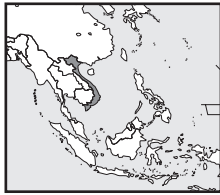


VIETNAM

Economic progress and increasing disparities



Vietnam's aspiration and commitment to become a middle income country by 2010 seems achievable. Economic reforms have significantly enlarged people's choices and improved participation in the development process. However, economic disparities are increasing; for much of the population, progress remains precarious. The Government should pay more attention to ensuring that all citizens have access to services, information and opportunities to improve their lives. A burgeoning civil society may help control and reduce corruption.

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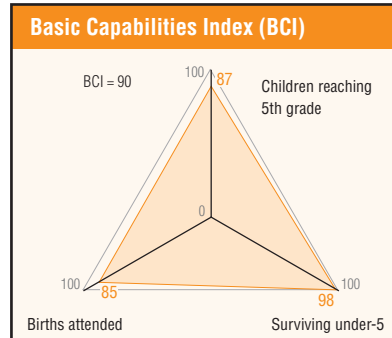
During the past five years, Vietnam has made remarkable social and economic progress, even as development has slackened in the rest of Southeast Asia. The country's macro-economic performance has been remarkably strong; GDP growth rate has averaged 7.6%. The percentage of people living in poverty has plunged from 58% in 1993 to approximately 20% today, without causing significant social instability. Other social development indicators show similar improvements.

This impressive socio-economic development has been generated and largely sustained by the *Doi Moi* (economic renovation) process, which has included land reform, price liberalization, and agricultural de-collectivization. The Government has also implemented radical policy reforms. These include the 2001 Constitution, which empowered the National Assembly to hold votes of no-confidence in the leaders it elects, including ministers; legal reforms, such as new laws that allow the establishment of social development organizations; and concerted efforts to combat corruption. Moreover, the 10th Communist Party Congress in April 2006, approved a five-year Socio-Economic Development Plan 2006-2010, reinforcing Vietnam's intention to become a middle income country by 2010. The landmark resolution of the 10th Party Congress also established human rights as a key priority in future development.

These reforms have significantly extended the range of choices open to the Vietnamese people and improved participation in the development process. However, the rights of poor and excluded people are still being compromised by growing disparities between rich and poor, rural and urban, and the (majority) Kinh and ethnic minorities. For the large number of people subsisting on incomes only marginally above the poverty line, progress remains precarious. Economic shocks from external factors such as natural disasters or trading partners could push millions of households back below the official poverty line.

The ethnic gap

Conditions in remote, rural districts, particularly among ethnic minorities, are a glaring exception to

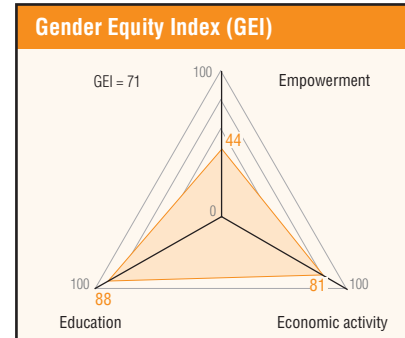


the country's success in reducing economic poverty without generating significant increases in overall inequality. Ethnic minorities make up only 15% of the overall population, but 40% of the "poor"; by 2010 that proportion is expected to reach two-thirds.¹ The severe poverty rate among ethnic minorities is 19.2%, compared to only 2.6% among the (majority) Kinh. Women and girls are at the bottom. They have less access to health and education services and economic opportunities than ethnic minority men, and Kinh and Chinese women. Poorer households tend to be larger, with more children and elderly members, and are usually headed by women.

Many farmers have been pushed into vulnerable situations by rapid urbanization, which will only increase as industry continues to overtake agriculture as the most powerful sector of the economy. Various calculations of consumption and income inequality point to a widening divergence between rich and poor, particularly between urban areas and the rural communities where the vast majority of the population still live and work. Every major indicator of inequality shows an upward trend since 1998. The Gini coefficient for consumption expenditure began its ascent earlier, rising from 0.33 in 1993 to 0.35 in 1998 and around 0.37 in 2002.² Wide disparities also persist in other vital areas, such as child nutrition, maternal health, and access to education and clean water.

Gender gaps

Vietnam has made more progress toward gender equality than many comparable countries, however significant disparities remain. Further sustained ef-



fort and societal change will be needed to secure additional progress towards gender equity.

Women must still overcome barriers to full participation in public life. Although their involvement in legislative bodies is relatively high (27% in the National Assembly), they continue to be underrepresented in public office, particularly in local administration. At the provincial, district and commune levels, only 5% of the members of executive decision-making bodies such as the People's Committee are women. In addition, despite legislative reforms, women are still often denied equal rights to productive assets.

In most parts of Vietnam, net enrolment rates for girls and boys are fairly equal in both primary and secondary education. The rates in upper secondary education were 66% for girls and 61% for boys in 2004. Women's labour force participation is nearly equal to that of men. In the 15-to-64 age group, 83% of men and 80% of women were in paid employment in the 12 months preceding the most recent household survey. Women still get paid less for the same job, but the gap has narrowed dramatically, from 30% in the early 1990s to 17% today.

Urban poverty issues

The progressive changes in public policy that have promoted industrial development have made urban poverty a more pressing issue. The links between rural and urban poverty are clear; migration to urban areas is likely to accelerate as the growing wealth of the cities far outpaces economic development in the countryside. Several factors combine to keep migrants in poverty: the insufficient development of urban infrastructure, restricted access to social services (in the case of unregistered migrants), and the absence of the kind of strong social network

¹ World Bank 2006.
² UNDP, Closing the Millennium Gaps, 2003.

typical of the Vietnamese “villages” that most migrants have left behind.

Most migrants are women who have little familiarity with the area they are moving to and, more importantly, limited knowledge of their rights and entitlements. Many end up in enterprises where working conditions are extremely difficult and wages are low. Others find themselves in a vicious poverty trap, compelled to seek out any means available to survive, however risky it may be. The most vulnerable social groups, such as trafficked people, sex workers, and people living with HIV/AIDS are composed primarily of women and children. Sex work is not only dangerous, but stigmatized, defined in Vietnam as a “social evil”.

HIV and AIDS are likely to become even larger and more serious problems, threatening the sustainability of socio-economic development. Although the official infection rate may appear low, at 0.28%, all 64 provinces and urban areas are now reporting cases, particularly among the young. Most experts fear the numbers will grow. In addition, a cataclysmic event like the rapid spread of Severe Acute Respiratory Syndrome (SARS) throughout the region in 2003 and the outbreak of avian flu, or natural disasters such as typhoons and floods, as well as significant climatic changes could raise new and difficult challenges.

Economic integration issues

As Vietnam continues to pursue tighter economic integration into the global economy, it will become increasingly vulnerable to volatile commodity prices and fickle bond-market investors. Tariffs and non-tariff barriers have gradually been reduced, and further liberalization is planned to fulfil World Trade Organization (WTO) membership obligations. Unless the potential adverse impacts of these reforms are explicitly addressed, poor and excluded people across the country may be unable to benefit from this open-door policy.

Although the Government recognizes many of the issues and unresolved problems that economic integration generates, it has yet to offer concrete proposals to deal with them. If current trends continue, economic integration will far outpace the agenda to reduce poverty. Without a comprehensive strategy to improve conditions for the most vulnerable groups, poverty and injustice could worsen.

Issues in achieving the Millennium Development Goals (MDGs)

Sanitation is the MDG target for which the country is furthest off track. Although 76% of the urban population had access to proper sanitation in 2004, only 16% of the rural population had such access.³ Reasons for this inadequate progress include the

3 DfID – Vietnam Country Assistance Plan 2007-2011, p. 10.

BUILDING A BETTER LIFE AFTER BEING TRAFFICKED

Dinh Thi Thuy from Hai Phong province is one of many Vietnamese women trafficked to foreign countries. Her family paid a local broker to arrange her marriage to a Korean man. After a long legal process, she arrived in Korea, but her husband was nowhere to be seen; instead, she was received by a woman who acted as translator. Thuy was taken to a mountain side where she met more women in the same situation. All day long, they were forced to work on toothbrush manufacturing and rubbish collecting with poor food and no proper rest.

Thuy managed to escape. Now she is regaining strength and resides in a shelter for trafficked women in Hanoi, the only shelter in the northern part of Vietnam which is supported by ActionAid Vietnam (AAV). She is also receiving support to attend vocational training to gain economic independence for the future. She also wanted to complete divorce procedures. “I want to begin a new life. Who will marry me if I am still married?” As she is hoping to take legal action against the marriage broker, AAV is supporting her efforts through coordination with other organizations. AAV also coordinates with the Korean and Vietnamese legal sides to push forward the divorce process for Thuy so that she can build her new life. “My dream is to open a beauty salon in Hai Phong after I finish a two-month intensive training course here. It is amazing!” says Ms Dinh Thi Thuy.

absence of a unified sanitation policy, unclear institutional responsibilities and weak inter-ministerial co-ordination, along with a lack of attention to this issue among the international community.

Increasing corruption

Corruption is a serious national problem; it received considerable attention at the 10th Party Congress in April 2006. Transparency International’s corruption index put Vietnam at 2.6, a worse rating than other Southeast Asian countries, with the exception of the Philippines and Indonesia.

Enforcement of the newly passed anti-corruption law appears to be difficult in the local cultural context, particularly while the Government lacks the human resources needed for aggressive action. At the local level, corruption, lack of responsibility, and low leadership capacity could become major obstacles to implementing planned reforms in governance.

The media’s active role

Traditionally, the role of the State-controlled media was considered to be simply to educate the general public. However an emerging cadre of newspaper editors and professional journalists has begun to produce independent reports on significant issues related to poverty, poor governance and lack of democracy. Recently, the media exposed corruption and abuse of power by Government authorities who appropriated land and other resources. This kind of active engagement plays an important role in civil society by encouraging debate, expressing the perspective of the general public on critical issues, and helping to safeguard the rights of citizens.

The road ahead

It is essential that the Government focus more on ensuring that vulnerable groups get access to services, opportunities to improve their living conditions and information. Policy and institutional reforms that promote democracy and good governance will help create an open space where people could potentially participate in decision-making processes, particularly at the local level. Appreciation of the valuable role that civil society can play in the country has been growing over the past decade. It could help control and reduce corruption, which has become a serious threat to the Government’s legitimacy. ■