61 poor districts in all 20 provinces and districts in three selected provinces, 2009-2011**

	Twenty provinces	Dien Bien province	Lai Chau province	Quang Nam province
Poor districts	62	4	5	3
Total central funds (VND bill.)	8535	362.4	580.9	318.3
Development investment funds	6493	283.7	477.7	278
Current expenditure	2042	78.7	103.2	40.3
Total fund/district (VND bill.)	105.4	90.6	116.2	106.1
Poverty rate in 2009	47	57.5	58	57.4
Poverty rate in 2011	37	40	40	48.5

### **Conclusion**

Vietnam has been experiencing profound social structural changes where poverty gap increased though it has been curved down strongly. Since 2008 the poorest households are still those of ethnic minority in more than 60 poor districts of 20 provinces have been supported by the Government of Vietnam through the Program on Support to rapid and sustainable poverty reduction. At the same time, there are now about 40 programs, projects targeting poverty reduction and inclusive growth<sup>1</sup>. This suggests an issue of understanding and learning the best experience of local and international development programs and projects to find scientific approaches, effective measures for sustainable and inclusive development in Vietnam. Good experience of Vietnam is the leading role of the Government in making policies, coordinating activities and efforts of central and local agencies and organizations, and involving enterprises to provide financial, technical and legal assistance to improve business ability and make changes in the life, work and attitude of the people in poor districts. The experience also shows that local authorities should play steering role and coordinate well government agencies and other organizations in the construction and implementation specific programs and projects to reduce poverty on the base of sustainable and inclusive development in their localities. In addition, the experience of Vietnam indicates a very important role of information and science, scientific survey methodologies in research and design of programs, policies, projects and action plans of inclusive growth in Vietnam.

<sup>1</sup> Jones Richard, Tran Thi Hanh, Nguyen Anh Phong, Trương Thị Thu Trang (2009), Vietnam Policies and projects on poverty reduction, Report to National Assembly and UNDP.

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