Achievements and challenges

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

Economic reforms and international integration: remarkable achievements

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

The key social indicators improved significantly in the 1990s. Over 90% of the population is now literate and in 2000, Vietnam achieved universal primary education. Incidence of stunting among children under five fell from 51% in 1993 to 34% in 1998. Life expectancy in 1998 was 70 years for women and 65 years for men. Vietnam’s rank in the Human Development Index improved from 116th in 1993 to 34th in 1998. The 1993-1998 period recorded only a modest increase in income inequality with the Gini coefficient rising from 0.33 to about 0.35. It is widely recognized that the vast majority of Vietnamese people have gained from the reform process.

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Uneven progress toward poverty reduction

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

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

TABLE 2

The lack of basic services in the well-off and poor provinces, 1998

<table>
<thead>
<tr>
<th>PROVINCE/CITY</th>
<th>% of people lack of clean water</th>
<th>% of people lack of sanitation</th>
<th>% of people lack of electricity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Big cities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hanoi</td>
<td>1.4</td>
<td>2.8</td>
<td>0.1</td>
</tr>
<tr>
<td>Ho Chi Minh</td>
<td>1.2</td>
<td>2.3</td>
<td>1.5</td>
</tr>
<tr>
<td>Remote provinces</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ha Giang</td>
<td>63.5</td>
<td>37.9</td>
<td>60.0</td>
</tr>
<tr>
<td>Lai Chau</td>
<td>76.7</td>
<td>57.4</td>
<td>69.1</td>
</tr>
</tbody>
</table>

Source: Estimated based on VLSS98

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

Notes: ** The rapid increase in secondary enrolment rates reverses a decline in enrolments in the 1987-1992 period; ** Clean water is defined to include piped water, deep wells with pumps and rainwater.

Source: World Bank (1999), Table 1.2.

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


3 World Bank (1999)

Development strategy 2001-2010: ambitious objectives

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

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

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

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

References


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