

# **PROGRAMS BY THE GOVERNMENT AND ROLES OF GOVERNMENT'S AGENCIES**

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## **1. INTRODUCTION**

Since the early 1990s, when the Vietnamese economy faced serious difficulties, its development and growth has been given highest priority by the Government of Vietnam and, therefore, has increased rapidly. However, while the highest priority was given to economic matters, there arose various social affairs, that is, the fast increasing gap in well-being among specific population groups and geographical regions. Some people are suffering from hunger and some are quickly becoming rich. The quality of several basic social services such as health care, education has been downgraded. It has been requested that the Government bring out their timely reactions so as to ensure social security and a stable economic development environment. Since then, Hunger Eradication and Poverty Reduction (HEPR) has been paid attention to by the Government of Vietnam with priority through the system of policies on socio-economic development. HEPR was firstly operated in Vietnam in the early 1990s in areas such as Ho Chi Minh City and Hanoi. Although these operations took place in several areas, they did gain participation and support of government agencies and mass organizations, which played an important part in equality creation. On the basis of those areas' experiences, in 1998, HEPR was officially approved by the Prime Minister to become a National Targeted Program with the title 'National Targeted Program on Hunger Eradication and Poverty Reduction in the period 1998-2000' (NTP on HEPR) and the 'Socio-economic Development Program for communes with special difficulties in mountainous and isolated areas' (also referred to as program 135). In early 2001, the first year of the 5 year socio- economic development plan 2001- 2005, the National Targeted Program on HEPR and Job Creation (HEPR- JC) was approved by the government. This program was to replace the NTP on HEPR in the period 1998- 2000 and complete job creation related tasks besides the active program 135. To cover these two programs, the Government has approved the Comprehensive Poverty Reduction and Growth Strategy (CPRGS), of which poverty reduction was considered a very important component. This demonstrated the commitment of Vietnam in tackling poverty.

The specific characteristic of the two programs is the participation of different

agencies from the government and mass organizations to implement various programs' components (other NTPs are solely administered and deployed by one organization). It can be seen that the two programs seem to be too cumbersome due to their numerous activities, however, they have been evaluated to be relatively successful. From the National Program operation, provinces also have been proactive in development and implementation of HEPR in their localities. These two programs, therefore, have made an important contribution to dramatically reduce the poverty rate, improve the standard of living in difficult areas, improve essential infrastructures and provide chances for poor people to access basic social services.

The objective of this report is to clarify the partner roles in the implementation of the two HEPR programs, this report especially focuses on governmental authorities' roles in the administration and deployment of both the entire programs and their components, and concurrently specify the horizontal relation (among same-level governmental authorities) and the vertical one (among central agencies and provincial and low level of commune and district authorities).

## **2. POLICIES BY THE GOVERNMENT AND NATIONAL PROGRAMS**

### **2.1 Comprehensive Poverty Reduction and Growth Strategy and Poverty Reduction**

CPRGS, which was passed by the Prime-Minister in May 2002, aims at concretizing objectives, mechanisms, policies, and solutions for its socio-economic development strategy for 10 years between 2001-2010, and a 5 year plan devoted to socio-economic development in the period 2001-2005. This is the action plan to come up with the implementation of direction for economic growth and poverty reduction. The Prime-Minister has decided to establish a Steering Committee that includes representatives from Government's agencies and socio-political organizations, to carry out the strategy. Of the Committee's members, the Ministry of Planning and Investment (MPI) was assigned to be the focal point in coordination with related agencies to provide line-ministries and local authorities with guidance for planning and implementation of the CPRGS, including national targeted programs. An inter-agencies work group was established by the MPI including members from government offices and such ministries as the: MPI, Ministry of Finance (MOF), Ministry of Labour Invalids and Social Affairs (MOLISA), Ministry of Health (MOH), Ministry of Education and Training (MOET), Ministry of Agriculture and Rural Development (MARD) and the State Bank of Vietnam.

Its establishment was to enable to the group members to actively set up, action plan and synthesize the plan under the guide of MPI. At the provincial level, the Departments of Planning and Investment are the focal points of the strategy implementation. They are also the bodies for integrating the central and provincial sources of capital and others to ensure the effective operations within their areas.

The strategy pointed out clearly the relations between economic growth and poverty reduction as follows:

- Poverty reduction was the fundamental factor to ensure social justice and sustainable growth.
- Poverty reduction must be pursuant to broad economic growth with high quality and sustainability, facilitation for poor people and their communities to access to opportunities for business and production development.
- Poverty reduction is one component of the 10-year Strategy, 5 year strategy and yearly plans on socio-economic development.
- Poverty reduction was not only the task of the state, but also the obligation of poor people themselves to self-escape from poverty.

According to this strategy, targets which needed to be hit in the area of poverty reduction include:

- From 2000 to 2010, reducing by 2/5 the poverty rate according to the international poverty line and by 3/5 according to the poverty line of the NTP-HEPR and Employment in the period 2001-2005
- From 2000 to 2010, reducing by 3/4 the food poverty rate according to the international standard.
- By 2005, 80% of poor communes and communes with extreme difficulties would have been sufficiently provided with essential infrastructure. The figure would be 100% by 2010.
- By 2005, the national electricity grid would have been expanded to centers of 900 poor communes.
- Assurance of the most essential infrastructure provided, especially clean water and hygiene for poor clusters in cities and towns.
- By 2005, it was expected that 80% of the population in urban areas and 60% in rural areas would be provided with clean water. By 2010, clean water would be provided for 85% of people in rural areas.

## 2.2 National Programs

The Decision No. 71/2001/QĐ-TTg dated 4/5/2001 by the Prime-Minister on ratification of the six national targeted programs (NTP) in the period 2001-2005. HEPR-JC is one of the most important of the NTPs. Together with Program 135, HEPR-JC especially focuses on poverty reduction. The following are six NTPs:

- *The National Targeted Program on Hunger Eradication and Poverty Reduction and Job Creation.* The MOLISA is management agency of the program
- *The National Targeted Program on Clean Water and Hygienic Environment in Rural Area* The MARD is program management agency.
- *The National Targeted Program on Population and Family Planning.* Management agency of the Program is the National Committee for Population and family Planning
- *The National Targeted Program on Prevention of Some Social Diseases, Serious Epidemics and HIV/AIDS.* Management agency of the Program is the MOH
- *The National Targeted Program on Culture* Management agency of the Program is the Ministry of culture and information
- *The National Targeted Program on Education and Training.* Management agency of the Program is the MOET
- *Decision No. 135/1998/QĐ-TTg dated 31/7/1998 by the Prime-Minister on Socio-economic development Program for communes with extreme difficulties in mountainous and isolated areas (Program 135).* Management agency of the Program was the Committee for Ethnic Minorities (CEM). (Program 135 is not a NTP, but its mechanism of operation is exactly the same as the NTP)

## 2.3 Other policies related to poverty reduction

Besides the National Targeted Programs, some decisions of Primer Minister were promulgated in order to enhance support to the most difficult areas. One of them is Decision No. 134/2004/QĐ-TTg dated 20/7/2004 on some policies on productive land, housing and clean water for poor ethnic minority households with difficulties, as follows:

### 2.3.1 Productive land

Minimum area provided for one household was 0.5 ha of terrace field or 0.25 ha of wet rice field with one harvest/ 0.15 ha of wet rice field with two harvests.

### **2.3.2 Land for housing**

Minimum area provided for one household was 200 m<sup>2</sup>

### **2.3.3 Housing**

For poor ethnic minorities who had no houses or were living in makeshift houses, houses were built by the ethnic minorities themselves with support by the State and resources mobilized from the communities. Each household was provided with 5 million VND from the central budget, the remaining was mobilized from other resources and communities.

### **2.3.4 Clean water**

For ethnic minority households dispersed in highlands and rocky areas or areas with a shortage of clean water, central budget for purchasing provided 0.5 ton of cement per household for the construction of a water tank or each household was given 300,000 VND to dig a well for clean water. For building works of public water supply:

- Central budget is fully delivered to villages where over 50% of households are ethnic minorities,
- Central budget is delivered 50% of the total budget to villages with 20% to below 50% of households are ethnic minorities.

## **2.4 Regulations by the government in management and implementation of all NTPs**

To manage and implement NTPs, the Prime Minister issued the Decision No.42/2002/QĐ-TTg on regulations of clear responsibilities of MPI, MOF and management agencies of NTPs with key contents as the following:

### **2.4.1 Roles of the MPI in management and implementation of National Targeted Programs**

The MPI was assigned to be the focal point to help the Prime Minister manage all NTPs and concurrently, to implement CPRGS and PR of Vietnam. NTPs play a role as components of this Strategy.

- Being the focal point to help the Government manage and implement NTPs;
- Taking the leading role in coordination with the MOF and related agencies to make proposal of NTPs' items. Appraising NTPs before submitting to the Prime Minister for approval;
- Making recommendations of the total budget allocated to each NTP;

- Receiving reports of NTP management agencies to analyze and report to the Prime Minister;
- Synthesizing budgets of NTPs, which have been allocated through central ministries, agencies and provincial/city authorities, into common plans of ministries, agencies and provincial/city authorities to submit to the Prime Minister.

#### **2.4.2 Roles of MOF**

- Providing the central budget yearly for ministries, agencies and localities to implement NTPs;
- Monitoring and supervising expenditures of NTPs implemented by ministries, agencies and localities.

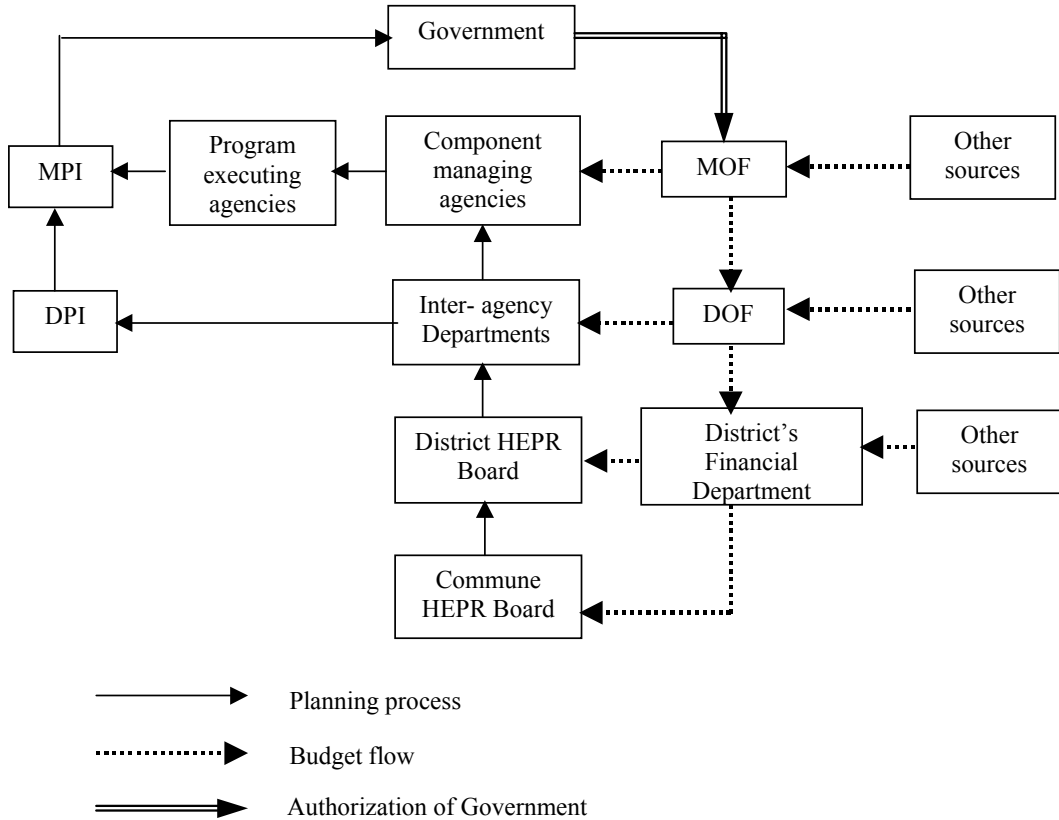
#### **2.4.3 Roles of Program executing agencies**

- Making yearly proposals of budget levels, summarizing budget demand for operations of those agencies in charge of components' management and demand of all areas to construe one of the entire program. The total budget level is sent to MPI for synthetic reporting to the Government and National Assembly.
- Making proposals of budgets allocated to implementing agencies in charge of components of NTPs, and levels of allocation to provinces/ cities, then sending them to the MOF and MPI for joint synthesis into budgets of such agencies and localities.

#### **2.4.4 Localities level**

There are four authority levels in Vietnam, including: central, provincial (city), district (urban or sub-urban) and commune. The four levels have to set up annual poverty reduction plans and they will be summarized to become the national plan.

**Figure 1: Planning process and budget line**



Source: Author's observation.

### 2.5 Activities of the NTP-HEPR and Job Creation

Objectives set forth for poverty reduction within the NTP-HEPR and Job Creation includes:

- Reducing the poverty rate of households down to below 10% (according to the poverty line of the program to be referred in point 3.1). Average poverty reduction of each year was 1.5 –2%;
- Poor communes had essential infrastructure (micro irrigation, schools, medical stations, people-contributed roads, electricity, clean water, markets);
- Jobs were created for 1.4 to 1.5 million workers yearly.

- Urban unemployment rate reduced to below 6%, and increasing the proportion of working hour utilization in rural areas by 80% in 2005.

The National Targeted Program on Hunger Eradication-Poverty Reduction and Job Creation was approved under the Decision No.143/2001/QĐ-TTg dated 27/9/2001 by the Prime Minister. The program included two key areas, which were quite independent of each other; they were poverty reduction and employment. The area of poverty reduction included 5 policies and 8 projects, and the area of employment included 4 projects. All are demonstrated in the Table 1.

**Table 1: Policies and projects of the NTP-HEPR and Job Creation**

Components	Management agency
<b>Poverty reduction</b>	
<i>a. Policies on</i>	
Health care	MOH
Education	MOET
Production tools and provision of productive land	MARD
Housing	MOLISA
Social security	MOLISA
<i>b. Projects on</i>	
Credit	State Bank of Vietnam
Agriculture extension	MARD
Poverty reduction models	MOLISA
Development of essential infrastructure	MARD
Production and development of profession	MARD
Training for HEPR cadres	MOLISA
Resettlement for migrants and development of new economic zones	MARD
Sedentarisation	MARD
<b>Employment</b>	
Provision of loans for micro projects to create employment	MOLISA
Capacity building and modernization for Job Promotion Centers	MOLISA
Training for officers in charge of labor and employment affairs	MOLISA
Doing surveys, statistics and developing labor market information system	MOLISA

Source: Decision 143/2001/QĐ-TTg dated 27/9/2001 of Prime Minister ratifying the 'National Targeted Program on Hunger Eradication, Poverty Reduction and Job Creation for period 2001-2005'.



To instruct upon the implementation of the program, the Prime Minister issued the Decision No.177/QD-TTg dated 09/11/2001 on setting up the Steering Committee (SC) of the NTP-HEPR and Employment headed by a Deputy Prime Minister. The MOLISA was appointed to be the Standing vice Head of the Committee. Members of the SC were representatives from MOF, MPI, MARD, MOET, MOH and CEM, The National Committee for Population- Family- Children, The Central Fatherland Front, The Vietnam Farmers' Association, The Vietnam Women's Union and The Youth Union.

At the provincial level, the SC of the NTP-HEPR and Employment was also set up with representatives from departments and agencies similar to sectors and areas at the central level. Management agency is the Department of Labor- Invalids and Social Affairs. To provide assistance for the central SC, an Office of the NTP-HEPR and Employment was established and is located in MOLISA.

## **2.6 Activities of Program 135**

Objectives of the Program during the period 2000 – 2005 include:

- Reducing the rate of poor households in communes with extreme difficulties down to 25% by the end of 2005;
- Ensuring the provision of enough clean water for ethnic groups, the attraction of over 70% of school age children to continue schooling, improvement of production knowledge for people, control of social epidemics and fatal diseases, construction of roads for internal and external links to the center of commune clusters, development of rural markets.

The program was also to eradicate hunger and reduce poverty, especially for areas where a majority of ethnic minorities were living. Program 135 includes 5 components (see Table 2).

**Table 2: Projects of the Program 135**

Projects on	Administered by
Infrastructure construction in communes and villages.	CEM
Infrastructure construction in center of commune clusters	CEM
Planning for resettlement of residents.	MARD
Stabilization and development of production	MARD
Training for commune officers	CEM

*Source:* Decision 133/TTg of Prime Minister ratifying the Socio-economic Development Programme for Extremely Difficult Communes in Ethnic Minority and Mountainous Areas.

Similar to the NTP-HEPR and Employment, the Prime Minister issued the Decision No.13/QD-TTg dated 23/01/1998 on setting up the Steering Committee (SC) of Program 135 headed by a Deputy Prime Minister. The Minister of CEM was appointed to be the Standing Vice Head of the Committee. Members of the central SC were representatives from MOF, MPI, MARD, MOLISA, The Vietnam Farmers Association, and the Council for Ethnic Groups of the National Assembly. SCs of Program 135 at the provincial level were also established in provinces.

The assistance unit for the central SC was the Department of Ethnic Policies of CEM. The difference of Program 135 compared with the NTP-HEPR was that there was no separate body for the central SC, so that it was combined with a state administration agency of CEM.

### **3. MINISTRY OF LABOR, INVALIDS AND SOCIAL AFFAIRS AND THE NTP-HEPR**

#### **3.1 Tasks of Program management**

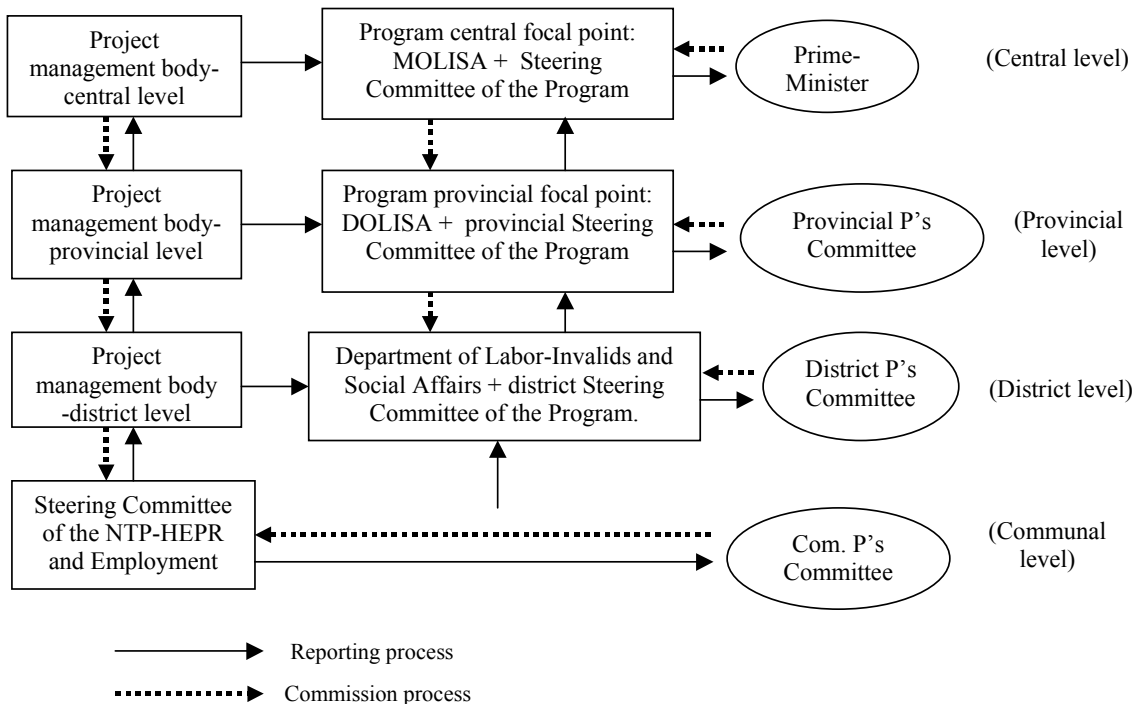
MOLISA is the Government's agency responsible for the management of poverty reduction in general and the NTP-HEPR and Employment in particular. To assist the Program's Steering Committee, an office of the NTP-HEPR and Employment was established with affiliation to MOLISA and tasks as follows:

- Making yearly plans and synthesis of the 5 year plan for implementation of the NTP- HEPR based on plans of line ministries, agencies and localities;

- Monitoring and speeding up the program's implementation;
- Making synthesis and reports of implementation from line ministries, agencies and localities;

Yearly, pursuant to tasks as assigned, line ministries, agencies and localities made plans for program implementation and sent them to MOLISA through the office of the NTP-HEPR and Employment. The office synthesized activities of the program implementation and forwarded them to the Ministry of Planning and Investment. MPI then finalized synthesis of all NTPs to submit to the Prime-Minister. A reporting system from managing agencies of program components and localities based on a system of indicators was established. However, due to a lack of specific regulations, reporting of the program implementation was not conducted in the right time and was only sent from managing agencies of components if requested. At local levels, responsibility of information sharing was unclear. These problems became obstacles in ensuring the effectiveness of the program management (see Figure 2).

**Figure 2: Management structure of the NTP-HEPR**



Source: Author's observation.

According to a regulation by the government, the total state budget allocated to localities to implement all NTPs was in the package and concrete allocations would be informed to localities by the Ministry of Planning and Investment. Therefore, although they were the focal point of the NTP-HEPR, in reality MOLISA found it difficult to learn the budget allocated to each province and city. Information was only provided for MOLISA through reporting from localities.

Central managing agencies of the NTP-HEPR's components would be responsible for administering the program under their vertical system from central to provincial and grassroots levels. At provincial levels, DOLISA was the focal point; DPI was the managing agency of all programs in provincial areas. Departments of Health, Education and Training, Agriculture and Rural Development had tasks in areas assigned. A similar apparatus was also established at district levels, but at commune levels- the direct implementing level with many activities supporting the poor, there were no full time HEPR officers. There was only the HEPR board of commune.

However, in many cases, the managing agency of the program at provincial level was not under management of the vertical system from the central agency. e.g. the component of training HEPR officers at the central level was under management of MOLISA, but in Tuyen Quang province it was carried out through the school of propaganda and instruction. Such differences resulted in difficulties for the united program management.

Apart from such regular tasks, MOLISA was also assigned by the government to study and set forth the National Poverty Line to have a basis for the identification of poor households and indicators for the targeting of poor communes which would benefit from the program.

### **3.2 Criteria for identification of poor households and poor communes**

According to the Decision No.1143/2000/QĐ-LĐTBXH dated 1/1/2000 by the Minister of MOLISA, in the period 2001-2005 poor households were identified as ones with income per capita lower than the following levels:

- Rural highland and island areas: 80,000 VND/ month; 960,000 VND/year
- Rural lower land areas: 100,000 VND/month; 1,200,000 VND/year
- Urban areas: 150,000 VND/month; 1,800,000 VND/year

MOLISA then set forth a process of targeting poor households to apply commonly in the whole country. The key point of this process was a combination of simple surveys on income level and the expenditure of households to identify households

with income levels lower than the said poverty line, and then selected poor households were reconsidered in the community.

According to this data, in late 2004, the number of poor households in Vietnam was about 1.44 million and it was estimated that it would be only 1.1 million (around 7%) in late 2005. This figure was used for estimation of the state budget allocated to the program (see Table 3).

**Table 3: Poverty rate in 2000-2004 (according to the poverty line in the period 2001-2005) of regions all over the country**

	<b>Poverty rate of households in 2000 (%)</b>	<b>Number of poor households in 2004 (household)</b>	<b>Poverty rate of households in 2004 (%)</b>
Red River Delta	22.35	179,872	10.36
North East	33.96	81,986	14.88
North West	9.76	289,647	6.13
Central North	25.64	302,431	13.23
Central South Coast	22.34	164,289	9.56
Central Highlands	24.90	111,508	11.03
South East	8.88	58,222	2.25
Mekong River Delta	14.18	228,047	7.40
<b>Total</b>	<b>17.18</b>	<b>1,416,002</b>	<b>8.30</b>

Source: MOLISA, 2005a.

In accordance to the proposal by MOLISA, the Prime Minister signed the Decision No.170/2005/QĐ-TTg dated 08/7/2005 on the new poverty line applied for the period 2006-2010. The new poverty line is applied in regions as follows:

- In rural areas: poor households are ones with an average income per capita of 200,000 VND per month (2,400,000 VND/ head/ year).
- In urban areas: poor households are ones with average income per capita of 260,000 VND per month (3,120,000 VND/ head/ year)

According to the Decision No.587/2002/QĐ-BLĐT BXH dated 22/5/2002 by the Minister of MOLISA, criteria for identification of poor communes are as follows:

- Poverty rate from 25% and over;
- Lack of 3 among 6 essential infrastructures (including schools, medical stations, roads, electricity, clean water, market). Concretely as follows:

- + Less than 30% of households have clean water,
- + Less than 50% of households have electricity,
- + No roads linked to centers of commune clusters,
- + Number of classrooms only meets less than 70% of pupils' needs or there still remain makeshift classrooms,
- + No medical stations or only makeshift clinics,
- + No markets or only temporary markets.

According to these criteria, the number of poor communes of the program in 2005 was 157. During the 5 years of implementation, the total budget spent for poverty reduction in the NTP-HEPR was about 21,000 billion VND, of which 3,000 billion VND was from the central budget, 2,500 billion VND from the local budget, 1,500 billion VND was mobilized from other resources, 2,000 billion VND was integrated from programs and projects, and 12,000 billion VND was credit capital (MOLISA [2005b]).

### **3.3 Management and implementation of the project on training HEPR officers and poor commune officers.**

The training of officers is a component of the NTP-HEPR administered by MOLISA. The total budget for this component during the 5 years from 2001 to 2005 (MOLISA [2005b]) was about 63 billion VND (making up 0.3% of total expenditure for the program). At central level, MOLISA directly managed and organized training courses for officers of provincial Departments of Labor-Invalids and Social Affairs (DOLISA), then such officers delivered training for HEPR officers at district and communal levels. Moreover, mass organizations also actively took part in training activities on HEPR for their members, such as The Vietnam Farmers' Association, The Women's Union, The Veteran's Union, The Youth Union, etc. However, some provinces did not assign DOLISA, but asked other institutions to be in charge of training activities. Training activities were actively participated by international NGOs.

MOLISA developed a set of training documents for HEPR officers at district and communal levels. These documents were translated into 6 ethnic languages (in Vietnam there are 54 distinct ethnic groups, and some are still using their own languages for daily activities). Moreover, some in-depth skills were also delivered in some localities such as participatory poverty assessment, gender integration in HEPR, etc. Localities could add more contents if necessary.

Amongst HEPR officers from central to local levels, priority was given to commune and village officers. Apart from officers in the sector of labor- invalids and

social affairs, there was also participation from related agencies and mass organizations such as The Vietnam Farmer's Association, The Women's Union, The Youth Union, etc. At the communal level, leaders of communal people's committees also participated in this process. However, the biggest difficulty was the regular turnover of HEPR officers in communes.

During the 5 years from 2001 to 2005, training courses were organized for over 130,000 HEPR officers, of whom 95% were communal and village officers. The total budget estimated for training activities was around 63 billion VND. Apart from training courses with the aim to implement new policies and provide updated HEPR information, many concentrated on special contents such as participatory planning, monitoring and evaluation of poverty, gender integration in poverty reduction, etc. (Project VIE/02/001 [2005a]).

#### **3.4 Management and implementation of the project on development of HEPR models in regions with special features**

In reality, these were projects implemented by line ministries and agencies under assignment of the Government to support localities in dealing with HEPR. These projects were to carry out activities to implement decisions by the Prime Minister on socio-economic development as referred to in Section 2.3. Besides direct managing agencies of MOLISA and other ministries, the project was actively participated in by The Vietnam Fatherland Front, The Farmer's Association, The Veterans' Association, The Women's Union, The Youth Union, so that HEPR models rapidly became multiform and appropriate to features of localities, resources were mobilized with diversification, creating community's responsibility in HEPR. Project on development of HEPR models comprised of two activities:

- Combination between enterprises with households and communes for the development of material areas for HEPR.
- Development of HEPR models with typical features in ecological regions.  
(Activities of links with enterprises will be presented in Section 6)

Development of HEPR models with typical features in ecological regions: This project was directly managed by MOLISA in coordination with localities for joint implementation. During 2002-2004, this project was conducted in 19 communes of 5 provinces. Of the communes, 8 were mountainous communes with ethnic minorities from the provinces of Quang Ngai (1 commune), Dien Bien (4), Lao Cai (3), and 11 communes in coastal areas in the provinces of Quang Nam (1 commune), Thanh Hoa (6), Dong Thap

(4) (MOLISA [2005c]).

The total budget of investment for the 19 communes was about 18.1 billion VND of which the central budget was 11.7 billion VND. Total households joining the project with special commune models were 2,993, of which 2,844 were certified poor households. After three years of implementation, 1,138 households escaped from poverty, making up 40% of total poor households joining the project (MOLISA [2005c]). This occupied a very high proportion, ensuring the effectiveness of the project on development of HEPR models.

#### **3.4.1 Specific HEPR model in Lao Cai province**

In Lao Cai province, to implement the project on the direct assistance model for the development of production and shifting of cultivated crops and domestic animals, and assurance of food security, local people have self-determined their crop plants and domestic animals with consultation with the agricultural extension agency.

The project was carried out in 2004 with total funding of 1.42 billion VND, of which 1 billion VND was provided from the central budget. The total number of households joining the project was 285, of which 169 were poor. By the end of 2004, 57 poor households escaped from poverty (DOLISA of Lao Cai Province [2005]).

#### **3.4.2 Specific HEPR model in Dien Bien province**

In Dien Bien, the HEPR model was the development of terraced rice fields, support for development of production, and assurance of food security.

The project has been implemented since 2002 with total funding of 2.35 billion VND from the central budget. The total number of poor households joining the project was 531. By the end of 2004, 170 households had overcome poverty (DOLISA of Dien Bien Province [2005]).

#### **3.4.3 Specific HEPR model in Thanh Hoa province**

The project to develop small scale infrastructure to support households in aquaculture develop: the project has been implemented since 2002 with total funding of 8.1 billion VND, of 3.4 billion VND was from the central budget. The total number of households joining the project was 1,076, of which 923 were poor. By the end of 2004, 415 poor households had overcome poverty (DOLISA of Thanh Hoa Province [2005]).

#### **3.4.4 Specific HEPR model in Quang Nam province**

The project on the shifting of cattle and development of centralized husbandry, vegetables



grown on sand for households without land for cultivation has been conducted since 2004 with a total budget of 1,0 billion VND from the central budget. The total number of poor households joining the project was 410. By the end of 2004, 123 poor households had escaped from poverty; 150 workers got new jobs and working time for over 200 farmers had been increased (DOLISA of Quan Nam Province [2005]).

#### **3.4.5 Specific HEPR model in Dong Thap province**

The project on shifting structure of crop plants and cattle has been implemented since 2002 with total funding of 4.11 billion VND, of which 2.85 was from the central budget. The total number of poor households joining the project was 453. By the end of 2004, 333 poor households had escaped from poverty (DOLISA of Dong Thap Province [2005]).

## **4. COMMITTEE FOR ETHNIC MINORITIES (CEM) AND PROGRAM 135**

### **4.1 Role of coordination and management of Program 135**

Target groups of Program 135 were extremely difficult communes located in mountainous and isolated areas. According to a report by CEM, by the end of 2004, there were 2,374 communes nationwide under Program 135.

Criteria for identification of communes of Program 135 included (according to Circular No 41 dated November, 8 1996, CEM):

- Location: far-flung, borderline or island areas with a distance of over 20 km from a center of development;
- Available infrastructure: no infrastructure or only temporary infrastructure, difficult transportation, no roads to communes, very poor or no electrical facilities, clean water, schools or clinics;
- Social issues: illiteracy rate of over 60%, many diseases, out of date customs, poor access to information;
- Production conditions: In general, production conditions were difficult and could not meet the demands of the people. Household living resources mainly come from cutting timber; forest area was utilized for agricultural cultivation; production was nomadic;
- Living conditions: Over 60% of households were poor with difficult lives.

In addition, communes from borderline areas and safe zones (former revolutionary bases) were also included. According to the said criteria of identification,

the total numbers of 2,374 communes of the program were allocated as follows:

- Communes with extreme difficulties: 1919
- Borderline communes: 388
- Communes in former revolution based areas 67

The operational structure of Program 135 was similar to the NTP-HEPR (see figure 1). However, the implementing apparatus was simpler because there were only two direct managing bodies of the program: CEM managed three components and MARD managed two components. The Vietnam Farmers' Union and Ethnic Council of the National Assembly were assigned to monitor the program. Placement of management agencies for Program 135 in many localities was inconsistent. At the central level, CEM was the management agency, but most provinces assigned DPI to be the focal point of the program.

Before 2002, the central budget allocated for each commune of program 135 was 400 million VND, and since 2003 it has been increased to 500 million VND. This budget was allocated equally for each commune not depending on the poverty rate, or the number of poor households. Provinces also mobilized more resources from their local budgets and other sources. All of these budgets were combined and allocated to districts. Chairpersons of the provincial people's committees were entitled to allocate such budgets.

Like the NTP-HEPR, the monitoring and evaluation of managing agencies of this program were obstructed due to the financial regulation that provinces had the right to utilize resources, therefore it was very difficult for CEM to manage the component of production development under the control of MARD. The management system was only relatively conducted within the component of infrastructure because of guidance from uniform samples and reporting.

## **4.2 Implementation of Program 135's components**

### **4.2.1 The project on infrastructure development for communes and commune cluster centers**

Infrastructure facilities in communes and commune cluster centers of Program 135 included: electricity stations, roads, minor-irrigation systems, clean water supply, schools, medical stations and markets (see Table 4). Though such facilities were being utilized by communes, districts were investment holders of infrastructure development. By 2003, only 16% of communes were accepted to be the investment holders. One of the reasons was that capacity of commune officers, especially those from poor communes, was not enough to meet the tasks. Therefore, to manage infrastructure projects, each district set up

a management board with part-time members from related divisions (of agriculture and rural development, sedentarization, economics, etc.) and headed by a district leader. At the communal level, a monitoring board was also established to supervise the construction of facilities.

**Table 4: Outcomes of infrastructure construction in the period 1999-2004**

	<b>Number of works</b>	<b>Proportion of works (%)</b>	<b>Proportion of investment capital (%)</b>
Roads	6 652	33.4	40.3
Irrigation system	3 608	17.0	17.1
Schools	4 654	24.1	22.8
Clean water supply	2 346	12.0	5.8
Electricity	1 298	8.0	7.9
Clinics	487	1.7	1.7
Markets	237	1.0	1.2
Reclamation	426	2.4	0.5
Others	318	0.4	2.7
<b>Total</b>	<b>20,026</b>	<b>100.0</b>	<b>100.0</b>

Source: CEM, 2005a.

As a result, during the 6 years from 1999 to 2004, the program provided construction for more than 20,000 micro-facilities with concentration at highest proportion of 33% for roads, 23% for schools and 18% for irrigation systems. Roads and irrigation systems during this period were given special priority because they contributed to the promotion of production, facilitated access to basic social services (health care and education) and others for production (see Table 5).

Though the proportion of communes with essential infrastructure was quite high, the quality of such facilities was not the same due to the low level of investment. Many communes regularly suffered from natural disasters, therefore such facilities dramatically fell into disrepair. Moreover, there was no budget for maintenance from the program, therefore it was mobilized from communes. Thus, it was more difficult for poor communes after a certain amount of time of facility utilization. The quality of such facilities was much lower than expected. By 2005, it was expected to exclude about 800 communes with enough infrastructure facilities from the program (see Table 6).

**Table 5: Proportion of Program 135 communes with infrastructure works**

	Percent (%)
Communes had roads	94
Communes had micro-irrigation system	81
Communes had clinics	96
Communes had solid primary schools	86
Communes had secondary schools	73
Communes had markets	44
Communes had electricity	84
Communes had clean water	58

Source: CEM, 2005c.

**Table 6: Central budget allocated to infrastructure construction**

Unit: Billion VND

Year	Infrastructure construction for communes	Construction for commune cluster centers	Total
Before 1999		432	432
1999	483.2	103	586.2
2000	701.2	101	802.2
2001	880.0	230	1110
2002	893.2	250	1143.2
2003	1116.5	265	1381.5
2004	1120.0	350	1470
2005	1137.5	372	1509.5
<b>Total</b>	<b>6,331.6</b>	<b>2,103</b>	<b>8,434.6</b>

Source: CEM, 2005a.

Apart from the central budget, localities have supplemented to the program from local budgets totaling about 240 billion VND. Furthermore, thousands of billions of VND were also mobilized from international donations and contributions from enterprises and individuals.

#### **4.2.2 Training for officers**

The priority target groups of training projects from program 135 included the party secretary and the deputy party secretary of the Party Committee, standing representatives of people's council and people's committee of communes; leaders of mass organizations such as The Communal Fatherland Front, The Women's Union, The Farmers' Association, The Youth Union, The Veterans' Union; commune officers in charge of planning, finance, land, agriculture and fishery extension, transportation, irrigation; officers dispatched from higher levels to support communes; village heads; and members of program 135s monitoring boards.

Contents of training included the state policies on socio-economic development, administrative management, grassroots management; solutions for socio-economic development in ethnic areas; agricultural-fishery extension, arrangement for output of products; management mechanism and implementation of program 135. Provincial People's Committees decided the contents of training for grassroots officers according to yearly plans and selected trainers.

The project was carried out broadly in all communes of program 135. After 5 years of implementation, on average 65 officers per commune were trained. 53.6 billion VND was allocated to localities to hold training courses. In total, nearly 1,100 courses were organized for more than 155,000 officers. With only 0.79% of the program's budget (CEM [2005a]), budget for training occupied a very low proportion. There was coordination in training activities between officers of program 135s management boards with ones from extension system and training institutions (CEM [2005b]).

## **5. ROLES OF RELATED GOVERNMENT AGENCIES IN THE NTP-HEPR**

### **5.1 Role of the Ministry of Health in provision of health care services for the poor**

#### **5.1.1 Beneficiaries**

Health care services for the poor in the NTP-HEPR were under the management of MOH. To carry out this component, the Prime-Minister issued the Decision No.139/2002/QĐ-TTg on medical treatment for poor people, then MOH and MOF jointly issued the Circular No.14/2002/TTLT/BYT-BTC dated 16/2/2002 on guidance for the implementation of the Decision No.139. Beneficiaries of free medical insurance included: (i) poor people as identified under the poverty line issued by MOLISA, (ii) people in communes of program 135, (iii) ethnic minorities in the central highlands and 6

provinces with extreme difficulties in the Northern mountainous area. This demonstrates that beneficiaries of medical insurance of the program were higher than the number of poor people because non-poor households of item (ii) and (iii) were also benefited by this program.

### **5.1.2 Implementation apparatus**

Provinces and cities set up medical treatment funds for the poor. A Fund Management Board was headed by a deputy chairperson of the provincial people's committee. The director of the department of health was the standing vice-head of the Board of Representatives of the departments of health, labor-invalids and social affairs, planning and investment, social insurance and The Fatherland Front were also members of the Board.

### **5.1.3 Supportive method**

Contribution to the medical treatment fund for the poor was 70,000 VND/head/year. Of this figure, 75% was provided from the state budget, the remaining was supplemented from local budgets or mobilized from other resources of enterprises, international organizations and individuals, etc. Depending on the conditions of provinces, two applicable forms were:

- Buying medical insurance cards: there were 24/64 provinces applying this form. The card had a face value of 50,000 VND/head/year and was ordered in medical insurance units in localities. The remaining was used to support people who were unable to pay for health care services provided in public hospitals if they suffered from fatal diseases
- Actual payment as treated: There were 31 provinces applying this form. Under this form, management board of the fund was responsible for payment before the medical stations with health care expenses for the poor according to payment level regulated by the medical insurance.

The remaining of 9 provinces applied both forms above. At present, such methods of payment only apply to public medical facilities.

### **5.1.4 Some outcomes**

According to a report by MOH, in 2003 the total number of health care beneficiaries under the Decision No.139 was around 14.37 million all over the country, making up 17.5% of the national population (this figure is much higher than the poverty rate as explained at point 5.5.5). In 2004, the number fell nearly 1.2 million compared with what

it was in 2003, to 13.18 million.

In 2003, the medical treatment fund for the poor in the whole country was 520 billion VND and it had already paid 302 billion VND ( 58.2% of the total fund), of which 114 billion VND was spent on buying medical insurance cards (37.8%), 188 billion VND for actual payment as treated by beneficiaries (62.2%) (MOH and MOLISA [2005]). The reason for the disparity between the total fund and payment was that it took time for the identification of beneficiaries, selection of method for implementation, printing and delivery of medical insurance cards. Many localities carried out schemes of free medical treatment for the poor very late, till quarter II, even quarter III. However, according to the Decision No.139, the remainder of the fund would be transferred to the following year.

In the first half of 2004, the total fund for medical treatment increased to 646 billion VND and it had already paid 261 billion VND (40% of the total fund), of which 114 billion VND was spent on buying medical insurance cards (43.7%), 147 billion VND for actual payment as treated by beneficiaries (56.3%) in the whole country (MOH and MOLISA [2005]).

The provision of health care services for the poor was mainly conducted through communal clinics. At present, almost all poor communes have clinics with 4.6 medical workers in each. Poor people who suffered from serious diseases were moved to a larger center for treatment.

## **5.2 Roles of the Ministry of Education and Training in providing support on education for the poor**

### **5.2.1 Policy on education for the poor**

MOET was the focal point of management, development and implementation of a supportive policy on education within the TNP-HEPR and program 135. Achievements in universal education in Vietnam were considered remarkable in comparison with other countries at the same level of development. This is demonstrated through the rate of literacy, number of children in universal education at the right school age, etc. Thanks to such achievements in education, The Human Development Index of Vietnam as ranked by the United Nations was similar to Indonesia, a country with a living standard much higher than Vietnam's.

In Vietnam, there were many policies on education related to poor pupils. For example according to the law on universalization of primary education, all pupils were entitled to have a school fee exemption; Decision No.1121/1997/QĐ-TTg dated 23/12/1997 by the Prime Minister, pupils from poor families as certified by the poverty

line were provided with social assistance of 100,000 VND/ month; Decision No.70/1998/QD-TTg dated 31/3/1998 by the Prime Minister, the following target groups were waived from the school fee.

- Pupils and children whose parents lived in mountainous highland areas (excluding urban/ town) and isolated, island areas
- Pupils and children whose parents had died
- Pupils selected from pre-university schools for ethnic pupils, boarding schools for ethnic pupils, vocational training schools for disabled people, and schools for mentally handicapped people
- Pupils and students from families suffering from hunger were waived from the school fee, and from poor families got a school fee reduction

According to program 135, pupils in communes of the program were provided with text books, stationeries and waived from the school fee. The state facilitated the opening of vocational training courses for children of ethnic minorities for the development of non-agricultural production, on-the-spot job placement and income generation. Apart from policies on direct support for poor pupils, there were also other policies for the encouragement of teachers to work in difficult areas. If teachers voluntarily moved to such areas, they would be provided with allowances. The amount depends on each area.

### **5.2.2 Management and implementation of the policy on education for the poor**

As mentioned above, a budget for health care for the poor was allocated from the central to the local level, but it was different for education. Schools that had target groups with a school fee exemption would be partly cut-off from contributions to higher levels. The cut-off depended on the number of target groups and the level of school fee reduction. Moreover, as mentioned in point 5.2.1, the number of target groups was much diversified and under of many policies and programs. That's the reason why the sector of education found it difficult in separating pupils with a school fee reduction from the NTP-PR and of course, it was more difficult for the sector of labor- invalids and social affairs in monitoring and evaluating this component.

Therefore, for students in the communes under program 135, they were automatically given a fee exemption. As for the students of poor families who benefited from the national target program on poverty alleviation, they were given a fee exemption (should their families belong to households suffering from hunger) or a fee reduction (should their families be poor). Those who were entitled for the fee exemption and/or reduction under the national target program for poverty alleviation they only needed to



present to their schools the certificates of financial status. However, a difficulty has been faced by those families because of the time-consuming nature of obtaining a certificate (as they had to go through steps of review, acknowledgement and issuance of certificate) and therefore, it caused certain difficulties for the poor.

To manage this component, the education sector had their representative offices from the central level, provincial and district levels as well as their staff in all communes who acted as the focal point for the implementation of the component. However, the reported number is usually the total number of students who were given the exemption/reduction, not the number which is classified by the policies.

### **5.2.3 Results**

Annually, 3 million poor, ethnic minority students were provided with a fee reduction/exemption as well as other contributions to the schools; 2.5 million poor ethnic minority students were provided with/lent textbooks, notebooks with an annual amount of support of more than 100 billion VND. The ratio of children of schooling age who go to school increased sharply, should we only take into consideration the households which were given a fee reduction/exemption, the increase of schools goers is around 16.5% (MOLISA [2005b]).

## **5.3 The role of the Ministry of Agriculture and Rural Development in the implementation of the project on poverty alleviation**

### **5.3.1 Extension project**

For the implementation of this project, an agency was established representing level from the central to the communal. In addition, there were also voluntary extension organizations. At the central level, there was the National Center for Extension affiliated to the Ministry of Agriculture and Rural Development. At the provincial level, there were the agricultural extension bodies with at least 1 extension staff per commune. In addition, there was also extension staff who worked with short term contracts.

In addition to those under the Agriculture and Rural Development sector, there were also agricultural extension bodies affiliated to mass organizations such as The Farmer Union, The Women's Union, The Veterans' Association, and The Youth Union etc. The operation of these organizations was via contract signed with the National Center for Agriculture Extension. Apart from the agriculture extension project in the NTP-HEPR, the agriculture extension activities were also carried out widely in all provinces of the country via programs, projects under the sector of agriculture and rural development that

poor people were also the beneficiaries. The objectives of the extension project are to provide poor households with knowledge on production; application of technological advancement into production and business; enhancement of productivity, quality of crop plants and domestic animals; income generation; and environment protection for poor people to escape from poverty. This project focuses on households suffering from poverty with a labor force, productive land in communes with extreme difficulties and poor communes not from program 135. Contents of the agriculture extension project included 5 key activities as follows:

- To establish a model on agriculture, forestry and fishery extension instruction on the application of appropriate techniques, seeds and the appropriate shift of the production structure.
- To organize capacity building training for agriculture staff and provision of new techniques for farmers.
- To disseminate information, provide to farmers information on production, techniques, markets via materials, leaflets, newspapers, books, as radio and television...
- To organize instruction meetings on the replication of successful production models. Seminars to discuss and disseminate production experiences of farmers who are successful in their production.
- To carry out the review and evaluation of achievements and impacts of the project.

Some outcomes of extension project (Project VIE/02/001 [2005b]):

- Providing instruction to the benefited provinces to establish almost 4,000 models to introduce new techniques, new seedlings and plants appropriate to the natural conditions of the areas, the skills and the available resources of the poor, ethnic minority households. These models have helped increase the productivity and improve the income for poor households in mountainous, coastal areas such as the models of introducing cross-breed rice, corn to areas of difficulties; the replication of the high yield rice, sugar-cane; the coordination between planting fruit trees and forestation; raising of chickens, cross-breed cows, goats, etc.
- Organizing training on new techniques, instruction meetings for extension staff and farmers in almost all benefited provinces with the provision of information for the poor on the planting technique, livestock breeding, forestry, aqua-culture, etc. Over the past 4 years, more than 27,000 technical training courses were organized for almost 1.1 million staff and farmers.

- Enhancing dissemination of the information of new techniques, market information, and successful models on effective poverty alleviation. 40 different types of books with more than 102,000 copies on planting and breeding technique instruction, 17 different types of leaflets with nearly 60,000 copies, more than 4,000 campaign pictures on technical instruction have been produced and disseminated to all projected provinces.
- Integrating the project on guiding the poor on how to start their own business, on agriculture, forestry and fishery extension in the national target program on poverty alleviation with different programs of the National Center for Extension as well as other extension projects for the poor carried out by different non governmental organizations in provinces of Ha Giang, Son La, Lao Cai, Thai Nguyen and Bac Kan.

### **5.3.2 Project on construction of essential infrastructure facilities for poor communes**

These projects provided support in constructing essential infrastructure facilities for poor communes and communes with special difficulties in the coastal and island areas (according to Decision No.587/QD-BLDTBXH - point 3.1). These communes were not those in program 135 as mentioned above. The list of priority infrastructure facilities are micro irrigation systems, schools or classrooms, clinics, roads, electricity for production and living purposes in project sites, clean water, and rural markets. In 5 years, from this project, with the merged capital from different programs, projects, the central budget and provincial budgets, the provinces have invested to construct more than 1,000 essential infrastructure facilities (micro-irrigation, roads, clean water, power stations, schools, markets) for 997 poor communes with total funding of 776 billion VND, in which around 200 billion VND was mobilized from the community. In comparison with the 5 year plan, only 40% of the requirement on essential infrastructure facilities in poor communes was met. Currently, there are still 172 poor communes that lack 4 – 5 essential infrastructure facilities and 157 communes of special difficulties in coastal and island areas that are still faced with various difficulties. For these communes, at the decision 257/2003/TTg of the Prime Minister, each was assisted with 500 million VND (MOLISA [2005b]).

### **5.3.3 The project on supporting production and occupational development in poor communes**

This project helps the poor by applying advanced technology in preservation and processing of agro-forestry products; supporting to restore and develop traditional professions and new careers, meet market demands, arrange employment and increase

incomes for the poor. It tries to provide workers of poor households with support from the project to have income of VND 150,000 to 200,000 per head per month. Beneficiaries of this project are poor households belonging to the target group of sedentarization (excluding communes belonging to program 135). Items for investment are as follows:

- Providing materials, machines, technology transfer for the development of models on the preservation and processing of agro-forestry products, salt making, and non-agriculture production.
- Organizing training on guidance with skills for preservation and processing of agro-forestry products, salt making, maintenance of equipment and machines.
- Supporting training for traditional handicraft professions.
- Supporting information dissemination.
- Organizing conferences, thematic workshops, and evaluation workshops to extract good lessons for replication.
- Monitoring and evaluation.

During the past 5 years, 103 models on the preservation, process of agricultural and forestry products and occupation development have been developed for rural households and groups of households in 37 provinces which include 52 models on handicraft, 4 models on salt production and 3 models on mechanics. The project also organized 106 training sessions for 9,000 farmers on the techniques to process and preserve agricultural products. The total funding for the project, included the integrated component of the agricultural sector, amounting to 280 billion VND, in which, the amount from the project was 68 billion VND (MOLISA [2005b]).

#### **5.3.4 Project on sedentarization of free migrants and the establishment of new economic zones in poor communes**

The objectives of this project are the effective exploitation and utilization of fallow land in line with the redistribution of the labor force, job creation in rural areas, and poverty reduction; arrangement and stabilization of life and production for households in difficult areas with the aim to limit free migration, resettlement for new migrants, and gradual arrangement for migration as planned by the State. Target groups include households that lack of productive land who needed to migrate to new economic zones or other regions with better conditions for stable production and long- term living, migrant households that had already arrived and were living in unplanned areas were in need of movement for rearrangement, households that lived dispersedly were needed moving in to one area to develop production and infrastructure households had to move to other areas due to natural calamities. This project focuses on supporting the reclamation and enrichment of

rice fields; the providing of crop plants and domestic animals, and advanced technology into production; supporting for grassroots agricultural extension; supporting for models of agro-forestry processing and trades in household and household group scales; providing of non-productive expenses for households who had to move to new residential areas; supporting investment of essential infrastructure facilities: micro-irrigation, rural roads, schools, clinics, electricity for production and living of people in project sites, clean water, rural markets.

During the past 5 years, 106,000 households have been removed with 631,000 persons, in which the in-provincial removal of the people accounts for 90%. The total funding was 311 billion VND. 300 projects on the establishment of new economic zones that have been implemented in which, 20 were of big scale in core areas. Almost 20,000 hectares of land has been cultivated, 300 kilometers of roads, almost 1,000 irrigation facilities have been constructed with the total funding of 1,500 billion VND. 72 projects with the total capital of 113 billion VND have been implemented. 60,000 households have been settled. 18,262 households of free migration have been removed, 1,680 households have been removed out of their place of residence as it is necessary for the protection of forest land. In addition, 242 hectare of land has been cultivated. Removal and organization of free migrants: Almost 60,000 households of free migrants in the Northwest and the central highlands have been removed and stabilized. (MOLISA [2005b])

### **5.3.5 The project on sedentarization for poor communes**

Objectives of the project: Stable production and enhancement of living conditions for ethnic minorities who were in need of sedentarization; solutions for situations of no land or lack of land for cultivation; termination of deforestation; and limitation of free migration. Activities in order to provide households with land for cultivation; provision of crop plants and domestic animals; application of advanced technology into production; provision of materials (fertilizers, insecticides, veterinary drug); support for activities of agriculture-forestry extension officers; support for models of agro-forestry processing and trades in small scales; provision of non-productive expenses for households who had to move to new residential areas; support for investment of essential infrastructure facilities as planned: micro irrigation, rural roads, schools, clinics, electricity for production and living of people in project sites.

Some outcomes: More than 200 projects have been implemented for the sedentarization of almost 90,000 households with the total funding of 480 billion VND; new plantation of 5,300 hectares of forest, care and protection of 454,000 hectares of

forest, 7,000 hectares of industrial trees and fruits trees have been planted; 7,700 hectares of land has been cultivated, 752 kilometers of roads and 39 rural roads have been constructed; 310 kilometers of dike and 40 canals have been constructed; 100 bridges and ditches have been constructed, 160 water pumps and small irrigation facilities have been installed and constructed, more than 800 wells have been dug, more than 100 schools and communal clinics have been built, 8 power generators have been constructed. These have helped more than 50,000 households to have easy access to in-site production services and social services (MOLISA [2005b]).

#### **5.4 The Social Policy Bank with the provision of credit for the poor households**

##### **5.4.1 The Government Decree number 78/ND-CP on the provision of credit for the poor**

The provision of preferential credit for the poor, started in Vietnam in 1993 when it was carried out by the Bank for Agriculture and Rural Development. However, it was really concentrated on in 1995 with the establishment of the Bank for the Poor. The purpose of the Bank was for poverty alleviation, not for profit purposes via the activities of loan provisions with preferential interest rates which could assist poor households to develop their businesses, create jobs, and increase incomes. The Bank for the Poor terminated its operation in 2002 with the establishment of the Social Policy Bank by the Decision 131/2002/QD-TTg on October, 4, 2002 of the Prime Minister. The Social Policy Bank not only provided preferential credit for the poor but also for other groups. The Bank has 64 branches in 64 provinces and cities with 587 district transaction offices and almost 5,000 staff.

To support the poor with loans with preferential interest rates for their production, job creation and income improvement, on October 4, 2002, the Government issued the Decree 78/2002/ND-CP with following aims:

Types of beneficiaries include:

- Poor households in the list of communes pursuant to the poverty line promulgated by the Ministry of Labor, Invalids and Social Affairs.
- Students and pupils in difficulties who are studying at universities, colleges and vocational training institutions.
- People who want a loan for job creation via small scale business development.
- People who wish to work abroad for a definite term.
- Economic organizations and households with production and business purpose in island areas as well as communes under program 135.

In getting the loan, the poor do not need to have equity and are exempted of the necessary fees in getting the loan. The Banks for Social Policies were established from the central level to the provincial level to provide preferential credit for the poor. They are operating as non-profit institutions. The sources of the capital: The state budget, capital mobilized from different organizations, individuals in the country and abroad, and loans from other sources.

#### **5.4.2 Lending mechanism**

- Size of loans: At first, the maximum amount of loan provided by the Bank for Agriculture and Rural Development was 2.5 million VND. Then, the amount increased to 5 and 7 million VND. To date, the maximum loan amount of the Social Policy Bank is up to 10 million VND. The specific amount of loans was decided based on the demand, the availability of funds and the ability of paying back the loan. Each household could be provided several loans. However, the total debt could not exceed the maximum loan.
- Loan duration: It was determined by the purpose of the loan, the business period, the source of capital and the ability to pay back the loan. The maximum duration for a short loan was 12 months and 5 years for a medium loan.
- The monthly interest rate was 0.5% for Region I (newly developed areas) and Region II (areas that are temporary stabilization) and the interest rate was 0.45% for the Region III (areas of most difficulties which include 1715 communes) and the communes under program 135.
- The process and procedures of getting the loan: (i) For the poor, it is necessary for poor households to join in the Group of Saving and Getting loans, poor households are requested to write a proposal which is addressed to the head of the group, (ii) As for the Group of Saving and Getting loans: They receive the proposal from their members, organize a meeting to ascertain households that are eligible for getting the loan, prepare the list of those eligible and write a proposal which is addressed to the communal people committee. (iii) The committee for poverty alleviation of the commune acknowledges the list and sends the list to the Bank and requests approval and then informs the loan seekers the result of the decision as well as the disbursement time for the beneficiaries. (iv) As for the Social Policy Bank. The bank's staff reviews the eligibility of the dossiers and then informs the communal authority of their decision. This step does not exceed 5 days. (v) The bank, in collaboration with the beneficiaries, makes a loan book and the bank disburses the loan at the bank or at the house of the loan borrowers.

The role of the mass organizations in the loan process is very important in the selection of the borrowers, review their use of the loan for the right purpose and to ensure that the borrowers pay back the loan in due course.

### 5.4.3 Main results

It is possible to see that via the preferential credit, the number of poor families has been significantly reduced. Since 1996, more than 1 million households have escaped from the poverty trap and 9.3 million small loans have been provided to households with preferential credit (see Tables 7 and 8).

**Table 7: Loan structure**

Unit: Billion VND

Sources of capital	1996	2002	2003	To June 2004
Register capital	500	1,015	1,517	1,515
Capital from the State Bank	600	1,009	1,531	1,661
Capital and saving money from the commercial banks	432	4,302	3,243	4,162
Loan borrowed from int'l sources	221	151	144	139
Capital from investment trust services	123	555	535	686
Capital mobilized from the community	20	51	1,200	2,157
<b>Total of operational capital</b>	<b>1,956</b>	<b>7,083</b>	<b>10,537</b>	<b>12,723</b>

Source: Project VIE/02/001, 2004.

**Table 8: Results of loan provision for poor households**

Unit: Billion VND

	2000	2001	2002	2003	6 months of 2004
Total of loan given	2.103	3.244	2.902	3.476	1.593
Total of paying back	1.364	1.754	2.072	2.250	1.027
Debt by the year-end	4.704	6.194	7.022	8.248	8.813
Total of household in debt	2.502	2.776	2.760	2.841	2.861
Number of loan borrowers in the year	952	1,220	954	1,020	379
Number of households that escaped poverty	447,000	588,000	644,000	959,000	1,052,000

Source: Project VIE/02/001, 2004.



## **6. THE ROLE OF THE STATE-OWNED BUSINESSES IN POVERTY ALLEVIATION VIA THE ESTABLISHMENT OF AN INTEGRATION MODEL ON PRODUCTION DEVELOPMENT AND POVERTY ALLEVIATION**

It is noted that the success of poverty alleviation in Vietnam has been aided by the big role of state-owned businesses. In addition to the direct support to the poverty alleviation fund in response to the campaign launched by The Vietnam Fartherland Front, businesses also coordinate with households and the communal authorities and developing the areas of materials which can then be supplied for their production. The businesses sign contracts directly with the farmers in which, priority is given to poor households. The businesses advance the money for poor households to buy the seeds, learn the techniques, learn how to process and preserve the materials. The businesses cover the production consumption as well as assist in the construction of small-scale infrastructure facilities for the development of the material areas. The local authority plays the role of a bridge to ensure the commitment of different stake-holders.

The main resources are from the business and the households. The state budget provides a partial support for the businesses to establish the model, carry out the evaluation for experience extracted and replication of the successful model.

### **6.1 The integration model between a cotton company (affiliated to the Vietnam Cotton Corporation – Ministry of Industry) and poor communes in the provinces of Gia Lai, Dac Lac and Binh Phuoc**

During the period 2002 – 2004, the cotton company has implemented the integrated model in 18 communes with a total participation of 16,150 households, in which, 11,600 households were poor (72%). The company has invested almost 72.6 billion VND, in which, the capital from the state budget was only 0.6 billion VND. The capital that the company advanced to the project beneficiaries was 64 billion VND, the capital for development of infrastructure facilities was 9 billion VND. After 3 years of implementation, there are 5,430 households that escaped from the poverty trap, or 46.7% of the total households which participated (MOLISA [2005c]).

**6.2 The integrated model between the No.1 Sugar Cane Company affiliated to the Ministry of Agriculture and Rural Development with poor communes in provinces of Thanh Hoa, Quang Binh and Tuyen Quang**

The project was implemented in 19 communes with a total of almost 4,100 households in which, more than 2,000 households were poor. The total capital that was invested by the corporation was 47 billion VND which, more than 1 billion VND was from the state budget. The advanced amount of capital for the households was more than 35 billion VND, the capital for construction of infrastructure facilities was almost 10 billion VND. After 3 years of implementation, almost 800 households have escaped the poverty trap (38% of the total poor households) (MOLISA [2005c]).

**6.3 The cooperative model between a tea corporation affiliated to the Ministry of Agriculture and Rural Development with poor communes in provinces of Thai Nguyen, Phu Tho and Yen Bai**

The project was implemented in 15 communes with the participation of 14,400 households, in which, 3,800 households were poor. The corporation has invested nearly 24 billion VND, in which, the capital provided by the central authority was 0.7 billion VND. The capital that was advanced to the households was almost 11 billion VND, the capital for construction of infrastructure facilities was almost 12 billion VND. After 3 years of implementation, over 1,400 households have been able to overcome the poverty trap (37% of the total poor households) (MOLISA [2005c]).

**6.4 The cooperative model between a milk company affiliated to the Ministry of Industry with poor communes in provinces of Lam Dong, Long An and Ho Chi Minh City**

The project was implemented in 4 communes with the participation of 500 poor households. The company has invested almost 10 billion VND in which, the capital provided by the central authority is 0.3 billion VND. The company advanced 1 billion VND for those households; the capital for capital construction and post-harvest preservation was 8 billion VND. After 2 years of implementation, there have been 42 households which were able to escape from the poverty trap (8% of the total number of poor households which participated in the project) (MOLISA [2005c]).

It is possible to see that businesses have played an important role in the cause of

poverty alleviation in the areas that the businesses are located should we know how to coordinate the benefits of business and the poor with the support of the government. These cooperative models have facilitated sustainable poverty alleviation

## **7. CONCLUSION**

According to the assessment of the United Nations, Vietnam has made significant achievements in the poverty alleviation program. The rate of poverty based on the poverty line of the national targeted program on poverty alleviation was halved during the period of 2000 to 2005. Vietnam has made important progress in the provision of basic social services for the poor (health care, education, housing, clean water), which has achieved the criteria on poverty reduction set forth for the 5 year plan 2001 – 2005. The life of the poor has been improved; it is easier for the poor to get access to production services. There has been an improvement in the quality of life in rural areas. The Government has promulgated a series of policies aiming at poverty reduction, assisting the most difficulty areas, to harmonize the relationship between economic growth and poverty alleviation, created a favorable environment for sustainable development. Thanks to improved awareness, an in-depth campaign has been formed on poverty alleviation. Different branches, authorities, pursuant to their responsibilities, have been active in formulating necessary measures to assist poor people and poor communities. Mass organizations have also participated actively for the cause of poverty alleviation to assist their members. Businesses have carried out cooperative models with the provincial authorities to mobilize and facilitate the establishment of areas of material for their production which has facilitated the poor by providing employment and increasing their income. International organizations have also actively assisted the cause of poverty alleviation in Vietnam. The adjustment of the poverty line, the national program on poverty reduction and the socio-economic development for ethnical communes with special difficulties has shown the commitment of Vietnam against poverty. The lesson on the experience and success as well as the shortcomings in the process of implementation of other poverty reduction program during the period 2006 – 2010 has been clearly pointed out. Those are the prerequisites for the formulation of policies as well as the coordination mechanism between different stake-holders for the better and more effective implementation of the program in the new period. The policies will be adjusted so as to be appropriate as well as other guiding materials for its implementation will be widely disseminated. It is also necessary to further enhance the awareness of the different organizations and authorize

the poor themselves to mobilize the active participation of the whole society to the cause of poverty alleviation of the whole country.

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