

A STUDY ON ELIMINATION OF POVERTY IN VIET NAM:
CAPACITY DEVELOPMENT THROUGH
SOCIAL POLICIES

By

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THESIS

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Chapter I: Introduction And Evaluation Of The Economic Development Process In Viet Nam:

I- Outlined Vietnam's Economic Evolution:

In recent years, Vietnam has been known to the world as a country where the reform process has been carried out successfully. To reach these initial achievements, Vietnam has made a lot of effort to overcome numerous difficulties. Despite having been an independent nation since the 2nd of September 1945, Vietnam still kept undergoing 30 years in war of resistance before managing to become an entirely unified country in 1975. Since then, Vietnam has faced new challenges in the social-economic development process. However, due to the low starting point of the economy, serious consequences of wars together with other shortcomings and mistakes, maintaining too long the centralized bureaucratic State-subsidized mechanism, Vietnam plunged into a grave crisis in 1985. In that context, in December 1986 the VI Congress of Vietnam Communist Party worked out policies to reform the economy, of which the major contents were to wipe the planned mechanism, building a multi-sectoral market economy under state management in accordance with socialist orientation. Then, in June 1991, The VII Congress completed the reform policies.

After more than ten years of reform, Vietnam's social-economic situation has made fundamental progress, changing the social appearance. However, there still exist many intricate problems:

Some Major Data:

Table 1: Population

(Unit: 1000)

Year	Total	Male	Female	Urban areas	Rural areas
1976	49,160	23,597	25,563	10,127	39,033
1986	61,109	29,912	31,197	11,817	49,292
1990	66,233	32,327	33,906	13,281	51,908
1995	73,962.4	36,095.4	37,867.0	14,575.4	58,342.3
1996	75,355.2	36,773.3	38,581.9	15,231.5	59,079.0
1997	77,024.5	39,282.4	37,742.0	15,404.9	61,619.6
1998	79,341.8	40,464.3	38,877.4	15,868.3	63,473.4

Table 2: Manpower

Unit: Million People

Year	1990	1995	1998
Total	30.3	34.7	37.3
In which:			
Agriculture, forestry and fishery	21.9	25.2	27.1
Industry and construction	4.2	4.7	5
Services	4.2	4.8	5.2

Table 3: Gross Domestic Product

Current price: Billion VND

Year	1991	1993	1996	1998
Total	76,707	136,571	258,609	277,832
In which:				
Agriculture, forestry and fishery	31,058	40,796	70,334	74,202
Industry and construction	18,252	39,472	79,501	83,873
Services	27,397	56,303	108,774	114,756

Table 4: Agricultural Total Yields Value

Unit: Billion VND

1985	11,941.5
1990	14,323.4
1995	19,022.9
1998	31,798.4

Table 5: Industrial Total Output Value

Unit: Billion VND

1990	14,011.1
1995	26,584.1
1998	45,937.3

Table 6: Total Import-Export Turnover

Unit: Billion VND

Year	Total	Export	Import
1985	2,555.9	698.5	1,857.4
1990	5,156.4	2,404.0	2,752.6
1995	13,604.3	5,448.9	8,155.4
1998	26,351.4	10,540.5	15,810.8

Table 7: Foreign Direct Investment

Unit: Million USD

Year	Number of projects	Total registered capital
Total	1,868	26,974.3
1988	37	371.8
1996	352	8,497.3
1998	1479	18,105.2

Table 8: Number of Literate People

Per 10,000 People

1990	1995	1998
1834	2171	8200

Table 9: Medical Staff

Unit: 1000 People

1991	1996	1998
180.8	339.2	2130

Source: Vietnamese Government Report, 1998

II. Economic Development Process Before Doi Moi (renovation):

1. 1945-1975:

The August revolution in 1945 succeeded while there was a great danger of poverty, illiteracy as well as foreign invasion. Soon after the Democratic Republic of Vietnam was founded on the 2nd September 1945, the whole nation had to once more combine all efforts for the 9-year long national salvation war against foreign invaders. With the Dien Bien Phu victory (7 May 1954) peace was restored, but the country was then provisionally partitioned into 2 regions.

In the recovering period after war, since 1954, northern Vietnam's economy grew well, quickly recovering agriculture and transportation. Many sectors took part in the economy. Since 1958, The North has realized socialist transformation in the economy, establishing centralized-economy developing model and nationalizing all means of production, planning the national economy from the central. The state carried out a product distributing system by norm payment and budget subsidies through coupons. With the first five-year plan (1961-1965), the North moved into a constructing period.

The state paid close attention to the development of education, health care and many public works. The new mechanism's pre-eminence was brought into full play; preliminary heavy industry facilities were formed solving essentially food problems... In 1964, however, the economic pattern began showing its shortcomings. At this time, the US was carrying out a war of destruction against the North, which forced northern people to work, struggle and supports the South. This situation lasted in ten years, from 1965 to 1975. Meanwhile, since 1954, the economy in the South of Vietnam went towards market model, of which the main aim was to serve the war.

2. 1975-1996:

After the South of Vietnam was completely liberated in 1975 and the country was re-unified in 1976, Viet Nam carried the second five-year plan (from 1976 to 1980). It contained many voluntarism points; most of the targets in the plan were impossible to meet. Production was stagnant keeping the annual growth rate to only 0.4% (against the planned 13-14% expected)

while population growth was more than 2.3% per year. Food shortage was so severe that 1,576 millions tones of food had to be imported in 1980. Budget deficit remained high, prices rose 20% annually and import was 4 to 5 times greater than export. The state was in short of investment capital for the economy, leaving many plans unfinished that led to a serious shortage of essential consumer goods. In that context, the IV Congress of the Vietnam Communist Party decided to carry out socialist transformation nation-wide with two main goals; building the system of collective mastery and large-scale production. As a result of the excessive aims posed by the third five-year plan (1981-1985), the economy got many imbalances and sank into serious crisis. Stagnant production was manifested in all aspects. Inflation rose very fast, from 30-50% annually in early 1980s to 587.2% in 1985, reaching the super inflation level of 774.7% in 1986. The people's living conditions were terribly difficult. In face of that situation, the Communist Party of Vietnam started and led the “Doi Moi” (renovation) process.

III. The Renovation Process:

1. Fundamental Viewpoints Of The Renovation:

The renovation policy started with the VI Congress of the Communist Party. Its fundamental viewpoints were:

- Developing a multi-sectoral economy;
- Shifting the economy from the bureaucratic planned centralized and State-subsidized mechanism to the socialist-oriented market economy under State's management;
- Opening the diversified and multilateral economy, as well as enhancing foreign economic efficiency, on the basis of expanding economic co-operation to the countries in the region and all over the world;
- Democratizing all fields of the socio-economic life, implementing administration reforms and building a state governed by law.

2. Achievements After Ten Years Of Reform:

a. The 1986-1990 Five-Year Plan:

The main driving force behind this plan was no longer to boost investment as before but renovating the administration mechanism. The government and ruling party issued many resolutions and decisions in an attempt to improve economic management, monetary and agricultural policies... During these early years of this five-year plan, however, the fact that the old mechanism did not yet disappear and the new one did not prominently emerge made reform ineffective. GDP increased by 3.9% on average in five years.

Since the late 1980s, there have been evident changes, especially some positive changes in agriculture. In 1988, Vietnam put forward the "Khoan" regulation fixing of farm output quotas for each household is assigning land to farmers and considering each household as one economic unit. As a result, instead of having to import 450,000 tones of food as it did in 1988, Vietnam became one of the rice exporting countries (nearly one million tones) in 1989 and was the world third biggest exporter of rice in 1990 with 1.5 million tones. Other key industries such as electricity laminated steel, cement and crude oil attained fairly good growth. Average import-export value increased by 28 %, gradually reducing trade deficit. The ratio of export to import in 1986-1990 period was 1 to 1.8 in comparison with 1 to 4 in 1976-1980 periods. Another great success was that inflation had been controlled and driven back (from 774.7 % in 1986 to 223.1% in 1987, 34,7% in 1989 and 67,4% in 1990).

In short, the successes of renovation in the 1986-1990 period were production recovery, a growing economy and rolled back inflation. The more important accomplishment was the fundamental shift to a new management mechanism. These successes made more sense as the reform process had been implemented before East-European countries and the former Soviet Union got into total recession. However, it took Vietnam 5 years more in order to get rid of the social-economic crisis.

b. Achievements From 1991-1996:

In June, 1991 the Sixth Congress of the Communist Party of Vietnam worked out the strategy "Stabilizing and developing the socio-economic situation to the year 2000", putting forth the orientation and tasks for the 1991-1995 five-year plan. The major obstacle then was the long-lasting economic embargo, together with economic blockade, imposed by the United States while Eastern Europe and the former Soviet Union were jammed in serious crises. The total foreign trade turnover from Vietnam to "ruble" areas sharply decreased, in 1991 accounting for only 15.1% of that in 1990. However, it was of great advantage that renovation started having effectiveness; economic units were gradually adapted to the new management mechanism.

The outstanding achievements are:

- Fundamental changes in economic management mechanism: There have been activating many sectors in the economy, namely: state-run, state capital, private capital, co-operative, individual... in which the non state-run sector accounted for 60% GDP. Economic sectors were handed with rights of land use and export-import activities. The state-run sector, however, was still given special attention to help it play the decisive role in the economy.

- World leading economic growth rate attained: In 1991-1995 stage, GDP on average increased by 8.2%, reaching 9.5% in 1996. The agricultural field, especially food production firmly developed, adding to the yield one million tones every year. Industrial production, adapted step by step to the new mechanism, increased on average 13.5% per year (the highest level ever expected before). Domestic production began accumulating, ensuring more than 90% of annual accumulation and consumption funds.

- Economic structure reform: Economic branch structure moved round to raising the proportions of service and industry areas, steadily reducing that of fishing, forestry, and agriculture. Economic areas structure also began to shift towards establishing essential areas, central industrial zones, and export processing zones as well as areas specialized in growing industrial plants and producing food.

- Controlled and driven back inflation: Thanks to production development, convenient commodity circulation and anti-inflation experiences from several years before, prices were gradually stabilized. Prices of goods and services increased by 67.5% in 1991, 5.2% in 1993, and only 4.5% in 1996.

- Speeding up "the opening and integration" process: Vietnam has so far established diplomatic relations with 164 countries. This is the first time Vietnam has ever had normal relationship with every countries and important economic-political centers in the world. On 28 of July 1995, Vietnam became an official member of the Association of South East Asia Nations (ASEAN). Also in July 1995, Vietnam signed a framework agreement with EU on technical, commercial and economic co-operation and normalized diplomatic relations with the United States. Vietnam also applied for admission into the Asia-Pacific Economic Co-operation Forum (APEC) and World trade Organization (WTO). By the end of 1996, Vietnam had official economic-commercial relations with more than 120 countries, foreign trade turnover rapidly increased by more than 20% a year. Vietnam has been granted non-refund aids and loans for social-economic development investment by many countries and international organizations. The total ODA loan that Vietnam received from 1994 to 1997 was 8.53 billion US dollars. There were 1868 licensed investment projects with total capital of 26,975 million US dollars in 1988.

- People's living standards improved: Education and health care were consolidated and strengthened. Material and moral life of the vast majority of people were improved. The number of well off and wealthy households increased, while that of poor ones decreased. More than one million jobs were created each year.

- Getting rid of crisis: After ten years of reform, Vietnam has managed to get rid of the socio-economic crisis, completing the first stage of the transitional period, creating premises for entering the industrialization stage.

3. Factors Leading To The Success Of Renovation:

- From the very beginning, the renovation, which was implemented and mobilized at the ripe time, has been a combination between people's effort and the leadership of Communist Party of Vietnam.

- On the basis of Vietnam's practices, economic reforms have been regarded as the central target, bringing into full play all forces of the nation, advancing to political reforms.

- The renovation has chosen the right goals, contents and implemented measures aimed at macro policies to ensure growth and overcoming the crisis.

- Developing the economy together with stabilizing politics and improving people's living standards.

- Domestic reforms were closely connected with the renovation in foreign affairs, creating a favorable international environment and attracting capital, technology...

4. Major Outstanding Difficulties:

a. Feeble economic potentials:

Although there has been high economic growth rate for the past time, economic scale, due to low starting point, remains modest. The growth of some branches, especially agriculture, is still limited unless there is great investment on science, technique and technology. Up to now, Vietnam is still one of the poorest countries in the world. The infrastructure remains backward and antiquated; it hardly meets the demand of economic development for the time to come.

b. Low efficiency of production and business:

The vast majority of products that have been rapidly boosted are in form of resource exploitation. Many industrial and consumer goods are of low-quality, failing to compete with foreign-made commodities. In the service sector, operation is still in confusion. The efficiency of investment and production are low, part of the resources has been wasted, and many big

businesses have gone bust. Internal saving and investment remain stagnant, creating difficulties in mobilizing the people's saving for producing goods and carrying out business.

c. Mechanism of economic management is to be consolidated, regulations and law violated:

Due to the needs of change, it demands both abolition of the old economic mechanism and building new one to be carried out at the same time. The legal system and management standard (both macro and micro level) were not in harmony and effective. Much of the Vietnamese laws still differ from those of other partners' and are not clear enough. Administrative procedures are cumbersome, and the income distributing system so far not rational leading to rather rampant corruption.

d. Low qualified economic managing officers and less skilful laborers:

So far, people know little about the market economy. Besides, laborer training has not been paid due attention. A lot of state-owned enterprises go bust. Management and production skills fail to meet the requirements of the reform.

IV. Industrialization And Modernization:

1. Vietnam To Become An Industrialized Country In 2020:

In its VIII Congress held in June 1996, the Communist Party of Vietnam set up the goal of bringing Vietnam, from now to the year 2020, to be "an industrial country having modern technical-material facilities, a suitable economic structure, an advanced production relationship coping with productive forces' development, high material and moral living standards, well-secured national defense and social order, wealthy people, strong nation and civilized society".

For the remaining years of 1990s, the main contents of industrialization and modernization are:

- Agriculture industrialization, modernization and rural development;
- Industry development;
- Infrastructure construction;

- Quick development of tourism, airline services, navigation, post and telecommunications, trade, transportation, finance, banking, auditing, insurance, technology, law and information...

- Appropriate development of territorial areas;

- Widening and enhancing the efficiency of foreign economic relations.

2. Major Tasks And Targets Toward The Year 2000:

- To focus on development targets and achieve average economic growth rate from 9 to 10 % per year; by the year of 2000, per capita GDP will double that of 1990 the growth rate of agriculture, forestry and fishing will be from 4.5 to 5% a year, industrial production 14-15%, service 12-13%, To increase investment for development to nearly 30% of GDP. Industry and construction will account for 34-35% of GDP, agriculture, forestry and fishing 19-20%, service 45-46%.

- To push up the country's financial potential and ability and to make the national finance healthy. To mobilize 20-21% of GDP for state budget through tax and fee-collection. To maintain the consumption price index under 10%, and to control the budget deficit under 4.5% GDP. To enhance convertibility of VND (Vietnam Dong) and stabilize exchange rate.

- To expand and enhance effectiveness of foreign economic relations: The export increases on average by 28% per year, raising the export level per capita to above 200 USD in 2000. The import annual increases about 24%.

- To solve some social problems: To eliminate illiteracy and achieve basically compulsory primary education in the whole. To raise the number of trained laborers up to 22-25% of total workforce. To reduce the population growth rate down to less than 1.8%, to create jobs for 6.5 to 7 million people, to prevent and control environmental pollution in cities and industrial zones.

- To create solid premises for further development beyond 2000.

Chapter 2: The Poverty Situation In Viet Nam

I. Introduction:

Poverty has been reduced by more than an estimated 35 percent since the launching of the “Doi Moi” reform process in 1986. Nevertheless, poverty remains widespread by all measures in Viet Nam. The main purpose of this study is to offer an analysis, framework and suggestions for further developing the capacity needed to help achieve the Government’s poverty elimination objectives, including through the further development and effective implementation of its national program for Hunger Eradication and Poverty Reduction (HEPR). Sustainable poverty reduction is the objective, and capacity development is the means. Particular attention is paid to capacity development needs in the rural areas where 80 percent of the population and 90 percent of Viet Nam’s poor live. Urban poverty is much lower and declining thanks to the more rapid growth of income generating opportunities in the major cities.

The Government’s objectives are to eliminate chronic hunger over the next three years, cut the overall poverty rate in half by the year 2000, eliminate poverty as currently measured (by the General Statistics Office, GSO) by the year 2010, and increase real incomes per capita by eight to ten fold by the year 2020. These objectives imply a growth rate of real GNP of around 10 percent per annum sustained over the next 25 years. Similarly, these goals imply that growth must be well balanced between urban and rural areas. A related Government goal is to eventually “catch up” with the more developed and higher income countries in the region.

This study is built upon a number of research initiatives and studies that have analyzed the poverty situation in Viet Nam in recent years. Last year’s UN report on Poverty Elimination in Viet Nam analyzed the underlying causes of poverty and offered a broad framework within which government, local communities and donors can collaborate to eliminate poverty in Viet Nam.

This study focuses on selected capacity development issues particularly relevant to poverty elimination at this stage of Viet Nam's development process. The issues selected for analysis are based on the priorities outlined in the Government's proposed HEPR program, which is being developed with the support of UNDP technical assistance, as well as on the analysis of the underlying causes of poverty in Viet Nam as outlined in last year's UN poverty report. These issues include: Basic health services for the rural poor, basic education and training and strengthening social safety net. Clearly, these issues are highly interdependent, and the subsequent analysis attempts to take into account these interdependencies. The general approach is to analyze the major poverty related challenges in each of these areas, taking into account their interdependencies, and then determine the underlying capacity development needs.

The remaining sections provide a brief overview of the poverty situation in Viet Nam, the Government strategy for poverty reduction and a conceptual framework for identifying and analyzing the underlying capacity development issues. This conceptual framework is the basis for identifying and analyzing key aspects of capacity in all subsequent sections.

II. The Poverty Situation in Viet Nam:

Table 10: The poverty rate in Viet Nam according to MOLISA's statistic (%)

Year	Poverty Rate
1992	30
1993	26
1994	23.1
1995	20.3
1996	19.2
1997	17.7
1998	15.7
1999	13.5

Source: Ministry of Labor, Invalid and Social Policy, 1999

Data on poverty as measured by consumption and income levels was collected by two separate surveys, both of which were completed in 1993. Since the Government estimates that poverty has declined by only an additional 2 percent per annum since 1993, the results of these earlier surveys remain largely valid.

The Viet Nam Living Standards Survey (VLSS) was funded by UNDP and the Swedish International Development Authority (SIDA) and was conducted by the former State Planning Committee (SPC) and the General Statistics Office (GSO) in 1992/93, with the World Bank providing advice. The sample size of the survey was 4,800 households. The Survey on Wealth and Poverty, carried out by the GSO in 1993, was less detailed in scope but had a sample survey size of 91,732 households.

The general conclusions of both surveys are similar and largely consistent throughout; though different poverty lines produce different estimates of how many are "poor." The lower that one draws the poverty line, the more severe the degree of poverty. The World Bank, using an internationally comparable expenditure-based poverty line (of about 1.1 million dong or US\$100 per person per year) concluded that half of the entire population of 72 million people in 1993 was poor. Using a lower income-based poverty line (equivalent to 600,000 dong per capita per annum in rural areas), GSO determined that one-fifth of the population was very poor. Lowering the poverty line even further (to the equivalent of only 13 kg of rice or 360,000 dong per annum per capita in rural areas) implies that some 4.4 percent of households were extremely poor and hunger-stricken.

The VLSS found the share of food in total spending to be about 70 percent for the bottom fifth and 66 percent for the next lowest fifth of households. Since a high ratio of food to total spending is an indication of low living standards, and 66 percent is still quite high, at least the bottom two-fifths (or 40 percent of the population) can be regarded as having incomes so low as to be of serious concern.

Both surveys found 90 percent of poverty to be rural, with the poorest regions being the Central Highlands, the Northern Uplands and North Central Coast. Both also found the area around HCMC to be the better-off region, while the delta regions and the South Central Coast regions fell in between. It should be emphasized that within a region, province, district, or even commune there may be a great deal of variation in living standards. This is especially true where

differences in ethnic groups or physical access to villages may mean marked differences within a district or commune. Moreover, severe pockets of poverty exist in all regions. Thus, targeting of anti-poverty funds may not be a simple exercise.

Table 11: Number of households by zones and percentage of poverty in 1998

Northern mountainous region	570.445 HHs	22.4%
Red river delta	272.160 HHs	8.38%
North central coast	500.225 HHs	24.62%
Central coast	291.815 HHs	17.80%
Central highlands	171.915 HHs	25.65%
South East Delta	91.400 HHs	4.8%
Mekong river delta	489.090 HHs	15.37%
Whole Country	2.387.050 HHs	15.7%

Source: Ministry of Labor, Invalid and Social Policy, 1999

Table 12: The resources of HEPR fund in order to spend to various zones in 1998

Unit: Billion-VN dong

	Total	State Budget	Community's Contribution	VBP	Other Credits	ODA	Other Resources
Northern mountainous region	881.7	54	43	683.2	30.9	25.2	44.7
Red river delta	563	40.1	15.4	419.5	41	24.9	21.3
North central coast	992.9	2.9	21.8	417.3	480	54.1	16.9
Central coast	563	40.1	15.4	419.5	41	24.9	21.3
Central highlands	209.4	2	0.5	173.7	1	4.1	28.1
South East Delta	282.9	77.3	47.2	150.7	0.7	4.9	2.1
Mekong river delta	542.9	73.7	38.8	362.4	2	20.9	45.2
Whole Country	3830.7	273.6	174	2483.5	600.4	139.3	160

Source: Ministry of Labor, Invalid and Social Policy, 1999

The VLSS showed that those without any education were poorest and those with a university education were least poor. Adding lower secondary to primary education did not do much to raise living standards, but advancing to other educational levels generally did. Besides being rural and less educated, poorer families had more children with lower birth weights, were younger, and had poorer housing. Land area per capita was nearly equal in the north by expenditure group. In contrast, in the south the wealthiest fifth of households had three times as much land as the bottom fifth. However, even the bottom fifth had adequate land holdings because there is more land per capita in the south.

Ethnic groups often fare poorly, as do the disabled with nobody to care for them. Young couples who do not yet have land and who have young children are also often temporarily poor. Services intended for the poor too often do not reach them because they lack the means and ways to participate in the design or implementation of the programs. Apart from the Hoa, ethnic minorities were 50 percent to 250 percent more likely to be poor than the Kinh (the majority of Vietnamese). That is, 39 percent of the Kinh were poor by one measure, but 58 percent of the Tay, 89 percent of the Dao, and 100 percent of the H'mong were poor by the same measure- though small sample sizes may overstate the actual patterns. Average consumption in the households of ethnic minorities is only three-fifths that of Kinh households.

It may be useful to think in terms of two distinct forms of poverty. One group, calls it Group A which appears to make up the majority of the poor, is poor now but faces better prospects. As better roads to wider markets connect their villages, or credit becomes more easily available, they may switch to other crops or take up non-farm work. Many of Group A are not poor all the time, but fall in and out of poverty. They suffer from reliance on highly volatile agricultural incomes and have too few assets to maintain consumption when production fails. Others suffer from bouts of illness and are unable to earn a normal living when sick. Often these people will fall into debt and even lose their land to the commune when they fail to pay taxes. Finding ways to handle temporary declines in income, and the resulting downward debt spiral, is

as important as finding ways to raise the average incomes of those who are poor almost all the time.

Another group, call it Group B, seems unable or unlikely to participate in a growing market economy. Even if roads are extended, credit programs grow, and opportunities to make a living increase, they will be left behind. Some of the disabled, the elderly who are alone, and isolated ethnic groups may fit this description.

Group A will float on the rising tide of market-generated growth, while Group B is tied down and some of its members could drown without help. Identifying the policies that will efficiently help Group A improve faster, and move more of Group B into Group A, defines the challenge of good policy. Special measures, including transfer payments, will likely also be needed to assist Group B.

- *Achievements in poverty alleviation in the period 1992-1998*: Thanks to early defining the objectives, appropriate advocacy and policy for this problem during last 6 years Vietnam has got resulted in the following:

Over 1/3 of hunger and poor households had been reduced, from 30% (3,8 million households with about 20 million people) to 15.7% (2,38 million households with 12.5 million people) according to the Vietnam's poverty line.

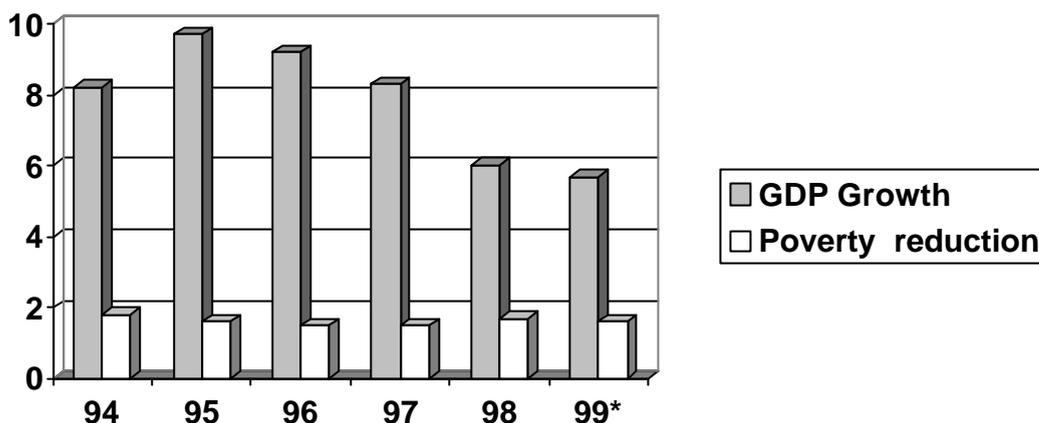
Hunger Eradication and Poverty Reduction has become a very ebullient movement in the whole country, involving the participation by people of all strata including enterprises, administrative agencies, and mass organization.

The Government had approved the national target program on HEPR, which is the favorable basis for the short-term implementation and in period 2000-2010.

Ministries and branches have formulated several policies on direct support to the poor, poor households and poor communes (such as credits, loans provision, support in health care, education, training; investment in infrastructure, agricultural, forestry and fishery extension; fee and price subsidies, sales of products, reduction or exemption form agricultural taxes and so on).

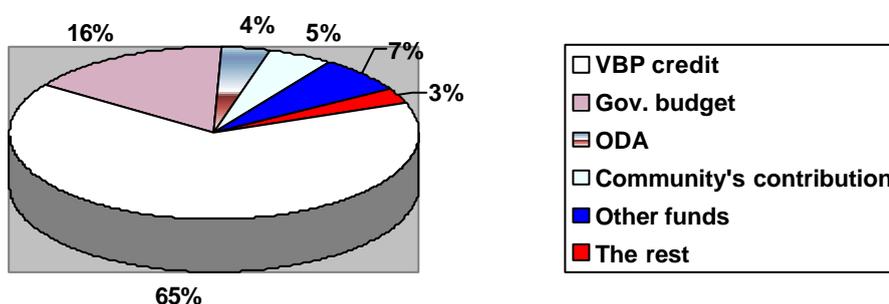
By the end of 1998 the capital mobilized for poverty alleviation reached 3.830 billion VND (excluding capital integrated into other programs and capital for rural and agricultural development).

Figure 1: GDP growth rate annum and poverty reduction rate (%) 1994-1998



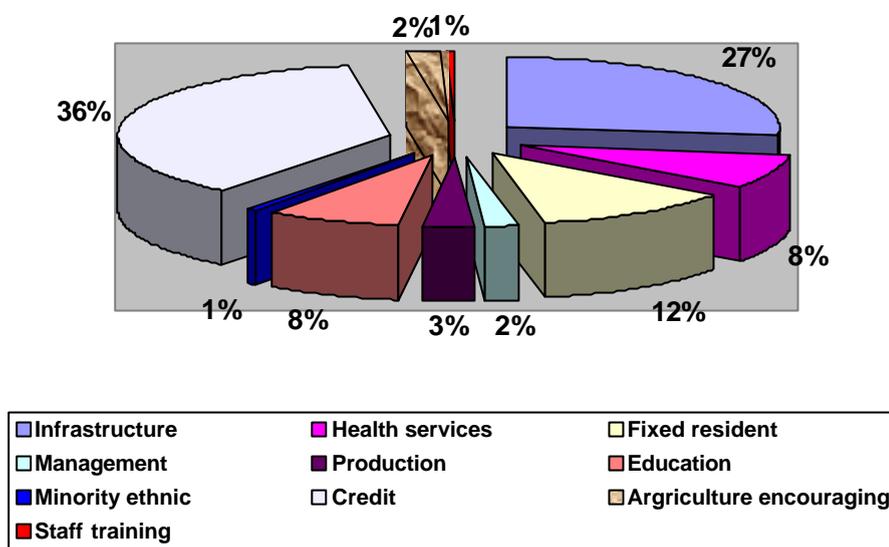
Source: Ministry of Labor, Invalid and Social Policy, 1999

Figure 2: The resources of HEPR fund in 1996 - 1998, VND billion



Source: Ministry of Labor, Invalid and Social Policy, 1999

Figure 3: The HEPR fund expenditures to varieties of fields



Source: Vietnamese Government Report, 1998

III. Government Strategy for Further Reducing Poverty:

The centerpiece of the Government’s socio-economic development strategy since 1986 has been “Doi Moi”, the reform process aimed at transforming the Vietnamese economy from a centrally planned system to one that is dynamic and market-based. As outlined by the Government in its country report to the World Summit for Social Development (WSSD) in Copenhagen in March 1995, high and sustainable economic growth is essential to overcoming poverty and other social problems. The Government has also emphasized that stability and equity are critical to sustaining high economic growth. Moreover, the Government strategy is very much a people-centered strategy based largely on the principle of helping people to help themselves by developing an enabling environment of sustainable high economic growth, stability and equity. As outlined later in this section, the Government is also developing a program for Hunger Eradication and Poverty Reduction (HEPR) with more targeted interventions to directly assist the poor and accelerate poverty reduction.

This broad-based strategy makes very good sense since an enabling macro environment for both the poor as well as the non-poor is essential to sustainable poverty reduction for three main reasons:

First, a supportive macro environment is needed to enable the poor to help themselves if poverty reduction is to be sustainable.

Second, since experience from many countries indicates that most poor escape poverty through gainful employment created by others, an enabling environment for the non-poor (employment generating) segment of the population is also critical to poverty elimination.

Third, for that segment of the population that is chronically poor and may not "rise on the tide" of general development (e.g. the handicapped, chronically ill, some of the elderly and other disabled), an enabling macro environment is needed to ensure that the system as a whole can generate sufficient surplus income available for transfer and redistribution to alleviate the poverty of these chronically poor.

As eloquently stated in the Government's WSSD report, the strategy recognizes that the whole purpose of development is to improve the livelihoods and well being of people:

The basic concept of the strategy is to place human beings at the center of development and to promote the potential of individuals and communities. The ultimate aim is wholesome, well-balanced and sustainable development. This is a development strategy for the people and by the people - a strategy which is centered on the task of caring for, fostering, and developing human potential, which considers human beings as the most powerful engine of development, the creative energy, the source of material and spiritual wealth of a society and, at the same time, a strategy which it sees as its highest goal the well-being, freedom and happiness of human beings.

The Government's strategy can be likened to a "three-legged stool" with high and sustainable economic growth, stability and equity, each relying on the others. An examination of the logic of this strategy can start from any one of the three elements and proceed to the other two. For example, the need for rapid economic growth requires both stability and equity. High levels

of efficient investment are needed for growth, but these only occur with low inflation, a stable legal structure and confidence that the Government and its policies will increase in efficiency and endure. Without equity of opportunity, the skills of many people are ignored and growth is slower. The costs of excessive urbanization drain investment funds from higher return projects in rural areas and the costs of monopolies diminish exports, overall competitiveness and employment opportunities.

It is equally valid to start with the goal of stability and then it follows logically that both rapid growth and equity are required. Given scarce land, low incomes and population growth, static (low growth) stability is not sustainable. Rather, dynamic (high growth) stability is needed to maintain equilibrium. Hence, Viet Nam needs the stability of a bicycle rider, not of someone standing in a fixed position. In domestic terms, lasting stability is best achieved through constant improvements in equity and economic growth, rather than having it imposed. In regional terms, Viet Nam's international position is not stable if it falls far behind its fast growing neighbors. In this regard, Viet Nam's leadership recognizes the need to "catch up" with other more developed and higher income countries in the region.

Likewise, if a large fraction of the population is left in poverty, there is apt to be too-rapid and excessive urbanization, a rise in crime and a lack of stability. If only certain groups have a chance to succeed, or if monopoly firms extort large unearned profits, this will also impair stability as these give rise to dissatisfaction over unfairness and injustice. Stability is enhanced if increasingly evident wealth is earned through honest effort, but not if it is regarded as the result of unfair manipulation and favoritism. In this regard, "transparency" is particularly critical to ensuring equity of opportunity, confidence in the fairness of the system and socio-economic stability.

Equity is not an optional "add-on" or a luxury, but an integral part of a well-thought out and comprehensive strategy. Achieving equity C meaning minimum standards and equal access to emerging opportunities, not equality of incomes for all C directly supports both growth and

stability, as well as being desirable in its own right. Equity, as described, is as important as the other two elements. Returning to our three-legged stool analogy, if any one leg is too short, the entire stool is unstable. If the nation as a whole is getting steadily richer, persistent poverty is a direct challenge to this tripartite strategy. Continuing poverty is inconsistent with the speed and kind of growth that Viet Nam has said it wants.

This strategy is rational and has proven to be very successful to date in promoting economic growth and poverty reduction. Average real income per capita has grown by more than 60 percent over the past 10 years. Inflation has been brought down from well over 500 percent to fewer than 10 percent agricultural production and incomes have grown substantially and become increasingly diversified. Domestic savings and investment as a share of GDP have both more than doubled. Notably, Viet Nam has shifted from being a rice importer to the world's third largest rice exporter. Foreign trade and investment are growing rapidly and have become increasingly diversified.

Moreover, all available evidence indicates that poverty has been reduced by more than an estimated 35 percent since the launching of "Doi Moi" in December 1986. Nevertheless, given continued widespread poverty as outlined in the previous section, the Government understandably views this process as incomplete and has set the year 2010 as the deadline to eliminate all poverty as measured by the GSO's Survey on Wealth and Poverty in 1993. This target is within reach, but will call for strengthened efforts for poverty elimination.

Clearly, in light of past successes in poverty reduction, a further deepening and widening of the "Doi Moi" reform process must remain central to any poverty elimination strategy in Viet Nam. According to the Government's plans over the next five-year period, this strategy is to be led by industrialization and modernization. At the same time, more targeted measures directed at some of the specific underlying causes of remaining poverty in the country would accelerate the rate of poverty reduction.

The United Nations' report on Poverty Elimination in Viet Nam concludes that while there are many detailed reasons underlying the poverty situations of different households, villages and groups, there appears to be five broad recurring and inter-related causes of much of the remaining poverty in Viet Nam. These underlying causes and constraints are cutting-off the poor from participating in the enabling environment of growth, equity and stability being created by the "Doi Moi" reform process. These underlying causes and constraints include: (i) isolation (geographic, linguistic, and social); (ii) excessive risks (from typhoons, flooding, pests, illness, unplanned births); (iii) lack of access to available resources (particularly land and credit); (iv) lack of sustainability (financial, environmental); and (v) inadequate participation in planning and implementing government programs.

In light of these underlying causes, poverty can be defined as a lack of ability to participate in national life, most especially in the economic sphere. At the same time, poverty has many dimensions and usually many causes. Usually, the greater one's poverty, the fewer one's choices. In a conceptual sense, poverty reduction might also be defined as moving from a state of limited choice to a state of fuller choice for improving one's overall well being.

Therefore, the solution to accelerating poverty elimination involves expanding choices and opportunities available to the poor by either further developing and expanding the enabling environment of growth, stability and equity to rural and isolated areas; or allowing the poor to migrate to the more enabling environments (typically found in urban centers); or some balanced combination of these two options.

The first option of further developing an enabling environment, and expanding it to the more impoverished and isolated areas will involve multi-faceted efforts including: (i) a deepening of macro reforms (economic, legal, institutional); (ii) reducing isolation (via rural roads to markets and social services, increasing functional literacy, information flows, communication systems, language training in ethnic areas, etc.); (iii) increasing access to available resources (including land, credit, extension services, skills, technology); (iv) reducing risks (by building sea

dikes and irrigation systems, increasing preventive health care services, increasing family planning choices); (v) ensuring sustainability (through improved land management and reforestation, rational investment and financial planning); (vi) increasing participation of isolated areas in identifying priority needs and fashioning solutions (via a sufficient degree of fiscal decentralization and related decision-making).

The Government's proposed program for Hunger Eradication and Poverty Reduction (HEPR) for the upcoming five-year period will attempt to address some of these needs directly by various measures including increasing access to land for the poor, micro credit for the poor, rural infrastructure for poor communes, vocational training, technology transfer, increasing access of the poor to basic health and education, and special support for the disabled poor.

The second option of allowing for some migration of the poor to the more enabling environments and employment opportunities in urban centers also makes very good sense and is a natural outcome of a normal development process. However, this also requires special planning to ensure that the rate of such migration does not overwhelm urban labor markets, social services and infrastructure, or does not result in excessive investment in urbanization at the opportunity cost of rural investments with higher rates of economic return and employment potential.

IV. Framework for Capacity Development:

As emphasized earlier, supporting sustainable poverty reduction is the main objective, and capacity development is the means. This section offers a framework within which to identify and analyze capacity related issues for the development of an enabling environment of growth, stability and equity, and the participation of the poor within that enabling environment. This will also be the broad framework used to identify and analyze key capacity issues in all subsequent chapters. This section also outlines some of the main capacity related concepts used throughout this study. The emphasis here is more on capacity development than on capacity building since considerable capacity already exists in Viet Nam. Hence, more attention is devoted to further developing this existing capacity rather than on building new capacity. Moreover, the emphasis is

also on a development process, rather than on the completion of a building activity. Such a process calls for continual adjustments to capitalize on emerging opportunities and minimize risks in an ever-changing national and international environment.

Attention is also paid to the effective use of existing capacities, some of which can be under-utilized or ineffectively utilized due to constraints and inefficiencies in the overall socio-economic environment. Similarly, attention must also be paid to developing the right types of capacity. Lessons from recent history in a wide variety of developing countries indicate that due to distortions in the overall socio-economic environment, developing countries have often developed the wrong types of capacities, leading eventually to structural and financial imbalances, economic contraction and general loss of sustainability of the development process. As outlined in the UNDP report on Viet Nam, Technical Assistance in Transition, well-diversified and flexible capacities that can quickly adapt to an ever-changing national and international environment are also critical to sustainability.

Some Definitions and Concepts:

Traditionally in the field of development, capacity development has often been treated synonymously with training and education. However, development experience over the past 30 years has confirmed that this definition is far too limited in scope. One can train and educate thousands of individuals, but at the end of the day, the result may be thousands of individuals who are more knowledgeable and skilled, but who do not function any more effectively when they return to their living and working environments. This in turn may lead to negative results such as waste and frustration, and a brain drain from the sector in which the capacity was intended or worse from the country. Therefore, the following broader definition of capacity is used for purposes of this study. “Working Definition of Capacity: The ability of individuals, organizations, institutions and the country as a whole to achieve priority objectives and perform the related functions, efficiently, effectively and sustainably.

It follows that capacity development is the process of developing capacity, and can be defined in the following way. Working Definition of Capacity Development: A process through which the efforts of the actors themselves, or of others, enhance the actors' ability to achieve priority objectives and perform their related functions more effectively, efficiently and sustainably. (In this definition the word "actors" can refer to individuals, organizations, institutions or the country as a whole.)

Notably, people remain at the center of these concepts, but are not viewed in isolation of their living and working environments. Based on these definitions, the overall macro environment has an important role to play in influencing the development of the right kinds of capacities, as well as in the effective use of these capacities.

The various dimensions and levels of capacity can be categorized and analyzed in different ways. Given the focus of this study, and the main issues uncovered by this research and field missions, the following (not mutually-exclusive) categories are chosen for working purposes: the macro environment; institutions, organizations and families; systems, networks and processes; financial capacity; management; and human resources. These different aspects of capacity are clearly interdependent and interactive. Hence, addressing any one of them singly and in isolation without taking into account their interdependencies and interactions will likely prove to be ineffective. Summary of the key levels of capacity including the macro environment; institutions, organizations, and families; and human resources; as well as some important cross-cutting issues including: networks and processes; management; finance; information and knowledge flows; "transparency"; accountability.

Capacity development is largely a national responsibility requiring national leadership and commitment. To be sustainable, capacity development should be nationally led and have the genuine commitment of the recipients of capacity development support. National leadership and commitment is also essential to making and implementing the sometimes-difficult decisions related to capacity development, for example in macroeconomic policy, public administration

restructuring and legal reform. Clear exposure to international prices and costs will help guide the development of the right types of capacities that will be able to compete internationally and best ensure sustainability.

At the same time, capacity development can be facilitated and accelerated through collaboration with the outside world and the transfer of information, knowledge, experience and ideas. Such international transfers can occur through technical assistance (TA) including: advisory services; training and education; publications; seminars and conferences; and other systems and mechanisms for sharing information, knowledge, experience and ideas.

Similarly, private foreign direct investment can be one of the most effective means for transferring management and business know-how as well as technology to accelerate the development of a country's productive capacity. In addition, both ODA and FDI can support the development of basic infrastructure and industrial capacity needed to support a country's productive capacity, employment creation and poverty reduction.

Particularly important, clear exposure to international prices and costs will help guide the development of the right types of capacities that will be able to compete internationally and best ensure sustainability. Both capital and human resources tend to be attracted to areas where prices for final products produced are high relative to costs of production. As a result, capital and human resource capacities tend to be developed in these same areas. When a government substantially alters such relative prices and costs faced by its people and firms, through tariffs, taxes, quotas and state monopolies, a country risks developing the wrong types of capacities, or capacities that are unable to compete internationally.

a. The Macro Environment and Capacity Development:

An enabling macro environment is essential to sustainable poverty elimination. The macro environment is also critical to capacity development since it will heavily influence the types of capacities that are developed within a country's public and private sectors, as well as the actual use of those capacities.

Some of the more important aspects of the macro environment, which affect capacity development, include: policies, laws, regulations, official mandates, flows of information and knowledge, and physical infrastructure.

For example, policies, laws and regulations affect the manner in which a country's prices, wages, interest rates, exchange rates, and taxes are determined, and influence the decisions and actions of consumers, savers, investors, farmers, employees and traders. These decisions and actions will in turn determine the types of capacities that are developed by and for such groups, and whether these capacities are internationally competitive. Laws and regulations can determine whether inefficient monopolies develop or whether a healthy degree of price competition and efficiency is promoted. Prices received by producers determine not only their level of income, but also how many savings they have left over to invest in maintaining existing capacities and/or building new capacities, and hence future employment and production capacity. The value of the exchange rate and trade regulations such as tariffs and quotas influence how much is invested in export capacity and the degree of efficiency of import substitution capacity.

Similarly, information and knowledge flows, and the degree of access to these flows, will have an impact on the effectiveness of strategic planning, policy formulation and implementation, and the types of capacities developed in both the public and private sectors of a country. This is true with regard to information and knowledge flows within a given country as well as vis-à-vis a country and the rest of the world through such avenues as the worldwide Internet system. The degree of access to information and the degree of "transparency" affect the degree of competition and the efficiency of capacity utilization. The timeliness and accuracy of information in both the public and private sectors determine the timeliness and effectiveness of strategic decision-making and adjustments needed to capitalize on emerging opportunities and avoid costly mistakes.

The only real solution to corruption lies in greater accountability, “transparency” and the development of transparent dispute resolution mechanisms, combined with effective public administration and legal reform.

More fundamentally, access to accurate and timely information and knowledge is perhaps the most essential ingredient to learning and capacity development, especially human resource development. The degree of access to information and knowledge, and “transparency”, also determines the degree of participation in a country’s development process, and the degree to which a country takes advantage of its best talent in the investment and capacity development process. In turn, the degree of participation affects responsiveness to local needs in the capacity development process. The degree of access to information and knowledge also determines the degree of equality of opportunity, and hence is fundamental to equity.

The degree of “transparency” also determines the scope for waste, abuses, rent seeking and corruption. Corruption can result in the development of the wrong types of capacities or add substantially to the costs of capacity, and lead to the development of a high cost economy unable to compete internationally. All corruption is bad, but some types are more costly and damaging to the development processes than others. Some types of corruption are in response to regulations, which attempt to control markets. These types of corruption include "black markets" in basic consumer commodities, smuggled trade or foreign exchange. While these types of corruption are illegal, they can generate certain market efficiencies to compensate for distortions in relative prices and costs. Too often, official attention is focused on these less damaging types of corruption.

A far more damaging type of corruption relates to graft and "rent seeking" behavior that adds substantially to the costs of a country's production capacity, and affects its ability to compete internationally. Such corruption can result when there is a lack of “transparency” in a country’s bidding and procurement process on major projects, or where approval processes lack “transparency” and result in closed-door negotiations between investors and approval authorities.

Such corruption can occur on a large-scale basis involving billion dollar deals or on a small scale but widespread basis (e.g. one-to-one closed door negotiations between approval authorities and investors seeking official authorizations to invest or continue operating; or between tax collectors and taxpayers). In either case, the costs can add up to hundreds of millions or even billions of dollars. This type of corruption is particularly damaging when it is unpredictable or when the "rules of the game" are continually changing, since this tends to add to investor uncertainty and unpredictability of future costs, thereby discouraging investment. This type of corruption typically occurs when there is a lack of clarity in administrative procedures combined with unrealistically low salaries in the civil service, which in turn is often related to the lack of a system of remuneration, clearly tied to job performance.

Too often governments attempt to limit corruption through additional administrative controls, which ironically, often create more rent seeking opportunities. The only real solution to corruption lies in greater accountability, "transparency" and the development of transparent dispute resolution mechanisms, combined with effective public administration and legal reform.

While the limited scope of this study does not allow for a full discussion of the fundamental role that information and knowledge flows play in capacity development, it would be remiss not to mention that information sharing is also fundamental to coordination and management in the development process.

Basic physical infrastructure to facilitate production of goods and services, and the delivery of basic social services, is also an essential part of the enabling environment. Both the public and the private sectors have a role to play in the development of such physical capacities depending upon the nature of the infrastructure involved.

b. Institutions, Organizations and Families:

Well-functioning and efficient institutions and organizations in both the public and private sectors are essential to a country's sustainable development and poverty reduction. Institutional and organizational development is very much determined by the definition and

division of roles and responsibilities of the public and private sectors. The degree of clarity in defining roles and responsibilities will in turn influence the degree of accountability and efficiency of such institutions. Public sector institutions and organizations need the capacity for the efficient delivery of essential public services that would not otherwise be provided by the private sector such as macroeconomics management, strategic national development planning, national defense, law and order, public infrastructure, basic health and education; a minimum degree of transfers and equity, and others. Development experience confirms that private sector institutions and organizations develop most effectively in a market-based enabling environment with a level and competitive playing field.

A mutually supportive partnership between the state and non-state sectors is fundamental to the sustainability of growth, stability and equity. The family is the single most important social and economic unit, and the single most important social safety net in most countries. This role should be recognized and nurtured.

c. Systems, Networks and Processes:

Systems, networks and processes provide the links and "arteries" within and across the various levels and types of capacity. The effectiveness of policy and planning processes, budgetary processes, decision-making processes, information networks, monitoring and feedback systems also determine the effectiveness of capacity development. The depth and breadth of networks and processes also determine the degree of participation in the development process, the extent to which a country's best talent is involved in strategic planning and investment decision-making, responsiveness to local concerns and more fundamentally, capacity development through "learning by doing" (or "learning by participating").

As outlined in the previous section, the flows of information and knowledge through these arteries play a particularly fundamental role in nurturing the development of capacity. Similarly, the Government's budgetary process and the degree of decentralization of this process, determines the scope for participation in identifying priority needs and fashioning solutions to

priority problems at the local level. This in turn has an impact upon the effectiveness of Government spending, the economic rate of return on such spending, responsiveness to local needs and the enabling (or disabling) effects of the environment at the local level. The same is obviously true of the related public investment planning process, which has a heavy impact on the degree to which a country's development will be well balanced between urban and rural areas, and responsive to local priorities.

d. Management Capacity:

Well-developed capacities for the effective management of human, financial and natural resources are essential to a country's sustainable development. Effective human resource management motivates individuals and groups to maximize their contribution to the development process for the well being of the individual, the family and the greater society. Effective management of financial and natural resources is fundamental to the sustainability of the development process. The capacity to manage change in an ever-changing national and international environment is essential to capitalizing on emerging opportunities and minimizing risks and costly mistakes.

e. Financial Capacity:

Clearly, financial capacity is important in any discussion of poverty reduction. A country's financial capacity is largely determined by its capacity to produce and sell goods and services, and its resultant capacity to save and invest effectively. Productive capacity is in turn determined by a wide variety of factors including a country's natural resource endowment and the effectiveness of its various types of capacity. An adequate degree of financial transfers also has a very important role to play in poverty reduction, especially for the disabled poor who are not likely "to rise on the tide" of generalized economic growth and development, as well as in the development of an enabling environment in some of the more impoverished areas of a country. At the same time, financial considerations can quickly dominate discussions on poverty reduction, and lead to calls for "quick fix" financial injections, which may not be economically efficient or

may lead to unsustainable solutions. Hence, due attention must also be paid to financial efficiency and sustainability.

f. Human Resources:

A wide variety of human resource capacities are needed to support a country's sustainable development. These include human resource capacities for planning, analysis, research and innovation, management, organization, technical functions, family care and others. At a most basic level, the development and maintenance of human resource capacity requires clean water, food, nutrition, shelter and clothing. At a more advanced level, literacy, vocational training, basic health and education, higher learning, and, more fundamentally, access to information and knowledge are needed for human resource development. Ensuring that all types of human resources are developed, regardless of gender, religion or ethnicity, will best ensure broad-based participation in the development process and maximize the rate of social and economic return on investments in human resource development.

Chapter 3: Capacity Development Through

Basic Education and Training

I. Introduction and Situation Analysis:

On the basis of most broad macro-economic and social indicators, Viet Nam's performance in recent years has been quite remarkable by any standard for a country in transition. On the economic front, the country has emerged from a socio-economic crisis in the latter half of the 1980s to achieve in recent years high rates of GDP growth in the order of 9 to 10 percent, low budget deficits of around 1 percent of GDP, single digit annual inflation rates down from triple digits, and relatively tight management of the money supply. In addition, both savings and investment have more than doubled over the past 5 years, external trade has rapidly expanded and become increasingly diversified, and sizeable inflows of private foreign direct investment (FDI) and official development assistance (ODA) have been attracted from abroad. During this same period, real per capita social spending surpassed its previous peaks, health and education indicators have generally improved for the majority of Vietnamese, and poverty has been substantially reduced. In short, the macro picture looks quite impressive. This is understandable given that 90 percent of the poor in Viet Nam live in rural areas, 73 percent of the labor force is employed in agriculture, and agriculture accounts for a much lower 28 percent of the nation's gross national income.

In detail, education is an essential factor in breaking the cycle of poverty. Even minimal levels of education, particularly for women, can mean better nutrition, health and education for children; higher use of contraceptives and fewer pregnancies; and higher returns from income generating activities.

Although the Government no longer covers all of the costs of education since the implementation of "Doi Moi", many achievements in Viet Nam's education have been made in recent years. For example, despite its low GDP compared to other countries, Viet Nam can boast

a comparatively low-cost education system, especially in relation to its high literacy rates. In 1992, school education outlays in Viet Nam were only 2.6 percent of per capita GDP, well below other countries in the region, e.g. Thailand (3.6 percent) and the Philippines (3.0 percent), while literacy rates are high at 83.8 percent.

Primary gross enrolment rates rose to 162 percent in 1998. Combined with rising gross enrolment rates for lower-secondary levels from 1991-1998, such achievements suggest a commitment from the Government to provide basic education for its children.

But what is not revealed in these numbers is the quality of the education and the financial and personal hurdles many of the poor must face if they are actually to attend school. Enrolment rates, literacy and costs to families must be looked at carefully to ensure that children, especially the poor, are receiving universal primary education. For example:

Although overall enrolment rates have been rising, high dropout rates are reflected in primary education's low internal efficiency rate of 68 percent (52 percent for the Mekong Delta), lower than the average of 77 percent for East Asia and the Pacific (UNDP, 1997).

The international literacy standard is equivalent to a third grade education. However, in Viet Nam, literacy has often been measured only by a person's ability to read a simple passage and sign his name. Furthermore, illiteracy is not equally spread across the country: 88.8 percent of the illiterate live in rural areas, 47 percent are in mountainous areas, 31 percent reside in the Mekong Delta, and 70 percent are female.

While relatively poor children account for most of the country's primary school students, very few graduate to secondary school, and the poor are virtually non-existent at the post-secondary level. In fact, when pressures are exerted on both state and family budgets, education is one of the first discretionary items to be cut. Financial pressures on local budgets have obliged schools to charge de facto user fees for even primary education. Faced with other significant out-of-pocket direct costs no longer covered by the state (transportation, textbooks, notebooks, and clothing) along with the opportunity costs (such as child labor), poor parents, with little education

themselves, accept that their children will also go without the opportunity of a primary education. The fact remains that the national net primary education enrolment rate is still only around 85 percent, and there are 1.8 million children of primary school age not in school.

To measure the needs for capacity development in education and training, the value of target rates and the quality costs and relevance of education must be judged.

II. Capacity Development in Education and Training:

1. Solutions for Achieving Universal Primary Education:

It is clear that the Government of Viet Nam understands the need for every child to have access to primary education. In August 1991, the Vietnamese National Assembly approved the Law on Universalisation of Primary Education (LUPE), reaffirming the Government's position and objective from now to the year 2000. This national law mandates the Government to implement Universal Primary Education for grades 1-5 for children ages 6-14.

However, in practice there is little follow-through. In fact, there are no rules, regulations or directives for enforcing the law. Although local governments and school administrators are formally responsible for seeing the law carried out, principals, families, local authorities, mass organizations and educational councils are all in some way responsible. In many poor areas, the best authorities can do is try to convince parents to send their children to school. Faced with obstacles such as costs, language barriers and a lack of information, relevance, and qualification, poor children often are left out of the education system.

2. The Costs of Education:

A child in school can mean there is no one to look after younger children or do chores around the house or in the field. When such costs become a burden on a poor family, full implementation of the Government's Law on Universal Primary Education will fail. In fact, this is the case for the nearly one-third of pupils who do not finish primary school. In some regions this number rises to nearly one-half.

Already worried about the indirect cost of sending a child to school, poor parents are sensitive to the direct costs of education. LUPE may be failing in many places where parents and their children are required to "contribute" to a number of funds for primary school construction and operations. The amount and purpose of these contributions vary from province to province. Who is required to pay for them also can vary from district to district or even from school to school within a commune.

Studies show that in northern Viet Nam it is common to collect VND 25,000 to VND 40,000 per pupil for construction funds. In Quang Nam Da Nang, primary pupils are asked to contribute VND 47,000 for a full school year, so the province can accumulate VND 77 billion from 1993 to 1999. Moreover a high contribution level in Ninh Thuan for children in grades 2-5 at VND 60,000 per student per year. (Note: 1USD = 12.890 VND)

Although LUPE prohibits schools from requiring pupils to pay into these funds (referred to as "contributions"), children often face a different reality. In fact, pupils who do not pay can be barred from year-end exams, or even from class. Indeed, there are countless methods, which providers of "free" service have at their disposal to oblige children to pay a contribution.

In the interest of allowing for local flexibility, some level of local contribution is warranted. However, collections need to be reasonable so as to not lose pupils because of them. It should be clear to local leaders and principals that pushing pupils out of primary schooling now will mean greater costs later in either special literacy or alternative basic education classes for these pupils, or in the social costs that low levels of education entail.

In the long-term, a solution is to have universal primary education funded through local tax collections. These funds could then be given unearmarked, directly to the local schools, spreading the burden across a large number of taxpayers. Ha Tay Province has made progress in this direction where its VND 13,500 poll tax for primary education allows the province to collect VND 30 billion for educational expenditures, which is equivalent to 40 percent of the province's total public expenditures for primary education.

In localities not capable of fairly levying taxes and managing revenues, in the interim, the Government and the MOET (Ministry of Education and Training) should allocate unearmarked construction funds to schools in poor areas to provide flexibility and relieve them of the need to collect from poor pupils. As a matter of principle, those directly responsible for providing universal education (i.e. principals and teachers) should not be involved in collecting any funds for the provision of their services. Thus, two capacities should be further developed: First, categorically forbid primary schools from collecting contributions. Second, provide them with unearmarked funds so they will have no need to violate this prohibition.

In addition to building the capacity of localities to fairly source community funds for education, the education sector should consider providing textbooks on loan (provided texts are made of better quality) or free to students (as happens in many ethnic minority areas), at least in the poorer communes.

3. Language Diversity Should Be Strengthened:

While education can clearly help to reduce poverty, education curricula often lack relevance for ethnic minorities. Differences in culture, social behaviors and languages are frequently barriers for ethnic minorities in the education system. The most limiting factor for minorities in furthering their education is the barrier of speaking different native languages. To improve this situation, some primary schools in minority areas have recently developed bilingual educational programs. There are also a number of local pilot projects on bilingual education being tested. In some projects, ethnic minority pupils are taught according to a bilingual curriculum; in others the ethnic minority language is taught as a subject for three to four periods per week. For major minority groups with an acknowledged script in Viet Nam, these programs have made great progress. Nevertheless, when necessary, more effort should be made to have bilingual programs designed based on how children actually learn languages according to their environment.

Rather than looking only at the narrow goal for minorities to know the national language, more diverse views should be considered as to how this is best achieved. Although it may seem paradoxical to some, evidence from countries in a similar situation shows that bilingual minorities actually do better in the national language than those who study the national language alone. A similar study is now in progress with Cham in Ninh Thuan with two groups of children: One group is studying both Cham and Vietnamese and the other is studying Vietnamese only. As the new bilingual programs for Khmer in Tra Vinh demonstrate, the overall demand for education may increase as parents' interest in education increases when they see their children studying their mother tongue in school.

It is clear that even further capacities are needed to develop these programs. Not only will be a need for more bilingual teachers; there will be also the need to create more bilingual levels, in addition to pre-service and in-service training.

4. Building A Foundation: Early Childhood Education:

Beginning education early increases a child's chances of completing school and reduces the child's need to repeat grades. Currently, low enrolment in early childhood education among the poor is mostly the result of the low levels of public funding. For the poor and especially minorities, greater effort should be made in providing crèches and kindergartens as a part of early childhood education.

Crèches and kindergartens have clear linkages to primary education, not only to the educational development of children themselves but also to older siblings who are often otherwise left to care for them.

Pre-school classes can also be a foundation for minority children to become familiar with learning in a non-native language (especially if classes can be taught by minority teachers). Often, minority children rarely hear Vietnamese spoken before five years of age. It is understandable

then why they would be more hesitant to go to school and perform fewer wells than their Kinh (a majority group in Viet Nam) classmates would.

Since the collapse of the cooperatives, the early childhood education schools have been hit the hardest. For kindergartens alone, the implied enrolment ratios (based on ages 3-6) from 1986 to 1991 fell from 27 percent to 21 percent. As little funding is provided nationally for these classes (we can see later on revenue sharing), enrolments are now growing primarily in urban areas. Although families in the Mekong Delta live in one of Viet Nam's most promising areas for growth, this year only about 13 percent of the pre-school aged children in the region are enrolled in early childhood education. In 1998, this figure was 24 percent for the country as a whole.

5. Standardizing Nationwide Targets:

Viet Nam's drive for universal primary education is carried out through three programs: the 165-week standard formal program, the 120-week program for mountainous areas and ethnic minorities, and the 100-week program of alternative basic education (ABE). For all programs, upon completion of the third grade, pupils must be functionally literate (knowing how to read, write and perform basic arithmetic operations).

The Government's national target is that by the year 2000, 80 percent of all children within the ages of 11-14 will have completed primary school, with another 20 percent knowing how to read and write (equivalent to a third grade education). Although the drive is national, local standards for achievement vary.

The target for children in cities and towns is higher than the nation as a whole: 90 percent of children ages 11-14 should have completed primary education with the remainder having third grade skill level. For mountainous and remote areas, the targets are lowered to 70 percent and 20 percent. For communes that are classified as Level 1 or communes that lack classes for all primary grades and in which more than 60 percent of children ages 6-15 have never attended

school, the target is even lower: only 40 percent of children ages 10-14 should have completed the third grade.

The differences in targets only help to hold back conditions for achieving equality in education. They also help create a situation where the 40 percent of uneducated children in some areas will later be a drain on future resources for literacy and post-literacy classes.

In addition, for the 62 percent of all communes, 45 percent of districts, and 28 percent of all provinces that have been certified as achieving these goals in primary and literacy education, even if there remains a percentage of persons who remain illiterate, they may be in danger of having their funds cut off, making it extremely difficult to run basic educational and literacy programs for those who remain in need. Much of this inequity is reflected in how expenditures in education are made.

6. Capacities To Achieve Functional Literacy:

Although reported literacy rates in Viet Nam are quite high, the numbers may not adequately capture the degree of quality in literacy. The operations of the Government's literacy program are very many targets oriented, and more resources need to be devoted to ensuring a minimum of quality, practicality and functional literacy.

Viet Nam's leaders, however, do not miss these shortcomings. On the occasion of International Literacy Day (January 8) this year, Mr. Le Kha Phieu, Secretary-General of the Communist Party, made clear that literacy achievement is not so Viet Nam can report that it has achieved its targets, but instead so citizens can take advantage of "sciences and technologies.... To get rid of poverty and backwardness."

If literacy was viewed as the beginning of a long process of education for an individual and a community, the relevance of education may be clearer, especially for ethnic minorities. It should be for farmers to improve their yields in sustainable ways (e.g. through integrated pest management), or for people to be able to partake in the variety of income earning opportunities

that exist in Viet Nam today. In theory and in practice, literacy education for ethnic minorities that considers the student's native language will be more effective, as noted in the section on Universal Primary Education. For those who have completed a literacy class, there should be opportunities in which to productively use their new skill.

The four main types of continuing education include:

1. Supplemental education (primary and secondary education);
2. Short-term in-service training, including skills training, organized by vocational-technical schools or agricultural extension centers;
3. Non-formal training programs organized by district centers or production facilities;
4. Public service classes, including post-literacy classes, community health classes or other training courses that are organized in conjunction with mass organizations such as the Viet Nam Women's Union, Youth Union or family planning or child protection committees.

The variety of these programs makes it promising for the different needs of students to be filled. These programs can even be more various in coordinating with agricultural extension programs and training courses for new planting technologies and livestock raising which are locally appropriate.

The low achievement rates in literacy education in many areas demonstrate this fact: without supplemental programs, literacy education will continue to have little real impact. For example, in Ninh Son district of Ninh Thuan, through 1998 only 27.8 percent (2,240 persons) of the target population actually registered for a literacy class. Of them, only 539 (24.1 percent) passed. That is, the program was able to succeed with only 6.7 percent of its target population.

The architects of these programs thought out a clear system of incentives for success (teachers are only paid on the basis of the number of students who pass the final examination) that would "naturally" drive teachers to find the most effective way to teach on their own. This incentive scheme would be effective if opportunity costs were low. Potential teachers, who are usually more capable than their neighbors can easily view this as a potential business venture that

is more risky than most other types of income earning possibilities in rural Viet Nam, and will then simply do other things.

7. Improve The Targeting Of Revenue Sharing:

Throughout the reform, the Government has used different methods to calculate its education budget outlays. During the period of 1990-1991, expenditures were based on the number of students in each level, specifying maximums and minimums. For primary school pupils the expenditure norm was VND 36,000-38,000/pupil; for upper-secondary, the norm was VND 46,000- 50,000/pupil.

Since 1992, the Government's provincial expenditure norms in education have been based on a locality's total population and its topography. For the 1996-1997 school year, for cities and towns the level was VND 57,000 per capita, lowland area VND 41,000 per capita, midland areas VND 49,000 per capita and highlands VND 70,000 per capita. Except for the higher norm for highland areas, the Government does not regularly provide additional funds to poor areas.

It is evident; however, the Government gives those programs for development of education and training similar to other policies for poor areas. The Government's commitment is demonstrated by its program 7, which aims to improve educational facilities in mountainous and difficult to access areas. In addition, the Government has developed and is implementing special programs for minorities. The current system of norms and special programs, however, could be clearer to distinguish which minorities or localities are in special need, and based on past educational achievement and local per capita incomes.

But it is important to consider which minority groups are most isolated. It is easy to see that in provinces with a variety of ethnic minorities, ones that are of significantly large in number, live in lowland areas and mix well with the majority Kinh can take advantage of most of the Government's special programs. This is clear in Ninh Thuan where Cham dominate one of the

minority boarding schools and have a significant number of students in the only other boarding school in the province.

Even with the new norms based on population and region, targeting of revenue sharing is not sharp enough. Expenditures in education continue to be skewed towards the well off who live in cities and dominant in secondary and higher education. There is significant variation in per pupil total public financing for primary education from VND 11,000 in Quang Tri to VND 262,000 for HCMC.

There is great inequity in public expenditures for early childhood (pre-school) education. This can be seen by the great variance among the provinces based on per capita public expenditures. Although annual per pre-school pupil expenditures nationally average at VND 55,737, this figure is highly skewed by the contributions to Ha Noi (VND 98,186 per pupil) and Ho Chi Minh City (VND 241,062 per pupil). If one excludes the two major metropolitan areas from the average, the figure falls by VND 14,000 to only VND 42,000 per child.

With half of all costs privately funded at each level, a larger burden is placed on the income of the poor. Greater government expenditure could be allocated for areas lagging behind rather than in urban areas and in secondary education, where private expenditures could play even a greater role. Calculated in other ways, the World Bank agrees: "The net conclusion from these...facts... is the distribution of public subsidies in Viet Nam is biased in favor of the rich."

8. Reduce Shortages Of Qualified Teachers:

One of the greatest barriers to improving a child's education in Viet Nam is the lack of qualified full-time teachers, which is seriously affecting the quality of primary and secondary education. To temporarily fill empty positions, district educational services should recruit candidates who have completed the ninth or twelfth grades and provide them with an intensive primary school training course.

Many current teachers, although they may meet minimum standards, are having a difficult time teaching different classes of different levels. This is especially the case for the large number of primary school teachers who were inadequately trained when the country was at war. Teachers in this group, popularly called "resistance teachers," have only a grade 5 education.

Compared to the rest of the country, the Mekong Delta has the lowest secondary school enrolment rates in the country, at 36.2 percent, lower than the Central Highlands' rate of 45.5 percent and less than half the rate in the Red River Delta of 75.2 percent. Clearly, it will not be easy to develop a core of qualified primary school teachers in the Mekong Delta if few students there continue to go on to secondary school.

Many districts, with a great demand for training of primary school teachers, have in-service training centers for primary school teachers. Many other provinces, like Tra Vinh or Ninh Thuan as the result of a provincial split four years ago (from Cuu Long and Thuan Hai), still lack these schools. The whole province of Tra Vinh has no teacher training school. This is problematic since there are few arrangements for provinces and districts to cooperatively use other's resources.

The most effective long-term solution for resolving this teacher crisis is for education offices to sponsor local students to attend teacher training schools provided they formally agree to return home and teach a compensating number of years. This is already occurring as in the Teacher's Training School in Ninh Thuan: within the 1996-1997 school year, local areas to later return and teach sponsored 50 students. A similar program is running in Dak Lak where graduates of the minority boarding school are given two additional years of teacher training (and examinations waived) provided they agree to return home afterwards and teach.

In lieu or in addition to these sponsorship programs more effort should be made in improving the incentives for teachers. Presently, qualified primary school teachers earn an average of \$253 per year. Because teachers are often under used, it is assumed that they will be engaged in other part-time work. In urban areas, this other part-time work is likely to include

teaching children privately. In rural areas, where most of the poor are, extra income is more likely to come from other sources.

Since it is unlikely that across the board increases will be feasible (salaries already make up 63 percent of current public expenditures in education), it is necessary to devise a salary scheme which targets key teachers (e.g. those in remote areas) to attract more highly qualified people into teaching. Higher salaries for teachers in the Mekong Delta could bring in teachers from HCMC where one-quarter of the population has completed grade 9 or more.

Improving the quality of existing teachers also needs consideration. One minor immediate change could help: revamp the system of educational "inspectors". This system at the primary level merely checks on whether teachers have completed specific segments of the curriculum within a certain time frame under the nationally unified curriculum.

Currently, the inspectors are under the direction of provincial educational offices. Although a common criticism of this system is that since they are under the education department they are "both players and referees at the same time," criticism should be directed more at the game they are playing: referees only checking up to see if schools are carrying out the mandated policies of the education department.

In reality, the main function of the "inspectors" should be to provide more program support to schools within a district, especially if further progress is to be made in decentralization. More emphasis on the latter would likely lead to greater individual teacher initiative and thus improve the quality of teaching.

This, fortunately, has received some attention recently, for example, at the Teacher's Training College in Ninh Thuan. In addition to training to increase the levels of primary school teachers who are merely qualified as "9+3" teachers (the standard of ninth grade education plus three additional years of teacher training) or "12+2" teachers (the standard of completion of secondary schooling plus two additional years of teacher training) a limited number of teachers have received an additional one year of training, increasing their degree to a college level. They

are given additional training to work as departmental heads that will be able to provide guidance to other teachers.

9. Short-Term Training:

Training can be considered important for helping the poor to pull themselves out of poverty and helping them to develop employable non-farming skills.

The Government has given the leading role to the Ministry of Labor, Invalids and Social Affairs (MOLISA) and its dependent units (provincial departments, district labor offices, etc.) to conduct vocational training programs and provide employment counseling and employment matching services. Particularly in major urban areas, its dependent units by no means have a monopoly on these services. For example, in Hanoi, only one of the 26 centers belongs to the city's Department of Labor, Invalids and Social Affairs; the remainder is controlled by mass organizations, mostly the Youth Union.

Although these vocational training centers (VTCs) actually train very few people, if they are tied into the private sector, they can play a vital role in helping establish new opportunities to employ farmers during agricultural slack times.

In contrast to long-term vocational and technical schools, there is no general minimum educational standard for acceptance into a VTC course, although specific courses may have individual requirements (e.g. primary education for a course in electronic repair). The poor are seldom barred from attending such courses because of their educational levels.

However, the poor often may not be allowed to attend the courses because they cannot afford them. Most of the 126 centers must be financially independent (excluding capital costs and salaries of the core administrative staff). Operational costs materials and salaries for contracted teachers must be covered through collection of fees. These are waived at times but only for persons who are certified as indigent or members of a family who are recognized as having contributed to the Vietnamese Revolution (termed "Policy Families").

Provided they are in tune with labor demands, VTCs can be an important way for the poor to learn the skills they need to enter the job market. Problems remain, however, with current fee exemption and reduction schemes. Unfortunately, the bureaucratic nature of these centers restricts them from serving the poor, whereas, private centers are often able to be more personable and flexible with fee payment schemes. One private family center in Yen Bai serves as a good example. A father and daughter team train up to 400 tailors a year in four classes of two to three months each. They often have students who are too poor to pay up front and allow a handful of students in each class free boarding at their house.

The VTC in the Eighth District of HCMC serves as another example as it has entered into contracts to serve as a trainer for workers at 10 area textile factories. Although he had no concrete figures, this Center's director claimed that about half of the students at the center study sewing and tailoring, hoping that the VTC will later introduce them. Over the past two years, the center has introduced 750 of its trainees to work in textile factories.

Solutions: The potential success of training programs has and will continue to depend most on external factors-the type of labor and product. Nevertheless, two issues for short-term training that come out of the analysis above deserve emphasizing:

- Make training relevant to market conditions as much as possible. Job training programs should be tied to current market needs, and where possible tied to real job placement. At government-supported centers, all trainees who can be considered for placement should be judged on their skills only and not on their personal ties or family backgrounds.

- Activities should be appropriate for and relevant to the poor, minorities and less educated.

Fortunately, VTCs and extension service workers have recognized this for the most part.

10. Extension Services:

Training made more immediately appropriate for farmers can improve the productivity and sustainability of their current production. This training is often termed "extension." As with

any activity connected with Vietnamese agriculture, extension systems have changed significantly over the reform process. Since the dissolution of cooperatives, Vietnamese farmers have been more or less left on their own in selecting the quality and quantity of inputs.

The Government has responded appropriately by establishing a network of extension services, and with support from donors, introduced integrated pest management methods (IPM). The national system comprises 64 provincial and town centers with 1,000 officials. At the district-level there are 200 stations with 800 officials. In addition, there are 31 units connected to institutes and universities in addition to thousands run by mass organizations and the Gardeners Association. Some areas, as surrounding Can Tho may be very well covered with active involvement by the local university in conjunction with provincial plant protection services.

Still, coverage of programs remains low. In 1995 the World Bank estimated that there was one extension worker per 2,000-2400 households, and only 8-12 percent of farming families received direct extension services. In mountainous districts such as Ba Che, Quang Ninh, in the north there is only one active extension worker. Bac Thai Province has created a model program, initially with the assistance of *Coopération Internationale pour le Développement et la Solidarité* (CIDSE). Through a system of 163 workers at inter-commune centers, the average coverage there is much higher at one worker per 542 households, although only half as good as a model pilot program in Nepal supported by Action Aid.

With low numbers of workers in most places, current extension services are most appropriately seen as only an indirect way to help the poorest. Although several international NGOs have implemented agricultural extension programs targeted towards the poor, "efforts are all linked to project funding, and are likely to vanish as soon as external support is withdrawn." At least in one scheme, even with funding targeted towards the poor by an NGO and its counterparts, "the focus of the project is consistently gravitating back towards providing for the better off."

Although such an approach may seem anti-poor and too much like "trickle down" methods, all types of extension services for agriculture, forestry, and aquaculture originally given primarily to the well off can eventually be helpful to the poor. In Viet Nam one can find numerous examples where community members share technology with each other, and copy each other. Thus, even if agricultural extension workers concentrate on helping the rich, the poor will have the means to learn from them (as can happen in farmer-to-farmer models).

The best hope to help the poor would be to target extension programs for the poorest areas of the country. The programs should be locally appropriate, using simple materials, which depend more on pictures than words (especially in ethnic minority areas).

Extension service coverage should be increased in many areas throughout the country- especially in remote areas.

11. Improve Information Systems:

Information systems remain rudimentary in education, sometimes leaving room to call to question many of the education statistics. Indeed it is difficult to analyze the problems in education: For example, field visit reports often mention the stark absence of girls in primary schools yet the MOET offers no desegregated data on gender.

Even though they may be supplied with computers, most district education and training offices still use manual methods to collect and analyze data. Although schools play an important role in ensuring the effectiveness and reliability of information collection, they have little room to use it. Principals perform this task simply because they are requested by the district education offices. Schools seldom use education information because local authorities (wards, communes) have little power in allocating financial and human resources for local education. There should be improvements, which facilitate the use of information not only at central level but also at the local level. Thus, efforts should be made to provide training in data analysis for teachers and school administrators.

III. Summary:

Much remains to be done to achieve Universal Primary Education (UPE). Current laws need clearer implementing guidelines and better enforcement. Some communities even put into place policies that compete with UPE, i.e. pressuring poor families to pay local contributions to their schools. In addition, a single focus on UPE has led some to miss other important factors that would support it. Further development of bilingual programs for minority pupils could make schooling more attractive to them and more effective. Including pre-schools as a necessary component of UPE would also help.

Continued effort should be made to bring less developed areas and less capable minorities up to the national standard. Literacy might usefully be tied to important local skill requirements.

Current public funding, taken as a whole, favors the better off. Better off areas tend to get more public funding for pre-school and primary education. Over the past five years secondary and tertiary education, which are overwhelmingly for the well off, have received an increasing proportion of public funding in education at the expense of primary education. At the same time, little distinction is made among the ability of different ethnic minorities to participate in education.

Short-term training and extension could be better tied to the market. Training centers need to better understand market conditions. Most extension efforts even if they initially help only the well off should receive continued support. The best formula for extension programs to help the poor is to make sure they are sufficiently staffed, locally appropriate, farmer-centered, includes demonstration plots, and targeted for poor areas.

Offices responsible for implementing programs in education and training will need more complete and reliable information to face present and emerging issues. Here again, strengthening practical research capacity would facilitate improvements in the system.

IV. Recommendations for Reform:

In an attempt to prioritize the most urgent needs of the poor in basic education and training, the following strategies are suggested, based on existing priorities within the Government and also reflecting inputs from the donor community.

Many opportunities and requirements for capacity development require administrative reorganization; greater use of market forces, changing national norms and goals, and training both in a broader variety of needed skills and a deeper development of existing ones. Categorized under the dimensions of capacity, the following specific recommendations from this section are as follows:

1. Institutions And Organizations:

- Develop transparent and equitable local taxation schemes for funding local pre-school and primary educational facilities in lieu of the current systems of local contributions taken by schools.
- Foster accessibility of universal primary education to ethnic minorities by further developing programs in bilingual education, introducing more levels starting at grade 1.
- Standardize nationwide educational targets to remedy widening regional disparities.

2. Networks And Processes:

- Increase the level of public funds for pre-school, primary, and literacy education, targeted to the poorest and most needy areas.
- Improve information flows between schools and education administrators.

3. Management:

- Expand research capacity for school administrators at the local level (DETOs).
- Reform the way literacy classes are conducted, focusing on literacy for a purpose (e.g. so farmers can read instructions on a bottle of pesticide).
- Develop incentive system (e.g. wage policy) to attract qualified teachers to remote areas.

- Develop vocational training programs in line with the labor market needs of the transition to a market-based economy.

- Expand geographical coverage of agricultural extension programs to poor and remote areas, and improve extension programs for forestry land cultivation and upgrading of barren land.

- Expand universal early childhood (pre-school) education.

4. Human Resources:

- Use a variety of programs to retrain unqualified primary teachers and draw others into the primary school teaching profession.

- Create programs to train bilingual teachers in areas where significant numbers of minorities live.

Chapter 4: Capacity Development Through Basic Health Services for The Rural Poor

I. Introduction and Situation Analysis:

1. Introduction:

Most people would agree that every child deserves the right to grow up healthy. But for millions of children, poverty stands in the way of this basic right. Poverty often means poor pre- and post-natal care, followed by poor nutrition, and inadequate health care services throughout the influential early childhood years. Poor nutrition and inadequate health care can have severe effects on a child's development. An inadequate diet to stay healthy decreases a child's ability to ward off diseases. It also impairs the child from being able to absorb and retain knowledge and increases the potential of missing days of school.

If a country is to achieve rapid, equitable and sustainable growth with stability, people must be at the center of development. This will require a minimum level of essential health services to ensure healthy people who can have sustainable livelihoods and be productive members of society. Essential services include reproductive health, preventive health care and basic curative services. Preventive health care includes nutrition, clean water and sanitation, vaccinations and other measures that address the major causes of disease (e.g. promoting use of mosquito nets to reduce malaria or other basic health care messages for families). These services can reduce risk and isolation and thus support responsible and effective participation in social and economic life.

2. Situation Analysis:

Nevertheless, the factors influencing health care have also changed significantly. Expenditures on health care are less discretionary and place a significantly higher burden on the household budget. The per capita medical costs range from three to seven times higher than per

student primary educational expenses for all five-income groups. For the poorest 20 percent of the population, health expenditures are nearly 2.5 times greater than for education, whereas the richest 20 percent spend seven times more on health than on education. The health of the poor is often at higher risk, as they are more likely to have large numbers of children, lack clean water and safe sanitation and have inadequate amounts and combinations of food. In the absence of guaranteed transparent systems for clinic and hospital fee exemptions or reductions, the poor, more often resort to traditional methods or self-medication. If afflicted with a serious illness, they are left with little chance of recovering either physically or financially.

II. Priorities And Opportunities For Reform:

Given the pressing need to focus on only the most urgent needs of the poor, the following list is suggested, based on existing priorities within the Government and also reflecting inputs from the donor community.

1. Create effective funding, training, and service delivery for reproductive and mother-child health, and preventive health care. This includes: safe rural water supply and sanitation, child nutrition, and vaccinations coupled with other activities that attack the causes of infectious diseases (currently implemented under a number of the Government's national health programs).

2. Increase access to basic curative services via insurance or alternatives.

For certain health services which private entrepreneurs would not consider covering, state subsidies are both desirable and efficient (e.g. preventive health). A more effective use of funds will also result when localities have a greater role in setting spending priorities.

Table 13. Measure of Health Services

Measures	85-86	90-91	94-95	97-98
Input measures				
% Vaccinated	27%	87%	94%	96%
% Contraceptive use	NA	55.9%	61.4%	70.8%
% Safe water	NA	23.3%	42%	48.1%
% Sanitation	NA	13.1%	16.3%	18.2%
Output measures				
Child mortality rates	69	55	46	40
Fertility rates	NA	4.52	3.1	2.92
Malaria (deaths per 100.000 persons)	NA	2.7	0.6	0.5

Source: Ministry of Labor, Invalid and Social Policy, 1999

Specifically for poverty reduction, the focus should be to address basic needs for all. Obviously there are other worthy goals in health: providing more sophisticated medical services at major urban hospitals, and improving water supply and sanitation in urban areas. These, however, have much less relevance to the 90 percent of the country's poor who live in rural areas, often lack most basic needs and seldom use urban hospitals.

In order to achieve these goals, a set of reforms should be considered in addition to improving the capacity of persons involved in carrying out this work.

1. Capacities Needed In Programs For Community Health:

a. Needs For Safe Water And Sanitation:

Experience in Viet Nam fully supports the rule that clean water leads to better health. A study conducted in Nghia Trung, Nam Ha, over the years from 1986-1992 demonstrates this fact. From 1987, the Nghia Trung Commune endeavored to provide clean water and safe sanitation for all of its residents by drilling wells and installing safe toilets throughout the commune. Although other factors did contribute, it is reasonable to assume this effort did help lead to the dramatic decrease in diseases associated with unsafe water and sanitation.

Recognizing this importance, the Prime Minister issued Instruction 220/TTg on April 29, 1994, clarifying and assigning the tasks to ensure the supply of safe water for rural areas. The Government's National Plan of Action has specified a goal for the year 2000 for 80 percent of the rural population (based on a minimum of 120 persons per source) to have access to clean water. So far, the country has kept pace attaining this goal, achieving the mid-decade goal in 1995 of 42 % and 72 % in 1998.

UNICEF has been one of the major initial forces that helped the Government achieve its mid-decade goal. It has developed supply capacity at the central and provincial levels. Every lowland province now has more than one team from its provincial water board that can drill and put in a well at an average price of US\$ 216 (ranging from US \$70-\$300). Although UNICEF

itself has spent US\$ 24.5 million on putting in place wells, water gravity systems, and other types of facilities from 1992-1996, it alone cannot cover the whole country's needs.

Thus, UNICEF is cooperating with the private sector in expanding clean water systems. Indeed, the private sector is playing a prominent role. Through a non-formal survey conducted in 12 northern and central provinces by International Development Enterprises (IDE, an international NGO), for every UNICEF pump planned in 1996, there have been 3.92 pumps put in by the private sector and NGOs.

Although through private provision the goals set forth in the Government's National Plan for Action (NPA) may be achieved, the more pressing issue is whether those not able to pay will have access to clean water. From the VLSS (Viet Nam Living Standard Surveys), there is a strong correlation between poverty and lack of a reliable clean water source. More than 80 percent of the poorest 20 percent get their water from a common well or rivers and lakes, whereas only approximately 45 percent of the richest 20 percent depend upon these least safe methods.

Guaranteeing the provision of clean water supply for the poor in rural areas is mostly working well (from an independent evaluation, more than 90 percent of the pumps installed and supported by UNICEF remain operational). The main remaining question is whether there will be sufficient funding to pay for wells for those who are poor and currently without clean water and for the new poor that appear among the approximately 1.2 million annual increases in the rural population. As an inter-agency team of MARD, NGOs, the ADB, the World Bank, FAO and UNDP concluded, the planned level of public investment here "seems low when compared to expected benefits in health and improved living standards." Nevertheless, provided donors are able to secure funds to fulfil its role in the program, and central and local Governments remain committed to its allocations of US\$ 45 billion for rural water supply for 1996-2000, many of the rural poor in the future will not have to get their water from rivers, ponds and lakes.

Rural sanitation, however, is another story where mere changes in household behavior could play the most important role. Humans, by nature, may be more careful about finding clean

water than they are about worrying what to do with their wastes. The situation in Viet Nam is even more complicated, however, as a significant group of the population continues to view human excreta as a valuable input to agriculture. Because of the practice of manually handling fresh human waste in agriculture, it is estimated that 95 percent of the country's northern population is infected with intestinal parasites. One study conducted by the HCMC Institute of Hygiene and Epidemiology showed that in villages using excreta as a fertilizer, the rate of parasitism is 90-95 percent whereas in neighboring villages with fishpond latrines, the rate is below 35 percent. This is critical since several thousand Vietnamese children under-5 die from diarrhea diseases, parasite infection and other water-borne diseases every year.

Since the cost of putting in a safe latrine is minimal (excluding labor it could be as low as US\$ 2.00), the main problem is to convince people that they need them. In some districts, UNICEF has put in 30 locally appropriate model latrines per commune and others have been built. Without better knowledge and strong government support, however, the 22 percent shortfall (19 percent versus 24.5 percent planned) in achieving sanitation goals for the NPA in 1996 will grow to 52 percent by the year 2000 (31 percent versus 60 percent planned). Some places are doing very poorly, as in Ninh Thuan, where according to the Provincial Health Department, less than 10 percent of the toilets in the province have proper hygienic conditions. What can work is a committed effort by the provincial people's committee, which can lead, to great achievements, as in Soc Trang. UNICEF is now concentrating its limited resources for construction of sanitation facilities at primary schools in conjunction with health and hygiene education.

b. Reproductive Health:

In the past few years, there has been increasing nation-wide discussion by donors and the Government about "reproductive health" and the need for improving health services for women. There still seems to be a lack of thorough understanding among Government institutions concerned with reproductive health, and a lack of consensus on national priorities and their implication for service delivery. Often reproductive health is limited to family planning and a few

elements of maternal health. A more comprehensive outlook is necessary-one, which joins family planning, needs to other reproductive components. The statement issued from the 1995 International Conference on Population and Development in Cairo defined reproductive health to include "matters relating to the reproductive system and to its functions and processes" such as gynecological diseases, fertility and birth, breastfeeding, sexually transmitted diseases, infertility, sexual health, as well as contraception for reproductive planning.

Decrease Maternal Mortality Through A Nationwide Agenda

Estimates of the maternal mortality rate, a primary indicator in reproductive health, vary widely in Viet Nam. The Institute for Protection of Mothers and New-borns (IPMN) reported that the National Maternal Mortality Rate (MMR) was 36/100,000 deliveries in 1998 while in 1997 Ministry of Health (MOH) estimated 59/100,100; 66/100,000 deliveries in 1993 while a 1992 study estimated it at 200/100,000 live births in 1991, down from 260/100,000 live births in 1989. According to local studies, regional variations have documented ratios of 300-400/100,000 births in the central highlands and 200-300/100,000 in the northern mountainous areas as well as similarly high ratios in the Mekong Delta provinces of Dong Thap, An Giang, and Kien Giang. All maternal mortality figures, however, are estimates based on routine health statistics, which include inadequate MMR data.

Routine MOH data state that the major causes of maternal mortality are hemorrhage, sepsis, ruptured uterus, ectopic pregnancy and abortion. They estimate that 53 percent of maternal deaths are preventable. IPMN studies, however, report that 90 percent of maternal deaths were preventable through improved prenatal care, risk factor screening, a referral system, improved diagnosis and treatment, and availability of essential drugs and equipment.

The MOH estimated in 1998 that at least 35% of rural women deliver at home and 80 percent of maternal deaths occur in rural areas. Some estimates state that in rural mountainous provinces more than 90 percent of all births take place at home. Moreover, according to a GSO/UNFPA survey the proportion of women delivering in health facilities has declined from 80

percent in 1985 to 69 percent in 1994 and 41% in 1998. Home delivery is highest in the poorest regions of the country, the northern uplands and central highlands.

As home deliveries increase, the ability of local medical staff to respond to emergencies and ensure maternal and infant care could decline. Wherever deliveries are, trained health staff should assist them. In cases where home deliveries have a trained midwife at least some basic care is provided. Traditional midwives are more often involved than trained midwives are. As a solution, traditional midwives should be trained on basic delivery skills to assist mothers. However, it should be recognized that they could not predict or prevent obstetric complications and generally cannot treat these complications when they arise. Adequate referral networks to obstetrical care support are limited. Additionally, the competence of local health providers to respond appropriately to specific, unique problems in childbirth still remains inadequate due to insufficient technical knowledge and skills as well as the lack of equipment and supplies.

Prenatal care is a factor that affects both maternal and infant mortality and morbidity. It is estimated that 43 percent of women nationwide receive no prenatal care. For women with little education and those living in the central highlands and northern uplands this figure rises to 66 percent and 58 percent, respectively. Additionally, two-thirds of pregnant women are anemic and maternal food intake is inadequate, both factors contributing to low birth weight.

One of the most unfortunate reproductive health issues results from the combination of well-enforced family planning targets with poor contraceptive use: abortions. Nationwide abortions have increased alarmingly, from 70,281 in 1976 to 811,176 in 1983 to 1.37 million in 1993 and then to 1.99 million by 1998. The total abortion rate in 1995 was 2.1 abortions per a woman's reproductive lifetime.

Based on the issues outlined above, the following strategies are suggested to strengthen functional capacity to meet the reproductive needs of Vietnamese women:

Higher priority and uniform agenda:

The Government in collaboration with UN agencies, international donors and non-government organizations should develop a comprehensive national reproductive health agenda which includes both policies and integrated strategies addressing all components of reproductive health (e.g. prenatal and maternal care, gynecological services, family planning, reproductive tract infections, sexually transmitted diseases, etc.).

Developing the capacity of clients and providers:

Extend information, education, and communication (IEC) activities to women in rural, remote areas (especially poor and ethnic minority women) regarding prenatal care and nutrition, options for service delivery, safe delivery practices, and postnatal care. These materials should be in ethnic languages where needed and also created for non-literate women.

Incorporate traditional midwives into the mainstream health delivery system through monthly meetings with commune and/or district health officials for sharing information, receiving training and referral support, and being provided with cleans delivery kits. When possible, other family members and collaborators should also be trained.

Provide refresher courses in reproductive health issues for existing personnel at the district and commune levels. This training should be participatory and demonstrative in method, including case study analysis and practices.

Upgrade district level capacity in providing essential obstetric care (facilities and human resources).

c. Greater Local Capacity In Family Planning:

The National Committee for Population and Family Planning (NCPFP) was established in 1989 to advance the Government's goal of population stability for economic development and social well-being. This goal is to be achieved by reducing fertility through family planning. The Government's commitment to family planning in terms of laws, regulations, finances and mandates has been increasing every year.

While there are two implementers of family planning services (health workers at MOH facilities and NCPFP collaborators) and two separate systems for their delivery, the systems are distinctly different. IUDs (Intra-Uterine Device) and pills are available at MOH facilities (and sometimes sterilization) whereas collaborators provide only condoms and more recently, pills.

The vast network of NCPFP collaborators works at the community household-level with each collaborator responsible for a specified number of households. This network includes both paid personnel and collaborators who are given a small stipend (VND 10,000 to VND 30,000 per month). The collaborators are often members of the Women or Youth Unions. According to the NCPFP, 95 percent of the allocated budget is transferred to the provincial level with a total of 68 percent reaching the communes. Since 1998, planning has increasingly involved the district and provincial levels, in order to better meet local needs. According to the NCPFP, the state budget allocated US\$ 1 million to the NCPFP program in 1991, US\$ 27 million in 1996. By 1998 this had increased to US\$ 32.3 million.

One of the major goals of the NCPFP is the provision of sufficient contraceptive methods, diversified to meet acceptors' demands. The NCPFP has created an extensive nationwide network to provide modern contraceptives to the entire population. Currently, these methods include condoms, pills, IUDs, and sterilization. Pilot projects are underway to introduce injections and Norplant (an implant) which will further extend the range of contraceptive choices.

At the district and commune levels a variety of methods are used, and proportions vary sharply by locality. Reasons include the limited level of knowledge by family planning and medical staff about various methods, myths and attitudes by both staff and the community about the effectiveness of various methods; lack of proper counseling for appropriate choice, narrowly focused IEC campaigns, and the availability of supplies. IUDs are the most frequently used method in Viet Nam with one-third of all currently married women in reproductive ages using them. Thus almost three-fourths of current modern method use is with the IUD (1998 Intercensal Demographic Health Survey).

Although the NCPFP has made considerable progress in expanding contraceptive choices nation-wide, the focus now should be on diffusion of these methods to the grass-roots level.

While the NCPFP operates an extensive training program reaching down to the commune level, there are 10,700 communes in the country. It will require a concerted and massive effort to develop each commune to the needed level of service and effectiveness. To develop functional capacity at the local level some central level strategies, which develop the capacities of networks and processes and human resources, should include:

A broader IEC agenda:

All women of reproductive age rather than only married women who have already given birth should have access to IEC materials. Additionally, IEC materials and strategies should be tailored to target populations and in minority languages. More discretionary funding should be allocated to the districts to develop locality-specific IEC materials. This will also require technical training to create appropriate materials.

Service improvement opportunities:

Institute more focused training at the district and commune levels. Basic contraceptive training has been done in most regions, but more specific training in planning and management, problem analysis and appropriate communication for affecting behavior change is needed. Skill development should be supported by follow-up on-site technical supervision to ensure the correct understanding and application of new knowledge.

Expand service delivery so that information and supplies are more widely available. For example, utilize social marketing and community-based distribution systems (in urban areas, private provision of services may be a viable and even preferable option).

Advocate and improve client-centered counseling -removing contraceptive bias- at the clinic and village levels. This includes service providers giving full, accurate information on all contraceptive options and allowing women and men to choose the method they desire.

d. Local Solutions To Malnutrition:

In September 1995 the Government adopted the National Plan of Action for Nutrition 1995-2000 (NPAN). The leading principle of the NPAN is to incorporate the Government's goals into all of its long-term and annual socio-economic development plans. This high-level of commitment recognizes two important realities. First, although Viet Nam is a major exporter of rice, food consumption within the country is inequitable with the poor and ethnic minorities being the most undernourished.

According to the National Institute of Nutrition General Nutrition Survey, 22.5 percent of families suffer from food insecurity. Secondly, an estimated 45 percent of children under five are undernourished according to weight-for-age measures, about the same level as in India. This figure is 17 percent in China, 39 percent in Indonesia, 30 percent in the Philippines, and 13 percent in Thailand - all countries that are also considered of median human development ranking according to the UNDP Human Development Report, 1997.

The Ministry of Planning and Investment (MPI) is the main coordinating body for implementing the NPAN. The MPI has established seven advisory subcommittees focusing on: household food security, nutrition and health, micro-nutrients, nutrition education and training, food quality and safety, food and nutrition surveillance, and prevention and control of protein-energy deficiencies among children under five. The Ministry of Agriculture and Rural Development (MARD) is responsible for household food security issues and programs while other ministries and institutes focus on the other components of nutrition (such as the Institute of Hygiene and Epidemiology, MOH, and the Institute of Nutrition). The MPI has recognized the critical role of intersectional collaboration as stated in the NPAN: "Integration of existing programs is of the essence if nutrition programs are to avoid the duplication and waste which commonly arise when vertical programs are set up."

The Committee for the Protection and Care of Children (CPCC) is charged with implementing a nutrition education and rehabilitation program nationwide. The program is

working in all 64 provinces in 288 districts, 1,951 (approximately 20 percent) communes out of 10,700 nationwide. In 1997, additional 1,800 communes were included in the program. The CPCC's goal is to reach 40 percent of all communes by the year 2000.

The national CPCC provides four types of guidelines for local implementation of nutrition programs. First, it sets its contribution to monthly compensation for full-time staff (in 1996, 1997, 1998 - VND 80.000, 100.000, 120.000) and volunteers (VND 10.000, 12.000, 15.000). Second, it sets expenditure norms for provincial spending. In 1996, 1997, 1998 this was VND 14,000; 18,000; 20,000 per year per malnourished child. Third, it provides all implementers of its programs with uniform educational materials (tape cassettes, flip charts, and brochures). Fourth, it mandates the following weighing schedules:

For children of ages 0-12 months, monthly weighing;

For children of ages 1-3 years, quarterly weighing;

For children of age 3-5 years, annual weigh.

Beyond this, program implementation is up to the provincial CPCC where program interventions vary considerably.

The program targets all malnourished children under five-years-old, yet surveys have shown that the high-risk group for malnutrition is children from 6-months to 18-months-old. By including children up to age five, the program places a considerable burden on local implementers, whereby, each collaborator is often responsible for about 100 children. The quality of services suffers since these collaborators are generally neither full-time personnel nor specialists in nutrition.

The Government allocated VND 28 billion (US\$2.5 million) to the CPCC in 1996, US\$2.6 million in 1997, US\$2.87 million in 1998 spreading the limited budget thinly, less than US\$57,000 per province. Although the moral and political justifications for implementing the nutrition program in every province are strong, it is difficult to be effective within the current budget without more concentration in the highest priority areas.

While the commitment in terms of policy and program attention is high, the capacity of local authorities to implement this program effectively and sustainably is weak. Significant training content is lost as national trainers train provincial trainers who then pass on only part of their knowledge to district trainers who finally train local implementers. As a consequence, local analytical competence to address the problem of malnutrition is often no more than an "emergency response" through supplemental feeding schemes.

The better location for problem-analysis and solving, however, is at the community level. However, due to a combination of historical factors, including educational pedagogy and the centrally planned subsidy system, the local ability to analyze and address problems is limited. For example, many mothers know which food is best for their children but they simply do not have the means to provide it. This is sometimes the case for families who are affected by seasonal food insecurity. Other times the problem is more one of knowledge than means. Only by determining the needs at the local level can either case be solved. Local capacity should be increased through local problem analysis and solving along with the power and resources to implement changes.

Another major capacity gap is the lack of ability to implement sustainable programs with long-term impact. This is due to a combination of factors: financial limitations limited technical knowledge in nutrition, poor analytical and planning capacity, and the sheer lack of program control at the local level. In general, the staffs who implement this program tend to have administrative skills but little professional technical expertise in nutrition. For example, in Ninh Son, Binh Thuan, the nutrition staff purchased foods, such as carrots and tinned meats, and brought these to the villages because this food was unavailable there. Although a child may get a healthy, nutritious meal, the mothers have no ability to replicate the meal in their homes. Training which includes practical cases and examples at lower administrative levels would help to resolve these problems.

In order to implement a more sustainable, effective national nutrition program, the capacity development priorities are to:

Delegate more authority to districts and communes for planning and decision-making.

Increase funding and flexibility of its use to the local levels. A contract-reimbursement system similar to that of the NCPFP's could be used for financial accountability. Additionally, increase technical assistance and monitoring to ensure cost-effectiveness.

Limit the use of resources to only those districts or communes with the highest levels of malnutrition, and within these, to children six months to 18 months of age. All three degrees of malnutrition should be treated, thus helping more children graduate out of malnutrition.

2. Improve Effectiveness Of Preventive Community Health Programs:

Although curative medicine is generally seen as the mainstay of basic health services, it is accepted that preventive community-level health programs save money, time and human suffering by keeping people healthier rather than by treating them after they become ill. In Viet Nam at the provincial, district and commune levels -particularly in poor areas- the capacity for implementing these programs needs to be strengthened. The current capacity weaknesses stem from many factors including limited financial resources, complicated management systems issued from higher echelons, lack of technical expertise, and little experience or knowledge in influencing behavior change -a prerequisite for any effective preventive health program.

a. Improve Funding:

Viet Nam has made great efforts in training doctors and nurses to provide health services. Ratios of Government expenditures on curative versus preventive sectors range from 4:1 to 6:1. In recent years the Government has recognized the immense benefit of preventive community health as is displayed by the numerous vertical programs such as malaria eradication, expanded program on immunization (EPI) and control of diarrhea diseases (CDD). Furthermore,

significant policy attention has been placed on achieving the Alma Atta goal of "health for all" as displayed by the extensive commune health station network, the use of mass organizations in health promotion, and increases in national program expenditures for preventive services.

- These programs being donor-driven boost the general trend towards increased expenditures on national preventive programs. These increases, however, have not been adequate to meet the needs, particularly given the erosion of the primary health care (PHC) network- which used to be stronger under the socialized cooperative system, but has deteriorated in recent years amidst the economic transition. Additionally, preventive programs tend to operate in a vertical manner with little collaboration across programs. It is particularly critical to make careful investments in rural and remote mountainous areas where infrastructure is extremely deficient often hindering implementation efforts. Lastly, although it is crucial to provide resources for equipment and supplies, it is equally important to direct funds towards training in behavior change.

b. Improve Participation:

In many localities, women are significantly under-represented in senior management and professional positions. When authorities have minimal contact with program beneficiary' s local people often have little confidence in them. This lack of contact and participation slows the acceptance and integration of programs into community life. When community participation is high, programs have more impact and sustainability. For example, in Ninh Son district of Ninh Thuan, women and ethnic minorities carried out many leading roles in all preventive health programs. These programs seem to have greater success compared to Ninh Phuoc, a neighboring district with an obvious lack of women and minorities in top leadership positions.

One way to more effectively reach the poor with preventive health programs as well as basic health services is to tap alternative structures and networks. This is particularly true in ethnic minority communities.

c. The Future Challenge Facing Viet Nam In HIV/AIDS:

Nowhere in the world is the number of new HIV infections growing faster than in South and Southeast Asia. HIV/AIDS is a double disaster for developing countries, particularly the poor. Affecting mainly young and middle-aged adults, the disease robs children of their parents, families of their incomes, communities of their wealth. The disease further stretches already overstrained resources and saps energy from the development process.

Viet Nam has recently begun to see minuscule numbers in HIV infections jump at least two-fold annually. The MOH estimates that there are more than 160,000 Vietnamese presently infected and this is expected to rise to 300,000 by the year 2000. This disease poses an increasing threat to young adults and could become a major concern unless education and remedial measures are effective.

Known infection rates among female sex workers in the three Delta provinces of An Giang, Kien Giang and Can Tho are already growing quickly: from 1994 to 1995 to 1998 the prevalence rates grew from 2.75 % to 4.81 % to 5.23%, 0 % to 2.92 % to 3.99%, and 1.02 % to 3.24 % to 4.45%, respectively. As these numbers grow, so too will the infection rates among their clients, wives and the general population.

The Government is working to improve this situation by establishing a broad-based, multi-sectoral national response, including a 17-member National AIDS Committee chaired by a Vice Prime Minister Minister. Government budget allocations to HIV/AIDS prevention and care activities continue to grow each year, including more than US\$ 5 million for 1996 and 7.2 million for 1998. In addition, condom distribution through both government and commercial channels has grown nearly three-fold over the past five years.

But maintaining this high level of activity will be difficult. The challenge is to spend the funds on what is most effective, funneling them towards local efforts that involve all sectors of society in common action against HIV and AIDS. International experience shows that peer

education (e.g. intravenous drug users counsel other intravenous drug users) is the best method to changing behaviors.

d. Integration Of Programs:

In the 1995 joint United Nations study on Poverty Elimination in Viet Nam, the issue of integration of community health programs was highlighted, particularly with regard to family planning, nutrition, and maternal and child health programs. The study recurrently recommended that Viet Nam seizes the opportunity to upgrade commune level staff working in family planning by combining their training with nutrition and mother-child health promotion training. By paying one commune - or even village - level full-time person a good salary and providing quality training and support, this person could address these overlapping health concerns at the community and individual levels. Given the modest amount spent on preventive health care, increased efficiency is highly desirable.

The Government has recognized the usefulness of integration. For example, it has created sub-committees to tackle various components of the nutrition and food security program. The NPAN states clearly the need for integration of existing programs (as discussed earlier). The evidence of integration, however, is sparse. For example, in most localities the family planning program operates separately from all other health services. Although a member of the CPCC, local women's unions often independently run their own separate nutrition program. Each vertical community health program has a separate budget, separate planning and reporting systems, separate personnel at all levels (except the cases of village members doing more than one job), and separate implementation.

The overall health infrastructure in remote ethnic minority areas is not sufficient to deliver appropriate health services. At all levels, particularly at the district level, there is a need to strengthen the planning and management capacity. At the commune level, health workers have very low technical capacity. Access to primary health care services could be improved through a

combined strategy of improvement of health services at the commune level and the extension of basic health services through the network of volunteer health workers at the hamlet level.

Throughout the country, in order to increase effectiveness and revitalize the grassroots primary health care network, vertical programs could be combined under one administrative umbrella with a single budget. Resources of the programs then would be more naturally shared, allowing for more efficient use of funds. Commune-level health staff could then decide priorities for their areas based on the menu of choices that this national program system has to offer. Activities would then be implemented more collaboratively. This approach goes hand-in-hand with decentralization and the problem solving based approach to community health development.

e. To Work Toward Better Integration, The Following Reforms Should Be Considered:

Increase the overall allocation of resources to preventive community health programs with a goal to achieving a 2:1 ratio of curative to preventive expenditures, focusing these funds on paying sufficient salaries to a core of commune/village health workers whose sole responsibility is to carry out programs in preventive health.

Develop management systems that local level implementers can handle. Technical supervision and support should be provided to this core to carry out community programs.

Integrate IEC campaigns with a strategy that addresses community and family development, highlighting the interconnections and mutual influences of various health concerns.

f. Training To Further Develop The Human Resource Capacity Of Local Implementers:

National programs could hold joint trainings, such as family planning and maternal health. This is in order to create a more holistic health approach and more efficiently use limited resources.

Commit funds specifically to training local implementers in the theory and methods of behavior change. Due to the preventive nature of community health programs, implementers must be equipped with both supplies and knowledge of affecting health promotion.

Increase community participation in preventive health programs by including beneficiaries in the planning, problem solving, and implementation of these programs. This can be done both through formal structures such as committees and community meetings as well as informally through interviewing, participatory rapid appraisals (PRAs) and surveys.

Identify and collaborate with key community leaders, particularly in ethnic communities, in order to extend the reach and effectiveness of programs. Additionally, provide training to these people where needed.

The reform suggested here, in addition to the main capacities to be developed, can only be taken in small steps. Promising initial moves have been made at the MOH in establishing its Primary Health Care (PHC) Unit. With assistance from the Swedish International Development Authority (SIDA), this Unit has promised to become a full department in the ministry reporting directly to the minister. It could then grow into overseeing all national programs in preventive basic health and become a separate agency. A group with a vested interest in preventive health care is badly needed. Under the current administrative arrangements, it suffers from both fragmentation, uneven, and limited funding.

3. Access To Basic Curative Services Via Insurance:

a. The Fate Of CHSs Under Market Pressures:

Viet Nam has a broad-coverage public health service network with 10,700 commune health clinics and 750 hospitals. In addition, there are 8,102 private health facilities with many other health staff providing private health care after office hours. However, when subsidies for curative services ended with the reform process, many commune health stations reduced their curative services while others essentially stopped providing curative medicine. In fact, it is common to find commune health stations (CHSs) locked up with no care provider to be found when making unannounced visits, as was the case when a mission in this study visited Phuoc Hai, Ninh Phuoc, Binh Thuan.

The consultations in the public system have dropped over the past 10 years, due to growing private activity in pharmacy and curative services, which were essentially illegal before Decision 45-HDBT of April 24, 1989.

About 90 percent of all the poor are concentrated in rural areas where CHSs still from one of the main sources for health care. All high quality care hospitals are located in cities where the bulk of the poor are unable to use them, or only when their diseases become severe. But this is where 60-70 percent of the national health budget is spent, in district, provincial, and central hospitals.

Although no full-scale study has been done on determinants to strong service provision at CHSs, at least two factors (although not necessarily mutually exclusive) are important: the development of a locale's economy and the strength of its commune leadership (including party organs, people's committee, and mass organizations). If the commune leadership in conjunction with providers is determined to provide curative care services that are better than other alternatives, this side of the CHS works well. Nevertheless, even in cases where CHSs are well stocked with both equipment and medicines, without this resolve, the CHS can easily languish. Community leaders, in conjunction with the health providers assigned to their communities, must learn how to use the state (or donor)-given advantages they have to compete effectively.

It is also not difficult to find all communes within one district to have low utilization rates as in Duyen Hai, Tra Vinh (population of 76,941). In each of the district's 10 CHSs, there was an average of three patient visits per day. This had fallen for the first six months of 1999 where there has been an average of 14 patients who received treatment at each CHS a month, an average of one every two days. As in My Loc, lower utilization here is due to the combination of poor local management and the large share of private providers, which have filled the market.

It is difficult to estimate the number of private practitioners throughout the country, even for those registered with the MOH. In 1998, the MOH estimated that for the whole country

there were 24.7 private health care providers and pharmacies per 10,000 persons in rural areas, surely an under estimate. According to health staff interviewed in District 4, HCMC, Cau Ngang (Tra Vinh), and Ninh Son (Ninh Thuan), no less than 90 percent of the doctors and nearly 100 percent of pharmacists in these districts see patients after hours, making the bulk of their money during this time. It can be assumed that at least 50 percent of CHS staffs are privately selling medicines. In 1997-98, the VLSS found that in rural areas, 67 percent self-medicated, 19 percent visited private providers, and 14 percent visited state health centers.

Rather than trying to concentrate on targets to supply CHSs with all the right equipment in curative medicine, financing from the demand side would lead to a more efficient use of resources in curative care, whether it is done publicly (as in successful CHSs) or privately (as in many areas with unsuccessful CHSs).

Indeed, if one temporarily ignored the problem that the poor may be excluded from private care (although in many areas, private providers often have very flexible payment terms), one would see that the private sector is and should continue to be a main source for local health care. However, their quality and accessibility need to be improved, as do the CHS services, where they continue to provide curative services. In rethinking the role of the CHS, one should consider which commune needs to have its capacity for better curative health care developed: a commune that has a CHS with poor management and uncommitted staff that rarely work and where private providers are also unsatisfactory versus a commune without a CHS but has several competent private providers.

Thus, for curative health, the following reforms should be considered:

Curtail planned funding to supply all CHSs with equipment and instruments for curative health.

At the same time, strengthen the health insurance system with funds supporting successful CHSs, taking the place of this supply-side funding that is now provided.

b. Building The Capacity Of Health Insurance:

Rather than pouring more government and donor resources into further stocking CHSs in areas where they are languishing, progress should be made towards providing medical insurance to all. This will allow people to decide where to use their insurance money, creating more efficient allocation of resources in curative care. Health insurance programs for the poor is also the best way to ensure that they can have secure access to care, as Hai Phong has discovered through the implementation of its HEPR program. Lastly, a reliable independent health insurance system could help retrain and control private providers and pharmacists, one of the most widespread problems in private Vietnamese care today.

Before examining the capacity of VHI, a cursory understanding of how the system works is in order. Fundamentally, it is a loose network of 69 non-profit tax-exempt chapters under the MOH. One chapter is the national VHI office (including its two representative offices in central and southern regions). There are 64 provincial chapters and four chapters under the four production branches: petroleum, rubber, coal, and transportation. Each chapter is responsible for its own finances but must contribute 2 percent of its premium collections to the national VHI office. Premium payment for government employees is made by 2 percent being paid by their relevant office and a 1 percent deduction from their salaries. The system is dominated by these persons who are required to participate, although other persons (usually only in groups) can voluntarily purchase the insurance, paying an initial lump sum premium payment for coverage of 6-12 months.

Each chapter then enters into a contract with the care facilities where it is insured live. Insured are then assigned to a facility based on these contracts that specify that:

Claims are paid directly from the VHI to public care units based on written evidence.

Unannounced on-site inspections can be made by VHI personnel.

Efforts are made to combat any abuse of the system by pharmacists or care providers, while at the same time not bothering care providers too much.

It is the responsibility of the VHI chapter to:

Provide medicines, equipment, and instruments. The VHI chapter enters into contracts with pharmacies, and medical suppliers to avoid the situation where poor quality drugs and medical supplies are purchased. Pay in full treatment costs as specified by the contract on a quarterly basis.

Provide appropriate forms and record-keeping books on which claims are made.

Supervise claim payment and timely accounting of total claims.

It is the responsibility of treatment units to:

Provide appropriate care to those insured, according to the limits and policies set forth on the insider's card.

Ensure that the limitations on benefits are followed for each individual payment.

Provide care according to the professional standards set by the MOH.

Provide care only up to the level of competency as specified in MOH regulations.

Provincial boards comprised of representatives from the provincial health department, the provincial and financial department, companies or units that contribute significantly to the scheme, and workers' representatives govern VHI chapters. A deputy chairman of the provincial people's committee chairs the board. These management boards select the director of their VHI chapter to determine premium and claim payment policies, manage reserves, and resolve any problems.

District branches of a chapter are under the control of the district health center (DHC) director (who is most commonly also the director of the district hospital) at the consent of the chapter director, and the district people's committee.

Although this scheme leaves little room for problems based on technical competency, it opens a window for abuses of the system, which do occur. To create a better system of checks and balances at the district level, the VHI branch head should not concurrently be the director of

the health center and the hospital. The system must avoid being captured by those it seeks to oversee.

VHI statistics, albeit scanty, demonstrate that care staff do at times abuse this system for their own benefit. For example, in the first half of 1998, staff at the Da Nang Hospital made up 8.5 percent of the total number of insured registered to receive care there. But the Quang Nam-Da Nang VHI Chapter's expenditures for them as out patients and inpatients accounted for 32 percent and 40 percent of the totals it paid to the hospital for care, respectively. Health staff had paid VND 48,088,770 in premium but had used up VND 399,627,124 in claims over the same period.

Abuses like these have yet to threaten the system, as VHI premium collections are generally much higher than claim payments, at least in urban areas. In a survey on expenditures for inpatients of 34 hospitals in Ha Noi in 1998, only 35.08 percent of collected total premium were spent on treatment claims. Under the current scheme where only public providers are covered, VHI chapters like this end up with large excesses in reserves and spend them by buying machines and equipment for care units.

In addition to removing VHI from the MOH administration, the following reforms should be considered:

Expand the coverage of the system, including people in rural areas. Although this is already happening in some areas, it has not gone smoothly as many local VHIs use methods in risk selection (e.g. only allowing large groups to join). Western European countries' long-term experience in national health insurance plans has confirmed the inequity of any attempt at determining the health risks of insured. Despite the variety of schemes, nowhere are plans allowed to deny coverage based on an individual's health risk.

The VHI system should not only expand its pool of insured (after improvements are made), it should take steps to expand its coverage to include care given by private providers. Expanding without changing how claims are paid would likely cause the abuse that already occurs in public facilities to be magnified several times under private care coverage. Nevertheless,

private providers now dominate the health care profession. Indeed, because of transportation costs, it may actually be more expensive for a poor cardholder in one of the many areas without an operational CHS to reach a district hospital to receive basic care than for him to visit a private provider nearby. Removing chronic abusers from the approved provider list would allow some control over excessive billing.

The VHI system should seek not only to control costs, but also provide training in cost effective ways to deliver care (e.g. proper drug use).

To solidify basic coverage, food and necessary transportation costs should be included when the HEPR target groups are enrolled into the VHI scheme.

Other options for equipment and instrument procurement should be considered to facilitate use by private providers (e.g. VHI could lease equipment to them, or pay them a "labor cost" to operate it).

Any insurance reform must be carefully done in ways appropriate to Vietnamese conditions. Western European experience shows that national health insurance plans cannot be copied from one country to another. Although national in scope, costs and coverage packages may differ by regions and urban and rural areas.

There is a need for training specialists that can help further develop the VHI system. So far VHI staff have only completed short-term training courses on their multi-disciplinary field. Although Viet Nam itself has training programs for health and economics, there is no program in health economics. Nor are there any well-established programs in actuarial science or insurance.

III. Improving Research And Information Systems To Respond To Future Issues:

As even the most advanced countries in the world have learned, health sector goals are "moving targets." Issues for Viet Nam today are different from those of yesterday, and will likely be different in the future.

Although most preventable childhood diseases are decreasing in Viet Nam due to the well-known success of the EPI program, some infectious diseases remain a concern and others will be of serious concern. Acute Respiratory Infections (ARI) are the largest killers of children in Viet Nam and number one among the 10 leading causes of morbidity. In the future, other respiratory illnesses may become more common, caused by urban air pollution and tobacco use. Tuberculosis (TB) is also an infection generally more common in urban areas that may also be prevalent in rural Viet Nam: in Ninh Thuan health authorities reported 2,039 cases in 1998, up from 1465 cases in 1997, 1028 cases in 1996 and 694 cases in all of 1995. Additionally, some provinces in the country have experienced an increase in epidemics such as cholera, dengue fever and salmonella outbreaks. Leprosy is still high in Gia Lai with an annual rate of 100 new cases per 10,000 persons.

Due to the isolation of Viet Nam from the international medical community in recent decades, most health personnel are not professionally equipped to handle new types of infectious diseases. In particular, they lack epidemiological skills to track epidemic patterns and identify root causes of illness. In order to better target other limited program resources there needs to be greater understanding of the epidemiological patterns of these diseases first. This, however, must go hand-in-hand with improvement in health information systems.

There are three main centers of quality epidemiology research in Ha Noi, Nha Trang and Ho Chi Minh City, but within the nation-wide health network there is little diffusion of epidemiological information and expertise. They are a part of the MOH's system of medical colleges and research institutes, and as such, generally only carry out what MOH assigns to them. Since no single ministry can be expected to understand and foresee future needs in health, building the capacity for a diversified system of researchers in capacity on health sector reform should be considered a priority.

To improve research and information systems, some strategies could include:

Reform of Current Systems:

Develop within the nation-wide health sectors a system to diffuse epidemiological information from the central to the local level and vice versa. This should not be limited to reporting mechanisms of statistics but also include sharing of research, patterns of disease, and areas of needed study.

Allocate funds to qualified research institutes and public health training schools for national and community-based epidemiological studies.

Coordination in data collection, analysis and dissemination.

Improve Training to Build Human Resources:

Update epidemiologist-training courses in all the primary and secondary medical schools in the country to improve knowledge and skills of soon-to-be graduates.

Update refresher training for currently working medical personnel.

IV. Summary:

This overview of health servers' capacity to deliver services to the poor has focused on a few key themes:

1. Public spending should focus on activities, which the private sector will not itself undertake, or of which it will not provide enough. Especially important are those activities with significant externalities, which provide more benefits generally than just to the direct recipient. (For example, controlling malaria helps everyone, not just the sick person, since the disease is less likely to spread.) Because funds are short, spending should be concentrated on areas with externalities that are typically not sufficiently otherwise provided. This explains the priorities for the poor.

2. Targeting of resources by region and type of recipient is preferable to spreading them equally but ineffectively. This is most obvious in nutrition supplementation, where "equal" feeding means no observable benefits, while focusing on the younger malnourished is likely to result in high recovery rates.

3. Targeting should also be done by each locality itself. By combining groups of presently isolated programs, not only can costs be reduced, but also the most urgent activities can be selected locally and adequate resources can be improved to address that particular problem. HIV-AIDS may be more important in a city than malaria, for example, while the opposite may be true in some rural areas. However, realizing the potential of this approach requires comprehensive upgrading of local capacity.

4. The effectiveness and efficiency of current spending can be improved. Pouring money into CHS facilities when they are not being used is less effective than setting up a subsidized (for the poor) insurance system, that could better oversee and improve pharmaceutical use.

V. Recommendations:

Embedded in these themes are many opportunities and requirements for capacity development. They require administrative reorganization; greater use of market forces, changing national norms and goals, and training both in a broader variety of needed skills and a deeper development of existing ones. Categorized under the dimensions of capacity, the following recommendations from this section are as follows:

Institutions and Organizations:

Integrate preventive programs under one umbrella at localities.

Develop the capacity of the VHI system so that it can be expanded to include coverage for all citizens and for care from private providers.

Networks and Processes:

Provide further incentives for provinces to take on the cause for sanitation.

Expand dissemination of information to all women of childbearing age.

Improve research and information systems.

Management:

Reform VHI system to make it independent from the MOH.

Make the curative system funded by demand.

Human Resources:

Fully fund, at least, one position at the commune/village level to be responsible for implementation of the myriad of preventive health care programs.

Provide medical refresher courses for those who will take responsibility for implementing basic preventive care programs.

Develop technical skills for VHI staff: e.g. health economists and actuaries.

Chapter 5: Capacity Development Through Strengthening Social Safety Nets

I. Introduction:

For the poor who can ride on the waves of development, resolving capacity development problems in the previous issues, from the macro enabling environment to education and training, health care system will give them better opportunities to improve their lives. There will, unfortunately, always be the poor described in the poverty situation issue as Group B: those who find it hard to improve their conditions on their own. Many of these people are the elderly, disabled, or the ill. The primary source for assistance to them will continue to be the family, as it has been for centuries. Only several family names account for the population of many rural villages and family networks are strong. According to one account, "private inter-household transfers are the most prevalent source of social safety nets with almost 44 percent of households receiving assistance from family or neighbors when in need; only two percent receive public assistance."

Regardless, the family will not always be enough. Firstly, for rural families that are already poor, a serious illness of one family member could lead the whole family to ruins. Distant family members may give loans, but this may only bury the family in a debt they will find hard to repay. Secondly, family cohesion may be loosening in Viet Nam, as it has in all countries that have experienced economic development. Income-earning members are forced to relocate to find work, the community glue loosens and families more easily fall apart in divorce. Thirdly, whole families (and even communities) can be devastated by one of the many natural disasters that annually strike Viet Nam.

Based on a 1992 to 1998 survey conducted by the Ministry of Agriculture and Rural Development in nine provinces, many poor do receive formal assistance, either from the state or

their local co-operative, often in the form of credit or tax waivers. From all sources, this totalled an average of VND 115,900 to 180,000 per poor household. The survey found that 45.61% down to 21.7 percent of poor households received aid from the state with 32.26 % down to 16% percent receiving some form of assistance from their cooperative.

The relative amount of state versus private inter-household transfers, however, seems to vary greatly by region. The percentages of those receiving state assistance in the three southern provinces of the nine were significantly higher than in the northern and central provinces (Dong Nai 60.33 percent, Tien Giang 69.29 percent, Dong Thap 59.73 percent). For Thanh Hoa and Hoa Binh, this percentage was only 8.69 percent and 17.81 percent respectively.

The state (at all levels) or quasi-state organizations (mass organizations) through a myriad of social assistance programs give assistance. The largest programs are concentrated on a few classes to which the Government owes much: those who have worked directly for the Government and those families who have made a significant contribution to the Vietnamese Revolution and construction of the state (termed "Policy Families"). Based on VLSS data, almost two-thirds of the total transfers were received by the two richest groups. The poorest 20 percent of the population received only 8 percent of all transfers and social subsidy payments.

Programs where assistance is given and social service fees are waived have only been newly formed and mostly implemented before poor people have been officially certified as such. This has put targeting on an insecure base for those outside of "Policy Families." This is supported by findings from two surveys (MOH and World Bank) that there appeared to be little relationship between user fee waivers and household income.

Many of the other local and national programs are new, ad hoc, and have had minimal obvious benefits to those most in need of such programs. Only through a variety of inter-provincial and private donations, are people affected by natural disasters given much of the assistance they need, a system that is by no means secure.

II. Brief Description Of Social Safety Nets:

Although most analysis of social safety nets in Viet Nam concentrates on the national social insurance and pensions, there are actually a large number of programs that provide assistance to those in need. Little is known about the effectiveness of these programs in helping those who need it. To assist in future research, seven types of programs are described below.

1. Social Insurance-Pensions And Disability/Income Insurance:

On January 1, 1995, the Government established the Viet Nam Social Security Organization (VSSO). It is almost exclusively responsible for administering pensions and income assistance given to civil servants and others who have paid into the system from private factories or joint-venture companies. For 1994, VND 2.6 trillion (US\$236million) was spent on pensions alone for 1.155 million persons; for disability payments, VND 1.5 trillion (US\$136million) was budgeted for 500,000 persons. In 1995 and 1998 these two expenditures were estimated to total VND 6 trillion (US\$545million) and VND 8.6 trillion (US\$ 5.11million).

Funds from the State Budget are used to pay the pensions of those who retired before 1995, and funds from the VSSO Fund are used to pay the pensions of those who have subsequently retired.

2. "Policy Families"-Those Who Contributed To The Revolution:

Special assistance is given to those who are in the immediate family of a person who has contributed to the Vietnamese revolution:

Fallen soldiers on the side of the revolution ("martyrs").

Disabled veterans from active duty in the cause of the revolution.

Soldiers who contracted a disease while on active-duty.

Persons recognized as having made a contribution to the revolution.

Heroine mothers.

For the first category, age-eligible people in the approximately one million immediate families receive a monthly assistance payment. Monthly allowances are paid to the approximately 400,000 disabled veterans based on the level of their disability. The amount allocated centrally for these people in 1995, 1996, 1997 and 1998 was 7,02%; 8,19%; 8,02% and 8,05% of the Government's outlay of pensions and social relief.

People who fall into this category are also beneficiaries of houses built with local funds, assistance given for schooling (scholarships), and other help. In 1994 and 1998, MOLISA reports that VND 37,999 million and VND 137,301 million respectively were given locally to policy families from "reciprocation to benefactors" funds. In addition, MOLISA also reports that significant funds were used to build or renovate homes for these populations in addition to opening savings accounts for them at banks.

Thus, the safety nets for families in this category are both tightly knit (i.e. in most cases these families are easily identifiable) and quite strong (i.e. there are several forms of assistance given to these families). Nevertheless, assistance is given regardless of income. These nets are likely catching people who are well off, as well as the poor.

3. Centrally Administered Social Relief:

The Government provides relief when needed to those affected by storms, disabled persons, elderly without personal means of support, and orphaned children. Significant amounts in charitable contributions are collected and donated by companies and state offices on an ad hoc basis to help victims of natural disasters. The Vietnamese Red Cross Association often administers this money.

For farming-based families struck with disaster, assistance is needed to recapitulate their farms. In this matter, the Bank for Agriculture should be encouraged to consider second loans and at least partial write-offs or suspension of interest on loans where disaster, not bad faith, is clearly the cause of non-payment. At present, a family cannot usually take out a second loan until it has

fully repaid the first, though this policy is sometimes modified in disaster situations by extending Bank for the Poor loans in small amounts. Cutting a family off from credit can lead to a downward spiral of debt and losing control of one's land. This could be avoided if safeguards are in place to prevent abuse through limited forgiveness policy.

The yearly tropical storms, which hit Viet Nam, can devastate villages that depend on sea products for a living, an industry with great export value. This year was no exception when the storms hit. In the district of Hau Loc, Thanh Hoa, only 89 of the 193 boats at sea when the 12 August storm hit returned. Those who had returned reported at least 30 of the other boats (with 95 men) as sunk. The remaining 69 boats with 614 men were still missing five days later.

With its long coastline, Viet Nam has great potential to develop fisheries even further from the 1995 to 1998 production figure of US\$ 225 million to 382 million an increase of at least 14 times in the past decade. The risk, however, remains great while few are covered with insurance. The National Insurance Company, Bao Viet, reports that in 1994, 1996, and 1998 as many as 28,139 (39 percent) of the 71,463 reported vessels; 31,202 (36%) of the 89,253 reported vessels; 37,736 (37%) of the 101,074 reported vessels in the country were covered. Some 1.9 million persons are directly involved in fisheries.

Although efforts are underway to develop comprehensive disaster preparedness systems much of current assistance to victims can come months after losses are incurred. The Government has a schedule of compensation payments to victims, but it remains unofficial. The remaining 43,324 uninsured fishing vessels should be covered by insurance.

4. National Programs For Displaced Populations:

The government also pays assistance to people who have been relocated through development of new economic zones (NEZs) and those displaced by the Hoa Binh Dam. According to MOLISA data, a total of VND 312 billion was spent in 1997 and 1998 in

construction of NEZs and aid to the approximately 54,300 households who migrated to these areas.

5. Special Programs Of Mass Organizations:

More relevant to the poor do mass organizations, handouts and small loans given to members in need take ad hoc measures. Most local mass organizations have a small fund they dip into occasionally to help members in trouble.

Mass organizations also help members in need yet are capable in income generation with a small loan. From 1995 to 1998 a reported 1,922,089 families annual received loans with a mass organization's involvement, sometimes from capital of the mass organization and other times with capital on-lent from the bank and guaranteed by the mass organization. However extensive training of Vietnamese in non-government organizations should be considered. The mass organizations have limited skills for large-scale operations, yet their capacity is at the center of developing a truly large-scale network of rural savings and lending. Their ability to maintain accounts and encourage savings is essential at the commune level. The needs at this level must be understood, and cost-effective training provided.

6. Locally-Based Relief:

Most provinces in Northern Viet Nam have collected local funds to help people in need. Since they are locally run, programs vary considerably from province to province. Ninh Thuan province has its own method of social assistance paid for at a rate of 2 percent of the province's total revenues. Those who are considered poor and in need are given loans up to VND 1 million for domestic livestock raising.

7. Foreign-Supported Programs:

In addition to supporting some of the categories above, foreign assistance has in some instances exclusively funded a variety of social assistance or aid programs. Probably the largest

category of these since 1991 is assistance to repatriated populations from Central and Eastern Europe, and neighboring Asian countries.

The largest of these has been funding for repatriated economic migrants from camps in Southeast Asia ("boat people"). The United Nations High Commissioner for Refugees (UNHCR) program in Viet Nam reports to have given US\$ 134.5 million in grants and projects for these returnees from 1993-1998.

According to a UNHCR monitoring officer, returnees to rural areas often use their grants (between US\$ 240 and US\$ 360 per person) to repair or rebuild a house. No comprehensive quantitative assessment of the use of the grants has been undertaken at this stage.

III. Reform And Capacity Development Issues:

Below are three suggestions to improve the cost-effectiveness of programs that should primarily be for those who are most in need. It seems that the main problem is that too many nets catch those who do not need them and miss those who do.

1. Social Assistance:

Social assistance should be one component of the government's HEPR program. In order to make sure the HEPR is implemented, local capacity to implement effective programs is needed.

Loans are often a good way to help ensure that the recipient uses the assistance money for production, creating a base from which the poor can help themselves. This is in line with the often-repeated saying: "It is better to give someone a fishing rod and teach him how to fish than to give him fish." However, a reliance on loans, when assistance should be for consumption or when local institutions are incapable of managing them can actually do more harm than good. Complicated subsidized credit schemes can create more opportunities for arbitrage and thus corruption than opportunities to help the poor. If the programs are large, they distort the local market for credit. For the poorest of the poor with little means for production, a loan that cannot

be repaid can make them worse off. Although it may seem adverse, giving properly targeted grants to the poorest can sometimes be better than putting resources towards unsuitable credit schemes.

Loan programs, only under the right conditions, can indeed be one of the best methods for social assistance. Many of the successful programs of this type are run locally by mass organizations such as the Women's Union or the Peasant's Association.

Most formal sector credit is provided by the VBA. The bank employs 21,000 persons and runs some 1,800 branches throughout the country. Most lending is done directly, although it also lends indirectly through mass organizations (Women's Union, Association of Farmers, etc.).

Table 14: Average loan of households

Year	Number of households	Average loan amount (millions of VND)
1992	966,972	1.54
1993	2,400,000	1.75
1994	5,000,000	1.05
1995	7,000,000	1.25
1996	8,800,000	1.91
1997	9,000,000	1.44
1998	10,000,000	1.50

Source: State Bank of Viet Nam (1999)

2. Targeting And Certification:

- Although at least 44 of the 64 provinces/cities have put into place HEPR programs, few have clearly identified their beneficiaries. Programs without a clear certification process will always run the risk of missing many of the poor while catching many of the well off. Those who are poor, yet not well connected, may opt out from applying for assistance programs if they are not yet certified as indigent (for example on HaiPhong's HEPR program). The well off and well connected may fare better in receiving assistance in a system that lacks a previously instituted locally conducted certification process, putting HEPR resources to those who do not need them.

All six rural provinces visited by missions connected with this issue had all implemented HEPR programs. None had instituted a regular certification process. Though recognized as having one of the most progressive HEPR programs, Ky Anh district of Ha Tinh has only been able to carry out certification for most of its communes. The program also fails to recognize that poverty is dynamic, as the indigence certificates that have been issued are not dated.

3. Social Security And Pension Systems:

Social security systems are best funded on an actuarial basis where payments into the system are sufficient to cover future payouts and not funded on a current basis where current revenues must be depended on to pay pensions.

Viet Nam has the opportunity to develop a sound social security system in the next three decades. With such a young current population and falling population growth rates, this is vital. The Public Expenditure Review makes the following recommendations:

The payment of pensions from the budget to those who retired before 1995 places an additional burden on the state budget, which no longer receives funds from those currently employed. While it is estimated that the new social security system will be self-financing within 30 years, no long-term study of the financial prospects and requirements of the new social security programs have been undertaken. The conduct of an actuarial study of the longer-run sustainability of the program is recommended.

Insurance coverage for people at risk.

Flood insurance can be complementary and supportive of other programs to help victims recover from flood losses. Since floods rarely take significant numbers of lives, insurance can be paramount, helping families or production units overcome the economic consequences of floods and storms. Fishermen and their boats involved in a risky and unstable but economically lucrative pursuit should be insured rather than hoping they can depend on aid if they incur losses.

Chapter 6: Summary And Policy Suggestions

I. Cross-Cutting Themes:

The first major cross-cutting issue is that there is a need for more clarity and openness with respect to information, rules, and procedures. While the procedures themselves sometimes need to be improved, simply making public, in an accessible manner, what is required to pay taxes, secure a land-use title, get health care, or a bank loan will help allow discussions of how these rules might be changed or simplified. Similarly, so long as there is a lack of information, for example on the economy, productive debate is difficult. No one is ever clearly right or wrong, and positions are said to reflect personal biases rather than simply reflecting an honest analysis of reality. This reduces the ability of the society to make informed choices and lowers the quality of public discussions. It also prevents the effective evaluation of many programs that may not be very effective. Greater clarity and openness would lead to greater efficiency and lower risk.

A second cross-cutting issue concerns the related issues of the need to target spending to where it will be most effective, as part of a policy to pursue both economic and social efficiency in public spending. There are strong political pressures for every province, district, and commune to demand and get the same programs as every other one.

A third major theme is that many of the spending programs needed for poverty alleviation requires more local analysis and control over content. This requires much more and much better ongoing training of local cadres and officials. Thus, the preventative health activities should not be the same in each health station, the family planning ought to adjust to local preferences, and even the school curriculum might adjust to different ethnic mixes and local priorities for some subjects. Local infrastructure repair and upgrading should not flow mainly out of a national target, but reflect the local priorities of those who live with the roads, irrigation, dikes, or markets. This means imposing a budget constraint on localities while giving them some room to allocate within

that limit, and some training when it is needed to make better choices. This combination of setting broad targets at the national level and allowing and helping localities to implement much of the detail is likely to produce more efficiency than vertical programs that are the same throughout the nation. Exceptions to this would be where basic services need to be extended and budgetary transfers are made for activities such as primary education or vaccinations. In that case, localities should be expected to spend adequate amounts and effectively provide those essential services.

A fourth major issue is the need to use market rather than bureaucratic mechanisms to solve some major problems. For example, the overuse and misuse of drugs could be addressed through supervision by the Ministry of Health or by insurance companies checking pharmacists when they cover the costs of drugs for their clients. Since the insurance company will want to keep its costs down, it is more likely to pursue bad practices than someone who is busy and underpaid. In credit, using higher interest rates to allow banks to write off disaster-related loan losses (which they could afford to do if the spread between deposit and lending rates were higher) would be of more reliable help to those hit by storms and floods than ad hoc responses to each disaster. In rice export, constant adjustment of export quota is not so effective as an export tax with no quota, so far as fair prices to farmers and tax revenues are concerned. The market cannot do everything, but it should be used where it can be helpful.

A fifth major point is that the best strategy for helping the poor includes both direct as well as indirect assistance. The reason a child does not go to school until age seven or does not finish even primary school, may be a bad road. Road repair can be pro-poor, especially if it leads to more intensive crop production and processing. A poor person may benefit from leaving a tiny plot of land and getting a job for wages. Helping a private sector factory owner provide more jobs can be as pro-poor as an HEPR investment. Indeed, the positive impact of a rapidly growing economy dwarfs the impact of any direct poverty program, useful though that may be. Rebuilding public capital after a disaster, but paying wages to those doing the work, may be a more effective way to help families get through a disaster by allowing them not to have to borrow for food and

inputs for the next crop than simply providing rice. While certain things, such as health insurance, will require direct subsidies in some cases, the indirect benefits of other programs will be many times that of direct programs.

A sixth and final cross-cutting theme is the need for cost recovery to be used when those receiving the service benefit directly from it and are capable of paying for it. This is most obvious in irrigation, and could be extended to bank loans, higher education in most regions, and medical care costs beyond that covered by insurance in urban hospitals. In these cases, the beneficiaries should usually be able and willing to pay for what they get. Subsidies to these activities are not likely to help the poor very much, and typically the same amounts spent in other ways will help the poor much more. Using cost recovery more will help avoid unintended subsidies to those not poor, and lead to better operation of the projects and institutions, which serve the public.

II. Implications for Government Policy:

In applying these cross-cutting issues to government policy, the major implication is simply that economic policies must aim to achieve the goals that have already been set. This means continuing to pursue an export-oriented policy with more attention to competitive conditions, rural-urban balance, and higher efficiency in projects and policies. Greater use of market management (e.g. ration credit by interest rates, not by credit allocations or ceilings) and less use of arbitrary quotas or licenses would allow the slimmed resources available to be deployed more effectively than they are now. Closer attention to the rate of return to investment without heavy protection would result in less "heavy" import substitution, less urban bias in spending, and more concern with creating conditions under which rapid manufactured export growth could be sustained.

In terms of public finance, the implications are to simplify the tax system and make it clearer and easier to predict tax liabilities; to keep the budget close to balance with minimal recourse to monetized debt; to redirect current spending so that maintenance and other neglected but high productivity activities can be funded and subsidies carefully limited. The balance of rural

and urban spending should also be reviewed so as to ensure an adequate pace and quality of rural infrastructure construction without undue burdens on local governments. Capital projects, as suggested, should reflect greater concern with an acceptable economic rate of return. This, in itself, would create more regional equity, especially if user charges were employed in urban areas where appropriate and feasible.

There is a general need not only to pass laws, but also to apply them, so that both normal business activities and disputes are handled in a fair and predictable way. Simple and clear procedures for land certification, loans, licensing, and other related matters should be employed so that firms can focus on commercial issues such as product quality, cost, marketing, and technology, rather than administrative and regulatory problems. Stating clearly what the rules are, and how they should be followed, would help allow private firms to conduct their businesses in a manner similar to neighboring countries. This point extends to lowering the cost of resolving conflicts and making the process more transparent and predictable. Many of the problems are due to a lack of experience, but some result from a lack of willingness to give up more arbitrary decision mechanisms.

The efficiency of allocation in health and education could be improved by identifying weak points such as a lack of coordination in preventive health care; overuse and misuse of drugs; high repeat and dropout rates in schools; and shortages of qualified teachers. After identifying these problems, designing remedial policies should be possible, though many solutions require administrative and managerial restructuring as well as retraining and, in some cases, higher funding of some programs. However, in many cases, it is not the overall level of spending that needs to be greatly changed so much as the way existing funds are spent. Focusing on efficiency will allow more equity, and raise the general levels of both health and education in the general population.

III. Implications for ODA:

The pace of ODA disbursement has been slower than many expected, though the projections are for the inevitable start-up problems to abate as more familiarity is gained with procedures on both sides. Continued learning will likely allow disbursements to grow in the next few years. However, the quality of aid is, at least, as important as the quantity. To the extent that ODA is to have an anti-poverty focus, it should promote the training of local officials and service providers, while supporting priorities within the budget that focus on bottlenecks that create poverty. Analysis of the geographic location of aid, its programmatic focus, and its likely ability to reduce bottlenecks for poorer regions and groups would allow a continuing adjustment and refinement of spending. These things are already being done to some extent, but could be done more.

On the donor side, there is a need for more awareness of different regional problems and how aid from the various donors, as well as overall central budget priorities, could support development in a particular region. Improving aid coordination is easy to call for but difficult to establish, as the priorities and constituencies of many donors are quite different. Beyond the exchange of information, they find it hard to act in concert except for occasional joint projects. The difficulty of integration of insights from non-governmental organizations is another example of how the aid process tends to change only slowly. (Some NGOs are funded with ODA, but their experience is too seldom utilized in other projects, even from the same donor.) It may be that, aside from developing capacity, the donors will find it easier to respond to concrete problems such as rural infrastructure, credit, social service delivery, and agricultural extension rather than trying to fashion area development plans or sophisticated multi-donor collaboration. One exception could be a more integrated response to natural disasters. The UNDP has made major strides in understanding the problems surrounding the prevention and amelioration of disaster

damage through its Disaster Management Unit, and continued funding of it and funding recovery and rehabilitation should be possible because the problem is clearly focused and susceptible to cooperative ODA solutions.

IV. Implications for the HEPR Program:

The previous points bear directly on how the effectiveness of dedicated anti-poverty programs can be maximized. Recalling the initial framework of analysis, most of the poor suffer from one or several of five basic problems - isolation, risk, inadequate resources, inadequate participation, and a deteriorating environment. Interventions, which efficiently deal with these critical problems, are likely to be more effective than those, which are less focused. The national program for Hunger Eradication and Poverty Reduction (HEPR) for the years 1996-2000 aims precisely at tackling these causes by funding targeted interventions in six major areas: land and agricultural production support; credit to the poor; rural infrastructure; education and training; health; and safety nets for the most vulnerable. The new HEPR builds upon previous poverty programs, which have been on going since 1992. These 14 national initiatives and the multitude of sub-programs, include Program No. 120 on employment promotion, or Program 327 for the reclamation of barren hills and wasteland. The new HEPR program is an attempt to coordinate dispersed initiatives, and to improve them in light of past experiences.

In more general terms, many of the HEPR interventions targeted at the poor will fail unless the broad policy issues on health and education are also addressed. Indeed, if these broad issues are addressed in a way that creates wage-paying jobs and facilitates transparent and equitable access to basic social services, land, knowledge and direct loans, it is likely that most of those currently poor will also benefit. For instance, subsidized credit programs, which are aimed at "the poor", but actually fail to reach them because of prohibitive administrative costs or because of well-connected "free riders," are less efficient than unsubsidized loans that do go directly to them. Subsidies to secondary education are less likely to help the poor than efforts to reduce the cost of textbooks, uniforms, and other fees at a primary level. Subsidizing "charity"

health centers for poor people's curative treatments, especially when these may not be used much is less likely to be of use than providing health insurance for poor families. In general, the best value for direct antipoverty programs is achieved when the actual recipients are the very poor rather than institutions intended to support them, aside from certain basic services such as preventative health care.

Although at least 50 of the 64 provinces/cities have put into place HEPR programs, few have clearly identified their beneficiaries. Programs without a clear and transparent targeting process will always run the risk of missing many of the poor while benefiting many of those who are better off. Those who are poor, but not well connected, may opt out from applying for programs if they are not clearly targeted. The better-off and well-connected may fare better in receiving assistance in a system that lacks a regular locally conducted and transparent targeting process, putting HEPR resources to those who do not need them.

The need to focus HEPR spending is most obvious when the relative amounts spent are compared to total investments or incomes of the poor. HEPR spending is aimed at the poor, which are from 15 to over 30 million people (19 to 38 percent of the population, respectively), depending on the poverty definition used. Considering the budget total for 1996 to 2000, which amounts to US\$ 85 million per year, excluding credit provided through the Viet Nam Bank for the Poor and funds mobilized locally, leaves little expectation for a major impact of the HEPR. The amount represents US\$ 3-6 per poor person, which, given that the income of the bottom 40 percent of households is estimated to hold 19 percent of total income, translates into an additional 5 percent of income per person per year. But the program could well have a significant impact if it addressed "bottleneck" problems, whose solution would have a high leverage.

The proposal made to increase central assistance to regions hit by disasters to repair public capital, and pay wages, would be one example of how to focus spending where it is likely to prove productive. Improving the quality of existing roads so they are passable in the rainy season would be another example. While the HEPR does well in targeting at the central level the

1,715 communes to receive infrastructure support, further decisions regarding actual project identification, design, planning and implementation requires local knowledge and participation. There is simply no way that high-leverage activities can be specified from Hanoi, or even from a provincial capital. The decision-making must be shifted down to where the poor are, and this will require more training of lower level officials, as well as more flexibility from the center in plans and instructions. In many cases, area grants with broad goals will prove to be more effective for both general rural development and anti-poverty efforts than minutely detailed programs that may not reflect local needs and priorities. This does not mean that central monitoring and review are unnecessary, but only that they must be changed from supervising compliance with detailed instructions to overseeing whether funds have been spent productively and assessing the impact of expenditures for further improvements.

The real concern for the poor is a solid base upon which to build. The significant amounts being allocated through the budget and expected to be lent could make a real impact in ability of poorer families to generate higher levels of income, if they are well directed. However, these steps need to be coordinated with each other and take place in an overall environment in which rural and private sector growth is thriving, even in previously isolated regions. If the US\$ 85 million worth of centrally budgeted funds investment are indeed invested in total over the next five years as planned, it is not only important to spend wisely the projected 8 to 9 percent of that on HEPR, but also to spend the remaining other 92 percent well, for they will, foremost, determine the opportunities that become available to those now poor.

Program Management:

The Program Directors Board: provides directions and management for formulating annual national hunger eradication and poverty reduction plans, monitors the Program implementation, coordinates with other ministries and branches for integrating programs/projects, supervises, evaluates and makes reports to the Prime Minister.

Ministry of Labor, Invalids and Social Affairs is a standing body, responsible for synthesizing annual plans, coordinating, supervising and monitoring the organization and regulation of the program implementation in accordance with changes in various periods.

Ministry of Planning and Investment: balances capital investment, coordinates with Ministry of Finance to balance the program's budget and provides guidance on capital integration.

Ministry of Finance: arranges and allocates recurrent capital; provides guidance on financial management and monitoring; evaluates capital use efficiency.

Other Ministries: directly regulate the implementation of assigned projects; formulate policies in accordance with assigned functions.

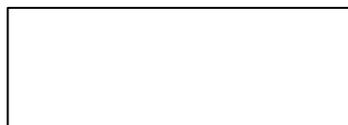
Provincial People's Committees: formulate integration plans for their respective areas, allocate plans, regulate, examine and evaluate the implementation, take active part in mobilizing local resources.

District People's Committees: implement the plans assigned by province and assign plans to communes and support in implementation, take the active part in mobilizing resources for poverty alleviation in those areas.

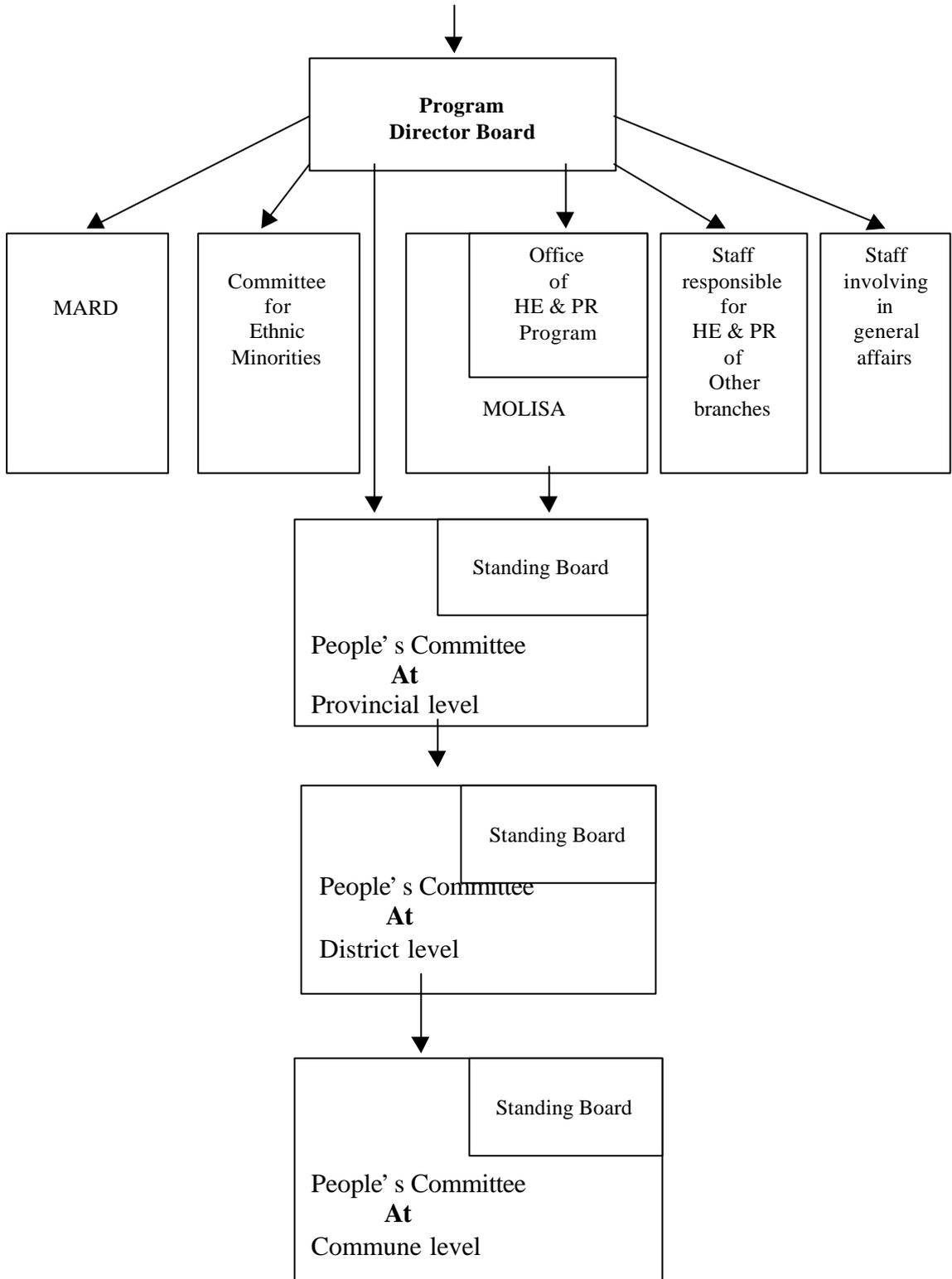
Commune People's Committees: carry out the plans assigned by higher levels ensuring the democracy and "transparency" in terms of capital and schedules of implementation, mobilize people in the process. To make reports on the implementation and acceptance and accounting in clear and transparent manner.

International Cooperation: to strengthen the capacity of management and coordination of programs at all levels; to continue completing policies and mechanism; to build up and draw experiences on the effective models of poverty alleviation to spread over; further research for the formulation of Hunger Eradication and Poverty Reduction strategy for the period 2001, 2005 and 2010; gender issue in Hunger Eradication and Poverty Reduction will be paid the special concern creating opportunities for women to escape over poverty line and get access to basic social services.

Figure 4: Governmental Organization:



Prime Minister



V. Implications for Capacity Development for HEPR:

The Government has recognized the problems facing HEPR and established the National Target Program (NTP) for HEPR in 1998. By the mid-1999, the NTP has been fully elaborated and operationalized at both the central and local levels. In April-July 1999, the Government and UNDP conducted a comprehensive assessment of capacity of the NTP. The following summaries key findings and recommendations of the capacity assessment.

The establishment of the NTP marks a new step in poverty reduction with a greater emphasis on coordination and integration of related activities at both local and national levels. In particular, the NTP introduces following new elements:

A nationwide overarching and inclusive framework for coordination and integration. The NTP brings together HEPR-related efforts and target them at the HEPR goal without substantive changes of their existing organizational structure, managerial procedures and related sectoral policies. The NTP does not directly carry out program activities and does not administer its own budgetary resources. These are to be done through local activities and sectoral programs (e.g. credit, education, health and the program to support poor communes).

The NTP's approach is to accelerate development among vulnerable people and communes and provide them with social safety supports through various public expenditures. The government provides financial preferential support to the poor and creates an enabling environment. The poor have to strive to get rid of poverty themselves with the participation of the community. It is best viewed as a specialized allocation and financial monitoring mechanism for poverty-oriented expenditures.

Government annual plans are the main mechanisms for management, coordination and integration under the NTP that mainstreams HEPR concerns into the government's regular planning process. Since 1999 the HEPR targets, activities and resources have been planned and implemented as a part of the government's development plan at all levels.

Greater decentralization and delegation of implementation authority to local levels, strengthened coordination and integration, and more active people's participation are promoted. The NTP is largely based on existing institutions and implemented in a decentralized manner. The central level including the Cabinet, the national HEPR Steering Board and ministries are responsible for policy development and guidance, overall supervision and coordination, the allocation of central resources and program evaluation. Provincial People's Committees (PPCs) are the key players, having full responsibility and authority for organizing and managing the program implementation and account for all program resources within their territory. Commune PCs (or district PCs, wherever the former are not capable enough) are in charge of planning and implementation of commune-based activities.

The program is faced with a number of constraints that have resulted in a wide distance between its goals and the accomplishments. The following are the most urgent needs for further improvement:

Improving the program design: The NTP represents a situational solution to address the need for an overall national framework for HEPR within the tight framework of the ongoing national five year plan for social economic development in 1996-2000. It does not have a long-term vision, a well-defined and documented implementation strategy and action plan.

In order to attain further development of HEPR-related policies: First, the program still lacks linkages with important macroeconomic policies such as tax, export-import and trade protection, and exchange rates that greatly impact not only the program's target groups but also the rest of population. Second, essential linkage with some important sectoral policies such as social security, social safety net and employment generation is to be clarified and streamlined. Third, important crosscutting issues such as gender and environment have also not been paid attention to. On the other hand, an overemphasis on equity in expense of efficiency and sustainability by the political leadership combined with the program's weak capacity to consolidate and advocate best experiences restrains further policy development.

Strengthening managerial capacity: Weak managerial capacity combined with common sectoral segmentation at all levels and the lack of further decentralization and delegation to subprovincial levels restrain efforts for better coordination and integration. In addition to the lack of program managerial skills, this is also attributed to still unclear organization, cumbersome working procedures, opaque allocation processes, and the lack of a result-oriented monitoring and evaluation system.

Development of local implementation capacities: As shown with the recent experience, the realization of new approaches are constrained with weak implementation capacities, especially at the grassroots level, the limited role of non-state sector and the lack of necessary and incentives among staff.

HEPR resources, both financial and human resources, are much more limited than expected due to the worsened macroeconomic situation and other emergencies, e.g. natural disasters.

Loan officers could improve their abilities not only in evaluating borrowers, but also in isolating the skills or knowledge that would make a doubtful case an acceptable risk. Those responsible for the health system could learn more about public health, epidemiology and health planning, which may, improve the allocation of funds spent on preventative health care. Those responsible for family planning, maternal and child health, and nutrition could benefit from pooling their resources and knowledge, so their ultimate "consumers" got an integrated service from a well-trained local provider, rather than a patchwork of uncoordinated efforts. Efforts to extend and improve the quality of education would benefit from better-trained teachers, better curriculum development, and more use of ethnic languages at an entry level. All of these examples are illustrative of the need to target funds where they are needed, to spend the money effectively, and to enhance the ability of those providing services to spot and respond to problems that arise, rather than simply implementing a central program.

In general, the NTP represents a situational solution to address the need for an overall national framework for HEPR within the tight framework of the ongoing national five-year plan for social economic development in 1996-2000. Thus, it shall be substantively re-designed for the period 2001-2005 during the preparation of the next five-year development plan. This should be based on an in-depth evaluation of HEPR experiences in the 1990s and development of the country's long-term strategy for poverty reduction towards the year 2010.

In terms of organization, the NTP is based on existing institutions with all their strengths and weakness. While the number of HEPR stakeholders is exceptionally large, the most essential agencies are MOLISA, MPI, MOF, MARD, CEMMA and the program Steering Board at the central level and PCs, VCP and their specialized departments at local levels. As identified through a series of participatory capacity assessment workshops conducted at local and the central levels, all of the agencies are currently able to perform only a part of their broad mandate for HEPR with limited quality due to unclear responsibility and accountability, complex organization, inappropriate working procedures, limited and insufficiently utilized financial, information and human resources.

There are urgent needs for strengthening capacity in support of HEPR, in general, and the existing NTP for HEPR, in particular. While the emphasis should be placed at local levels, it is also important to develop critical capacities within key central entities in the following priority areas:

Monitoring and evaluating the impacts of various programs, policies and other efforts on HEPR: First, it is important to develop an uncomplicated but robust methodology, specify plan and build up endogenous capacity for the impact monitoring and evaluation. Second, this is also essential to strengthen ability for national and local stakeholders, particularly MOISA, MPI, MOF and the PSB, to use their results in an effective manner.

Consolidation of local and international HEPR experiences into more effective and sustainable pro-poor principles and policies, and the development of necessary guidelines for their successful implementation.

Improvement of coordination and collaboration in HEPR through information sharing among stakeholders within the government, donor' s community and the potential beneficiaries.

Development of HEPR strategy and the HEPR program for the period of 2001-2005 and towards the year 2010. This should be integrated into the plans for social-economic development for the period.

In short, the major contribution of the NTP for HEPR is that it mainstreams poverty reduction into the government regular socio-economic development planning and management process, and offers the national inclusive framework for coordinated and integrated HEPR efforts within a framework of the five-year plan 1996-2000. While the program is to be re-designed in coming months for the period 2001-2005, there are urgent needs for strengthening capacity in support of HEPR. The strategy for this purpose should be two-pronged. First, an emphasis should be placed at development of capacity of local levels in planning, implementing, managing and coordinating multi-sectoral HEPR efforts in their territory. Second, it is also critical to strengthen capacity of the key central agencies for further policy planning and supervision.

Table 15: Problem Areas For Capacity Development For HEPR

1. Policy development	2. General planning, management	3. Coordination and integration	4. Delivery	5. Resource mobilization and utilization	6. Research and documentation
<p>1. Lack of awareness and knowledge about the best local and international experience among policy makers, the general public and target groups.</p> <p>2. Lack of concerns about efficiency and financial sustainability as well as cross-sectoral issues such as environment and genders.</p> <p>3. Limited endogenous capability to translate commitment into appropriate policies and actions.</p> <p>4. Key agencies such as MOLISA, MPI, MOF, MARD and CEMMA lack capacity in HEPR policy analysis and assessment, especially concerning macroeconomic policies and linkage.</p> <p>5. Lack of championship among leaders and advocacy capacity among key stakeholders in support of new policy and approach.</p> <p>6. Lack of long term vision, strategy and plan for HEPR after the year 2000.</p>	<p>1. Unclear HEPR organization, responsibility and accountability among stakeholder at all levels. Still unclear relationship with some important interventions such as the 1715 commune program.</p> <p>2. Cumbersome and intransparent planning, allocation and decision making procedures. The domination of the top-down approach.</p> <p>3. Lack of participation of people and community in planning, decision making and evaluation.</p> <p>4. Lack of decentralization and delegation of decision-making authorities to sub-provincial levels.</p> <p>5. Lack of capacity in program impact monitoring.</p>	<p>1. Lack of information among stakeholders and program components.</p> <p>2. Weak program reporting form program components.</p> <p>3. Segmentation among agencies participating in HEPR.</p> <p>4. Key agencies such as the PSB, MOLISA, MPI..lack authority and capacity for coordination of HEPR.</p>	<p>1. Participating agencies and local authorities, especially at sub-provincial levels, lack capacity in planning, implementation and management of component HEPR efforts.</p> <p>2. HEPR sectoral efforts have achieved broad coverage but still lack targeting, efficiency and financial sustainability. This is particularly concerning land rights, microfinance, resettlement, labor intensive public works and safety net.</p> <p>3. Staff involved in HEPR lack knowledge and skills necessary for effective delivery, such as participatory approaches, social work and mobilization, program planning and management.</p> <p>4. Limited role of non-state service providers.</p> <p>5. Conflicts between quantity and quality of services.</p>	<p>1. The domination of the supply and input-oriented approaches among authorities and services providers.</p> <p>2. Often inefficient use of existing resources.</p> <p>3. Sometimes too heavy burden of tax and compulsory and voluntary contribution.</p> <p>4. Intransparent resource allocation and financial management.</p>	<p>1. Knowledge building and learning process has not been incorporated into the program.</p> <p>2. Lack of linkage between the key stakeholders and research network. The latter's limited expertise in HEPR at the grass-root level.</p> <p>3. The program concept, design and guidance are poorly documented.</p>

Table 16: Potential Govt/Donor International Support of Capacity Development for HEPR in Vietnam

1. Policy formulation	2. Planning and management	3. Coordination and integration	4. Delivery	5. Resource mobilization and utilization	6. Research & documentation
<p>1. Strengthening PSB's overall policy, planning, management and coordination function.</p> <p>2. Establish a learning process through consolidating local experience (particularly those gained in 1999) into overall principles (e.g. participation, decentralization, targeting and sustainability), policy and legislation for HEPR.</p> <p>3. Development of HEPR strategy and program for 2001-2005 and toward 2010.</p> <p>4. Regulating poverty analysis and disseminating its results.</p> <p>5. Communication and awareness rising about best practice and lessons learnt.</p> <p>6. Strengthening capacity of key agencies and target group in advocacy for best practice and sustainable pro-poor policies.</p> <p>7. Mainstreaming HEPR concerns into macro-policy development and developing more pro-poor ones.</p> <p>8. Developing more sustainable and better targeting sectoral policies, such as rural planning, land use, micro-finance, job generation, labor-intensive public works, safety net for the poor, and extension.</p> <p>9. Piloting new approaches and consolidating policies recommendation</p>	<p>1. Strengthening HEPR organization and defining responsibility and accountability of HEPR entities and staff based on greater decentralization and deregulation.</p> <p>2. Developing methodology and capacity for HEPR impact assessment and monitoring.</p> <p>3. Mainstreaming participatory approach into HEPR planning and management procedures and developing local capacity for this.</p> <p>4. Strengthening capacity in designing and planning commune-based HEPR project.</p> <p>5. Development of guidelines to operationalize key principles and incorporate them into the government HEPR working procedures.</p>	<p>1. Strengthening the coordination and integration between HEPR-related program and efforts, particularly the 1715 commune program.</p> <p>2. Strengthening coordination and linkages between the administrative reform and HEPR at grassroots level.</p> <p>3. Conducting an inventory of Govt/donor HEPR activities.</p> <p>4. Establishing and regularly updating public access databases on poverty and HEPR.</p> <p>5. Building closer government and donor partnership in poverty reduction at the central and provincial level.</p> <p>6. Regularizing government and donor consultation on HEPR through regular expert forum on HEPR and annual joint HEPR program review and planning meeting. Further develop commune-based association of people and target beneficiaries (such as commune/village development boards, credit-saving groups and women unions) and promote their active participation in planning decision making, implementation and management of HEPR activities.</p>	<p>1. Simplifying HEPR-related working procedures and strengthening accountability of local authorities and service providers.</p> <p>2. Setting up efficient program monitoring and reporting system based on the government existing reporting system.</p> <p>3. Improving capacity of provincial authorities in planning and management of HEPR efforts in their territory.</p> <p>4. Improving capacity of commune and district level in implementation and management of commune based HEPR activities.</p> <p>5. Strengthening capacity of service providers in providing targeted quality services to the poor in an efficient and sustainable manner to achieve the set-up target (e.g. in rural planning, land use management, micro-finance, extension, commune-based health care and education).</p> <p>6. Promoting alternative channels for delivering HEPR related services).</p> <p>7. Establish an incentive system for good performance.</p>	<p>1. Development of transparent criteria and mechanism for allocation of HEPR central funds and redistribution of resources among localities.</p> <p>2. Setting up a transparent.</p> <p>3. Conducting training need assessment.</p> <p>4. Development of training materials for government official and conducting training of master trainers on key HEPR principles and program management.</p> <p>5. Improving HEPR human resource management.</p> <p>6. Review of practice of local resource mobilization and develop appropriate guideline.</p> <p>7. Institutionalizing regular auditing, particularly in the area of infrastructure development.</p>	<p>1. Establishing the national network for poverty research and independent evaluation.</p> <p>2. Developing a network of resource centers on participatory approach and other key principles.</p> <p>3. Documenting HEPR policies and efforts.</p> <p>4. Developing and conducting a comprehensive research program on local HEPR knowledge and strategies.</p>

Table 17: Proposed Legroom For Government/Donor Project

To Strengthen HEPR Capacity At The Central Level

Narrative Summary	Success Indicators	Means of Verification	Important Assumptions
<p>Goal: To strengthen national capacity for poverty reduction in a sustainable manner.</p>	<p>Poverty according to the existing standards is eradicated by the year 2010. More pro-poor macro-policies and better-targeted and sustainable sectoral policies are set up.</p>	<p>- Sound statistical evidence - Regular poverty analysis</p>	<p>Population is able to benefit from sound general macro-policies and sustainable growth. Poverty reduction remains a top priority of the government socio-economic development strategy and plan.</p>
<p>Objectives: 1. To develop the institutional for regular monitoring and assessing poverty reduction impacts of policies and programs related to HEPR at the central level. 2. To consolidate local experience in HEPR into key HEPR principles. 3. To develop HEPR strategy and program documents for the period 2001-2005 and toward the year 2010. 4. To develop the guideline and training materials for participatory planning for HEPR and internalizing it into the government HEPR planning and management.</p>	<p>2. Planned HEPR goals achieved in a sustainable manner. 3. Improved targeting, efficiency and sustainability of HEPR participating programs and local efforts. 4. The government recognizes the key principles. 5. The principles are used for policy formulation and internalized into the Government regular HEPR planning and management process. 6. The HEPR strategy and program documents for 2001-2005 are prepared; reflecting the experience gained and lessons learnt. 7. The government for training of their HEPR staff and rural leadership uses the training materials. 8. Teams of master trainers are established, trained and are able to conduct the training. 9. HEPR human resources improved.</p>	<p>- Sound statistical evidence. - Independent and/or participatory assessment and evaluation with active participation of target beneficiaries. - Produced guidelines on HEPR implementation. - Assessment of HEPR components and their implementation at local levels. - Training materials produced and accepted by the relevant authorities. - Number of the master trainers trained and operating training team.</p>	<p>The PSB and key ministries such as MOLISA, MPI and MOF are able to effectively play the coordinating role. The GSO role in poverty monitoring is recognized. The reporting formats chosen satisfy the needs of all concerned agencies. Policy choices are taken timely and backed with the findings and recommendations of the analysis of the experiences and lessons. The choices and the their implementation are not hindered by short-term political consideration and resource shortages. Resources are made available for follow-up training and updating the training materials. Trained master trainers are used for the purpose and are able to conduct quality the follow-up training.</p>

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Afterthought

All of the cross-cutting themes and examples of capacity development in this study are basically aimed at creating an environment in which overall progress is rapid, and the particular problems creating poverty are addressed in a systematic and efficient manner. The stunning progress of the last five years should persuade most observers that applying market principles to economic problems could result in enormous strides in a short period. However, for markets to work well for most, including the poor, it is necessary to invest in ways consistent with the framework developed earlier - that is, to reduce risk and isolation, and to improve participation, access to productive inputs, and the environment when this is a critical part of the mechanisms creating poverty.

It is the contention of this study that Viet Nam can achieve its goals of rapid poverty reduction, sustainable development and even eventually catch up with some of the more prosperous countries in East Asia. However, further substantial improvements in the systems, incentives and processes for allocating resources will be needed, including a greater reliance on markets. Particularly important, early actions and accelerated reform in the areas of trade liberalization, state owned enterprise reform and more active promotion of the non-state sector will be essential to guiding the development of capacities that will be sufficiently competitive to enable Viet Nam to catch up in the first half of the next century. The role of Government needs to be further focused on what it can do effectively. Far better information and knowledge flows will be needed to support strategic planning, policy formulation and capacity development in both the state and non-state sectors so that Viet Nam can capitalize early on emerging opportunities while minimizing risks. Easy access to information and knowledge, as well as “transparency”, will enable Viet Nam's most talented to contribute to the development of the country, as well as ensure responsiveness to local needs. All of these changes would be entirely in the spirit of “Doi Moi” and would contribute to a continuing record of strong growth, stability and equity. The next century can be a most promising and prosperous one for Viet Nam and its people.

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