Poverty Task Force

Localizing IDTs for Poverty Reduction in Viet Nam:

ERADICATING POVERTY AND HUNGER

Consultation Draft - November 2001

Strategies Achieving the Viet Nam Developing Targets

This report was prepared by James Beard of the Centre for International Economics (CIE) and Nisha Agrawal of the World Bank. A draft of this report was discussed at a workshop in Hai Phong and has benefited from the work of the "breakout" poverty working group at that workshop. That poverty working group comprised Cao Viet Sinh of MPI, Nguyen Hai Huu of MOLISA, Sarah Adams of the IMF, Pham Lan of SCF, Padmini Desikacha of ADB, Nguyen T. Hoai Duc of RAFH, Rob Swinkels of the World Bank, Nguyen Thi Y Duyen of ARC, Tran Anh Vu of MOFA, Kim Ngoc Cuong of GSO, Vu Thi Bien of RDSC, Do Van Hoa of MARD, Trinh Thanh Hien and Le Phuc Cuong of MOT Le Hai Duong of CEMMA, Nguyen Ngoc Khiem of MOLISA, Nguyen Tai Cu of MPI, Do Kim Chung and Phan Thi Thuy Chung of MARD, Phan Thi Thuy Tram of MPI, Nguyen Ba Khoang of GSO, Nguyen Nguyet Nga of World Bank, Nguyen Duc Chung of MPI Kuniaki Amatsu of JICA, Trai Thi Vanh of CFWS, Nguyen Lan Huong of MOLISA, Nguyen Vinh Hung of SBV, Pham Gia Trac of FAO, Bui Thanh Tan, Nguyen Van Quang, Tu Duy Tien, Dang Dinh Dao and Chris Tunon (WHO). The authors extend their thanks to all those that helped in the development of this reports.

FOREWORD BY THE POVERTY TASK FORCE

This series of papers on the Vietnam Development Targets reflects a collective effort by the Poverty Task Force to propose a set of goals and outcome targets for poverty reduction in Vietnam. They have been prepared as the Government of Viet Nam drafts a Comprehensive Poverty Reduction and Growth Strategy (CPRGS) which will articulate medium term priorities and which it hopes to complete by April 2002. As part of the process of preparing the CPRGS the Government of Vietnam is currently looking across its Ten Year Socio-Economic Development Strategy and its sectoral strategies to select a small number of goals which will reflect the strong strategic emphasis on economic growth, poverty reduction and social equity and will guide policy measures and public actions to achieve poverty and social outcomes over the coming decade. Through this work, the Government hopes to establish a clear monitoring firm network for their CPRGS and other Government strategies.

While policymakers in Vietnam have been setting national strategic targets, international commitment to achieving important poverty and social outcomes across the globe have intensified. This effort is expressed in the International Development Targets (IDTs) and Millennium Development Goals (MDGs). The latter is a set of goals embodied in the Millennium Declaration which has been adopted by 180 countries, including Vietnam. The goals and targets presented and discussed in the series of papers have been selected to resent the core developmental vision of Vietnam as well as their efforts to meet international targets. These papers contribute to thinking on target-setting and monitoring in eight thematic areas:

- Eradicating poverty and hunger;
- Reducing vulnerability and providing social protection;
- Providing quality basic education for all;

- Improving health status and reducing inequalities;
- Ensuring environmental sustainability;
- Promoting ethnic minority development;
- Enhancing access to basic infrastructure; and,
- Ensuring good governance for poverty reduction.

This work is still very much in progress. Earlier versions of these draft papers were discussed at a 3-day workshop held in September 2001 attended by nearly 100 policymakers and practitioner. Government agencies, NGOs and donors have all participated in the working groups established to oversee the production of these documents. In some areas there is agreement that a goal is needed, but more work and discussion is necessary to assess what is realistic and attainable. Further consultations on these drafts will take place with sectoral ministries and agencies over the coming months. It is hoped that by early 2002 it will be possible to release final versions of these reports which present consensus views of core development goals and targets for Vietnam.

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*The (Government-donor-NGO Poverty Task Force has been working collaboratively on poverty analysis (World Bank et al, 1999) and strategic planning since 1999. While the CPRSG is being drafted, the PTF comprises 14 Government ministries, 6 donors, 4 international NGOs and 4 local NGOs.

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SUMMARY

Key Points

- Vietnam has set itself ambitious targets for reducing poverty and hunger. This paper suggests that appropriate, but demanding, targets for the next decade are to:
    - reduce poverty according to the international poverty line by two-fifths and according to the national poverty line by three-quarters; and
    - reduce food poverty according to the international food poverty line by three-quarters.
- Achieving these targets will require a combination of high, regionally balanced growth and targeted assistance to those that benefit less from future growth.
- Generating high growth will require a substantial increase in investment and productivity improvements. Reforms that support private sector development, strengthen the banking and state enterprise sectors,

increase Viet Nam's integration with the global economy and improve the efficiency of public expenditure management are important steps toward high growth.
- Regionally balanced growth will require policies that support agriculture and rural development, human development, improved access to infrastructure and enhanced opportunities for ethnic minority communities to grow.
- Better targeting of government assistance programs for the poor will increase the level of resources available for the poor
- Progress toward the Vietnam Development targets should be monitored via GSO's two yearly Multi Purpose Household Survey.

1. This paper is the first in a series produced by the Poverty Task Force (PTF) to assist the Government of Vietnam to link the United Nations Millennium Development Goals (MDGs) with its own national priorities. This paper focuses on defining appropriate localised targets for reducing poverty through improving access to economic opportunities. This paper, along with the other seven papers in the series, was discussed at the PTF workshop held in Haiphong on September 17-19, 2001.

Vietnam's poverty reduction targets are ambitious

2. Vietnam's own development targets (VDTs) for poverty reduction are much more ambitious than the MDGs, since Vietnam has already attained the poverty MDG and has halved poverty between 1990 and 2000 (Table E.1).

3. Progress towards these goals can be measured directly every two years from GSO's Multi Purpose Household Survey (MPHS). MOLISA also generates poverty estimates which are used to determine eligibility for its targeted assistance programs for the poor and are much lower than those of GSO. This paper highlights the need for GSO and MOLISA to determine a common methodology for identifying the poor in Vietnam and to clearly differentiate the two poverty estimates according to purpose.

Target E.1 Vietnam's development targets for poverty reduction

Vietnam Development Target	Millennium Development Goal	Indicator
Target 1 Between 2000 and 2010, reduce poverty according to the international poverty line by 2/5th and according to the national poverty line by 3/4th	Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day.	1. Proportion of population/ households below international and national poverty line 2. Poverty gap ratio 3. Share of poorest quintile in national consumption
Target 2 Between 2000 and 2010, reduce food poverty according to the international food poverty line by 3/4th	Halve, between 1990 and 2015, the proportion of people who suffer from hunger.	4. Prevalence of underweight children (under-5 years of age) 5. Proportion of population below international food poverty line

Overall Poverty Reduction Strategy

4. The *Vietnam*: *Attacking Poverty* report highlighted the multi-dimensional nature of poverty in Vietnam, extending from low levels of incomes and consumption, to poor health and lack of education, and to other "non-material" dimensions of well-being, including gender gaps, insecurity, powerlessness and social exclusion' Accordingly, it laid out three broad imperatives in the fight against poverty:

- First, opportunities for employment and productivity growth must be created, so that incomes rise and the poor are able to grow out of poverty;
- Second, measures must be put in place to ensure that growth and access to services is fair and equitable, so that all citizens benefit from the fruits of development;
- Third, special care must be taken to reduce the vulnerability of the poor to unforeseen events (sickness, poor harvests, loss of breadwinner, etc).

5. This paper attempts to examine further only one dimension of poverty: income or consumption poverty. There are seven other papers in this series that will deal with issues of access to basic services and to the non-material dimensions of poverty. The other seven papers deal with topics of. education (DFID, 2001); health (ADB, 2001a); basic infrastructure (JBIC, 2001); social protection (World Bank, 2001b); governance (ADB, 2001b); environment (UNDP, 2001a); and ethnic minority development (UNDP, 2001b). Gender issues will be mainstreamed in all eight papers drawing upon the National Plan of Action for the Advancement of Women (NCFAW, 2001).

A Three-pronged Strategy for Reducing Consumption Poverty

6. With this division in mind, reducing poverty in this paper is about achieving sustained increases in the income of the poor and this is about generating growth in the economy. In order to achieve its targets for poverty reduction, Vietnam will require three things.

High levels of growth

7. Current levels of growth, which average around 5 per cent will not be enough. Vietnam will need growth rates approaching the 7-7.5 percent envisaged in the Socioeconomic Development Strategy for 2001-2010 to meet both its targets. Generating these growth rates will require a strong commitment to announced plans that support:

- private sector development
- further trade reform and integration
- state enterprise reform
- banking reform
- improved public expenditure management.

8. These policy measures will encourage greater private sector investment in areas where Vietnam has a comparative advantage — labour intensive, export oriented production. Without this private sector investment, and the generation of better paying jobs, the prospects of meeting the VDT's are limited.

More balanced regional growth

9. More balanced growth means higher growth in rural areas and in relatively low growth regions such the Mekong Delta, Central Highlands and Northern Uplands. These are areas where poverty is highest and where growth will have the greatest effect on poverty reduction. More balanced growth will be especially important if hunger is to be eradicated by 2010.

10. Agriculture and rural development will be one of the most important factors in generating more balanced growth in the future. Achieving growth in rural areas will require a combination of policies that:

- support higher agricultural growth through productivity improvements and product diversification; and
- A encourage the creation of off-farm employment opportunities in rural industry and service activities.

11. Higher agricultural growth will require improvements in productivity. These will need to be generated through application of more and better capital and better technology. More funding for agricultural research and extension will be required to support this. Crop diversification will require the removal of informal pressures that farmers often face to produce rice at the expense of other higher value crops.

12. Many of the wider reforms supporting private sector development will have direct benefits in terms of encouraging rural industry development. In particular, banking and state enterprise reforms will assist rural entrepreneurs to access credit and finance their investment activities. Policies that support the development of linkages between suppliers and processors, ensure an enabling environment for private enterprise formation at the local level and support private sector development in poorer and upland areas will also be required.

13. Policies affecting education, health, infrastructure, and governance also have important roles to play in achieving balanced growth. In addition, special policies are needed to generate growth that is equitable across ethnic groups and for both women and men. And environmental policies are needed for the long- term sustainability of growth and poverty reduction. These topics are the subject of other papers in this series.

Targeted assistance for those that benefit less from growth

14. Inevitably, some members of the Vietnamese community will not benefit from expected growth as much as others. Targeted assistance such as the rural infrastructure provided under Program 135 (" 1715 Poor Communes Program") and by MOLISA under Program 133 (the Hunger Eradication and Poverty Reduction Program) will help these people participate more fully in future growth. Such assistance includes helping poor families access:

- credit;
- health care;
- education and vocational training (including training on business skills and cultural and general knowledge);
- social security;
- legal assistance;
- basic infrastructure; and
- housing.

15. Ensuring that this assistance is well targeted will mean that greater resources are available to assist the poor.

INTRODUCTION

1. The Government of Vietnam has articulated a wide ranging set of national development objectives for the coming decade in its Socio-Economic Development Strategy (SEDS). This paper is about identifying appropriate localised targets consistent with Vietnam's own objectives, for the first of the Millennium Development Goals (MDGs) — eradicating poverty and hunger. The paper focuses on the first of the six pillars of development outlined in Vietnam Development Report (World Bank et al, 2000) - that is, increasing access to economic opportunities. As such it addresses only one dimension of poverty: income or consumption poverty. Other papers in this series will deal with other aspects of poverty such as issues of access to basic services and to non-material dimensions of poverty.

1.1 What does the IDT/MDG require?

2. The first MDG has two specific targets and five supporting indicators (Table 1.1). The first of the poverty targets is based upon the World Bank's global benchmark of absolute poverty of per capita consumption less than a US$1 a day, measured in 1993 purchasing power parity prices. The dollar-a-day measure is derived from the national poverty lines of the poorest countries. It is an absolute measure of poverty that classifies someone as poor if their expenditure is at a level that they would typically be judged "poor" in the world's poorest countries (Chen and Raviallion 2000). The global benchmark is not based strictly upon minimum nutritional requirements as some absolute poverty line measures might be. This means that a household can be poor but still have enough resources to satisfy minimum dietary requirements. The second target is about ensuring equity that is, ensuring the poorest of the poor also benefit from reductions in global poverty.

1.2. How does the IDT/MDG relate to Vietnam's own objectives?

3. Vietnam starts the 21st century with nearly a third of its people living in poverty. This is a major concern for the Government and is the focus of recently announced reforms, which will be supported by the IMF's Poverty Reduction and Growth Facility and the World Bank's Poverty Reduction Support Credit (PRSC). The Government's concern for reducing poverty dates back to Independence in 1945 when President Ho Chi Minh encouraged people to make money with an objective "to make the poor have sufficient food, make the ones with enough food become well-off, make the well-off become richer" (Hunger Eradication and Poverty Reduction Strategy 2001-2010, p. 4).

4. The Government has set itself two ambitious goals for reducing poverty which are laid out in the Socio-Economic Development Strategy (SEDS) for 2001—2010. Vietnam's vision for the next decade involves sustainable and rapid economic development that gives rise to adjust, stable society with a high quality of life. In terms of specific goals for poverty reduction, the Strategy is seeking to:

> "eliminate the category of hungry households, and to reduce quickly the number of poor households." (SEDS, p.6).

Target 1.1 Targets and indicators for poverty and hunger eradication

Target	Indicator
Target 1 Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day. ***Target 2*** Halve, between 1990 and 2015, the proportion of people who suffer from hunger	1 Proportion of population below $ 1 per day 2 Poverty gap ratio 3 Share of poorest quintile in national consumption 4 Prevalence of underweight children (under-5 years of age) 5 Proportion of population below minimum level of dietary energy consumption

The Strategy also seeks to reduce the incidence of under-5-child malnutrition to around 20 per cent by 2010.

5. The Government's Hunger Eradication and Poverty Reduction (HEPR) for 2001-10 outlines quantitative targets for poverty reduction defined according to a national poverty line. These are:

- by 2005:

  - eliminate chronic hunger and falling back to hunger;

  - reduce the level of poverty to below 10 percent based on the new definition of the national poverty line; and

- by 2010:

  - reduce the rate of poor households to below 5 per cent based on the new poverty line

6. According to the HEPR, the government's objectives translate into a reduction in the number of households living in poverty of around 280.000 to 300.000 households annually. Currently (at the beginning of 2001), the level of poverty as measured by the new national poverty line stands at 17 per cent[1].

7. Vietnam has already achieved the MDG of halving poverty between 1990 and 2015 — poverty has been reduced from over 70 per cent in 1990 to around 33 per cent in 2000 — and has set itself higher and more ambitious goals for the coming decade. The following chapter sets targets for poverty reduction and hunger eradication that are specified in terms of the international poverty lines. Having set these goals, the remaining chapters ask what will be required for Vietnam to meet these goals? Are they achievable given expected growth in incomes and expenditures? What pattern of growth is required? What policies and resources are needed to support poverty reduction?

2. SETTING APPROPRIATE TARGETS FOR VIETNAM

2.1. Measuring Poverty in Vietnam

8. Vietnam is well serviced in terms of data on poverty. There are two main sources of poverty estimates:

- the Ministry of Labour, Invalids and Social Affairs (MOLISA) which conducts a comprehensive survey of the 5 million poorest households at a commune level; and
- the General Statistics Office (GSO) which conducted the Vietnam Living Standards Survey (VLSS) in 1992/93 and 1997/98 — and conducts the Multi Purpose Household Survey (MPHS).

9. These two organisations have different approaches to surveying and estimating poverty lines. GSO, whose methodology is based upon international practices and was developed with technical assistance from the World Bank (and financial assistance from UNDP and Sweden), conducted the latest VLSS in 1998 and estimated the overall poverty line (in 1998 prices) to be annual per capita expenditure of VND 1,789,871. They also defined a food poverty line — that is, the minimum expenditure required to satisfy minimum nutritional

needs[2] — at VND 1,286,833 per person per year. Based upon these poverty lines, GSO/World Bank estimated overall poverty in 1999 to be 37.4 per cent and food poverty to be 15 per cent.

10. MOLISA produces the national poverty line which was recently revised upwards, allowing more households to access government anti-poverty programs. MOLISA's poverty line is differentiated by region. The current poverty line is:

- VND 80,000 per month in rural mountainous and island regions (VND 960,000 per year);
- VND 100,000 per month in rural plain areas (VND 1.2 million per year); and
- VND 150,000 per month in urban areas (VND 1.8 million per year).

11. Given its poverty line, which is lower than the international one, MOLISA estimates the poverty rate at the start of 2001 to be 17 per cent. Chapter 5, which discusses monitoring, describes in more detail the key methodological differences between the two approaches. The remainder of this paper uses the GSO-World Bank international approach and data in its estimates of poverty.

2.2. How has Vietnam fared in terms of reducing poverty?

12. According to GSO-collected statistics through the two VLSS, *(Vietnam: Attacking Poverty, 1999)* Vietnam has experienced considerable reductions in poverty in recent years. The proportion of people with per capita expenditures under the overall poverty line has dropped significantly from 58 percent in 1992/93 to 37 percent in 1997/98. Even by the standards of the more demanding food poverty line, there has been a decline in the poverty rate from 25 percent to 15 percent. This is an indication that even the very poorest segments of the population have experienced improvements in living standards between 1993 and 1998.

13. The national poverty estimates contained in the HEPR also indicate improvements in the incidence of poverty within Vietnam. It states that in the past 10 years, 2 million previously "poor" households have risen above the poverty line. This has meant a reduction of the poverty rate from 30% in 1992 to 10% in 2000 (under its old poverty line definition).

14. When discussing reductions in poverty, an important issue which arises is the extent to which the improvement in living standards has been shared by all members of a society. Within Vietnam, the reduction in poverty between 1993 and 1998 occurred in both rural and urban areas. More specifically, the percentage of the population living below the total poverty line declined from 66 percent to 45 percent in rural areas and from 25 percent to 9 percent in urban areas. Using the food poverty line, the decline in rural areas has been from 29 to 18 percent and in urban areas from 8 to 2 percent.

15. Poverty has declined in all 7 broad geographic regions of Vietnam, although the pattern of these declines has been uneven. The greatest reductions have occurred in the South East and in the Red River Delta. The Northern Uplands and the, Mekong Delta reduced poverty at a slower rate between 1993 and 1998.

2.3. What about the future?

16. Reducing income poverty is primarily about raising the incomes of the poor. Since 1998, the effects of the regional slowdown have reduced real GDP growth in Vietnam. The World Bank estimates that real GDP growth has slowed down to around 5 per cent per annum on average since 1998. Depending on where this growth occurred, however, it is still likely to have been sufficient to make further in-roads into poverty.

17. Using this growth rate, it is possible to project what the poverty rate might currently be. Based upon the methodology outlined in Box 2.1, Chart 2.1 shows that the general poverty rate is likely to be in the order of 33 per cent in 2000. This is a relatively rapid reduction over the two years since the 1998 VLSS — a period when GDP growth averaged only 5 per cent. It reflects the high proportion of population that was clustered just below the poverty line in the 1998 survey (see Vietnam: Attacking Poverty for details).

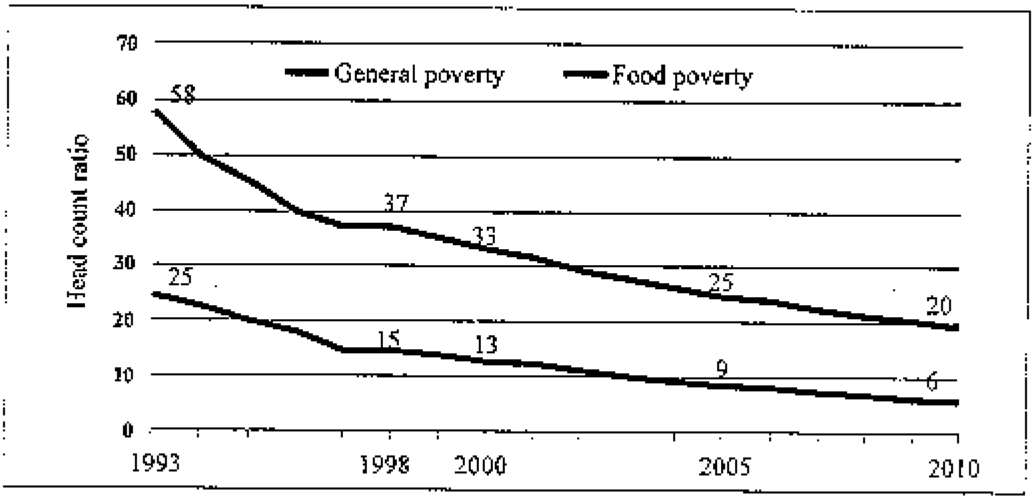
Box 2.1 Methodology Underlying Poverty Projections

The projections described in this chapter are based upon the VLSS98 database. Real per capita expenditure for each household in the sample is projected forward by an assumed growth rate which is differentiated by region and whether the household is classified as rural or urban. The projected real per capita expenditure are then compared with the relevant poverty line to estimate the projected poverty headcount ratio.

The base case assumes:

- real GDP growth of 5 per cent till 2010;
- the rural and urban areas in the seven regions grow at different rates, based upon the historical relative growth rates contained in Table 4.4 of Attacking Poverty, 1999
- Population growth of 1.5 per cent each year; and
- real expenditure grows in line with real per capita GDP growth.

Chart 2.1 Projected poverty reduction to 2010 Base case assumptions



Data source: CIE estimates based upon VLSS98.

18. Under the base case assumptions, general poverty would be projected to fall to around 25 per cent in 2005 and 20 per cent in 2010. The food poverty rate would be expected to fall from 15 per cent in 1998 to 13 per cent in 2000 and to 9 per cent in 2005 and 6 per cent in 2010.

19. One interesting question is "if these reductions in poverty were to happen, how different would the composition of the group of poor be in 2010 compared with now?" Table 2.1 provides some insights into this question.

20. If the same pattern of growth occurs over the next 10 years as during the mid nineties, a number of provinces will see significant reductions in poverty. Fast growing regions such as South East, Red River Delta and North Coast will experience large reductions in poverty levels. Slower growing regions such the Northern Uplands and Mekong Delta will also see reductions in poverty — but smaller than in other regions. By 2010, given past patterns of growth, the majority of the poor would be located in these two regions.

21. Given that moderate poverty reductions are expected in the Northern Uplands, Mekong Delta, Central Coast and Central Highlands, it is not surprising that minority groups are projected to make up a higher share of the poor in 2010 than 1998. Over 90 per cent of the ethnic minority population live in these four regions. The past pattern of growth will help reduce poverty among the minority groups, but will benefit ethnic majority groups disproportionately more.

Table 2.1 The shape of poverty in 2010
Base case scenario

	Proportion of the Poor Population in	
	1998	**2010**
	%	**%**
Break down by region		
Northern Uplands	28.1	34.1
Red River Delta	15.0	3.8

North Coast	17.8	13.0
Central Coast	10.1	11.7
Central Highlands	5.1	7.0
South East	2.6	0.2
Mekong Delta	21.2	30.2
Vietnam	100.0	100.0
Break down by ethnicity		
Kinh/Chinese majority	71.5	63.2
Minorities	28.5	36.8
All Groups	100.0	100.0

Source: CIE estimates based upon VLSS98.

2.4. The level and pattern of growth will affect poverty reduction

22. Poverty is not distributed evenly across Vietnam. The 1998 VLSS showed that poverty was higher in rural areas and among ethnic minorities. The VLSS also showed that certain regions contributed more to overall poverty that other. For example, the Northern Uplands, North Coast and the Mekong Delta together account for nearly 70 per cent of the poor in Vietnam.

23. Different patterns of growth across Vietnam will have different effects on Vietnam's poverty reduction efforts. Growth that is concentrated in urban areas will raise incomes in the cities but have less immediate and direct impact on the incomes of the many poor located in rural areas, except through rural-urban migration, which is likely to speed up in the future, and also through urban-rural transfers and remittances, which are quite substantial (see Cox, 2001). Similarly, growth concentrated mainly in the south east region, which accounts for only 3 per cent of the poor, will have less effect on poverty than if this growth were spread more evenly across the country.

24. Chart 2.2 illustrates the potential impact on poverty reduction of different levels and patterns of growth in Vietnam. Four different scenarios are shown:

- the base case projection described in chart 2.1 above;
- a higher growth scenario based upon the SEDS target of doubling real GDP by 2010 (requiring a real GDP growth rate of 7.5 per cent till 2005 and 7 per cent till 2010);
- an equal growth scenario where all regions and locations (rural and urban) grow at the same rate (the 5 per cent assumed in the base case scenario); and
- a more uneven regional pattern of growth (5 per cent overall), where South East and Red River Delta grow at the same rate, Central Coast grows at half the rate of South East and Red River Delta, and the remaining regions-grow at one fifth of the leading two. This could be interpreted as a "growth pole" scenario, whereby the majority of future growth is concentrated in two or three key regions.

25. Not surprisingly, achieving a higher growth rate will lift more people out of poverty (the poverty rate is reduced to 15 per cent compared with 20 per cent in the base case if the SEDS growth targets are met). The importance of ensuring that the benefits of growth are distributed widely are highlighted with the equal growth scenario — 5 per cent real GDP growth distributed equally across the population can achieve greater reductions in poverty than a higher growth rate (7 per cent) distributed unevenly across the population. It should be noted here, however, that completely equal growth is a hypothetical scenario since it is virtually impossible to attain this kind of pattern of growth where every person's expenditures grow by exactly the same amount.

26. In contrast to the equal growth rate scenario, a more unequal pattern of regional growth results in a higher level of poverty than in the base case. It is roughly equivalent to a reduction in the overall GDP growth rate of around 1.5 percentage points.

2.5. Implications for Vietnam's Development Targets

27. Assuming an average household size of 4.7 persons (based upon VLSS98 data), then the HEPR target of lifting 280,000 households out of poverty each year corresponds to 1.3 million fewer people living in poverty each year. At this rate, poverty would be reduced to around 16 percent, or by approximately half, by 2000. Based upon the projections, this will require either:

- growth of at least 7.5 per cent annually (that is, in line with the targets set out by the SEDS and the government's 5-year socioeconomic development plan); or
- significant improvements in the sharing of the benefits of growth across regions, particularly in areas where there are high levels of poverty; or
- a combination of high growth and a more even distribution of growth.

28. This will not be an easy feat. The Government recognizes that halving poverty in the next decade is not going to be as easy as halving it in the previous decade. In the past decade, many of the poor were bunched just below the poverty line, and the high growth generated by the first generation of reforms was enough to reduce poverty by half. But the kind of second generation reforms that are required to generate enough growth to halve poverty again in the next decade (discussed in the next chapter) are much more complex and require greater technical capacity and political will. **Hence, a more realistic target to adopt is the one denoted by the base case: that of reducing poverty by 40 percent (instead of the 50 percent denoted by the high case) and bringing it down from 33 percent in 2000 to 20 percent by 2010.**

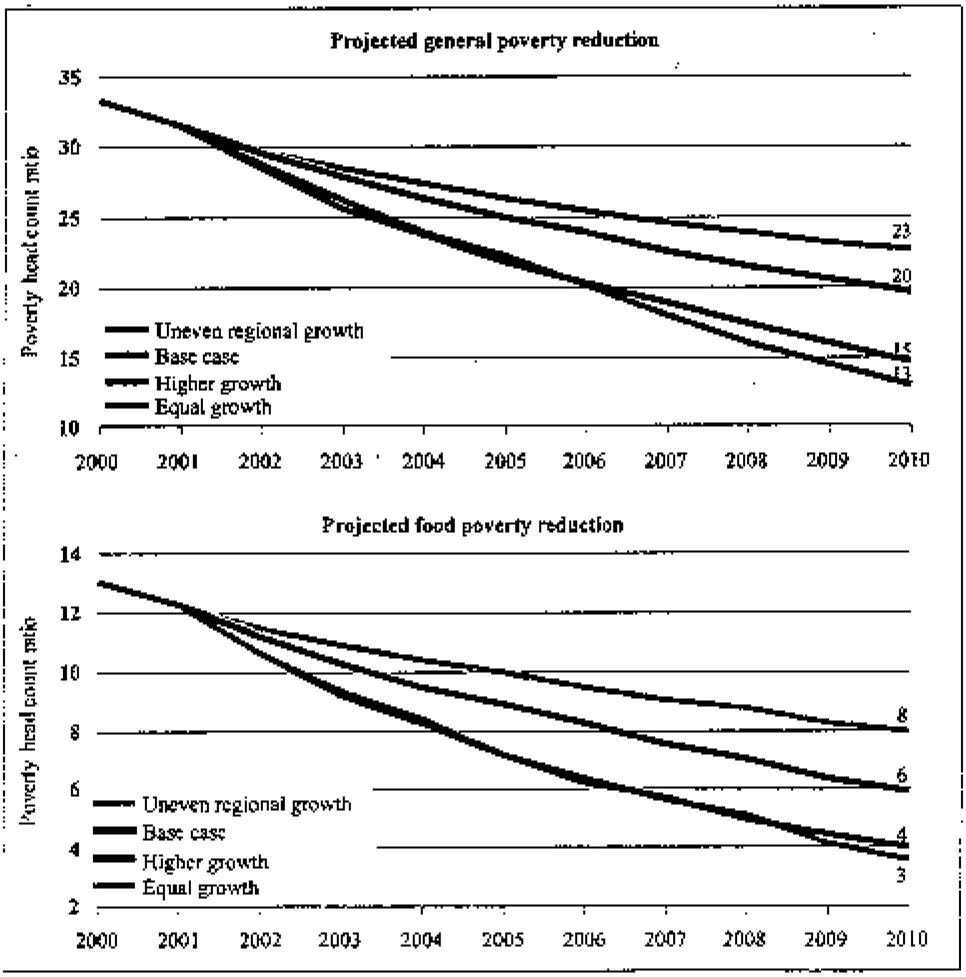
29. While Vietnam has already met the MDG of halving hunger during the last decade, achieving its own development target of eradicating hunger in the next decade will also be more challenging. Even with the high growth rates envisaged in the SEDS, around 4 per cent of the population will remain below the food poverty line at the end of the decade. Under the base case scenario, about 6 percent of the population will remain below the food poverty line at the end of the decade. Based on the distribution of poverty identified in the 1998 VLSS, we can estimate what pattern of growth would be required if the hunger eradication goal is to be met.

30. Table 2.2 shows the required rural and urban growth rates that would be required for each region to make the bottom 5 percent of the population reach the food poverty line (column c). It compares these required growth rates in the expenditures of the poorest of the poor with the historical average growth rates achieved between 1993 and 1998 for the region as a whole (column d).

31. Two strong messages come from Table 2.2. Firstly, that growth must be shared more equally across regions if Vietnam is to get close to eradicating hunger. The past pattern of growth will not be enough — sharing must be more widespread than in the past decade. Rural poor in regions like the Central Coast, Central Highland and Mekong Delta need to have a greater role in generating future growth in Vietnam. Secondly, even balanced growth across the regions will not be enough to eradicate hunger — strong efforts will be required to target assistance to the poorest of the poor. In some rural regions, such as those in Northern Uplands, Central, Coast, Central Highlands, and the Mekong Delta, eradicating hunger would imply that the expenditures of the extreme poor would need to grow significantly faster—sometimes, two or three times the average expenditures of the region. This will clearly not be possible without significant efforts at improving the targeting of assistance to these groups.

32. Completely eradicating food poverty is likely to be a difficult target to achieve. It may therefore be unreasonable to set a target of moving every person above the food poverty line between 2000 and 20 1 0. A more realistic target is to reduce food poverty by 75 percent between 2000 and 2010. **This would see the incidence of food poverty fall from around 13 percent in 2000 to around 3 percent by 2010**. This target was agreed to by participants at the workshop in Hai Phong. As is clear from Chart 2.2, a combination of high and more balanced growth, complemented by targeted assistance to very poor regions, will be required if this target is to be met. This target is more demanding than the general poverty target and if Vietnam were to meet it, it is likely that overall poverty will be reduced by more than the targeted 40 percent.

Chart 2.2 Possible influences on projected poverty reduction



33. The following chapter discusses what will be required in terms of policies to generate the level and pattern of growth required to meet Vietnam's development targets, and what complementary policies will be needed to assist the poorest of the poor to meet Vietnam's targets for hunger eradication.

Table 2.2 Required growth to eradicate hunger (poorest 5%)

	Expenditure of poorest 5% of food poor 1998 (a)	Projected expenditure of poorest 5% of food poor 2000 (b)	Average growth in expenditure of poorest 5% required to reach food poverty line (e)	Historical average growth rate of whole region 1993-1998 (d)
	000 VND	000 VND	%	%
Northern Uplands				
Urban		1230	0.5	13.2
Rural	601	626	7.5	5.4
Red River Delta				
Urban	1132	1219	0.5	9.4
Rural	596	646	7.1	10.3
North Coast				
Urban	1059	1209	0.6	17.3
Rural	711	754	5.5	7.4
Central Coast				

Urban	683	726	5.9	7.8
Rural	455	473	10.5	5.0
Central Highlands				
Urban	na	na	na	na
Rural	411	428	11.6	5.0
South East				
Urban	1105	1246	0.0	15.6
Rural	881	966	2.9	11.8
Mekong Delta				
Urban	909	961	3.0	7.1
Rural	591	601	7.9	2.1

Note: Column (a) is the average expenditure of the poorest 5 per cent of the food poor in each area based upon VLSS98. Column (b) is the projected expenditure for each group in year 2000, based upon historical growth rates (as for chart 2.1). Column (c) indicates the average annual growth required to lift household expenditure above food poverty line. Column (d) indicates average growth in real expenditures from VLSS93 to VLSS98 (table 4.4 of Attacking Poverty). Poorest 5 per cent expenditure taken to avoid possible problems with outliners.

Source: CIE estimates.

3. WHAT NEEDS TO BE DONE

3.1. Meeting the poverty targets requires sustained, widespread growth

34. The 1999 *Attacking Poverty* report found that the large and rapid gains in poverty reduction that Vietnam achieved during the 1990s were largely driven by rapid land-based growth and liberalisation of the informal services sector. However, this source of growth and poverty reduction is largely exhausted - the availability of land is limited and landlessness is emerging as an issue. Furthermore, as families grow, a large proportion of the rural population will unable to be gainfully employed on a small piece of land. This is one reason why the 1998 VLSS found that over 60 per cent of the rural population is underemployed. During the next decade the challenge for Vietnam will be to create more and better paying jobs both in rural and urban areas through rural and urban industrialisation. Without these jobs (and the growth that generates them), Vietnam's poverty reduction and hunger eradication targets will be difficult to achieve.

35. Simply replicating the current levels of growth will not be enough. Over the past four years, real GDP growth has averaged little over 5 per cent - this will not be sufficient to lift an average 280,000 households out of poverty each year, as required by the HEPR. Nor will it be enough to eradicate hunger. Achieving this will require the growth rates of 7 per cent and above envisaged by the Government's SEDS. Furthermore, if hunger is to be eradicated, then the poorest of the poor will need to benefit more than disproportionately from this growth. In addition to balanced growth, this will require strong efforts at targeting these groups.

36. If Vietnam were to achieve the SEDS growth targets, it will have sustained average real per capita growth of around 6 per cent for two decades and this could lead to a halving of poverty during the next decade (and overachieving the VDT of a 40 per cent reduction in poverty). Some high performing Asian countries, such as South Korea, Taiwan (China), China have achieved similar levels of sustained growth over 20 years during their high growth phases (see the 2001 Vietnam Development Report). However, others such as Indonesia, Malaysia and Thailand have only managed to average per capita growth of between 4 and 5 per cent during their high growth phases. For Vietnam to achieve a further decade of 7 per cent plus growth will be a significant achievement.

3.2. Vietnam has a roadmap for reform that will support high growth

37. The high growth of the nineties was a dividend of good policy reform. Between 1990 and 2000, Vietnam grew on average at over 7.5 percent annually. This growth was the result of a range of policies that opened up the economy to greater competition - both internally and externally - improving the incentives for production

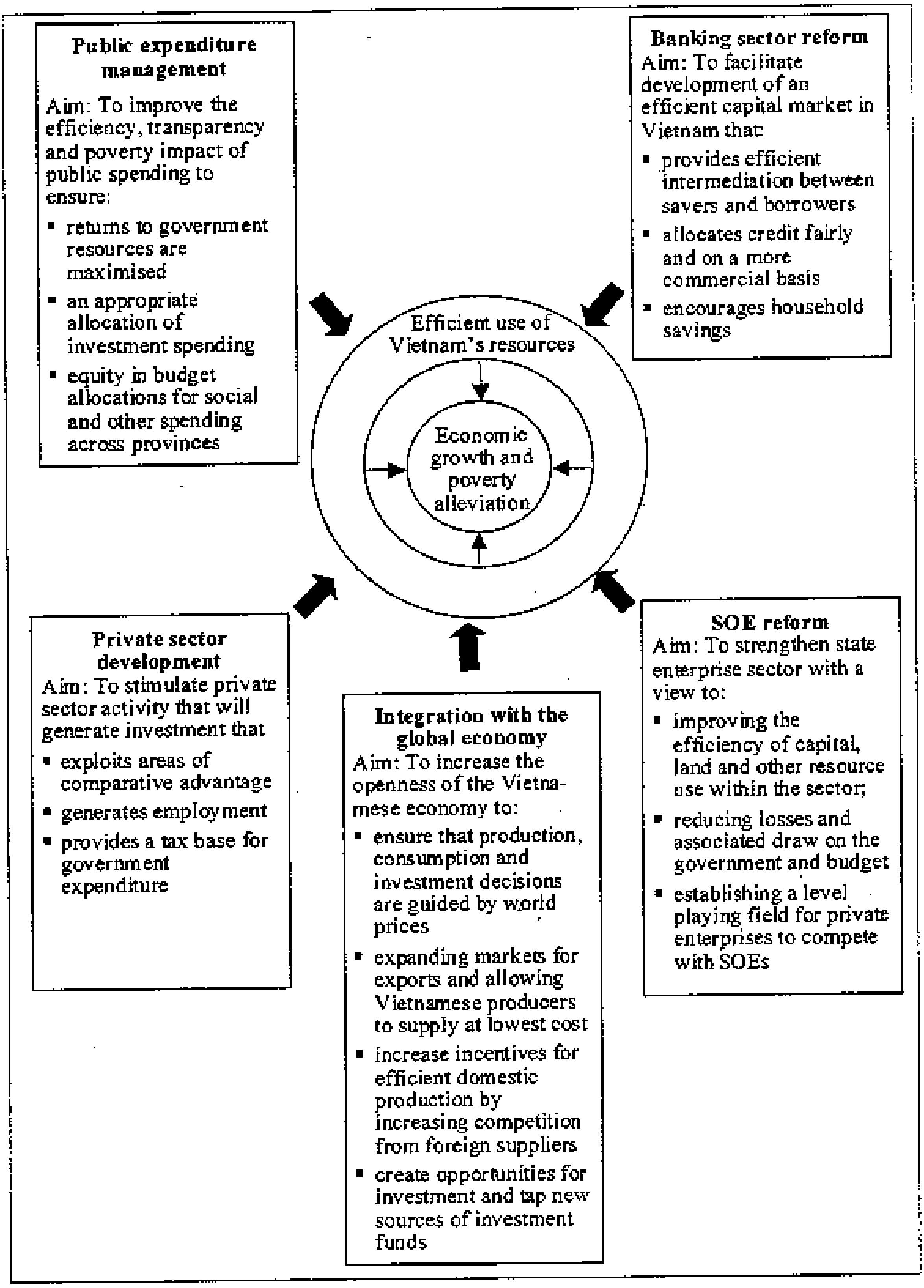
and improving the allocation of resources (land, labour and capital). Many of the benefits of the first round of reforms have been realised and further reforms are required to build momentum for future growth and poverty reduction.

38. Vietnam now has in place a reform program that will support its high growth and poverty reduction target for the coming decade. This reform program is laid out in the I-PRSP and in the supporting documentation for the Poverty Reduction Support Credit (World Bank, 2001a). The reform program covers five key areas:

- private sector development
- trade reform and integration
- state enterprise reform
- restructuring the banking system
- public expenditure management.

39. These five broad groups of reforms seek to improve the efficiency with which resources are allocated and used in Vietnam, generating growth in incomes and employment and providing resources for poverty reduction. Each set of reforms seeks to influence resource use, productivity and growth in a number of different ways. Chart 3.1 illustrates the linkages between the reforms, economic growth and poverty alleviation.

Chart 3.1 The links between growth and poverty alleviation



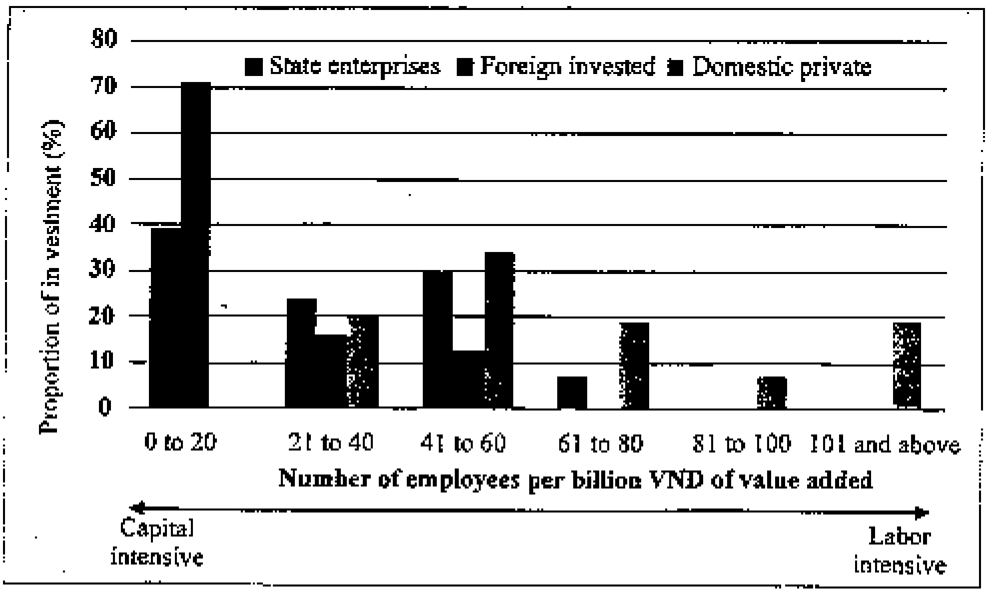
40. The implementation of these reforms during the coming decade will not be an easy task. It will require a sustained effort to provide information and knowledge for the leadership and policymakers in Vietnam on the links between these reforms and growth and poverty reduction, so that consensus can be built on the direction and pace of reforms. It will also require the provision of information and knowledge on these issues at the grassroots levels, so that there is a demand for these reforms from the people of Vietnam. This will require capacity-building of social development and community-based organizations so that they can create the necessary understanding at the grassroots level. And even if a consensus is built between the people of Vietnam and the leadership, on the way ahead, there will still be difficult challenges on the implementation of these reforms. What will be required is an alignment of the legal and public administrative system of Vietnam to the goal of a transition to a market-based economy. This will require a fundamental change in the way that

Vietnam is governed and administered. These issues of legal reform and public administration reform (PAR) were discussed in *Vietnam: Entering the 21st Century* (World Bank et al. 2000a) and are further discussed in the accompanying paper on governance (ADB, 2000b).

3.2.1. Private Sector Development

4 1. The private sector will need to be the key driver of growth and employment in Vietnam over the next ten years. State sector growth is likely to be constrained as reforms in the banking sector and in state enterprises themselves work through (see below). Even if state enterprises were to grow, they are unlikely to be a big source of employment. Despite accounting for around 40 per cent of GDP, the state sector (including government administration) accounts for less than 9 per cent of total employment. The reason for this is that state enterprises tend to locate in capital intensive activities (Chart 3.2).

Chart 3.2 Distribution of investment by employment density



Data source: World Bank et al (2000).

42. Private firms, because they do not have the safety net of state backing, have strong incentives to invest in areas where they are most profitable and most competitive. Given Vietnam's current endowment of labour, capital and land, these activities have tended to be more labour intensive than those undertaken by SOEs or foreign enterprises (chart 3.2). The labour intensive growth generated by the private sector will be an important contribution to creating the 13.5 million new jobs that the government's employment strategy estimates will be required over the next 10 years.

Much of the Government's reform program is aimed at leveling the "playing field" for the private sector in terms of improving access to inputs and also their ability to compete in output markets. The Government is complementing these broader measures with a number of other measures to support private sector development. It has already implemented a new Enterprise Law that has led to a considerable expansion in the number new business registrations. Since the implementation of the Enterprise Law in January 2001, almost 20,000 private small and medium enterprises (SMEs) have been registered — compared to an average of just 3000 registrations a year prior to 2000. Preliminary results from a survey commissioned by the World Bank suggests that majority (70 per cent) of these new registrations are completely new enterprises. That is, the registrations represent new investments and are not simply transformations of existing enterprises. Furthermore, GSO data suggests that, while the number of enterprises is growing fast, employment growth is growing even faster — averaging around 30 per cent in the formal private sector between 1998 and 2000.

43. Future reforms aimed at private sector development include: eliminating barriers to entry by simplifying or removing business licences; the establishment of credit and guarantee mechanisms for small and medium enterprises (SMEs); facilitation of the formulation of business associations for private sector firms; improving private sector access to land and credit by allocating access more transparently, removing restrictions on the use of agricultural land for industrial use, the establishment of a secured transactions office to facilitate the use of land as collateral; and the removal of the dual pricing system and implementation of the revised foreign investment law.

3.2.2. Trade Reform and Integration

44. Trade reform has been, and will continue to be, a critical element of generating future growth and reductions in poverty. There is strong international evidence that open economies perform better than closed economies. For example, the OECD (1999) found that from 1963 to 1992, open developing economies typically achieved growth rates in GNP per capita that were five percentage points higher than those in closed economies. Frankel and Romer (1999) also found a strong causal link between openness, growth and income. Their study found that a one percentage point increase in the ratio of trade to GDP led to a two to three per cent increase in income per person.

45. Openness to trade and investment facilitates growth through a number of avenues. Competition from foreign producers generates strong incentives for domestic producers to be efficient and competitive while at the same time allowing them to access their inputs at the lowest cost. This discipline also means that investment is directed to activities that can operate without explicit subsidies from the Government or implicit subsidies in the form of protection from imports. Open markets also increase investment opportunities. A large proportion of foreign investment is directly linked to trading opportunities - textiles and garments is a classic example with Vietnam expected to see increases in investment in this area to take advantage of improved access to the US market. Openness to both investment and trade facilitates technological improvement, either through directly accessing the technology and technological expertise of foreign investors or being able to purchase up-to-date equipment and quality inputs (APEC, 2000).

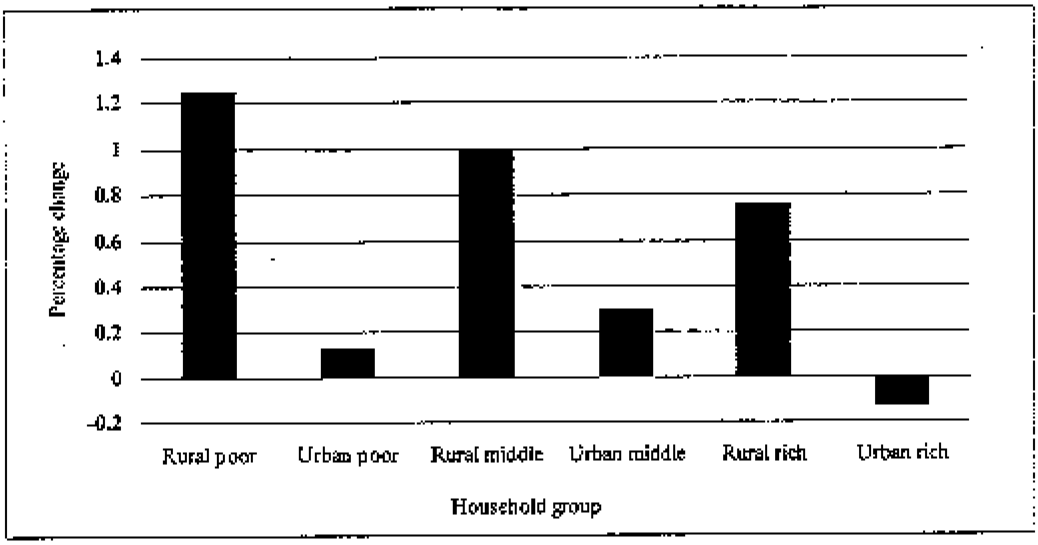
46. Vietnam has already made significant progress in rationalising its trade policy regime. Starting from a managed system of trade with very little participation and few of the modern instruments of trade policy, Vietnam has moved towards a more open trade regime with wide participation in most areas and with a comprehensive tariff schedule. However, a number of key commodities remain subject to costly quantitative restrictions, and these are the focus of the medium term trade reform program. By 2003, the Government will have removed restrictions on the import of clinker, paper, steel, construction glass, vegetable oil, ceramic and granite tiles and will have further liberalised the exports of rice.

47. Vietnam is pursuing further integration through membership of multilateral institutions. Vietnam is a member of ASEAN and is implementing the Common Effective Preferential Tariff (CEPT) and other trade related measures as part of the ASEAN Free Trade Area agreement (AFTA). The AFTA agreement will mean that Vietnam will have a maximum tariff of 20 per cent on most products by 2003 and of 5 per cent by 2006. The exceptions will be certain sensitive goods such as some agricultural products, petroleum and tobacco products.

48. Vietnam is also pursuing membership of the WTO and is negotiating various bilateral trade agreements as part of the accession process. Arguably, the most important negotiated so far is the bilateral agreement with the United States (US-VN BTA). Under that agreement, Vietnam has agreed to a range of reforms that will open access to its markets and in return will gain MFN access to the US market. One of the key elements of the US-VN BTA is that Vietnam has agreed to substantially open up its services sectors - including banking, nonbank financial services, insurance, legal, accounting, engineering, computer-related and construction — to competition from US firms. These are expected to substantially increase competition in service sectors and would be expected to result in improvements in efficiency and reductions in costs. Vietnam has also agreed to reduce tariffs on a modest range of agricultural and industrial products, phase out all WTO-inconsistent investment related measures such as local content requirements, free up trading rights for US firms, remove quantitative restrictions on imports, and apply WTO-consistent protection for intellectual property.

49. Concern has been expressed in some quarters that trade reform and integration will have adverse consequences for the poor. The World Bank has commissioned research to investigate the effects that trade reform has on income distribution. The results of this work are expected to be available towards the end of this year. However, existing research into this issue suggests that trade reform will benefit the poor. Pham Lam Huong (2000) of CIEM has investigated the distributional impacts of trade reform. Her work, summarised in Box 3.1, was based upon the 1992-93 VLSS and found that trade reform would not have adverse consequences for the poor, with real incomes for both rural and urban poor increasing (Chart 3.3).

Chart 3.3 The Effect of Trade Reform on Real Total Income



Note: This scenario assumes that the forgone revenue from reducing tariffs is replaced by increased indirect taxes. This indirect tax effect reduces the incomes of urban rich who tend to buy goods that are subject to indirect taxes. If forgone revenue were replaced by increased borrowing, then, ignoring the effect of higher taxes in the future to repay this debt, all households would see increases in real incomes in the short to medium term.

50. The Center for Rural Progress examined the effects that liberalisation of rice exports would have on the poor. One argument that has been raised is that the poor may not benefit from trade liberalisation because they often lack land and so cannot exploit new opportunities for trade. The Center's results (CRP, 2000b) indicated that, to some extent, this statement is true — the poor do not benefit much from rising rice prices as a result of liberalising exports (but nor are they worse off either). However, CRP also reminds readers of the importance of not focussing solely on the direct effects of liberalisation — unskilled labour, which is often the only asset of the poor, is mobile across sectors and can take up opportunities created by trade liberalisation in other sectors. For example, An Giang province is expected to benefit from investment from companies from Ho Chi Minh City that are seeking to take advantage of relatively cheap labour in that province and good transport links to produce garments for export to the United States. This activity would draw workers from the rural sector and improve incomes of the poor (CRP 2000b).

3.2.3. State Enterprise Reform

51. The state sector is in critical need of reform. This reform will free up resources for growth and for poverty reduction spending. According to official estimates' nearly 60 per cent of SOEs are failing to make a profit and a large proportion of their estimated VND 190 trillion debt is non-performing. The losses generated by these enterprises are also ultimately covered by the Government's budget — absorbing revenue that could have otherwise been used for social spending and poverty alleviation purposes. SOEs absorb nearly 50 per cent of bank credit and account for around 30 per cent of GDP their draw on national resources is also considerable. With domestic and overseas competition increasing as the Government's reform program works through, the Government has recognised the urgent need to reform the state enterprise sector to improve the efficiency of their production and free up national resources for private enterprises to grow.

Box 3.1 Modelling the Distributional Impact of Trade Reform

Huong (2000) developed a general equilibrium model to examine the impact of trade and investment policies on income distribution in Vietnam between 1990 and 1998. In particular, Huong used this model to observe the impact of reducing all tariffs to 5 per cent to identify the effects of trade reform on income distribution. Her results indicated that real incomes of the poor will increase as a result of trade reform (Chart 3.3).

Decreasing tariffs lowers the cost of imported inputs but reduces the output prices of previously protected goods. Therefore, the agriculture sector experiences strong growth because the benefits of cheaper imports outweigh the relatively small drop in tariff protection. However, highly protected industries that compete with imported goods such as the cement and steel industries experience declines. Labour intensive industries also benefit more than those that are capital intensive because of the availability of labour compared to capital.

As agriculture and other labour intensive, export orientated industries expand they employ more unskilled labour. This increase in employment significantly improves poor households' incomes. Households also find that the goods that they purchase are cheaper following trade reform generating a further boost to real household incomes. As agriculture experiences the largest expansion, rural households gain more than urban households and this reduces the rural-urban income gap. The model also shows that rural income equality improves as well, because the real income of poor rural households increase more than the income of richer households.

Source: Huong, 2000

52. The Government is planning two broad measures — general measures for all SOEs that will generate greater transparency, accountability and financial discipline; and enterprise specific measures that will see restructuring and equitization of over 2000 state enterprises. General measures include:

- quarterly monitoring of highly indebted enterprises;
- restraining credit growth to SOEs relative to overall credit growth;
- debt relief/rescheduling to SOEs that implement major reforms or restructuring of their enterprises;
- rigorous requirements for financial and audit reporting;
- improvements in Government capacity to monitor SOEs; and
- streamlining the process of equitization.

53. These general measures are aimed at improving the efficiency and profitability of the state sector. Tighter financial reporting and accountability, reduced access to credit, and overall tighter budget constraints are necessary if increased competition is to be translated into gains in efficiency. If enterprises were not subject to this discipline, the consequences of not keeping up with competition would be borne by the state budget (through subsidising losses) rather than by the enterprises themselves. There is less incentive for enterprise managers to improve performance.

54. The Government is planning to equitize, sell or liquidate nearly 1800 state enterprises. Over half of these planned equitizations will be 'major' equitizations that wilt shift control out of state hands. While the equitization process has yet to get underway in any great numbers, the emerging evidence is that equitization can increase both employment and profitability (World Bank, 2001). These positive outcomes emerge because enterprise managers have greater autonomy and incentives to improve efficiency and profitability. These incentives are likely to be particularly strong because equitized enterprises no longer have an automatic right to support from the state budget.

55. The reforms are likely to involve reductions in the state enterprise employment as some of these enterprises close and as others shed labour in order to improve their efficiency and profitability. Belser and Rama (2000) estimate that the reforms could involve up to 400,000 workers separated from their jobs. The Government is putting in place a safety net for displaced workers to mitigate the impact that these reductions in employment will have on their living standards. This safety net is in the form of the Assistance Fund for SOE Rearrangement-and Equitization. The Fund will finance compensation and retraining packages for redundant workers.

3.2.4. Banking Sector Reform

56. Investment is critical to growth and a well functioning capital market will allow capital to be directed to the investments with the greatest growth pay-off for Vietnam. A large amount of bank credit is directed to unprofitable and unproductive SOEs at the expense of domestic private firms. Unless private firms can get better access to capital, they will not be able to grow and generate the growth in incomes and employment necessary to lift people out of poverty. Strengthening the banking sector is also critical if Vietnam is to avoid the kind of financial crises that some other countries have experienced. Such financial crises can set back poverty reductions efforts as their effects are felt right throughout the economy.

57. The Government's reform program is aimed at strengthening the domestic banking sector through improving and restructuring the regulatory and supervisory framework and also restructuring both the State Owned Commercial Banks (SOCB) and the joint stock banks (JSBs). The Government has decided to avoid use of non market instruments — such as interest and exchange controls, directed lending, and restrictions on competition — to restructure the banking system. The international experience with a non-market approach is that it is particularly costly in terms of long-term growth (World Bank, 2001a).

58. The Government has already strengthened the prudential regulations governing banking activities and over

the next three years will strengthen the supervisory capacity of the State Bank of Vietnam. The Government will also strengthen the legal framework governing creditor rights. The owners of JSBs, which are largely non-state enterprises, will be required to recapitalize their operations to meet minimum prudential standards. Those banks that are unable to meet these capital requirements will either have to merge or be closed.

59. The reforms to the SOCBs are probably the most critical to the success of the Government's banking reform program. These banks account for nearly 80 per cent of total bank assets. The restructuring of these banks will focus on:

- phasing out policy and non-commercially based lending — this will ensure that capital will be lent to-the investments with the highest returns and not be used to subsidise unprofitable state enterprises;
- recapitalisation of the each SOCB - recapitalisation will be subject to an approved restructuring plan being in place;
- resolving non-performing loans; and
- conducting annual independent audits.

3.2.5. Public Expenditure Management

60. Public expenditure has the potential to be an important tool for targeting those that may not benefit directly from economic growth — and improving equality. However, to effectively accomplish these goals, government spending needs to be managed efficiently. Comprehensive budget and actual expenditure information is essential to efficient management.

61. The enactment of the Budget Law in 1997 and the removal of the secrecy of budgetary information in 1999 have significantly improved Vietnam's public expenditure management and transparency of public spending. The current system produces relatively reliable revenue forecasts each year and ensures that actual spending is in line with, budgets and available resources. It also implements checks and verifications of quarterly expenditure.

62. However, the joint government-donor public expenditure review (PER), Managing Public Resources Better (World Bank, 2000) identified additional areas that need addressing. These include:

- Improving the consistency and timeliness of data reporting by standardising the classification and accounting systems across sectors.
- Producing more comprehensive budgetary spending data by including "off-budget" accounts and all ODA - funds.
- Improving access to detailed budgetary information.
- Integrating the recurrent and capital spending in the budget formulation and execution processes.
- Improving allocation processes to ensure equity across regions and provinces.

63. The PER also recommended reallocating spending to increase spending in health, transport and agriculture. However, further work is required to determine the extent of this increase.

64. In response to the PER, the Government has developed a program of reform for public expenditure to be implemented over the next three years. Additional budgetary data will be published and all commune budgets will be posted outside commune offices to improve transparency. Various "off-budget" Government accounts and their funding sources will also be included in budget and expenditure information. To increase consistency, Treasury in MOF will become the main department responsible for public accounts. They will implement a fully integrated public financial management system - including a fully uniform accounting system in the Treasury. Recurrent and capital spending will be integrated in the formulation and execution of the budget.

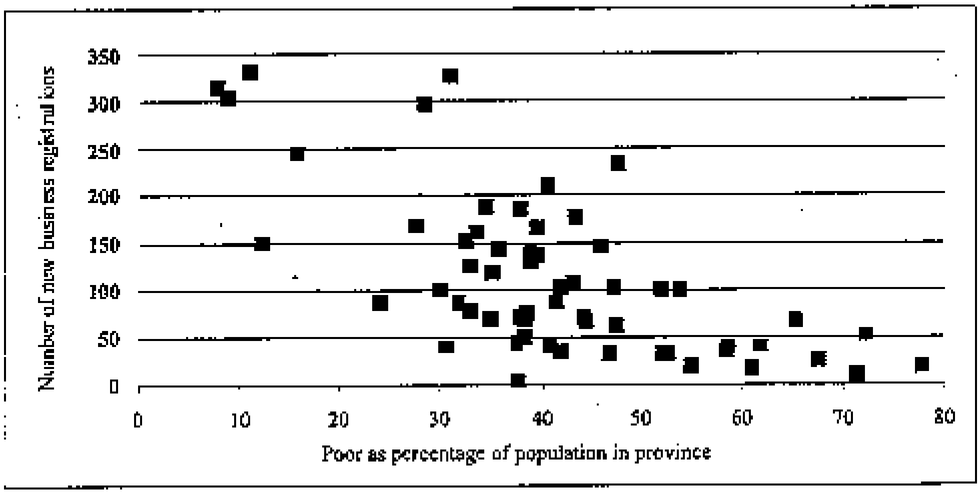
65. The reforms also include initiatives that will make a direct contribution to reducing poverty. These include revising the "norms" for recurrent budget allocations and cash transfers to poorer provinces. Medium term sector expenditure programs will be developed — starting with the basic education sector. This will give more focus to priority areas that impact on poverty.

3.3. Achieving Broad-based Growth

66. The importance of achieving more widespread growth was highlighted earlier in this report. As Chart 3.4 shows all provinces are benefiting, to varying degrees, from the Government's reforms in support of private sector development. Even the poorest provinces are seeing some degree of new enterprise formation. That said, Ho Chi Minh City and Hanoi, accounted for nearly 55 per cent of new business registration in 2000 and new investment is tending to occur in provinces which are relatively better off. Further, the poverty projections

in Chapter 2 have already shown that growth and investment that is concentrated in two or three areas will not be sufficient to achieve Vietnam's poverty reduction targets.

Chart 4.3 New Business Registration and Poverty by Province



Note: Data for HCMC and Hanoi not shown due to scale. Registrations in these provinces were 5409 and 2312 respectively while poverty headcounts were estimated at 4 and 15 per cent respectively.

Data source: Poverty data from Minot and Baulch (2001), business registration data from MPI

67. The characteristics of the poor shed some light on the type of policies required for increasing the participation of the poor in future growth. The 1998 VLSS identified the following common characteristics of the poor.

- The head of the household is most likely to be a farmer — almost 80 per cent of the poor work in agriculture.
- Most of the poor live in rural, isolated or disaster prone areas, where physical and social infrastructure is relatively undeveloped.
- Poor households typically have small landholdings or are landless, and have limited access to credit.
- Households with many children or few labourers are disproportionately poor.
- The poor are disproportionately likely to be from an ethnic minority.
- The poor are disproportionately -likely to -be children.
- The poor have limited education: people who have not completed primary education make up the highest incidence of poverty.

68. From these observed characteristics, it is clear that policies affecting agriculture and rural development, infrastructure, education/human development and the development of ethnic minorities will have strong influences on the extent to which the poor will benefit from future growth. Identifying appropriate localised targets for infrastructure, education and ethnic minorities are the focus of the companion IDT/NDT papers and so the remainder of this section will focus on policies to support agricultural and rural development.

69. With over 90 per cent of the poor living in rural areas, agricultural and rural development is a priority for Vietnam. The Government's ten year agriculture and rural development strategy outlines a vision for the rural sector that is based upon sustainable, highly efficient, diversified and internationally competitive agriculture and complemented by a rapidly growing off-farm sector. The strategy targets agricultural production growth of 4-4.5 per cent per year and rural industry growth of between 10 and 12 per cent per year.

3.3.1. Intensifying and diversifying agricultural production

70. As with many of the Government's strategic targets, the agricultural growth target will mean that Vietnam will be pushing the envelope of what other countries have achieved in the past. Agricultural growth in Vietnam averaged 4.9 per cent per year over the last decade and very few countries have sustained growth rates over 4 per cent per year for twenty years (World Bank et al, 2000). The availability of new land for cultivation is limited so that much of this growth will need to be generated by productivity improvements in the farm sector. This will require the application of more capital and more technology to raise yields.

71. The Government's agriculture and rural development strategy recognises the importance of scientific advances in the agriculture sector. For example, it emphasises the importance of advances in plant varieties, biotechnology, intensive farming techniques, post-harvest technology and infrastructure technology. The strategy also recognises the importance of getting this information to farmers. Without this extension activity, the benefits of research will not be realised. The Vietnam Development Report (VDR) 2001 (World Bank et al, 2000) calls for greater spending on agricultural research and extension - Vietnam only spends 1.7 per cent of public spending on agriculture on research and extension compared with 6 per cent in China and around 10 per cent in Thailand and Malaysia.

72 The Government's state enterprise reform program will have significant benefits in terms of freeing up funds for agricultural research and extension. Currently, agricultural state enterprises receive substantial subsidies in the form of soft loans, debt forgiveness, tax exemption and preferential access to land and infrastructure. One example is that of fertiliser-importing SOEs that receive interest subsidies equivalent to total Ministry of Agriculture and Rural Development expenditure on agricultural extension (World Bank et al, 2000).

73. Growth in the agricultural sector will also be driven by a more diversified crop mix. Backed by a strong political urge to be self-sufficient in food production, rice continues to have a dominant role in agriculture. While in principle, farmers are free to produce crops of their choice, farmers that attempt to switch from paddy farming to other crops can face restrictions or resistance from local officials (World Bank et al, 2000). These restrictions not only limit farmers in their ability to select crops with higher returns but also limit their ability to spread risk across a number of income sources.

74. Two papers by the Center for Rural Progress (2000a and 2000b) highlight the importance of diversifying and spreading risk. In the papers, the Center examines the vulnerability of poor households to changes in prices of sugar and rice. Their results indicate that adverse price shocks can lead to a deterioration of poverty indicators such as the headcount ratio. CRP (2000a) notes that farmers can respond to these shocks by increasing productivity and increasing yields and looking for alternative crops. CRP suggests that the latter would not be able to proceed without Government assistance with extension services, technology transfers and information dissemination.

75. The Government's agriculture strategy acknowledges the need to diversify production. It identifies a number of potential crops and sets production targets for these. A danger with such a top-down identification approach is that farmers may be encouraged to invest in these new crops either through incentives such as additional land or subsidised credit or through restrictions on land use and then find that production is not sustainable in certain areas without continued support from the Government. The sugar industry is a good example of the problems that can emerge with this type of approach. The VDR 2001 identifies the requirements for a policy environment that would avoid these problems. This environment would be one which:

- gives farmers as much information (technical and market) as possible in a comprehensible form;
- allows farmers access to credit at positive real interest rates;
- creates a supportive physical infrastructure;
- promotes the growth of agro-industry and facilitates access to international markets; and
- then allows farmers to make up their own minds about the most appropriate investment for their farms (World Bank et al, 2000).

3.3.2. Creating opportunities for off-farm employment

76. Increasing off-farm employment will be critical if labour productivity is to be increased. Agricultural value-added per worker is low in Vietnam and has grown little over the past ten years. The underlying problem is that one square kilometre of arable land in Vietnam supports more people than almost anywhere in the world. It is therefore no surprise that over 60 per cent of workers in rural areas are underemployed (Attacking Poverty 1999). The VDR 2001 estimates that 6 million people will need to shift employment to industrial or service sectors if agricultural value-added is to be doubled by 2010. Add to this, the need to find an additional 1.3 million jobs a year for a growing workforce many of which will need to be for workers living in rural areas - and the absolute importance of the development of the rural off-farm sector is very clear.

77. The development of agro-processing and off-farm employment will benefit from the general reforms supporting private sector development in Vietnam. These reforms will need to be complemented by policies that:

- support the development of marketing and linkages between suppliers and processors;
- ensure an enabling environment for private enterprise formation at the local level; and
- support development in poorer and upland areas.

78. State enterprise reforms will have big pay-offs for agro-processing. The World Bank et al (2000a) suggests the dominance of SOEs in agro-processing is crowding out the development of private SNEs by absorbing most of the available credit. Around 85 per cent of outstanding medium- and long-term corporate loans with the Vietnam Bank for Agriculture and Rural Development (VBARD) are held by SOEs. It is likely that much of this credit is being used to finance on-going losses by SOEs rather than funding efficient investment.

79. The Government's financial sector reform will also complement rural industry development. Very few Vietnamese private sector agro-processing enterprises have access to loans of any significant size from formal financial institutions and only 33 per cent of rural households had loans from formal financial institutions. Without access to credit, farmers will not be able to invest in the equipment or high quality seeds required for productivity gains nor will entrepreneurs be able to establish small agro-businesses or expand existing ones. Reductions in directed lending and deregulation of interest rates will assist in expanding the outreach of financial institutions into the rural sector. Microfinance activities can also be an extremely important source of finance for households with limited access to formal capital markets, particularly for the poor and for women.

80. The effects of agricultural and rural development on job creation can be complemented by ensuring that labour is able to readily relocate to areas of higher growth and better job prospects. Reducing barriers to people locating in high growth areas assists poverty reduction goals in three ways. Firstly, it allows those in poor, low growth areas to benefit from growth in other regions through employment. Secondly, firms will have better prospects for sustained growth than if they were constrained by a pool of labour that was limited by geographic boundaries. And thirdly, private transfers and remittances from those employed in urban areas to their families in rural areas form an important mechanism for reducing rural poverty.

3.4. Complementing Growth with Targeted Poverty Reduction Programs

81. Even with high, broad-based growth, there will be some groups of poor that do not benefit as much as others. As discussed earlier, hunger eradication will require targeted assistance for the poorest of the poor. MOLISA administers the Government's targeted assistance program for poor households through the Hunger Eradication and Poverty Reduction (HEPR) Program (Program 133). Eligible poor households are determined by MOLISA officials at a commune/ district level.

The HEPR strategy focuses on eleven key direct targeting policy areas:

- credit for the poor;
- health care;
- education-and vocational training;
- support of ethnic minorities having especially difficult circumstances;
- social security;
- legal assistance for the poor;
- support of the poor in housing and production;
- basic infrastructure works in poor communes, and communes that have especially difficult circumstances;
- training of the poor on business skills, extension services;
- migration to new economic zones; and
- support of the poor in culture and information, to increase people's knowledge level.

82. These policy areas cover a diverse range of project activities from providing free family planning services to replacing bamboo bridges with concrete bridges. Each policy area has a set of identified objectives. For example, the credit policy aims to create conditions to make it easier for the poor to access credit. This will be achieved by diversifying capital sources and increasing loan amounts. MOLISA has also identified that poor households will require business skills training at the same time. Savings/credit schemes in favour of the poor will also be encouraged. The objective of the infrastructure policy is to ensure that poor communes have sufficient essential infrastructure by 2010. Average infrastructure investment is aimed at 1 billion dong per year for each commune experiencing difficult circumstances.

83. Health care initiatives include providing additional health staff and supplies to villages and encouraging both local and international organisations to provide voluntary health care services, and buy health insurance for the poor. Pupils from poor households are supplied with textbooks and receive a reduction in school fees.

84. The Government has also designed a program of targeted interventions to assist poor people living in poor communes (1715 Poor Communes Program or Program 135). This program is discussed in more detail in the accompanying paper on basic infrastructure (JBIC, 2001).

85. Given that resources are limited, it will be important to target carefully. Van de Walle (2001) shows that there, is ample scope for improving the targeting of Government's HEPR program. Minot and Baulch (2001a) also show that there is ample scope to improve the targeting of the Government's Poor Communes Program. A problem with VLSS data as a basis for targeting is that the sample size is too small to identify poor provinces. To overcome this, Minot and Baulch (2001a) have applied a methodology that combines information from the VLSS with data from the most recent census to produce estimates of poverty at the provincial level[3]. Chart 3.5 presents the resulting poverty map from this exercise and the underlying data is included as an appendix. This work will be extended to the district level and can be combined with qualitative information at the local level to identify poor communes and poor households.

86. Using the results of their analysis, Minot and Baulch test how well Vietnam's existing lists of poor and remote communes do in targeting Vietnam's poor population. They find that these lists do not perform well in term of targeting as they exclude a large number of poor people living in other areas. They suggest that demographic variables, housing characteristics and ownership of durable assets might help sharpen the focus of targeting. A simple procedure for identifying and targeting poor households using such characteristics is described in Minot and Baulch (2001b). This is clearly a very important area for policymakers in Vietnam and additional Work will be needed in this area in the coming years.

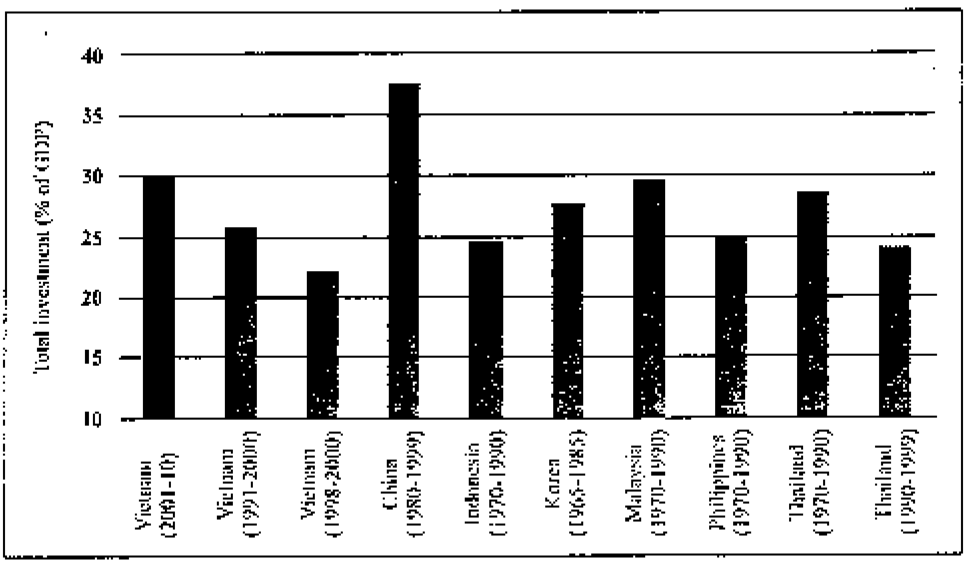
4. RESOURCE ALLOCATION IMPLICATIONS

4.1. Financing growth — the private sector is critical

87. Achieving Vietnam's poverty reduction targets will require significant levels of investment. Growth is generated when a country accumulates 2idditional factors of production such as labour, capital or land. Or when it uses those factors more productively. In the short to medium term, growth in Vietnam is unlikely to be constrained by the availability of labour. Indeed, growth will be critical if Vietnam is to increase employment, particularly in rural areas where underemployment is a problem. However, to generate growth in incomes and employment, Vietnam will need to generate high levels of investment, particularly in labour intensive manufacturing activities.

88. Government estimates suggest that investment equivalent to 30 per cent of GDP will be required each year to generate growth rates of 7 per cent and above over the next ten years (World Bank et al, 2000). These estimates are based upon historical estimates of the relationship between investment and growth. Productivity improvements, which improve the efficiency of investment, may mean that growth and poverty reduction could be achieved with lower levels of investment. While Vietnam achieved investment rates in the order of 30 per cent of GDP during the mid 1990s, at the peak of the foreign investment boom, international experience suggests that achieving this over a sustained period will not be an easy task (Chart 4.1)

Chart 4.1 Total investment as a share of GDP in selected high growth countries



Data source: World Bank et al, 2000.

89. The private sector will have to play a major role in generating the required level of investment. Over the

past decade total investment has averaged slightly over 25 per cent of GDP, with domestic private investors only contributing about a quarter of this. Over the next ten years, there will be constraints on the ability of the other sources of investment to expand to generate the required investment. The state budget is likely to be constrained by likely low growth in Government revenues. State enterprises will similarly be constrained in their ability to expand investment — many are in weak financial positions and lack internal resources for investment and will face difficulty in obtaining bank credit as lending is moved to a more commercial basis and explicit constraints on the growth on credit to SOEs are imposed.

90. Future levels of foreign investment are difficult to assess. On the one hand, Vietnam has been very successful in attracting foreign investment over the past ten years, and there are significant amounts that have been committed but not yet disbursed in the pipeline, The US-VN BTA is also likely to stimulate investment in export and services sectors. On the other hand, global FDI flows are likely to be weak in the short term as result of the global economic downturn; competition to host FDI will increase as China further integrates into the world economy and other Asian economies recover and reform following the Asian financial crisis; and there has been limited progress in encouraging private participation in infrastructure development, often a major source of foreign investment. Achieving FDI equivalent to 3 to 5 per cent of GDP would see Vietnam at the top end of the range of what countries have achieved during their high growth phases (World Bank et al, 2000).

91. With other sources of investment constrained to around historical levels, the burden of increasing investment will fall on the private sector. Table 4.1 shows that domestic private sector investment will need to nearly double its historical share of GDP. The reforms aimed at supporting private sector development are therefore critical to meeting the poverty reduction target. This is not only because the private sector will need to generate investment to drive growth but also because the private sector tends to invest in the kind of activities that will generate employment and assist with poverty reduction. As discussed in Chapter 3, it is the domestic private sector that tends to invest in labour intensive manufacturing activities for which Vietnam is likely to have a comparative advantage in producing over the next decade.

92. Vietnam will have to generate sufficient domestic savings to support the investment activities required for poverty reduction. The SEDS has set a target for domestic savings of over 30 per cent. With the savings rate currently estimated at around 18 per cent of GDP (World Bank et al, 2000), this target will also be a challenge. Reforms to the banking sector and state enterprise sector will be critical to ensuring that the public are confident enough in banks to entrust them with their savings and also to ensure that those savings are directed to the most productive investment opportunities.

4.2. The pattern of investment is crucial

93. The impact of investment on reducing poverty is not only dependent on the level of investment, the pattern of investment is also important. The Public Investment Program (PIP) allocates government investment across sectors. It also includes estimated figures for domestic private and foreign investment. In the recent past, the program has been focussed on capital-intensive manufacturing projects (Huong, 2000). This kind of distribution impacts significantly on income levels as it raises the income from capital but reduces the earnings of unskilled labour. Most of the lower income households' income comes from unskilled labour while higher income households earn more of their income from capital. Therefore the incomes of the poor may fall while richer households' incomes will improve — increasing inequality between rich and poor.

94. Focusing investment on the capital intensive manufacturing sector also takes away capital and skilled labour leaving other industries, particularly agriculture, with unskilled labour and little capital. This restricts agricultural productivity growth relative to manufacturing, widening the rural-urban income gap. The PIP also reinforced the advantages of urban people by focusing on non-rural projects, such as roads and bridges between cities.

Table 4.1 Investment by Source (percentage of GDP)

Source of investment	**Actual 1991-2000 (%)**	**2001-10 (%)**
State budget	5.9	7.0
Investment by SOEs	7.0	7.0
FDI	5.4	3-5
Non state investment	7.1	11-13

Total investment	25.4	30.0

Source: World Bank et al (2000)

95. Huong (2000) uses a general equilibrium model to compare the actual investment program over the period 1989-96 with a counterfactual policy, in which capital was allocated (by the model) to sectors with the highest returns to capital — that is, capital was efficiently allocated. The counterfactual policy results in higher real GDP growth and significantly improves the income of all households. It also narrows the income gap between the rich and the poor and between rural and urban populations. Under the 'efficient allocation' policy, labour-intensive and export-intensive sectors such agricultural and food processing industries, textiles and garments, trade and personal household and community services, were able to expand much more than under the actual implementation of investment. These sectors, which under the actual investment policy were starved of capital, were able to access more capital, expand production and make intensive use of relatively cheap and abundant labour. The results suggest that in the past too much capital was allocated to capital-intensive sectors such as crude oil and gas, petroleum, paper, cement and steel.

96. Huong's work highlights the importance of the public investment allocation process to job creation and poverty reduction. Skewing investment towards capital-intensive, heavy industry has little pay-off in terms of these outcomes. Future public investment in Vietnam must be allocated towards those investment projects with the highest rates of return. This means supporting investment planning with sound project evaluation that objectively evaluates the expected returns from prospective investment projects.

5. MONITORING

5.1. Data Sources and Gaps

Two measures of poverty are confusing

97. GSO and MOLISA-both generate estimates of poverty in Vietnam, one using an internationally comparable methodology and the other using a national methodology and definition of poverty[4]. The difference in the estimates is quite significant (GSO-World Bank estimate a poverty rate of 37 per cent in 1998 and MOLISA estimates 17 per cent in 2001). On the face of it, these estimates give quite different pictures of the poverty problem in Vietnam and are likely to be a source of unnecessary confusion. Problems also arise because MOLISA's poverty line changes over time preventing historical comparisons across periods with different poverty line measures.

The problem arises because there are two different purposes

98. The GSO-World Bank poverty line is an absolute measure of poverty that seeks to identify, at any given point of time, the number of people that do not have a minimum level of expenditure/income necessary for minimum nutritional and other needs. The GSO-World Bank poverty line is only adjusted over time for changes in the price levels. The line itself is therefore constants in real terms and is intended to provide a benchmark against which progress in improving the incomes of the poor can be gauged (Box 5.1).

99. MOLISA's poverty line is more in the nature of a relative poverty line[5] whose level is influenced by the resources available for special assistance programs for the poor. One reason why MOLISA moved to a higher poverty line in 2001 was to allow more households to access Government anti-poverty programs (United Nations, 2001). MOLISA surveys every poor household at the commune level, using a mix of quantitative and qualitative techniques, and it is able to produce a detailed picture of where the poor live and what their needs are. This allows it to attempt to target its programs.

100. These differing objectives also come through in terms of the definition of income/expenditure used in the two surveys. The VLSS estimates total resources available to a household — both cash income and own-use production. The MOLISA survey only looks at cash income — that is, it seeks to estimate the cash income required for minimum needs, given own-use production. This helps explain why MOLISA applies a three tier poverty line which is lower for those in rural areas where own-use production is likely to make up a higher proportion of consumption. In these areas, actual cash income required for achieving minimum standards of living are likely to be lower in that in urban areas.

A unified measure is required

101. There needs to be some rationalisation of poverty estimates in Vietnam. From next year, GSO is planning to administer its household survey every two years (Box 5.2). In contrast to earlier VLSSS, new surveys will largely be funded through the Government's own budget, with some financial and technical assistance being provided by donors to set up the new survey and to ensure its quality, and the estimates they generate will thus be identifiable as Government estimated. This means that Vietnam will soon be in a position where it has two Government agencies producing two independent poverty estimates that differ very significantly, For consistency, there will need to be some convergence or differentiation of the two poverty estimates. At the workshop in Haiphong, it was agreed that while for the time being, Vietnam will continue to produce two sets of estimates for two different purposes, over time it will move to one set of internationally comparable estimates.

5.2. Intermediate Indicators

102. Specific intermediate indicators are not required for the poverty and hunger reduction targets. Progress in poverty reduction can be tracked directly from the two yearly MPHS for all the poverty indicators presented in Table 1.1. Table 5.1 presents the detailed poverty projections, discussed earlier in the paper, which can be used to compare and assess progress on an annual basis towards the long-term poverty reduction and hunger eradication goals.

Box 5.1 Estimating Poverty Lines for Vietnam

Construction of a poverty line requires some measure of to which the line will amply. The most common measure for this purpose is household consumption expenditure per capita. This measure is particularly useful when determining the standard of living in a country because it may include items such as… payments for education or medical services in addition to food consumption expenditures. Such data can be collected by way of a survey such as the Vietnam Living Standard Survey (VLSS) which were conducted in 1992/93 and 1997/98.

Given a measure of household welfare, poverty lines can then be constructed. In Vietnam's case, two poverty lines are calculated - the "food poverty line" and the "general poverty line". Underlying the calculation of both thee poverty lines is the determination of a basket of food items containing the minimal calorie requirements which, according to WHO, will ensure good nutritional status. A figure that is commonly used (and the one that is applied in this case) is a minimal requirement of 2100 calories per person per day.

The challenge is to determine a basket of goods that provides this number of calories while accounting for the food consumption patterns of Vietnamese households. This task required the use of the VLSS to determine consumption patterns. The poverty line estimates are based upon the 1993 VLSS. The process involves calculating the expenditure per capita for all the households in the survey. These households are then divided into quintiles ranging from the poorest 20% to the wealthiest 20%. This revealed that the third quintile had a calories intake closest to 2100 hence the basket of food items consumed by these households was assumed to be the representative basket for the country as a whole. Food expenditure data from the VLSS can then be applied to the items contained in the basket. This estimated indicates how much it costs to purchase a basket of food items that provides the minimal calories requirements for good nutrition. Essentially, this determines the food poverty line and is provided in per person per year terms.

The general poverty line derives from this food poverty line. In essence, the non-food expenditure of the households in the third quintile is included to create this measure. Using both the food and general poverty lines the incidence of poverty can be determined b examining the number of households who spends less on consumption than is required by the representative basket.

It should be noted that the above discussion was focused in terms of calculating the poverty lines for 1993. To determine changes in poverty over time it is necessary to calculate poverty lines in other years such that the incidence of poverty can be compared between those years. To generated the food poverty line for 1998 the cost of the food basket determined in 1993 was updated using the prices arising from the 1998 VLSS. Similarly, the 1993 non-food poverty line was updated to 1998 price levels using an inflation factor calculated by the General Statistical Office of Vietnam. Given that the same basket of goods was applied in each case these poverty lines are known as "absolute" poverty lines. In this way, the changes in the incidence of poverty between 1993 and 1998 can be examined.

103. Tracking and reporting movements in the poverty gap ratio will be useful for assessing progress. The poverty gap measures the depth of poverty, reflecting the distance that poor peoples' incomes and

expenditures are from the poverty line. It is possible that significant gains are made in terms of reducing the depth of poverty without these gains being reflected in the numbers of persons moving over the poverty line. This situation might arise if poverty were concentrated in a large group some distance from the poverty line (and so increases in incomes would move this group closer to the poverty line but not over it). The poverty gap measure would capture the improvement in conditions for this group.

104. The 1998 VLSS indicated that per capita expenditures were relatively smoothly distributed, with a peak close to the poverty line. Given this distribution of expenditures, it is likely that gains in poverty reduction will be adequately reflected in the poverty headcount measure. However, if there has been any significant shift in the distribution of income that pushed large groups of people far below the poverty line, then the headcount measure may not be adequate. Recent problems due to flooding in rural areas are one example of external events that might significantly alter the distribution of income/expenditure.

Box 5.2 GSO plans for Future Household's Surveys

In the past GSO has administered the only two general socio-economic surveys conducted on a nationwide basis in Vietnam — the Multi Purpose Household Survey (MPHS) and the VLSS. VLSS surveys were undertaken in 1992-1993 and 1997-98. VLSS survey questions cover a range of topics including income, expenditures, housing, education, health employment, migration, agricultural activities, household business activities, fertility, savings and credits. Sample size consisted of 6000 households in 1997-98. The MPHS surveys were conducted annually between 1994 and 1999 in the years when there was no VLSS being done. Sample size ranged from between 45000 and 47000, but was reduced to 25000 for the 2000 survey.

GSO is planning to combine the MPHS and VLSS into one survey. Starting in 2002, this survey would be administered every two years for the next ten years. The new survey will be administered to 30000 households, with the possibility of larger sample sizes for later surveys. This would depend on fund availability and ability to maintain quality control. The survey will consist of two parts:

- 'core' questionnaire included each time survey is conducted; and
- 'special topic' modules including agriculture and household business, health and education, and environment, infrastructure, institutions and governance. Modules rotate with each survey.

The primary aim of the core survey is to monitor poverty and living standards in Vietnam. The core survey will consist of basic information on household members (age, sex, marital status, ethnicity), income data, household expenditure data (comparable to VLSS 1992-3 and 1997-98), employment, education, health expenditure, housing characteristics, and participation in poverty alleviation programs. GSO will also collect monthly price data in 61 rural and urban provinces. The new MPHS will facilitate the regular monitoring of poverty for 61 provinces of Vietnam, and by rural/urban, 7 geographic regions, quintiles, gender and ethnicity, for the poverty indicators presented in Table 1.1 and for a host of other economic and social variables.

105. Aside from the direct poverty measures, economic statistics such as real GDP growth and employment, which are published at least annually, will also give some idea of progress towards the poverty reduction goals. Although, when examining such statistics it is important to recognise that both the level and pattern of growth matter - high real GDP growth might not be correlated with large reductions in poverty, especially if growth is concentrated in one or two urban areas.

Table 5.1 Poverty Projections

	Growth Scenario			
	Base case (%)	Higher SEDS growth rates (%)	Equal growth (%)	Uneven regional growth (%)
General poverty projections				
1998	37.4	37.4	37.4	37.4
1999	35.2	35.2	35.2	35.2
2000	33.3	33.3	33.3	33.3
2001	31.6	31.6	31.6	31.6

2002	29.5	28.5	28.8	29.7
2003	27.8	25.7	26.2	28.4
2004	26.3	23.7	24.0	27.4
2005	25.0	21.8	22.3	26.3
2006	23.9	20.3	20.1	25.4
2007	22.6	18.8	17.9	24.5
2008	21.5	17.3	16.0	23.8
2009	20.7	16.0	14.5	23.2
2010	19.6	14.6	13.0	22.7
Food poverty projections				
1998	15.0	15.015.0	15.0	15.0
1999	13.9	13.9	13.9	13.9
2000	13.1	13.1	13.1	13.1
2001	12.3	12.3	12.3	12.3
2002	11.2	10.6	10.6	11.5
2003	10.3	9.2	9.3	10.9
2004	9.5	8.2	8.4	10.4
2005	8.9	7.1	7.2	10.0
2006	8.2	6.2	6.3	9.5
2007	7.5	5.7	5.6	9.0
2008	7.0	5.0	5.1	8.7
2009	6.4	4.5	4.2	8.2
2010	5.9	4.0	3.6	7.9

Source: CIE estimates based on VLSS98.

Annex A Provincial Poverty Estimates

The following table is from Minot and Baulch (2001a) and presents the provincial headcount indices upon which the poverty map in chart 3.5 is based.

Table A.1 Provincial poverty headcounts

Province	**Rural**	**Urban**	**Total**
Lai Chau	85.7	22.1	77.7
Ha Giang	77.0	19.5	72.2
Son La	79.5	15.3	71.4
Cao Bang	73.9	14.2	67.5
Lao Cai	74.7	19.7	65.2
Lang Son	72.4	14.1	61.7
Bac Kan	67.6	18.9	60.9
Hoa Binh	65.5	15.5	58.6
Tuyen Quang	63.5	16.1	58.3

Yen Bai	64.4	16.5	55.0
Gai Lai	65.0	19.4	53.8
Ninh Thuan	61.8	21.4	52.5
Kon Tum	67.0	22.1	52.2
Quang Tri	61.8	19.2	52.0
Quang Binh	53.2	13.2	49.1
Nghe An	51.5	14.0	47.7
Quang Ngai	51.3	15.3	47.4
Thua Thien - Hue	57.9	18.5	47.2
Bac Giang	49.4	16.4	47.0
Thanh Hoa	49.2	13.5	46.0
Ha Tinh	47.4	15.1	44.5
Vinh Phuc	47.0	19.9	44.2
Binh Thuan	49.8	23.5	43.5
Phu Tho	48.2	13.2	43.1
Soc Trang	46.3	24.4	42.4
Thai Nguyen	49.5	12.6	41.9
Tra Vinh	45.2	19.1	41.8
Phu Yen	46.9	18.8	41.6
Quang Nam	44.3	19.1	40.8
An Giang	45.4	19.6	40.6
Dac Lac	45.1	17.6	39.5
Ha Tay	41.7	12.5	39.5
Dong Thap	42.4	19.5	39.1
Binh Dinh	46.0	17.9	39.1
Ninh Binh	42.4	10.9	38.5
Bac Ninh	40.5	16.6	38.3
Hung Yen	40.3	16.3	38.3
Kien Giang	42.8	21.0	38.0
Bac Lieu	43.0	20.7	37.7
Ha Nam	39.1	14.3	37.6
Quang Ninh	51.9	15.5	35.7
Nam Dinh	38.5	11.0	35.1
Can Tho	40.2	15.6	34.9
Ca Mau	38.8	15.2	34.5
Lam Dong	45.8	14.4	33.7
Vinh Long	36.0	14.8	33.0
Thai Binh	34.5	7.5	33.0
Ben Tre	34.2	13.7	32.5
Hai Duong	35.3	10.6	31.9

	41.6	12.6	31.1
Long An	33.5	15.1	30.5
Hai Phong	39.5	7.4	28.6
Tien Giang	30.1	10.5	27.6
Binh Phuoc	19.7	7.6	17.9
Da Nang	34.6	10.6	15.6
Ha Noi	30.6	3.7	15.2
Tay Ninh	13.0	8.1	12.4
Dong Nai	13.7	4.8	11.1
Ba Ria-Vung Tau	10.9	6.2	9.0
Binh Duong	9.2	5.1	7.9
TP Ho Chi Minh	8.2	3.6	4.4
Total	**44.1**	**11.1**	**36.5**

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Millennium Development Goals (MDGs)

Goals and Targets	**Indicators**
Goal 1: Eradicate extreme poverty and hunger	
Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day	1. Proportion of population below $1 per day 2. Poverty gap ratio [incidence x depth of poverty]

	3. Share of poorest quintile in national consumption
Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger	4. Prevalence of underweight children (under-five years of age) 5. Proportion of population below minimum level-of dietary energy consumption
Goal 2: Achieve universal prima education	
Target 3: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling	6. Net enrolment ratio in primary education 7. Proportion of pupils starting grade 1 who reach grade 5 8. Literacy rate of 15-24 year olds
Goal 3: Promote gender equality and empower women	
Target 4: Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015	9. Ratio of girls to boys in primary, secondary and tertiary education 10. Ratio of literate females to males of 15-24 year olds 11. Share of women in wage employment in the non-agricultural sector 12. Proportion of seats held by women in national parliament
Goal 4: Reduce child mortality	
Target 5: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate	13. Under-five mortality rate 14. Infant mortality rate 15. Proportion of I year old children immunised against measles
Goal 5: Improve maternal health	
Target 6: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio	16. Maternal mortality ratio 17. Proportion of births attended by skilled health personnel
Goal 6: Combat HIV/AIDS, malaria and other diseases	
Target 7: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS	18. HIV prevalence among 15-24 year old pregnant women 19. Contraceptive prevalence rate 20. Number of children orphaned by HIV/AIDS
Target 8: Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases	21. Prevalence and death rates associated with malaria 22. Proportion of population in malaria risk areas using effective malaria prevention and treatment measures 23. Prevalence and death rates associated with tuberculosis 24. Proportion of TB cases detected and cured under DOTS (Directly Observed Treatment Short Course)
Goal 7: Ensure environmental sustainability*	
Target 9: Integrate the principles of sustainable development into country policies and programmes and	25. Proportion of land area covered by forest

reverse the loss of environmental resources	26. Land area protected to maintain biological diversity 27. GDP per unit of energy use (as proxy for energy efficiency) 28. Carbon dioxide emissions (per capita) [Plus two figures of global atmospheric pollution: ozone depletion and the accumulation of global warming gases]
Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water	29. Proportion of population with sustainable access to an improved water source
Target 11: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers	30. Proportion of people with access to improved sanitation 31. Proportion of people with access to secure tenure (Urban/rural disaggregation of several of the above indicators may be relevant for monitoring improvement in the lives of slum dwellers]

**The selection of indicators for Goals 7 is subject to further refinement*

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[1]As discussed in the next section, the government's national poverty line differs from that calculated using international definitions.

[2]Defined as 2100 calories per person per day.

[3]This methodology uses VLSS data to identify how different household characteristics — the example, household composition, education housing characteristics — affects poverty or expenditure. It then takes this estimated relationship and generates estimates of poverty for small geographic areas based upon census data on household characteristics.

[4]The World Bank has provided technical assistance to GSO during the conduct of its VLSS

[5]A relative poverty line is set as a proportion of the average level of consumption in a population. A relative poverty line is adjusted in line with changes in the average incomes.

[6]This is contrast with the VLSS which were conducted with considerable international assistance and are less often identified as GSO estimates.