

## PREFACE

One may find it interesting to compare two *Vietnam Development Reports (VDRs)*; of 2000 and 2006. The *VDR 2000*, published as the first joint donor report to the Consultative Group meeting in 1999, is titled ‘Attacking Poverty’<sup>1</sup>. For the first couple of years of the new millennium, ‘poverty reduction’ was the main subject of development assistance discussions. In fact, through discussion in the process of formulating a Comprehensive Poverty Reduction and Growth Strategy (CPRGS), which was first issued in 2002, it was seen that the main donors had appreciated how and how much Vietnam’s Government’s policies are designed to be ‘pro-poor’. In the *VDR 2000*, various development policies, not only economic growth but also such issues as construction of infrastructure, grassroots democracy, legal environment, gender equality, public expenditure, and so on were evaluated to see whether or not they were supportive to the poor population.

On the other hand, the title of the *VDR 2006*, the latest version prior to this report, is ‘Business’<sup>2</sup>. This implies the changing posture of the international donor community over the terms ‘poverty’ and ‘poverty reduction’. Their enthusiasm over poverty reduction seems to have become reasonably modest, and donors’ main attention has shifted to Vietnam’s integration into the global economy. In the *VDR 2006*, poverty reduction is referred to in context with the various reforms needed for Vietnam to enter the global economy, i.e. increased employment due to the development of small and medium sized enterprises, social protection after state owned enterprise (SOE) reform, the impact of trade liberalization on agricultural production prices, accessibility to credit through banking reforms, etc.

However, it does not mean that the problem of poverty in Vietnam has been solved or that international donors have lost their interest in poverty reduction efforts. On the contrary, the principal target of many donors is still achievement of the Millennium Development Goal in which poverty reduction is given first priority. Some donors began to support two national poverty reduction programs of the Government, namely the National Targeted Programme on Hunger Eradication and Poverty Reduction (NTP on HEPR) and the Socio-Economic Development Program for the Extremely Difficult,

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<sup>1</sup> World Bank *et. al. Vietnam Development Report 2000: Attacking Poverty*, Joint report of the Government of Vietnam – Donor – NGO Poverty Working Group, Hanoi, 1999.

<sup>2</sup> World Bank *et. al. Vietnam Development Report 2006: Business*, Joint report of the Government of Vietnam – Donor – NGO Poverty Working Group, Hanoi, 2005.

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Remote and Mountainous Areas (so-called Program 135), both of which had not been well supported by donors until 2003. They were also supportive when the Ministry of Labour, Invalids and Social Affairs (MOLISA) doubled the level of the poverty line in 2005 so that its poverty reduction programs could reach a larger proportion of the population.

A change in donors' references to poverty reduction arguments can be attributed to a reflection of changing environments surrounding the poor. In the era of WTO entry, Vietnam's poor are more exposed to world economies. On the one hand, it may bring more opportunities for the poor to get benefit from globalization. But on the other hand, they may be more vulnerable to fluctuating world markets and the unpredictable behavior of foreign invested firms. The issues of poverty reduction have become more complex, and it is in this sense meaningful to diversify the dimensions of poverty analysis, rather than merely evaluating poverty reduction programs. Commercialization of agricultural production, inflow of foreign direct investment (FDI) in labor intensive industries, development of small- and medium-enterprises, rural industrialization, rapid urbanization, etc., must be taken into account in understanding poverty reduction in Vietnam today.

This report, 'Actors for Poverty Reduction in Vietnam', aims to analyze the impacts of activities of various 'actors' that are closely related to the lives of the poor, including government agencies, social organizations, economic entities, and the poor themselves. In particular this report focuses extensively on newly developed entities and phenomena from the early 2000s.

This report consists of 6 monographs. The first two Chapters review the structures, roles and functions of the major implementers of the Government poverty reduction programs, i.e. Ministries, local authorities, State agencies and 'mass-organizations'. The actors studied in the following three studies are the economic entities which contribute to poverty reduction by absorbing labor. The last Chapter pays attention to urban poverty issues. Various actors have been involved in solving this new but rather complex problem.

In Chapter 1, *Dang Kim Chung* focuses on existing government policies and the roles of government agencies as well as SOEs for poverty reduction. He provides a careful analysis of the roles of MOLISA and the Committee for Ethnic Minorities (CEM); their assigned tasks of management of the two National Targeted Programs on poverty reduction, NTP on HEPR and Program 135. One characteristic of Vietnam is that a number of different agencies participate in poverty reduction, while various programs and policies are either directly or indirectly making their impact on the poverty reduction process. Another characteristic is that, as can be seen in the Chapter, there still remains an

overlap among different agencies in the implementation of poverty reduction projects, for example, in infrastructure development and in the supervision process of programs' activities.

In Chapter 2, *Shozo Sakata* assesses the roles of 'mass-organizations' in poverty reduction in Vietnam. Mass-organizations, quite Vietnamese-specific entities, have traditionally been important players in Vietnam's political arena. However, mass-organizations have also been involved in practical work on socio-economic development. The role of mass-organizations in poverty reduction became important when they started to cooperate with the Vietnam Bank for Social Policy in order to provide concessional loans for the poor. His study extensively examines the positions and functions of mass-organizations in the credit program for the poor, and discusses the advantages and limitations of their participation in this credit program, the main pillar of the Government HEPR program. It claims that mass-organizations are in a good position to define the poor in need of capital, but there still remains concern over the sustainability of lending activities through such 'socio-political' organizations, since they generally lack the financial as well as institutional means to mitigate debt repayment risk.

In Chapter 3, *Phan Si Man* discusses the establishment of *farm* organizations (*Trang trai*) in agriculture in Vietnam; their legal framework and the Government's policies on *farm* organization development and the actual development of different patterns of agricultural farms in different regions. Thanks to the favorable policy environment, various forms and different scales of *farm* organizations have been developed in Vietnam. *Farms* have been actively contributing to employment creation and raising incomes for the large rural population, especially for poor households lacking employment and production means. However, there are still some constraints and difficulties effecting the development of agricultural *farms* in Vietnam. These are lack of investment capital and skills for organizing large commercial business, the ability to access the market because competition of farm products in the market is not high and finally insufficient risk management.

In Chapter 4, *Vu Tuan Anh* illustrates the characteristics of the development of rural off-farm business in 'craft villages' in Vietnam. Analyzing the field survey data collected from some selected communes, he assesses the impacts of off-farm business on economic growth, industrial structural changes, household employment, income and quality of life, the environment and public health. The study argues that off-farm business greatly contributes to economic growth and poverty reduction by transforming an increasing number of agricultural laborers to off-farm employees. However, it also argues that the present spontaneous development of off-farm business leads to negative

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consequences, of which environmental degradation is the most serious problem. Problems of pollution of water, soil and air, and harsh living conditions in these craft villages must be tackled urgently. Therefore, present policies on rural industrialization and off-farm development need to be revised from the viewpoint of creating and maintaining sustainable development.

In Chapter 5, *Cu Chi Loi* addresses the impact of Vietnam's integration into the global economy on employment generation by which many poor are affected. After examining the labor structure in Vietnam, he maintains that the increase of FDI and export performance after the Enterprise Law was promulgated in 2000, job creation and increased income for workers, the most challenging tasks for Vietnam's development, have been improved. Foreign invested firms contribute to the local economy by generating employment. Besides, local authorities keen to invite FDI generally create a better environment, in regard to communication and housing, for FDI firms, which is also beneficial for the poor. Liberalization of exports has improved labor absorption in manufacturing industries such as textiles, garments and shoes. Trade increase has also taken place in the agriculture sector, affecting such commodities as rice, tea and coffee, which have been produced by and large in the poor regions.

In Chapter 6, *Nguyen Xuan Mai* presents the multi-facetedness of the urban poverty problem. Through his reviews of studies on poor households in big cities such as Ho Chi Minh City, Hanoi and Hai Phong, he reveals the characteristics of the urban poor. These poor are in general unemployed or under-employed, have a lower level of education, lack capital, and feel excluded from society. There is concern over increasing urban poverty and rapid economic growth caused by two elements, i.e. rural-urban migration and expansion of urban cities to the suburban areas. The study discusses that multi dimensional support, including labor creation, housing, 'social security funding', etc. is required to mitigate the severity of urban poverty. To do so, innovative urban administration is essential. The author also highly appreciates the important role that informal social networks among the poor play. Poor families, especially those immigrants to big cities, rely a great deal on networks within families, relatives and the communes they are from in finding employment, borrowing money, gaining access to healthcare services, and finding training opportunities.

The editors would like to take this opportunity to express sincere appreciation to all of the contributors to this report. The editors have been greatly stimulated not only by their insightful monographs but also by lively discussion with the contributors, even though the number of opportunities to meet and discuss were few. We would also like to

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