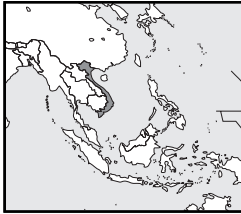


# Achievements and challenges

TRAN THI QUE

VO TRI THANH



Although Vietnam made some remarkable achievements in socio-economic development in the 1990s, imbalances in growth have emerged, and disparities in poverty reduction and human development have evolved. Structural weaknesses in the economy and institutional constraints, along with the East Asian crisis, are responsible for the recent decline in economic growth. The process toward poverty reduction is uneven and has increased the gap between the rich and the poor.

## Economic reforms and international integration: remarkable achievements

The face of Vietnam's economy and society has changed significantly since the introduction of market-oriented reform and opening of the economy in 1989. Vietnam escaped from the crisis in the mid-1980s and its annual GDP growth rate averaged 7.2% during the 1990s. Although Vietnam remains one of the poorest countries in the world, poverty has been reduced considerably, from 58% in 1993 to 37% in 1998. The 1993-1998 period recorded only a modest increase in income inequality with the Gini coefficient rising from 0.33 to about 0.35. It is widely recognized that the vast majority of Vietnamese people have gained from the reform process.

The key social indicators improved significantly in the 1990s. Over 90% of the population is now literate and in 2000, Vietnam achieved universal primary education. Incidence of stunting among children under five fell from 51% in 1993 to 34% in 1998. Life expectancy in 1998 was 70 years for women and 65 for men. Vietnam's rank in the Human Development Index improved from 116 (of 173 nations) in 1992 to 109 (of 174 nations) in 1998.<sup>1</sup>

TABLE 1

Some key social indicators, 1993 - 1998		
INDICATOR	1993	1998
<b>Education</b>		
Primary enrolment rate (net)		
Female	87.1	90.7
Male	86.3	92.1
Lower secondary enrolment rate (net)*		
Female	29.0	62.1
Male	31.2	61.3
Upper secondary enrolment rate (net)*		
Female	6.1	27.4
Male	8.4	30.0
<b>Child Nutrition</b>		
Incidence of Stunting among Children 0-59 Months	51	34
Female	51	33
Male	50	35
<b>Access to infrastructure</b>		
% of rural population with public health centre within the commune	93	97
% of rural population with access to clean water**	17	29
% of urban population with access to clean water**	60	75
% of population using electricity as a main source of lighting	48	77
<small>Notes: * The rapid increase in secondary enrolment rates reverses a decline in enrolments in the 1987-1992 period;            ** Clean water is defined to include piped water, deep wells with pumps and rainwater.</small>		
<small>Source: World Bank, (1999), Table 1.2.</small>		

## Uneven progress toward poverty reduction

Poverty has declined in all seven regions in Vietnam, but some regions are falling far behind others. From 1993 to 1998, the poverty incidence fell by 34% in the Red River Delta, but it fell only 10% in the Mekong Delta. The gap between the rich and the poor has widened nationwide. In 1994, the average *per capita* income of 20% of the richest people in the richest province was 25 times higher than that of 20% of the poorest people in the poorest province; in 1996 it was 34 times higher.<sup>2</sup>

At present, 90% of the poor live in rural areas. About 5% of total households grew worse-off from 1993 to 1998, going from being non-poor to poor.<sup>3</sup> The 1999 floods in the Central Coast region pushed more than 75,000 households that had just escaped poverty back into poor and miserable conditions.<sup>4</sup> The gap between urban and remote areas has also widened.

TABLE 2

The lack of basic services in the well-off and poor provinces, 1998			
PROVINCE/CITY	% OF PEOPLE LACK OF CLEAN WATER	% OF PEOPLE LACK OF SANITATION	% OF PEOPLE LACK OF ELECTRICITY
<b>Big cities</b>			
Hanoi	1.4	2.8	0.1
Ho Chi Minh	1.2	2.3	1.5
<b>Remote provinces</b>			
Ha Giang	63.5	37.9	60.0
Lai Chau	76.7	57.4	69.1
<small>Source: Estimated based on VLSS98</small>			

Vietnam gets good marks in many areas of gender equity: primary and lower secondary enrolment rates are nearly equal for boys and girls; under five mortality rates are much lower for girls (29.2%) than boys (42.1%); participation of Vietnamese women now can be seen in all aspects of the economic, social, and political life and their role has become increasingly important. Nevertheless, women have less voice in the government administrative machinery, especially at local levels: 88.1% of ministers and equivalent posts at national level are held by men, and 98.7% of chairpersons at the Commune level are men.

1 According to UNDP (1994 and 2000). The HDI is based on three basic indicators: longevity, as measured by life expectancy at birth; educational attainment, as measured by a combination of adult literacy and the combined gross primary, secondary and tertiary enrolment ratio; and standard of living, as measured by real GDP per capita adjusted according to purchasing power parity (PPP\$). The higher the HDI of a country is, the better its human development is evaluated.

2 *Vietnam's National Human Development Report 2000*, Hanoi (forthcoming).

3 World Bank (1999)

4 *Vietnam's National Human Development Report 2000*, op. cit.

TABLE 3

Women in the government administration (%)		
POSITION	MALE	FEMALE
Ministers and equivalent	88.1	11.9
Vice Ministers and equivalent	92.7	7.3
Chairperson at Provincial level	96.6	3.3
Director of Department at Provincial level	92.7	7.3
Chairperson at District level	95.5	4.5
Chairperson at Commune level	98.7	1.3

Source: Vietnam Women Union.

### Growth of ODA

Total state social expenditure has accounted for more than 25% of annual budget. This level was maintained despite the slowdown in economic growth in the second half of 1990s. Social expenditure increased from 4.1% of GDP in 1991 to about 6.6% in 1995 and 5.9% in 2000.

Official Development Assistance (ODA) has grown significantly since 1993 when the US embargo was lifted. The rather high level of ODA reflects support for economic reform from donors and the international community. The annual total ODA increased from USD 270.5 million in 1993 to USD 724.4 million in 1995 and USD 1,519.4 million in 1999. ODA disbursement for social development also increased in absolute amounts, from USD 69.8 million in 1993 to USD 139.4 million in 1996 and USD 207.3 million in 1999.

### Regressive social spending

As a percentage of total ODA, spending for social development has declined. ODA for basic social services has never met the 20/20 commitment made in Copenhagen. In 1999, only 8.9% of ODA went to social spending. Furthermore, state spending is skewed toward the better-off, with the richest 20% capturing around 50% of tertiary and district healthcare resources. Richer regions provide cheaper healthcare: a single visit to a hospital in the South East region is less than one-third the cost of a visit in the Northern Uplands. Spending for education and training is similar. Funds to schools favour cities and better-off provinces. In the last few years, about 50% of state expenditure for education went to urban areas. The education subsidy for tertiary and technical education is thirteen times the subsidy for primary education.<sup>5</sup>

In recent years, the allocation of ODA by region has become more balanced and consistent with the Hunger Eradication and Poverty Reduction (HEPR) program. The share of ODA disbursed to rural areas increased from 29% in 1995 to 48% in 1998. Nevertheless, Hanoi and Ho Chi Minh City still receive the highest ODA disbursement *per capita*.<sup>6</sup>

### Development strategy 2001-2010: ambitious objectives

The overall goal of Vietnam's ten-year socio-economic development strategy is "to accelerate the industrialisation and modernisation process... in order to raise the country out of the status of under-developed and create a foundation so that by 2020 our country will basically become an industrialised country".<sup>7</sup> Vietnam expects to combine economic growth with comprehensive plans for poverty reduction. Key strategic objectives to be achieved by 2010 are a doubling of GDP over 2000, substantial improvements in the Human Development Index, and infrastructure improvements to meet the requirements of socio-economic development.

The objectives of the ten-year development strategy are ambitious, but considered attainable. Vietnam still has to face some great challenges, however.

Although Vietnam made some remarkable achievements in socio-economic development in the 1990s, imbalances in growth have emerged, and disparities in poverty reduction and human development have evolved. Structural weaknesses in the economy and institutional constraints, along with the East Asian crisis, are responsible for the recent decline in economic growth. Structural and administrative reforms are urgently needed, and they may impose a significant adjustment cost, especially in the short run, on the economy and society.

The country is entering a new phase of international integration. Vietnam joined the Association of South East Asian Nations (ASEAN) in 1995. Under the ASEAN Free Trade Agreement (AFTA), Vietnam is committed to reducing considerably and to eliminating all barriers to trade with other ASEAN countries by 2003 and 2006 respectively. The country became an APEC member in 1998, and the Vietnam-US Bilateral Trade Agreement was signed in July 2000. At present, Vietnam is also actively preparing groundwork for WTO accession. The social benefits gained from further integration into the world economy will be very substantial. Further integration also means more volatility and more risks. Distribution of the benefits of trade liberalisation is an issue that needs far more attention. ■

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Centre for Gender, Environment and Sustainable Development Studies (GENDCEN)  
<que@hn.vnn.vn>

<sup>5</sup> Oxfam. "Vietnam: New Challenges for Growth, Equity and Poverty Reduction", June 2000 and Bui Duong Nhieu. "Distribution of the State Budget and the basic social services". Paper presented at the Workshop "Globalization and Social Development" organised by the National Center of Social Science and Humanity and Oxfam in Hanoi, 15-16 March 2001.

<sup>6</sup> CIEM (Central Institute for Economic Management). *Vietnam's Economy 1999 (2000)*. Hanoi, March 2000 and 2001.

<sup>7</sup> CCCPVN (Central Committee of Communist Party of Vietnam). *Socio-Economic Development Strategy 2001 - 2010*, Draft. Hanoi, July 2000.