

Economic development related to hunger eradication, poverty reduction and social equality in Vietnam

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ECONOMIC DEVELOPMENT RELATING TO HUNGER ERADICATION, POVERTY REDUCTION AND SOCIAL EQUALITY IN VIETNAM

Ha Huy Thanh

1. INTRODUCTION

Over the course of nearly two decades, Vietnam has conducted a thorough and entire economic reform. This reform has created a new path for economic development, shifting from a centrally planned economy to a new economic system; a market economy with socialist orientation.

This article reviews the general achievements of economic development, poverty reduction and social equality over the past two decades. In fact, the '*Doi moi*' reform in Vietnam was promulgated at the 6th General Congress of the Communist Party of Vietnam in December 1986. However, during the period from 1979 to the end of the 1980s, many local reforms took place to release ties with the old, centrally planned mechanism, and to loosen the principles of central planning through the application of a market mechanism at micro level. Examples include the application of the 'three part plan' in state-run industrial enterprises (1979) and the product contract system in agricultural co-operatives (Decision No. 100, Jan 1981 of the Politburo). These two changes brought more self-control and rights for enterprises and farming households in producing and selling goods under market rules. With regard to social equality, this was the first step towards distributing the production material, i.e. land, in rural areas. These decrees also enabled restructuring of the methods of using machines, equipment, factories, and other such infrastructure belonging to companies and factories in urban areas. Access to the market economy was also created for workers and farmers.

However, these two changes were only the beginning of 'untying' individuals and economic units from the old mechanism. The 6th National Congress of the Vietnam Communist Party was the starting points for economic reform at a macro level. This was the point where a new way of thinking and of using new mechanisms was developed.

2. PRIMARY AIMS OF ECONOMIC REFORM

The documents of the 6th National Congress of the Vietnam Communist Party (published 1987) stated the following aims of *Doi moi* reform:

- to replace a centrally planned economy with a market economy with a socialist orientation under State control,
- to build a democratic legalistic society, in which the State belongs to the people, is elected by the people and works for the people, and
- to carry out an open door economic policy, promoting cooperation and relations with all countries with the wish of being friends with all nations for the common benefits of development.

To achieve these basic targets, over nearly two decades Vietnam's Government has been conducting many large reforms and has achieved significant results in socio-economic development in Vietnam. There are some salient points of the *Doi moi* period. In 1986, The 6th National Congress of the Communist Party of Vietnam began the *Doi moi* period. It is to note that at that time Vietnam's economy was stagnant and the inflation rate was very high (774%). *Doi moi* was necessitated by a reduction of aid from socialist countries and depression borne of a crisis within Vietnam.

In 1987, the Law of Foreign Direct Investment (FDI) in Vietnam was issued, and was considered by many foreign investors as the most open policy in the region. However, it needs to be emphasized that the law on foreign investment in Vietnam was inherited and modified from regulations of the foreign investment rule that was issued 10 years before. With the Law on Foreign Direct investment, Vietnam called foreign investors to invest and do business in various forms in Vietnam.

In 1987 Vietnam issued the Land law. A new break-through of this law was the transferring of land use rights to nearly 80% of population. The Land Law became an important legal base of the promulgation of Decision 10 on agricultural management mechanism reform in 1988. Transferring land use rights to households solved the basic limitation in Decision 100 issued 7 years before. At the same time, the first joint-venture project was established, and three great economic programs of the Government including an export-oriented program were implemented. As a result, it was the first time that Vietnam's export turnover reached 1 billion USD and a two-level banking system was founded. In 1989, one year after Decision 10, Vietnam changed from a rice-importing country to the third largest rice exporter in the world. This surprised foreigners and Vietnamese people alike.

In 1990, the Law on FDI was modified after a 4 year experimental implementation period, and Decrees on the Central Bank, State Commercial Banks and credit organizations were issued. Another important reform in that year was the promulgation of the Law of Companies (Enterprises). This Law provides the legal basis for the establishment of many limited liability companies as well as joint-ventures. Thanks to these solutions, Vietnam's economy obtained many significant successes; the GDP growth rate reached 8.3%, more than 20 tons of rice was produced, 2 million tons of crude oil was exported, and 1 million USD in FDI was registered. In 1992, The National Congress approved a new constitution in which a multi-sector economy started to be recognized. This was also the first year of state owned enterprises' (SOE) equitization. The result was a decrease in the number of SOE and an increase in private enterprises.

In 1993, the US economic embargo against Vietnam was lifted. Vietnam rebuilt relations with international sponsors and financial organizations. As a result, the inflow of ODA into Vietnam has increased year by year. In 1995, Vietnam officially became a member of ASEAN and AFTA, and normalized its relationship with the US. In this year, the GDP growth rate was at a peak of 9.45%, thanks to the active impact of the prior renovation. In 1997, many ASEAN countries suffered from financial and monetary crisis, starting with Thailand. In Vietnam, the Government erased the barrier of rice trade, and private enterprises were allowed to export rice. This was the reason rice exports grew from 3 million tons in 1997 to 4.5 million tons in 1999. Exchange rates were regulated towards market price. Due to the effects of the ASEAN financial and monetary crisis, the GDP growth rate dropped to 4.85% in 1999, in comparison with 9.54% in 1995.

In 2000, the Law of enterprises took effect, and created favorable conditions for private enterprise establishment. In this year 13,500 newly established enterprises created 300,000 jobs, creating a new lease of life for the economy. Thanks to this development, the GDP growth rate increased to 6.75% in comparison with 4.85% in 1999.

In 2001, The 9th National Congress of the Communist Party of Vietnam approved some vital policies, including, the orientation, plans and tasks of socio-economic development in the period 2001-2005. Its general purpose included fast and sustainable economic growth, stable improvement of the living standard of the people, external economic relation enhancement, human resource development, job creation, hunger eradication and poverty reduction.

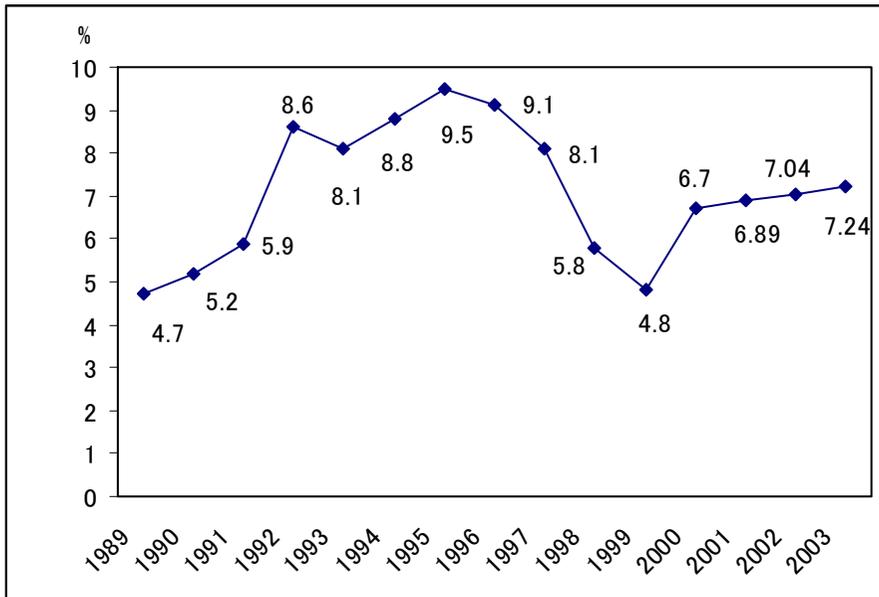
In general, during nearly two decades of economic reform, the Vietnamese economy has made many remarkable achievements. Vietnam's economic achievements can be classified in two ways. One is achievements in economic restructuring, a strong GDP growth rate and increased export turnover and income level. The other is the

changes in the economic management mechanism. This paper focuses particular on the first kind of achievement.

3. ECONOMIC GROWTH AND INCOME OF THE PEOPLE

Figure 1 shows the GDP rates from 1989 to 2003. It is important to note that the results of growth are distributed, leading to an increase in living standards for almost everyone in the country. In comparison with the mid 1980s, by the end of the 1990s income per capita had increased twofold; the proportion of poor households decreased from 58% in 1993 to 37% in 1998 and 29% in 2002 (World Bank *et. al.* [2003]).

Figure 1: GDP growth rate (1989-2003)



Source: National Center for Social Sciences and Humanity of Vietnam and Quangxi Academy of Social Sciences of China (2002), p.124.

The question here is whether or not the rich-poor gap has created serious social inequality. The World Bank assesses the inequality in income level by comparing the proportion of income from the 40% poorest households against the total level of the population's income. If this ratio is less than 12%, that country can be regarded as one with large inequality. If the figure is between 12% and 17% there is a middle level of

inequality, and if it is more than 17%, there is a low level of income inequality in the society. In Vietnam, according to the household living standard survey conducted by the GSO in recent years (General Statistical Office [2000], [2004]), the ratio was 18.7% in 1999 and 19% in 2002. Thus, despite an increase through time, the income inequality in Vietnam has not reached a serious level (General Statistical office [2003: 132-133]). However, there was a significant disparity in the poverty rate between rural and urban areas, and between different ethnic groups. It is noted that the poverty rate has been determined by International Standards. The highest rate of poverty belongs to rural residents and minority people.

Table 1: Poverty rate in urban and rural areas ethnics groups

Unit: %

	1993	1998	2002
The whole country	58.1	37.4	18.9
Urban area	25.1	9.2	6.6
Rural area	66.4	45.5	35.6
Kinh group	53.9	31.1	23.1
Ethnic Minority groups	86.4	75.2	69.3

Source: World Bank et. al. (2003), p.9.

4. HUNGER ERADICATION AND POVERTY REDUCTION

The Communist Party of Vietnam and the Government consider economic growth and poverty reduction as two closely linked issues in the process of development. Economic growth creates the fundamental facilities to help abolish hunger and reduce poverty, and hunger eradication and poverty reduction is, in turn, the key task of the process of economic growth. In recent years, Vietnam has implemented many programs against hunger and poverty as well as in support of economic development.

The national target Program on poverty reduction 1998-2000 focused on permanent agriculture and resettlement, gave support to citizens with difficulties, and assisted poor household's production activities, income increase, hunger eradication and poverty reduction. The program on job creation has been conducted based on Decision No.120/HDBT which was issued on 11 April 1992 by the Council of Ministries. In implementing this program, the Government has established a fund for poverty reduction, made development plans for job creation, encouraged all economic sectors to create jobs, supplied credit with favorable interest rates, and given active support to projects that

create jobs. Loans from the fund for job creation have stimulated the existing potential of natural resources and labor, created jobs for the people, then increased their income levels and living standard, and actively contributed to solving social problems.

Among the other important programs are the program on afforestation to cover bare hills and waste land (Decision No. 327 of the Council of Ministries, dated 15 September 1992), the program on exploitation and utilization of waste land and barren land, river-bank areas seashore and water surface (Decision No 773/TTg of the Prime Minister, dated 21 December 1994), and the program on Socio-economic development in communes with severe difficulty that are in urgent need (Decision No 135/1998/QD-TTg of the Prime Minister).

We can say that together with programs on economic development, the activities for hunger eradication and poverty alleviation have also been carried out actively, leading to a remarkable reduction of poverty and hunger during the period 1999-2002. According to the assessment of the World Bank, the rate of households suffering from food-shortage in Vietnam was 15% in 2000. Based on criteria of the GSO, this rate was 13.3% in 1999 and 9.9% in 2002. Among them, those of rural areas were 15.9% and 11.9%, and those in urban areas were 4.6% and 3.6%, respectively.

5. HEALTH CARE SERVICES

Along with activities for poverty reduction and income improvement, activities supplying health care services to poor people are an important factor for social equality. Comparing with other countries having the same average level of income per capita, Vietnam has made great progress in the provision of health care services to the people. As of 2002, there were 842 hospitals nationwide with 114,400 beds, 14.5 beds per 10,000 persons on average. In the process of economic reform and development, the health care system at the commune level has been set up and broadly developed from the delta area to highland areas. In 2002, this system covered 98.5% of communes with health care posts.

From 1990 to date, resources from the National Budget for health care services have increased twofold. The average number of medical doctors, physicians and pharmacists increased to 5.6 doctors per 10,000 persons in 2002. Besides this, the number of nurses, pharmacists, technicians, and midwives has also increased. Anti-epidemic and anti-infectious disease projects have been effective (including the malaria prevention program, the tropical fever prevention program and the program on anti-malnutrition for children under 5 years old amongst others). As a result, almost all of the population have

gained more equal access to health care services.

6. EDUCATION TARGET

Education and Training is one of the vital prerequisites to promote productivity of labor sources in the country and is a key factor in social development and economic growth. Therefore, the Communist Party and the Government of Vietnam have always considered education and training as the first national task during all periods of development. Just after the success of the August Revolution in 1945, President Ho Chi Minh called upon the people for assistance with an 'illiteracy protest' mounting illiteracy elimination campaigns over the country. During the period of socialist construction in the North, education was fully subsidized to make sure everyone received the right to education.

In the early 1990s, in line with the International decade of anti-illiteracy, the Government carried out many programs to increase the level of education attained by the general population. At the end of 2000, Vietnam announced to the world its completion in anti-illiteracy and popularization of primary education. This event was a marking-point in the history of Vietnamese education system.

To achieve this, the investment in education has increased year by year. According to statistics of the Ministry of Finance¹, the proportion of the education budget from the total national budget accounted for 10.9% in 1992 to 17.4% in 1998 and 15.1% in 2000 and 15.6% in 2001. Education attainment at every level has improved. The basic statistics of education attainment in the school year of 2002-2003 are as follows (General Statistical Office [2003: 135-137]):

- Over 8.8 million primary school students
- 6.11 million secondary school students (9.8 % higher than in the school year 2000-2001),
- 2.5 million high school students (23 % higher than in the school year 2000-2001),
- 215,000 students in junior colleges (17.8% higher than in the school year 2000-2001),
- 805,100 students in universities (12 % higher than in the school year 2000-2001) and
- 389,300 students in training schools (52.5 % higher than in the school year 2000-2001).

In the school year 1999-2000, 1.1 million children aged 6-14 were out of school, of which 87% lived in rural areas and 50% of which were of ethnic minority groups, the

¹ Report of Institute for Financial Research, Ministry of Finance (unpublished)

poorest level of society. Only 30% of children in poor households had completed primary school or been to secondary school. However, in general, the activities of education and training in the process of development in Vietnam have obtained good results, even though there have been disparities between regions and ethnic groups.

7. CONCLUSION

Thanks to macro policies and solutions from the Government, assisted by the people during the *Doi moi* period, which was officially started in 1986, the Vietnam economy has grown. It is the basic premise to create a foundation for material, cultural and spiritual improvement for all social strata of society. Based on the achievements in growth and economic development, poverty reduction has also obtained good results, ensuring a step by step improvement in social equality. However, gaps in GDP per capita, health care services and education and training services still exist.

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