

Poverty Reduction in 2001-2005

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1. Reduction in proportion of poor families

The rate of poverty reduction tends to slow down because effects of the economic growth on the poverty reduction were weaker. The elasticity ratio of economic growth and poverty reduction fell from 1 - 0.7 in 1992-98 to 1 - 0.3 in 1998 - 2004. Some factors that accelerated the poverty reduction are now not as strong as they were in the first stage, such as the land policy and grant of land to peasants, etc. In the future, the Government should find new stimuli, such as transfer of biotechnologies, changes in structure of industry, development of specialized areas and large-scale farms, and promotion of handicrafts along with small- and medium enterprises.

The 2004 Vietnam Development Report noted that achievements in the poverty reduction were one of the most successful stories in the economic development. The proportion of poor families reduced from 17.2% in 2001 (or 2.8 million families) to 8.3% in 2004 (or 1.44 million families). This means that some 340,000 families surpass the poverty line every year. Up to the end of 2004, there were:

- Two provinces/cities with almost no poor families.
- 18 provinces where poor families represent 1% - 3% of the number of families.
- 24 provinces where the proportion of poor families varied from 3% to 5%.
- 15 provinces where the proportion of poor families varied from 5% to 10%.

Three provinces where the proportion of poor families varied from 15% to 20%.

families meet with more difficulties. The index of average income of poor families in rural areas ac-

cording to the new standard is around 0.3 (this index varies from 0 to 1, and

Table 1: Poor family proportion in 2000- 2004

Zone	Poor family proportion in 2000	Poor families in 2004	Poor family proportion in 2004	Change compared with 2000
Vietnam	17.48	1,416,002	8.30	9.18
1. Northeast	22.35	17,987	10.36	11.99
2. Northwest	33.96	81,986	14.88	19.08
3. Hồng Delta	9.76	289,647	6.13	3.63
4. North Central Vietnam	25.64	302,431	13.23	12.41
5. Coastal Central Vietnam	22.34	164,289	9.56	12.78
6. Western Highlands	24.90	111,508	11.03	13.87
7. Eastern South	8.88	58,222	2.25	6.63
8. Mekong Delta	14.18	228,047	7.40	6.78

Source: Report by Ministry of Labor, war Invalids and Social Affairs

- Two provinces where the proportion of poor families was higher than 20%.

According to a rough estimate by the end of 2005, there were some 1.1 million poor families (or 7%) in Vietnam.

2. Unsustainable results

A survey of distribution of wealth among families shows that a large proportion of families stays just above the poverty line and they will fall below the line when they suffer natural disasters and negative effects by changes in policies or integration process.

3. Increasing income gap

Difference in income between the richest 20% and the poorest 20% rose from 4.3 times in 1998 to 8.14 times in 2002. The difference between the top 10% and the bottom 10% rose from 12.5 times in 2002 to 13.5 times in 2004. The increasing difference makes relatively poor

Table 2: Proportion of the poor among minority groups

Minority group	2001	2003
Vân Kiều	75.4	60.3
Pako	71.3	58.5
H'mong	44.6	35.0
Jarai	39.3	29.2
Bana	42.8	26.2
Thai	32.1	22.8
Ede	27.0	22.3
Khmer	20.7	18.1
Muong	32.2	17.7
Cham	20.7	16.7
Tày	18.7	14.8
Nùng	15.8	13.1
Dao	35.8	27.1
Tamun	25.1	18.4
H're	30.3	29.0
M'nong	26.0	21.6

Source: 2004 survey by Ministry of Labor, War Invalids and Social Affairs

the higher it is the greater the poverty degree.)

4. High danger of falling below the poverty line

Vietnam frequently meets with natural disasters and some 80% of the population still lives in rural areas, and as a result, the danger of falling again below the poverty line is very high. In addition, many families have no constant income and they could become poor at any time.

5. Slow reduction in poverty among ethnic minorities

Poor families tend to concentrate in certain zones, such as Northwest and Western Highlands, and especially in ethnic minorities. These groups represent some 36% of the poor people in Vietnam. Newly poor groups have also made their appearance in urban areas when farming land is turned into residential areas. Migrants to big cities are facing more difficulties than local residents because they have to accept low-paid jobs.

Although the proportion of the poor among minority groups has reduced, their share in the poor group of the whole country has an upward tendency in the years 1992- 2004. This means that the rate of poverty reduction in these groups is lower than the national average.

6. Proportion of the poor according to new standard

When the average standard of living is improved and Vietnam tries to adopt international practices for the poverty

reduction, the standard for the poor applied in 2001-05 becomes unsuitable. The new standard for the years 2006-2010 introduced in April 2005 is as follows:

- In rural areas, the poor family is the one that has a per capita income of VND200,000 a month or lower.

- In urban areas, the standard per capita income is VND260,000 a month.

With this standard applied, there will be some 4.6 million poor families (or 27% of the number of families) in Vietnam by

personal income and living standard have been improved to a certain extent, and characteristics of the poor also changed. In the past when all resources were limited, social programs paid more attention to those who suffered shortage of food. At present, non-food needs make their appearance, and social classes differ over opportunities to satisfy their non-food needs because the social division is on the increase.

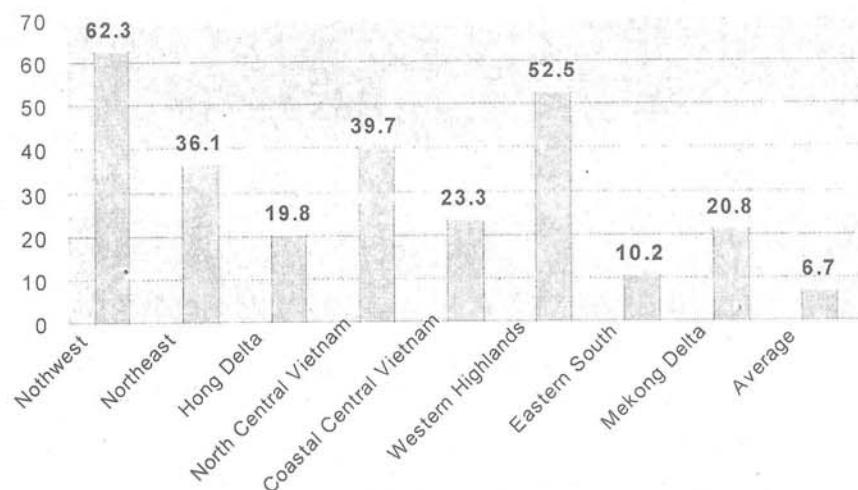
In many zones, the poverty could reflect itself in many aspects and some of them are as follows:

- Shortage of farming land: In 2002, some 11% of peasant families had no farming land. This figure has kept rising up to 2005: 39% in the Mekong Delta; 31% in Eastern South; 3% in Western Highlands and 9% in Coastal Central Vietnam.

- They lack almost everything needed for developing their businesses: infrastructure, farming tools, capital, knowledge and information, etc.

- Many poor families in rural and mountainous areas spend money on obsolete and backward customs and habits. In urban areas,

Figure 1: Estimate of the proportion of the poor according to the new standard



the end of 2005. The highest percentages are found in Northwest (62.3%) and Western Highlands (52.2%) and the lowest one in Eastern South (10.8%).

7. Characteristics and diversity of poverty in Vietnam

After some 20 years of the economic reform, the

- Shortage of food for one month or two every year is still common among ethnic minorities and areas damaged by natural disasters. It's estimated that some one million people, equaling 5% of the poor families, or 1.2% of the number of families of the country, suffer this shortage.

- Some 500,000 families have to live in the so-called huts with almost no durable goods. Their assets are worth VND2 million at most. In mountainous areas, this figure is even smaller.

- 21% have no power supply and 18.2% have no water supply.

the percentage of homeless persons is on the increase.

8. Causes of the poverty

- Distribution of public fund for social programs among zones and provinces is unreasonable.

- As for causes from the poor, a survey conducted by the Ministry of Labor, War Invalids and Social Affairs in 2004 names the following causes: lack of capital (79%); lack of knowledge (70%); lack of market information (35%); lack of land (29%); illness (32%); unemployment (24%); large family (24%); risks (5.9%) and social evils within family (1%).■

Table 3: Shares of racial groups in the poor people (%)

Groups	1992	1998	2005*
Minorities	21	29	36
Kinh (Vietnam)	79	71	64

* estimated figures