

SOCIALIST REPUBLIC OF VIETNAM



The Comprehensive Poverty Reduction
And Growth Strategy
(CPRGS)

HANOI, MAY 2002

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PREFACE

Poverty is a pressing problem of countries all over the world. Governments, leaders, international organizations, therefore, are actively searching for solutions to contain and eliminate poverty globally.

The Government of Vietnam takes poverty reduction as a cutting-through objective in the process of country socio-economic development. Vietnam has also declares its commitment to implement the Millennium Development Goals and poverty reduction objectives that had been agreed upon in the National Summit in September 2000. The poverty reduction and economic development process in Vietnam had attained significant achievements which are highly appreciated by international community.

Poverty reduction is the basic element to ensure social justice and sustainable growth; and in-return, high and sustainable growth could bring about physical energy to support and provide opportunities for the poor to get out of poverty holes. Therefore, poverty reduction is considered as integrated part of the National, Sectoral and Provincial 10-Year Socio-Economic Development Strategy (2001-2010), 5-Year Socio-Economic Development Plan (2001-2005) and Annual Socio-Economic Development Plan.

The Comprehensive Poverty Reduction and Growth Strategy is a document that elaborate all general objectives, institutional arrangements, policies and solutions of the 10-Year Strategy and 5-Year Plan into detailed specific action plans.

In order to successfully implement this Strategy, I call upon ministries, sectors, government agencies, local authorities and mass organizations in your own capacity to reflex the objectives and institutional arrangements of this document in your annual implementation plan. As the same time, we wish to receive continue realistic and effective support from donor communities, international organizations and NGOs involve in economic development and poverty reduction.

*Prime Minister
Socialist Republic of Vietnam
Phan Van Khai
(signed)*

COMPREHENSIVE POVERTY REDUCTION AND GROWTH STRATEGY (CPRGS)

Introduction

1. Even as Vietnam seized independence in 1945, President Ho Chi Minh emphasized that poverty is an "enemy", just as illiteracy and foreign invaders are considered enemies. He therefore defined the nation's mission: strive to enable working people to escape from wretched poverty, to be gainfully employed, and to enjoy a prosperous and happy life.

Poverty reduction is not only a basic social policy that is accorded special attention from the Government of Vietnam, but also an important component of the development objective.

2. The process of renovation and acceleration of rapid economic growth in parallel with the implementation of the task of poverty reduction and social equity have narrowed the gap between rich and poor among different population strata and different regions within the country. Over the past ten years, Vietnam recorded many achievements in economic reform and development, gradually improved the material conditions and quality of life of its people, and effected a structural adjustment of economic sectors and industries in accordance with market mechanism with the goal of establishing a state regulated market economy. These achievements reflect success of the renovation and inner driving force policies. In these endeavors, the Government of Vietnam has received active and effective support from the international community.

During that time, effective implementation of mechanisms and policies brought about remarkable gains in poverty reduction. Vietnam witnessed a relatively high rate of economic growth in the decade from 1991 to 2000. The average annual growth rate of its gross domestic product (GDP) was 7.5 percent, rising to 8.4 percent during the period between the two living standards measurement surveys (in 1992-93 and 1997-98). In the context of rapid growth, the poverty reduction process has obtained significant achievements. After ten years, the poverty incidence according to national

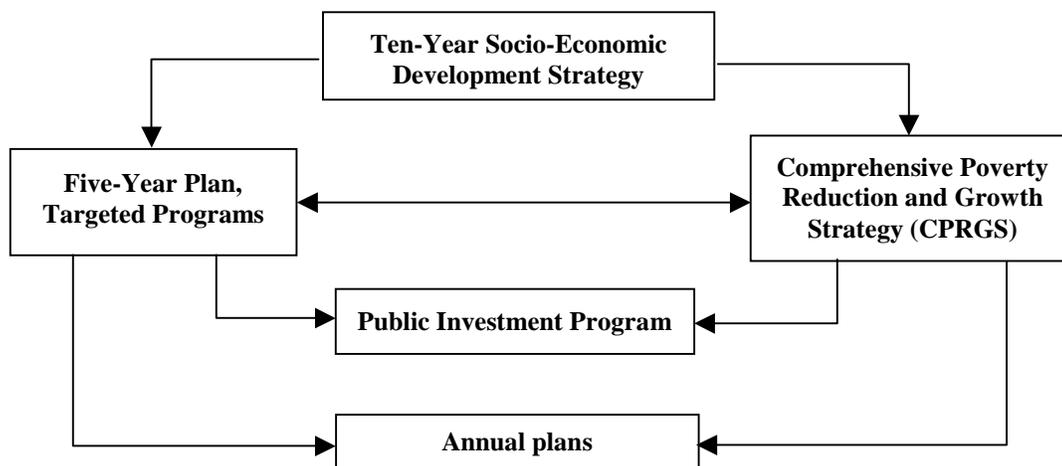
poverty standards was reduced to only two thirds of the 1990 rate. By international poverty standards⁽¹⁾, Vietnam's poverty incidence was reduced to just half of the 1990 rate. Vietnam is considered by the international community to rank among the best-performing countries in terms of poverty reduction.

3. Nevertheless, Vietnam remains a poor country with low per capita income (per capita GDP is estimated at about US\$400 in the year 2000) and the poverty rate is still high. The Government of Vietnam recognizes this problem and believes that a strategy focused on achieving high and sustainable growth is key to narrowing the economic development gap between Vietnam and other countries in the region and the world, while at the same time generating sufficient resources to raise the welfare and living standards of the people, as well as reduce poverty and create social equity.

4. In order to continue promoting rapid and sustainable economic growth, and implement effectively the policy on poverty reduction, the Government of Vietnam developed the Ten-Year Socio-Economic Development Strategy for the 2001-2010 Period, strategies for sectoral and industrial development during the 2001-2010 period (Strategy for People's Health Care and Protection; National Strategy for Rural Clean Water Supply and Sanitation; National Strategy for Reproductive Health Care; Population Strategy for Vietnam; National Strategy for Nutrition; National Action Program for Vietnamese Children; Overall Program for Public Administrative Reform, National Strategy for progressing of Vietnamese woman until 2010 etc.), the Socio-Economic Development Plan for the 2001-2005 Period, National Targeted Poverty Reduction and Job Creation Program, Prime Minister's decisions on socio-economic development in Central Highland, North Mountainous and Mekong Delta River provinces, etc.

5. The Comprehensive Poverty Reduction and Growth Strategy (CPRGS) is an action plan that translates the Government's Ten-Year Socio-economic Development Strategy, Five-Year Socio-economic Development Plan as well as other sectoral development plans into concrete measures with well-defined road maps for implementation. This is an action plan for realizing economic growth and poverty reduction objectives. The Comprehensive Poverty Reduction and Growth Strategy is closely related to the national annual socio-economic development plans and the plans developed by different ministries, agencies and sectors. The national annual socio-economic development plan that is passed by the National Assembly serves a tool for bringing the policies and measures contained in the CPRGS into practice. The links between the Government's Ten-Year Strategy and socio-economic development plans and the CPRGS are shown below:

⁽¹⁾ Definitions are referred in Section 2.1 of Part I



6. The CPRGS sees a harmony between economic growth and measures to solve social problems. The tasks and objectives contained in the poverty reduction and growth strategy not only calls for targeted measures to support specific poverty groups, but also sees linkages within the matrix of policies that include from macroeconomic policies, policies on structural adjustment, sectoral development policies and measures to social safety policies of all sectors and levels that must work in tandem to ensure sustainable development. The Comprehensive Poverty Reduction and Growth Strategy makes concrete the following major objectives:

- Promote rapid and sustainable economic growth coupled with attainment of social progress and equity with an aim to improving the material conditions and quality of life of all population strata; maintain rapid development of the dynamic areas and create favorable conditions for them to achieve high economic growth rates. At the same time, concentrate on developing agriculture and rural areas, ensure food security, create jobs, improve rural population's income; more attention will be given to investment and other supports to disadvantaged areas; and reduce the development gap between regions, and attach importance to the life of the ethnic groups.

- Create an equal business environment for all types of enterprises from all economic sectors, including enterprises with foreign direct investment (FDI), with respect to their access to public services and business and investment opportunities, and encourage the development of small- and medium-sized enterprises.

- Continue with structural reforms to bring about a transformation of the nation's economic structure; reorganize, renovate and improve the efficiency of state-owned enterprises (SOEs); restructure the state budget; reform the commercial banking system, reorganize and strengthen the health of financial and credit organizations; continue with trade liberalization, honoring international commitments made under the framework of AFTA, make good preparations for the country's accession to the WTO, realize bilateral trade agreements and so on, so as

to raise the efficiency and competitiveness of the economy and meet the requirements for rapid growth and sustainable development. Provide poor households with opportunities for raising their income by accelerating the growth rate of agriculture, industry, and services on a broad base; expand and develop markets to distribute consumer goods, improve socio-economic infrastructure; and ensure equal access to basic productive and social services.

Encourage human development and reduce inequality, and give priority to health and education development, environmental protection, prevention of HIV/AIDS transmission and infection, gender equality and improvement of the life of ethnic groups. Solve the problems of urban poverty of special characteristics with regard to employment, income and housing. Ensure that urban poor have equal access to resources, public services and basic social services. Improve the access of migrants, especially their children, to these resources and services.

- Develop and expand social protection and safety nets for the poor, for people vulnerable to natural calamities; and minimize the vulnerability of the people. Enhance the involvement of participants from mass and social organizations in developing social safety net.

- Undertake public administration reform in four sectors: institutional reform, administrative apparatus reform, renovation and improvement of the quality of the contingent of civil servants; and public finance reform to enable civil servants and the administration to change their working styles and to have higher sense of responsibility for their work, to provide the people with better access to public services, and to ensure social equity; Implement fully the Decree on Democracy at the Grassroots Level to improve citizens' participation in the planning and implementation of community socio-economic development decisions and enhance the transparency of the budget process and of the production of macroeconomic statistics.

Establish a system of qualitative and quantitative socio-economic development and poverty reduction indicators (with gender and social group elements taken into consideration) to monitor and evaluate the implementation of the Comprehensive Poverty Reduction and Growth Strategy.

7. The preparation of the Comprehensive Poverty Reduction and Growth Strategy started in June 2001 based on the Interim Poverty Reduction and Growth Strategy Paper that was approved by the Prime Minister in March 2001. The Ministry of Planning and Investment takes the lead in this undertaking in collaboration with concerned ministries and agencies⁽²⁾ and is supported by a group of national and international consultants and broad consultation from concerned ministries and agencies, representatives of the donor community and other parties,

⁽²⁾ The Strategy Drafting Team consists of 52 members from 16 Government's ministries and line agencies. Besides, Ministry of Agriculture and Rural Development, Ministry of Health, Ministry of Science, Technology and Environment, etc. also established their Sectoral Poverty Task Forces to contribute to the preparation and implementation of the CPRGS. The donors, international organizations and NGOs also took part in the Strategy preparation.

such as the Poverty Working Group (composed of donors, government agencies and non-governmental organizations). The Comprehensive Poverty Reduction and Growth Strategy has received comments from concerned ministries and agencies, scientists, mass organizations, non-governmental organizations and the donor community at various workshops organized at both central and regional levels in order to get the comments of 61 provinces and cities, and also comments at six commune and village consultations⁽³⁾. The widely consultative and consistently planned process of formulating the Comprehensive Poverty Reduction and Growth Strategy (CPRGS) reflects the government's consistency in strengthening participatory and democratic governance at all government levels, especially at the grassroots. At the same time, it brings more awareness on CPRGS as well as the later implementing process.

The Comprehensive Poverty Reduction and Growth Strategy formulated by the Government of Vietnam is composed of six parts:

Part I: Socio-Economic Setting, Current Poverty Situation, Achievements and Challenges

During the 1990s, Vietnam continued accelerating its process of institutional and legal reforms, and transformation of economic structure, and sped up its opening of the economy and integration into the world and regional economies. As a result, the country succeeded in quelling hyperinflation, maintaining macroeconomic stability and achieving a high economic growth rate of 7.5% per annum on average, while halving the poverty rate. Reforms in agriculture and rural areas helped to increase rapidly agricultural output. Per capita food production was boosted from 303 kg in 1990 to 444 kg in 2000, and revenues from agricultural exports were more than quadrupled from US\$ 1 billion in 1990 to US\$ 4.3 billion in 2000. Remarkable improvements have been seen in the country's human development, community health and the living standards of the Vietnamese people. Vietnam's Human Development Index rose to 0.696 in 2000 (ranks at 101 out of 162 countries) from 0.456 in 1990 (ranked at 120).

Despite these important achievements, poverty remains widespread, especially in rural, mountainous, remote and isolated areas. The income of a large segment of

⁽³⁾ Four regional workshops organized one in Northern mountainous region, one in the Central region, one in the Mekong River Delta, and one in Ho Chi Minh City for getting comments from the cities. In addition, ministries and line agencies organized a series of topical workshops to get additional comments. These included, for example, Workshop Gender, Workshop on Poor Women organized by Vietnam's Committee for Women's Advancement, Workshop on Environmental Issues held by Environment Department of the Ministry of Science, Technology and Environment.

Six village and commune consultations were organized by non-governmental organizations (e.g. Save the Children Fund UK, Oxfam UK, CRS, International Plan, Action Aids, and the World Bank) at Lao Cai for Northern mountainous region, Ha Tinh and Quang Tri provinces for the Central region, in Ho Chi Minh City, and in Vinh Long and Tra Vinh provinces for the Mekong River Delta.

the population lies just above the poverty line and is highly vulnerable to negative shocks such as natural disasters, job loss, sickness, and volatile agricultural prices... Poor health, low education attainment, and degrading sanitation and environment make it difficult for the poor to improve their situation in order to escape from poverty. Moreover, the planned reform of state-owned enterprises (SOEs) in the coming period will lead to additional redundancies in the SOE work force, thus enhancing the pressure on employment generation, but it is also a process of shifting labors from one sector to another, creating opportunity for competitive development among economic sectors.

Part II: Objectives and Tasks of Socio - Economic Development and Poverty Reduction for the Period up to 2005 and 2010

The overall objective of Vietnam for the 2001-2010 period is to bring about a significant improvement in the people's material, cultural and spiritual life, lay the foundations for the country's industrialization and modernization, build a prosperous people, strong country and a just, equal, democratic and civilized society, and establish the institutions of a socialist-oriented market economy, protect and preserve the country's natural resources and national culture for future generations. To attain these objectives, the structure of the economy and labor force should be transformed along the line of raising the efficiency and competitiveness of the economy. The country's international economic relations will be broadened and deepened, the social and economic infrastructure will be strengthened, and improve the education and training system so as to raise the quality of the country's human resources. Vietnam's comparative advantages regarding multilateral and bilateral trade commitments will be enhanced to enable its proactive integration into the world economy.

Economic growth must go hand in hand with social progress and equity and environmental protection in order to create more jobs for our growing labor force, improve the health of our people, eliminate hunger, reduce poverty, and reduce timely and effectively social problems. Economic growth will generate resources for poverty reduction. At the same time, to make significant progress in poverty reduction, growth must be accompanied by additional targeted measures to create favorable conditions for the poor to access opportunities to improve their lives, recognizing that the poor themselves must make efforts to escape from poverty.

Poverty reduction is not simply to redistribute income in a passive manner, but to create growth dynamism on the spot and is a process in which the poor take their own initiative in improving their situation in order to overcome poverty. At the same time, poverty reduction is not merely a one-way support from economic growth to disadvantaged people, but also an important factor that lays down a relatively level playing field for development, provides additional abundant labor force, and ensure the stability in the "take-off" period.

Part III: Create Environment for Rapid and Sustainable Growth, and for Poverty Reduction

To promote rapid and sustainable growth, a legal environment to enforce a fair, level, and competitive playing field for all enterprises, state and private, domestic and foreign should be established. Eliminate unnecessary business licenses and other administrative impediments; ensure equal and non-discriminatory access for all types of enterprises to capital, credit, land, new technology, and information. Reorganize, renovate and improve effectiveness of the SOEs. Develop necessary policies and mechanisms to ensure that investment plans of SOEs are in accordance with sectoral development strategies and business environment in the context of international economic integration. Complete the Law on Enterprise Bankruptcy. Implement the government's Decree on support to SMEs. Continue the process of reforming the public administration system aimed at building a transparent and efficient administration that is based on the rule of law. Strengthen management capacity, especially in economic and budget management, for local authorities.

To maintain macroeconomic stability, adopt a prudent monetary and fiscal stance, improve the taxation policy, broaden the tax base, and ensure a close link between objectives and planned targets on the one hand and policies, mechanisms and budget on the other hand. A balance between capital expenditures and current expenditures should be ensured along the line of pro-poor policies. An appropriate inflation rate will be maintained. Appropriate and pro-poor exchange rate and interest rate policies will be developed. Continue the open-door trade policy, gradually remove non-tariff barriers, and implement our commitments under the ASEAN framework, the Vietnam - US bilateral trade agreement, and commitments made with international financial institutions. Improve the consistency of policies and link the trade, industrial and exchange rate policies together, and at the same time, consolidate the policy coordination between concerned ministries and agencies.

Implement the Grassroots Democracy Decree, strengthen dialogue between governments and population communities, and improve the legal support framework for the poor. Strengthen the accountability of public authorities, especially local government at all levels, to the citizens through improving the transparency and publicity of local budgets.

Part IV: Major Policies and Measures for the Development of Sectors and Industries to Ensure Sustainable Growth and Poverty Reduction

Agriculture and rural development: ensure food security; diversify agricultural production; attach importance to market research and ensure timely provision of information; increase investments in agriculture; link the production of high value crops to developing storage and processing facilities; promote research and efficient use of natural resources; expand agricultural, forestry, fishery activities and

extension activities in a manner that is suitable to production conditions in different areas and is driven by the poor's demand; develop fisheries and diversify aquaculture; develop a disaster prevention strategy to minimize losses and stabilize livelihoods and production in disaster-prone areas.

Industry and urban development: develop our comparative advantages in labor-intensive industries and industries that utilize domestically produced agricultural, fishery and forestry raw materials. Push up the development of the agricultural engineering sector to take advantage of the large domestic market and the markets in neighboring countries. Develop mechanisms to encourage spearhead and labour-intensive industries. Formulate policies to deal with the problems of urban poverty, provide legal support, create jobs, provide credit, develop essential infrastructures, improve urban environment and landscape, strengthen vocational training and resolve effectively problem of urban migration, etc.

Infrastructure development: based on the poor's needs, develop policies and programs to provide electricity, small irrigation works, clean water, sanitation facilities, and develop and rehabilitate transport system, especially in poor regions and areas.

Focus investments on developing transportation in the Northern mountainous region and irrigation in the Central Highlands, Central region. Resolve effectively the problems related to housing for the poor, focusing on the vulnerable groups in the society.

Education and training: continue raising the quality of education and maintain the target of universalizing primary and lower secondary education; reduce and eliminate school fees and other contributions for children from poor families and poor areas. Ensure adequate number and sufficient quality of schools and classes and teachers, and gradually consolidate the general and vocational training schools.

Health: Promote the grass-roots health system, maintain and develop community health services; give priority for protection of diseases that effect the poor (reproductive health, infectious diseases, HIV/AIDS, children's diseases and other social illness); improve quality of health services; ensure that the poor have access to quality health services; provide support to the poor with health service subsidies.

Culture and information: preserve and restore our tangible and intangible cultural heritage; build commune cultural centers for gatherings; improve the quality of information and provide more information to the people to enable them to have easier access to information and better ability to make choices and decisions for their lives.

Environment and sustainable development: create a harmonious link between socio-economic development and environmental protection and improvement, thus ensuring that every citizen is able to live in a clean and healthy environment.

Narrow the social development gap between different regions and groups of population, reduce the vulnerabilities of the poor and disadvantaged people; realize gender equity and the advancement of women; stabilize and raise the living standards of ethnic minorities; expand social protection and safety net, and develop an effective system of emergency relief; expand the participation and enhance the role of domestic social organizations and non-governmental organizations in the process of building and implementing the social safety net.

Part V: Mobilization of Resources for Growth and Poverty Reduction

During the 2001-2005 period, at least VND 840,000 billion (or about US\$ 60 billion) will be mobilized for development investment. This amount is 1.5 times larger than that of actually invested funds during the 1996-2000 period (of which one third will come from the foreign sources and the remaining two thirds will come from the domestic sources). The state sector accounts for 55.5% of this total investment while the contribution from domestic private sector accounts for approximately 26.2% to the total investment.

Resources from state budget expenditures (public expenditures) alone have been mobilized to the highest level possible and the amount is estimated to be VND 630,000 billion (or US\$ 45 billion). Of this, VND 185,000 billion will be used for capital expenditures and VND 445,000 billion for current expenditures. The amount of funds to be used for national target programs and large projects is estimated to be about VND 60, 000 billion.

Nevertheless, the set targets are likely to be attained in quantitative terms, but in limited qualitative terms due to shortage of resources. A higher level of resource mobilization is therefore needed.

The State budget expenditure will be further restructured, and the items of expenditure that do not fall under the functions and responsibilities of the State will be transferred to other economic sectors. Investment and business environment will be improved to attract foreign resources better.

Spending priorities will be given to developing infrastructure, especially rural infrastructure, improving community health and raising opportunities for income generation, developing productive sub-sectors that have potential and competitive advantage in order to promote growth.

Part VI: Organizational Arrangements for and Monitoring and Evaluation of the Poverty Reduction and Growth Strategy

The implementation of the Comprehensive Poverty Reduction and Growth Strategy is organized in a centralized manner with close coordination among governmental agencies. A Steering Committee for the Comprehensive Poverty Reduction and Growth Strategy will be established in order to help the Prime Minister in providing guidance to the implementation.

Develop criteria and process of appraisal and selection of priority investment programs and projects, including the social benefits and cost/benefit analysis. Analyze and evaluate possible risks that may occur during the process of CPRGS strategy implementation and take effective measures to minimize them.

Organize the monitoring and evaluation of the progress in the Comprehensive Poverty Reduction and Growth Strategy implementation in order to have an overall assessment and find irrationalities in the current system of mechanisms, policies, industrial and sectoral development measures. Thus, suitable adjustments and policy amendments will be made to implement the Strategy effectively, consistently and in the right laid-out timetable and objectives. Conduct research into, analyze and evaluate the impacts of the structural, financial and macroeconomic reforms on the poor.

The system of CPRGS monitoring and evaluation indicators includes: indicators to monitor and evaluate inputs; indicators to monitor and evaluate the efficiency and effectiveness of resources invested in the Strategy; indicators to evaluate the impacts of each program or strategy on the poor and the whole society. The indicators are classified by urban and rural areas, region, locality, gender, ethnic group and so on.

Line ministries and agencies and localities take the responsibility of regularly collecting qualitative and quantitative information in service of the CPRGS monitoring and evaluation. Independent research organizations (NGOs, institutes, universities, etc.) organize the collection of comments from the people, collect and analyze data to assess the present condition and trends of growth and poverty reduction.

PART I

Socio-Economic Setting, Current Poverty Situation, Achievements and Challenges

I. SOCIO-ECONOMIC SETTING

1. During the period of carrying out the Ten-Year Socio-economic Stabilization and Development Strategy (1991-2000), the economy of Vietnam, despite great difficulties and challenges, especially during the five-year period from 1996 to 2000, however, due to inner driving force policies and interministerial support, was able to maintain a positive development trend with a relatively high average annual GDP growth rate of 7.5 percent, accompanied by a continuous rise in domestic saving and per capita income. The ratio of domestic savings to GDP in the year 2000 is 2.5 times larger than that in 1990; per capita GDP increased 1.8 times. The nation's capital formation also grew swiftly as gross capital formation rose to 29 percent of GDP by the year 2000 from 14.4 percent in 1990.

Table 1.1: Some Selected Economic Indicators, 1990-2000

	1990	1995	2000
Five-year average growth rate of GDP (1986-1990; 1991-1995; 1996-2000) %	4.4	8.2	6.9
Of which:			
Agriculture, Forestry, Fishery, %	3.1	4.1	4.3
Construction and Industry, %	4.7	12.0	10.6
Services, %	5.7	8.6	5.75
Exports, billion US\$	2.4	5.4	14.5
Imports, billion US\$	2.7	8.1	15.2
Domestic savings as percentage of GDP, %	8.5	22.8	27.0
Consumer Price Index, %	67.1	12.7	-0.6

(Source: General Statistical Office and Ministry of Planning and Investment)

2. *Agriculture* – the foundation for Vietnam's socio-economic stability – maintained a relatively high growth rate and had a decisive impact on the nation's poverty reduction through ensuring food security, generating employment and income for rural population. The growth of agricultural production was relatively high and broad based at 5.6 percent per annum during the 1991-2000 period. Per

capita food production increased from 303 kg in 1990 to 444 kg in 2000. Vietnam became self-sufficient in food with satisfactory food reserves, and now exports over three million tons of food each year. Revenues from agricultural exports nearly quadrupled from around US\$1 billion in 1990 to over US\$4.3 billion in 2000.

The structure of agricultural production in many regions has transformed along the direction of increasing efficiency per unit area used; the rapid growth of fishery and aquaculture is especially noteworthy. The rural economy is more diversified. Many large-scale agricultural production areas with close links to agro-processing have been established; the tradition of craft villages has been restored, and farm-based production has seen rapid expansion.

3. *Industry* continues to grow at a rapid rate, contributing importantly to socio-economic stability and poverty reduction. Production capacity of many industrial products has risen considerably; this not only ensures that domestic demand for food, clothing, housing, means of transportation, learning and many other essential goods, is met, but it also provides for a gradual expansion of export capacity. The considerably transformed structure of a number of industries has led to the development of certain key products; and some industrial and export processing zones with many production establishments using modern technologies have been established. Along with the development of large-scale industrial establishments, the Government attaches great importance to the development of small and medium-sized enterprises, and of craft villages with a view to creating more employment and raising producers' incomes, etc.

4. *The services sector* managed to perform well under difficult conditions and the quality of services has improved, meeting the demand of economic growth and the needs of the people. The domestic market has become more open with the participation of many economic sectors.

From 1991 to 2000, the value of financial services increased by 3.2 times, education and training services rose by 2.2 times, and health and related social services increased by 1.7 times.

Despite its initial dilapidated condition, the transportation services sector has responded relatively well to the nation's economic growth requirements. The output value of the transport, storage and communications sector increased by 1.8 times. The physical infrastructure of the transport industry has improved considerably and many modern bridges have been built replacing old, weak ones; many ferry landings and wharves have been upgraded, expanded for transportation demand in the last few years. Post and telecommunication services also have expanded rapidly and the domestic telecommunication network has been modernized. Many modern modes of communication that meet international standards have been established to meet growing domestic demand for information and trading services. Markets for insurance services have been established with the participation of enterprises from

various domestic and foreign economic sectors. Important renovations have been made in financial and banking services. Other high value-added services that should grow quickly over time such as legal, scientific and technological consulting services and so on have begun to develop.

5. *Trade liberalization* and the expansion of export markets have resulted in the rapid growth of both exports and imports. The speed of the opening of the Vietnamese economy is seen in the dramatic rise in the trade to output ratio (defined as external trade turnover on GDP ratio) from 58.2 percent in 1998 to 111 percent by the year 2000. From 1991 to 2000, exports of goods and services increased by 3.6 times, while imports of goods and services rose by 3.2 times. Trade liberalization policy has encouraged a significant rise in the number of domestic enterprises from all economic sectors involved in export and import activities.

6. *Many polices and mechanisms regarding socio-economic renovation* have been adopted; many economic laws have been promulgated and revised to keep up with the requirements of the market economy, such as the Civil Law, Land Law, Labor Code, Trade Law, Law on Foreign Direct Investment, Enterprise Law, Law to Encourage Domestic Investment, Customs Law, Insurance Law, State Banking Law, Law on Credit Organizations, State Budget Law, Taxation Laws and so on, to gradually create a relatively complete, comprehensive, safe, favorable and egalitarian legal environment for production and business activities. Market institutions for goods and services, capital, labor, real estate, science and technology, etc. are being established and gradually improved, thereby encouraging domestic residents, and domestic and foreign enterprises, to invest in developing and expanding production.

7. *Total investment*, including foreign investment, has risen considerably, and has been the most important effective demand stimulus and the most important factor for strengthening the economy's potential during the 1990s. Domestic resources have been more effectively mobilized, especially from the private and individual sectors, and now account for over 60% of total investment.

8. *Living standards of the people* have improved greatly. Clear gains have been recorded with respect to social development targets and targets for improving the lives of various population strata in urban and rural areas, especially poverty reduction targets. During last ten years, the life expectation in average rose to 68 year of age in 2000 from 64 in 1990. The malnutrition rate of children reduced from 51.5 percent to 33.1 percent; the under-five child mortality rate from 81‰ to 42‰ and maternal mortality rate have been decreased from 110/100.000 to 100/100.000 live infants over the last ten years.

The percentage of the rural population with access to safe water has doubled. The net enrollment rate at the primary education level has increased to 95 percent. The percentage of communes where basic infrastructure is unavailable or inadequate

decreased greatly (in 2000, 88 percent of communes had access to electricity, 95 percent of communes were accessible by car). The living standards of people in many areas, especially rural and especially disadvantaged areas, have improved remarkably. Vietnam's Human Development Index (HDI) and social service accessibility have shown remarkable progress. In 1999, although Vietnam's per capita GDP country ranking was only 167, its HDI country ranking was much higher at 101, which places Vietnam, with an HDI index of 0.682, in the average category (in 1990 Vietnam's HDI ranking was 121 with an HDI index of 0.456). According to the UNDP's Human Development Report, Vietnam ranks 89 of the whole of 162 countries in gender equality indicator (GDI). Women count for 26% of members of the National Assembly, placing Vietnam in the group of 15 countries that have highest women participation in Government power bodies.

9. *Nevertheless, despite significant gains of the past decade, Vietnam's economic growth path is not yet on a securely sustainable footing.* Since 1997, the regional economic crisis has hurt the Vietnamese economy, and contributed to a slowing of output growth. Although a revival of economic growth is anticipated, with GDP reversing the previous declining trend by growing at approximately 6.8 percent in 2001, it may not be possible to repeat the high economic growth rates of the mid-1990s. The Vietnamese economy still faces great difficulties due to adverse external impacts, and consecutive years of natural calamities...

10. *The quality of development* is still low; economic efficiency is not high, and many sectors and products are not competitive. In agriculture, advanced cultivation methods have been introduced in rural areas at too slow a pace and their introduction has not been widespread; high unemployment and low vocational training labors have still existed; aggregate labor productivity is low and the manufacturing sector's record of creating new jobs has been disappointing; product distribution has been difficult; environment has been degraded, natural resources have been overexploited and become exhausted.

In industry, production has been unstable with low efficiency. A number of industrial branches have encountered difficulties in production and product distribution; the low level of technology, obsolete machinery and equipment, and the slow rate of upgrading have lead to high production costs. The pace of reorganization of production and reform and quitization of enterprises has been slow. The development of services industries also has been slow. Moreover, trading networks and markets in rural, mountainous, remote and isolated areas are underdeveloped.

11. *Implementation of international trade commitments* in the process of international economic integration, while offering many important advantages, will expose domestic enterprises to challenges and fierce competition with foreign enterprises right in the domestic market.

12. *Macroeconomic balances* are both limited and fragile. National assets, public finance and SOEs finances have not been closely managed. The system of policies and legal regulations on tax is incomplete; and the trend of exempting, lessening in certain components of government revenues remains widespread. Many items of revenues have not been properly mobilized (e.g. property tax, personal income tax, etc.) while the major sources of revenues remain to be crude oil export turnover and import tax, etc. The tax collection system should be renovated. The amount of funds mobilized from the private sector remains small. Commercial bank operations show weaknesses with respect to credit analysis, and focus of credit provision has not been on efficient enterprises. Credit quality has not been high and the percentage of bad debts is still large. The ratios of saving and investment to GDP lag behind requirements for sustainable economic growth. Because of these drawbacks, the mobilization, utilization and management of economic resources have been inefficient. Consequently, the resources available among the population have not been properly mobilized, and the economy's productive potential has neither been released nor brought into full play.

13. *The system of economic laws* is inadequate and lacks consistency. Some important laws (e.g. Competition Law) are not in place yet. The fact that a large number of by-laws is not promulgated in a timely manner and conflict with each other has created considerable difficulties in law implementation. The quality of some economic laws and by-law documents remains low.

14. *Public administration reform* is slow and lacks decisiveness. The administrative apparatus is slow to reform, ineffective and inefficient. There are more than a few public servants who are neither capable nor qualified; they cannot meet the requirements of their assigned work and responsibilities, which lead to large bottlenecks in implementing policies and mechanisms. The state of embezzling and wasting is still serious and slow to resolve.

15. *There are many urgent social and environmental problems.* Labor and employment has become the most acute and pressing issue at present. The level of income and labor productivity, especially in agriculture, is extremely low, the rural and urban income gap is widening, a large proportion of workers have low skills, and the percentage of untrained workers is still high. Science and technology has not served as a foundation and dynamism for production and trade. Slow industrialization and urbanization cannot attract redundant work forces.

Natural resources have not been exploited effectively, economically, and sustainably. There is a trend of degradation in the quality of environment. The area of natural forests continues to decline; in certain areas, mineral resources are exploited in an improper manner; in other areas, land is eroded and degraded. Bio-diversity on land and beneath sea is gradually declining. The coastal sea area has

begun to see pollution. Environmental and sanitation conditions in rural, remote, isolated, mountainous areas and areas where ethnic minorities live remain poor.

There remain many urgent social problems, and social ills tend to continue rising. Trade fraud has not been reduced. Transport accidents are serious and seem to increase. The child malnutrition rate is still high; over 60 % of disabled children have not been treated; child labor is presently a burning problem; and trafficking and violation of children and the number of street children are on a rising trend. The spread of HIV/AIDS has not shown a declining trend yet. Complaints and lawsuits take a long time, etc. People living in certain remote, isolated and disaster-prone areas remain in difficulty.

II. CURRENT POVERTY SITUATION AND CAUSES OF POVERTY IN VIETNAM

1. Definition and Approach to Poverty Line

1.1. Definition

Vietnam address the general definition of poverty agreed at the Asian – Pacific Conference on poverty reduction organized by ESCAP in Bangkok, Thailand in September 1993: “*Poverty is a situation in which a proportion of population does not enjoy the satisfaction of basic human needs that have been recognized by the society depending on the level of economic and social development and local customs and practices.*”

1.2. International Poverty Line Measurement Method

The method to define the poverty line based on international standards was jointly developed by the Vietnamese General Statistical Office and the World Bank and was applied in the Living Standards Measurement Surveys in Vietnam (in 1992-93 and 1997-98). The lower line is the food poverty line; the higher line is the total poverty line and includes both food and non-food commodities.

The definition of the *food poverty line* is based on the standard used by most developing countries and WHO and as well as international organizations at present, i.e. average 2,100 Kcal daily calorie intake per capita. People whose expenditures are lower than the minimum level to meet this need are considered poor in terms of food.

The method to define the *total poverty line* is to add the costs of non-food to the minimum expenditures. By adding this amount to the amount for the food poverty line, we have the total poverty line.

The 1993 expenditure-based total poverty line was VND 1.16 million per annum per person (55% higher than the food poverty line) and the 1998 one was VND 1.79 million (39% higher than the food poverty line). Based on these poverty

lines, the total poverty incidence in Vietnam in 1993 and 1998 was 58% and 37.4% respectively while that of food poverty was 25% and 15% respectively.

1.3. *National Poverty Line Measurement Method*

Based on economic scale and economic growth rate, financial resource for the 2001-2005 period and actual living standard of Vietnamese in specific regions, the Ministry of Labor, Invalids and Social Affairs (MOLISA) of Vietnam developed a national poverty line⁽⁴⁾ for the following purposes: identify who are the poor and which communes are poor with specific numbers and addresses in order to develop a list of poor households from the hamlet and commune level and that of poor communes from the district level upwards who are eligible for support from the National Targeted Poverty Reduction Program and other supporting policies...

In view of the country's achievements in poverty reduction and economic growth and improvement in living standards, a new poverty line¹⁾ was published in 2001 to be applied to poverty measurement in the 2001-2005 period in which the new national poverty line developed by the National Poverty Reduction Program is defined at different levels depending on specific areas/regions, based on per capita income: VND 80,000 per month for island areas and rural mountainous areas, VND 100,000 per month for rural plain areas, and VND 150,000 per month in urban areas.

In the future, Vietnam will move towards using one common poverty line for estimating poverty incidence in the country, taking into consideration international poverty standards for comparison purposes.

2. Poverty Situation in Vietnam

2.1. *Vietnam ranks among the world's poor countries*

The percentage of poor and hungry households in Vietnam remains relatively high⁽⁵⁾. According to the Living Standards Measurement Survey (using the international poverty line), Vietnam's poverty incidence was over 37% in 1998, and is estimated at about 32% in 2000 (equal to a halving of the number of poor

⁽⁴⁾ In 1997, Vietnam set a poverty line under the national program (the old poverty line) to apply to poverty measurement in the 1996-2000 periods as follows: *Poor households*: different income levels are set for different areas/regions: rural mountainous and island areas: less than 15 kg per person per month (equivalent to VND 55,000); rural plain and midland areas: less than 20 kg per person per month (equivalent to VND 70,000); and urban areas: less than 25 kg per person per month (equivalent to VND 90,000); *Poor communes*: communes with poverty incidence of 40 % and above that lack infrastructure (roads, schools, clinics, electricity and water for livelihood needs, small irrigation works and markets).

⁽⁵⁾ The existing body of information on poverty in Vietnam is extremely rich compared to many other developing countries. The most detailed and large, nationally representative, data were gathered from the 1992-93 and the 1997-98 Vietnam Living Standards Survey (VLSS) conducted by the General Statistical Office with assistance from the UNDP, SIDA and the World Bank. The surveys covered 4800 and 6000 households respectively with a detailed and comprehensive survey questionnaire in both surveys. This body of information is further augmented by in-depth participatory poverty assessments (PPAs) conducted by the Vietnam-Sweden Mountain Rural Development Program (MRDP), Action Aid Vietnam, Oxfam GB and Save the Children Fund UK.

households from 1990). Applying Vietnam's food poverty standard (2100 calorie intake per day), the poverty rate was 15% in 1998 and was estimated at 13% in 2000.

Using the new poverty line developed by the National Poverty Reduction Program, it is estimated that there are 2.8 million poor households by the beginning of the year 2000, or 17.2% of the total number of households in the whole country.

2.2. Poverty is widespread among households with low and unstable income

Although Vietnam recorded great achievements in bringing down the incidence of poverty, it is not yet on solid ground in the struggle against hunger and poverty.

The income of a large proportion of the population lies just above the poverty line, and even a small adjustment in the position of the line will put them below the poverty line.

Most of the income of the poor comes from agricultural work. Given their very limited resources (land, labor and capital), their income is highly unstable and they are vulnerable to unexpected shocks at the family and community levels. The income level of many households is barely above the poverty line, so that a small downward shift in income can easily push them below the poverty line. Seasonal element also causes difficulty to the poor.

The rate of increase in income among the poor is low compared to that of the middle-income group, and much lower compared to the high-income group. The widening gap between the richest and poorest quintiles (from 7.3 times in 1996 to 8.9 times in 1999) shows the extent to which the poor are lagging behind the rich. Thus, although the poverty situation in Vietnam has improved, the rate of improvement among the poor is slower compared to the average rate and even slower compared to the rich. In addition, the gap in living standards between urban and rural areas remains very large.

The poorest provinces also rank lowest in the countrywide human development indicator (HDI) and gender development indicator.

2.3. Poverty is concentrated in areas with unfavorable conditions for making a living

A majority of the poor live in areas that have very poor natural resources and harsh natural conditions such as mountainous, remote and isolated areas or the Mekong River Delta region and the Central region where sudden weather changes (typhoons, floods, drought) make conditions for living and producing difficult. In particular, the underdeveloped infrastructure of poor regions causes the gap between them and other regions in the country to widen. In the year 2000, the infrastructure of 1,870 especially disadvantaged communes is: 20-30% of them have not yet roads leading to commune centers; 40% have not a sufficient number of classrooms; 5% have no health stations; 55% has no access to safe water; 40% of

them do not have electricity lines to commune centers, 50% have no sufficient number of small-scale irrigation works; and 20% of them have no markets at commune or commune cluster levels.

In addition, due to unfavorable natural conditions, each year the number of people qualified to receive emergency relief is relatively high, between 1 and 1.5 million. On average, the number of households that fall below the poverty line again each year remains large relative to the number of households that manage to escape from poverty.

2.4. *Poverty is concentrated in rural areas*

Poverty is a widespread phenomenon in rural areas; over 90% of the poor live in rural areas. In 1999, the food poverty incidence in urban and rural areas was 4.6% and 15.9% respectively. Over 80% of the poor are farmers with low professional and business skills, and poor access to productive resources (capital, know-how, technology...). They encounter many difficulties in selling their products due to unfavorable geographical conditions, low product quality, and poor product mix. Poor farmers have little access to information and limited possibility for shifting to non-farm employment. Female farmers in remote and isolated areas, especially unmarried female householders, and elderly females are among the most vulnerable poor groups. The working time of poor women is longer but their income is lower, they have a lesser voice in making decisions in their homes and communities; as a result, they have less opportunity to access resources and benefits brought about by policies.

Table 1.2: Estimated Magnitude and Incidence of Poverty between Rural and Urban Areas According to the New Poverty Line in 2000

	Number of poor households, (thousand)	As percentage of total households in the region (%)	As percentage of total poor households nationwide (%)
Total	2,800	17.2	100
Rural	2,535	19.7	90.5
Of which:			
- Rural mountainous areas	785	31.3	28.0
- Rural plain areas	1,750	16.9	62.5
Urban	265	7.8	9.5

(Source: National Program on Poverty Reduction)

2.5. Poverty in Urban Areas

Although the poverty rate in urban areas is lower and the living standards are higher than the national average level, the rate of improvement in living standards is unequal. A majority of urban poor work in the informal economic sector with unstable jobs and low and unstable incomes.

The transformation of economic and ownership structure in the state sector has led to labor shedding, making the living conditions of the redundant employees more difficult. These people have been forced to shift to the non-state sector and have had to accept a lower salary or wage level. Those who cannot find a job have become unemployed.

A majority of the urban poor live in areas where the infrastructure is poor and the access to basic services (safe water, environmental sanitation, water drainage, lighting and garbage collection, etc.) is very limited.

The urban poor are vulnerable due to their large dependence on cash income. They usually have no or limited ability to save, and meet with many difficulties in accessing loans for employment generation purposes.

The process of industrialization and urbanization has increased the inflow of unregistered migrants from rural areas, mainly those of working age and children. At present, no statistics on the number of these unregistered migrants are available in reports on urban poverty. These migrants usually find it very difficult to secure permanent registration or registration of long-term temporary residence and; consequently they meet with many difficulties in getting a stable job with stable income. They have very limited access to social services and must pay more for them because they are not given access to basic public social services (health care, education...) that are enjoyed by registered residents.

In addition, the poverty rate is high among other socially targeted groups such as the unemployed, homeless, and those who fall prey to social evils.

2.6. Poverty is concentrated in remote, isolated and mountainous areas

Poverty has marked regional characteristics. The poverty rate is relatively high in the upland, remote and isolated areas and ethnic minority areas. As many as 64 percent of the poor live in the Northern mountainous region, North Central region, Central Highlands, and Central coastal region. These areas are characterized by difficult living conditions, geographical isolation, very limited access to productive resources and services, underdeveloped infrastructure, harsh natural conditions and high frequency of natural disasters.

Table 1.3: Estimated Poverty Magnitude and Incidence According to the New Poverty Line (2001-2005) Developed by Regional Poverty Reduction Program in Early 2001

	Number of poor households, (thousand)	As percentage of total households in the region (%)	As percentage of total poor households nationwide (%)
Total	2,800	17.2	100
Northwest region	146	33.9	5.2
Northeast region	511	22.3	18.2
Red River Delta	337	9.8	12.0
North Central region	554	25.6	19.8
Central Coastal region	389	22.4	13.9
Central Highlands	190	24.9	6.8
Southeast region	183	8.9	6.6
Mekong River Delta	490	14.4	17.5

(Source: National Program on Poverty Reduction)

2.7. The poverty rate is extremely high among ethnic minority groups

In past years, although the Government has actively invested in and supported ethnic minority communities, they continue to experience many difficulties and disadvantages. While accounting for roughly 14 percent of the total national population, the representation of ethnic minority groups among the poor is disproportionately high at approximately 29 percent.

The majority of ethnic minority people live in remote and isolated areas. They are geographically and culturally isolated, and lack favorable conditions for developing infrastructure and basic social services.

3. Causes of Poverty and Major Factors Contributing to Poverty

3.1. Limited and Poor Resources

Poor people tend to lack many resources and fall into a vicious cycle of poverty and lack of resources. Poor people are likely to remain poor because they are unable to invest in their own human capital. On the contrary, limited human capital prevents the poor from escaping from poverty.

Poor households have very little land, and this condition of lacking land tends to perpetuate. This is especially the case in the Mekong River Delta. Their lack of land affects their capacity to ensure food security and prevents them from diversifying their production and shifting to higher value crops. A majority of the poor prefer to opt for the self-sufficiency strategy, and to maintain traditional modes of production that generate low value, because they lack opportunities for employing more profitable production strategies. Because of their pursuit of traditional modes of production, their productivity is low, their products are of low value and competitiveness; this in turn keeps them trapped in a vicious cycle of poverty.

In addition, most of the poor do not have many opportunities to access production enhancing services like agricultural and fishery extension and animal and plant protection. Many production inputs such as electricity, water, crop seeds and animal varieties, fertilizers, etc. contribute to increasing the cost of their production and thus decreasing their revenues per unit product.

Poor people also have limited access to various sources of credit. Without enough capital, the poor cannot easily renovate production, introducing new technologies and new varieties, etc. Although the poor' access to credit has improved greatly thanks to the Project on Providing Credit to the Poor under the National Program on Poverty Reduction, a considerable number of poor people, especially very poor people, still have no access to credit. On the one hand, poor people, because they have no collateral, are forced to rely on small and inefficient loans that limit their repayment capacity. On the other hand, most poor people do not have concrete plans for production and may use these loans for purposes other than the one they have committed to with their lenders; this limits their opportunity to access future loans and in the end they become even poorer.

In addition, lacking of information, especially the information on the laws, policies and markets, makes the poor become poorer.

3.2. Low levels of educational attainment, insufficient and unstable employment

Poor people tend to be less educated and have few opportunities to find good and stable jobs. Their level of income is barely enough to meet their minimum nutrition requirements; consequently they cannot afford to improve their education level even though that would enable them to eventually escape from poverty. In addition, their low level of education hurts their ability to make wise decisions about education, child delivery and child rearing, and so on with adverse effects not only on the present generation but also future generations. Malnutrition of children and infants impact to the school enrollment of children from the poorest families, so that it is more difficult for the poor to escape poverty by education.

Statistics on the educational level of the poor show that about 90 percent have reached at most lower secondary level or below. The results of the Living Standards Measurement Survey show that among the poor, the rate of those who have never

attended school is 12 percent; the rate of those completing primary education and lower secondary education are 39 percent and 37 percent respectively. That education expenditure is high for the poor and the education quality that the poor are able to access is limited have prevented them to improve their situation in order to overcome poverty. The poverty rate declines as the level of education rises. 80 percent of the poor are involved in agricultural activities that generate very low levels of income. A low level of education prevents the poor from finding better jobs in other sectors, for example in non-farm sectors that provide more remunerative and stable employment.

3.3. The poor are not provided with sufficient conditions to access the law and their legitimate rights and interests are not protected

Poor, ethnic minority people and people living under special circumstances tend to have low level of education and therefore are unable to solve the problems related to laws by themselves. Enforcement mechanisms are complicated for many of the laws and legal documents, making it difficult for the poor to capture. In addition, the network of legal services and the number of lawyers is limited; they are unequally distributed and mainly found in cities and towns; and the fees for legal services remain high.

3.4 Demography-driven Causes

Household size is an important “denominator” affecting the average income level of household members. Large numbers of children are both cause and effect of poverty. The birth rate among poor households remains very high. One of the characteristics of poor households is the large number of children. In 1998, the average number of children per woman in the poorest quintile was 3.5 compared to 2.1 in the richest quintile. Large household size leads to a high dependency level (the dependency level among the poorest quintile is 0.95 compared to 0.37 among the richest quintile).

One of the causes of the high birth rate among poor households is their poor knowledge of and very limited access to birth control and reproductive health protection measures. The percentage of poor woman using IUDs is low, and so is the percentage of men whose awareness of their responsibility in family planning and in using contraceptive method. Poor husbands and wives tend to know very little about safe sexual practices. They also have a limited understanding of the link between poverty, reproductive health, and population growth.

The high dependency level among poor households also means that labor resources are inadequate; this also contributes to household poverty.

3.5. Risk of high vulnerability to adverse impacts of natural calamities and other types of risks

Poor households are highly vulnerable to the daily difficulties and occasional shocks that may strike an individual, a family or a community. Because their

income level is very low and unstable, they have low savings capacity and are unlikely to be able to resist unexpected shocks (such as loss of harvest, job loss, natural disaster, loss of labor resources, loss of health, and so on). Given the fragile economic conditions of poor households in rural areas, these shocks will create great instability in their lives.

Production and business risks are also very high for the poor because they have little or no skills and lack business experience. Their ability to respond to and overcome these risks is very weak; their limited sources of income limit their capacity to overcome risks and may even expose them to additional risks.

The number of people who need emergency relief every year due to natural calamities ranges from 1 to 1.2 million. On average, the number of households that fall below the poverty line again is large compared to the number of households that manage to escape from poverty. This is because a very large number of households live just above the poverty line and therefore are highly vulnerable to negative shocks such as natural disasters, job loss, sickness, and so on.

Analysis of the Household Living Standards Measurement Surveys in 1992/93 and 1997/98 indicate that the households that suffer from frequent natural disasters are likely to fall deep into poverty. Consequently, efforts to find out measures for mitigating the consequences of natural calamities are regarded as an important part of the process of poverty reduction.

3.6. Gender inequality creates negative impacts on the lives of women and children

Gender inequality deepens the poor condition at all aspects. It creates negative impacts that not only burden women and female children but also press upon their families.

Women account for nearly 50 percent of total agricultural labour and for a large share in the total new jobs created annually in agriculture. However, only 25 percent of participants in animal breeding extension training courses and 10 percent of that in cultivation extension training courses are women.

Women have fewer opportunities of access to technology, credit and training, while they often bear many difficulties due to housework burden, have less right in family decision-making and are paid lower than men for the same work. Low educated women seem to hold higher rate of infant and mother mortality, causing problems of bad health for all family and children drop-out.

Gender inequality is also a variable to increase the birth rate and HIV transmission rate due to the fact that women have less voice and self-defense ability in sexual relations.

3.7. Disease/morbidity and poor health: another factor pushing people into deep poverty

Morbidity and poor health directly impacts the income and expenditure of the poor, and makes them trapped in a vicious cycle of poverty. They suffer a double blow: first from the loss of labor income, second from the very high cost (relative to family income and assets) of disease diagnosis and curative medical care, both direct and indirect. Therefore, medical treatment costs constitute a burden for the poor and usually force them to borrow money or mortgage assets to cover those costs. Consequently, it makes it less likely that they would be able to escape from poverty. Meanwhile, limited capacity to access health prophylactic services (clean water, health programs...) increases the poor's risk of getting diseases.

Despite Vietnam's remarkable achievements in health status over the past decade, the percentage of the poor who are afflicted with standard illnesses is quite high. According to findings from the 1998 Household Living Standards Measurement Survey, the annual average number of sick days of the poorest quintile is 3.1 compared to about 2.4 for the richest quintile. It is noteworthy that during the 1993-1997 period, the sickness status of the richest quintile improved considerably (reduced by 30 percent) while that of the poor remained unchanged. Improvement of the poor's health status is one of the fundamental factors that enable them to escape from poverty by themselves.

3.8. The Impact of Macroeconomic Policies and Reform Policies (Trade Liberalization, State-owned enterprises Reform, etc.) on Poverty

High and stable economic growth in the past period has been one of the major contributors to poverty reduction, allowing Vietnam to record an impressively broad and diverse range of achievements in poverty reduction. However, the process of development and opening of the economy has impacted the poor negatively in certain areas.

Inappropriate investment structure: the proportion of investment in agriculture and rural areas remains low with a major focus on irrigation. Most of the investments concentrate on key industrial axis, which supersedes import and attracts much capital; but pay unequally attention to labour-intensive industries. Small and medium enterprises have not been encouraged in a timely manner; many mis-targeted subsidy policies (credit interest rates, price and charge subsidy, etc.) lead to unhealthy market foundation in rural, isolated and remote areas.

The reform of SOEs and the financial difficulties of SOEs led to the elimination of nearly 800,000 jobs during the early years of reform. Many laid-off workers experienced great difficulties finding new employment and fell into poverty. A high proportion of these are women, people with low levels of educational attainment, and old people.

The policy to reform the economy, create a healthy environment for competition, and liberalize trade has made the economy more dynamic and provided good incentives for enterprises and individuals. However, certain labor-intensive industries have not been attached proper importance, and small- and medium-sized enterprises that can create many jobs have not been paid attention and provided with opportunities to develop. Lack of information, obsolete production equipment, low level of competitiveness, and limited production capacity have been important factors that have caused a considerable number of small- and medium-sized enterprises to go bankrupt and to lay off their workers, who are then forced to join the ranks of the poor.

While *economic growth* contributes to poverty reduction on a broad base, our ability to improve the status of the poor (in terms of income level, access to development resources) depends on the type of economic growth that takes place. In other words, the distribution of the benefits of growth among different population groups including income groups depends on the character of growth. An analysis of changes in the income level of different population groups shows that rich people have benefited more from economic growth and this has widened the gap between rich and poor.

Transport infrastructure to remote, isolated and poor areas is insufficient and weak. It is still extremely difficult to access to these areas. The State investment has not met the demand, contribution from people, mostly by working, is little.

III. ACHIEVEMENTS AND CHALLENGES

1. Achievements

1.1. *High and stable economic growth has been one of the major factors in reducing the incidence of poverty of which development of agricultural production and aquaculture and rural economy play a especially important role.*

It is estimated that during the mid-1980s, seven out of ten Vietnamese lived in poverty.

After 15 years of renovation and transformation, the economy of Vietnam has seen fundamental changes in social and economic relationships that have led to an unprecedented stage of economic development and poverty reduction after more than four decades of war and difficulties in economic development. In this regard, Vietnam is seen to be an excellent example of a successful transition from a centrally planned to a market-oriented economy. The new economic mechanism has unleashed the inherent dynamism the economy with impressive results. The economy grew by an annual average rate of about 7.5 percent during the 1991-2000 period. Export turnover has grown rapidly; inflation has been gradually brought under control and the price level has stabilized.

Along with economic growth, Vietnam's significant gains in poverty reduction already have been noted. The Government policy to give priority to agricultural and rural development and development of far-reaching and isolated areas succeeded in unlocking the productive capacity of the rural population and has stimulated the people to act on their own behalf and take steps to improve their situation. The resulting achievements in this area, especially in increasing per capita food production, has contributed importantly to poverty reduction, and has helped to improve the income level and living standards of the people.

Using international poverty standards, the overall poverty incidence declined from over 70 percent in 1990 to approximately 32 percent in the year 2000 (or the percentage of poor households declined by more than half compared to that in 1990). By these measures, Vietnam has achieved the development objective of the Millennium set by the international community, which is to reduce the poverty incidence by half during the 1995-2015 period.

1.2. Resources for poverty reduction and employment generation have increased

Despite budget constraints, the State has financed national programs for poverty reduction through a program on development of infrastructure in poor communes (Programs 133 and 135). Between 1992 when the program on hunger eradication and poverty reduction was developed and the year 2000, the State has made a total investment of approximately VND 21,000 billion through national programs directly related to hunger elimination and poverty reduction objective. The figure for the two years 1999 and 2000 alone was nearly VND 9,600 billion (of which VND 3,000 billion came from the State budget; over VND 800 billion from joint financing from other programs and projects; more than VND300 billion were mobilized from the community; and over VND 5,500 billion came from concessional credits to poor households).

The Bank for the Poor was established to provide concessional credit to the poor. The amount of funds mobilized from the population, domestic organizations and individuals has also increased considerably.

The total amount of funds lent to the poor reached VND 5,500 billion. In addition, the State provided considerable support to ethnic minority people living in especially disadvantaged areas. This includes a total grant of VND 70 billion and zero interest rate loans provided to nearly 90,000 households for production purposes.

The State has also given attention to investing in and providing financial support to fixed cultivation and fixed settlement and relocating people to new economic zones. In recent years, more than VND 500 billion of the central budget has been earmarked to support the settlement of households who practiced –fixed cultivation and fixed settlement and moved to new economic zones.

Over the past years, Vietnam's poverty reduction campaign has received support from many nations, international organizations and non-governmental organizations through various means (experience sharing, technical assistance, funds) under the framework of grant aid and concessional credit. This is a very important factor contributing to faster progress in eradicating hunger and alleviating poverty.

1.3. The percentage of communes with inadequate or nonexistent basic infrastructure has declined

During 1999 and 2000, the Government invested in the development of 6,500 infrastructure projects in poor communes (during which funds from the State budget was directly transferred to 1,200 communes in 1999 and 1,870 communes in 2000). The local budget was used to finance infrastructure development in 650 other poor communes. On average, 2.5 projects were developed per commune. In addition, more than 17 million workdays were mobilized from the local population to contribute to infrastructure development projects, and cash and in-kind contributions from the population valued at tens of billion dong were mobilized. As of April 2001, over 5,000 projects were completed and put into operation.

1.4. The capacity of poverty reduction workers has been improved

As of the end of 2000, on-site specialized poverty reduction workers have been made available to 1,798 communes from 22 provinces and cities. These are core staff, equipped with basic knowledge and qualified to instruct people to implement poverty reduction programs in their specific areas, thus contributing to the attainment of hunger eradication and poverty reduction objectives.

1.5. The Government has adopted many mechanisms and policies to create jobs and opportunities to allow people to take their initiative in finding jobs or to be self-employed with help from the State and the community

The National Employment Generation Program has been implemented with many good results. Employment promotion centers and vocational training, career advising, and training centers established by different sectors and levels and mass associations have been in active operation. Broad-based support for poverty reduction policies has come from diverse sectors, population strata, mass associations, social organizations and the working people themselves. A broad range of activities have been undertaken to help poor households overcome their difficulties and develop their capacity to gradually improve their situation to escape from poverty and stabilize their lives.

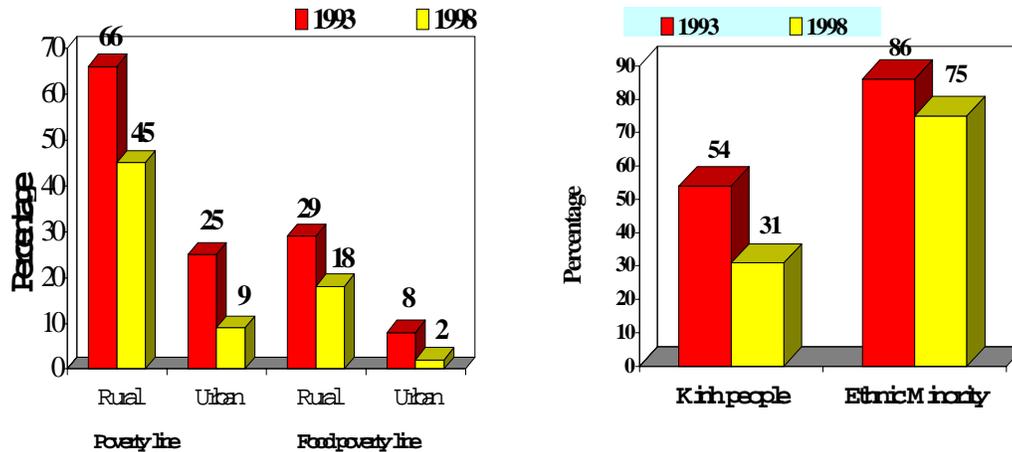
Agriculture and rural sector has been attracted the labor force most. On average, employment has been created for 1.2 to 1.3 million people per annum. The private, collective and co-operative economic sectors absorb about 90 percent of these new entrants into the labor force. Under considerably difficult economic conditions, and even during the years of slower economic growth, Vietnam adopted stronger social protection policies, especially with respect to poverty reduction, employment

creation, education and training, public health care, care for disabled and homeless children, including policies to stabilize the lives of people in targeted groups.

1.6. *There has been a marked improvement in living standards in many regions*

Poverty reduction is clearly observed in both rural and urban areas, among both Kinh and ethnic minority people, especially in the periphery of cities and towns, and areas endowed with favorable natural conditions such as fertile land. Per capita consumption in current prices increased from VND 2.6 million in 1995 to VND 4.3 million in the year 2000.

Figure 1.1: Poverty proportion by rural and urban areas and by ethnic groups according to VLSS of 1993 and 1998



2. Causes of Success and Lessons Learned

2.1. *Continuous and stable economic growth and development*, especially agricultural and rural development to which investment priority is given by the State (irrigation, transformation of economic structure, introduction of scientific and technical advances to production, etc.), and agricultural and rural reform policies, especially with regard to the transfer of land use right to the people, has created new dynamism and resources that allow broad-based hunger eradication and poverty reduction to take place. Consequently, the living standards of the rural population, where most of the poor live, have improved markedly.

Rapid and stable economic growth is the precondition for rapid and comprehensive poverty reduction. However, sustainable poverty reduction can only be achieved if conditions for the poor to benefit from the fruits of development are provided.

2.2. *Poverty reduction programs have received close guidance from various levels of Party committees, the government and mass organizations*, from central to local, and have been actively implemented. They have received sympathy and

support from the people. Those programs have been concretized into specific policies, mechanisms, projects and annual plans so as to concentrate efforts on agricultural and rural development, establish irrigation works to serve livelihood and production needs, support the structural transformation of the economy and of crops and livestock, ensure food security, etc. This has helped the poor to properly assess their poverty situation and its causes in order to develop their own capacities to escape from poverty, and to take advantage of available opportunities for poverty reduction and make effective use of support from the Government and community.

A lesson drawn from these poverty reduction programs is that all national levels, sectors and mass organizations, from central to the grassroots level, and the people, must have a clear perception of their responsibility for poverty reduction in order to effectively join forces for poverty reduction; at the same time, the poor have started to have a correct understanding of the problem and to see the need for taking their own initiative in improving their situation; consequently they will be motivated to develop their own capacities in order to escape from poverty.

2.3. *The set of policies, mechanisms and measures for poverty reduction* has been initially put into implementation and the impact of this is starting to be felt in the lives of the poor. These includes: the provision of concessional credit, guidance in how to make a living, health care and education support, support for ethnic minorities in especially disadvantaged areas, investment support for infrastructure development, support for sedentarization, fixed settlement and relocating people to new economic zones, and legal support, etc. This has created a favorable legal foundation for poverty reduction, and increased investment in physical infrastructure to enable poor communes to develop and expand production and improve their living standards, especially poor communes in mountainous, border, island, remote, isolated and ethnic minority areas.

Poverty reduction objectives should be consistent and visionary: the goal should be to not only improve the living standards of the people, but also to create opportunities and a legal foundation for improving the poor's intellectual level and sense of law compliance to enable their participation in the economic, political and social life of the nation. State policies and mechanisms should not only focus on fighting against poverty but also on preventing the falling back again into poverty.

Strategies to address poverty must be multi-dimensional and targeted to the needs of a diverse population. Policies and mechanisms should be flexible enough to respond to particular conditions in each area and locality. To effectively implement those policies and mechanisms, close coordination among different sectors and levels, and a strong and far-reaching nationwide drive for poverty reduction launched are needed.

2.4. *A system of organizations and cadres* has been established in different provinces and cities, and has initially worked well in some localities. The contingent of young volunteers, provincial and district officers sent as

supplementary staff to poor communes on a time-bound basis (about 2,000 people in 1999 and 2000) have been active in helping those communes to develop plans and projects regarding poverty reduction and in organizing the implementation of poverty reduction programs in the localities.

Many effective poverty reduction models at household, village, commune and district levels have been established and widely replicated. These include women's savings – credit model, self-help poverty reduction model, poverty reduction model for ethnic minorities, combined community development and poverty reduction model, and a model linking the activities of general corporations with poverty reduction objectives.

2.5. Diversification of resources mobilized for poverty reduction. First, local resources are brought into full play; resources from the community (general corporations, localities with good sources of revenue, various population strata, etc.) are mobilized in combination with State investment support; and international cooperation in the form of experience sharing, technical assistance and financial support should be widened.

3. Challenges

While acknowledging the above-mentioned achievements on poverty reduction in recent years, many new difficulties and challenges confront us.

3.1. The incidence of poverty remains high. Using the new poverty standards, although lower than those of other countries in the region, there are still about 2.8 million poor households, accounting for 17 percent of households in Vietnam, in early 2001. A majority of these are faced with many difficulties in reducing poverty.

Poverty is not evenly distributed throughout Vietnam. A relatively high poverty incidence is found in mountainous, remote, isolated, island and disaster-prone and ethnic minority areas. Progress has been slow in improving infrastructure in poor communes. A majority of the poor have no access to basic social services.

3.2. The process of opening up the economy and integrating with the global economy creates many difficulties and challenges for Vietnam. The economy of Vietnam must deal with fierce competition in international markets while its development is of low quality and efficiency, and its ability to compete is weak. Moreover, the volatile price of agricultural products is unstable and these prices seem to have downward trend.

3.3. Poverty reduction objectives should further broaden in terms of substance and change qualitatively to include not only food sufficiency, but also the satisfaction of other needs such as clothes, shelter that is not dilapidated, treatment when sick, and schooling for children, etc. To meet this requirement, in addition to

ensuring food sufficiency, supporting commodities production and infrastructure development in poor communes, favorable conditions should be created for the poor to access basic social services, improve their intellectual level, and be provided with legal support, while mechanisms for protecting the interests of the poor should be available and grassroots democracy should be practiced to minimize the risks that they are exposed to.

3.4. The widening income and living standards gap between urban and rural areas, between mountainous and plain areas, among different population strata, and between rich and poor regions in the country, is on a rising trend. The gap also seems to increase within the same region/area, especially in urban areas where urban poverty is spreading widely has become severe. Besides, poor areas are low-income areas, thus policies to attract foreign and domestic investment to rural areas in general, and to poor areas in particular, are needed.

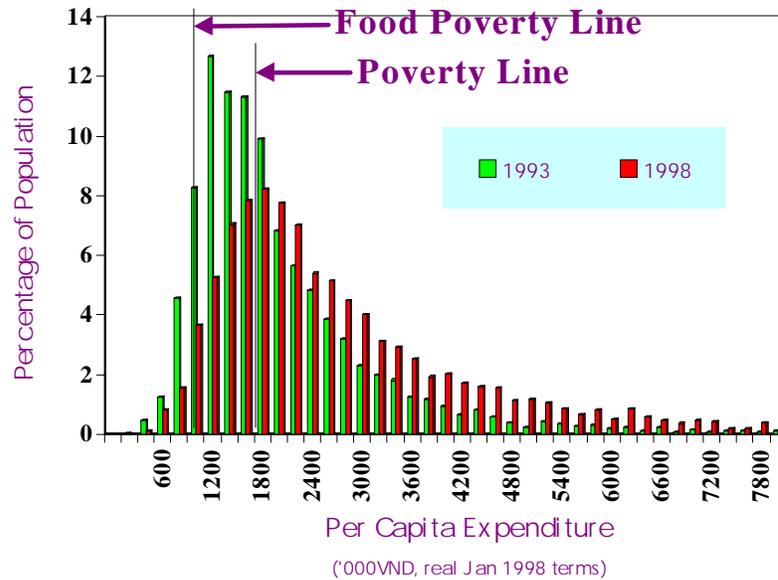
Poor people still encounter many difficulties in accessing basic social services. That all citizens can access services and benefit from economic growth and share the fruits of development on an equal and impartially basis remains a fragile possibility.

3.5. Poverty reduction gains remain unsustainable and the risk of falling back into poverty remains high. Poor people remain highly vulnerable to risks and unexpected shocks (such as sickness, natural disasters, harvest losses, market fluctuations, environmental pollution, loss of the family breadwinner, unemployment, and so on). The social safety net has not promoted ability in rural, remote, isolated areas. In particular, the fact that our country is situated in a natural disaster - prone area and that 80 percent of the poor work in the agricultural sector increases the risk that people will fall back into poverty. That a very large number of households live barely above the poverty line and have unstable incomes also increases the risk that they will fall back into poverty.

In addition, poverty is closely related to environmental degradation. Poverty can lead to farmers' overexploitation of natural resources that are already limited and consequently make poverty more severe.

Mountainous, remote, isolated areas are often threatened by natural disaster. If there has been a heavy natural disaster, the fruits of infrastructure works can be greatly lessened. Besides, those areas are greatly affected by backward customs and practices and social evils, such as drug trafficking, uncontrollable exploitation of mineral resources, and migration, etc.

Figure 1.2: The poverty reduction gains remain fragile



3.6. *Domestic resources remain extremely limited;* substantial investment is needed both for the overall development of the country and for poverty reduction. At the same time, resource mobilization has been limited and inefficient. Some investment orientations are in progress of adjusting, reinvestment capacity is inconsiderable, and banking and financial system is inefficient. Furthermore, financial market is in foundation period, causing it difficult to mobilize investment capital. Although resources for poverty reduction programs have been increasing over time, they are still not enough to meet the needs of poor localities. At present, the focal areas for poverty reduction are upland and isolated regions which experience great difficulties and suffer from inadequate and obsolete infrastructure. These problems and the higher investment costs make it difficult for these areas to attract private sector investment. This indeed presents a very great challenge to the task of poverty reduction in the coming period.

3.7. *Redundant labors is numerous. The proportion of trained workers in the labor force is low.* The continued high rate of population and labor force growth, while Vietnam's ability to create new jobs and increase labor productivity remains limited, intensifies pressure to solve the employment problem. The number of unemployed and underemployed people in the country remains large. The underemployment rate in rural areas is high, about 26 percent (the rate of working time utilization is low, just a little above 74 percent). In urban areas, there appears to be a trend rise in the unemployment rate, especially in big cities (about 6,4

percent) due to the adverse impacts of migration, loss of land for production purposes and urbanization, etc.

Continuation and intensification of the process of reforming the economy and state-owned enterprises and trade liberalization in a larger and larger scale, is expected to unleash new sources of economic dynamism that should generate additional resources for poverty reduction. However, if the poor are not given opportunities or are unable to participate in this process, unemployment will increase and so will poverty. The renovation and reorganization of state-owned enterprises in the 2001-2010 period will lead to the shedding of tens of thousands of workers who will then need new jobs.

3.8. *Although poverty reduction and pro-poor policies and mechanisms are being implemented, they are not sufficient, harmonious, clear and transparent in some areas and localities and are inappropriate to the particular conditions of each region and each group of poor people; consequently, their actual implementation is less effective and their impacts on poor communities are not strong enough. Many weaknesses remain to be found in the organizational arrangements for and implementation of poverty reduction policies. Among the changes in economic relations, the reverse terms of trade between agricultural and industrial products in favour of the former has appeared. This trend affects farmers' income, especially low-income people... Although poverty reduction programs and the program on socio-economic development in especially disadvantaged communes, etc. have been effectively implemented in certain localities, their fruits are not broad-based due to the lack of appropriate supervision mechanisms for them.*

3.9. *Policies on gender equality are sufficiently adopted but not implemented strictly. The poor women and girl children in remote and isolated areas and ethnic minority women have less benefit from those policies. They are affected by backward ideologies, customs and practices. In many areas, they are victims of women trafficking and family violence. The socialization in education and health seems to increase burden on poor family, and women firstly.*

PART II
Objectives and tasks of Socio-economic
Development and Poverty Reduction
For the Period up to 2005 and 2010

I. OVERALL OBJECTIVES AND TASKS OF SOCIO-ECONOMIC DEVELOPMENT AND POVERTY REDUCTION

1. Overall Objectives

1.1. Overall Objectives of Socio-Economic Development for the 2001-2010 Period

To bring Vietnam out of the state of underdevelopment, remarkably improve the people's material, cultural and spiritual life; and lay foundations for transforming the country into a basically modern-oriented industrialized country by 2020. To enhance our human resources, scientific and technological capacity, infrastructure, and economic, defense and security potentials; to basically establish the institutions of a socialist-oriented market economy; and to heighten the position of Vietnam in the international arena⁽⁶⁾.

1.2. Overall Objectives of the Five-Year 2001-2005 Plan

Achieve rapid and sustainable economic growth. Stabilize and improve the living standards of the people. Strongly transform the structure of the economy and labor force to increase the productivity of the economy. Improve significantly the efficiency and competitiveness of the economy. Broaden the country's international economic relations. Create fundamental changes in education and training, science and technology, and bring into full play our human resources. Create many jobs; basically eliminate hunger and reduce the number of poor households, reduce social problems. Continue to strengthen our social and economic infrastructure. Achieve significant progress in establishing the institutions of a socialist-oriented market economy. Maintain political stability, social order and security; protect the nation's independence, national sovereignty, territorial integrity, and national security.

2. Specific Tasks of Socio-Economic Development

2.1. Strive for a higher economic growth rate than that of the past five years; lay the groundwork for the growth in the next five years.

2.2. Continue to transform more strongly the structure of the economy and the production structure along the line of bringing into full play the country's comparative advantage, especially in agricultural, fishery and industry production

⁽⁶⁾ For more details, see the Ten -Year Socio-Economic Development Strategy (2001-2010) - National Political Publishing House, Hanoi 2001.

and in services sector; strongly push up exports; meet the demand for domestic production and consumption based on guaranteed quality and high competitiveness.

2.3. Rapidly increase and improve the efficiency of capital for socio-economic development investment. Mobilize maximum domestic resources for investment development, especially from the population. Encourage investment from the population, stimulate sensible spending, and mobilize to the maximum level possible the domestic savings for development investment. Continue to implement the demand stimulation policy with regard to investment and consumption.

Achieve a basic step in the improvement of the infrastructure system. Develop in a harmonious and sustainable manner the national transport network and establish a correct-grade transport infrastructure system to support the country's industrialization and modernization and international economic integration. Make adequate investment in focal economic areas and provide more investment to disadvantaged areas.

2.4. Broaden and increase the efficiency of external economic relations. Firm up the existing markets and expand into new markets. Take necessary measures in harmonious manner to rapidly increase total exports. Create stable markets for competitive agricultural and industrial products. Speed up searching new markets for new export products; improve quality and prestige of export products.

2.5. Continue to renovate and safeguard the healthy operation of our financial and monetary system, and enhance the national financial potential and capacity. Practice saving behaviors; increase the share of spending on development investment in the state budget; and expand the capital market to meet the requirements of socio-economic development.

Continue to restructure the state budget, reform the commercial banking system; promote arrangement of, renovate, develop and improve SOEs' efficiency in implementation to meet the need of transforming the economic structure and sustainable growth.

2.6. Renovate and create fundamental and comprehensive changes in the development of education and training and science and technology; improve the quality of human resources with appropriate structures; achieve universalization of lower secondary education; rapidly apply advanced modern technologies, gradually develop the knowledge-based economy, and reduce environmental pollution and improve the efficiency of environmental protection.

2.7. Effectively address pressing social problems arising from urbanization and industrialization process, create jobs and reduce unemployment in urban areas as well as underemployment in rural areas; develop harmonious policies and specific guidance suitable to specific regions/areas to basically eradicate hunger and rapidly reduce the number of poor households; fight social evils; and ensure

sustainable development. Strong develop culture, communications, health care and sports; raise the material and spiritual living standards of the people; meet part of the people's requirement for curative medicines; reduce the child malnutrition rate; and increase the percentage of rural people having access to clean water. Reduce such social ills as HIV/AIDS, drug, and traffic accidents.

Enhance gender equality, integrating it into various development policies, programs and projects. Ensure resources needed for line ministries and agencies and provinces in development and implementation of policies and programs that serve for gender equality.

2.8. *Accelerate the reform of public administration in four areas*: administrative institutions, administrative apparatus organization, building of the contingent of civil servants; and public finance with an aim to enhancing the efficiency and transparency of state policies and service delivery instruments; promote the application of information technology to improve services, and ensure an open transparent and stable relationship between the State and citizens and enterprises. Minimize bureaucracy, draw back corruption and implement participatory and democratic governance at all levels, especially at the grassroots level.

Ensure that all orders and rules are respected in all social and economic activities and implement the grass-roots democracy, strengthen the supervision of people to public services, administrative activities and public financial resources...

II. MAJOR SOCIO-ECONOMIC DEVELOPMENT AND POVERTY REDUCTION TARGETS FOR THE PERIOD UP TO 2005 AND 2010

Based on the Ten-Year Socio-economic Development Strategy for the 2001-2010 period, sectoral and industrial development strategies and the Five-Year Socio-economic Development Plan for the 2001-2005 period, and taking into consideration Millennium Development Goals (MDGs) set by the United Nations, the Government of Vietnam has identified socio-economic development and poverty reduction targets for the period up to 2005 and 2010 as follows:

1. Economic Targets

1.1. GDP in 2005 is double that in 1995 and GDP in 2010 is at least double that in 2000, of which the value added of agriculture, forestry and fishery grows at 4.0-4.5% on average during the 2001-2010 period, and 4% during the five-year 2001-2005 period; industry and construction at 10.0-10.5% on average during the 2001-2010 period, 10.4% during the five-year 2001-2005 period; services at 7.0-8.0% on average during the 2001-2010 period, 6.8% during the five-year 2001-2005 period.

1.2. Ensure the ratio of domestic saving rises over 30% GDP, mobilize VND 840 thousand billion (US\$60 billion) to finance development investment for the period 2001-2005.

1.3. The share of agriculture in GDP is 20-21% in 2005 and 16-17% in 2010; industry is 38-39% in 2005 and 40-41% in 2010; and services is 41 - 42% and 42-43% respectively.

1.4. The share of industrial labor in total labor force rises to 20-21% in 2005 and 23-24% in 2010. The share of labor in agriculture, forestry and fishery decreases to 56-57% in 2005 and 50% in 2010. The share of labor in services rises to 22-23% in 2005 and 26-27% in 2010.

2. Social and Poverty Reduction Targets

2.1. Reduce the percentage of poor households

Reduce poverty rate according to international poverty line⁽⁷⁾ by two fifths by 2010 and according to the food poverty line by three fourths by 2010 as compared to that in the year 2000.

Reduce the proportion of poor household by two fifths by 2005 and by three fifths by 2010 as compared to that in the year 2000 according to National Targeted Poverty Reduction and Employment Generation Program standard.

2.2. Ensure the provision of essential Infrastructure facilities to poor people, poor communities and poor communes

Continue reforming, upgrading and expanding the existing essential infrastructure facilities and develop new ones (small irrigation schemes, schools, commune health clinics, rural roads, electricity for lighting purposes, clean water for livelihood purposes, markets, commune cultural and postal offices, meeting rooms, etc.) to ensure that 80% of poor communes are provided with adequate essential infrastructure by 2005 and 100% by 2010;

Expand the national transmission grid to reach centers of 900 poor communes by 2005 and ensure that 90% of communes are provided with electricity.

Ensure the provision of car-accessible roads connecting to commune centers. Strive to ensure that 80% of commune roads have appropriate road surface structure, of which 30% are paved with asphalt or cement.

Ensure that 80% of the urban population, especially those living far from the major transport roads, and 60% of the rural population have access to clean water with an average daily supply of 50 liters per person, and 50% households have toilets that meet basic sanitation standards by 2005. Attach importance to ensuring sufficient provision of clean water facilities and environmental sanitation in nursery schools, kindergartens, schools, health clinics in rural areas. Ensure that 85% of rural population has access to clean water with an average daily supply of 60 liters per person and 75% households have toilets that meet basic sanitation standards by 2010. Pay special attention to enabling poor households to access clean water

⁽⁷⁾ The definition of this is mentioned in Section I.1.2

supply facilities, especially households located far from the commune center and far from the main roads.

2.3. Job Creation

Provide new jobs for approximately 1.4-1.5 million people per annum on average; Increase the proportion of women hired in the new job created to 40% by 2005 and 50% by 2010.

Increase the proportion of trained workers in the total workforce to 30% by 2005 and 40% by 2010; increase rural labor utilization rate to 80% by 2005 and 85% by 2010, of which women labor utilization rate is 75% by 2005 and 80% by 2010.

Reduce urban unemployment rate to about 5.4% by 2005 and to under 5% by 2010.

2.4. Education Universalization and Improvement of Education Quality

Consolidate, maintain and bring into full play the gains from primary education universalization and illiteracy elimination, especially in mountainous provinces and in remote and isolated areas; implement lower secondary education universalization nationwide. Increase the rate of children under 3 year-old attending nursery school from 12% in 2000 to 15% in 2005 and 18% in 2010. Increase the rate of children from 3-5 year old attending kindergarten from 50% in 2000 to 58% in 2005 and 67% in 2010.

Increase primary school net enrolment rate to 97% by 2005 and 99% by 2010. Increase the primary school completion rate to 85-95% by 2010.

Achieve lower secondary education universalization in cities, towns and some other areas by 2005 and in the whole country by 2010. Increase lower secondary school net enrollment rate to 80% by 2005 and 90% by 2010.

Increase upper secondary school net enrolment rate to 45% by 2005 and 50% by 2010.

Ensure that by 2010, most of primary and secondary schools will offer essential conditions and daytime periods when pupils can “study through play, play through study”.

Eliminate illiteracy for 95% of under-40-year-old illiterate women by 2005 and 100% by 2010.

Enroll pupils in vocational schools at the appropriate age to 10% in 2005, 15% in 2010; enroll secondary graduated pupils to skill training schools from 6% in 2000 to 10% in 2005 and 15% in 2010.

Improve education quality in all levels and for all, especially for the poor.

2.5. Reduce the Birth Rate, Child Mortality Rate and Child Malnutrition Rate

Firmly maintain the birth rate reduction trend in order to reach the average substitution level in the whole country by 2005 at the latest and in remote and poor areas by 2010 at the latest.

Reduce infant mortality rate to 30‰ by 2005 and to 25‰ by 2010 and reduce under five-mortality rate to 36‰ and 32‰ by 2005 and 2010 respectively.

Reduce under 5 year old malnutrition rate to less than 25% by 2005 and to less than 20% by 2010.

Reduce the rate of children of low weight at birth (less than 2,500 grams) to 7% by 2005 and to 5% by 2010.

2.6. Reproductive health, epidemic, HIV/AIDS and other social diseases

Reduce the maternal mortality rate to 80 per 100,000 live births by 2005 and to 70 per 100,000 live births in the whole country by 2010 (the rate for mountainous areas is 100 per 100,000). Improve post-delivery health status of mothers.

Maintain the achievement of polio eradication; reduce to the minimum the rates of cholera, typhoid, petechial fever, malaria, and plague morbidity and mortality...

Restrain the rate of HIV/AIDS transmission and minimize the effects of HIV/AIDS. Prevent to minimize the number of children infected by HIV/AIDS. Start restraining the growth rate of HIV/AIDS transmission by 2005 and halving this rate by 2010. Control and move towards eliminating social diseases. Prevent and fight against accidents, traumas and harmful effects of cigarettes.

2.7. Develop culture and information and elevate the spiritual life of the people

By 2005, strive to raise the proportion of “cultured families” to 80%; 50% of villages and urban neighborhoods will be up to “national culture” standards; 78% of all communes will have a cultural center, and on average each person will have four new books a year.

Continue to improve the system to broadcast radio and television nationwide, ensuring that 95% of all households can hear the Voice of Vietnam and over 90% can see Vietnam Television programs by 2005, and basically universalize the mass communication equipment to each household by 2010.

Increase the amount of programming and broadcasting hours in the languages of ethnic minority peoples.

2.8. Improve the cultural life and preserve culture of ethnic minority peoples

Raise the social consciousness, preserve and bring into play the traditional cultural values of ethnic minority peoples. Sustain and develop reading and writing

ability of ethnic languages in areas with high ethnic populations. Provide access to kindergarten education to every child from ethnic minority groups and opportunities for children from ethnic minority groups to complete the primary education program partly in Vietnamese and partly in their own language by 2010. Provide support to ethnic minority people to increase their proportion in the total staff of public agencies. Increase the proportion of trained staff, workers and public servants who are from ethnic minorities in the total staff of public agencies.

Ensure the entitlement of individual and collective land use rights to the ethnic minorities and mountainous people; prevent buying and selling agriculture land that belongs to ethnic minorities. Localities are required to have land and house fund using for children's playing and entertainment areas.

Continue consolidating and expanding the health care, culture, information and related activities to reach ethnic minority peoples. By 2010, each village or hamlet in upland, remote and isolated areas has "community house" for meeting and playing.

2.9. Ensure sustainable environment

Focus on addressing the problems of environmental degradation and preserve natural resources; ensure that by 2010 there are no slums in cities and temporary houses in rural areas, especially in the Mekong River Delta.

Strive to ensure that by 2010 waste water will be treated and solid waste matter and waste from toilets will be collected at 100% of industrial zones, cities, towns and rural craft villages; plan to fix the environmental damage to and reform rivers, lakes, ponds, and canals, etc.

Raise the quality of forest protection work, forestation, reclamation of barren land and hills; and increase the forest coverage from the current level of 33% of total country area to 38% by 2005 and to 43% by 2010.

Manage and sustainably use natural and energy resources; and minimize raw materials and waste in production.

2.10. Reduce the vulnerability of the poor disadvantageous peoples and strengthen the social safety net to support them

Ameliorate significantly the poor' income, especially women-headed households; improve the quality and the poor' access to basic social and production services as well as other resources, especially poor women.

Ensure that by 2010 households in urban areas are granted land use right certificates and the certificates on the right to own their houses situated on a legal land area.

Expand the formal social safety net to people. Renew the policies and mechanisms of social insurance. Encourage the participation of households and community in various voluntary insurance forms.

Improve the access of the poor labors and disadvantaged group to the labor market, especially with regard to training issues. Increase the quality and quantity of works. Assure job security.

Strengthen children and juvenile security; resolve thoroughly working children issue, homeless children, and children living under special circumstances, especially children from women-headed households. Protect people living under special circumstances (disable people, affected dioxin people, the lonely old, policy targeted people and other groups of people). Take care of and provide treatment to HIV/AIDS infected patients and drug addicts, etc.

Develop strategies to prevent and alleviate natural disaster. Halve the number of people falling back into poverty due to calamities and other risks by 2010.

2.11. Gender equality, empowering women and ensuring children's rights

Improve the quality of women's spiritual and material lives; improve the professional skills for women. Create conditions for women to participate in and benefit fully and equally from all aspects of life: political, economic, cultural and social. Increase the participation of women in agencies, sectors and enterprises at all levels by more than 3-5% in the next 10 years.

Ensure the rights of women to benefit from household assets by allowing them to register as co-owner of assets (same as for their husbands); ensure that the names of both husband and wife appear on land use right certificates before 2005.

Encourage families to build cultured families based on enhancing the role of women as a master in the family; adopt necessary measures to help women alleviate their burden in domestic work (preparation of food/meals for families, transport, child care, etc.). Reduce domestic violence towards women and female children at family and society levels.

Create favorable conditions for the implementation of policies on child care and protection, enforcement of children's rights to ensure that children are able to live in a safe and healthy environment, to develop harmoniously in terms of physical strength, intellect and ethics, and that orphans and disabled children who live under difficult situation are provided with opportunities for study and entertainment.

2.12. Accelerate public administration reform, provide the poor with knowledge of the law

Enhance the efficiency of the State management work; implement the overall public administration reform program for the 2001-2010 period.

Continue to improve the institutions and policies that affect poor people; and improve the poor targeting and better allocate resources for pro-poor programs

Improve poor people's access to a transparent, accountable and participatory government; ensure that all citizens, especially poor women, have better access to the judicial system and information about the law.

Complete the development of reform strategies regarding the public sector, jurisdiction and financial management in order to provide better support to the poor. Develop a master plan for public administration reform and ensure that it is thoroughly implemented in urban areas in 2010.

Minimize bureaucracy and draw back corruption, practice a democratic and participatory state management. Realize effectively the Decree on Grassroots Democracy.

Expand legal support for the poor, consolidate and continue to diversify forms of support, improve the flexibility and efficiency of the forms of support, and create favorable conditions for the poor to have easy access to free-of-charge legal services.

III. THE RELATIONSHIP BETWEEN GROWTH AND POVERTY REDUCTION

1. Poverty reduction serves as a fundamental factor for ensuring social equality and sustainable growth

Poverty reduction is not only a present mission but also a long run one. Hunger elimination and poverty reduction is the initial works, and the long-term work is to reduce the gap between the rich and the poor, build a prosperous, strong, just, democratic and civilized society.

Poverty reduction is not simply to redistribute income in a passive manner, but to create growth dynamism on the spot and is a process in which the poor take their own initiative in improving their situation in order to overcome poverty. At the same time, poverty reduction is not merely a one-way support from economic growth to disadvantaged people, but also an important factor that lays down a relatively level playing field for development, provides additional abundant labor force, and ensure the stability in the "take-off" period.

Thus poverty reduction is one aspect of growth targets (both in economic and social point of view); at the same time, it is a precondition of rapid and sustainable growth. In a sense, in the short run while a considerable proportion of social resources are allocated to poverty reduction, resources for economic growth can be influenced. However, from an overall perspective, in the long run, poverty

reduction results are preconditions of rapid and sustainable growth. This situation is the same as the one that land has been given to the farmers, thus gigantic progress in agriculture had been achieved. As a result, many farmers managed to escape from poverty and had opportunities to carry out the “green revolution” which brings about new factors for agricultural development

2. Progress in poverty reduction must be based on broad-based, high quality and sustainable economic growth and must create favorable conditions for poor people and poor communities to access opportunities to develop and expand their production and businesses, and to enjoy the fruits of growth.

High quality growth enables a rapid reduction of the rate of poverty. Our own recent experience shows that high economic growth rates made it possible for the State to generate the material resources for developing and implementing programs to provide financial and material support to disadvantaged communes to develop their basic socio-economic infrastructure. As a result, poor people and poor communes were provided with opportunities to develop their capacity to escape from poverty. Economic growth is an important condition for eliminating widespread poverty. The effectiveness will be low if only redistribution programs traditional poverty reduction methods are used without economic growth.

Broad-based, high quality and sustainable economic growth, focusing first on structural transformation, diversification of agricultural production, and professions and trades development, creates more opportunities for small and medium enterprises to develop so as too generate much non-farm employment, and raise the income of the poor, etc.

3. Poverty reduction is structured as a component of the Ten-Year Socio-Economic Development Strategy and Five-Year and Annual Socio-Economic Development Plans from the central to the grassroots level.

Attention must be given to poverty reduction right when the orientation of the long-term, medium-term and annual socio-economic development plans is being developed; poverty reduction should be seen as one of the central tasks of the Government’s socio-economic development plans. Through these plans, the State takes its initiative in adjusting properly diverse resources in the society available for national poverty reduction objectives and activities. The State is responsible for developing essential measures such as provision of investment to support production, development of infrastructure, establishment of social relief funds, and so on to help and protect the poor. A market-oriented exchange and distribution mechanism should be maintained while ensuring that the poor are not excluded

from accessing resources and benefiting from the nation's economic prosperity. International experience shows that the absence of the State's role in this undertaking would be especially harmful to poor people and poor communities, because the poor cannot protect their rights by themselves; moreover, the common fruits of economic growth are closely related to the core role of the State who is responsible for attracting the active participation from the community, and political, economic and social organizations.

4. Poverty reduction is not only the task of the Government and the whole society, but it is first of all the responsibility the poor themselves to develop the capacity to escape from poverty.

Although it is the responsibility of government to help eliminate social and economic constraints and barriers in order to eliminate hunger and reduce poverty, the outcome will be weak if the poor themselves do not actively strive to improve their living conditions.

Poverty reduction must be seen as the mission of poor people and poor communities themselves, because it is their own self-help efforts to escape from poverty that is the driving force and necessary condition for attaining the goal of poverty elimination in all countries.

The State will support the poor to enable them to learn how to escape from poverty and avoid falling back into poverty when risks befall them. Apart from providing direct material support to the poor, providing them with guidance on how to produce and do business and how to develop their economic activities, given their particular conditions and circumstances, is the very condition for rapid and sustainable achievement of poverty reduction.

PART III

Creating an environment for Rapid, Sustainable Development and poverty reduction

I. CREATING A LEGAL ENVIRONMENT THAT SUPPORTS FAIR AND COMPETITIVE BUSINESSES

1. Creating a Legal Environment that supports Fair and Competitive Businesses

To create a fair and level playing field for all enterprises, it is required that a gradual move is made towards establishing an integrated legal system with consistent policies and mechanisms to regulate all types of enterprises based on the notion that the State respects and ensures the right of each citizen and each enterprise to have the freedom to conduct business in accordance with the law. It is also required that available funding sources are fully mobilized and all production powers are fully utilized to their utmost capacities to secure the economic growth and the income raise for people.

It is also a must that the Enterprise Law is implemented in an accelerated and comprehensive manner, while furthering with the abolition of unnecessary business licenses, necessary revisions of legal documents are made to ensure equal access to public services, resources, investment, and business opportunities and that all types of enterprises have equal access to capital, credit, land, new technology, information, market and training opportunities as well as to Government preferential treatment and incentives.

The legal framework should be developed in a way to ensure a transparent and stable investment environment with efficient investment promotion measures and policies.

Best corporate governance practices should be made available for listing companies and joint stock banks to apply compulsorily within 18 months. Apart from that, joint stock companies should be encouraged to apply such practices.

People's Committees at the provincial level should publicize master plans for land use, urban development and civil infrastructure development (including housing, water, bus stations, transportation etc.) to facilitate investor's decisions.

The Competition Law should be enacted and investment effective mechanisms should be developed to control monopolies and supervise enterprises with monopolistic power in input and output pricing and in business conditions.

The supervision and inspection of enterprises and various procedures regulating customs clearance, traffic control and technical examination should be streamlined and simplified to facilitate enterprises operations and protect consumers' legitimate rights and interests. Arbitrary forms of enterprise

examination and inspection and the abuse of the inspecting function for the purpose of troubling and harassing enterprises for bribes should be totally eliminated.

In 2002, revisions will be made to the Enterprise Law and Law on Enterprise Bankruptcy, while the Law on Competition, the Pricing Ordinance and the Ordinances on Most Favored Nation Status and National Treatment shall be promulgated.

The (revised) Land Law should be rapidly implemented and the Guidance Decree of such Law should be released soon to enable the completion of the issuance of land use right certificates in two or three years. This is believed to lay a legal foundation for the healthy operation of the real estate market. Besides, streamlined and simplified procedures should be made to property transfer or leasing transactions as well as to the mortgage of land use rights as collateral for bank loans, or as equity contribution to joint-ventures.

Specific regulations should be promulgated to allow Vietnam-based banks to accept land use rights as collateral; while a gradual development is fostered for non-banking financial institutions and regulations on diversified types of funds mobilization and credit provision. Uniform and consistent financial accounting and economic statistics systems should be made available for use by all enterprises regardless of their ownership style.

2. Continued Reform of State-Owned Enterprises (SOEs)

There is a need for a swift implementation of policies and directions on the organization, renovation and improvement of the efficiency of SOEs, which include:

Clarification and concretization of the directions for re-arranging and developing SOEs whose mandates are to provide public utilities and whose not. Issue criteria for the detailed classification of SOEs into different forms distinguished by the amount and nature of shares held by the State either all shares, dominant shares, special shares, or minority shares and no shares at all. Classifications should also be made to SOEs that are subject to merger, dissolution, bankruptcy, transferal, sell-off or leasing.

Encouragement of citizens and enterprises from all economic sectors to do business in areas that are not prohibited by law.

Promulgation of a new Decree to replace Decree No. 56/CP governing Public Utilities Providing Enterprises toward requiring such businesses to be financial independent. The State shall adopt preferential treatment for public goods and services equally regardless of where they come from.

Implementation of Prime Minister's Decision 187/1999/QD-TTg dated 16 September 1999 on the Renovation of State-owned Forest Farms Management.

Revision and addition of mechanisms and policies to establish an integrated, coherent and consistent legal framework that enhances autonomy and market-based

decisions of state-owned enterprises which eventually improves their efficiency and gives them greater accountability to their shareholders and employees.

Introduction of mechanisms and policies that aim to provide preferential treatment to some industries, areas, products and services that are found in need.

Promulgation of policies to enable the fair competition among businesses and the control of monopolies.

Issuance of criteria for evaluating business performance and specification of the supervision and sanction mechanisms applicable to different types of SOEs, particularly those that are fully or largely owned by the State and State Corporations, to effectively encourage efficient managers and penalize inefficient ones.

Renovation of the accounting, auditing, reporting, and information sharing systems, which requires businesses to be financially transparent.

Formation of a Financial Investment Company on an experimental basis to test the model where the State acts as investor and manager of capital other than transferor of equity. Enacting the Law on the Use of State funds for Investment Purposes. Revision of the Regulation on Investment and Construction Management toward giving more investment decision-making power to enterprises. Replacement of Decrees No. 28/CP and 03/2001/ND-CP with a new one to better regulate the Labor, Salary and Income Management in State-Owned Enterprises.

Issuance of criteria and regulations on competitive examination for key managing positions in SOEs with emphasis given to capable and experienced managers. Development of a training and re-training system for strengthening capacity of enterprise managers that can well meet the requirements of the current market-based practices.

Application of policies that ensure appropriate material and spiritual incentives to enterprise managers depending on their contribution to business performance. Decision No. 83/1998/QD-TTg should be replaced with a new regulation that enable payment of salary and salary allowance to members of the Board of Directors, Management Board of the State Corporations and large-scale independent enterprises. At the same time, there need to be regulations that bind their responsibilities and ensure effective sanction measures are taken where needed.

Introduction of policies to deal with non-performing loans of SOEs and formation and operationalization of an SOE property dealing and debt management company so that SOEs' debts and unused assets are dealt with in such a way that improves the soundness of corporate finance.

Preparations of policies according to which workers, especially female workers that are made redundant in the process of SOEs reorganization will be provided with opportunities to be retrained, to be off work while still receiving basic salary payment for a certain period of time in search for new employment opportunities; where they fail to get a new job, an unemployment treatment shall be offered.

Revisions should also be made to policies governing redundant workers to allow early retirements and to provide support for those who wish to find new jobs.

Creation of close linkages between the groups of depositors and borrowers with the banking system; Expansion of successful models of sustainable micro-finance initiated by NGOs or other civil organizations and fostering credits for cultivation extension purposes.

Acceleration of the equitization of SOEs where the State requires no full ownership. The State will adopt policies to reduce inequities in the amount of preference shares held by workers of the equitized SOEs; provide regulations to ensure that workers can hold such shares during a certain period of time. More studies are needed on the possibility of using part of the enterprise's own capital (equity) to issue dividend-earning but non-transferable shares to enterprise workers. Equitization procedures should be streamlined, simplified to be more transparent to investors and to be in conformity with the Enterprise Law and the Law on Encouragement of Domestic Investment where investors are allowed to buy shares in equitized enterprises where the State does not hold dominant shares at first issuance. It is also a need to promulgate a new decree to replace Decree No. 44/1998/ND-CP on the Equitization of State-Owned Enterprises.

Revision of a number of articles in Decree No. 103/1999/ND-CP on accelerating the transfer, sale, business subcontracting and leasing of SOEs.

Development and establishment of new SOEs that are considered necessary in key industries and sectors and in important areas and for which sufficient conditions are met, including conducting due diligence to ensure that this decision will not have medium and long term adverse effects on the state budget. SOEs that are inefficient, but not subject to be equitized, transferred, sold, business subcontracted or leased, will be merged, dissolved or declared bankrupt. Revision of a number of articles in Decrees No. 50/CP and 38/CP on the Establishment, Reorganization, Dissolution and Bankrupt Declaration of SOEs toward requiring newly formed SOEs carries shareholding company status. SOEs with 100 percent state ownership will only be established in industries and sectors that either require State monopoly or are not interested or beyond the capacity to invest by non-State sectors. The Law on Enterprise Bankruptcy should be revised toward allowing the approving authority of SOEs' establishments to declare the enterprise going bankrupt. Substitution of the line ministry system with the state management mechanism entailed by state-governed policies, laws, standards and norms; giving SOEs the autonomy to determine on the establishment of State corporations and business associations.

Encouragement of the various co-operations, joint ventures between enterprises belong to different sectors. Enhancement of the business association's roles in providing business development services for their members, linkage between Government and enterprises, export and trade promotion, right protection of their members.

Revision of the Labor Code. Preparation of the Law on Social Insurance and make additions to employment insurance policy based on the principle of “the State, the enterprise and the workers make contributions together”.

Revision of the Law on State-Owned Enterprises to enable greater autonomy and ensure more accountability for SOEs in their business operations so as to improve their efficiency and profitability. Issuance of regulations on the establishment, organization, operation, reorganization, dissolution and bankruptcy of SOEs.

3. Giving enterprises supports relating to land use, production and business activities and development of small- and medium-size enterprises, farms and various types of enterprises in the private sector.

Small and medium enterprises (SMEs) play an important role in the nation’s economic growth, in creating employment and reducing poverty. The State encourages and provides support for the development of SMEs, especially those in remote and isolated areas as well as in rural areas.

It is a need to make a rapid implementation of Government Decree No. 90/2001/ND-CP on the development of small and medium-sized enterprises. Formation of SMEs Bureau, development of the SOE promotion and support organization system at central and local levels, development of the legal framework and specific policies to encourage and support SMEs. SMEs should have easy access to Government support programs on various areas including investment and credit, land use, market information, technical consultancy, training services, human resources development and many other services.

Ensure should be made for SMEs to access to banks’ credits; the State will establish various funds to support investment, offer medium and long term loans, establish a fund to provide credit services to SMEs; expand various forms of credit for lease and purchase, and for unsecured loans; provide on a selective basis preferential taxes, tax reductions and tax exemptions and financing for scientific research and technological renovation programs and for enterprises that employ poor workers, especially women. Extend preferential eligibility with respect to investment and credit to small enterprises, individual household businesses, family businesses engaged in processing activities, handicrafts and fine arts. More emphasis should be paid to support program for SMEs under women’s leadership.

The State allows SMEs to benefit from land-use rights much as SOEs in accordance with the Land Law (conversion, transferring, inheritance, secured loans, renting out land-use rights in accordance with the Land Law).

Encouragement should be made to businesses in all economic sectors that provide technical assistance for training and transferring skills in different regions. Market for different services including accounting, auditing, marketing and advertising services should be developed while fostering some business incubators to nurture SMEs during their early stages. The technology market should be

developed to allow more technology transfer and market development between large enterprises and SMEs. Providing a longer tax holiday for projects with technological renovation elements; establishment of a national training and job creation fund and giving more support to training services and technology transfers.

Building capacity for organizations at the central and local levels in charge of managing and supporting SMEs. Strengthening the capacity and providing financial support for business representative, business development and business consulting organizations that work to serve SMEs. Coordination and implementation of programs to develop small and medium enterprises among state management organizations, business associations, vocational centers and state and private consulting and training facilities. Development of a sustainable network for providers of business development services.

Development of specific policies in creating a supportive environment for production and business activities, providing credit support, market information, production technology, tax exemption and infrastructure, etc. in order to provide effective assistance to enterprises in some selected industries, remote, rural and poor areas and poor communes.

Issuance in the near future of a relevant financial mechanism for SMEs. More renovations and simplifications should be made to the accounting system, tax registration and tax payment system to reflect the characteristics of SMEs, especially those in rural and mountainous areas so as to create both tax payers' convenience and avoid loss in tax collection.

Fostering the development of co-operatives in accordance with the Co-operative Law, and various forms of business co-operation between natural persons and legal persons on the basis of respecting the freedom and self-determination of workers, democracy and transparency. Pursuit of a clear-cut resolution of the outstanding debts of old cooperatives whose form of ownership have been or have not yet been transformed. Dissolve cooperatives whose existence is only nominal and which have no economic basis to develop, and whose members' participation is not on a voluntary basis, etc. Encourage the development of legal consultancies for community-based organizations and facilitate their better management of community resources. Provide guidance on the implementation of policies to encourage development of cooperatives.

Encourage the development of and provide long-term protection to the farm economy. Implementation of Decree No.03/2000/ND-CP of the Government on development of the farm economy. Creation of favorable conditions for households engaging in production and business activities to participate in the market by promoting, developing and completing market institutions; at the same time promote the development of consultancy services for households and groups of households doing business, and encourage them to gradually become enterprises.

4. Promotion of foreign investment that is considered as a long-term component of the national economy

Implementation of Government's Resolution No. 09/2001/NQ-CP on attracting and improving the efficiency of foreign direct investment to Vietnam during the 2001-2005 period with special attention given to such pressing measures as: diversifying the forms of attracting foreign direct investment, implementing policy to allow foreign investors to establish shareholding companies and transforming a number of foreign invested enterprises that are in operation into shareholding companies; review on a regular basis legal writings issued by central ministries and provinces related to foreign investment and business certification and other certifying documents. Furthering with the infrastructure upgrade (roads, bridges, sea ports, airports, telecommunication systems, power stations, etc) to facilitate the FDI attraction. Continuation with the implementation of the roadmap for harmonizing taxation regimes, land lease price, the price of services, electricity, fares for domestic flights and international seaport charges applied to foreign invested and domestic enterprises. Opening more sectors to foreign investment; encouraging FDI to go into export-oriented industries, primary product industries, high technology, new materials, and electronics industries, and labor intensive industries or industries where Vietnam has a comparative advantage.

Increasing the share of official development assistance (ODA) for agricultural and rural development, human resources development, education, health care, science and technology, and environmental protection. Making review of licensed foreign invested projects in a more efficient manner to enable timely assistance and problem addressing; furthering with the policy on decentralization of state management of foreign investment; improving administrative procedures; renovating the contents and modes of investment mobilization and promotion; and improving the capacity of staff and strengthen the training of technical workers to be employed in the foreign invested sector.

5. Implementation of the Public Administration Reform (PAR), Legal Reform and pro-poor Good Governance

Our overall objective is to build a healthy, effective, efficient and accountable State Administration at all levels that can develop policies and provide services to meet people's needs, to encourage the creation of opportunities for the poor and the disadvantaged in order to help them realize their potentials. To achieve this objective, it is necessary to establish a transparent State administration with a simple organizational structure and a contingent of government staff and civil servants whose quality, capability, profession and qualifications meet the country's requirements for socio-economic development. The PAR is to be carried out in four areas: administrative institutions, organizational structure, building the body of staff and civil servants, and public finance reform.

To successfully achieve the above-mentioned objectives, the following tasks need to be well performed:

Improve the system of legal institutions and policies and mechanisms to make them suitable to the country's industrialization and modernization. In this respect, attention is first given to improving economic institutions and those regarding the organization and operation of the administrative system. Continue to renovate the process of legal writings, drafting, and promulgation, bring objectivity into the preparation and drafting of legal writings, bring democracy into play and mobilize the people's intellect to improve the quality of legal writings.

Clearly identify what the Government must necessarily do, what can be jointly done by the Government, the people, and private organizations, and what should only be done by people and private organizations. The organizational structure of the Government apparatus will be reformed along the lines of reducing the number of focal points of Government ministries and agencies and applying the principle in which ministries are responsible for multi-sector and multi-field management. The conduct of management must be accountable, transparent, predictable and convenient.

Ensure that information about services, policies and development plans for the people is made public on a regular basis and is accessible for people through an one-door system.

Implement soon the PAR in important and most poor-related ministries such as the Ministry of Agriculture and Rural Development, the Ministry of Health, and the Ministry of Education and Training, Ministry of Labor, Invalids and Social Affairs to ensure that the poor can have access to services of health care and education, infrastructure, water and electricity supply at the local levels, especially in mountainous regions and in urban poor areas.

Ensure the transparency of the local budget; define clearly the process for preparing the budget and for allocating expenditures in each sector so as to make sure a pro-poor approach is adopted.

Renovate the process of legal writings drafting and promulgation, with emphasis on bringing in the effective participation of the people in the law- and policy-making process.

Implement more vigorously the decentralization of public administration between central and local levels while strengthening the capacity and responsibility of the local administrative apparatus, and enhancing supervision and monitoring responsibilities at the grassroots level; based on this, streamline the organizational structure of local governments at different levels toward having lesser focal points.

Simplify and make public administration and business registration procedures more transparent; reduce transaction costs for import-export activities, and reform the delivery of public services to make it more convenient and less time-consuming for people.

Ensure strict compliance with laws, especially of agencies and civil servants, and attach great importance to providing sufficient information and to publicizing this information.

Strengthen the efficiency of the administrative apparatus, the transparency and accountability of all activities of authorities and legal organizations; ensure the transparency of budget management; renovate the auditing in state administrative and non-business organizations in order to improve the effectiveness of using state budget expenditure. Realize the democracy, publicity and transparency of public expenditure.

Strengthen the anti-corruption fight and struggle against the massive spending, exercise the savings in the spirit of the Saving Ordinance, first and foremost in such areas as procurement, licensing, capital investment, and project management. Efficiently resolve the law cases and long-lasting conflicts for people and make sure that more specific regulations are available on the compulsory registration of real estate and property of civil servants as well as violations by such servants are dealt with in a timely manner.

II. MAINTAINANCE OF THE MACROECONOMIC STABILITY

1. Improve the Fiscal Policy, Implement Reforms in the Taxation System, and Expand the Tax Base to Ensure a Healthy State Budget Balance

Implement the fiscal policy in an equal and efficient way. Making transparent the revenues and the spending sources of budgets at all levels as well as the use of people's contributions. Creating a sound and open fiscal environment to unleash and develop all fiscal resources, to develop and expand sources of revenue for the budget, and to mobilize foreign capital resources. Development of a public administration mechanism that ensures the balance between capital investment and recurrent expenditures, particularly for the maintenance of current works. Linking the reform of State Budget expenditure policies with better implementation of socialization policies in better-off regions to enable more allocation of resources to the disadvantaged regions. Renovation and completion of the decentralization of the fiscal management and budgeting.

Maximize the mobilization of all fiscal resources to achieve the objectives and tasks of socio-economic development, social equity and poverty reduction.

Consolidate the policy system and fiscal mechanisms to create a favorable, attractive and transparent environment to encourage the expansion of all economic sectors, increasing business productivity, and liberating productive capacity.

Raise the share of medium and long term capital mobilized for economic development and investment by diversifying the instruments for mobilizing capital; this includes government bonds, investment bonds, municipal bonds, housing bonds, etc; diversify the forms of non-banking monetary and financial organizations and investment funds; develop quickly markets for capital, the stock market and

real-estate market in order to accelerate the process of securitizing domestic assets and capital resources.

Continue reform of the tax system following the requirements of renovation and in consistent with concluded international agreements along the following lines:

Simplify and gradually adopt a unified tax system with no distinction between enterprises belonging to different economic sectors, and between Vietnamese and foreign invested enterprises.

Gradually raise the share of revenues from direct taxes as a percentage of total state budget revenue based on completing the Business Income Tax Law along the lines of reducing the tax rate and moving towards a unified framework for taxing the income of both Vietnamese and foreign invested enterprises; promulgate the Individual Income Tax Law instead of the State Law of Income tax for high-income individuals to ensure social equity, and to create a driving force for development.

Complete the system of tax collection with respect to land along the lines of using a single type of land use tax and one form of tax collection with respect to incomes generated from land use.

Research to promulgate an asset tax in order to generate more budget revenue and to create favorable conditions for asset transfer, sale and rotation.

Complete the system of indirect taxes along the lines of gradually reducing import taxes in accordance with international agreements, ensuring that requests for trade protection are appropriate, with a defined time frame and conditions with respect to domestic production; complete the VAT along the lines of adopting a unified tax schedule; expand VAT coverage to imported goods; expand the range of goods that are subject to a special consumption tax; research the application of new taxes related to protecting domestic production during the process of global economic integration such as anti-dumping taxes, antagonistic taxes, etc.

Limit tax exemptions, gradually narrow the scope of tax-based social polices through research to ensure that preferential taxes are properly targeted; priority will be given to new investment and expansion of production, technology renovation, new product development, development of high technology technical professions, export production and labor-intensive projects that can contribute to job creation and poverty reduction.

Modernize the tax collection system; widen the range of tax payers that self declare, calculate their tax obligation, and pay directly to the State Treasury; enhance the inspection function in tax declaration, tax payment, tax calculation and tax reimbursement; strengthen the enforcement function to strictly control tax evasion, smuggling and trade fraud.

Expand the scope of socialization in education and training, health, culture, sports and other public services where all economic sectors participate. Continue to target policies to reduce or exempt the contributions by the poor.

Continue to complete the fiscal regulations and policies to create a favorable, transparent and attractive environment that allows efficient competition with regional countries.

Complete the policies and mechanisms on foreign borrowings and repayment based on the improvement of quality of fiscal planning and assessment and of evaluating the efficiency of projects that are financed by foreign debt; renovate monitoring mechanism of foreign borrowing activities by enterprises, especially SOEs; construct an information system to analyze, forecast and evaluate safety level of ODA borrowings and the Government's debt management; increase the efficiency of using capital from the Accumulation Fund for Foreign Debt Repayment.

Implement the principle of equity in fiscal allocation policies; increase the efficiency of the State Budget in regulating macroeconomic performance and resolving social problems.

Complete policies on primary reallocation to harmonize economic benefits between the State, enterprises and workers; expand forms of redistribution by developing a public welfare system, including insurance, social welfare, preferential fiscal regimes and various forms of social support to resolve social problems, narrow the gap between the rich and the poor, and bring about social progress and equity.

Continue to reform the State budget along the lines of revenue restructuring and defining clearly the scope of budget expenditures with the goal of increasing the efficiency of using the budget as a critical tool to regulate macroeconomic performance and to resolve social problems. Prioritize capital resources from the state budget for socio-economic infrastructure development; attach special importance to raising the share of investment for agriculture and rural areas, education and training, science and technology, culture and health care.

Adopt a mechanism of direct and indirect support from the state budget for all enterprises without making a distinction between different economic sectors in order to develop human resources, provide information, promote trade, develop new markets, and provide extension and advisory services on applying modern business management tools.

Combine financial resources from the state budget with external financial assistance resources and contributions from people to implement effectively national target programs in health, education, poverty reduction, environmental protection, job creation, etc., with a particular focus in areas with a high poverty rate, in ethnic minority areas and in other disadvantaged areas.

Make active use of the state budget to increase financial reserves and enhance quality of budget planning; assess on a regular basis the efficiency of how state budget resources are utilized; increase control over budget expenditure; ensure that the State Treasury is the major body responsible for controlling state budget

outflows.

Continue to amend, revise and adopt mechanisms, norms, and criteria for budget expenditure in accordance with the requirements and conditions of economic development; fully implement the policy of safeguarding investment resources from the budget, starting from the initial exploratory phase to establishing and approving the project to project implementation phase; act resolutely to prevent deficits and misspending in public expenditure.

Ensure an active balance in the state budget to increase gradually our savings, to maintain the appropriate fiscal level in order to ensure macroeconomic stability and state financial security.

More vigorously renovate the management mechanism over enterprise finance with the aim of separating state finance from enterprise finance, ensuring the freedom of state enterprises to conduct business, their right to self-determination and their responsibility for assuming liability in accordance with market economy rules.

Renovate fiscal policies to promote the rapid development of markets for capital, stock, financial services and real-estate markets, organized to create favorable conditions for mobilizing financial resources to promote socio-economic development.

Implement full policies to promote thrift and curb misspending and enhance the efficiency of natural resources, land and public asset management and utilization.

Take the initiative to actively achieve international financial integration with appropriate steps and roadmaps; expand cooperation and international financial relationships.

Complete the legal basis for and enhance the efficiency and quality of accounting services (Promulgate the Accounting Law) and auditing services. Increase the efficiency of State finance and budget inspection, control and monitoring activities.

2. Implementation of an Active Monetary Policy to Stabilize the Monetary Situation, Control Inflation, and Support Economic Development

Develop and implement a monetary policy to reinforce macroeconomic stability, control inflation, promote production and consumption, stimulate development investment, and ensure rapid and sustainable economic growth. Renovate monetary policy in the direction of using indirect instruments. Gradually improve exchange rate and interest rate policies and open market operations in order to enhance the efficiency of monetary policy implementation, and raise the convertibility of the Vietnamese dong, which is in favor of the poor. Enhance the role of the State Bank in monetary regulation and management and credit supervision, and strengthen the Bank 's capacity in terms of organization,

institutions and personnel. Develop the secondary market, especially the inter-bank market for domestic and foreign currencies. Develop financial instruments of this market, especially exchange rate risk prevention/management instruments and transactions.

Develop capital and monetary markets involving appropriate diverse players including the banking system, non-bank financial institutions, insurance companies, investment funds and investment guarantee funds, and so on, to attract savings from society, and to expand the sources of long-term and medium-term funds. Reduce various forms of capital and credit subsidies.

Implement the Vietnamese accounting system, which includes application of international accounting standards in commercial banks, and in the task of bank management and supervision.

Implement a safe and gradual development of the stock market based on the evaluation of past operations of the Stock Transaction Center in Ho Chi Minh City. Encourage and create conditions so that qualified stock companies can put up their share certificates in the stock market including FDI and equitized enterprises

Improve the exchange rate management mechanism along the lines of ensuring both flexible management in the short run and stable management in the long run in order to encourage exports and contribute to stabilizing the monetary market, especially the capital market. Improve exchange rate management policy and mechanisms to liberalize current account and capital account transactions, and at the same time develop a system of measures to monitor international capital flows, especially short term capital flows, control external debts, control and minimize the use of foreign currencies in the territory of Vietnam in order to enhance the position of Vietnamese Dong. Gradually reduce the rate of foreign exchange surrender and move towards completely abolishing this regulation by 2003.

Further improve open market operations. Adopt measures to increase instruments for the open market, create conditions to attract more players to this market in order to gradually improve its instruments in the direction of turning them into key monetary regulation instruments for the State Bank. Create more harmonious coordination between the Government monetary policy and debt management policy (issuing of Government bonds).

Establish an early warning system based on significant changes in the income statement and balance sheet of enterprises and analysis of information on corporate finances to make appropriate recommendations to credit institutions with the goal of helping them prevent or control risks (with respect to interest rates, exchange rate, debt, payment ability, etc.), thereby ensuring the safety of banking system and macroeconomic stability.

Set up asset management companies to resolve debt problems; develop measures to address collateralized overdue loans following market-based rules.

Gradually shift from a collateral-based lending mechanism to project- and economic contract-based and market supply-demand relationship-based lending mechanism. Enhance the autonomy and self-responsibility of commercial banks in monetary trading, and their sense of accepting competition and taking initiative in finding customers and investment projects to lend to.

Commercial Banks Reform

Vietnam has implementing a strategy to reform the system of commercial banks in order to rehabilitate bank system's health with the aim of improving safety and efficiency of financial intermediation in the economy. The Government has also adopted a program to reform banking system in order to promote its development and stability in harmony with Vietnam's macroeconomic framework. The main focus of the reform is to curb the growth of bad debts and to ensure that commercial activities of the banking system will be conducted safely and efficiently. In order to reduce financial systematic risks, it is necessary to encourage non-banking system while diversify channels of mobilization of savings, medium and long-term financial instruments.

The reform will be implemented alongside the SOEs reform. The reform of state-owned commercial banks is aimed at reinforcing management responsibility, initiative, and capacity to generate profits and to commercialize their activities. In the reform framework, debt administration and asset management companies (AMC) will be established to address bad debts. The debt resolution will include lending reduction and debt clearance for SOEs that are disbanded, leased, and equitized according to the SOEs reform.

Also, in this reform, the addition of supplemental funds to state-owned commercial banks on a 3-year basis will be implemented according to progress made in meeting the conditions, which is defined for every state-owned commercial bank, regarding the outcome of the comprehensive organizational restructuring and regarding the results of their progress in reducing the level of non-performing loans annually. The State Bank will strengthen regulatory framework, inspection and supervision of all banks and also will strengthen the regulatory framework regarding the rights of lenders, especially the right to impound assets used as collateral, to put these assets up for sale in the market, and the transfer of land use rights. The State Bank will put together the necessary policies and procedures to carry out bank inspections based on risks assessment.

Vietnam will continue to restructure and strengthen the joint-stock commercial bank sector. The State Bank has completed the financial assessment of joint-stock commercial banks and approved the plan to restructure this sector. Weak joint-stock commercial banks will have their licenses withdrawn or will be merged with other banks. The State Bank will continue to improve the legal framework with a view to creating favorable conditions for the expansion and development of joint-stock

commercial bank activities on the basis of equal competition and respect for the law. Complete the reorganization and consolidation of joint stock banks in accordance with the approved plan, and at the same time impose strict penalties on banks that violate the law.

It is also a need to create a favorable and stable environment for credit and micro finance operations to help the rural finance system work with flexibility and in such a way that can most meet the poor's needs. It is as well required to reform and renovate the rural credit and finance systems, diversify credit instruments to make them more attractive to private investment in agricultural product manufacturing and processing.

3. Trade Policy

Continue the open-door policy and actively integrate into the international economy for development. Ensure the consistency between the open and trade liberalization policy and the sectoral reform policy; implement policies to protect important products within a time frame that is in accordance with the integration process.

Lay the foundations for successful negotiations for WTO accession; actively implement commitments under bilateral and multilateral trade agreements and cooperation mechanisms that our country is involved in, with special attention given to commitments under the ASEAN framework (such as AFTA, AICO, AIA), APEC, ASEM, the Vietnam – US bilateral trade agreement, and commitments made with international financial institutions.

Enterprises from different economic sectors are given freedom to engage in the business of foreign trade, including export, import and various services, excepting activities not permitted by law.

Implement the management mechanism on exported and imported goods in the period of 2001-2005 issued as an attachment to the Prime Minister's Decision 46/2001/QĐ-TTg dated on April 4, 2001. Continue to remove non-tariff barriers, and complete the removal of all imported goods from the temporary exclusion list in the AFTA commitment to the inclusion list by 2003; abolish non-tariff restrictions on goods in the temporary exclusion list when the import tax level applied to the goods, which imported from ASEAN countries, has been reduced lower or equal to 20 percent.

Continue to abolish restrictions applied to rice exporting and fertilizer importing enterprises. Gradually expand the use of auctions to renew garment export quotas in order to improve market access to exporters (including those from the private sector). Apply a target-based, conditional and time-bound protection policy that is in line with the country's integration process. Strengthen the capacity

of institutions and the nation to establish criteria for measurement and to carry out quality inspection of goods.

Implement a relevant roadmap for reduction of the import tax levied on goods that serve as major inputs for agricultural products to help decrease input costs for the poor.

Assess the application of the Commercial Law with a view to revising and amending new terms, promulgate soon the Law on Competition, Most-Favored Nation Law and Law on National Treatment; complete the commercial policy system; prepare and promulgate commercial policies in accordance with WTO regulations on certain imported goods with respect to customs quotas, tax on environmental costs, anti-dumping tariffs, tariff to penalize subsidies, and so on.

Government should encourage export activities, especially in key products that have comparative advantage, through operations of the Export Credit Support Fund, the Export Credit Guarantee Fund and prepare for the establishment of the Export and Import Bank in the near future.

Provide information and support to enterprises, especially those run under women's leadership, in developing a business strategy that fits with the integration process, to help increase their competitiveness in domestic and international markets, increase their market share in traditional markets, and find new markets.

The Government shall have various methods to help exporters and importers access information, and participate in trade exhibitions and trade fairs. Simplify administrative procedures, especially customs procedures; reduce transactions costs for export activities and costs of other export services (e.g. transportation, warehousing, etc.). Establish a system to insure export goods, especially for agricultural products, and an export bonus mechanism based on the value added of exported goods.

Study the impacts of trade policies and adopt effective measures to minimize adverse impacts caused by the integration and trade liberalization for the poor.

Improve market access for the poor, especially those living in rural, upland and remote areas; stimulate consumption; develop markets or centers to trade and exchange goods in poor areas to help integrate the poor with other groups; and make the market more accessible for them by exchanging goods and production experience.

Actively implement measures to fight against smuggling and trade fraud. Take the initiative in responding to price fluctuations in international market, especially with respect to price of agricultural products and crude oil.

III. CREATION OF A SOCIAL ENVIRONMENT TO BRING ABOUT SOCIAL EQUALITY, ENHANCING GRASSROOTS DEMOCRACY AND PROVIDING LEGAL SUPPORT TO THE POOR

1. Create conditions for people to fully participate in the development process and to have equal opportunities.

Strengthen the capacity and create opportunities for all people to bring into full play their talents, to participate in the development process and to enjoy the fruits of development. Fulfill the goal of a "prosperous people, strong country, egalitarian, democratic and civilized society, preserving and developing our national culture and pushing back social evils".

Develop a legal framework for civil society and community organizations at the local level to improve the poor's participation in development process and improve their capability to get rid of poverty.

Improve the quality of life for every one with respect to food, clothing, housing, transportation, health, training, work, accessing information, culture, etc.

Encourage every individual to become rich through legal means, while at the same time make efforts to reduce poverty; create conditions to develop production infrastructure and capacity, knowledge and technical skills in various areas and communities so that they can develop themselves and move towards narrowing the gap in terms of economic, cultural and social development.

Pay a particular attention to improving gender equity, women advancement and children development; create conditions for implementation of children's rights in family and social life.

Ensure that all ethnic minorities will benefit directly from the process of economic growth.

Implement the social equity in the fields of primary and secondary education; improve the quality of and outcomes in primary health care, implement social security for the poor and ensure that everyone has the right to access public services.

2. Enhance Grassroots Democracy and Strengthen Dialogue between Local Governments and Poor Communities

Promote people participation, including the poor in policy making and implementing through application of the Grass roots Democracy Regulation at the district and communal levels.

Continue to guide and check the implementation of the grassroots democracy decree to ensure that it is put into practice at the commune, precinct and township levels. Implement the Decree on a widespread basis throughout all hamlets, villages

and sub-precinct population groups in the country. Maintain on a permanent basis the implementation of this Decree and turn it into permanent practice at the grassroots level.

Clarify functions and strengthen the management, monitoring and inspection capacity of government agencies. Effectively implement the decrees on democratization at the grassroots level and in various state agencies and state-owned enterprises.

Ensure that people shall be given adequate information about economic activities, plan targets, and financial resources for development projects and programs in their localities and that they are entitled to give comments on and contribute to the development of these projects and programs, to take part in their implementation, operation, and maintenance, to contribute their labor to these projects and programs, and to express their role as the owners of those projects and programs with a view to increasing their responsibilities in utilizing and managing infrastructure projects.

Enhance the two-way information provision and exchange between the State and people through application such measures as use of mass media, door-reaching communication, direct approach, community radios and videos.

Implement a mechanism that promotes the communication officers to deliver information in areas of education, technological training, marketing, state policies and regulations, administrative procedures to empower local people politically and economically, taking into account roles of heads of the tribes in remote areas. Make sure the grass roots level democracy rules are applied to the National Target Programs like Program 135 and others.

Local governments must ensure that the principle of democracy is followed, and that local people will have an opportunity to discuss and make comments on development programs and projects, humanitarian and charitable assistance to the poor, contributions to the building of humanitarian and charitable houses and so on. In the process of implementing projects and programs, priority should be given to use the local workforce to create more jobs and increase income for the poor. Decentralize so that civil society, public unions and organizations can directly manage and participate in the construction, operation and utilization of local socio-economic development and poverty reduction projects and programs in the local areas.

All poverty reduction programs and projects must be subject to monitoring and supervision by the people, the core groups being the People's Inspection Committee, the Fatherland Front and Veterans' Association at the commune,

precinct and township levels . Local authorities must listen to and receive people's views and comments, and address on a timely basis their complaints, denunciations and petitions.

In the development of participatory mechanism, it is necessary to turn attention to vulnerable groups like elderly, women, disable and ethnic minority people. Specific careers and aspiration of both men and women are also regarded in order to all members of community can voice their opinions and priorities easily.

3. Provision of Legal Support to the Poor

Improve the legal system and enhance legal support and the legal service accessibility for the poor; broaden the legal support framework in rural, remote and isolated areas to enable the poor's accessibility to such services.

Strengthen the legal support framework and issue high-level legal regulations in such area as the basis for organizing and developing the system. This includes the development of legal support system in political organizations and civil societies, development of the institution for legal support lawyers, ethnic codes of such lawyers, etc.

Develop the contingent of legal staff (lawyers, legal support workers and collaborators) to meet the diversified need of legal support. Organize regular trainings for such staff with emphasis on the remote and needed areas. Provide physical assistance to legal support units at the local levels. Develop legal support centers, legal bookcases either stationary or moving at the communal level.

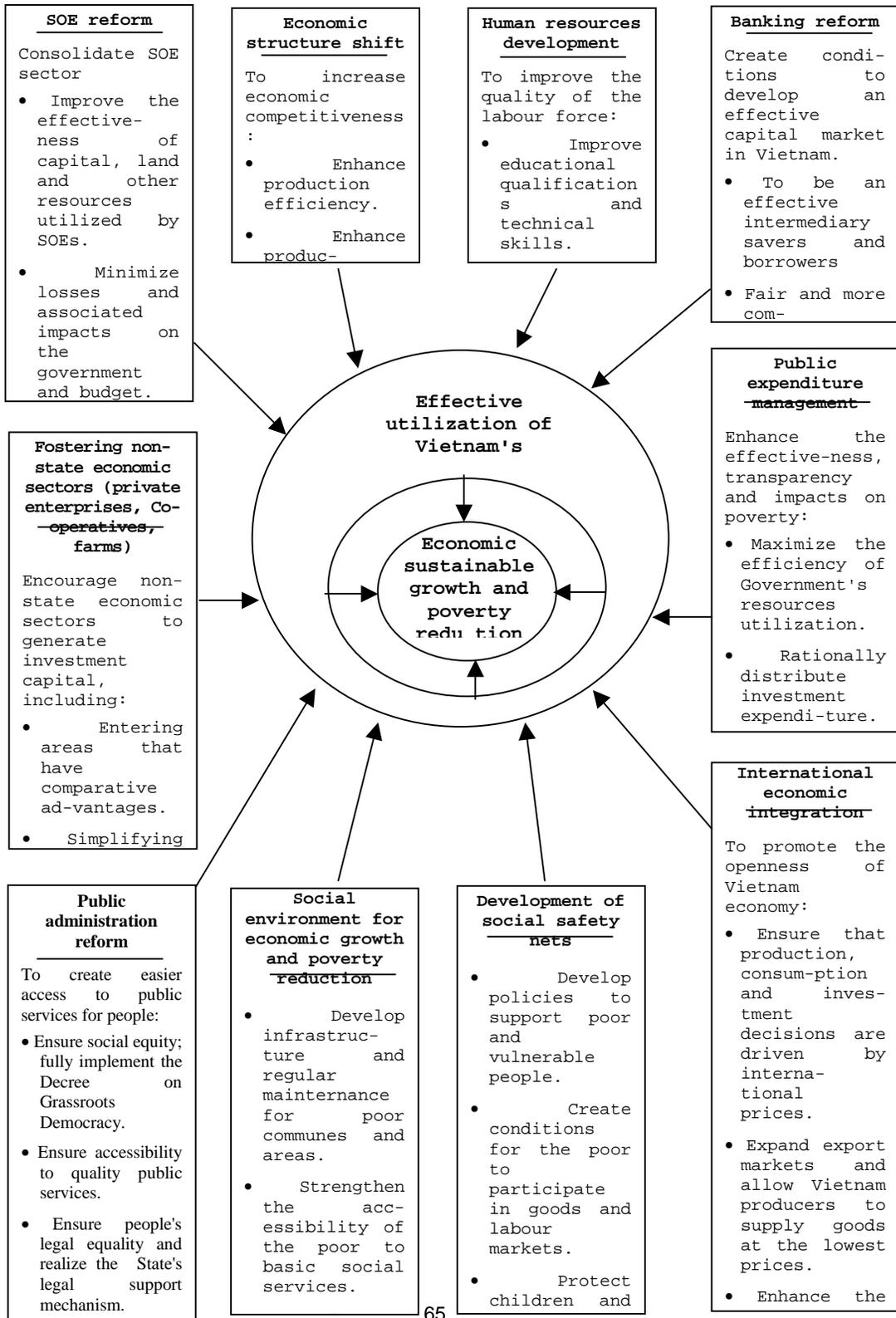
Further with the development of the legal support services at the grass roots level in diversified mode. Issue legal leaflets that provide suggestions for most-frequent conflict cases in different areas of administration, land, housing and labor, etc and that gives updates on new legal regulations.

Legal documents should be provided on a consistent basis to facilitate operations of legal support workers. Publicize and educate State policies and legal regulations. Provide assistance on legal questions.

Organize well the administrative courts of law; create conditions for people to approach the court easily. Ensure that a range of choices are made available with regard to conflict resolutions at the local level and that decisions made at the courts or the judiciary committees are transparent and publicized.

Encourage the civil societies' participation in providing legal support to their members and to the poor and disadvantaged people.

Figure 3.1: Enabling Environment for Growth and Poverty Reduction



PART IV

MAJOR POLICIES AND MEASURES TO DEVELOP SECTORS AND INDUSTRIES TO PROMOTE SUSTAINABLE GROWTH AND POVERTY REDUCTION

I. POLICIES AND MEASURES TO DEVELOP MAJOR SECTORS AND INDUSTRIES TO CREATE INCOME GENERATION OPPORTUNITIES FOR THE POOR

The policies and measures proposed in this Part are drawn on and further elaborated from the 10-year Socio-Economic Development Strategy and the 5-year Socio-Economic Development Plan, as well as sectoral programs and projects on economic growth and poverty reduction.

1. Develop agriculture and the rural economy to achieve fast poverty reduction

77% of population and 90% of the poor currently live in rural areas. 70% of income of rural dwellers comes from agricultural activities. Therefore agricultural and rural development is a crucial component of the Comprehensive Poverty Reduction and Growth Strategy.

As area of cultivation land is limited and the traditional agricultural product market is thin, to achieve high growth and achieve fast poverty reduction, it would be necessary to simultaneously implement the following measures: (i) developing science and technology; (ii) facilitating the structural change in the rural economy; (iii) building up new institutions that involve active participation of farmers, in production, processing and marketing; (iv) increasing investments in agriculture and particularly in rural infrastructures; (v) developing human resources; (vi) reforming policies on land, business environment, finance, investment and credit in order to make investments more pro-poor; (vii) implementing administration reforms; (viii) strengthening international cooperation. These measures aim to achieve a number of objectives including increasing productivity and reducing production costs, increasing competitiveness of agricultural products in the domestic and international markets, diversifying agricultural, forestry and fishery production, improving processing capability in order to raise product quality and better meet domestic and export demand, creating more jobs and raising rural incomes by developing rural industry, services and other off-farm activities.

1.1. Raising efficiency and diversifying agricultural production

Conduct market studies and study of comparative advantage that will be used for adjusting the structure of agriculture and the rural economy. Readjust land planning and put focus on intensive agricultural production for productivity improvements, and ensure that production is consistent with market demand.

Develop specialized commodity production areas for rice and corn with focus on intensive production of high quality varieties to meet domestic and export demand.

Implement measures to raise value and efficiency of rice export. Implement policies to protect the interest of food producers. Ensure food security under any circumstances.

Develop specialized commodity production areas for industrial crops and fruit trees such as coffee, rubber, tea, pepper, coconut, (silkworm) mulberry, cotton, sugar cane, groundnut, soybean, tobacco, etc. Develop specialized areas for high quality and high value vegetable, fruits and industrial crops in association with the development of processing industry, storing facilities, marketing and export promotion activities. Increase technical assistance and provide new seeds to farmers and improve their access to credit to enable them to expand production and raise their incomes, diversify income sources in response to market price fluctuations and risks.

Carry out land use planning and grant land use rights in order to increase efficiency of land use. Allocate unused land to rural dwellers and others who really need land for production to develop and exploit. Continue to revise and amend Land Law to ensure security and better implementation of land use rights (long-term tenure, transfer, inheritance, collateral, etc.). In the near future, grant long-term land use right certificates to farmers, especially to those who live in mountainous areas. Make plans and implement measures to provide integrated support in the form of credit, seeds and knowledge to help the poor to escape from poverty and avoid selling or mortgaging their land. Research and adjust norms on land allocation in accordance with specific conditions of poor regions and regions where ethnic minorities live. These norms will serve as a basis for implementing land-supporting policies in accordance with living standards, cultivation habits and cropping pattern of the poor in the region.

With respect to the extremely difficult, remote and disadvantaged areas, the government will provide funds for building infrastructure, reclaiming wasteland, reallocate unused or inefficiently used land from current holders, who will receive adequate compensation, to households that lack cultivated land for production and long-term settlement.

Strengthen production and processing of animal feed, improve local veterinary services, meet a growing demand for high quality livestock products, expand hygienic and epidemic prevention program, develop diseases monitoring and reporting system, improve food safety. Exempt the poor and ethnic minority households living in disadvantaged areas from various types of production and trade related taxes.

1.2. *Vigorously develop forestry*, turning it into a profitable business that helps to create jobs and raise incomes for people in mountainous areas. Provide adequate incentives to people who plant forests and promote the role of community in protection and natural regeneration of forest. Continue the implementation of the 5 million-hectare forestry program; speed up the process of allocation of land and

forest, especially in important, environmentally sensitive areas. Ensure that key annual targets are achieved including new afforestation of approximately 300 thousand hectares with protected and special-use forests making up approximately 150 thousand hectares; forest protection for total area of about 2 million hectares, of which forest regeneration combined with new planting makes up approximately 500 thousand hectares; and caring for planted forest with total area of approximately 500 hectares.

Allocate land and forest together with implementing fixed cultivation and settlement, and stabilizing the living of people in mountainous areas. Encourage fixed cultivation and settlement and voluntary resettlement. Provide financial support to reallocate people from vulnerable and disaster-prone areas (flash flood, land erosion etc.) towards safer areas. Ensure that people living in mountainous areas, especially poor households can directly manage and protect their forests and be provided with appropriate incentives systems that link their benefits and responsibilities with the forest.

Continue to review, revise and amend policies on investment in forest development including adjusting norms and unit price in forest protection and caring. Provide interest free or low interest loans for afforestation, adequately invest in infrastructures in forest areas (roads for materials transportation, storages etc.), develop forest processing industry to increase value received from forestry and create forestry-related income generating opportunities.

1.3. *There is still significant growth potential in aquaculture and off-shore seafood exploitation.* The Government will introduce policies to encourage intensive aquaculture, and develop the offshore fishing given constraints in capacity, investment and technical facilities in different regions. Intensive aquaculture and fishing is considered as playing an important role in accelerating economic growth and poverty reduction. The Government supports the planning and construction of dykes, water inlet sluices and channels; provides a set of public goods such as extension services, quarantine, quality control for breed and feed in order to help farmers to increase production efficiency and achieve sustainability.

Make investments in support of fishery infrastructure, power transmission lines, roads etc. in aquaculture areas that are either newly established or converted from rice or salt production. In the immediate future, build and complete six national breeding centers, and environment alert centers in specialized aquaculture areas in the North, the Center and Mekong River Delta. By 2005, ensure that area of aquaculture production is about 1.2 million hectares increase about 300 thousand hectare with total production volume of approximately 2.6 million tons, of which shrimp production amounts to about 300 thousand tons. Ensure the sustainability of the growth of aquaculture production. Improve access of poor fishery households to production inputs, information, extension services, finance and market. Improve capacity in recovery, management and risk prevention in aquatic production including both aquaculture and fishing.

Diversify aquaculture production; rapidly expand specialized shrimp and fish areas, or integrated shrimp-rice and fish-rice areas by making full use of ponds, lakes, surface water, rivers, and streams to raise shrimp and fish to improve living standards. Implement policies on subsidized investment, training, technology transfer, and breeds for poor households that are engaged in aquaculture. Aquaculture and seafood production must go hand-in-hand with environmental protection and sustainable development.

Encourage the development of seafood planting through policies on investment support, credit on preferential terms and other favorable policies.

1.4. *Strengthen applied research and technology transfer, considering it as a most important break-through measure for raising production efficiency and diversifying incomes generated from agriculture, forestry, aquatic production and other activities of the rural sector.* Pay attention to research on and development of appropriate technologies, in the first instance those seeds and breeds that have high productivity and are of high quality and value, modern cultivation technologies, effective plant protection and veterinary services, and post-harvest technologies. Strengthen socio-economic and environmental research. Re-orient and re-organize the current agricultural research system post-harvest technology. Increase budget expenditure for research, creating new varieties of breed and technical training.

Implement training courses for local officers and poverty reduction cadre in the area of planning for socio-economic development, project management and poverty reduction methods. Expand vocational training for rural youth. The Government provides investment support infrastructure, the students only have to contribute monthly fees. Establish a mechanism to support the expenses of vocational training facilities at the local level.

Encourage the development and raise the quality of training and agricultural extension services to farmers. Focus agricultural extension expenditures on disadvantaged areas to ensure that poor and ethnic minority peoples will reap benefits from extension services as much as other areas. Provide to the poor on regular basis market information on the application of new varieties, guidance on production techniques, experiences in production, introduction of successful business models and new effective ways to conduct business. Attach special importance to training cadre to provide extension and advisory services to women, local people and those who know the languages of ethnic minorities.

Support research to develop low-cost but highly efficient technologies that are needed by the poor. Encourage the sharing of production experience between researchers, managers, technical personnel and farmers to improve the productivity of crops and animals.

Build and disseminate effective self-help poverty reduction models for different areas, to help hungry and poor households overcome their difficulties and develop their capacity to gradually change their production methods to escape from poverty and integrate with the wider community.

Encourage the development of and provide support to a variety of voluntarily joint and self-managed forms of extension services in every community to enable people to share experience in cultivating and animal breeding for raising income and reducing poverty.

1.5 *Continue rapid implementation of the Government's Resolution No. 09/2000/NQ-CP and No. 05/2001/NQ-CP regarding initiatives and policies aimed at changing the structure of the economy and marketing agricultural products.*

Continue to support export activities and the expansion of export markets for agricultural and forestry products. Study and promulgate, within Vietnam's trade related commitments, policies to support production and marketing of a number of agricultural, forestry, and fishery products that have high economic value and have potential to become competitive, that have potential in export and/or import substitution markets, such as: rice, rubber, coffee, tea, raw materials for processing (wood, sugar cane, cotton, mulberry...), shrimp, fish.

Encourage enterprises and individuals to engage in various forms of co-operation, both horizontal (production-processing-distribution) and vertical (commodity-association) to facilitate the distribution of marketed surplus for farmers. Set up appropriate legal framework to promote the implementation of various forms of economic contracts related to agricultural production between enterprises and individuals on the one hand, and farmers and local community, on the other hand.

Provide favorable conditions to enterprises, regardless of their ownership forms, to access credit, tax reduction and exemption, for implementing projects that invest in processing, or developing material areas supplying inputs for processing industry, in remote and disadvantaged regions, or where poor community lives, encourage enterprises to subsidize and support poor communes.

Develop policies to protect the rural population when they are hit by natural calamities, storms and flooding, or exposed to market price risks, including market-based risk management instruments such as forward contracts, apply contract system, production insurance etc. and direct methods such as exemption or reduction from certain taxes, subsidized inputs (seeds, materials) for households experiencing difficulties.

1.6. *Continue to encourage agricultural diversification and the development of rural professions according to Prime Minister's Decree No. 132/2000/QD-TTg dated 24/11/2000. This aims to create more jobs, raise incomes generated from the rural industry, develop services and off-farm activities. Each locality shall promulgate, on the basis of specific local conditions, policies to institutionalize and put into effect measures in accordance with the direction specified in the Prime Minister's Decision. The Government will promulgate a master plan and directions to develop rural professions according to the market mechanism to ensure sustainable development and to protect the environment.*

Focus and create opportunities for farmers to change production structure, implement *agricultural diversification*: State will promulgate policies to encourage the changing structure of plant, animal and crops. Implement the multi-purpose business activities used intensive labors, develop commodity-oriented production to increase value added in one unit of land and labor.

Reduce the monopoly of several SOEs in agricultural product markets; create conditions for private enterprises to develop, particularly in poor areas.

Establish a supportive legal, institutional, financial and business environment to facilitate the task of setting up small and medium rural enterprises to create more non-farm employment in rural areas; encourage the private sector to provide services and provide seed capital for labor-intensive enterprises. Give special attention to female-headed SMEs operating in processing and services.

Complete the set of policies to encourage investment, technology transfer, marketing of products, greater use of domestic materials (wood, rattan, bamboo, leaves, etc.). Implement policies on providing loans on preferential terms, easing land rental, providing tax exemption, giving the freedom in doing business, and marketing products.

The State provides support to develop infrastructure for traditional craft villages; in addition, provide more support for training, technology transfer, and the dissemination of information to expand and develop professions. Provide support to help set up at least one training center at each district and local area, especially to train in the local traditional profession. Encourage crafts people, co-operatives, craft and trade associations, and unions to open more training classes in their local areas.

With respect to regions that experience production difficulties and have many poor households, the Government will increase investments complemented by investments by the local community to build essential infrastructures as roads, power supply, water supply, communications, schools, village clinics, and to support the establishment of small and medium sized rural enterprises in rural areas.

Focus on investing in and developing non-farm businesses in rural areas: processing and storing agricultural products, producing construction materials, bamboo and rattan products, handicrafts, pottery, glass, textiles. Modernize processing industries, packaging and sales marketing, and thus, improve the quality of agricultural, forestry and fishery products, and on that basis increase the value and the competitiveness of Vietnam's products. Set up handicraft and processing centers in rural areas that promotes rural industry and services. Attach special importance to developing agricultural services such as land preparation, transport, irrigation, crop and animal protection, material supply, marketing services.

Through the annual plan and national programs, the government will set aside a given share of the budget for direct investments, to create opportunities for poor farmers to shift their production structure, and expand specialized trades and professions such as: interest-free loans for mill construction, purchasing equipment;

and technology transfer providing support for training in new techniques, organizing the supply of materials and the marketing of products.

1.7. *Improve access to financial and credit services in rural areas* (saving and credit); reform and renovate the rural financial and credit system, establish a sustainable credit market, create conditions to facilitate investment in modernizing and diversifying agricultural products and to mobilize private investment in processing high quality products. Enable poor households to "lend-and-borrow" money easily. Expand the savings fund system and develop concrete policies to mobilize dormant capital from communities to generate more credit resources for the rural sector. Strengthen the role and improve the organization and the general direction of the Bank for the Poor and the system of People's Credit Fund.

Improve the loan procedures and formalities with introduction of one-stop shop approach in order to improve access of the poor to capital. Pay special attention to provision of medium term and long term loans and match them with the production cycle.

Apply appropriate credit policies to targeted groups, create conditions for poor and disadvantaged people, with priority given to women, to access credit at reasonable interest rate and on a timely manner to develop their production. In the near future, continue to apply the policy of providing credit at low interest rates to poor people; in the long term, policy will shift from current on subsidized interest rate towards improved access of poor people, especially women, to credit system by simplifying lending procedures combined with providing training than apply current preferential interest system.

Directly subsidize banks and credit funds that operate in disadvantaged areas to help them to recover additional transaction costs, thus enabling them to maintain interest rates on a par with the general level.

1.8. *Reorganize production, protect and encourage household, farm and private economies towards large-scale labor intensive production*; continue to strengthen the collective economy with different types and diverse forms and sizes, on the principles of voluntary membership, democracy, transparency and efficiency and empowerment of participants of cooperatives. Provide economic information regularly to poor communes and households. The Government will provide farm communities with guidance to help them to select and identify products that are marketable and yield high return.

Encourage the development of formal and informal forms of assistance among farmers (self-help group, social services group, savings and credit group, marketing group, education and training group, women group etc.). Strengthen the position of farmers in cooperatives to improve their access to bank credit, insurance, extension services and marketing.

Create favorable conditions for households engaged in production and business activities to participate in the market; encourage them to gradually transform into household enterprise, joint stock companies with large scale of production.

1.9. Develop a disaster Prevention Strategy to minimize losses, and stabilize livelihoods and production in disaster-prone areas.

Strengthen the program on disaster prevention and mitigation, build the system of information collection and hydrometeorology forecasts, raise the awareness and improve people capability to respond to natural disaster, build infrastructure and safe sites, build up reserves for emergency and train rescue teams. Establish Fund for Recovery from Disaster to provide timely and effective assistance to the poor in case of disaster. Make efforts in setting up social safety system such as Hunger Prevention Fund, which may be made used of before the harvest period.

Annually, State budget funds will be used to invest in building and mending dykes and to build flood prevention and distribution facilities in the North. In the Central region, continue to adjust the population master plan, build flood prevention facilities, lakes to prevent water overflow, provide financing for people to build houses on stilts to withstand the effects of flooding, complete the irrigation sea dyke system, estuary dykes and flood control, reduce losses from natural calamities, especially to ensure the safety of people's homes and ensure their normal life in the deep flood areas in the Mekong river delta during the high water season.

Establish local flood prevention funds mobilized from contributions by the people according to government regulations. Furthermore, it is necessary to have a reserve plan to cope with complicated developments of the weather.

2. Industry and urban development in order to create more jobs and improve the living standards of the poor

2.1. The development of industry make a significant contribution to economic growth, job creation, income increase for workers, including the poor living in urban and rural areas.

Ensure fast and efficient development of industry, its competitiveness and market demand responsiveness. Put focus on investments for upgrading technology and make steps towards modernizing industries. Achieve a good combination of industries with comparative advantage, high-tech industries and strategic industries with processing industries, labor-intensive and local material intensive industries.

Develop and modernize industries that support agriculture and the rural sector (e.g. chemicals, fertilizer, packaging, etc.). Continue to diversify and modernize mechanical engineering industry to meet demand from agricultural production such as small tractors, processing machines, post-harvest technologies, modern insecticides spraying machine and water pumps etc.

Develop microbiology industries in order to enable agriculture to shift towards environmentally safe production, in order to protect consumer health and thus ensure sustainable market penetration and raise customer's confidence.

2.2. Develop and expand the linkages between small-scale and large-scale industries in urban areas based on developing SMEs in number in traditional businesses, which apply modern and to create high value and environment-friendly products. Expand subcontract activities towards rural areas.

Encourage small-scale private enterprises (e.g. retail and wholesale establishments, factories) to expand their investments, adopt a long-term business perspective, and employ more workers.

Encourage large companies and enterprises in the transportation and construction sector, as well as other sectors that have the potential to absorb labor, to hire more people and to create stable jobs for the poor.

The major forms of encouragement are: creating conditions regarding business production site; reduce the cost of land rental (in some rural areas, zero value for rent can be applied); income-tax reduction for enterprises proportionate to the number of workers to be recruited support the enterprises in training workers; take back the production site of inefficient enterprises and give it to other more efficient ones to rent; give public recognition and show respect to entrepreneurs who demonstrate a commitment to the long-term development of their sector and promote job creation in that sector.

Encourage banks and financial organizations, large enterprises and individuals to channel investments to small and medium enterprises, to provide them with economic information and to train their labor force.

Provide support to SMEs to become direct exporters and to develop stable long-term relationships with foreign trading partners.

Establish trade promotion centers and centers to support small and medium enterprises at central and local levels under Government Decree No. 90/2001/ND-CP dated on November 23, 2001 on supporting the development of small and medium enterprises.

Provide guidance and implement regulations on policies to encourage industries to move to rural areas and to set up rural industry centers. The incentives include land provision, support in inputs, investment, credit, tax and fees, market information, science, technology and environment, and labor training etc.

2.3. Encourage the urban poor to make their own efforts to escape from poverty, with assistance from the Government and the community. There should not be any discrimination between local and migrant poor.

Set up a framework and master plan of urban development in order to solve the problem of "miserable and temporary hut" in cities and towns, to reduce urban poverty and vulnerability; develop a national strategy on urbanization.

In order to reduce urban poverty, it is necessary to create jobs, reduce unemployment, develop and adopt economic growth strategies and policies in urban areas, including investment programs in all economic sectors that have an impact on the poor; creating jobs through development of small and medium enterprises; development of the services sector to enable poor people to create jobs for themselves.

Improve and expand the vocational training system and job services to enable the urban poor to have stable employment, increase their earnings and gradually improve their living conditions.

Develop policies aimed at providing loans to the urban poor through savings programs and community credit, including small loans for business and production activities; priority subsidies for education, health care; housing renovation and other essential infrastructures, e.g. water supply and drainage, electricity, sanitation etc.

Continue to develop programs on building and upgrading infrastructure systems with local outreach; gradually renovate and expand urban transport, develop public transport to restrain traffic jam and ensure safety traffic.. Ensure the provision of basic services, e.g. water supply and drainage, sanitary and public lighting etc. to poor communities. The urban waste garbage management program will be extended based on the principle of socialization in order to reduce pollution in urban poor areas. Develop public health-care programs. Develop policies of urban housing development for the poor communities and low-income people, i.e. current living areas will be upgraded in accordance with financial resources. Create conditions for the poor to contribute to infrastructure projects in their commune, district, or town, so that they can have opportunities for income-generating employment.

Develop strategies and policies for urban development that includes the objective of poverty reduction, and allocate land for building houses for the poor, creating conditions for balanced urban development to reduce the gap between rich and poor. There should be balanced development between inner and outer city areas, strengthening the linkage of urban - rural areas by job creation programs in agricultural processing industries, trade and services.

Develop strategies to protect the urban environment, ensure sustainable development by minimizing health risks, especially for the poor, by adopting water, air and land pollution treatment measures.

Develop standards and procedures in urban design and planning, ensuring that environmental sanitation requirements are met taking into account demand and the poor's ability to pay in urban areas.

Implement the reform of administrative procedures taking into account the actual conditions of poor people with respect to land and housing management, the issuance of business and construction certificates, and resident registration in urban areas.

Develop policies to encourage the community of the poor, to mobilize the ability and initiative of the poor, including their financial resources, labor, and

experiences participating in housing, infrastructure development and income generating public administrative activities.

3. Infrastructure development to create opportunities for poor areas, poor communes and poor people to access public services

Continue the development of infrastructure (transportation, post, electricity, etc.) to create better capacity for socio-economic development. Concentrate on developing trade and marketing infrastructures such as ports, warehouses, loading and discharging berths, market places, etc., and on providing market information in order to reduce costs and to increase the competitiveness of agricultural products.

3.1. Electricity development and consumption in poor communes

For poor communes located in power line-accessible areas, the Government will support capital to build electricity lines to connect to the national grid. The division of responsibility is as follows: the Government will invest in high-voltage lines, medium-voltage transformers and first-top electric meters. The next part of the transmission wire (i.e. below the first-top meters), which are low-voltage lines and lines accessed by households, will be financed by the people. Carry out management of the task of distributing and selling electricity to each household in which payment will be made to the State at the price of the first-top meter. The forms of electricity supply, payment management and organization are as follows: electricity management division at the commune level; electricity supply co-operatives, sales contractors which can be a group of several households, or local electricity companies, will be responsible for sales.

For communes that cannot access the national electrical grid (estimated to number about 200 poor communes), the Government will provide capital financing or extend concessional credits with zero interest rate to enable local people to develop their own self-supplying electricity plants, e.g. small-scale hydro-electricity plants, household generators, or group of several households using other types of energy (solar-energy, wind power, etc.).

For extremely poor households, the State will provide additional financial support in order to set up connection lines from main electricity grids to each household and also finance electrical wiring inside their homes.

The Government will provide support for training, training cadre, and staff to work as managers, operators and as maintenance personnel to increase efficiency. In the immediate future, priority will be given to remote and isolated regions and areas where the terrain is difficult. Regulations governing electricity usage in every commune also will be formulated. Government will provide instructions on lowering electricity prices for the poor to ensure that it is not much higher than the standard charge for electricity consumption in cities.

Spending on maintenance in electrical projects will be covered by annual payments from consumers. For extremely poor communes, the Government will provide partial financial support for major repairs.

3.2. On developing road transport

In order to achieve the identified goals and targets of developing transportation infrastructure, it is necessary to continue broad implementation of the "State and people working together" mechanism to construct and upgrade the current transportation system, including new concrete bridges instead of bamboo-made bridges (also called "monkey" bridges in the Mekong river delta), in order to improve the people's quality of life and production conditions.

Ensure that all commune centers and commune-group centers will be reached by car-accessible roads. For mountainous provinces in particular, build roads that medium and small trucks can use to reach commune or commune-group centers in areas with difficult terrain in the first phase, roads will be built for motorcycles and horse-carts; in the second phase, they will be expanded to accommodate cars and trucks. Ensure that 30 percent of roads will be made of concrete, 70 percent of rural roads can be transportable year round. Abolish 80 percent of "monkey" bridges in the Mekong River Delta area. Gradually develop public transportation; provide cargo and passenger transport in rural and poor areas.

With respect to communes in remote and isolated areas that have rural industrial zones, the State will adopt special policies to build roads connecting to the main highways and to upgrade roads that have deteriorated.

Investment in upgrading and expanding roads within the commune will mostly come from the people's contributions (60% of total investment in the form of labor and locally produced materials), with the State providing 30% of total investment in the form of major materials such as cement, steel, etc. Priority will be given to investing in upgrading, expanding and rehabilitating the existing roads, with a focus on those roads that are still not yet year-round passable; new constructions will be considered when sufficient resources are found.

For inter-commune roads, connection roads from communes to districts and other main routes in poor communes, the State will provide support for most of the materials and bulldozer services; the remainder will be covered by mobilization of local resources.

In order to mobilize more efficiently and more abundantly current, an integration of targeted programs is needed; the integration of Program No. 135, the mountainous commune-group centers development program in mountainous areas, and the socio-economic development programs in Northern mountainous areas, Central Highlands and the Mekong river delta.

Publicize the opportunity for people in poor communes and poor communities to participate in making selections and making decisions about building, upgrading

and expanding road transport in areas funded by resources from the State budget. The Decree on Grass-roots Democracy, which closely links the benefits and obligations of local people with the investment and utilization of construction projects in transportation in their areas. Project selection and decision-making needed to be made public, to be democratized, and to be based on resources that can be mobilized from these localities. Rehabilitate and upgrade the existing train system and construct some other essential train lines.

Upgrade the domestic waterway system, especially in the Red River delta, and Mekong river delta, ensuring that this mode of transportation can be utilized around the clock.

Upgrade the infrastructure system in urban areas, especially in Hanoi and Ho Chi Minh City, and reduce traffic jams.

3.3 On developing small-scale irrigation works for poor communes:

For poor communes within Targeted Program No. 135 that do not have an irrigation system or a system that has deteriorated, the State will provide support from the state budget to invest in a new system or to upgrade. In extremely poor mountainous areas where there is no water-cultivation, the State will provide support to develop terraced fields, to create better conditions for poor people to produce food locally, or to plant forest.

For communes near main irrigation stations, the State will invest to develop irrigation canals to supply water, and provide material support in concert with the people to build the inner-field canal system.

Continue to focus investment in developing small-scale irrigation works in poor communes and poor areas.

Carry out the collection of irrigation fees for constructions that the State has invested in; the fees should be enough to cover recurrent and operating costs, and not to pay for the initial investment outlays.

Formulate regulations to define the responsibility of local authorities (at the commune level) to maintain and manage, on a long-term basis and with the participation of the community, small-scale irrigation works in their communes.

The current situation of developing irrigation works in poor communes indicates that the contribution from the people accounted for 20-40 percent of total investment expenditure for new irrigation construction, and about 20-30 percent of total maintenance and recurrent expenditure. Explore possibility of applying this formula on a larger scale in the coming period.

For areas that do not have water resources for developing irrigation at the local level, especially in remote and isolated areas, the State should provide more support and assistance.

3.4. Development of information network in the countryside, especially Commune cultural-model Post offices

Continue to develop the information network in the countryside, especially in poor areas and remote areas, and in communes with extremely difficult conditions.

Continue the establishment of cultural-model post offices in all communes in general and in poor communes in particular. Post office usage is very high among poor people, but the possibility for capital recovery is very difficult. The State will research mechanisms to support the development of Commune cultural-model Post offices.

3.5. Development of kindergartens and nursery schools

Kindergartens and nursery schools, especially in rural areas, play a crucial role in helping the poor to access to public services and reduce poverty sustainably. They also help children to develop themselves and to be cared properly, reducing malnutrition rate, developing mental power and going to school at correct ages. At the same time, they provide girl children with more opportunities of going to school instead of looking after their baby sister/brother; families with baby children can increase their working time or actively finds jobs.

By 1998, 26 percent of total communes has kindergartens and 77 percent has nursery schools, the rate of kindergarten attendance is 4 percent and that of nursery school is 40 percent. However, those rates are much lower in Central Highland areas (2 percent and 25 percent) and in Mekong River Delta areas (1.5 percent and 14 percent). The State now is researching and developing suitable mechanism for the development of kindergartens and nursery schools, especially in remote, far-reached and ethnic minority areas.

4. Establish an education system for the people that is more egalitarian and of higher quality

4.1. Organize to implement the Strategy to Develop Education 2001-2010 (Decision 201/2001/QĐ-TTg on December 28, 2001)

Focus on renovating educational objectives, content and curriculum with a view to standardizing, modernizing, moving closer to advanced standards in the region and the world, in keeping human resource requirements in our economic sectors, regions, and localities, study linked with action, discussion and planning linked with implementation; raise high the quality of universal education; strive to increase average hours of study and the percentage of children in school all day, especially in rural areas. Continue to raise the quality of higher and post-secondary education, and vocational training.

Develop the contingent of teachers, ensure that their numbers are satisfactory, and are appropriate to the structure and standards. Renovate the training program and nurture teachers, lecturers, paying special attention to keeping and raising moral standards of the teacher.

Renovate the management of education in the direction of raising the effectiveness of state management; strongly decentralize with a view to promoting a sense of initiative and responsibility at the local level, at the grassroots education level; prevent and contain unhealthy behavior.

Continue to complete the structure of the national education system and develop the network of schools and education at the grassroots level; improve the structure of the national education system in the direction of diversifying, standardizing, building links between universalizing education, from technical school to higher levels, university and post-graduate. Organize effective different channels of further education for students who complete lower-secondary and upper-secondary schools. Develop the network of schools, classes, grassroots education to be responsive to the requirements of our economic sectors and regions. Give priority to developing higher-level technical and industrial schools. Give priority to grassroots education for ethnic minority peoples and in remote and isolated regions.

Encourage and create the conditions for all society to participate in the development of education. Create opportunities for all to study on a regular basis, with a view to lifetime learning. Develop schools outside the public sector, with mechanisms and policies to give them priority with respect to renting land and accessing credit. Expand funds to encourage study, funds to support education, to encourage individuals and groups to invest in education. Develop community-based education centers. Renovate the regime of education fees in the direction of matching with the quality of educational services, appropriate to the capacity of the student, while providing exemptions and reductions for poor people. Pay attention to removal of gender gap in education, apply special measures to encourage women and girls in remote and isolated areas, and ethnic minorities areas, to go to school. Overcome gender-related prejudice in textbooks to promote equal opportunities in education.

Vigorously promote international cooperation in education. Encourage the expansion and vigorous promotion of international cooperation with respect to training and cooperative research with various schools and various scientific research institutions worldwide.

4.2. Continuing to develop ways to expand equality of access to education, giving special attention to improving the quality of education for poor people and various disadvantaged groups in society (including girls) is one of the focal points of development and is decisive for poverty reduction.

Continue to complete the set of policies on equality of access to training; access to primary and junior secondary education for children from rural households and those in poor regions is of special importance; ensure gender equality and enable girls to access education.

Continue to invest in the education system for poor communes and poor regions. Strengthen material facilities for education, including building and rebuilding classrooms, which previously were built of bamboo and leaves. Provide adequate teaching and studying facilities for all primary and junior secondary schools. Pay attention to developing concrete and semi-concrete schools in areas that often suffer from natural calamities. Maintain and expand the boarding school system in remote,

high-land and isolated regions; implement the boarding school system in communes; construct and consolidate model of schools in regions (district level) to encourage poor households to send their children to school. Attract ethnic minority girls going to boarding schools, raise share of girls in these schools.

Improve the quality of training and education in poor communes and areas, ensuring that children in poor areas have better access to high quality primary education. Make progress in improving educational programs and textbooks for school children as well as teaching and capacity building programs for teachers. Construct special policies for training staff working in disadvantaged areas such as improving the salary and allowance regime, giving priority in training and other preferential regimes for teachers. Apply various measures to raise share of female teachers coming from ethnic minorities.

Construct the package of exemptions and full support mechanisms in primary education for children from poor households covering school fees, cost of textbooks, contribution fees, cost of meals, lodging costs, transport costs. Provide timely support to families with children in primary school living in areas affected by calamities (bad harvest, disaster) to reduce their difficulties and prevent children from dropping out school. Gradually pay attention to poor students at higher educational levels.

Create conditions for ethnic minority peoples to study and become fluent in the national language as well as in their own language. Give priority to training cadre in extremely disadvantage communes and provide training for specially assigned people. Apply special selection mechanism for regions with special difficulties.

Adopt policies to encourage and create conditions for rural young people to study and find appropriate jobs after their graduation (e.g. creating scholarship funds, funds to assist job-seekers, subsidizing people who come back to work in their homelands...).

Strengthen propaganda and information dissemination to targeted programs, to the introduction to professional occupations and to the role of education and training in increasing incomes and improving living standards to encourage the poor to invest in education and training.

4.3. Increase financial resources for training and education. Increase the share of spending on training and education in the state budget from 15% in 2000 to at least 18% by 2005 and to 20% by 2010. The state budget will focus more on primary education level, mountainous and rural areas, high quality education and sectors that have difficulty in attracting non-budgetary investments. Obtain concessional funding from the World Bank, the Asian Development Bank, other international organizations and other countries. Encourage the participation of private sector in the education, particularly vocational training. Encourage various forms of investment and expansion of labor market to increase job opportunities, and opportunities of high productivity jobs for poor people and poor regions.

Implement preferential mechanism for land use and provide concessional credit for investments in education units.

5. Improve the quality of Health services, family planning programs, improved access and reduce health care costs for the poor.

5.1. Strengthening and improving the grass-roots health service network. Improving access for the poor, especially women and children, to basic health services; ensuring equality in accessing and using health service. Reforming the operation of the Committee for Health Care at the grass roots level.

Harnessing the ability of the army health service by combining the military and civil health care to provide health service to local people, especially in mountainous, islands, borders, and remote areas. Managing and developing the non-public health service.

Consolidate and develop health services in poor regions. Ensure that 100% of commune and villages will have clinics. By 2005: 100% of inter-commune polyclinic will have doctors; 65% of all communes will have doctors (in mountainous areas: 50%); 100% of commune clinics will have midwives (60% will be the secondary midwives) and midwifery. By 2010: 80% of all communes will have a doctor (in mountainous areas: 60%); 100% of villages will have at least primary health-care staff.

Expanding training to develop local health staff, with priority given to on-site training of ethnic staff in mountainous, remote, and disadvantaged areas. Promulgate favorable policies (salary, health insurance, social insurance, hospital shift allowance, and favor in training...) to encourage the health care staff working in mountainous, remote, isolated areas and areas that lack medical staff.

5.2. Drafting and promulgating priority policy in health care for mountainous, remote and isolated regions, with special attention to ethnic minorities and poor people. Special health policy is needed for women, children, and the lonely and unsupported elderly. Promoting the application of traditional medicine in health care. Encouraging the development of herbal and traditional medicines to reduce the cost burden for the poor.

5.3. *Improving the quality* of public health service, especially at the grass-root level, in mountainous, remote and isolated areas. Applying the national standard for commune health service. Plan well the curative care network and define areas of specialization. Strengthening the professional capacity and medical ethics among health cadre. Promoting the supervision and technical assistance from the upper level to the lower level in health service, so that the lower level is fully capable of diagnosing and curing diseases at exact hospital levels, thus solving the overload problem for the upper level while improving the efficiency in health care.

5.4. *Continue to develop preventive health care and health improvement*, reducing the infection and mortality rate. Implement effectively health care national

targeted programs to control the spread of infectious diseases, dangerous diseases, and those commonly affecting the poor, such as malaria, goiter, tuberculosis, leprosy, and mental illness. Taking effective measures to prevent these diseases from spreading. Take care of HIV/AIDS patients in the community and bring up children of those who died from HIV/AIDS. Discriminate in favor of HIV/AIDS patients, ensure that they have access to work like other people.

Implement effectively the National Action Program for Children of Vietnam and the Strategy to Care for Maternal Health in the period 2001-2010. Ensure that all children can access basic health care services. Taking appropriate and effective measures to improve mother and child nutrition. Improve the quality of health services provided to mothers and children.

Have the means to prevent and overcome quickly health consequences caused by natural disasters. Effectively implementing national policy to prevent accidents, injuries and effects of smoking. Strengthening the supervision and check to ensure the quality and safety in food.

Continue to carry out the integration of National targeted programs between the health care sector and poverty reduction. Strengthen communication activities for health education; discourage backward customs, habits and lifestyles that are unhealthy. Increase the percentage of families that have access to clean water and hygienic latrines. Accelerate the socialization of health activities; mobilize people to participate actively in sanitation activities that promote hygiene and involve preventive health care and physical exercise to create the "All for health" movement.

5.5. Increasing finance for health. In the coming years, the government continues to increase the funding for health, with priority policies to take care of the health of people living in mountainous, remote and isolated areas and regions with high poverty rate. More funding will be provided to develop the grass-root health service network. Improve the provision of medical equipment for basic health care; ensure that the supply of medical equipment is adequate according to the Medical Equipment Category List issued by the Ministry of Health.

Establish a suitable financial mechanism to cover fully expenditures for regular health care activities of commune and district health centers, especially in mountainous, remote and isolated areas and in areas with large ethnic minority populations. Extend pre-pay health care services, health insurance, especially health insurance in rural areas, moving towards compulsory health insurance for all.

Having appropriate and effective policies and measures to *reduce the cost burden for the poor* for curative services. The state ensures adequate funding from the budget to carry out well the pro-poor policy such as: reducing and exempting the cost of accessing health care services; buying insurance cards for the poor, the lonely unsupported elderly, the disabled, at the same time, implement the hospital fee exemption policy for ethnic minority peoples and children under 6 years old.

The State provides free of charge common medicines to treat social diseases (such as malaria, goiter, indisposition, tuberculosis, mental problems) and basic vaccines for children. The State implements targeted subsidy policies to prevent diseases in mountainous areas. The State provides ordinary medical subsidy of VND 20 thousand per capita per annum for ethnic minority people living in Region III.

5.6. Organize to implement effectively the Vietnam Population Strategy in the 2001-2010 periods. Consider the implementation of family planning and the reduction of the birth rate as one of the important steps to poverty reduction. Attach special attention to publicize family planning to couples in the high fertility age, targeting male. Diversify and use effectively communication channels and the other educational channels, communicate with everyone in order to improve their knowledge and commitment to family planning, maintaining an appropriate size of family. Step by step improve the population quality, the quality of life for all people, integrating the population targets in development plans.

6. Develop an advanced culture, strong national identity; improving the information spread to help the people expand their choice

6.1. Promote investment, develop culture and information, build an advanced culture with a strong national identity; preserve and restore our tangible and intangible cultural heritage to serve as a foundation for cultural exchanges among communities and regions throughout the nation as well as in the international areas. Consider as important the culturally appropriate media activities to change the habits, to increase the demand for service, and enrich the spiritual life of the poor.

Encourage socio-economic associations, communities and even foreigners to invest in the development of culture and information dissemination at the grassroots level in isolated, remote, rural, mountainous and ethnic minority areas.

Focus on building commune cultural centers that combine meetings and relaxing areas. By 2005, ensure that all communes have cultural centers (telephones, libraries, books, newspapers, meeting rooms) that have regular operating hours. The mission of the commune cultural center is to be the home for cultural activities, to provide information, disseminate news about new policies, especially providing information that is directly relevant to the poor including information about advancement in science and technology, about good production models, about good people and good deeds and about investment proposals to help the poor...

Encourage social associations such as voluntary youth, pupil, and student associations to come to rural areas as part of mobile information dissemination activities geared towards the poor to propagate cultural knowledge, information about new living styles, health and hygiene, science and technology for poor households and ethnic minorities.

Encourage communities, philanthropists, and enterprises to sponsor activities having to do with culture, sports, communication, and preserving our cultural heritage.

6.2. Upgrade the quality and expand the information system at the grassroots level in many forms (in both concentrated and dispersed form, through direct meetings) utilizing various means of communication (broadcasting, television, books, newspapers, documents, pamphlets...). Disseminate the information in both national and ethnic languages.

Improve the quality of communication education to ensuring the relaxing, attracting and encouraging the participation of children. Ensure that all communes on the whole nation have newspapers and magazines to improve the language ability for the majority of the ethnic children. Enrich and maintain the common sports. Strengthen the cultural and sportive activities for every people.

Upgrade and improve the information quality, provide much information for human development; assist people with more information in order to expand the choices and decision capacity.

Continue to complete the nationwide broadcasting and television system, ensure that more than 90% of households can see Vietnamese television programs and that 95% be able to hear the Voice of Vietnam by 2005. Develop and modernize the mass media network. Increase the amount of broadcasting and television time and publish ethnic language books and newspapers that is suitable for each locality. The Government will have the support policies to ensure that the poor communes have the communication station to disseminate the State policies, information on science and technology.

The Government will carry out initial investments in essential facilities such as the cultural house, library, broadcasting and television equipments, certain kinds of books, newspapers, and scientific and technical documents... Supplemental investments and the cost of operations and maintenance (O&M) will be mobilized by communities.

Develop mechanisms for management and operation that are appropriate for each province and area. Beside the direct management carried out by the post sectors, communes will develop their own action plan, asset management mechanism, operations expenditure, service fees and the regular maintenance plan for these facilities.

7. Protect the Environment and Maintain a Healthy Life for the Poor

7.1. *Implement the National Strategy for environment.* Harmoniously combine socio-economic development with environmental protection and improvement and ensure that all people are able to live in a healthy environment. Integrate actively the environment issues to plans, programs, and projects, and taking it as a criterion for evaluating development measures. Enhancing women's participation in environment protection and maintaining healthy life for the poor. Pay attention to the safe use of chemicals, food safety and hygiene.

Integrate fully the environment and natural resource issues into the master plan for socio-economic development in provinces, districts, and ensure that the development is sustainable and does not cause degradation in natural resources.

7.2. Constantly improve the quality of environment and use natural resources in an appropriate way. Pay attention to biodiversity in poor region, sandy, arid, and marsh areas, ensuring the renewable resources for production by people, especially by the poor.

Improving the water quality, increasing the number of people having access to clean water. Improving the quality of natural and planted forest, enhancing the social, economic, environmental values of forest. Upgrading the meager ecology, improving the stability of ecology in sensitive areas such as coastal sandy, tidal area, and bare hills.

7.3. Concentrate efforts on dealing with environmental deterioration in industrial zones, densely populated areas, crowded living quarters in big cities and some rural areas by encouraging clean production with environmentally-friendly energy-efficient technologies and by tightly controlling waste. Carry out pollution control and provide emergency services to clean up environmental disasters caused by natural calamities such as floods. Develop plans to reform and clean up environmental pollution in rivers, ponds, canals, fields, and homes. Expand infrastructure development and services to suburban areas, develop satellite cities, form district and commune level industrial clusters and develop rural professions.

Implement projects on environmental recovery and protection, protect watershed forests, build national parks and protected forest areas, construct national gardens, plant trees, preserve and protect bio-diversity. Develop and improve the quality of animal-botanic garden research centers and national parks in order to maintain and preserve precious and rare genetic sources.

Establish in cities and towns public environmental protection projects such as garbage waste treatment, waste water treatment, dust and noise pollution treatment; develop auto disintegrative (two-compartment) latrine systems in rural areas; advise and provide guidance to mountainous ethnic people about healthy and hygienic practices including ending the unsanitary practice of keeping their cattle, pigs and poultry under their homes on stilts.

Have measures to prevent environmental problems, such as using natural resources effectively, managing strictly water resources and controlling waste and carrying out reasonable resettlement in line with development issues. Carry out estimates of the environment impact of every socio-economic development project. Apply policy measures to encourage the participation of private sector in production projects ensure the long term use of water resources by strengthening protection of the catchments source. Use support policies to encourage clean production processes, the use of technologies that do not harm the environment, and the effective use of energy resources.

Stop the degradation of natural resources, protect and manage natural resources such as protecting the atmosphere, oppose the destruction of forests, especially forests at the river head; continue to close off forests in vulnerable ecological areas and forests that are degrading; implement anti-drought measures and stop the process of desertification; sustainably develop mountainous areas, protect biodiversity, strengthen the management of bio-technology, strengthen fresh water management, and enforce safer use of harmful chemicals.

Manage land in a sustainable manner, plan for the reasonable use of land, water resources and other natural resources; economize to protect the different types of ecological economies (shore, midland, highland, urban areas), pay attention to poor, remote and isolated areas; ensure a harmony between economic growth, poverty reduction and environmental protection. Have policies to safeguard the people's interests and link these interests to the benefits of protecting the natural resources that we hold in common.

7.4. Continue to implement the National Strategy for Rural Clean Water Supply and Sanitation during the period to 2010 (Decision No. 104/2000/QĐ-TTg dated August 25th, 2000). Ensure that 85% of the rural population will have access to clean and safe water with the capacity of 60 liters/person per day and that 70% will have access to hygienic latrines and have good personal hygiene care by 2010.

Strive that by 2005, all kindergartens, schools, hospitals, medical stations, and office buildings, markets in rural areas will have clean water and hygienic latrines. Priority is given to provide clean water to water-short and disadvantage areas (drought area, islands, high mountains, and saline areas). Prevent water from drying up and being polluted, protect the quality of ground and surface water.

Strengthen education, mobilization, control and supervision over household and concentrated livestock breeding, and over the production process in handicraft villages in order to ensure environmental protection of communes... Provide incentive policies from the state budget to assist regions with difficult conditions, concentrating chiefly on poor people, especially the mountainous areas with large ethnic minority populations. Other regions will make use of policies to mobilize the community, utilizing local contributions and the contributions of beneficiaries to build clean water, pollution prevention, environmental protection programs, etc. The Government will provide assistance in investing in projects to create resources (water containers, materials and other equipment), reserving capital from the state budget in the form of assistance finance and concessional credit to help peasants develop water supply and rural sanitary projects.

Establish the National Environmental Fund with funds from the state budget (using revenues from natural resource and pollution charges), common contributions and other voluntary programs aimed at covering the costs of environmental activities. Establish concrete policies to reward those who excel in meeting regulations on protecting forests, water resources and the environment;

impose strict penalties on those who break the law on natural resources and environmental protections.

Encourage business production and social services organizations to develop environmental services such as planting flowers, trees, collect garbage, develop ecological tourism areas, preserve ancient forests and precious birds, flora and fauna.

Establish policies to encourage the application of technologies and production processes that minimize the creation of waste matter and reduce environmental pollution. Employ tax policy, especially in the starting period, to encourage the use of clean production technologies; or to give tax exemptions to importing enterprises and manufacturers. Encourage the use of environmentally friendly gas in rural areas and develop solar energy, wind energy and other thermal energy resources. Amend regulations on environmental protection having to do with the investment process in order to ensure the freedom of citizens to invest and to protect against the danger of environment pollution.

7.5. Complete the system of State administration on environmental protection from central to local levels. Strengthen international cooperation in the area of environmental protection, especially maintain cooperation with neighboring countries and countries in the region on preventing environmental pollution, and on transferring anti-pollution technologies and setting up models for waste treatment.

Strengthen the responsibility for environmental protection through environmental education programs in various forms, especially in the general education system. Mobilize and stimulate the participation of all strata of population, enterprises, and social organizations in environmental protection activities.

Implement adequately and concretely systems for environmental control and evaluation the different kinds of natural resources, especially in remote, isolated, and poor areas. Based on that information, we can plan the production process in order to ensure a harmony between economic growth, poverty reduction and environmental protection. Focus on evaluations and timely reports on the three environmental indicators: *ratio of forest cover, percent of communes with access to clean water, and water and air quality*; put sustainable environmental development in the annual development plan. Establish policies to stimulate and assist the community with environmental activities in order to increase the awareness and participation of the people.

Complete, supplement and establish statute documents, regulations, resolutions, standards and directions to implement Laws on Water Resources, Law on Environmental protection, Law on Population health care and other legal documents.

II. NARROW THE GAP BETWEEN DIFFERENT REGIONS, REALIZE GENDER EQUITY AND THE ADVANCEMENT OF WOMEN

1. Create favorable conditions in social infrastructure and production capacity so that regions can develop on their own; narrow the social development gap between different regions

1.1. Concentrate resources on successfully implementing the National Targeted Programs for Hunger Eradication, Poverty Reduction, and Employment during 2001-2005

Continue to allocate resources and create opportunity for poor households to reduce poverty in sustainable way: expanding credit to poor households so that they can develop business production. Expand agricultural, forestry and fishery extension to provide guidance to the poor on how to do business. Models for poverty reduction can be replicated on the region wide basis.

Expand the target of support beyond the poor communes under the 135 program of the Government, including provision of infrastructure, support for profession development, training of poverty reduction staff, settling the migration issues and building new economic areas.

Link poverty reduction with job creation. Lending to small projects for job creation through the National Fund for Job Creation, enhancing the capacity of job service centers, the labor market information and statistics, training more staff.

1.2. Besides the implementation of the National Targeted Program for poverty reduction and job creation, it is necessary to implement the following measures to create more opportunities and resources for poverty reduction:

Increase investment in underdeveloped areas in order to narrow the development gap between regions, and between urban and rural areas. Encourage big enterprises to invest in poor areas to create more employment, to support the development of small and medium enterprises (SMEs) in order to create more jobs and to increase income.

State budget expenditure should focus more on infrastructure development, especially roads and irrigation, and create more non-agricultural jobs in rural areas. Renovate infrastructure development mechanisms in poor areas.

Continue to improve the allocation of public expenditures to agriculture and rural development (e.g. agricultural extension, national targeted programs, etc.) to provinces, based on the differences in socio-economic development, poverty rate, and the province's own budget resources.

Mobilizing the poor to build basic infrastructure, as a job opportunity for them, thus increasing their income. Pay attention to attracting women and men to planning, building, and monitoring infrastructure, with priority given to women's needs.

Attach special importance to the development of rural roads in poor areas. Develop special priority policies to expand rural roads as well as upgrade the

quality of this network. Replace bamboo-made “monkey” bridges; create opportunities for poor localities to take the initiative in managing the development and maintenance of their own rural transport infrastructure.

Expand the supply of grid-transmitted electricity; organize, manage and operate the electricity distribution system, especially in those remote and isolated areas that are characterized by complicated terrain and low sense of self-discipline of consumers. For border and island areas, areas that are far from the national power grid, and especially disadvantaged households that are eligible for policy-based support, the Government will finance part of the investment required for the construction of low-voltage primary line and sub-lines transmitting power to the homes of the people.

Develop rural markets, especially in mountainous, isolated, remote areas and islands, to ensure the provision of a number of essential commodities to people and facilitate the distribution of agricultural products. The Government gives priority to providing support in terms of price and transportation costs of essential goods that serve the production and livelihood needs of farm households in extremely disadvantaged communes. Price and transport cost subsidies to extremely disadvantaged communes should be linked to agricultural extension, supporting the shift in breed structure, crop pattern, and other programs to support the poor in terms of capital, land, market. Make sure that state subsidies reach the right beneficiaries and avoid the excess reliance on state support.

Improve the investment and business environment, job security for the non-state sector. Ensure the minimum benefit for the rural immigrants in cities. Promote the service market and market for agricultural and rural products. Build small district industrial zones, craft villages to create jobs for idle agricultural labor and increase income for farmers.

2. Stabilize and raise the living standards of ethnic minorities

Continue the implementation of the socio-economic development program for extremely disadvantaged communes (program 135), ensure that the communes basically have essential infrastructure. Develop infrastructure, clusters of communes, plan the residential areas, promote agricultural, forestry and fishery production, train commune staff. Step by step narrow the gap between ethnic groups in terms of material and spiritual life.

Implement well the delivery of land and forest to the majority of individuals, households, and organizations in ethnic, mountainous areas, especially ethnic households.

Ensure the entitlement of individual and collective land use rights to a great majority of ethnic minorities and mountainous people.

Implement well the task of fixed-cultivation and fixed-residence, restrict the free migration, stabilize production and improve the living standards of

mountainous and ethnic peoples in a manner suitable to their customs and practices based on a master plan for population distribution in the direction of establishing concentrated population clusters, commune clusters and townships. Simultaneously, infrastructure conditions, such as transport facilities, water and electricity supply, communications, markets and so on, should be taken into careful consideration.

Effectively exploit the potential of these areas with respect to land and labor, intensify the development of forestry, cash crops, fruit trees, and traditional handicrafts in ethnic minority and mountainous areas.

Provide guidance on how to do business, transfer technology and provide information in order to develop strongly a market-oriented commodity producing economy, rapidly increase the share of industry and services in the economy and gradually move towards eliminating autarchic economy in ethnic minority and mountainous areas. Develop agricultural and forest production farms whose sizes are suitable to the management level and production capacity of each populated area. Combine agro-processing industry development with product distribution for different economic sectors in mountainous areas.

Raise the intellectual level of the people, preserve and build on traditional cultural values of ethnic peoples. Give priority to training and utilizing the ethnic cadre at local level, gradually increase the percentage of ethnic cadres. Provide preferential treatment to and effectively utilize the contingent of village elders and village leaders and effectively implement the policy of maintaining strong solidarity among ethnic groups in ethnic minorities and mountainous areas.

Continue to consolidate and expand the education, health care, culture and information activities of ethnic minority peoples. Preserve and develop the reading and writing ability of ethnic languages. Provide access to kindergarten education to most children from ethnic minority groups and opportunities for children from ethnic minority groups to complete the primary education program in Vietnamese. Teach in ethnic language at school for those ethnic groups that have writing.

Provide information on poverty reduction programs in an appropriate manner and places where ethnic people can have easy access.

3. Realize gender equality for the advancement of women and the benefit of children

Organize to implement well the National Strategy for the Advancement of Women in Vietnam to 2010 (Decision No. 19/2002/QĐ-TTg dated on January 21, 2002). Improve the material and spiritual life of women; raise and bring into play their capacity, ability and role to ensure that women can carry out their responsibilities and participate fully on an equal basis in all activities, especially in political, economic, cultural and social activities in the industrialization and modernization process in order to attain the goal of “prosperous people, strong country, and egalitarian, democratic and civilized society”.

Ensure all women having rights and equal access in the total social workforce by providing sufficiently cultivated land and identifying targets of female labor for new jobs created. Complete regulations and strengthen the monitoring system for implementing policies on female labors in order to ensure the equality in vocational training, social insurance, labor safety and retirement policies. Mainstream gender issues into National Targeted Programs. Develop system of database with gender breakdowns on labor market and vocational training. Develop vocational training and employment service centers for women. Enhance the ability of women to access the credit system and poverty reduction resources to ensure that the most favorable conditions can be created for women to be coached with effective utilization and to obtain credit directly.

Take effective measures to ensure that women have equal access to education, to improve their profession. Encourage girls from remote and isolated areas and ethnic regions to go to secondary school, boarding schools, colleges and universities. Provide support to poor women and girls to go to school. Have measures to adjust the gender inequality in majors, engender vocational training. Review and improve the quality of textbooks, remove the prototype prejudice against women. Increase the share of women in managerial position at different levels. Establish Learning Promotion Fund for women and set target of women share in different levels of training and disciplines.

Improve women's health by strengthening their knowledge and behavior of suppliers in providing health care and family planning services. Strengthen the basic health clinic system, including reproductive health and family planning consultancy; develop proper policies to encourage men in applying contraceptive methods. Ensure poor women to access easily to health services. Enhance the quality of services of before, during and after baby delivery. Implement measures to restrain the infections of HIV/AIDS and other diseases infected through sexual way. Develop a database on professional diseases. Improve professional skills for health staff and quality of services in health clinics for women and children.

Address the problem of overburden in women's domestic work by investing in small-scale technologies to serve family needs, in rural clean water and in energy projects. The reorganization of the kindergarten and nursery school system will also help to reduce the burden of domestic work for women and female children. Launch campaigns to propagate and educate about family responsibility sharing.

Promote women's roles, position and participation in the decision-making and leading process at various levels and sectors by overcoming the discriminatory for women and children, encouraging equal, respective and co-operative family relationship. Create favorable conditions for women to take part in village and commune meetings and in planning, implementing and monitoring projects and programs in villages, communes and all levels. Review all policies on female worker and staff in order to ensure the equal beneficiary from those policies.

Mainstream gender issue into the political and administrative training courses at various levels.

Ensure the equal participation and beneficiary of women in the socio-economic development process by improving laws and legal documents on protection of women's legal right and benefits. Improve the awareness of, accessibility to and utilization of legal tools for women. Enhance capacity of the administrative bodies and social organizations in implementing policies and Strategies for Women's Advancement and in effective women's legal right and benefit protection. Improve women's rights in publishing Land Use Registration Paper, enhance their role in decision making at local level.

Strengthen the social propaganda and education campaign with form and content appropriate for each area and objective in order to improve the awareness and responsibility of government bodies, associations and families and all citizens in the mission of gender equality.

Respect and ensure the children right in the family and society. Strengthen the propaganda and raise awareness on the role of family in nourishing children.

III. DEVELOPMENT OF SOCIAL SAFETY NETS FOR THE POOR AND FOR VICTIMS OF NATURAL DISASTERS

1. Focus support on the poor, ethnic minority groups and other vulnerable people in society

Improve the quality and ability of the poor to access essential services and resources, especially primary health care, primary education, reproductive health, sound hygiene, good nutrition, homes, and free legal aid.

Establish a priority system to help disadvantaged groups benefit from national targeted programs on social development. Establish a preferential regime for two poorest quintiles and vulnerable people to reduce contributions, fees and costs related to their social transactions and their access to basic social services, and in cultural and educational activities to elevate the people's intellectual level, legal knowledge and protect their right at no cost. Address the housing problem for the poor. Develop residential quarters that are flood resistant in Mekong River Delta. Have a plan to remove temporary houses for poor households.

2. Expand social protection and the safety net

Amend the State's policies on providing support to disabled and vulnerable people to help them to be self-employed or to be employed by others with the aim that they will be able to earn enough to feed themselves, to participate in the community and in social activities, and to be able to reap more of the benefits of economic reform.

Complete social insurance policies with the aim of expanding coverage of the social insurance regime to all parties and ensure consistency between insurance contribution and insurance benefit.

Diversify the voluntary safety net. Strengthen measures to protect plants, animals such as veterinary services, general epidemic management programs in effective way in remote areas. Make pilot policies on plants, husbandry and market insurance for rural areas. Strengthening agricultural extension is considered to be the most effective method to reduce the vulnerability of the poor. Develop insurance programs on a community basis for the informal economic sector following the principle of group insurance (at minimum household insurance).

Expand social protection and the safety net through different funds. Provide humanitarian support on a regular basis for the poor and hungry, especially for those unable to work and have no one to rely on; organize and carry out the activities of these funds in communities and villages where the poor and vulnerable are concentrated. In that context, special attention should be given to provide assistance in kind (such as rice foodstuff, clothing and so on) to people in rural and selected urban areas who fall into very difficult circumstances.

Supplement policies and measures to protect and educate children in extreme difficulty, especially disable children and orphans, street and working children, and victims of orange agent and HIV/AIDS. Improving the responsibility of family in protecting and educating children. Mobilize the whole society to protect children in extreme difficulty.

Develop a policy system and measures to support the disable, the elderly (those without any support), victims of toxic chemicals and HIV/AIDS.

Develop social relief centers in poor areas and in localities that often suffer from shocks in order to nurture those who lose the ability and the opportunity to earn a living. In the near future, effectively implement the specific stipulations of Government Decree No. 07/2000/ND-CP dated March 9, 2000 on the policy to provide social relief in the three-year period from 2001-2003.

Adjust the method of state budget allocation to implement social policies, give local authorities the initiative, especially at the commune/district level, in order to strengthen the development of the community fund at village and commune levels.

3. Develop solutions to support the poor and the vulnerable to improve their conditions to participate in labor markets

Improve the access of poor workers and disadvantaged groups to the labor market, and especially their access to training. Resolve well the problem of labor redundancy. Gradually introduce the use of unemployment insurance.

Increase the number and quality of jobs created, especially in the non-state sector. Complete the Labor Law to promote the development of the labor market. Ensure job security. Oppose arbitrary dismissals; ensure stable work with rising

income and comfortable working conditions especially female workers. Reduce accidents in the workplace. Ensure gender equity with respect to retirement age; oppose the use of "early retirement" as a tool to solve redundancy problems at SOEs as well as other labor market problems.

4. Develop an effective system of emergency social relief solutions

Develop an effective system of emergency social relief solutions for poor and vulnerable people who are hurt by natural disasters, accidents, and other negative social shocks; improve this policy based on adopting emergency relief measures, including:

Improve the mechanism to establish and coordinate the Emergency Relief Fund.

Help the poor to take preventive measures against and fight effectively natural disasters such as storms, flood, drought, pests, etc. by organizing training, and transferring knowledge and practical experiences about managing natural disasters. Provide a share of the needed financial support to help them improving house conditions to prevent storms, flood.

Reorganize populated areas, production infrastructure and social infrastructure to facilitate efforts to prevent and combat natural disasters and to provide relief. Organize and prepare aid facilities to respond rapidly and in a timely fashion to limit the negative effects of natural disasters; provide guidance for the poor so that they can take the initiative to help each other when hit with natural disasters.

Organize assistance to help the poor recover from natural disasters so they can quickly resume normal life and production; for example, provide them with necessary factors of production (such as seeds, trees, livestock, tools for cultivation); solve environmental problems after the natural disaster has struck. Build facilities to store food, foodstuffs, and clothes in each community where natural disasters are frequent so they can be distributed quickly to disaster victims.

5. Expand the participation and enhance the role of domestic social organizations and non-governmental organizations in the process of building and implementing the social safety net

The Fatherland Front at all levels takes the lead and coordinates with governments of different levels and mass organizations to develop measures to motivate agencies, enterprises and the entire people to take part in social relief and to help the poor.

Encourage charity from non-governmental organizations, mass organizations, and social organizations to develop the social safety net, to effectively help the vulnerable, especially the elderly without support, orphan children, and victims of toxic chemicals and HIV.

PART V

Mobilizing and allocating resources for economic growth and poverty reduction

For the successful realization of the CPRGS's objectives, our preliminary funding estimates contained in demand for development of the Five Year Development Plan 2001 – 2005 for the industries and sectors: agriculture, forestry, fishery; industry and construction; transportation, post and communications; education; culture; health; science and technology; services; public sector; and various national target programs on poverty reduction is about VND 840 – 980 thousand billion (US\$ 60 – 70 billion), equal to 1.5-1.75 times compared to total investment implemented during the 1996-2000 period.

I. INVESTMENT FOR DEVELOPMENT

1. Investment demands for economic development

1.1. *Agriculture, forestry, and fishery*: the investment requirement is about VND 110 – 133 thousand billion. Of this amount, funding for *agriculture* (plant and animal structure conversion, new perennial crop cultivation, production of varieties, infrastructure investment, constructing concentrated production zones, basic processing, preservation and technology transfer...) requires VND 53 – 62 thousand billion; for *forestry* to complete the New five million hectare forestry project, developing economic forests, creating raw material zones combined with the construction of paper, powdered paper, plywood manufactures. It is VND 10 – 13 thousand billion; for *fishery* to continue to invest in intensive farming, expanding cultivated areas to 1,2 million hectares including ocean fish farming, building fishery infrastructure, developing off-shore fishing fleets, it is VND 21 – 27 thousand billion; for *irrigation* to upgrade existing facilities to increase their productivity from 60% by 2000 to 80% by 2005, build reservoirs to reduce flooding in the Central region, for containing fresh water in mountainous areas and in the Mekong river delta; build and consolidate the sea dyke line, the works to control salt water invasion; continue to implement the canal solidification project, consolidate the crucial dyke system, jetty, sewer and build infrastructure to diverge floods and to slow down flooding, it is about VND 26 – 30 thousand billion.

1.2. *Industry and construction*: The investment requirement is estimated as VND 370 – 400 thousand billion, of which, the funding requirement for electricity is VND 85 – 95 thousand billion; cement is VND 30 – 35 thousand billion; chemicals and fertilizer is VND 58 – 65 thousand billion; oil and gas is VND 55 – 60 thousand billion. Carry out deepening investment, renovate technology, modernize production sectors in stages, firstly develop the sectors that have competitive advantages, win over the domestic market and vigorously promote

export such as: processed agricultural, fishery and forestry products, textiles, leather, shoes, electricity and information technology products, selected machinery and consumer products. Build in selective manner some heavy industry facilities (oil and gas, metallurgy, manufactures, basic chemicals, fertilizer, construction material...) information technology and telecommunication industries.

1.3. *Transport, post, communications*: the investment requirement is VND 126 – 147 thousand billion, of which, funding needs for transport infrastructure is VND 94 – 110 thousand billion; post and communications is VND 30 thousand billion. Invest in upgrading and developing road, river, sea route, port and airport systems; complete upgrading of National Highway No.1 and construct Ho Chi Minh road, upgrade the existing railway system, expand the road system to economic centers, to remote and isolated areas.. Effectively address the problem of traffic jams, consolidate the inter-province traffic system in the Mekong river delta, and improve in urban areas traffic to Tay Nguyen, mountainous areas.

Build a broad, integrated, modern and high quality communications system. Focus on implementing large information projects such as the information satellites VINASAT, VISAT; attach special importance to investing in frontier, island, remote and isolated areas.

1.4. *Training and education*: the investment requirement is about VND 30 – 40 thousand billion, mainly investments to renovate, upgrade and expand training and education facilities, improve the quality of education, attach special importance to ensure enough schools, classrooms and teachers in isolated, remote and mountainous areas; renovate training and teaching methods, training to improve quality of teaching staff, especially ethnic minority teachers.

Continue to invest, upgrade and expand the kindergarten system in all areas, especially in rural and difficult areas. Modernize vocational technical schools; increase rapidly the number of trained and skilled workers among labor force. Focusing on National University, regional and crucial Universities and Teacher training Universities.

1.5. *Science, technology and environment*: the investment requirement is approximately VND 6 – 14 thousand billion to invest in building the material and technical conditions of research institutes on science, new technology and strengthening the competitiveness of commodities in market. Apply modern and advanced technology (information technology, biology, new materials, and automation technology). Focus on national laboratories in accordance with Decree No 850/QD-TTg of the Prime Minister, build the information technology infrastructure, Hoa Lac high technology zone...

Protecting and enhancing environment for the poor, build and consolidate 25% of the observation and environmental analysis stations, upgrade 30% of the stations to monitor water and air environment with modern and advanced standards. Build and replicate model wastewater and solid waste treatment plants in industrial zones and craft villages.

1.6. *Health care*: the investment requirement is estimated to be VND 16 – 28 thousand billion. Complete the master plan, consolidate and upgrade the basic health care network, improve the quality of health service, strength health staff, nurses and doctors and health equipments; strength implementing target health programs, development protecting and public health; improving access of the poor to good basic health service; supporting and subsidizing health expenses for the poor.

1.7. *Housing, water supply and drain and public service*

The investment requirement is estimated to be VND 118 -130 thousand billion. Focusing on infrastructure development, trade and legal serve, housing, expanding water supply and drain; gradually abolishing slum house in urban areas, especially house of the poor in North and Central Highland, and in frequent flooding Mekong River Delta region.

1.8. *Culture, Information and sport*: The investment requirement is estimated to be VND 14 – 15 thousand billion. Investment to expand and upgrade broadcasting, television system, publishing, newspapers, developing national sport complex, sport centers in provinces and cities, building departments for culture and information, and legal supporting services (training legal supporting staff, building legal bookshelf, providing and disseminating legal documents...) for the poor, people living in the remote, mountainous areas and ethnic groups.

1.9. *State administration and other sectors*: the investment requirement is VND 50-63 thousand billion.

Table 5.1: Total investment requirement (VND thousand billion, at 2000 price)

	Total investment required for period 2001-2005
Total	840 - 980
- Agriculture, Forestry, fishery and Irrigation	110 – 133
- Industry and construction	370 – 400
- Transportation and post	126 – 147
- Education and training	30 – 40
- Technology, science and environment	6 – 14
- Health and social affairs	16 – 28
- Housing, public service, water supply	118 – 130
- Culture, information and sport	14 – 15
- State administration	26 – 28
- Other sectors and activities	24 – 35

Source: Ministry of Planning and Investment

2. Mobilization capacity for total social investment

According to the preliminary calculation of ministries, provinces, programs, projects and foreign co-operation and investment commitments, it is proposed to mobilize within five years (relative feasibility) VND 840 thousand billion, including:

Domestic resources to be mobilized is estimated at about 21% of GDP, amount about 560 thousand billion, representing 2/3 of total capital investment, or about USD 40 billion.

External resource mobilization: Estimated about US\$ 20 billion, of which, total registered capital of license granted direct foreign investment projects (FDI) and increasing capital projects is about US\$ 15 billion (of which US\$ 12 billion of registered capital of new license granted projects and US\$ 3 billion of increasing capital projects). The implementation fund could be US\$ 11 billion and total Official Development Assistance (ODA) proposed to put under the implementation is US\$ 9 billion (US\$ 7,5 billion of loan and US\$ 1,5 billion of grant).

Table 5.2. Projections on capital resource mobilization for 2001-2005 period (at 2000 price)

Resources	1996-2000		2001-2005 (minimum)	
	Implemen- tation (VND thou. billion)	Percentage of total (%)	Mobilization ability (VND thou. billion)	Percentage of total (%)
Total	555	100.0	840	100.0
Of which:				
- Domestic capital	320.5	57.7	561	66.8
- Foreign capital	234.5	42.3	279	33.2
I. State sector (public investment)	295.8	53.3	467	55.5
1. Domestic mobilization	198.9	35.8	341.0	40.6
- State budget (exc. ODA)	83.9	15.1	123.2	14.7
- Credit (exc. on-lending ODA)	17.7	3.2	55.8	6.6
- State enterprise	97.3	17.5	162	19.3
2. Official development assistance (ODA)	96.5	17.4	126	15.0
II. Private sector	259.6	46.8	373	44.4
1. Domestic private sector	121.6	21.9	220	26.2
2. Foreign direct investment (FDI)	138	24,9	15.3	18.2

By all above resources, the mobilization capacity from the state sector (public investment) is about VND 467 thousand billion, occupies 55.5%, of which, state budget (excluding ODA) is about VND 123 thousand billion, representing 14.7%;

state credits (excluding on-lending ODA) is about VND 56 thousand billion, 6.6%; state own enterprises VND 162 thousand billion, 19.3%; ODA is about VND 126 thousand billion, 15%; domestic private sector VND 220 thousand billion, 26.2%; FDI is about VND 153 thousand billion, 18.2% of total investment.

Therefore, state sector still plays an importance role with the biggest share (55.5%), private sector with an increase from 21.9% (1996-2000) to 26.2% (2001-2005) but still low and occupies only 1/4 of total social investment. Private sector is full of potential and the Government will assign ministries, central agencies and provinces to remove all difficulties and to take more effective measures to mobilize more funds for the Strategy.

3. Priority direction for the period 2001-2005

Due to limited resources compared with the demand, in the forthcoming year, investment priority will be allocated to the sectors as follows:

Agriculture and rural development sector: prioritize to shift the plant and animal structure, expand production and develop infrastructure (e.g. flood protection and irrigation, rural roads, drinking water and electricity...), processing and post-harvest activities; afforest and protect forest; aquaculture, apply new varieties with priority has been given to poor, remote and mountainous communes and ethnic groups.

Health care: prioritize to develop basic health care network, ensure 100% of communes have medical stations with basic equipment and medicine, increasing health staff to remote, mountainous and difficult areas; investing on preventing health care, and primary health care; upgrading hospital systems, polyclinics, and quality of health service especially at commune level. Enhancing monitoring and supporting of higher health care level to the local one, enabling local health care to identify and treat timely the diseases. Implementing efficient supporting primary health care to the poor.

Training and education: prioritize investment on upgrading, and building new schools to ensure enough schools from kindergarten to upper secondary schools. Consolidating classroom with more attention paid to difficult and frequently suffered from flood and natural disasters. Renovating training contents and programs, improving teaching quality, providing to primary and lower secondary schools with learning and teaching equipments; staff development to ensure enough teachers.

Transport: concentrate investment and ensure the efficiency of the transport development, especially for the rural areas; clarify the responsibility, institutions of investment and management of rural roads. Provincial transport master plans must be closely integrated with the national transport plan. Ensuring 60% of inputs are from local people in kind of labor, local materials, and in cash. Government supporting 30% of total inputs in kind of main materials, construction machines and technical support (such as steel, machinery, technical assistance...).

Science and technology: attach the special importance to the development of infrastructure, information technology, software technology, and information industry.

Environment protection: continuing investment in eco-environmental protection, to ensure sustainable development. Implementing environmental renovating projects, resolving environmental pollution.

Programs, projects targeting to the difficult, poor regions like HEPR and employment program, population and family planning, preventing social diseases, dangerous epidemic diseases and HIV/AIDS; clean water and hygienic rural environment; development of culture, education and training, social development of special difficult communes (program 135), Five million hectare forestry Program, and ensure that these programs be integrated into social development plans of the industries and provinces.

State budget should be priority to province, cities having low HDI and GDI to reduce the gap between regions and encourage the province to implement policies that benefit the poor.

4. Proposed social investment capital implementation

Basing on the above objectives, the *social investment capital* is properly allocated into sectors and activities through appropriate investment encouragement policies by two following scenarios, which are lower (1) and upper (2) scenario:

Table 5.3. Investment capital allocation

	1996-2000 implementation		Plan 2001-2005			
	Thous		Scenario 1		Scenario 2	
	Bill. VND	%	Thou. Bill. VND	%	Thou. Bill. VND	%
Total	555.0	100.0	840.0	100.0	980.0	100.0
- Agriculture, Forestry, fishery and Irrigation	63.0	11.4	109.2	13.0	133.0	13.5
- Industry and Construction	238.0	43.0	369.6	44.0	406.0	41.4
- Transportation and Post	85.4	15.4	126	15.0	147.0	15.0
- Housing, public service, water supply	82.6	15.0	117.6	14.0	126.0	12.9
- Technology, Science and Environmental basic surveys	2.8	0.4	5.6	0.6	14.0	1.4
- Education and Training	15.4	2.7	30.8	3.7	42.0	4.3
- Health and social affairs	8.4	1.5	16.8	2.0	28.0	2.9
- Culture, Information and sport	7.0	1.3	14.0	1.7	21.0	2.1
- State Management	18.2	3.2	26.6	3.2	28.0	2.9
- Other sectors and activities	33.6	6.1	23.8	2.8	35.0	3.6

In scenario 1, the mobilization capacity can be up to VND 840 thousand billion (US\$ 60 billion), basically meeting the minimum requirement for laid-out objective achievement. Of which, investment on agriculture, forestry, fishery and irrigation is about VND 109 thousand billion accounting for 13% of total; industry and construction is about VND 369 thousand billion, 44 %, transportation and post 126 thousand billion, 15%; science, technology and environment 5.6 thousand billion, 0.6%; training and education 31 thousand billion, 3.7%; health, culture, sports, 30 thousand billion, 3.7%; housing, water supply, public services 117.6 thousand billion, 14%; public administration 50.4 thousand billion, 6%.

Given limited resources, the laid-out objectives can be achieved qualitatively, but not quantitatively (e.g. rural roads, health clinics, schools, facilities, etc. just meet the minimum quality standards).

This will be a great challenge that needs more practical measure to use as to mobilize more domestic and external resources as well as to utilize more efficiently current resources for objective fulfill achievement of the Strategy.

In scenario 2, total investment capital is VND 980 thousand billion (US\$ 70 billion), increase by 140 thousand billion compared the scenario 1, of which on agriculture, forestry, fishery and irrigation is about VND 133 thousand billion accounting for 13.5% of total; industry and construction is about VND 406 thousand billion, 41.4 %, transportation and post VND 147 thousand billion, 15%; science, technology, environment and basic surveys VND 14 thousand billion, 1.4%; training and education VND 42 thousand billion, 4.3%; health, culture, sports, VND 28 thousand billion, 2.9%; housing, water, public infrastructure and services VND 126 thousand billion, 12.9%; public administration and other VND 63 thousand billion, 6.5%. Generally, all objectives can be achieved both qualitatively and quantitatively.

For the Strategy implementation, the scenario 2 will be chosen to strive for. In order to obtain additional capital compared to scenario 1, 50% of fund supplementary is mobilized from domestic resources, mainly from private sector and households. The State will rapidly revise the investment encouragement policies, strongly encouraging private sectors and others to expand their investment. The rest of additional fund is promoted from international community and foreign investors to ensure successful achieve objectives of Comprehensive Poverty reduction and Growth Strategies. .

II. STATE BUDGET EXPENDITURE (PUBLIC EXPENDITURE)

1. Investment capital requirement from state budget

The requirement for capital expenditure in the state budget is rather high, about VND 190-200 thousand billion. Of which:

Agriculture, forestry and fishery accounts for more than VND 50-60 thousand billion mainly on developing new variety of plants and husbandry, aquaculture infrastructure, upgrading and renovating irrigation systems, building reservoirs with flood preventing in Central part, repairing degrading dykes.

Transport, post and communication requires VND 60-70 thousand billion to building new and upgrading 5,000 km high way, restoring bridges along the Thong Nhat railways, widening and moderating important sea ports like Hai Phong, Sai Gon, Da Nang, Can Tho; consolidating and developing inter-provincial roads in Mekong river delta, Central Highland, and North mountainous areas...

Education and training, health, service... requires 50-65 thousand billion to expanding school network, increasing teaching quality, strengthening primary health care; urban water supply and drain...

2. Requirement for current expenditure from State budget

The requirements for recurrent expenditure in the state budget over the period 2001-2005 is about VND 450-460 thousand billion (not including principal payment), of which, agriculture, forestry and fishery accounts for more than VND 20 thousand billion; transport, post and communication for VND 20 thousand billion; health and social spending for VND 100 thousand billion... Training and education have highest share of regular expenditure, about VND 110-120 thousand billion mainly ensuring basic objectives, namely ensuring 80% for the primary school (cities and towns only 60-80%); 60 for secondary schools (cities and towns only 40-50%); 20% for Vocational training (cities and towns only 5-10%), school fee exemption and other supporting policies for the children from poor households in remote, mountainous and ethnic areas.

Current expenditure of programs and projects during period of 2001-2005 is estimated about VND 10 thousand billion, increased by 1.5 times compared to 1996-2000.

The cost of maintenance over the five year period 2001-2005 is estimated at VND 52 thousand billion, an increase of VND 20 thousand billion or 164% of the maintenance costs during the five year period 1996-2000. Of this amount, the maintenance financing requirement for agriculture, irrigation, fishery is VND 4.6 thousand billion, equal to 2.8 times the 1996-2000 period; transport, post and communications is VND 16 thousand billion, equal to 2.1 times the 1996-2000 period; training and education is VND 9 thousand billion, equal to 1.9 times; health care is VND 2.5 thousand billion, equal to 2.3 times. For 3 years from 2003-2005 maintenance require VND 32.5 thousand billion, of which transportation, post require VND 10.2 thousand billion; training and education VND 5.7 thousand billion.

In addition, reform of the SOEs and state-owned commercial banks need to be supported by the state budget for 3 years from 2001-2003 about VND 35 thousand billion to subsidize labor redundancy, to resolve the bad loans and accumulated

losses, Of this amount, the cost of SOE restructuring is VND 10.6 thousand billion (resolving SOE bad debts is VND 4.6 thousand billion, subsidizing redundancy costs is VND 6 thousand billion); provision of regulation capital for financial companies is VND 1.5 thousand billion; cost of reforming the four state-owned commercial banks is VND 17 thousand billion.

3. Mobilization capacity from State budget

Renovate and reform legal and policy framework to maintain the state budget's share of GDP at 20%, of which, revenues from taxes and fees will account for approximately 18%.

On that basis we estimate the state budget for Five year 2001-2005 period as follows: assuming a GDP growth rate of 7.5% per year on average, and the budget share as stated above, we estimate that revenues to the state budget over this five year period will total VND 620 thousand billion, of which, revenues from taxes and fees will be VND 560 thousand billion.

Base on the demand and State Budget revenue, State budget expenditure over this five year period (excluding principal repayment) is estimated at about VND 630 thousand billion, increased by VND 220 thousand billion, or 1.5 times compared to the period 1996-2000. Of which investment expenditure is VND 185 thousand billion, increased by VND 60 thousand billion, or 1.48 times; current expenditure is VND 445 thousand billion, increased by VND 157 thousand billion or 1.5 times compared to 1996-2000. Proposed budget expenditure is as follows:

*Table 5.4: State Budget expenditure in the period 2001-2005
(excluding principal payment)*

Unit: 1,000 billion

	1996-2000 implementation		2001-2005 estimation			
	Total	Of which		Total	Of which	
		Invest- ment	Recur- rent		Invest- ment	Recur- rent
Total	414.4	126.0	288.4	630.0	185.0	445.0
<u>Of which:</u>						
Agriculture, forestry, fishery and irrigation	42.0	29.4	12.6	65.8	46.2	19.3
Transportation and post	49.0	37.8	11.2	72.8	54.6	18.2
Housing, water supply, public infrastructure and services	18.2	14.0	4.2	28.0	21.0	7.0
Science, technology and basis survey, environment	7.0	2.8	4.2	14.0	4.2	9.8
Training, education and	65.8	8.4	57.4	114.8	14.0	100.8

vocational training							
Health and social affairs (social security, insurance, allowance...)	75.6	8.4	67.2	119.0	12.6	106.4	

Table 5.5: Structure of State Budget expenditure in the period 2001-2005 (excluding principal payment)

Unit: %

	1996-2000 implementation			2001-2005 estimation		
	Total	Of which		Total	Of which	
		Investment	Recurrent		Investment	Recurrent
Total	100.0	100.0	100.0	100.0	100.0	100.0
Of which:						
Agriculture, forestry, fishery and irrigation	10.1	23.3	4.4	10.4	24.8	4.4
Transportation and post	11.8	30.0	3.9	11.5	29.3	4.0
Housing, water supply, public infrastructure and services	4.3	11.1	1.5	4.4	11.3	1.6
Science, technology and basis survey, environment	1.7	2.2	1.5	2.2	2.3	2.2
Training, education and vocational training	15.8	6.6	19.9	18.2	7.5	22.6
Health and social affairs (social security, insurance, allowance...)	18.2	6.6	23.3	18.8	6.8	23.9

According to the above estimates during the period of 2001-2005, these 6 sectors most related to poverty reduction, estimated to spend about VND 420 thousand billion, accounting for 2/3 of total budget expenditure, increased by 1.6 times compared to 1996-2000. Of which, agriculture, forestry, fishery and irrigation requires VND 65.8 thousand billion, an increase of 55%; transportation and post VND 72.8 thousand billion, an increase of 50%; housing, water supply, public infrastructure and services VND 28 thousand billion, an increase of 54%; science, technology and environment VND 14 thousand billion, for a 100% increase; training, education and vocation VND 114.8 thousand billion, an increase of 75%; health and social spending VND 119 thousand billion, an increase of 57%.

The sectoral agencies and provinces further detail the 5 year-plan into medium or short term plans to ensure to achieve final targets.

III. POVERTY REDUCTION

1. Investment requirement for poverty reduction targets

1.1. Base on initial calculations of related ministries and agencies working with a number of international consultants of costing team, the expenditure requirement to meet selected social and poverty reduction objectives of 8 sectors (agriculture and rural economy, health, education, city, electrification, transport, labour and insurance and national programs) over the three year period 2003-2005 is VND 84 thousand billion. This comprises VND 54 thousand billion of recurrent expenditure and VND 30 thousand billion of capital expenditure.

Table 5.6: Projections on state spending priorities for 8 selected social objectives and poverty reduction objectives over 3 years, 2003-2005.

Unit: VND billion

	2003	2004	2005	Total
Total	28,330	27,870	28,275	84,475
- Recurrent	17,280	18,001	18,719	54,002
- Investment	11,050	9,869	9,556	30,473
<i>Of which:</i>				
Agriculture	5,002	4,906	4,772	14,681
- Recurrent	3,001	2,944	2,863	8,808
- Investment	2,001	1,963	1,909	5,872
Health	3,752	3,835	3,971	11,558
- Recurrent	3,276	3,348	3,384	10,008
- Investment	476	487	587	1,550
Education	4,520	4,555	4,589	13,664
- Recurrent	1,778	1,813	1,847	5,438
- Investment	2,742	2,742	2,742	8,226
Urban development	1,500	1,500	1,500	4,500
- Recurrent	75	75	75	225
- Investment	1,425	1,425	1,425	4,275
Electricity (All capital expenditure)	1,248	261	75	1,584
Transportation	3,083	2,982	2,890	8,955
- Recurrent	925	1,041	1,175	3,141
- Investment	2,158	1,941	1,715	5,814
Labor and social insurance (All recurrent expenditure)	7,225	7,731	8,272	23,229

National targeted programs	2,000	2,100	2,205	6,305
- Recurrent	1,000	1,050	1,103	3,153
- Investment	1,000	1,050	1,103	3,153

Source: Co-operation between related Vietnamese ministries and WB costing team

With respect to agriculture and the rural economy, the main spending priorities are basic infrastructure and improved research, new varieties provision, extension services, improving, upgrading and building irrigation systems in remote areas. The budget for these activities is estimated at about VND 14.7 thousand billion.

With respect to health care, continue to increase quality and access to basic health care for the poor; reduce the incidence of infectious diseases among the poor, preventing HIV/AIDS. The total budget allocation to these activities is VND 11.5 thousand billion over the period 2003-2005, of which, VND 10 thousand billion of recurrent expenditure and VND 1.5 thousand billion of capital expenditure.

With respect to education, give priority to improving the infrastructure and facilities for education universal and improve the quality of education in remote areas and ethnic groups, and the exemption of education charges for poor households. The proposed budget allocation to these activities is VND 13.7 thousand billion. This comprises VND 5.4 thousand billion of recurrent expenditure and VND 8.3 thousand billion of capital expenditure.

With respect to urban infrastructure, the total budget is estimated at VND 4.5 thousand billion, comprising VND 0.2 thousand billion of recurrent expenditure and VND 4.3 thousand billion of capital expenditure for improving housing, water supply system, electricity supply in the poor urban areas.

With respect to electrification, the budget for the period 2003-2005 is estimated at VND 1.6 thousand billion to connect remote communes to the national electricity grid. Government will finance for the provision of high voltage lines, transformers and electricity meters. The connection of low-voltage electricity grid to individual households will be funded by local budgets, concessional credits and contribution of the poor.

With respect to transport, give priority to developing road links to communes in remote and isolated areas and to upgrading existing rural roads in poor districts. The total cost of implementing these activities is about VND 9 thousand billion comprising recurrent costs of more than VND 3 thousand billion and capital costs of VND 6 thousand billion.

With respect to labor and the social safety net, this includes covering the cost of national programs and social safety nets implemented through MOLISA and provinces, including as the cost of direct spending on social guarantee and protection centers, on transfers and other costs associated with social guarantee and

protection activities, the cost of national programs for job creation, drug control, and prostitution control, the cost of providing support to prevent pre-harvest hunger and disaster relief. Total expenditure is about VND 23.2 thousand billion and it is mainly recurrent expenditure.

With respect to national targeted programs, the most significant of these are program 135, the national job creation program, and the rural water and sanitation program. The total budget for all these activities over the period 2003-2005 is estimated at VND 6.3 thousand billion, comprising VND 3.1 thousand billion of capital expenditure and VND 3.2 thousand billion of recurrent expenditure.

1.2. Some programs, projects implemented in disadvantage areas

Develop irrigation in Central highland, Central Region (from Thanh Hoa to Ninh Thuan) to expand total land provided water to about VND 8 thousand ha and develop reservoirs with flood preventing purposes in central provinces. The total budget for all these activities over the period 2001-2005 is estimated at VND 23 thousand billion, of which for Central highland, VND 3 thousand billion and Central part VND 20 thousand billion.

Develop infrastructure, upgrading floor to avoid the flood along the residential line, quarters and building houses for 200 thousand households in 12 provinces in Mekong River Delta region. The total budget is VND 7 thousand billion.

Abolishing poor quality houses (made of bamboo, leaves, unsecured when have a flood) for 440 minority households, households living in deep flooding areas. Of which 100 thousand households in North Mountainous, 90 thousand households in 4 provinces of Central Highland, 130 thousand in Mekong River Delta region, and 120 thousands households in other provinces. The budget is estimated about VND 10 thousand billion.

Supporting mountainous people making ladder steps land to settle down, developing fruit and special plants to replace opium in upland areas... Total investment for (2001-2005) is about VND 200 billion.

This industries and sectors may not fully mentioned and may have some overlapping calculation between investment for economic growth and poverty reduction, between different sectors... However, they still are crucial and have a huge need of expenditure. The implementation will be carried out by many resources and should be prioritized to the resource allocation and subject to the integration of sectoral, local development plans, of national targeted or pro-poor programs.

2. National target programs related to poverty reduction

Including: HEPR and job creation program, social economic development program for special difficult communes, development program on education,

culture, health, five million hectare forestry project... are most directed to poverty reduction. The fund can be attracted from different sources: Direct allocation from state budget, provincial budget, integrated fund from other projects, credit, and fund mobilized from the communities, of which the state budget accounts for 30% of total investment of a program/project.

According to estimation made by the provinces and ministries managing programs/projects, the cost of 8 programs and national projects for the 5 years (2001-2005) is about VND 70-75 thousand billion (or USD 5-5.5 billion). Details are as follows:

Table 5.7: Total investment requirement for national programs and projects

	Total investment 2001-2005 <i>(Thousand billion)</i>
Total	70 - 75
1. Poverty reduction and employment	27 - 28
2. Clean water and hygienic rural environment	8.0 - 8.5
3. Population and family planning	3.5 - 4.0
4. Communicable and dangerous diseases and HIV/AIDS preventing program	5.0 - 5.5
5. Cultural development program	1.5 - 2.0
6. Training and education program	6.5 - 7.0
7. Special difficult communes development program (domestic resource)	8.5 - 9.0
8. 5 million hectare afforestation project	10.0 - 11.0

Given the demand and mobilization capacity, it is estimated the total budget for these projects and programs for 2001-2005 is doubled compared to total investment made during 1996-2000, about 60 thousand billion, of which state budget takes 1/3. The objectives of these programs and resource allocation are:

2.1. The National target program on poverty reduction and employment

Focus on building up infrastructure for poor communes, production and industrial development working in poverty reduction sector; training and staff development,

supporting agricultural, forestry and fishing extension, credit, resettlement and new economic zone development for shipping minority groups. Total investment for 2001-2005 for these activities is about VND 22.5 thousand billion.

2.2. National Targeted Program on clean water and hygienic rural environment

Focusing on developing the central water supply and implementing clean water and Hygienic rural environment for poor areas, providing credit with no interest or low interest to difficult areas.

Total investment for 2001-2005 for these activities is about VND 7.1 thousand billion.

2.3. National Target programs on population and Family planning

Planning and redistributing population among regions; improving investment in primary health care programs for poor, difficult, remote areas; improving information system, strengthening capacity for staff working on that program.

Total investment for these activities is about VND 2.5 thousand billion.

2.4. National Targeted Programs preventing communicable and dangerous diseases and HIV/AIDS

Focus on diseases: malaria, goiter, leprosy, tuberculosis, petechial fever, implementing vaccination program immunization projection, preventing malnutrition, health care for community; food safety, preventing and against HIV/AIDS...

Total budget for these activities over 5 years is about VND 4.5 thousand billion.

2.5. National target programs for cultural development

Completing broadcasting and television nation-wide system. Ensure 90-95% households watching TV and listening to Vietnamese Voice. Preventing degrading and renovating historical memory; research and survey, reservation of some traditional communes, villages and festivals. Collecting and reservation non-material objects, building up basic information institutions, developing information and cultural activities in community. Ensuring all communes have cultural center (with telephone, library, meeting room...).

Total budget for these activities is about VND 1.3 thousand billion.

2.6. National target programs on education and training

Strengthening and developing the results of universal of primary education and illiterate elimination; achieving universal on lower secondary education; renovating teaching programs, textbook contents; implementing training programs for informatics, providing informatics into schools, teacher training and development, strengthening material basis for the schools, teaching schools, vocational and job oriented centers, developing main university and professional secondary schools....

Total budget for these activities over 5 years is about VND 6 thousand billion.

2.7. Social economic development programs for most difficult communes (program 135)

Focusing on infrastructure of most difficult communes, planning and developing commune clusters; population redistribution and planning; promoting agricultural and forestry production; staff development for communes, villages. By the year 2005, all communes have basic infrastructures such electricity, schools, health center, inter-commune road, market and clean water. Regarding to the commune clusters, building up the polyclinic, schools, agricultural extension centers, electricity and water supply systems...

Total budget for these activities over 5 years is about VND 7.6 thousand billion.

2.8. 5 million hectare forestry project

A long with protecting 10 million ha forest, plan new 1.43 million ha, including 390 thousands ha protected forest; special used forest, and 1 million production forest. Implementing regenerating planting combined by add more forestry for 650 thousand ha, giving out 2 million ha forestry to households for protection.

Total budget for these activities over 5 years is about VND 8.5 thousand billion.

In addition, continue supporting, mobilizing resource from communities and beneficiaries to implement projects approved by international and government agencies like: agricultural diversification; rural infrastructure development; poverty reduction in 6 north mountainous provinces; poverty reduction in 5 central provinces; community based rural development; forest protection and rural development...

3. Implementation mechanism

Continue the decentralization; expand the rights of local authorities to take the initiative in giving priority to projects/programs; put them in charge of management and construction of local economic development and poverty reduction projects in line with the direction, goals and plans that are approved by the Government to ensure the efficiency and avoid risks. Enhance the roles, accountability and management capacity of local bodies in human resource allocation and implementation of pro-poor projects. Determine the criteria for budget allocation and prioritize the public projects in province.

Integrate and move towards the unification of the sphere of national targeted programs, paying special attention to achieving the targets of programs such as commune cluster development, resettlement and fixed cultivation, and socio-economic development programs for extremely disadvantaged communes in mountainous, remote and isolated areas.

Identify and establish concrete mechanisms to mobilize the participation of the people in the tasks of project development, implementation, monitoring and evaluation. Ensure the principle of empowerment in selecting project objectives, resource allocation, implementation and monitoring and dissemination of State's

decisions and directions on poverty reduction, on objects and sectors that receive investment support and incentives; ensure the transparency, equality, efficiency and sustainability in allocating, developing investment project; maintain capacity and ownership of beneficiaries. Allow for greater ownership and initiative at the commune and district level in the management and utilization of Community Funds, Social Relief Funds, etc.

Enhance the efficiency of capital utilization of development investment programs, national targeted programs, pro-poor programs and projects. Strengthen the decentralization of management and utilization of ODA resource. Simplify investment and administrative procedures to accelerate program/project implementation.

PART VI

Implementation, monitoring and evaluation of the Poverty reduction and growth strategy

I. IMPLEMENTATION

The implementation of the Comprehensive Poverty Reduction and Growth Strategy should base on synchronous measures including institutional reform, strengthening resource and capacity of implementing apparatus as well as build mechanism to ensure the participation of all-level agencies and people from policy making stage to monitoring and evaluation of Strategy in order to achieve the solidarity of achievement and to avoid risks in the process of investment and strategy implementation.

1. Duty assignment to sectoral ministries, agencies and provinces

1.1. The implementation of the Comprehensive Poverty Reduction and Growth Strategy needs focused guidance and close coordination among governmental agencies including: Government Office, Ministry of Planning and Investment, Ministry of Labour, Invalids and Social Affairs, Ministry of Finance, the State Bank of Vietnam, Government Organization and Personnel Committee, Steering Committee of SOE Reform and Development, Ministry of Agriculture and Rural Development, Ministry of Fishery, Ministry of Industry, Ministry of Transport and Communications, Ministry of Health, Ministry of Education and Training, Ministry of Construction, Committee for Ethnic Minorities and Mountainous Areas, Ministry of Science, Technology and Environment, General Statistical Office, Central Office of the Women's Union, etc. At the same time, research to establish a Steering Committee for the Comprehensive Poverty Reduction and Growth Strategy in order to help the Prime Minister provide guidance in the task of implementing the strategy.

1.2. The Prime Minister assigned to the Ministry of Planning and Investment the task of leading and cooperating with other concerned organizations to guide line ministries, sectors and provinces make plans and to integrate the CPRGS into the national and their annual and five year socio-economic development plans; on a regular basis, to inspect, monitor and synthesize the implementation of the strategy to report to the Prime Minister.

The Ministry of Planning and Investment will take a leading role in coordination of line ministries to establish the Inter-ministerial Working Unit including representatives from concerned line ministries to coordinate in implementing the CPRGS. This Unit has the function in cooperation with line ministries and provinces to implement, monitor and evaluate the implementation progress of the Strategy.

A Secretariat will be formed to assist the Inter-ministerial Working Unit.

1.3. Based on the strategy, line ministries, government agencies and provinces will, within their sphere of functions, concretize and incorporate the objectives in CPRGS into their annual plans for implementation. They will annually organize the monitoring and evaluation, and report the results of the implementation of objectives and targets that fall under their responsibility to higher-level organizations; at the same time, propose more suitable measures and policies to improve performance.

1.4. The General Statistical Office, Ministry of Labour, Invalids and Social Affairs and other concerned ministries, using as the basis the monitoring and evaluation indicator system laid out in the Strategy, will plan surveys and collect other needed information in their working programs. The General Statistical Office coordinates on a regular basis with concerned ministries and social organizations to conduct qualitative and quantitative surveys to evaluate the social and economic results and impacts of the Strategy on the whole society, particularly the poor. Estimate costs, strengthen staff capacity and improve material facilities for effective information collection.

1.5. Every year, based on the funding capacity of the State Budget and the progress made in implementing the CPRGS, the Ministry of Planning and Investment, the Ministry of Finance, governmental agencies and provinces will have to arrange expenditures to implement the Strategy.

2. Promote capacity of implementation apparatus

There should be a duty assignment to relating line ministries, provincial and local authorities in monitoring and evaluation of CPRGS implementation and other activities of their sector within the Strategy framework.

Strengthen the network and contingent of poverty staff at all levels, especially in extreme difficult communes. Increase professional level for and provide them with proper tasks.

3. Complete the mechanism to encourage the participation of people, civil social organisations in implementation, monitoring and evaluation of CPRGS.

3.1. Promote widely the propagation and dissemination of the CPRGS to reach all the people. The General Statistical Office, Ministry of Labour, Invalids and Social Affairs and relating sectoral ministries and agencies annually organize information collection based on the system of monitoring and evaluation indicators in the CPRGS. Step-by-step develop a widely accessible website on the Comprehensive Poverty Reduction and Growth Strategy.

3.2. Institutionalize the consultation process for CPRGS in line ministries, poor communities, enterprises, domestic and international social organisations and local community-based organisations, etc. in order to improve the quality of the monitoring and evaluation of CPRGS. Develop standards and procedures of priority

Public Investment Programs/projects appraisal and selection regarding to social benefit assessment beside the cost/benefit analysis.

3.3. Identify, analyze and evaluate possible risks that may occur during the implementation of CPRGS and provide appropriate policies to minimize them.

II. MONITORING AND EVALUATION OF CPRGS

1. Objectives of CPRGS monitoring and evaluation

Organize the monitoring and evaluation of CPRGS implementation in order to ensure the successful achievements of set-out targets in line with the estimated timetable and resources. Based on an overall assessment of implementation progress and results, uncover irrationalities in the current mechanism, policies, and sectoral development measures. On that basis, make suitable adjustments and policy amendments to implement the Strategy effectively.

The monitoring and evaluation of CPRGS includes 3 main points: (i) monitoring and evaluating the effectiveness of economic growth and poverty reduction; (ii) progress made in resource mobilization and implementation; (iii) assessment of impact of policies and programs on poverty reduction; and socio-economic impact of programs that affect the poor.

The monitoring and evaluation of growth and poverty reduction targets will be done at all levels, national, sectoral, and local by rural/urban, gender and social quintile break downs.

2. System of indicators to monitor and evaluate the Strategy

The system of indicators to monitor and evaluate the CPRGS includes: (i) indicators to monitor outputs of economic development and poverty reduction; (ii) indicators to monitor and evaluate inputs of resources for the Strategy; (iii) indicators to monitor and evaluate the achievements according to the targets laid out in the Strategy; and (iv) indicators to evaluate the impacts of every program and strategy affecting the poor and the whole society. This system of indicators will be developed in detail by regions, provinces, rural/urban areas and genders and some of them are further detail to economic sectors, social quintile and ethnic groups.

The system of indicators used to monitor and evaluate CPRGS, listed in table form, includes:

- The development objectives (indicators related to goals of the strategy covering the different socio-economic sectors related to the poor).
- The indicators that are targets for a given period, to the year 2005 and 2010 in particular.
- The intermediate indicators (monitoring indicators) that are used to monitor actual progress in implementing the development objectives.

Each indicator is shown with its statistical frequency and implementation organizations (see Appendix 1).

3. Responsibility for monitoring and evaluation of the CPRGS

In order to have unbiased, reliable and high-quality assessments of the CPRGS, the information collected for CPRGS evaluation must be systematic, comprehensive, practical and updated on a regular basis.

In order to provide information to the monitoring and evaluation of CPRGS, the General Statistical Office will biannually conduct household living standard surveys. Those surveys will be constructed in the format of combination between fixed modules and alternate modules. Promulgate Law of Statistics, encouraging the distribution of information and data to users and improving the policy analyzing capacity of Government's policy makers.

Independent research organizations (NGOs, universities, etc.) will organize the consultations with the people, collect and analyze data to assess the present situation and trends with respect to economic growth and poverty.

Based on their analysis and assessment, line ministries and provinces will prepare and make public thematic and summary reports of the CPRGS implementation within their sectoral or provincial scope.

The Ministry of Planning and Investment will coordinate with line ministries to prepare and make public "the annual report on implementation of the CPRGS".

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The Government of Vietnam welcomes the participation of specialists, domestic and international organizations, which include donors, NGOs, social and professional organizations at the local and community level, etc. in the preparation and implementation of the Comprehensive Poverty Reduction and Growth Strategy.

The Government of Vietnam calls for international donor community to provide financial and technical support for CPRGS and wishes for a medium term formulation (3 or 5 years) of their country support strategies in order to enable Vietnamese Government to allocate resources more actively to achieve the goals and complete the tasks of this Comprehensive Poverty Reduction and Growth Strategy.

Appendix 1: Vietnam's Development Objectives.

Appendix 2: Three year Medium term Macroeconomic Framework of Vietnam

Appendix 3: Policy Matrix, Measures and Time Frame.

Appendix 1: Development objectives of Vietnam

A. ECONOMIC OBJECTIVES

Objectives, Targets	Monitoring indicators	Reporting frequency	Reporting agencies
Target 1. Growth of the economy			
GDP in 2010 to double GDP in 2000	<ul style="list-style-type: none"> - Gross Domestic Products (GDP) - Use of Gross Domestic Product (Saving - Consumption) - GDP per capita - Income per capita of cities and provinces - Consumer Price Index 	Annual	General Statistical Office
Value-added in industry and basis construction to grow by 10.0-10.5% on average during the period 2001-2010	<ul style="list-style-type: none"> - Gross Production Output growth rate of industry and construction. - Value-added growth rate of industry and construction 		
Growth rate in agriculture, forestry and fishery to grow by 4.0-4.5% on average during the period 2001-2010	<ul style="list-style-type: none"> - Gross Production Output growth rate of agriculture - Value-added growth rate of agriculture, forestry and fishery - Value and volume of total food production - Food production volume per capita 		
Value-added of services to grow by 7.0-8.0% on average during the period 2001-2010	<ul style="list-style-type: none"> - Total retail sales of goods and services - Value-added growth rate of services 		
Export growth rate to more than double GDP growth rate	<ul style="list-style-type: none"> - Export value - Import value 		
By 2010: the share of agriculture in GDP will be 16-17%; industry 40-41% and services 42-43%	<ul style="list-style-type: none"> - Share of agriculture in GDP - Share of industry in GDP - Share of services in GDP 		

Objectives, Targets	Monitoring indicators	Reporting frequency	Reporting agencies
By 2010: the share in the total labour force of industry will be 23-24%; agriculture, forestry and fishery 50%, services 26-27%	<ul style="list-style-type: none"> - Share of agriculture in total labour force - Share of industry in total labour force - Share of services in total labour force 		
Target 2. Resource mobilization for poverty reduction			
<p>To ensure that domestic saving exceeds 30% of GDP, to mobilize VND 840 thousand billion (US\$ 60 billion) for development investment in the period 2001-2005, of which VND 220 thousand billion (US\$ 15.7 billion) from domestic private sector and US\$ 11 billion from FDI</p> <p>Total funding for poverty reduction</p>	<ul style="list-style-type: none"> - Share of saving as percent of GDP - Total capital investment mobilized annually - Total investment capital mobilized annually by economic sectors - Total funding mobilized for CPRGS - Total funding allocated to targeted programs - Total funding of the National Targeted Program No. 135 and Program on Poverty Reduction and Employment Generation allocated for provinces, in detail, down to the district level 	Annual	Ministry of Planning and Investment
Target 3. Effectiveness of resource utilization			
Total funding for CPRGS, breakdown by targeted program	<ul style="list-style-type: none"> - Total funding for CPRGS, breakdown by province, down to commune level - Total households receiving support from CPRGS, breakdown by province - Percentage of people mobilized in the program relative to the requirement, details provided for every program and province - Percentage of financial resources mobilized for the strategy relative to the requirement, details provided for every program and province - Percentage of financial resources mobilized on time for every program and province 	Annual	Provinces and Programs

B. SOCIAL AND POVERTY REDUCTION OBJECTIVES

Objectives, Targets	Monitoring indicators	Reporting frequency	Reporting agencies
1. Poverty reduction			
<p>Between 2000 and 2010, reduce poverty rate according to international poverty line by two fifths and according to national targeted poverty reduction program's (2001-2005) poverty line by three fifths.</p> <p>Between 2000 and 2010, reduce poverty rate according to the international food poverty line (2,100 Kcal per capita daily) by three fourths.</p>	<ul style="list-style-type: none"> - Poverty r based on international standards. - Poverty rate based on HEPR's standards. - Number of households who escape from poverty. - Poverty gaps. - Share of 20% poorest quintile in national consumption. - Proportion of population below international food poverty line. 	<p>Annual and every two years (<i>Household living standard Surveys</i>)</p>	<p>GSO; MOLISA and provinces</p>
2. Provide of basic infrastructure services to extremely disadvantaged groups and urban poor people			
<p>Provide basic infrastructure for 80% of poor communes by 2005 and 100% by 2010.</p> <p>Expand the national transmission grid to 900 poor commune centers by 2005.</p> <p>Provide essential infrastructure, especially water supply and environmental hygiene, for poor areas in cities and towns.</p>	<ul style="list-style-type: none"> - Percentage of poor communes with car accessible roads leading to commune centre. - Percentage of poor communes with small-scale irrigation works. - Percentage of poor communes with health stations. - Percentage of poor communes with primary schools, kindergartens and infant schools. - Percentage of poor commune-clusters with junior-secondary schools. - Percentage of poor communes with markets or inter-commune markets. - Percentage of poor communes with cultural model post offices. - Percentage of communes with radio stations. - Percentage of poor communes with electricity - Percentage of poor households in urban areas with access to essential infrastructures. 	<p>Annual and every two years (<i>Household living standard Surveys</i>)</p>	<p>MOLISA, GSO; concerned agencies and provinces</p>

Objectives, Targets	Monitoring indicators	Reporting frequency	Reporting agencies
<p>Ensure that 80% of urban and 60% of rural population will have access to clean and safe water by 2005; 85% of rural population to have access to safe water by 2010.</p>	<ul style="list-style-type: none"> - Percentage of poor households with access to clean water. - Percentage of poor rural communes and poor urban districts with clean and hygienic safe drinking water. 		
3. Job creation			
<p>Provide additional jobs to 1.4 - 1.5 million people per annum. Raise the share of female workers of total new jobholders to 50% by 2010.</p> <p>Increase the share of trained workers in the total workforce to 30% in 2005 and 40% in 2010.</p> <p>Increase the ratio of rural working time utilization of people of working age to about 80% by 2005 and 85% by 2010.</p> <p>Reduce urban unemployment rate to about 5.4% in 2004 and to less than 5% by 2010.</p>	<ul style="list-style-type: none"> - Number of jobs created annually. - Number of new jobs created annually. - Ratio of female workers in total newly created jobs. - Number of jobs in non-state sector. - Number of new jobs in non-state sector. - Percent of landless poor households that have found jobs. - Percent of poor households with access to credits and loans for job creation. - Number of labors by sectors (agriculture, industry and services) - Ratio of trained workers in total labour force. - Total workers trained annually. - Rural labor utilization rate - Urban unemployment rate 	<p>Annual <i>(employment and statistical surveys)</i></p>	<p>GSO, MOLISA and provinces</p>
4. Education universalization			
<p>Increase primary school net enrolment rate to 97% (junior secondary school NER to 80%) by 2005 and to 99% (junior secondary NER to 90%) by 2010.</p>	<ul style="list-style-type: none"> - Primary school net enrolment rate. - Junior secondary school net enrolment rate. - Rate of kindergarten enrolment at the age of 3-5. - Primary education completion rate. - Rate of junior secondary universalization. - Literacy rate among people aged of 15-24. - Rate of class repeat and drop-out. <p><i>(These indicators are classified by gender and ethnic groups)</i></p>	<p>Annual and every two year <i>(Household living standard Surveys)</i></p>	<p>Ministry of Training and Education GSO and provinces</p>

Objectives, Targets	Monitoring indicators	Reporting frequency	Reporting agencies
<p>By 2010, strive to improve quality of education and increase at primary level.</p> <p>Eliminate gender gap in primary and secondary education by 2005 and the gap among ethnic minorities in primary and secondary education by 2010.</p> <p>Eliminate illiteracy for 95% of illiterate under-40-year-old women by 2005 and 100% by 2010.</p>	<ul style="list-style-type: none"> - Children with full-day schooling. - Net enrolment rates at primary, secondary and tertiary education levels by gender. - Literacy Rate for females and males aged 15-24. - Net enrolment rates of ethnic children compared to those of Kinh children at primary and secondary levels in 2010. - Literate rate for under-40-year-old women. 	<p>Annual and every two year <i>(Household living standard Surveys)</i></p>	<p>Ministry of Training and Education GSO and provinces</p>
5. Reduce Birth Rate, Child Mortality Rate and Child Malnutrition Rate			
<p>Maintain the trend reduction in the birth rate in order to reach the average substitution level for the whole country by 2005; in remote and poor areas by 2010.</p> <p>Reduce infant mortality rate to 30‰ by 2005 and less than 25‰ by 2010; reduce under 5 year old mortality rate to 36‰ and less than 32‰ by 2005 and 2010 respectively.</p> <p>Reduce under 5 year old malnutrition rate to 25% in 2005 and less than 20% in 2010.</p> <p>Rapidly reduce the rate of children of low weight at birth (less than 2,500 grams) to 7% in 2005 and to 5% in 2010.</p>	<ul style="list-style-type: none"> - Population growth rate. - Prevalence of contraceptive use/availability. - Infant Mortality Rate. - Under 5 Mortality Rate - Under 5 Malnutrition Rate - Percentage of births of low-weight (less than 2,500 grams) children. <i>(These indicators are classified by gender and ethnic groups)</i> 	<p>10 years <i>(General Population Survey)</i></p> <p>every 2 years <i>(Household living standard Surveys)</i> and annual</p>	<p>GSO, MOH, National Committee for Population and family planning, and provinces</p>

Objectives, Targets	Monitoring indicators	Reporting frequency	Reporting agencies
6. Reproductive health, HIV/AIDS, epidemics and other social diseases			
<p>Reduce the maternal mortality rate to 80 per 100,000 live births by 2005 and to 70 per 100,000 live births in the whole country by 2010 (the rate for mountainous areas is 100 per 100,000).</p> <p>Maintain the achievement of polio eradication; minimize the number of people sickened by cholera, typhoid, hemorrhagic fever, malaria, and plague, etc.</p> <p>Slow the rate of HIV/AIDS transmission</p> <p>Control and move towards restraining social diseases.</p>	<ul style="list-style-type: none"> - Maternal mortality rate. - Skilled attendant at delivery. - Proportion of children sickened by cholera, typhoid, hemorrhagic fever, malaria, plague, etc. - Proportion of HIV/AIDS infected people age 15-49. - Proportion of children infected by HIV/AIDS. - Proportion of people infected by social diseases. 	<p>Annual and every two years (<i>Household living standard Surveys</i>)</p>	<p>MOH, GSO and provinces</p>
7. Develop culture and information, improve the spiritual life of people			
<p>By 2005, strive for 80% of households to attain the status of cultured family; 50% of villages, hamlets, urban districts to attain national culture standards; 78% of commune, districts with cultural houses.</p> <p>Ensure that more than 90% of households can see Vietnam Television programs and that more than 95% can hear the Voice of Vietnam radio by 2005.</p> <p>Increase the amount of broadcasting and television time in ethnic languages.</p>	<ul style="list-style-type: none"> - Percent of households attaining cultured family status. - Percent of village, hamlet, urban districts attaining the national culture standard. - Percent of communes and districts with cultural houses. - Percent of households that can see Vietnam Television programs. - Percent of households that can hear the Voice of Vietnam radio. - Amount of time broadcasting ethnic languages. 	<p>Annual</p>	<p>Ministry of Culture and Information; GSO</p>

Objectives, Targets	Monitoring indicators	Reporting frequency	Reporting agencies
8. Improve living standards, preserve and develop ethnic minority cultures			
<p>Preserve and develop the reading and writing ability of ethnic languages.</p> <p>Ensure the entitlement of individual and collective land- use rights in ethnic minority and mountainous areas.</p> <p>Increase the proportion of ethnic minority people in elected bodies at various levels.</p>	<ul style="list-style-type: none"> - Literacy Rate in ethnic language. - Rate of ethnic peoples with land-use right certificates for all sort of land-. - Rate of ethnic peoples relying on shifting cultivation. - Percent of ethnic peoples represented in elected bodies at various levels. 	Annual	MOTE, General Land Office, GCOP and provinces
9. Sustainable Environmental Protection			
<p>Extending forest cover to 38% by 2005 and to 43% by 2010.</p> <p>Ensure that there are no slums and temporary houses in all towns and cities by 2010</p> <p>Ensure that 100% of all waste-water is treated in towns and cities by 2010.</p> <p>Ensure that 100% of solid waste is collected and disposed of safely in all towns and cities by 2010.</p>	<ul style="list-style-type: none"> - Forest cover. - Proportion of country under-protected forests (“special use”). - Representation of species diversity in the protected forests. - Percentage of households living in slums and temporary houses. - Percentage of towns and cities with over 5% of land area covered by slums. - Percentage of towns and cities with zero % of land area covered by slums - Percentage of towns and cities with over 10% of temporary houses - Percentage of towns and cities with zero % temporary houses - Percentage of towns and cities with 100% waste water treated - Percentage of towns and cities collecting and safely disposing 100% of solid waste 	Annual	MARD, GSO, MOSTE and provinces

Objectives, Targets	Monitoring indicators	Reporting frequency	Reporting agencies
By 2005, air and water pollution must attain national standards	<ul style="list-style-type: none"> - Water and air quality. - Rate of poor households with hygienic latrines. - Rate of poor households with access to hygienic water. 		
10. Reduce vulnerability			
Improve significantly the income of the poor. By 2005, increase the average income of the lowest expenditure quintile to 140% of that in 2000 and up to 190% by 2010.	<ul style="list-style-type: none"> - Average income of the lowest expenditure quintile in rural and urban areas. 		
Improve the access of the poor to basic social services, production services and resources	<ul style="list-style-type: none"> - Rate of poor people with access to basic social services in rural and urban areas. - Rate of poor people receiving support in production services. 		
Expand the official social safety net (health insurance, social insurance, etc.) and diversify the voluntary safety net (school insurance and insurance of crops, diseases, production equipment, agricultural extension, etc.)	<ul style="list-style-type: none"> - Percent of people participating in official and voluntary insurance system. - Percent of the disabled, dependent elderly people living alone and other policy-qualified people receiving social welfare. - Percent of poor people receiving essential support (e.g. shelter, re-current and emergency relief support). - Number of social welfare centers. - Number of charity funds. - Percent of poor people with health insurance. 	Annual and every two years <i>(Household living standard Surveys)</i>	MOLISA MOF, concerned agencies and provinces
Ensure job security	<ul style="list-style-type: none"> - Percent of people benefiting from unemployment insurance. - Percent of redundant workers benefiting from support policies such as training, credit, etc. 		
Fully resolve the problem of child labor and street children. Protect them from economic exploitation and sexual abuse.	<ul style="list-style-type: none"> - Percent of children cared for who are in difficult situations (orphans, disabled children, street children and child laborers). 		

Objectives, Targets	Monitoring indicators	Reporting frequency	Reporting agencies
Develop strategy for natural disaster relief and prevention. By 2010, reduce by half the rate of poor people falling back into poverty due to natural disasters and other risks.	- Rate of poor people falling back into poverty due to natural disasters.		
11. Gender Equality and Empower for Women			
<p>Increase the number of women in elective bodies and in government bodies at all levels (national, provincial, district and commune). Increase the participation of women in agencies and sectors at all levels by an additional 3-5% in the next 10 years.</p> <p>Ensure that the names of both husband and wife appear on land-use right certificates by 2005.</p> <p>Reduce the vulnerability of women in family violence.</p>	<ul style="list-style-type: none"> - Percent of females in the Party's Central Committee. - Percent of females in the National Assembly. - Percent of female representatives in people-elected agencies. - Percent of female leaders in ministries and central agencies and institutions. - Percent of female entrepreneurs. - Percent of land titles in both husband and wife names. - Gender Development Index (GDI). 	Annual and every 5 year <i>(term of election)</i>	National Assembly Office; Party's Central Committee Office, GCOP and related agencies
12. Good governance for poverty reduction			
<p>Ensure grass-roots democracy</p> <p>Ensure budget transparency</p>	<ul style="list-style-type: none"> - Percent of communes having staff to monitor the poverty reduction strategy. - Percent of communes that are provided with information on poverty reduction programs. - Percent of communes with complaints and lawsuits. Percent of petitions to be settled. - Percent of communes with no social evils. - Percent of communes with libraries of law. - Number of coaching and propagating courses on State laws and policies. - Proportion of communes that publicize their budget revenue and expenditure. 	Annual and every 2 year <i>(Household living standard Surveys)</i>	GSO, GCOP, Ministry of Judiciary and provinces

Appendix 2:

MEDIUM TERM MACROECONOMIC FRAMEWORK, 3 YEARS 2002-2004

	2000	Estimated 2001	2002	2003	2004
Outputs and prices					
- Real GDP (%)					
Official	6.8	6.8	7.0	>7	7.5
Fund Staff estimates ⁽¹⁾ :	5.5	5.0	5.3	6.5	7.0
- CPI (end of period, December, %)	-0.6	0.8	4.0	3.5	3
Current Account Balance (including official transfers)	2.1	2.2	-1.9	-3.2	-1.7
Exports and Imports					
- Growth rate of exports of goods (%) ⁽²⁾	25.2	4.0	4 ⁽³⁾	12 - 14	12.5 - 14
- Growth rate of imports of goods (%)	34.5	2.3	10.0	15.0	11.0
State Budget/GDP (%)⁽⁴⁾					
- Total revenue (including grants)					
Official	20.4	20.6	19.5	19.8	19.8
Fund Staff	21.1	21.8	20.8	21.3	21.6
- Total expenditure (excluding on-lending)					
Official	23.2	23.5	22.0	22.7	22.7
Fund Staff	23.9	25.2	24.7	25.0	24.8
- Overall fiscal balance (excluding on-lending)					
Official	-2.8	-2.9	-2.5	-2.9	-2.9
Fund Staff	-2.8	-3.5	-3.9	-3.7	-3.2
Gross official reserves (number of weeks imports of goods and non-factor services)	8.9	9.1	9.0	9.2	9.4

Sources: Vietnamese authorities and IMF staff projections and estimation.

- (1) - International organizations (IMF, WB and ADB...) have different projections of GDP growth rate due to alternative methodologies used to estimate GDP and its components on an expenditure basis.
- (2) - Fluctuation between the official (ceiling margin) and IMF staff (floor margin) estimations.
- (3) - The planned target of early 2001 is 10%. However, after couple of recent months the export growth rate is slowing down, IMF estimates the growth rate of export of goods in 2002 is 4% and Vietnam Government expects a higher growth rate.
- (4) - The Total revenue/GDP, Total Expenditure/GDP calculation are based on the current GDP projection of Vietnam excluding the costs of SOE reform and commercial bank reform. IMF staff estimates current GDP lower and takes into account the current expenditure of structural reform. Other differences in coverage and assumptions underlying the projection.

Appendix 3:

POLICY MATRIX, MEASURES AND TIMETABLE FOR IMPLEMENTATION

Policy areas and Objectives	Policies, measures and timetable for implementation during 2003-2005
A. Macroeconomic and Structural Policies to promote economic growth, raise income and create opportunities for the poor.	
<i>I. Create legal environment for fair and competitive business</i>	
<p>1. Create a fair business environment for different forms of enterprises and increase the transparency of regulations and policies</p>	<p>Remove impediments for registration and start-up of businesses and create a level playing field for different forms of enterprises through implementation of the Law on Enterprises, continue to revoke or modify business licenses in the remaining sub-sectors where restrictive licensing exists.</p> <p>Create equal conditions for all types of enterprises to access capital, credit, land, technology, profession, information, and current preferential systems of the State.</p> <p>Develop and improve a legal framework to ensure a stable and predictable investment environment and to promote openness, and transparency of measures and policies to encourage greater investment.</p> <p>Create more favorable conditions for attracting foreign investment. E.g. gradually remove the dual pricing system imposed by the State on state-supplied services for business activities of domestic and foreign-invested enterprises.</p> <p>Promote direct foreign investment in export production and in social sectors.</p> <p>Unify step by step the legal framework, policy and conditions for domestic and foreign-invested enterprises.</p> <p>Issue implementing regulations of Decree No. 90/CP on promoting development of small and medium size enterprises (2002-2003).</p> <p>Promote the activities of the farm economy by implementing Decree No. 03/CP (2002-2003).</p> <p>Promulgate regulations to implement the Revised Land Law (2002) and issue land-use right certificates to all land users (2005).</p> <p>Prepare conditions to unify the Law to Encourage Domestic Investment and the Foreign Investment Law (2003).</p> <p>Promulgate the Bankruptcy Law (revised) applied to all types of enterprises (2003).</p> <p>Revise and amend some articles of the Labour Law (2002).</p> <p>Promulgate State Law on Price (2002).</p> <p>Promulgate State Law on Trade Arbitration (2002-2003).</p> <p>Implement the Decree No. 132/CP on the development of rural professions.</p> <p>Revise and amend selected articles of the Co-operative Law (2003).</p> <p>Promulgate the Best Company Management Rules and require all companies listed on the Stock Market and Joint stock banks to implement them within 18 months; encourage Joint stock companies to implement these Rules also.</p> <p>Construct the legal framework to allow for establishing business associations.</p> <p>Construct and approve the Electricity Law.</p>

<p>2. Reform state-owned enterprises (SOEs) to strengthen their efficiency and competitiveness.</p>	<p>Implement a medium term five - year SOE reform program during the 2001-2005 period, with annual targets to improve efficiency and to curtail losses in this sector. Complete the equitization, transfer to employees, sale, contracting out, leases, mergers, divestitures and liquidation of around 2,800 SOEs. Of which, complete equitization, sale and liquidation of, in 2002: 400 SOEs, in 2003: 500 SOEs.</p> <p>Promulgate criteria for the classification of SOEs and State Corporations into business- oriented SOEs and public-service SOEs (2002).</p> <p>Issue guidance for transforming SOEs into single owner limited liability companies (2002).</p> <p>Promulgate a new decree to replace Decree No. 44/1998/ND-CP on SOE equitization.</p> <p>Promulgate the Decree on Social Welfare Fund to extend to workers of SOEs (2002).</p> <p>Promulgate Decree on the Treatment of Redundant Workers (2002).</p> <p>Develop an incentive mechanism to encourage redundant works to resign voluntarily during the process of implementing the SOE reform program.</p> <p>Develop a pilot plan to restructure several selected Corporations (about 3). Then, complete the plan to restructure 3 corporations (2002) and start the action plan (2003).</p> <p>Promulgate the Decree on SOE Debt Clearance.</p> <p>Develop a set of criteria to supervise and evaluate the business performance and effectiveness of SOEs. Complete the system of debt control of 200 large SOEs in order to have suitable reform policies. Develop the system of debt control to all SOEs in order to have policies to limit risks, clear bad debts, re-arrange or liquidate ineffective SOEs.</p> <p>Carry out performance assessment/diagnostic audits of several large SOEs. Complete the performance assessment/ diagnostic audits of 30 SOEs (2002) and another 30 SOEs (2003) if there is enough financial support.</p> <p>Revise and amend Decree No. 103/CP on the sale, transfer, contracting out, and leasing of SOEs (2002).</p> <p>Issue regulations requiring all private, limited liability and joint stock companies to improve their accounting and financial reports (2002).</p> <p>Promulgate a new decree on labour, salary and income management in SOEs (2003), including proper incentive mechanisms.</p>
<p><i>II. Create a stable macroeconomic environment</i></p>	
<p>1. Fiscal policy and public expenditure management:</p> <p>Implement appropriate fiscal policies to safeguard medium-term sustainability</p>	<p>Strengthen tax system, increase tax base along the lines of developing the sources of tax revenue and increasing the efficiency of the tax payment system but still remain pro-poor tax policies and system. Amend some articles of the Revised State Budget Law (2002).</p>

	<p>Gradually implement the recommendations that are agreed upon in the Public Expenditure Review. Increase expenditures for basic social services and rural infrastructure and bias public expenditure in favor of poor provinces.</p>
<p>Increase budget transparency to improve the information base for decision-making and target setting.</p>	<p>Improve budgetary revenue and the expenditure monitoring system at all levels.</p> <p>Continue to make public information on annual budgetary revenues and expenditures at various levels in a more scientific and proper manner.</p>
<p>2. Monetary policy:</p> <p>Implement prudent monetary policy to control inflation</p> <p>Reform banking sector and financial organizations to mobilize domestic capital resources.</p>	<p>Introduce monetary and credit controls with an aim to improving the effectiveness of monitoring monetary policy and meeting the targeted objectives.</p> <p>Continue to implement a basic interest rate policy with an aim to move towards liberalizing interest rates.</p> <p>Develop and implement the plans for restructuring four state-owned commercial banks (SOCBs) in accordance with the overall framework for banking sector reform (2002-2004).</p> <p>Complete the international accounting standard (IAS)-based financial audits for four large SOCBs by independent auditing companies (2003); resolve all inadequate issues of auditing (2004).</p> <p>Separate preferential and policy-based credit activities from the State-owned commercial banks, and let them operate in a competitive environment.</p> <p>Address audit qualifications laid out in the IAS Audit Report on 2000 accounts (2003).</p> <p>Resolve non-performing loans of state-owned commercial banks to 20% of total debts (2002) and another 30% of non-performing loans (2003).</p> <p>Complete the separation of the Bank for the Poor from the Bank for Agriculture and Rural Development of Vietnam and let it act as a policy-based bank (2003). Increase Bank for the Poor's lending to disadvantaged areas.</p> <p>Restructure and reinforce joint stock banks, close or merge weak banks and ensure that they are in compliance with prudential regulations. Reduce the number of total joint stock banks to 28 (2003).</p> <p>Implement Decision No. 1627 to reclassify all non-performing loans in the four SOCBs and to phase-in provisioning within 3 years (2003-2005) to bring loan loss provisions in line with international standards and to allow for financial status assessment of SOCBs.</p> <p>Promulgate a decree guiding the implementation of the revised Land Law to create favourable conditions for transfer, leasing, and mortgage to borrow loans from banks and to make contribution to joint ventures.</p> <p>Provide concrete guidelines on regulations to allow foreign banks operating in Vietnam to accept land use rights as collateral.</p> <p>State-owned commercial banks should raise gradually the share of credit to private small and medium enterprises and enterprises operating in rural and disadvantage areas.</p> <p>Allow Postal Savings and the People Credit Funds to receive deposits and expand their operating scope in order to lend for production development.</p>

<p>Foreign exchange policies to increase competitiveness, liberalize the current account</p>	<p>Increase flexibility and transparency of the foreign exchange regime. Develop inter-bank foreign exchange market.</p> <p>Build a system and measures to control the foreign capital rotation, especially short-term capital. Control and limit using foreign currencies within Vietnam territory.</p> <p>Reduce gradually the ratio of foreign exchange surrender.</p>
<p>3. External debt policies to keep debt service burden at a serviceable level</p>	<p>Monitor all debts including debts incurred by government, SOEs, and those guaranteed by Government, debts of joint venture companies (including FDI loans) and private sector debts.</p>
<p>4. Trade policy:</p> <p>Measures to open trade, promote exports and international integration, and strengthen the country's competitiveness.</p>	<p>Promote vigorously economic integration; strictly implement commitments in the process of integration.</p> <p>Make active preparations to take part in committed bilateral and multi-lateral co-operation mechanisms. Carry out the bilateral trade agreement with the United States, paving the way for accession to the World Trade Organization (WTO).</p> <p>Implement trade policies for rural, mountainous and island areas; review the performance of the Law of Trade (2002-2003). Increase the access to markets of the poor, particularly from rural, remote and isolated areas.</p> <p>Continue to remove quota restriction barriers imposed on restricted import goods, excluding the barriers on petroleum, lubricant, diesel and sugar....</p> <p>Strictly implement Decision No. 46/QD-TTg on the export-import mechanism in the period 2001-2005.</p> <p>Put all import goods that are currently in the Temporary Exemption List (TEL) into the Inclusion List (IL) with reduction of minimum rate import tax to 20% in order to implement CEPT/AFTA agreements (2003).</p> <p>Continue to remove QRs imposed on rice exporting enterprises and on fertilizer imports.</p> <p>Increase gradually activities to organize quota auctions for garment exports to create favourable conditions for exporters (including those from private sector) to access the market. Expand the rate of quota auctions for garment exports to 35% and apply measures to improve auction procedures (2003).</p> <p>Promulgate the Law of Competition (2003); promulgate the State Law on National Treatment and Most Favoured Nation Status (2003); promulgate the State Law on self-defense measure in international trade business (2002-2003).</p> <p>Implement the Customs Law (2002) to simplify and rationalize customs procedures (2002-2005).</p> <p>Operate effectively the Export Support Fund, the Export Credit Guarantee Fund (2002-2005).</p> <p>Publish all trade laws, decrees, decisions, and rules of procedures in official gazettes.</p>

Protect the poor from the negative impact of trade liberalization	Undertake a research to examine the impact of trade policy reforms on the poor.
<i>III. Public Administration reform; promote grass roots democracy and legal support for the poor.</i>	
Accelerate the reform of public administration, providing the poor with knowledge of the Law and their legal rights and obligations.	<p>Implement Decree No. 136/2001/QD-TTg issued by the Prime Minister on accelerating public administration reform in four areas: administrative institutions, management bodies, personnel strengthening and public expenditure.</p> <p>Prioritize administration reform in key agencies that directly relate to the poor, such as MARD, MOH, MOTE, etc. to ensure the access of the poor to basic services of health, education, infrastructure, etc. in provinces, especially mountainous and urban poor areas.</p> <p>Ensure that all citizens have access to information about the law and their legal rights and obligations, and that the poor have better access to the justice system.</p> <p>Improve targeting for the poor and the allocation of resources to pro-poor programs.</p> <p>Implement the action plans embedded in the Legal Needs Assessment.</p>
B. Policies and measures to develop major sectors and areas to ensure sustainable growth and for poverty reduction	
<i>I. Policies and measures to develop sectors and areas and create opportunities for the poor.</i>	
1. Develop agriculture and the rural economy to reduce widely poverty	<p>Continue to implement the Government's Resolution No. 09 and No. 05 on directions and policies to shift the economic structure and product sale.</p> <p>Implement Resolution No. 13 to continue reform and improve the efficiency of Cooperatives; Resolution No. 14 to continue reform of mechanisms and policies to encourage the private sector.</p> <p>Provide concrete guidelines to protect land use rights in accordance with the Revised Land Law. Advance the task of planning land use and link it to land transfers. Complete land classification and accelerate the process of issuing land use right certificates to farmers, including those living in mountainous communes.</p> <p>Develop rural industrial zones at the district and commune level. Implement Decree No. 90 on support policies for developing small and medium enterprises.</p> <p>Diversify professions and encourage developing off-farm professions in rural areas. Implement Decision No. 132 issued by the Prime Minister on developing rural professions.</p> <p>Promote measures to help poor households that need cultivation land to be given enough land for production, to stabilize their livelihood, reduce poverty and gradually become richer. Allocate un-used and under-utilized land to poor farmers.</p>

	<p>Encourage all economic sectors to invest in the agricultural sector; develop household-scale economies; disseminate economic models for farming in order to promote agricultural diversity and development.</p> <p>Complete rural financial policies, expand access to financial and credit resources in rural areas. Increase the role of the People’s Credit Fund and micro fiscal programs in rural areas.</p> <p>Develop regulations and standards regarding the safety and quality of agricultural products, and work jointly with farmers and traders to apply a monitoring mechanism for quality assurance.</p> <p>Continue to liberalize input markets (fertilizer, insecticide, etc.) and output markets (rice, coffee, etc.).</p> <p>Create an environment that enables farmers to become more market oriented by establishing a system for rapid access to market prices and price forecasts. Facilitate the development of closer links between farmers, traders, processors and exporters.</p> <p>Policies to develop and manage fishery resources. Implement Decision No. 132 issued by the Prime Minister on the fiscal mechanism for rural road development programs, fishery infrastructure and rural professional infrastructure.</p> <p>Research and issue policies on supporting production and consumption of important agricultural, forestry and fishery products that have high economic value, are competitive, have a large consumer market, both export and import substitutions, using technical, economic and market analysis to assess Vietnam’s comparative advantage for producing these commodities.</p> <p>Raise annual investment in agricultural research with a fair share going the research for upland farming. Increase spending on extension to put in place a highly qualified extension service that is responsive to the needs of farmers, especially in ethnic minority areas. Encourage co-payments by farmers for extension services for industrial crops.</p>
<p>2. Develop industry and urban areas to create more jobs and to improve the living standard for the poor.</p>	<p>Develop agricultural industries (chemicals, fertilizer, packaging, etc.)</p> <p>Develop industries to process agricultural, forestry and fishery products, and microbiological industry.</p> <p>Implement Decree No. 90 on encouraging the development of small and medium scale enterprises in specific traditional sectors and professions with modern technology.</p> <p>Develop the legal framework to permit establishing business associations. Develop an enabling policy environment for the operation of Business Development Service (BDS) providers, regardless of their ownership structure. [BDS refers to training, consultancy, technical services, accounting and auditing services, market information services, computer services, internet and telephone, advertising, etc].</p> <p>Provide guidance and implement Regulations on preferential policies to encourage industries to relocate to rural areas.</p>

	<p>Build urban development strategy; promote the urban-rural linkages that include suburb development along the lines of master plans.</p> <p>Synchronize the development of urban infrastructures in tandem with job creation to reduce urban unemployment. Promote the performance efficiency of employment promotion centers and vocational training system; accelerate the export of labour and specialists.</p> <p>Carry out the reform of public administration procedures to reflect the actual situation of the urban poor in such areas as land and housing management, business and construction certificate issuance, residency registration, etc.</p> <p>Develop criteria, process and norms in urban planning and design to ensure that sanitation and environmental requirements are met and that also take into account the requirements of the urban poor and their ability to pay.</p> <p>Develop housing development policies for the urban poor; upgrade current residential neighborhood squares taking into account the economic condition of the urban poor and also ensuring their employment.</p> <p>Create access to basic social services for all urban people, including unregistered migrants. Develop measures to help poor people find appropriate jobs in urban areas.</p> <p>Review labour migration policy and household registration policy to make it easy for people to move to better-paying jobs.</p> <p>Develop decrees on the demand side of energy management and energy efficiency</p>
<p>3. Develop infrastructure and create opportunities for the poor to access public services.</p>	<p>Implement policies on ensuring essential infrastructures, especially water supply and living hygiene, for all poor areas, poor communes and poor quarters in cities and towns (Program No. 135. No. 143).</p> <p>Continue the mechanism of the "State and people will do it together" to develop infrastructure in rural areas. The Government will provide support to train and coach staff who are in charge of management, operation, and maintenance of basic infrastructure constructions. Formulate regulations on utilizing basic infrastructure constructions at the commune level.</p> <p>Promote the use of local labor for implementing infrastructure projects.</p> <p>Strengthen the participation of local people in planning, implementation and maintenance of local infrastructure projects.</p>
<p>4. Training and Education:</p> <p>Build a more equal and higher quality education for people.</p>	<p>Strengthen and develop the achievements of primary education universalization and illiteracy eradication, moving towards primary education at right age universalization and gender equality, paying special attention to disadvantaged areas and communities.</p> <p>Increase the net enrolment rate in lower secondary education with the aim to achieve universal lower secondary education by 2010.</p>

<p>Move towards completion of junior secondary education universalization and illiteracy eradication.</p>	<p>Raise budget expenditure for education and training from 15% of total budget expenditure to 18% in 2005, moving in the direction of increasing expenditure for basic education. Continue policies on the package exemption of school fees for poor children, extend preferential loans to poor students to cover training fees.</p> <p>Raise the awareness of parents in remote, isolated and ethnic minority communities about the value of education through information, education and communication.</p> <p>Provide improved school infrastructure and facilities for basic education in difficult areas to replace “leaf” schools and start the move towards full-day schooling for such communities.</p> <p>Expand the lending of textbooks and books for children to schoolchildren from ethnic minorities.</p> <p>Encourage the participation of the private sector in education and training, especially vocational. Adjust the rate of training levels; focus on training for a skilled workforce.</p> <p>Develop special policies for teachers and training staff working in disadvantaged areas, complete the salary and allowance regime, training priorities and other preferential regimes. Have appropriate policies to strengthen, train and stabilize the livelihood of teachers and training staff working in disadvantaged areas and to train them on new teaching programs, methodologies and information to improve teaching.</p> <p>Improve curriculum and teaching in tertiary education by linking scientific research and technology transfer in universities and colleges with research institutes.</p> <p>Implement priority regimes regarding land use and preferential loans for investment in education infrastructure.</p> <p>Promote training according to location; apply the appointed selection enrolment for disadvantaged areas.</p>
<p>5. Health: Improve quality of health services; increase the equity and efficiency of the health care system: concentrate on developing basic health care and community health care.</p>	<p>Implement Instruction No. 06 issued by the Party's Central Secretariat on strengthening and completing the grassroots-based health care network; continue support policies on primary health care tasks for people, especially for poor people and poor areas.</p> <p>Continue investments to develop health stations and ambulatory health groups in mountainous, remote and isolated areas.</p> <p>Maintain the achievements in abolishing infant poliomyelitis and tetanus. Continue to implement extended vaccination in 10 kinds of vaccine for children.</p> <p>Have appropriate policies to provide financial support to health services for poor people.</p> <p>Encourage the development of traditional medicine in light of Instruction No. 25 issued by the Prime Minister.</p> <p>Implement Government Resolution No. 90 on the socialization of health, education and culture.</p>

	<p>Continue investment and complete policies for the National Action Plan on HIV/AIDS control and prevention. Mobilize the masses to strive to control and prevent HIV/AIDS and to manage the care of those infected with HIV/AIDS.</p> <p>Have appropriate preferential mechanisms and policies for medical personnel working in disadvantaged, remote and isolated areas.</p> <p>Strengthen information dissemination, education and propagation of hygienic practices, disease prevention and health improvement for poor people and poor areas.</p> <p>Gradually increase the share of recurrent budget expenditure for health to 5% of total budget expenditure in 2005 and to 8% in 2010. Implement appropriate policies to channel financial resources to support health care for the poor.</p> <p>Implement the National Strategy on Maternal Health Care for the period of 2001-2010.</p> <p>Promote the regime of health insurance and free-of-charge health examination and treatment for the poor. Continue to expand the scope and level of support for medical examination, treatment and medicines for poor people and disadvantaged children.</p> <p>Increase population coverage of health insurance by mobilizing premium collections among those who can afford to pay.</p> <p>Implement Decision No. 147 issued by the Prime Minister on the implementation of the National Population Strategy of Vietnam for the period 2001-2010, strengthening information dissemination on family planning.</p>
<p>6. Develop a modern culture closely lined to the identity of the nation and improve the provision of information to help people expand their capacity to make choices.</p>	<p>Promote investment to develop culture and information; develop a modern culture closely linked to our national identity.</p> <p>Concentrate investment on the development of commune cultural centers, which can be extended to meetinghouses and entertainment areas. The Government will provide primary material support to build essential infrastructure works such as cultural houses, post offices, radio and television stations, library of technological and scientific books, etc.</p>
<p>7. Strengthen environmental protection and ensure a healthy environment for the poor.</p>	<p>Continue implementation of Decision No. 104 issued by the Prime Minister on the National Strategy for Rural Hygiene and Clean Water to the year 2010.</p> <p>Approve and implement the National Strategy for Environmental Protection (NSEP) 2001-2010. Strengthen capacity in government agencies at the central and local level for environmental assessments. Improve environmental monitoring and disclosure of environmental data.</p> <p>Limit and roll back the environmental degradation in industrial zones and densely populated areas in cities and rural areas.</p> <p>Strengthen education, mobilization and control of environmental hygiene with respect to animal breeding at the household level and at the large scale level, and in craft villages.</p>

	<p>Supplement, complete and develop new legal normative documents to provide concrete guidelines for implementation of the Water Resource Law, Environmental Protection Law and other legal documents. Expand the range of regulatory instruments and incentives for pollution reduction.</p> <p>Build construction works to clean the environment such as wastewater and rubbish treatment stations, dust and noise treatment facilities in cities, townships. Develop auto-disintegrative latrines in rural areas. Improve the quality of natural resource management with respect to the poor, who mainly depend on natural resources for their livelihood. Develop the framework to enable community participation in natural resources management.</p> <p>Encourage the use of biogas in rural areas and develop solar, wind energy and other energy resources.</p> <p>Develop the classification of forestry and reform forest data collection.</p>
Strengthen the sustainability of using natural resources in rural areas.	<p>Implement the transfer of land and forests to farmers in association with fixed-cultivation and fixed-residence and stabilize the livelihood of mountainous farmers.</p> <p>Research, revise and amend policies on standard price norms in caring for protected forests, afforestation and protective forest protection.</p> <p>Evaluate the current forest classification system and improve the monitoring system of forest covering level.</p> <p>Integrate the National Program on 5 million hectare afforestation with the Forestry Assistance and Co-operation Program.</p> <p>Implement the Water Resource Law to improve the sustainable management of water resources, river headed forests and land resources.</p> <p>Develop prudently fishery production, ensuring the environment assessment and proper area selection to be carried out.</p>
<i>II. Ensure the balanced development, increase gender equity and advancement for women</i>	
1. Promote balanced and sustainable economic growth between regions.	<p>Continue increasing investment in less developed areas with the aim of reducing the development gap between different areas, urban and rural areas in particular.</p> <p>Ensure an appropriate population distribution across areas; increase step by step the quality of life for all population strata with the aim of reducing the gap in living standard between different strata and groups; bring population variables into development plans.</p>
2. Promote gender equity, enhance the participation of women at all levels of leadership.	<p>Implement Decision No. 19 issued by the Prime Minister on the National Strategy for the Advancement of Women to the year 2010.</p> <p>Ensure that the names of both husband and wife appear on land-use rights certificates by 2005.</p> <p>Increase the number of women in government-elected bodies.</p>

	<p>Reduce inequality in making decisions in families. Increase the role of women with respect to their family's assets.</p> <p>Strengthen women's access to credit resources and capital from the National Strategy for Poverty Reduction, creating conditions for them to access social services fully, equitably and equally.</p> <p>Have policies to reduce the vulnerability of women against family violence.</p>
3. Create conditions to enable all social strata to fully take part in economic growth	<p>Ensure that ethnic minorities in the mountainous areas benefit from growth. Evaluate and disseminate models to support disadvantaged areas and ethnic minorities, and encourage them to take part in the economic development process.</p> <p>Encourage NGOs and socio-political organizations to take part in poverty reduction by providing a legal framework for NGOs.</p> <p>Improve the access of the poor to legal support services. Help the poor improve their knowledge of their legal rights and obligations.</p> <p>Increase the two-way information system between local government and poor families.</p> <p>Implement fully the Decree on Democracy at the Grassroots Level, and create an enabling environment for poor households to take part in local economic development plans.</p>
<i>III. Develop the social safety net to support poor and vulnerable people.</i>	
1. Minimize social impacts on the poor in the process of adjustment	<p>Reduce negative impacts on the poor caused by ongoing reforms. Broadly disseminate information on policy changes to facilitate farmers in changing their production and business operations.</p> <p>Ensure job security, extend unemployment insurance, training for the redundant workforce and improve working conditions.</p>
2. Minimize the impacts of natural disasters on the poor	<p>Develop a set of solutions to effectively address emergency social relief for poor and vulnerable people who are hurt by natural disasters and accidents.</p> <p>Expand the official social safety net (health insurance, social insurance, etc.) and encourage the development of the voluntary safety net (school insurance and insurance of crops, diseases, etc.)</p>
3. Protect worker rights and working conditions in a market economy.	<p>Review and strengthen the role of labor unions in protecting worker rights and working conditions.</p>
4. Provide targeted assistance to vulnerable groups.	<p>Improve the targeting mechanisms of programs 133, 135, and 143 and implement them in a more participatory way.</p> <p>Undertake independent evaluations of these programs and use findings to improve the design of the projects.</p>

C. Monitoring and Evaluation	
1. Improve macroeconomic statistics	<p>Promulgate the Law of Statistics.</p> <p>Strengthen the statistical agencies at various levels.</p> <p>Promote the transparency and data quality.</p> <p>Strengthen the statistical database.</p> <p>Strengthen the national account within 2 years and improve budget data quality to correspond to the Government's fiscal statistical standards.</p> <p>Present a website of Vietnam in the International Fiscal Statistical Book published by IMF.</p>
2. Poverty monitoring	<p>Collect high quality data on the poverty situation and trends, and ensure that data and information is publicized and used regularly.</p> <p>Implement enterprise surveys to collect high quality data on growth and employment trends, and make it publicly available.</p>