

SOCIALIST REPUBLIC OF VIET NAM



COUNTRY REPORT

**15 YEARS ACHIEVING THE VIET NAM MILLENNIUM
DEVELOPMENT GOALS**

SEPTEMBER 2015

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ABBREVIATION

ABR	Adolescent birth rate
ARV	RetrovirusAntiretroviral
CEMA	Committee for Ethnic Minority Affairs
CIEM	Central Institute for Economic Management
CPBR	Contraceptive Prevalence Rate
CPI	Consumer Price Index
CPRGS	Comprehensive Poverty Reduction and Growth Strategy
EAEU	Eurasian Economic Union
EFTA	Viet Nam-European Free Trade Agreement
FDI	Foreign Direct Investment
FSW	Female sex worker
FTA	Free Trade Agreement
GDP	Gross Domestic Products
GSO	General Statistics Offices
IMR	Infant mortality rate
MDG	Millenium Development Goals
MICS	Viet Nam Multiple Indicator Cluster Survey
MMR	Maternal mortality rate
MPI	Ministry of Planning and Investment
MSM	Men who have sex with men
NMR	Neonatal mortality rate
NTP	National Target Programs
ODA	Official Development Assistance
ODP/ODS	Ozone-depleting substances/potential
RCEP	Regional Comprehensive Economic Partnership Agreement
PAR	Public Administration Reform
PC	People's Committee
PLHIV	People living with HIV
PPP	Public-Private Partnership
SARS	Severe acute respiratory syndrome

SDG	Sustainable Development Goal
SEDP	Socio-economic development plan
SOE	State-owned enterprises
TFP	Total Factor Production
TPP	Trans Pacific Partnership
U5MR	Under-five mortality rate
UN	United Nations
UNICEF	United Nations Children's Fund
VAAHC	Viet Nam Administration of HIV/AIDS control
VDG	Viet Nam Development Goals
VLHLSS	Viet Nam Household Living Standards Survey
WB	World Bank
WHO	World Health Organization
WTO	World Trade Organization

INTRODUCTION

September 2000 marked a historical moment at Millennium Summit when 189 member states of the United Nations signed the Millennium Declaration, certifying their commitments to a new global partnership for poverty eradication, development and protecting the environment. One year later, the UN's Road Map entailing the implementation plan of Millennium Declaration has formally established the eight Millennium Development Goals, setting out a series of time-bound targets with a deadline of 2015. The MDGs constitute the primary international framework for the measurement and monitoring development progress of member states by 2015. These goals, ranging from halving extreme poverty rates to curbing the spread of HIV/AIDS, and providing universal primary education by 2015, have galvanized unprecedented efforts in catering to the needs of the world's poorest groups and promoting inclusive and sustainable development.

Since the signing of the Millennium Declaration, Viet Nam has consistently and steadfastly upheld these commitments. Over the past fifteen years, Viet Nam has made the task of realizing the Development Goals by 2015 one of the country's top priorities and made strong progress despite encountering many challenges and hardships. The country has proven its resilience and resourcefulness by successfully weathering the economic hardship in the global context and maintaining positive progress in socio-economic development, poverty reduction and environmental protection. With the unified and concerted efforts of the government, the people, civil society and development partners, Viet Nam is a genuine developmental success story, especially in the field of poverty reduction and economic performance. The country has transformed itself - from one of the poorest countries in the world to a middle-income nation by 2010.

The fifteen-year journey from 2001 to 2015 has featured a high growth rate with rising living standards, and strong global integration, but latterly has also seen economic slowdown and rising inflation. Viet Nam's GDP growth rate reached above 7 per cent annually during the period 2000-2008. Under the impact of the global economic crisis, growth plunged to 5.5 percent in two years 2008-2009, marking the end of an impressive economic cycle with average growth rate of around 7 percent per year. The efforts of restoring the economic activity during 2008-2010 and stabilizing the economy during 2011-2014 have helped Viet Nam regain stable growth. Despite the struggles during this period, which was marked by a sharp drop to 5.25 percent GDP growth in 2012, Viet Nam's economy has started to pick up again with the growth rate reaching 5.42 percent in 2013 and 5.98 percent in 2014 and tentatively 6.2 percent in 2015.

Alongside economic development, Viet Nam has paid special attention and directed resources to poverty reduction and social development. These strenuous efforts and enormous commitments have brought about remarkable results. Within a decade, expenditure-based poverty fell dramatically from 58.1

percent in 1993 to 19.5 percent in 2004, lifting 20 million people out of poverty. Using the new re-based poverty line for the period 2011-2015, the headcount rate also decreased considerably from 14.2 percent in 2010 to only 9.8 percent in 2013. The living standards of the poor have been improved significantly. Positive changes have brought a new outlook to rural and mountainous areas. Quality healthcare at health facilities and preventive medical care, and epidemic disease control have all improved noticeably. Strong efforts in renovating and reforming the education system at basic and advanced levels have helped enhance the quality of teaching and learning. Public infrastructure has witnessed spectacular growth, and this transformation has been a pivotal driver of economic growth and social development.

Viet Nam has fully achieved a number of the MDG targets such as: (i) eradicate extreme poverty and hunger; (ii) achieve universal primary education and (iii) promote gender equality. And the country has achieved positive progress in health-related indicators such as reducing the maternal and child mortality ratios. The country also achieved its target on malaria and tuberculosis control as well as combating the HIV/AIDS prevalence rate. Viet Nam is on the way towards reaching targets in universal access to reproductive health services, improving maternal health. Great efforts are will enable Viet Nam to complete other targets such as MDG 7 on ensuring environmental sustainability and MDG 8 on Global Partnership for Development by 2015.

Achievement in socio-economic progress has also been accompanied by substantial challenges. Between 2011 and 2015, Viet Nam has been facing an economic slowdown, added to by bad debt from commercial banks and the inefficient operation of state-owned companies. Even though the economy has recently stabilized, Viet Nam continues to encounter many difficulties due to slower economic growth, bad debt and increasing public debt. During this period, the rate of poverty reduction also slowed down and its incidence in remote and mountainous areas remains very high. Multidimensional poverty has become more apparent during urbanization and migration processes. Inequality in income and socio-economic development between different geographic and ethnic groups is also still significant. In addition, the impact of climate change illustrated by the escalating frequency of extreme weather events as well as a rising sea level has increasingly impacted the community generally in risk-prone areas, and hence also the livelihoods of the poor. These problems pose huge challenges for Viet Nam in its effort to boost economic growth and ensure sustainable social development in the post 2015 period.

Despite the challenges and difficulties, Viet Nam has successfully executed its Ten-Year Strategy for Socio-economic Development 2001-2010 and is about to complete the first half of Ten-Year Strategy for Socio-economic Development 2011-2020. The year 2015 marked an important milestone for the country as the final year of implementing the MDGs as well as the transition year towards the next five-year strategic development planning cycle (2016-2020).

Viet Nam's commitments and policy priorities in monitoring and implementing MDGs

Viet Nam has demonstrated strong commitment in monitoring, reporting and implementing MDGs. At the outset, the MDGs have been flexibly incorporated

MDGs into successive national Socio-Economic Development Plans (SEDPs). To support the implementation of MDGs reflecting the socio-economic context of Viet Nam, the Government has designed its own Viet Nam Development Goals (VDGs), localizing the targets and indicators. Throughout the implementation period, a series of policies have been issued and adjusted to specifically resolve MDG-related issues through National Target Programs (NTPs), other targeted programs, and ad hoc projects/ interventions.

For the most recent period, Viet Nam has integrated the content and taken account of the MDGs position, in building the five-year SEDP 2011-2015. The country has concentrated on challenging goals and constructing national indicators based on three development pillars - the economy, social and cultural sphere, and the environment. Development goals have been specified and institutionalized into the Government's action plan for the period 2011-2016, development strategies and 16 national targeted programs for 2011-2015 in multiple areas such as sustainable poverty reduction, clean water and rural sanitation, economical and effective energy use, response to climate change and combating HIV/AIDS.

Viet Nam has received significant financial support and technical assistance from international development agencies in the process of implementing MDGs. Over the last decades, a great deal of resources has been invested in poverty reduction programs and many projects supporting socio-economic development in healthcare, education, labor and employment, together with other aspects for the poor, the vulnerable groups and disadvantaged areas. These programs and policies have contributed significantly to the national socio-economic development process and accelerated Viet Nam's progress towards achieving MDGs.

The monitoring of MDG progress requires a comprehensive and consistent reporting mechanism. At the onset of the implementation process, about one-half of the MDGs and subsequently VDG indicators had no data source because many indicators measuring the progress of VDGs were not collected and calculated periodically. To overcome those obstacles, in 2011, Viet Nam approved the Strategy for Statistics Development in Viet Nam for the period 2011-2020 and Vision to 2030. The Strategy has set out specific action plan to build up a complete national database system including database for the MDGs/VDGs to assist with planning, monitoring and evaluation activities for implementation of the SEDP. In general, strategic approaches towards mobilizing resources for development and prioritizing socially and economically disadvantaged regions and vulnerable groups, together with strong monitoring system, have contributed significantly towards MDG achievement.

Report structure

This report documents the progress/ results of Viet Nam in implementing MDGs throughout the period from 2001 to 2015. Along this 15-year journey of moving towards MDG achievement, after the first report compiled by UNDP in 2002, the country has developed annual Country Reports in 2005, 2008, 2010 and 2013 that described the progress for each time period. This report

concludes that process by providing a broad-based and insightful review of achievement as well as challenges faced by Viet Nam during the whole MDG period, and provides perspectives for the country's development beyond 2015.

This report comprises four main chapters. Chapter 1 provides detailed analysis of Viet Nam's socio-economic development context in three developmental stages: 2001-2005, 2006-2010, and 2011-2015. Chapter 2 analyzes the country's results for the eight MDGs; it reviews both successes and identifies challenges hindering the completion of MDGs. Chapter 3 highlights key lessons learnt from good practices throughout implementation period of MDGs from 2000 to 2015. The key lessons learnt include poverty reduction, mobilization of international resources, decentralization and strengthening ownership, capacity building, and international integration. Chapter 4 examines the challenges that Viet Nam is likely to face in the post-2015 period, while also addressing the potential opportunities that the country needs to embrace to achieve developmental success. The report uses statistics and information collected from government and UN agencies to offer valuable and reliable insights on the country's progress in MDGs implementation.

EXECUTIVE SUMMARY

I. Socio-economic context of MDG implementation period

The socio-economic development of Viet Nam during 2001-2015 can be divided into three distinct periods: 2001-2005, 2006-2010, and 2011-2015, corresponding to the Government's Five-year Socio-economic Development Planning cycles.

2001-2005 Period (the 7th Five-Year Plan)

The first period (2001-2005) was marked by impressive economic recovery from the Asian Financial Crisis, following a series of policy reforms that promoted international integration, created a massive inflow of foreign investment in trading activities as well as empowered the private sector. This largely pro-poor period of growth led to remarkable poverty reduction, enhancement in living standards and major renovation of the public infrastructure. Strong inflows of ODA and the Government's competence in utilizing these resources contributed these improvements.

2006-2010 Period (the 8th Five-Year Plan)

The second period continued the growth and progress, but was hard hit by the global economic crisis in 2008 and soaring inflation. This period demonstrated the need for macroeconomic stabilization. Poverty reduction witnessed a slowdown while inequalities in living standards across social groups and geographic regions increased. Nevertheless, the country's signing up to WTO helped with the recovery process. By 2010, Viet Nam officially left the least-developed countries and progressed to becoming a low-middle income country.

2011-2015 Period (the 9th Five-Year Plan)

During the period 2011-2015, the macro-economy stabilized slowly; economic growth was maintained and the economy showed signals of recovery from 2013 onward. This period also witnessed massive restructuring, particularly in public investment, in the SOEs, and the banking sector. Chronic poverty in mountainous and remote areas, especially among ethnic minority communities assumed the focus of sustainable poverty reduction strategies. In addition, this period saw rapid growth of Information and Communication Technology, which is a key instrument for maintaining and boosting the economy's competitiveness.

II. Results of Millennium Development Goals

Viet Nam has completed a number of MDGs and targets such as (i) eradicate extreme poverty and hunger, (ii) achieve universal primary education, (iii) promote gender equality in education and it has achieved certain health-related indicators such as reducing the maternal mortality ratio and the child mortality ratio. The country also achieved the target for malaria and tuberculosis control as well as combating the HIV/AIDS prevalence rate. Viet Nam is on the way towards reaching the targets for universal access to reproductive health services and improving maternal health. Regulation on sustainable environment has been integrated into national development policies; forest coverage rate has increased to ensure sustainability of the environment. Besides, stronger efforts are needed to complete other targets including Goal 7 of ensuring environmental sustainability. While Viet Nam has achieved significant progress in building a Global Partnership for Development, stronger efforts are also required to fully realize specific targets such as ensuring debt sustainability, enhancing access to affordable essential drugs and development of a non-discriminatory trading and financial system.

Goal 1: Eradicate Extreme Poverty and Hunger

Viet Nam is one of the best-performing nations on poverty reduction. The country has attained the MDG target on poverty reduction ahead its schedule. Remarkable poverty reduction is the outcome of powerful economic growth, trade liberalization and poverty reduction policies targeted directly at the disadvantaged groups. During 1993-2008, expenditure-based poverty rate fell from 58.1 percent to 14.5 percent, lifting millions of people out of poverty. In the following period, poverty using the new national poverty line 2011-2015, declined from 14.2 percent in 2010 to 9.8 percent in 2013. General living standards have improved significantly; households' ownership of durable goods increased considerably. The hunger rate dropped dramatically over the past fifteen years and chronic hunger as a phenomenon has been eradicated in most provinces in Viet Nam. However, seasonal hunger caused by natural disasters exists at remote and mountainous areas of the country. By 2008, Viet Nam had secured the target "to reduce malnutrition rate of children aged below 5".

Despite impressive achievements in poverty reduction, the country faces a number of challenges. The rate of poverty reduction varies across different ethnic groups and geographical regions. Poverty and low living standards are still prevalent in remote and mountainous areas and ethnic minority communities. The Northern midland and mountainous areas and the Central Highlands are among the regions that lag far behind the rest of the country in terms of poverty reduction. A proportion of households still fell back into poverty. Multidimensional poverty has become more apparent due to pressure from urbanization and migration. Low income is only one of the important aspects of poverty besides other deprivation in access to social services and access to basic living conditions.

Goal 2: Achieve Universal Primary Education

Viet Nam has achieved universal primary education and the country is moving towards universal lower secondary education. By 2014, net enrolment rate at

primary education reached an all-time high of 99.0 percent; and net enrolment rate at lower secondary education was 87.2 percent in 2012. Throughout the last few decades, the Government had shown solid commitment, and enjoyed some success in reforming and renovating the national educational system. These efforts have resulted in significant enhancements in learning and teaching quality as well as improvements in school facilities and the learning environment.

Viet Nam still needs to rigorously upgrade the quality of education to strengthen its human capital and meet the demands of a growing economy. The speed of improvement the educational sector has not been able to keep pace with Viet Nam's fast-changing economy and society. Inequality in educational access and quality persists among different ethnic and socio-economic groups and disparate geographical regions. Advanced education, including technical and vocational training has not strongly reflected the demands of job market at both national and international levels. Educational reform to improve teaching and learning quality as well as school facilities are therefore essential.

Goal 3: Promote Gender Equality and Empower Women

Viet Nam has been successful on MDG 3 with all measured indicators being fully achieved. By 2014, there was no significant difference between literacy rate and education attainment across all educational levels between males and females. Women have also proved their growing role in education. In higher education (university and colleges), where male lecturers were dominant in the early 2000s, the percentage of male and female lecturers are now close to equal. With regard to employment, women's participation in non-farm activities has surged, especially in rural areas. ratio of wages (the wage gap) between male and female workers in non-farm sector has been narrowed to 106.7% in 2014 (100 would indicate full equality).

Nevertheless, Viet Nam is encountering several challenges in ensuring gender equality and empowering women. Women endure more hindrances than their male counterparts in employment. Wages are still lower for female workers than males, even with identical levels of education. This is because women usually take up less important roles than men. More women are employed in informal and vulnerable jobs. Women's representation in governance and management is far from the targets given in the National Strategy on Gender Equality 2011 – 2020. Gender bias, especially against women continues to be a major concern in less developed areas and gender-based violence has become more pervasive.

Goal 4: Reduce Child Mortality

Viet Nam has made exceptional progress in reducing child mortality. The Under-five Mortality Rate halved between 1990 and 2004 while the Infant Mortality Ratio (IMR) fell rapidly by 2.5 times over the same period. The favorable outcomes of the extended program on vaccination and policies to shield women's health contributed to this progress. Viet Nam is on track to achieve MDG4 on the IMR indicator. However, these indicators have showed sluggish progress recently but the Under 5 Mortality Ratio (U5MR) is close to achievement.

Goal 5: Improve Maternal Health

Viet Nam has achieved significant progress in the reduction of the maternal mortality ratio, and is now approaching the target in 2015. Reproductive health of maternal women has also been paid special attention; the contraceptive prevalence rate reached 75.7% nationwide and the adolescent birth rate also fell to 45 cases per 1000 women in 2014. Most women during pregnancy have access to antenatal care service with 95.8% having at least 1 visit and 73.7% having at least 4 visits by 2014. However, challenges persist in specific regions where ethnic minorities reside and socio-economic conditions are less developed such as the Northern midlands and mountainous areas, and the Central Highlands. Knowledge about birth and reproductive health among the youth are rather limited. Hence, tougher policies and actions aimed at these challenges should be targeted on these groups with a general objective of comprehensive and nationwide MDG achievement.

Goal 6: Combat HIV/AIDS, malaria and other diseases

Viet Nam has shown promising progress towards halting the spread of HIV/AIDS. Viet Nam has reduced HIV prevalence to under 0.3% of the population. The quantity and quality of HIV/AIDS treatment, care and support services have been improved, especially the remarkable scale-up of antiretroviral therapy coverage that reached 67.6% against current eligibility criteria per national guidelines in 2013, showing an increase of almost 34 times the figure in 2005.

Viet Nam has achieved the goal for controlling malaria since 2011 with the proportion of malaria-related deaths standing at only 0.01 per 100,000 people in 2012. Viet Nam also surpassed the global target regarding TB control when it successfully reduced the number of new cases and deaths by 62 percent from 1990 levels. To sustain its achievements and make steady progress towards the SDGs in coming years, Viet Nam has to overcome several challenges, especially shortage of financial resources for supporting activities.

Goal 7: Ensure environmental sustainability

Appreciating environmental resilience as one key pillar of sustainable development, Viet Nam has progressively incorporated sustainability principles into its policies and programs, as well as honoring international commitments. Results such as in improving access to clean water, basic sanitation and safe housing, reaching the majority of the population and the targeted disadvantaged groups, are promising. The country has also made impressive efforts to fulfill its responsibilities in curtailing GHGs and ODSs, and has increased the natural carbon sink with its reforestation programs. However, Viet Nam still faces a series of pressures as a rapidly developing economy with a large population: biodiversity loss, environmental pollution and violations, as well as inadequate attention to sustainability in favor of economic growth.

Goal 8: Develop a Global Partnership for Development

Viet Nam has achieved solid results in developing a global partnership for development. The past years have witnessed rapid liberalization of trade; a

number of major Free Trade Agreements have been signed, with the more recent ones driving deeper integration of Viet Nam within the global economy. Thanks to trade liberalization, import-export activities have increased tremendously, however there remain several difficulties including a higher trade deficit, and non-tariff barriers created by foreign trade partners alongside insufficient barriers to protect the young and newly developed domestic industries. The low value-added characteristics of export products and services together with high dependency in a number of markets have become major obstacles. Moreover, ODA has been one of the main investment capital resources for Viet Nam's socio-economic development. In order to effectively utilize ODA during the post-MDG period, the Government has made efforts to improve public investment management and been prepared to address risks associated with borrowed funds, including repayment capacity. Public debt has increased rapidly since 2000 and remained at 55% in 2014, though this is regarded as a safe level.

III. Lessons learnt and Good Practices

The lessons learnt throughout this fifteen-year journey implementing the MDGs in Viet Nam, do not come from a single group of people, a group of policies or any specific policies but rather the achievement is a national effort from the whole political system and many communities. The lessons learnt can be specified into two groups – one set based on the MDG implementation process, and a set based on Viet Nam's economic growth model.

Strong political will for effective MDGs implementation

Thanks to its strong political efforts and determination, Viet Nam has reflected strong MDGs spirit in international commitments, important legal documents and major policies. The country has given due attention to communication, dissemination with training knowledge and skills on planning, analysis of MDGs results. As a result, the MDGs were widely known in Viet Nam and thoroughly mainstreamed into programs and policies at all levels and sectors, facilitating mobilization of resources and supports from relevant partners during the implementation process.

Viet Nam has successfully nationalized the targets and indicators of MDGs into VDGs based on specific condition and characteristics of the country, concentrating a great deal of resources to achieve the targets for poverty reduction, education and health in recent years. The country has been making necessary preparations for the coming transitional period to the Sustainable Development Goals (SDGs) and the post-2015 Development Agenda.

By mainstreaming MDGs into programs, plans and policies at various levels of government and sectors, Viet Nam successfully managed to introduce international commitments (such as the MDGs) to the country-level practice while designing specific action plans and allocating adequate funding to achieve such goals. In this process, the MDGs no longer constituted a stand-alone international framework but, instead, became a component of the national plans, and policies.

At the outset of implementation, a clear assignment of responsibilities for monitoring, reporting and coordination of MDGs helped in facilitating quick

and effective MDGs integration process into major national strategies, socio-economic plans and harmonized implementation. In addition, Viet Nam has paid due attention to the development of the national database system for MDGs progress monitoring and reporting. The integration of MDG indicators in the System of national indicators, the strengthening of the system and the improved quality of data collection had helped Viet Nam improving the availability, usefulness and timeliness of data. This in turn helped policy-makers in identifying direction for the follow-up period, including the focuses, successful models, handicaps to be overcome and required adjustments.

The country has acquired valuable lessons in effective mobilization and utilization of domestic and international resources in implementing MDGs, particularly internal resources. Decentralization and strengthening ownership of local governments as well as implementing “bottom-up” approaches based on participation and consultation are also considered good practices. Lessons learnt from MDG implementation represent extensive experience for the country to continue its mission in completing the remaining MDGs, prepare for the SDGs and the post 2015 development agenda.

Comprehensive growth model combining pro-poor, social economic development with environmental protection

The Vietnamese State was consistent and determined with its policy orientation to develop the economy in parallel with improving social life and protecting the environment. This orientation was well reflected in the country’s Constitution, in major national socio-economic development strategies and plans as well as in normative documents issued by the Party and the Government. When Viet Nam enters the new stage of implementing the post-2015 agenda based on the ambitious global goals given by the SDGs, in the context of socio-economic volatility and resource constraints, the political will and orientation for comprehensive and inclusive growth must be maintained and built on. It is only through this type of approach that social development and human rights can be ensured, alongside sustainable development.

Viet Nam’s system of policies was comprehensive and diverse, consisting of socio-economic development policies for individual sectors/branches, dedicated policies and national targeted programs. Socio-economic development policies for individual sectors/ branches were designed to achieve objectives set out in national and local socio-economic development plans for particular sectors/branches whereas dedicated programs were designed in such a way to be aligned with the characteristics of particular regions, localities, population groups. This was in order to ensure effective achievement of general socio-economic development goals. National targeted programs were designed to address urgent, cross-sectoral, inter-regional issues that were of importance to national socio-economic development requiring focused resources and government leadership.

Viet Nam’s proactive efforts in international integration and South-South cooperation helped the country mobilize and share experiences, knowledge as well as resources for the implementation of the MDGs and. At the same time, this has allowed Viet Nam to strengthen its position in the international arena. Given Viet Nam is increasingly integrated within the world and we are

on the threshold of the SDGs period, its valuable experiences on South-South cooperation and triangular cooperation should be appreciated and promoted for mutual cooperation and mutual support based on the potentials, advantages and similarities of the economies in the region. In-depth and extensive participation in various modalities of South-South cooperation and triangular cooperation has enabled Viet Nam to learn, share and mobilize available knowledge, experiences, technologies and capacities, to strengthen linkages, enhance policy coordination with other countries and, at the same time, strengthen Viet Nam's own position in the international arena. With the activities that Viet Nam has already undertaken, it is time for Viet Nam to review and document its experiences and lessons from South-South cooperation and triangular cooperation as a basis for the development of long-term cooperation strategies.

IV. From MDGs to SDGs, Moving Forward: Challenges and Opportunities

Economic prospects: Challenges and opportunities

Over the past few years, Viet Nam's economic growth has slowed down partly as a result of the impact of the global financial crisis, but structural and institutional weaknesses have also come to the fore. Growth relies heavily on foreign invested enterprises with domestic enterprises remaining largely small and uncompetitive. Low-value added and labor intensive activities predominate and linkages between the foreign invested and domestic enterprises remain weak and there is limited technology transfer. In order for Viet Nam to reap the benefits of continued regional and global integration and to move towards a higher, more sustainable and inclusive growth trajectory, the country needs to address some of the underlying bottlenecks. These include attention to creating productive employment opportunities, strengthening policy incentives to develop supporting industries and intermediate technology, improving infrastructure and promoting R&D and innovation. At the same time the education and vocational training systems need to be reformed to provide quality and relevant skills on an equitable basis. Equally, a more effective social protection system is needed to limit vulnerability and risk aversion, to spur economic activity and entrepreneurship.

Viet Nam is also facing major social and demographic changes including increasing migration, urbanization, ageing and a growing middle class. These alongside pressures towards greater inequality, will intensify as Viet Nam develops further as a middle income country. If properly managed, these trends can provide important impetus to further economic growth and progress in human development.

Poverty Reduction

Poverty has been reduced significantly but remains prevalent in remote and mountainous areas and in ethnic minority communities. Core poverty is underpinned by a lack of access and engagement in Viet Nam's growing economy. These groups also suffer from inadequate living conditions, limited access to public services as well as low educational attainment.

Agriculture plays a critical role in promoting poverty reduction in these and other areas. Therefore, there is a strong and urgent need to reform and modernize the agricultural sector to increase productivity and quality of agricultural products as well as strengthen agricultural exports. In the short run, local authorities should work with the private sector to re-identify or strengthen strategic crops in each geographical region and develop a systematic plan for crop cultivation. In the long run, modernization of the agricultural sector can only be realized through employment of advanced technology as well as improved quality control and branding and market access to produce high-quality products. Policy needs to ensure that incentives are in place to facilitate this transition, including those relating to land management and supporting the creation of off-farm productive employment opportunities to absorb redundant agricultural workers.

Inequality

Inequality in Viet Nam exists within and between urban and rural populations, regions and ethnic groups, and tends to persist across generations. Additionally, as a new MIC, inherent pressures towards greater inequality will emerge as the economy becomes more complex and differentiated. The negative social effects of inequality are further accentuated by people's perceptions.

To address these pressures and growing public concerns, Viet Nam needs to focus on policies to promote inclusive growth and narrow the gap in opportunities. Labor market policies to maintain full employment and boost productivity are vital; and the provision of high quality vocational training is a key part of this. Viet Nam needs also to address access to quality education and health services - and this must include questions of costs, given access to these services has become increasingly linked to people's ability to pay.

Donors' Withdrawal of Grant and Financial Support

Reductions in ODA create difficulties in the government's financing of several social and economic activities, particularly in provision of healthcare for the disadvantaged and in poverty reduction. The impact mostly lies in the reduced flexibility to carry out new policies and reforms. Therefore, one of the priorities for the coming years is to use these resources in a more strategic and effective manner so as to maximize the expected outcomes. Viet Nam is also keen to increase the share of financing from other sources including the private sector (foreign as well as domestic) through public private partnerships.

Climate Change

Viet Nam is one of 5 coastal developing countries in the world that are most affected by climate change. Viet Nam has recognized the development issues and challenges driven by climate change and place strong emphasis on proactive disaster preparedness and climate monitoring, suitable response activities, scientific and technological developments, international cooperation and integration to enhance the country's status in climate change issues. The country needs to continue its efforts to mainstream its climate change response within sectoral and provincial programs, mobilize resources for climate change response activities, promote understandings of climate change in the mass media and education system, and invest in the necessary human resources and technical skills to combat the effects.

SOCIO-ECONOMIC CONTEXT 2001-2015

The socio-economic development process of Viet Nam during 2001-2015 can be divided into three distinct periods: 2001-2005, 2006-2010, and 2011-2015¹, corresponding to three Five-Year Plans for socio-economic development. This chapter provides a detailed description and analysis of the country's socio-economic context in these three developmental stages that constitutes the full period of Millennium Development Goals implementation. Instead of narrating meticulously every development aspect of the studied periods, the analysis focuses on key achievements, challenges and policy highlights.

The first period 2001-2005 was marked by a spectacular economic rebound from the Asian Financial Crisis following a series of policy reforms that promoted phased international integration, generating massive inflows of foreign investment, trading activities as well as building an empowered domestic private sector. Pro-poor growth propelled impressive poverty reduction, and improvements in living standards of a large group of the population and the upgrading of public infrastructure. Strong inflows of ODA and the ability of the Government to utilize the resource according to its development agenda also contributed towards strong progress.

The second period, from 2006 to 2010 initially saw continued growth momentum, but this was hard hit by the global economic crisis in 2008, and rocketing inflation. This period illustrated the need for better macroeconomic stabilization. Poverty reduction also slowed down while inequality in living standard across social groups and geographic regions persisted. However, the country's accession to WTO supported a gradual yet slow recovery process. Continued inflows of ODA also assisted in poverty reduction and socio-economic development. By 2010, Viet Nam successfully graduated from one of the least-developed countries to middle income status.

During the period from 2011 to 2015, economic growth improved slowly. Yet this period was marked by rapid growth in the take-up of information and communication technology, which can act as an important instrument in helping to raise economic competitiveness. At the same time, the period witnessed major economic restructuring efforts, particularly of SOEs and the banking sector. Chronic poverty in mountainous and remote areas, especially among ethnic minority communities also became the focus and key challenge within national poverty reduction strategies.

PERIOD 2001-2005

The Five-Year SEDP 2001-2005 placed strong emphasis on “*job creation, poverty alleviation as well as strong multi-sector development, to provide the fundamental basis for a socialist oriented market economy*”. Recovering from the impacts of the 1997 Asian financial crisis, Viet Nam had regained its growth momentum and continued the comprehensive reform approach applied from the onset of Doi Moi in the late 1980s. Indeed, the period 2001-2005 was a ‘golden time’ featuring an impressive pace of economic growth and poverty reduction. Despite being faced with multiple challenges including disasters and calamities, notably, the outbreak of Severe Acute Respiratory Syndrome (SARS) and avian influenza, Viet Nam succeeded in promoting inclusive growth and pro-poor development, promoted by adoption of updated, comprehensive policies and the ongoing support of donors and development partners. This period also saw better living standards and improved access to basic social services for a large part of the population, as well as major improvements in public infrastructure.

1. Economic growth

The Asian financial crisis of 1997 exerted adverse impacts on Viet Nam’s economy. GDP growth during 1992-1997 at 8-9 percent plunged drastically to 5.76 percent in 1998 and 4.77 percent in 1999. However, the economy started recovering in 2000, regaining a growth rate of 6.79 percent. Following this transitional year, growth increased consistently and strongly throughout 2001 to 2005. Economic growth was also supported by a stable macroeconomic environment, evident by a stable inflation rate maintained at less than 10 percent for the full five years.

Table A.1. Economic growth situation

	GDP growth rate (%) (compared with 1999 price)	Total (Million USD)		Per capita (USD)	
		GDP	GNI	GDP	GNI
2001	6.89	32,686	32,065	416	408
2002	7.08	35,064	34,520	441	433
2003	7.34	39,553	39,161	492	484
2004	7.79	45,551	44,497	559	550
2005	8.44	57,648	51,841	700	629
Average	7.51	--	--	--	--

Source: GSO (calculation based on real average annual value)

In 2005, Viet Nam’s economic growth rate reached 8.44 percent, surpassing the 2004 figure of 7.79 percent. In 2005, the country achieved the highest growth rate since 1997 and the second highest growth rate among East Asian nations within 2001-2005. The steady increases in economic growth throughout 2001-2005, concluded by the remarkable growth rate in 2005 enabled Viet Nam to

fulfill its targeted average growth rate of 7.5 per annum set out in the 2001-2005 Five-Year Plan. This meant the economy in 2005 was 1.44 times larger than in 2000.

2. Economic structure and transition towards industrialization, modernization

High economic growth in the 2001-2005 period was driven by growth in all three sectors agriculture-forestry-fishery, industry-construction, and services. Having the highest value added growth rate throughout 2001-2005, and reaching a peak of 10.69 percent in 2005, industry and construction continued making the biggest contribution towards GDP growth, confirming its rising importance in the economy; within the 8.44 percent 2005 growth rate, industry-construction accounted for a full 4.19 percentage points.

Table A.2: Contribution to GDP growth by sector

	2000	2001	2002	2003	2004	2005	Ave-rage
GDP growth rate	6.79	6.89	7.08	7.34	7.79	8.44	7.51
<i>GDP growth rate by sector (%)</i>							
Agriculture-forestry-fisheries	4.63	2.98	4.17	3.62	4.36	4.02	3.83
Industry-construction	10.07	10.39	9.48	10.48	10.22	10.69	10.24
Services	5.32	6.10	6.54	6.45	7.26	8.48	6.96
<i>Contribution to GDP growth by percentage point</i>							
Agriculture-forestry-fisheries	--	0.69	0.93	0.79	0.92	0.82	0.83
Industry-construction	--	3.68	3.47	3.92	3.93	4.19	3.84
Services	--	2.52	2.68	2.63	2.94	3.42	2.84
<i>Contribution to total GDP – Economic structure (%)</i>							
GDP	100	100	100	100	100	100	--
Agriculture-forestry-fisheries	24.53	23.24	23.03	22.54	21.81	20.97	--
Industry-construction	36.73	38.13	38.49	39.47	40.21	41.02	--
Services	38.74	38.63	38.48	37.99	37.98	38.01	--

Source: GSO and calculations by CIEM

Agriculture-forestry-fisheries showed positive results despite having been affected by natural disasters, the avian influenza epidemic as well as global market price fluctuations. The sector maintained a positive growth of 3 to 4 percent annually. With structural change, the GDP share of agriculture-forestry-fisheries diminished over the years. Nevertheless, the sector still played a key role in the development of rural areas, where more than 70 percent of the population resided. By 2005, the value of farm sector output had increased by 30 percent compared to 2000.

The service sector expanded consistently evident by increasing growth rates over time. The year 2005 witnessed the highest growth rate since 1997, when the service sector grew by 8.48 percent. This was even higher than the

aggregate GDP growth rate of 8.44 percent. In the same year, the service sector contributed 3.42 percentage points to growth in 2005, marking the largest contributory share over the 5-year period.

During 2001 to 2005, high economic growth was also accompanied by structural change towards industrialization and modernization, evident by significant shifts in the agriculture-forestry-fisheries and industry-construction sectors. In the agriculture-forestry-fisheries sector, there was also an internal shift within cultivation, with development of higher value-added and higher-productivity crops such as cashew nuts and coffee, which gradually replaced rice paddy cultivated areas.

3. Investment, Enterprise and Trade Performance

The strong growth seen in this period was also driven by all three types of production sectors – the state-owned sector, the private sector and FDI firms. The Enterprise Law was amended in this period, with a major simplification of administration procedures. Equally, removal/modification of business licenses in a large number of economic sectors significantly reduced business registration costs and shortened the process. Regarded as a turning point in the development of private sector, this Law gave rise to the massive growth in private enterprises, and promoted a market economy with equal access to economic opportunities. During the period from 2000 to 2003, 72,600 private enterprises were registered under the new law, marking an increase of almost 30,000 private firms on numbers registered in the 1990s. The share of GDP from the non-state sector accounted for the largest share of GDP, at above 45 percent between 2000 and 2005. Table A.3 shows the private sector grew at an increasing rate from year to year, underlining its great potential and contribution to the country's economic development.

Table A.3: GDP growth and share (%)

	2000	2001	2002	2003	2004	2005
<i>Share of GDP by ownership (%)</i>						
Total	100	100	100	100	100	100
State sector	38.52	38.40	38.38	39.08	39.10	38.42
Non-state sector	48.20	47.84	47.86	46.45	45.77	45.69
Collective	--	8.06	7.99	7.49	7.09	6.83
Private	--	7.94	8.30	8.23	8.49	8.91
Household business	--	31.84	31.57	30.73	30.19	29.95
FDI	13.28	13.76	13.76	14.47	15.13	15.89
<i>GDP growth rate by sector (%)</i>						
State sector	7.72	7.44	7.11	7.65	7.75	7.37
Non-state sector	5.04	6.36	7.04	6.36	6.95	8.21
FDI	11.44	7.21	7.16	10.52	11.51	13.22

Source: GSO

In the state-owned sector, the closure, merger, and equitization of SOEs resulted in a substantial reduction in the number of SOEs. New laws on enterprises emphasized on SOEs' lower dependence on the Government and greater level of accountability. Throughout the period, this sector played an important role, maintaining a share above 38 percent of total GDP.

FDI became an increasingly important source of GDP growth: its share of GDP grew constantly without interruption during 2000 to 2005. Moreover, the absolute value of FDI also demonstrated high growth, from 7.21 percent in 2001 to 13.22 percent in 2005. This strong growth momentum of FDI proved that foreign investors considered Viet Nam a favored investment destination and environment for doing business. Within the five years from 2001 to 2005, Viet Nam had issued business certificates for 3,935 FDI projects with registered capital of USD 19.9 billion. By 2005, Viet Nam had gathered investors from more than 70 countries, including 100 multi-national corporations. Crucially, FDI flows were not concentrated in merely a few regions but investments covered 41 out of 65 provinces by 2005.

Table A.4: FDI in Viet Nam 2001-2005

	Number of FDI projects	Registered capital (million USD)	FDI implemented (million USD)
2001	555	3,142.8	2,450.5
2002	808	2,998.8	2,591
2003	791	3,191.2	2,650
2004	811	4,547.6	2,852.5
2005	970	6,839.8	3,308.8
Total	3,935	20,720.2	13,852.8

Source: GSO

Strong FDI inflows as well as domestic investment were the direct results of various policy reforms and adoption of new measures to attract FDI and promote international economic integration. The Government had designed a trade policy roadmap for 2001-2005 under Decision 46/2001/QD-TTg in April 2001, aiming to create a more transparent and favorable export-import environment. Amendment of the Law on Foreign Investment in 2000 helped to streamline administrative procedures for foreign-invested business, creating a common legal framework for both domestic and foreign investment. Furthermore, amendments to the Investment Law and the unified Enterprise Law in 2005, together with numerous ordinances, decrees and other legal documents were promulgated to attract FDI, further strengthening the trade liberalization process. These changes included simplification of administrative and customs procedures, reduction of corporate income tax for foreign-invested business, exemption of import tariff on certain input materials for newly established businesses, abolition of FDI capital share limits in selected industries, and so forth.

The growth of both domestic and foreign investment augmented the value of trade. The total value of imports and exports more than doubled from 2001 to 2005. In terms of annual growth, the year 2001 started out with only a 3.7

percent increase in trade value, the figure then climbed up dramatically and maintained a high level for 2002-2005. Growth in the value and volume of trade, comprising both increases in exports and imports, indicated robust trading conditions and positive prospects for economic growth and job creation.

Table A.5: Total value of trade (import and export)

	Total value (triệu USD)	Growth rate as compared to previous year(%)
2001	31,247.1	3.7
2002	36,451.7	16.7
2003	45,405.1	24.6
2004	58,453.8	28.7
2005	69,208.2	18.4

Source: GSO

In the 2001-2005 period, the value of total merchandise exports reached 110.6 billion USD, 1.8 percent higher than the target set for the SEDS 2001-2010. By 2005, the total value of merchandise exports reached an all-time high - 21.6 percent higher than that of 2004. The country promoted trading relations with various bilateral and multilateral important partners such as ASEAN, the EU, the United States, Japan and China, and specifically, Viet Nam fulfilled its commitments under the ASEA Free-Trade Area (AFTA) agreement, signed Viet Nam-US Bilateral Trade Agreement (BTA) in 2000, and joined regional integration arrangements such as ASEAN-China FTA and the ASEAN-Japan Comprehensive Economic Partnership.

There are a number of factors that contributed towards Viet Nam's impressive export achievements. First, many of Viet Nam's key commodities such as crude oil, coal, crops (coffee, rubber, rice etc) consolidated their position and trademark in the global market due to improved production, and trade capacity. Second, the Government created appropriate and more flexible measures to support international trade activities, and offered timely solutions to expand export markets.

4. Significant improvement in Public Infrastructure and Telecommunication

Rapid economic growth brought about significant renovation and upgrading of physical infrastructure, and this in turn, was a vital ingredient to support the then fast-moving economy. During the 2001-2005 period, investment in transport climbed rapidly. Determined efforts to develop a transport network led to substantial improvements in roads and ports across the country.

The transport sector had constructed and renovated 4,575 km of highways and more than 65 thousands kilometers of rural roads. Many road and railway bridges were either built or repaired. The country's major ports were expanded and upgraded, increasing Viet Nam's capacity to handle more than 70 million tons per year, almost doubling the previous five-year period. Transport by waterway

and airways also made a significant contribution to infrastructure and handling capacity. Transport infrastructure helped increase citizens and enterprises' access to markets, reduced input costs and improved output values; as a result, strengthened economic competitiveness made a greater contribution towards exports.

The higher level of trade and global economic integration also placed a stronger requirement on communications and technology infrastructure. The media and broadcasting sector invested in infrastructure and adopted new technologies, sparking rapid expansion of the telecommunication network. By 2005, the total number of landline subscribers reached 15.8 million, showing a spectacular increase from 4.3 million in 2001. The average number of subscribers per 100 citizens increased almost 4 times, from 5.5 in 2001 to 19.2 in 2005. Rapid development of communications in Viet Nam played a crucial role in lifting access to information and reducing transaction costs.

A large number of infrastructure projects also benefited the poor. A growing proportion of the national budget was used for socio-economic development projects and basic infrastructure and service facilities for especially disadvantaged communes. From 1999 to 2005, 8,850 billion VND was spent on building infrastructure and basic social services for poor areas. By the end of 2004, 97 percent of poor communes had vehicle-usable roads to the commune center; 100 percent of communes had health clinics; 70 percent of communes had cultural centers and post-offices; 90 percent had a broadcasting station; and 65 percent had hygiene water supplies. Even though a sizeable proportion of poor communes still suffered from inadequate access to basic social services and public infrastructure. In overall terms, by the end of 2014 infrastructure had improved dramatically compared to the early 2000s.

5. Public Administration Reform (PAR)

The 2001-2005 period was a transitional period of fundamental reform, motivated by the abolition of the command economy and the adoption of a long-term strategy that entailed market reforms and global economic integration. This movement could only be realized with evolutionary reforms in governance and core institutions - namely the public administration system. The Government initiated Public Administration Reform Program in 1986, but it was not until 2001, that substantial efforts resulted in the PAR Master Program for 2001-2010. This marked the first comprehensive, long-term government agenda for public administration reforms aimed at developing a democratic, transparent, and efficient public administration system in Viet Nam. The Program focused on five key reform areas: institutional reform, organizational structures, civil service reform, capacity building for civil officials, and public finance and administrative modernization.

The PAR Program established a framework to improve service delivery to the poor. PAR took into consideration responsiveness, transparency, accountability and efficiency of local administration to strike a balance between economic growth and social development.

The administrative reform process recorded many initial successes, but the pace of reform was rather slow during this period. The One-stop shop model and the

simplification of administrative procedures, reaching 35 out of 64 provinces in 2002, were highly appreciated. A number of pilot policies such as lump sum reward schemes to provide incentives for saving public money and various anti-corruption schemes were implemented but did not achieve the expected results. As such, more effective activities of PAR in the following 2006-2010 period required stronger efforts, and financial as well as human resources from the government, society at large, and support from development partners.

6. Impressive Poverty Reduction and Improved Living Conditions

The period from 1993 to 2005 recorded the most impressive progress in poverty reduction since the implementation of the initial policy reforms. The poverty rate (based on international standards) fell from 58.1 percent in 1993 to 19.5 percent in 2004, representing a drop of 37 percentage points. Within a decade, two thirds of the population, equivalent to more than 20 million people had been lifted out of poverty. Yet it was the 2001-2005 period which saw the most rapid pace of poverty reduction since Doi Moi.

This level of achievement in poverty reduction during the 2001-2005 years was the direct result of rigorous economic growth and trade liberalization, which in turn created a huge number of jobs, particularly in the private sector and generated higher and more stable wages. During 2002-2003, about 4 millions jobs were created by the domestic private sector alone¹. In addition, programmed interventions through the National Targeted Program on Poverty Reduction and Job Creation 2001-2005, together with a series of programs and policies implemented to alleviate poverty and raise living standards. Key areas of supports included of health policies for the poor, education policies such as building schools and exemption of educational fees, social welfare for the vulnerable, housing, land, and production and credit support.

With rapid poverty reduction, the living standards of ordinary Vietnamese were gradually also rose. Viet Nam was ranked among the leading developing countries in poverty reduction efforts as well as being recognized for achieving a balance between economic growth and human development. In 2005, Viet Nam's Human Development Index was ranked in 108th position out of 177 nations, showing an improvement by 4 positions from the 2004 ranking².

Income per capita in real terms in 2003-2004 had increased by 64.2 percent on 1999. This increase helped to promote consumption and savings and ownership of durable goods and assets. The proportion of households having durable goods such as motorcycles, telephones, TV increased considerably. Housing conditions were improved, illustrated by increase in the proportion of permanent and semi-permanent housing and the reduction in temporary housing.

7. Official Development Assistance

For Viet Nam, ODA played a vital role in financing and realizing various national schemes to support socio-economic development and poverty reduction activities. The reform and opening-up of the economy has contributed towards

¹ The World Bank, Viet Nam

² Socio-economic Development Result of Viet Nam 2001-2005

mobilization of international support, and turned aid into an important external resource to support the ongoing reform process.

Viet Nam not only succeeded in attracting a large amount of ODA but also effectively utilized this aid in alignment with its own development goal while still reflecting donors' agenda. At the same time, Viet Nam adeptly adapted international donors' emphasis on poverty reduction, ownership, harmonization and results-orientation in national planning. National development plans, notably Socio-Economic Development Strategy (SEDS) 2001-2010 and Socio-Economic Development Plan (SEDP) 2001-2005 became instruments to marry donor aid programs with the government's development agenda.

PERIOD 2006-2010

Following a successful first five years of the new century, Viet Nam continued to advance along a rapid economic development trajectory with a number of key milestones reached during the 2006-2010 period. While this period witnessed bold decisions in economic and international integration, systems reforms and significant social development achievements, it also faced the powerful headwinds driven by the Global Financial Crisis (GFC) and associated impacts on the national economy.

1. Economic growth situation

For most of the period the economy continued to record a high growth rate, reaching high for the decade of 8.46% in 2007. However, due to the impact of the Global Financial Crisis (GFC), the economy slowed down significantly the following year and maintained modest growth throughout the rest of the period. However, average growth for the period of 7.01%, was among the highest for developing countries with sized economies. As a result, GDP increased almost 2 folds in just 5 years. Notably, Viet Nam graduated from the group of low income countries and to a middle-income status.

Table B.1. Economic growth situation

	GDP growth rate (%)	Total (million USD)		Per capita (USD)	
		GDP	GNI	GDP	GNI
2006	8.23	66,340	59,420	796	713
2007	8.46	77,391	68,802	919	817
2008	6.31	97,452	86,687	1,145	1,018
2009	5.32	99,826	87,207	1,160	1,027
2010	6.78	110,686	97,404	1,273	1,114
Average	7.01				

Source: GSO (calculation based on average annual real exchange rate)

In this period, the economic policymakers were keen to avoid overheating and resulting high inflation rates. Double-digit inflation experienced in 2008 led the Government of Viet Nam to take stringent steps to cut inflation.

The price index started climbing in 2007 and reached a record-level in 2008, of 28.3% in August, before falling in the next year. However, the inflation rate was still subject to further increases after 2009. Various factors drove fluctuations in the consumer price index. As Viet Nam further integrated into the world economy, price fluctuations, especially oil and food prices affected the domestic price basket. Another fundamental cause of high inflation was identified as the low efficiency of public investment in a period when the Viet Nam's economic expansion was mainly capital-intensive.

Acting on soaring consumer prices, from April 2008, the government issued Decision 390/QĐ-TTg on the Management of Budget Expenditure and Infrastructure Investment Planning and in the subsequent month, Decree 10/2008/NQ-CP specified 8 groups of solutions to curb inflation. These groups of actions mainly aimed for a tightened fiscal and monetary policy stance to reduce the budget deficit and high CPI. The government's assistance policies during this critical time also sought to alleviate hardship in people's lives caused by high prices, especially for disadvantaged groups.

However, the economic situation was complicated by the global financial crisis which took hold in 2008. As major governments around the world announced packages to stimulate their economies, Viet Nam also followed suit. By the end of 2008, the Government reversed its economic policy, deploying four groups of urgent measures implemented from 2009, in which fiscal policy made up of increases in investment and relaxation of tax payments, played central roles.

2. Economic integration

Joining WTO in 2007

The 2006-2010 period witnessed a major milestone when Viet Nam was officially admitted to WTO as the 150th member on 1st November 2007. This marked continued efforts of the nation in broadening its foreign economic policy, strengthening institutions, legal system and many other commitments required for a modern market-oriented economy. With this milestone, Viet Nam was able to integrate more deeply into the global economy and to create an attractive business environment, allowing for an influx of foreign capital investment and augmenting trade activities.

Export-import activities

During the years leading up to Viet Nam's accession to the WTO, total foreign trade rose gradually and reached its highest rate of growth during the whole period, in 2007 at 31.4% compared to the previous year. The GFC, however, cast a shadow over trading activities of local business; the crisis led to lower trade volume growth in 2008, dropping further in 2009 before the growth regained momentum in 2010. As Viet Nam integrated into the world economy, stricter trade rules applied to a number of industrial processed products, agricultural

products from Viet Nam, while domestic businesses also had to face fierce competition in export markets.

Table B.2. Total foreign trade values and growth

	Total value (Million USD)	Growth y-o-y (%)
2004		100
2005	69,208.2	118.4
2006	84,717.3	122.4
2007	111,326.1	131.4
2008	143,398.9	128.8
2009	127,045.1	88.6
2010	157,075.3	123.6

Source: GSO

An influx of FDI in 2007

Between 2006 and 2007 alone, the number of FDI projects and registered capital jumped more than 1.5 times, from 987 to 1544 projects and from USD 12,004 to 21,347.8 million. FDI flows continued to grow in the years just before the GFC, which causes FDI to plunge in 2009 and 2010. The impact reverberated in countries worldwide thus, lowering the amount of FDI capital dramatically in 2009 and 2010.

FDI capital played a significant role during this period, helping Viet Nam to achieve high rates of economic growth by contributing significantly to the total capital stock. Nevertheless, weakness in absorptive capacity and management led to limitations in handling the sudden rise in FDI during 2007. This was intensified as FDI focused on only a few areas/regions rather than being allocated to more remote areas where capital demand was particularly high for development needs. These impacts were caused by the diverse factors, and partly Viet Nam's inadequate preparation during accession into WTO. Specifically, the problems were that investment policies although amended were not consistent and did not encourage FDI investors to direct their investments to productive areas, rather than pure trading activities.

Table B.3. FDI in Viet Nam 2006-2010

	Number of FDI projects	Registered capital (Million USD)	Implemented FDI (Million USD)
2005	970	6,839.8	3,308.8
2006	987	12,004.0	4,100.1
2007	1,544	21,347.8	8,030.0
2008	1,557	71,726.0	11,500.0
2009	1,208	23,107.3	10,000.0
2010	1,237	19,886.1	11,000.0

Source: GSO

Official Development Assistance

ODA continued to play a key role in socio-economic development of Viet Nam. The amount of committed and agreed ODA increased more than 2 times; in 2005 the committed amount of ODA was USD 3,748 million whereas in 2010 it was USD 7,905 million. Compared to the previous 5 years, in which the growth of ODA committed over 5 years was more than 56%, this period witness an increase of over 110% in the amount of ODA committed over the same time span. This is a significant result given the strong impact of the GFC on the major economies and reflected the trust of the donor community in the capacity of the country to effectively absorb ODA for development purposes.

3. Economic structural change

The economy's structure continued to shift from agriculture to industry and services, but at a much slower pace. By 2010, the contribution of Agriculture – Forestry and Aquaculture only reduced by 0.67 percentage points compared to that of 2005 while the target was to reduce this proportion by 5-6 percentage points. Similarly, industry – construction work and services' shares of the GDP was only 0.08 and 0.59 percentage points higher than that in 2005 respectively.

Thanks to the opening of the economy, there was a clear surge in the number of new private business registrations during the period. Among all economic sectors, the non-state sector emerged to become the fastest growing and a key sector helping to provide employment for a large number of workers in the country. By 2010, the number of non-state businesses was 238,900, accounting for 96% of the total number of businesses.

Following the promulgation of the Investment Law in 2005, the period saw the establishment of a number of Industrial Parks (IP). By the end of 2010, Viet Nam had 261 IPs in 62 provinces. With the influx of foreign investment, the signing of trade agreements and favorable terms granted by the Government, provinces had an incentive to propose and construct new IPs. However, while various social and development requirements accompanied the establishment in IPs and economic zones and these tended to be ignored or neglected. These included regulations on compulsory environmental requirements such as waste processing systems at IPs.

While joining the global economy brought about positive changes in the markets and economy of Viet Nam, the growth model faced more fundamental challenges. Crucially, the economy relied heavily on factor accumulation rather than Total Factor Productivity (TFP) for rapid growth. Such a path is ultimately unsustainable. In particular, due to the record flow of external capital as a result of the country's economic integration, almost the entire growth of this period came from factor accumulation. Furthermore, the marginal growth in labor productivity in the years following WTO accession also fell back (3.4% annually versus 5.0% annually for the period prior to 2007).

Nevertheless, the Government of Viet Nam fully recognized the important role of productivity and decided to make “increased productivity” an imperative. The core actions for achieving this objective agreed by the Government included: restructuring of SOEs, strengthening the effectiveness of public investment, and reforming the financial sector.

4. Reforms in the public administration and legal system

Admission to the WTO required a number of critical changes for Viet Nam's public administration and legal systems. Therefore, a number of important reforms in these areas were carried out during this period. The 2006-2010 years saw the second phase of the PAR master plan (2001-2010). To reinforce the implementation of reforms, in August 2007 the Fifth Plenary of the Central Committee issued Resolution 17-NQ/TW that outlined 9 directions and solutions for improved state effectiveness and public administration reform. To implement this resolution, the Government promulgated Resolution 53, which put a greater emphasis on simplification of administrative procedures and institutional restructuring together with management decentralization.

The accession to WTO created incentives for the Government of Viet Nam and local provincial governments to simplify public administration and customs requirements to boost exports from local businesses. The one-stop shop scheme in public administration implemented in the previous period continued to be promoted. By the end of 2010, 88.3 percent of provincial agencies, 98.5 percent of district agencies, 96.7 percent of commune agencies had implemented the one-stop shop scheme. The number of business registration days was further lowered to 10 days through implementation of the Enterprise Law 2005, specifying the time needed for processing a permit by government agencies be reduced to 5 days.

The country's ranking in terms of favorability in business environment improved over the 2006-2010 period and the costs of doing business continued to decrease. In 2005, the cost of a business start-up was 50.6% of average income per capita while that in 2008 was only 16.8%.

5. Access to Social Services

During this period, the household poverty rate continued to decline although the rate had slowed down compared to previous periods. The goal of poverty reduction was still a priority and the Government deployed a number of programs and activities to address poverty reduction including – the NTPs, infrastructure enhancement, providing credit lending, vocational training and support for access to water and sanitation, health and education.

During 2006-2010, the Government of Viet Nam has invested significantly in social services, including key areas of education, health, water and sanitation, public transportation and infrastructure and access to information.

This period also witnessed rapid establishment of private businesses in the health sector. Before 2006, there were only 35 private hospitals nationwide while by 2011, the number rose to 132, focusing mainly in the biggest cities of Ho Chi Minh City and Hanoi. The Law on Health Insurance promulgated in 2008 enabled various social groups to gain better access to health care services. Thanks to this reform, various target groups including students, near-poor people, ethnic minorities and children under 6 were entitled to health insurance. In 2006, insurance coverage was 40.6% of the population and yet by 2011 had increased to 63%.

The 2006– 2010 period was also characterized by a boom in information technology and major improvements in wider informational access for the whole population. By 2010, there were 3.8 million Internet users in Viet Nam. Some 5 years earlier in 2005, there were only 13 internet users over 100 people, and by 2010, there were 30 internet users over 100 people.

PERIOD 2011-2015

The initial objective of the Five Year Socio-economic Development Plan for the 2011-2015 period, was to develop the economy “in a rapid, sustainable manner coupled with an innovation-driven growth model, and restructure the economy towards better quality and higher competitiveness and efficiency”. Overall, the third period (2011-2015) was marked by escalating inflation at the beginning, followed by economic slowdown in 2012 partly as a result of the continuing impact of global recession. Due to difficulties which occurred in the initial years of the period, the Five-Year Plan 2011-2015 was adjusted to “control inflation, stabilize the macro-economy, renovate the growth model, restructure the economy and ensure social protection”. The period from 2013 onward saw many efforts to boost the economy including a series of the economic restructuring programs. This section summarizes economic outcomes of the 2011 – 2015 period, highlights the main policies used by the government to cope with the new economic conditions and identifies major drawbacks that Viet Nam is facing in the new global and domestic context.

1. Economic Growth

As a result of rapid economic growth from previous period together with expansionary monetary and fiscal policies in 2009 and 2010, the Vietnamese economy suffered from high inflation from late 2010 onward, which peaked in 2011. The inflation rate rose from 11.75% in 2010 to 18.13% whereas the economic growth rate fell from 6.78% to 5.89%. In the context of soaring inflation, the government promulgated Resolution No. 11/NQ-CP of 24/2/2011 on inflation control and macroeconomic stabilization. It capped credit growth at below 20% and limited loans for non-productive activities to 16% to the end of 2011. This resolution also directed the cutting of public investment and reducing the state budget deficit to below 5% GDP. These sudden contractionary policies limited inflation but drove a large number of enterprises into hardship, particularly those in the real estate, stock market, and banking sector. Bad debts in the banking system rose at an alarmingly high rate and many enterprises, especially SMEs had to downsize or cease operations.

Table C.1. Economic Growth Rates 2010 – 2014 (YOY, %)

	2010	2011	2012	2013	2014
Total	6.42	6.24	5.25	5.42	5.98
Agriculture, forestry, fisheries	3.39	4.23	2.92	2.63	3.44
Industry and construction	7.17	7.60	7.39	5.08	6.42
Services	7.19	7.47	6.71	6.42	6.16

Source: GSO

During 2012, national socio-economic conditions continued to be adversely affected by the global economic downturn as well as the contractionary policies to stabilize the economy from the second half of 2011. GDP growth slowed further to 5.25% - the lowest growth rate seen since 2000. There was a significant decline in agriculture and service sector growth due to the rise in input costs and low consumption in both domestic and global markets. Domestic private firms appear to have been particularly impacted by constrained access to finance, subdued domestic consumer demand and a lack of competitiveness. To cope with the economic downturn, the government promulgated a series of important policies to steer the economy, most notably Resolution 13/NQ-CP (on 10/5/2012) and Resolution 02/NQ-CP to support enterprises, promote domestic production and solve bad debts. Resolution 13/NQ-CP comprises fiscal policies (to exempt, reduce, or extend the deadline for corporate tax payments) and monetary policies (to reduce interest rates, remove the ceiling long term rate, etc.) to overcome production and business hardships and enable restructuring of the commercial banks.

In 2013, despite several positive signs of the recovery in the global economy, there was also much instability in global markets. This was especially problematic for developing economies. These global trends affected the domestic economy by shrinking market demand for goods and services. A total of 61 thousand firms closed or suspended business in 2013 compared to 47 thousand in 2010³.

In 2014, production and business continued to be affected by the global economic and political instabilities (slow post recession recovery, subdued oil prices) coupled with the inherent difficulties that had not been solved in previous years such as the low capacity to absorb capital, heavy pressures of bad debts, slow domestic demand, low management capacity and competitiveness of enterprises.

The Government took some important measures in 2014 to improve business conditions, which are expected to bear fruit from 2015 onward. The Government issued Resolution 19/NQ-CP (March 18, 2014), which prioritizes shortening the time for processing and completion of administrative procedures, reducing administrative costs, and strengthening transparency and accountability of state administrative agencies. The revised Law on Bankruptcy, passed in July 2014, was another effort to improve the legal framework for businesses. The Enterprise Law and the Investment Law are anticipated to improve corporate governance in enterprises and SOEs in particular, were approved by the National

Assembly in November 2014. Although the economy has not recovered to pre-2008 levels, the overall performance of the economy in 2014 was better than government's target and forecasting. The GDP growth rate was 5.98% with manufacturing and construction sector the leading contributor.

2. Economic Restructuring Program

Major restructuring efforts which were initiated from 2011 and developed to a Master Plan in 2013. On February 19, 2013, the Prime Minister signed Decision 339/QD-TTg approving the Master Plan on Economic Restructuring in Association with Conversion of the Growth Model towards Improved Quality, Efficiency and Competitiveness during the 2013-2020 Period. This plan targets three main sectors: (i) restructuring public investments, with focus on public ones; (ii) Restructuring the financial-banking system, with a focus on lenders; (iii) Restructuring State-owned corporations and groups.

The plan of restructuring public sector investments sought to reduce public investment, increasing the efficiency of state owned enterprises, and maximizing the scope and opportunities for private investors, encouraging and creating favorable conditions for private investments into infrastructure, other potential sectors and competitive products, and spearhead economic zones. In 2014, a new Public Investment Law was introduced as a guideline for mid-term and long-term public investment plan to realize this aim. Thanks to the restructuring plan and sound monetary policies that attracted private investment, the growth rate of FDI and non-state investment have increased gradually while state investment was down from 40.4% (2013) to 39.9% (2014) of the total national investment. Directive No. 23/CT-TTg dated 5th August 2014 of the Prime Minister on establishment of mid-term public investment plan for 5 years 2016 – 2020 cut down the number of national target programmes from 14 to 2 to concentrate the resources for the most essential investments, reducing cumbersome procedures and enhancing local initiatives. The restructuring of public investment strategy has yielded significant improvement in the use of state capital. Some public projects, especially in infrastructure have attracted non-state investment, which helped to reduce state budget's burden and increase capital usage efficiency. By the end of 2014, the infrastructure projects have attracted 117,000 billion VND from non-state sources.

The period also experienced increased momentum to reform SOEs. On July 17, 2012, the SOE Restructuring Plan was approved and 74 SOEs were equitized in 2013 (three times the number in 2011 and 2012). The momentum continued in 2014 when 143 SOEs were equitized. Many big SOEs are on track with reforms such as Viet Nam Airlines VNPT, EVN, and others. Nevertheless, in order to meet the Restructuring Plan, nearly 400 SOEs are required to equitized in 2015, which will be challenging and ambitious to deliver. Future progress will require strengthened information disclosure, performance monitoring, corporate governance reform, transparency of the divestment process, and clearer lines of accountability in SOE oversight.

With regards to restructuring the finance and banking system, resolution of bad debts in the system remains a key issue of concern. The Government and the SBV introduced a new asset management company (the VAMC) to handle

non-performing loans (NPLs). Since its establishment in July 2013, the Viet Nam Asset Management Company (VAMC) has absorbed a growing share of bad assets (about VND 121 trillion/ USD 5.6 billions) as of December 2014. The banking reform program is comprehensive, but important reform issues must be further explored and defined and the program must be consistently implemented to ensure the full recovery of the financial sector. Its efforts in this regard have been hampered by the absence of an enabling legal framework for insolvency and asset titling, and for protecting VAMC and commercial bank staffs against possible lawsuits arising from potential losses to the State in case a fair market price mechanism cannot be established.

3. Slower poverty reduction and persistence of chronic poverty and inequality

Post-2010, Viet Nam continued to sustain progress in poverty reduction, bringing the re-based poverty rate down further to 17.2% in 2012 by the World Bank defined standard or 9.8 per cent by the nationally-defined standard in 2013. The New Countryside Development NTP has continued to yield results, narrowing the difference in poverty incidence between rural and urban areas and bringing the gap of poverty rate between these two areas to 16.7% in 2012. The statistics on hunger have continued to improve for most provinces, and by 2011, Red River Delta, Mekong River Delta, and South East had completely eradicated hunger. The 2008-2014 period saw a consistent upward trend in the employment to population ratio, while data for the 2009-2011 period indicates positive as well as increasing growth in labor productivity of 16 percentage points, reflecting the country's efforts in utilizing the key role of productive work in poverty reduction.

Allocation of resources for poverty reduction and social protection policies have always been identified among key priorities of the state. Sustainable poverty reduction programs for the period 2011-2020 to deliver support for health, education, nutrition, housing, sanitation, legal services, culture and information, as well as vocational training support, job creation for the disadvantaged, as well as investment in public infrastructure, especially in poverty-stricken areas were maintained. In 2014 alone, a total of 34.7 trillion VND (1.65 billion USD) was allocated for poverty alleviation efforts, VND 30.8 trillion of which came from the State budget and the remaining 3.8 trillion VND from other sources. Another highlight of this period was active job creation and efforts to boost the employability of the disadvantaged. The National Targeted Program on Employment and Vocational training 2012-2015 was formulated to renovate vocational training especially in rural areas and expand the national labor market.

However, many disparities persist that pose significant challenges to poverty reduction. With regard to ethnicity, the Kinh had more advantage in improving their living standard as compared to the ethnic minorities. In 2012, the gap between the poverty level of Kinh and non-Kinh groups remained high at 49.3% points, and 59.2% of the ethnic minorities were still living in poverty. The Northern Midland and mountainous areas continue to experience a slower pace of poverty reduction than other regions. Equally, referring to inequality, the Gini index by expenditure, after reaching the peak in 2010, still remained high at 0.356 in 2012.

4. Strong growth of Information and Communication Technology

Until 2000, Viet Nam was a low performer in the global information and communication technology (ICT) league, ranked 74th out of 75 countries⁴. However, some 10 years later, the same report ranked Viet Nam 55th, calling the country's progress "impressive" compared to other countries with the same starting point. In 2013, the country was ranked by the International Telecommunication Union (ITU) 88th among 157 countries, 4th in Southeast Asia and ranked 14th among 28 countries in Asia-Pacific. The Global IT Report by the World Economic Forum (WEF) ranked the IT industry in Viet Nam among the top 10 countries in the Asian-Pacific region in terms of offshore services.

With the objective of developing the ICT industry to become a spearhead economic sector making a rising contribution to the country's economic growth, Viet Nam has focused on ICT. Viet Nam's ICT production sector has witnessed tremendous expansion, increasing its contribution to the country's overall GDP and employment generation. ICT development is one of the top priorities for the government, which sees the sector as a key driver of national competitiveness.

However, the country's ICT industry is faced with the shortage of skilled labor. Viet Nam is estimated to have a total of 600,000 graduates with ICT skills in 2020, while the demand for them is estimated to reach one million by that time. In terms of the skill quality, Viet Nam is noticeably behind peer countries in the region. The total ICT skills score is 3.96 for Viet Nam, compared to 5.09 for Indonesia, 4.60 for Malaysia, 4.59 for Thailand, and 4.38 for the Philippines⁵. Other issues essential to long-term growth of internet in Viet Nam include cyber security, control of software piracy and development of a strategic approach to reap the opportunities offered by the "cloud economy".

5. International integration

In the area of international integration, Viet Nam's foreign policy for the period 2011-2020 includes priorities to expand economic relations, widen and diversify markets and take advantage of capital, managerial experience and advanced technology for national industrialization and modernization. Prolonging the efforts in fostering bilateral and multilateral relations and trade liberalization in the previous periods, from 2011, Viet Nam has entered new FTAs with Chile (2012), the Customs Union of Russia-Belarus-Kazakhstan (2014), Korea (2015), and the Eurasian Economic Union (EAEU) (2015). Agreements still in negotiation include ASEAN-EU, the Trans-Pacific Partnership (TPP), Viet Nam-European Free Trade Agreement (EFTA), and the Regional Comprehensive Economic Partnership Agreement (RCEP) (ASEAN+6). Trade reforms have progressed to gradually remove import tariff barriers, progressive deregulation of trade regimes and relaxation of restrictions on entry to trading activities. The realization of FTAs has expanded the volume and value of trade and the inflows of FDI. Of over 200 trade partners, Viet Nam now has over 30 markets

⁴ *Global Information Technology Report 2001 – 2002*

⁵ *A.T. Kearney Report A.T. Kearney (2011). The A.T. Kearney Global Services Location Index 2011 – Offshoring Opportunities amid Economic Turbulence. A.T. Kearney, Chicago.*

with the trade volume of over USD 1 billion and Viet Nam now has one of the most open economies in the region. The country is the second ASEAN country after Singapore to complete a Free Trade Agreement negotiation with the EU. It is also among the 4 ASEAN countries of the TPP together with Singapore, Malaysia and Brunei. In 2014, for the first time it overtook Thailand to become the leading ASEAN exporter to the US market.

Since Viet Nam achieved its middle-income country status, ODA has decreased, and the structure of ODA has shifted from grants/ highly concessional loans to commercial loans. However, ODA agreements concluded during 2011-2014 still amounted to almost USD 6 billion per year, demonstrating the enhanced capacity of the country to absorb ODA for socio-economic development.

6. Public Administration Reform

Following the achievements of the public administration reform, in 2011, the Government developed and implemented the Public Administration Reform Master Program for the 2011-2020 period that continues to emphasize reforming the institutional system, administrative procedures and organizational structure of the state; enhancing the quality of civil servants, state employees and public finance; and modernizing the public administration system.

During the period from 2011 to 2015, in order to improve the business environment and enhance national competitiveness, the Government has issued, amended and supplemented many policies, as well as implemented numerous measures to promote the reforming and simplification of administrative procedures, shortening application processing and implementation time and lowering administrative costs particularly regarding taxes, customs, social insurances, construction permission, land, investment procedures, access to electricity. As of January 1st 2015, after implementing reforms, the average tax compliance time reduced by 370 hours/year; social insurance procedures by 100 hours; the percentage of enterprises submitting electronic tax declaration increased to 97%; the average time from customs declaration registration to clearance of imports and exports declined by 7.6 hours (18%) and 9.6 hours (58%) respectively compared to 2013; and the processing time for access to electric power for enterprises was reduced from 115 days down to 70 days.

Overall, the public administration reform has achieved encouraging success. In the coming period, however, these reforms requires ongoing efforts as well as support regarding financial and human resources from the state, society and development partners to achieve still better results.

OVERALL REMARKS

Throughout three periods of development reviewed above, Viet Nam has shown consistent efforts in fighting poverty and promoting economic growth. During the MDG journey from 2001 to 2015, the country has been hit hard by external events, most notably the Global Financial Crisis in 2008, which interrupted Viet

Nam's strong economic development and slowed down the poverty reduction process. With appropriate measures and policies, Viet Nam has managed to reduce the negative impacts on Viet Nam's society and economy.

Over the past 15 years, the country has obtained impressive results and rapid development in a number of sectors. Rapid expansion of the private sector and inflows of foreign investment have created jobs for millions of workers, opening up the country to many business opportunities in international markets.

Intensive integration into global economy, marked by accession to WTO in 2007 and various bilateral and multilateral trade agreements have helped sustain economic growth throughout this turbulent period. Public infrastructure has been upgraded at a remarkable rate, allowing for better access to markets and information for both households and enterprises. The spectacular expansion and development of ICT has pushed forward innovation and transformed Viet Nam into one of the countries with the highest ICT growth rates in the world. From being one of the poorest nations in the world, Viet Nam has transformed itself into a low-middle income country, lifting millions of people out of poverty within just a decade and half. There can be no doubting that Viet Nam is a truly success story of poverty reduction and economic transition.

While Viet Nam has made strong progress in raising living standards and creating a new outlook for both rural and urban areas, critical problems remain in a number of geographic regions as well as a number of sectors. The economy remains exposed to weaknesses in SOE sector, the financial and banking system, and poor public investments. The workforce is still largely informal and faces a persistent lack of skilled and under-employment. Chronic poverty and growing income inequality might undermine the economic development process. The fight against hardcore and chronic poverty needs a more comprehensive and rigorous framework, indicating the importance of specific poverty-targeted programs. Equally, Viet Nam's competitiveness index ranks relatively low, partly due to its limited application and capacity in applying science and technology. In the light of this, too strong integration into the global market might make the nation more vulnerable to external social and economic risks. As such, the country needs to accelerate its policy reform process while adopting appropriate measures and set ambitious yet realistic goals for the post-2015 period.

MDG RESULTS FOR VIET NAM



Millennium Development Goal 1:

- ❖ Reduce by half the proportion of people living on less than a dollar a day
- ❖ Achieve full and productive employment and decent work for all, including women and young people
- ❖ Reduce by half the proportion of people who suffer from hunger

Viet Nam is among the best-performing nations on poverty reduction. Among the eight MDGs, Viet Nam has achieved impressive results in eradicating extreme poverty and hunger, surpassing the target set out in MDG1. The country has achieved this MDG target before the deadline. The incidence of poverty has also demonstrated consistent reductions. During 1993 to 2008, expenditure-based poverty fell from 58.1 percent to 14.5 percent, lifting millions people out of poverty. In the next period, the poverty rate using national poverty line 2011-2015, declined from 14.2 percent in 2010 to 8.4 percent in 2014. The depth of poverty throughout the nation has also improved, signifying sufficient improvements in living standards of the very poor. This is largely the result of strong economic growth, phased and managed trade liberalization as well as poverty reduction policies targeted directly towards the disadvantaged groups.

Despite huge achievements in poverty reduction, the country still faces multiple challenges. Without new efforts poverty reduction is likely unsustainable. Large proportions of ethnic minority and rural residents in remote areas still experience high poverty rates and continue to benefit less from the national economic development process. This group needs to be the central focus of the Government and society in national poverty reduction strategies in the upcoming period. Multidimensional poverty has become more prevalent due to urbanization and migration processes whereby low income is only one of many factors such as access to social public services and basic living conditions, which define poverty.

POVERTY REDUCTION

1. Poverty incidence and general poverty situation

A three-decade journey fighting extreme poverty and hunger has transformed Viet Nam into a remarkable global success story. During the 16-year-period from 1993 to 2008, 43 million people were lifted out of poverty. During 1990-2000, poverty incidence by the national standard measure was reduced by two thirds. Equally, based on the internationally accepted approach, the poverty headcount⁶ also experienced a dramatic reduction from 58.1 percent in 1993 to 28.9 in 2002, and 17.2 in 2012 (see Table 1.2).

Although poverty has been measured by multiple methods but the poverty situation has shown relatively uniform pattern of reduction across all measurements. While the period 1990-2005 marked the most rapid progress of poverty reduction, the post-2005 period experienced a slower and less consistent pace of change. Nevertheless, the fact that poverty rate has continued to fall (on average by more than one population percentage point) reflects persistent efforts of the nation in spite of external and internal socio-economic turbulence. During 2006-2010, the poverty rate⁷ fell from 15.5 percent to 10.7 percent; on average, the poverty rate fell by more than 1.2 population percentage points annually within this period. In the post-2010 period, the poverty rate⁸ fell from 11.1 percent in 2012 to 8.4 percent in 2014, indicating a 1.3 percentage point reduction in poverty rate per annum.

Table 1.1: Poverty rate by income (%)

	2004	2006	2008	2010	2010*	2012	2013	2014
National average	18.1	15.5	13.4	10.7	14.2	11.1	9.8	8.4
<i>By area</i>								
Urban	8.6	7.7	6.7	5.1	6.9	4.3	3.7	3.0
Rural	21.2	18.0	16.1	13.2	17.4	14.1	12.7	10.8
<i>By region (6 regions)</i>								
Red River Delta	12.7	10.0	8.6	6.4	8.3	6.0	4.9	4.0
Northern Midland and mountainous areas	29.4	27.5	25.1	22.5	29.4	23.8	21.9	18.4
North Central and Central coastal areas	25.3	22.2	19.2	16.0	20.4	16.1	14.0	11.8
Central Highlands	29.2	24.0	21.0	17.1	22.2	17.8	16.2	13.8
South East	4.6	3.1	2.5	1.3	2.3	1.3	1.1	1.0
Mekong River Delta	15.3	13.0	11.4	8.9	12.6	10.1	9.2	7.9
<i>By region (8 regions)</i>								

⁶ Using international standard set by the World Bank and GSO

⁷ Using national poverty line set by the Government for 2006-2010

⁸ Using national poverty line set by the Government for 2011-2015

	2004	2006	2008	2010	2010*	2012	2013	2014
Red River Delta	12.9	10.1	8.7	6.5	8.4	6.0		
North East	23.2	22.2	20.1	17.7	24.2	19.4		
North West	46.1	39.4	35.9	32.7	39.4	33.0		
North Central Coast	29.4	26.6	23.1	19.3	24.0	18.7		
South Central Coast	21.3	17.2	14.7	12.7	16.9	13.5		
Central Highlands	29.2	24.0	21.0	17.1	22.2	17.8		
South East	6.1	4.6	3.7	2.2	3.4	2.1		
Mekong River Delta	15.3	13.0	11.4	8.9	12.6	10.1		

Source: GSO, 2004-2014

Notes:

- Poverty rates in 2004, 2006, 2008, 2010 are calculated using poverty line set by the Gov. during 2006-2010, which has been updated according to the CPI;
- Poverty rates in 2010*, 2012, 2013, 2014 are calculated using poverty line set by the Gov during 2011-2015, which has been updated according to the CPI.

With regard to the geographical pattern: Poverty disparities between rural and urban areas have narrowed over time but disparities remain significant. Table 1.2 showed clear progress in reducing the gap between rural and urban areas. The difference in poverty rates in 1993 between two areas was estimated at 41.3 percentage points had dropped to 16.7 percentage points by 2012. The difference in poverty incidence between rural and urban areas reached a minimum of 15.4 percentage points in 2008 during a period of strong economic growth but rose again in 2009 due to the impact of global economic crisis. While urban areas has enjoyed strong economic growth, and substantial improvement in living standards, rural areas also benefited (though less so) to stronger agricultural production, better infrastructure and greater access to basic social services. Comprehensive national policies promoting rural development under the umbrella of national targeted programs and donor-support schemes such as NTP on “New Countryside Development” have contributed to rising living standards of rural households. However, new forms of poverty arose among the other groups, notably informal sector workers living in urban areas. Multidimensional poverty has also become more prevalent.

Table 1.2: Poverty rate using international standard (%)

	1993	1998	2002	2004	2006	2008	2010	2012
National average	58.1	37.4	28.9	19.5	16.0	14.5	20.7	17.2
<i>By area</i>								
Urban	25.1	9.2	6.6	3.6	3.9	3.3	6.0	5.4

	1993	1998	2002	2004	2006	2008	2010	2012
Rural	66.4	45.5	35.6	25.0	20.4	18.7	26.9	22.1
<i>By ethnicity</i>								
Kinh	53.9	31.1	23.1	13.5	10.3	9.0	12.9	9.9
Non-Kinh	86.4	75.2	69.3	60.7	52.3	50.3	66.3	59.2
<i>By region (6 regions)</i>								
Red River Delta	--	--	21.5	11.8	8.9	8.0	11.9	7.5
Northern Midland and mountainous areas	--	--	47.9	38.3	32.3	31.6	44.9	41.9
North Central and Central coastal areas	--	--	35.7	25.9	22.3	18.4	23.7	18.2
Central Highlands	--	--	51.8	33.1	28.6	24.1	32.7	29.7
South East	--	--	8.2	3.6	3.8	2.3	7.0	5.0
Mekong River Delta	--	--	23.4	15.9	10.3	12.3	18.7	16.2
<i>By region (8 regions)</i>								
Red River Delta	61.4	28.6	22.4	12.1	8.8	8.1	11.4	7.4
North East	78.9	55.8	38.4	29.4	25.0	24.3	37.7	33.5
North West	81	73.4	68.0	58.6	49.0	45.7	60.1	58.7
North Central Coast	74.5	48.1	43.9	31.9	29.1	22.6	28.4	21.2
South Central Coast	47.2	34.5	25.2	19.0	12.6	13.7	18.1	15.3
Central Highlands	61.2	57.9	51.8	33.1	28.6	24.1	32.7	29.7
South East	40	13.5	10.6	5.4	5.8	3.5	8.6	5.8
Mekong River Delta	47.1	36.9	23.4	19.5	10.3	12.3	18.7	16.2

Source: GSO, 1993-2013

Notes: The General Poverty Rate is the poverty rate calculated using average expenditure/person/month and GSO and WB rate with average expenditure/person/month by year as follows: 2002 (160,000 VND), 2004 (173,000 VND), 2006 (213,000 VND), 2008 (280,000 VND), 2010 (653,000 VND), 2012 (871,000 VND). Indicators of the year 2010 onwards applied new poverty line.

With regard to ethnicity: Variations in poverty reduction rates have widened between Kinh and non-Kinh groups. In 1993, the average poverty rate for ethnic minorities was 32.5 percentage points higher than their Kinh counterparts. This gap continued to increase over the decade, and reached a peak of 53.4 percentage points in 2010. The gap has shrunk but remained high at 49.3 percentage points in 2012. Clearly, most Kinh people have achieved a strong socio-economic transformation: from more than half of the Kinh population suffering from poverty in 1993 to, less than 10 percent of Kinh group by 2012. Meanwhile, the ethnic minorities lagged further behind during this period. By 2012, more than half of the ethnic minorities (59.2 percent by the international standard) were still trapped in poverty. A series of poverty reduction and socio-economic support programs for the poor over several decades proved effective to a certain extent. Nevertheless, these efforts have not been able to have a far-

reaching impact on the lives of the ethnic minorities. As such, poverty reduction in the coming period will need to put primary focus on the ethnic minorities and those living in remote mountainous areas.

With regard to region: The South East showed the most impressive levels of poverty reduction, even during the pre-2000 period. Using the international measure, from 40 percent of the population suffering from poverty in 1993, the South East had single digit poverty by the early 2000s. This outcome is the direct result of strong economic growth and an open trade policy since the early 1990s, as well as favorable living and business conditions. In 2013, as one of the fastest developing economies in the country, Ho Chi Minh City had completely eradicated poverty as defined by the national poverty line. Binh Duong, a highly industrialized province with large FDI inflows and enterprises, followed closely behind. By 2012, according to the national poverty line, only 1.1 percent of total households in the South East still lived in poverty.

Northern midland and mountainous areas remained the poorest region in the country, throughout decades. From 2000 and in the present day, poverty reduction in this region has been rather slow. In 2012, the poverty rate using the national poverty line stood at 23.8 percent, while the corresponding figure using international poverty line was 41.9 percent. Despite strong support from the Government and development partners, the fight against poverty in this region is highly challenging. The Northern midland and mountainous areas area is inhabited by a major population of the ethnic minorities, who face limited access to land, water, agricultural support services and off-farm jobs. Underpinning this are weak linkages with the outside world as well as low educational attainment of the major population groups, which prevent them from obtaining better-paid job in non-farm sectors. Furthermore, the eroded and less fertile land compared to other regions, makes it difficult for the ethnic minorities to grow high-economic-value crops, plants or raise livestock. These factors pose huge challenges for overcoming poverty in this region.

2. Depth of poverty

The Poverty Gap metric measures the intensity of poverty by estimating how far, on average, the poor are from the poverty line. The period 1993-2004 shows a sharp reduction in poverty gap index from 18.5 percent in 1993 to 4.7 percent in 2004, which further indicates a substantial improvement in the living standards of the poor during this period. From 2006 to 2012, the poverty gap index decreased at a slower rate but rose again in 2010, due to the impact of the economic slowdown, and by 2012, the gap index stood at 4.5 percent. This 2012 level was close to the index value of 4.7 recorded in 2004. The lack of any change in the index resulted mostly from the depth of poverty suffered by ethnic minority groups. Variations on the Gap measure between ethnic minorities and the Kinh increased at a higher rate than those for the poverty headcount. This phenomenon indicates that the living standards of the ethnic minority poor have become lower than those of the majority community (Kinh) poor.

Table 1.3: Poverty Gap by expenditure (%)

	1993	1998	2002	2004	2006	2008	2010	2012
National average	18.5	9.5	7.0	4.7	3.8	3.5	5.9	4.5
<i>By area</i>								
Urban	6.4	1.7	1.3	0.7	0.8	0.5	1.4	1.0
Rural	21.5	11.6	8.7	6.1	4.9	4.6	7.8	5.9
<i>By ethnicity</i>								
Kinh	16	7.1	4.7	2.6	2.0	1.7	2.7	
Non-Kinh	34.7	24.1	22.8	19.2	15.4	15.1	24.3	
<i>By region (6 regions)</i>								
Red River Delta			--	--	--	1.4	2.6	1.4
Northern Midland and mountainous areas			--	--	--	8.8	15.6	12.6
North Central and Central coastal areas			--	--	--	4.4	6.3	4.7
Central Highlands			--	--	--	7.5	11.5	10
South East			--	--	--	0.3	1.7	0.9
Mekong River Delta			--	--	--	2.3	4.4	3.5
<i>By region (8 regions)</i>								
Red River Delta	18.2	5.7	4.3	2.1	1.5	1.4	2.5	1.4
North East	27.1	15.8	9.7	7	5.6	6.5	12.2	9
North West	26.2	22.2	24.1	19.1	15.7	13.7	23.3	20.9
North Central Coast	24.7	11.8	10.6	8.1	7.7	5.3	7.5	5.5
South Central Coast	17.2	10.2	6	5.1	2.6	3.4	4.9	3.9
Central Highlands	23.6	22.9	16.7	10.6	8.8	7.5	11.5	10
South East	11.4	3.2	2.2	1.2	1.4	0.8	2.2	1.1
Mekong River Delta	13.8	8.1	4.7	3	1.8	2.3	4.3	3.3

Source: GSO, VHLSS 1993-2013

3. Inequality situation

Multiple studies have shown that the slower poverty reduction not only resulted from slower economic growth but rather, and primarily from growing inequality of living standards among different groups. Table 1.4 provides Gini index values (by expenditure) measure of income inequality and reflection of income distribution at national level. The level of inequality was the lowest during the pre-2000 period when a large proportion of the population still lived in poverty. The Gini index reached the highest value in 2010, indicating the highest level of inequality in living standards across regions. This phenomenon might largely be attributed to the economic slowdown starting from 2008,

leading to a number of households' falling deeper into poverty. The North West started out as the region with the lowest level of inequality in 1993, but rose to become the highest-inequality region by 2004. The North West has always been the poorest region in the country, where a majority of chronically poor households reside. Other metrics show, while a small group have benefited from economic growth and rising living standards, the larger population has fallen still further behind, aggravating the inequality situation in the region. Regions with stronger economic growth are more likely to benefit a larger population through widespread economic and social reforms and are likely to offer improved livelihood opportunities. For instance, the Mekong River Delta having stronger economic growth than other remote and mountainous areas has experienced the lowest level of income inequality among all geographic regions since 2006.

Table 1.4: Gini index by expenditure

	1993	1998	2002	2004	2006	2008	2010	2012
National average	0.329	0.35	0.370	0.370	0.358	0.356	0.393	0.356
<i>By area</i>								
Urban	0.337	0.288	0.353	0.332	0.329	0.347	0.386	0.344
Rural	0.278	0.131	0.281	0.295	0.302	0.305	0.332	0.317
<i>By ethnicity</i>								
Kinh	0.324	0.343	0.360	0.354	0.342	0.340	0.372	0.334
Non-Kinh	0.252	0.24	0.279	0.310	0.301	0.307	0.328	0.330
<i>By region (8 regions)</i>								
Red River Delta	0.312	0.321	0.362	0.346	0.346	0.348	0.404	0.346
North East	0.243	0.279	0.325	0.342	0.336	0.337	0.359	0.355
North West	0.224	0.223	0.346	0.363	0.366	0.378	0.419	0.391
North Central Coast	0.243	0.287	0.300	0.307	0.323	0.310	0.338	0.33
South Central Coast	0.339	0.329	0.326	0.343	0.318	0.315	0.339	0.341
Central Highlands	0.325	0.337	0.359	0.356	0.363	0.353	0.367	0.379
South East	0.361	0.363	0.384	0.347	0.353	0.363	0.397	0.332
Mekong River Delta	0.314	0.296	0.301	0.317	0.302	0.311	0.318	0.303
<i>By region (6 regions)</i>								
Red River Delta			--	--	--	--	0.401	--
Northern Midland and mountainous areas			--	--	--	--	0.371	--
North Central and Central coastal areas			--	--	--	--	0.340	--
Central Highlands			--	--	--	--	0.367	--
South East			--	--	--	--	0.398	--
Mekong River Delta			--	--	--	--	0.317	--

Source: GSO, VHLSS 1993-2013

4. Living standards reflected through consumption

In addition to income measurement, consumption expenditure per person is also a good reflection, and sometimes a better one of core living standards and household well-being. The data suggests that consumption in Viet Nam has increased faster than the rate of poverty reduction within the same period. This discrepancy implies that the increase in consumption is largely attributable to increasing spending of higher-income groups, which compensates lower expense of low-income households. Over the period 2002-2010, consumption expenditure per person per annum increased consistently, with the highest increase occurring from 2008 to 2010. During 2010-2012, real household expenditure continued to increase by 6.041 million VND from 2010 to 2012. This consistent increase reflects the strong buoyancy of the economy in the period. Yet based on consumption statistics, inequality in living standards is even more apparent: consumption expenditure in the South East is around 2.5 times higher than their corresponding counterpart in North West – the poorest region of the country.

Table 1.5: Average expenditure per person per annum (thousand VND)

	2002	2004	2006	2008	2010	2010*	2012*
National average	3,524	4,285	4,918	5,520	7,227	17,129	23,170
<i>By area</i>							
Urban	5,970	7,040	7,807	8,675	10,911	26,456	33,338
Rural	2,785	3,394	3,863	4,315	5,672	13,193	18,893
<i>By region (8 regions)</i>							
Red River Delta	3,602	4,510	5,114	5,670	8,604	21,819	29,039
North East	2,890	3,508	3,987	4,394	5,717	12,049	17,922
North West	2,309	2,708	3,123	3,460	4,540	9,578	12,767
Central Coast	2,522	2,977	3,366	3,902	5,576	13,132	19,588
South Central Coast	3,204	3,956	4,360	4,922	6,505	15,438	22,405
Central Highlands	2,596	3,469	4,145	4,674	5,796	13,069	19,870
South East	5,785	6,742	7,868	9,004	9,903	23,246	29,161
Mekong River Delta	3,418	4,061	4,669	4,941	6,315	14,858	19,696
<i>By region (6 regions)</i>							
Red River Delta	...	...	...	5,745	8,585	21,546	28,859
Northern Midland and mountainous areas	...	...	...	3,887	5,168	10,927	15,876
North Central and Central coastal areas	...	...	...	4,350	6,061	14,223	20,848
Central Highlands	...	...	...	4,674	5,796	13,069	19,870
South East	...	...	...	9,623	10,293	24,297	30,003
Mekong River Delta	...	...	...	4,941	6,315	14,858	19,696

Source: GSO, VHLSS

Notes: 2002, 2004, 2006, 2008, 2010: annual expenditure adjusted to average 2002 price 2010*, 2012*: real average expenditure per person per annum

5. Multidimensional aspects of poverty

Besides expenditure, other aspects of living conditions also improved substantially. Living conditions in terms of access to basic living facilities and ownership of assets provides a more comprehensive picture. A uniformly upward trend in access to all basic social services such as education and health as well as permanent housing, access to electricity, water and sanitation signifies a multi-dimensional improvement in many quality of life dimensions during 2002-2012. Housing conditions indicate a noteworthy improvement: the percentage of households having permanent housing increased by almost 3 times, complemented by annual increases in living space per person. In 2012, the electricity grid had been extended to almost every commune of the country, and accessed by 97.6 percent of the total population. In 2012, water and sanitation conditions were extensively upgraded from the early 2000s. Specifically, the 2002-2012 period saw increases of 13 percentage points in access to hygienic water and 22.3 percentage points access to a sanitary toilet. In terms of asset ownership, motorbikes, telephones and color TVs have become commonly owned by almost every family by 2012. Yet ten years earlier, these assets were generally considered expensive goods by a large part of the population. Increasing possession of durable goods in every category over the 10-year period confirms the remarkable improvement in national living standards.

Table 1.6: Access to basic living conditions

	2002	2004	2006	2008	2010	2012	2014
Permanent housing (%)	17.2	20.8	23.7	27.8	49.2	49.6	46.6(*)
Living area per capita (m2)	--	13.5	14.7	16.3	17.9	19.4	20.6
Access to electricity grid (%)	86.5	93.4	96.0	97.6	97.2	97.6	98.6
Access to sanitary toilet (%)	55.1	61.0	59.1	65.0	75.7	77.4	71.4(*)
Garbage collected by cart/truck (%)	19.4	24.4	29.0	32.7	39.2	43.3	
Access to hygienic water	78.0	80.8	89.1	92.1	90.5	91.0	89.9(*)
Durable goods per 100 households							
Car	--	0.1	0.2	0.4	1.3	1.8	
Motorbike	--	55.3	68.6	89.4	96.1	115.3	
Telephone	--	28.5	51.4	107.2	128.4	154.4	
Refrigerator	--	16.6	23.0	32.1	39.7	49.7	
Video	--	32.8	44.5	53.4	54.2	55.5	
Color TV	--	69.8	82.0	92.1	85.9	97.3	
Stereo equipment	--	1.0	12.8	14.9	12.6	13.6	
Computer	--	5.1	7.7	11.5	17.0	18.8	
Air-conditioner	--	2.2	3.7	5.5	9.4	11.6	
Washing, drying machines	--	6.2	9.3	13.3	17.6	22.7	
Water Heater	--	5.4	7.6	10.1	13.3	18.5	

Source: GSO, VHLSS 2002-2012, Population and Housing Mid-term Survey 2014

Note: (*) apply new criteria for calculation

Even though non-income aspects of poverty have shown improvement over time, a proportion of population is still deprived of access to social services and basic living conditions. For instance, about one-fourth of the population does not have a sanitary toilet, and about 10 percent of the population does not have clean water. A number of health indicators such as health insurance and education have not been accessed by the whole population. Pressure created by urbanization and migration have posed huge challenges in ensuring full and equitable access to social service and basic living conditions in towns and cities.

Remarkable achievements in poverty reduction have been the direct results of strong economic growth and a strategic approach. The Reforms initiated in 1986 triggered important reforms in enterprise, land, trade policies and so forth. Open market policies pursued since the 1980s have allowed for an influx of foreign investment and substantial increase in international trade activities. Establishing partnerships through bilateral trade, multilateral and regional trade relations, notably participating in the World Trade Organization in 2007 have fostered the smooth exchange of goods and services via international markets, and created a high demand for production and provided millions of jobs for the population. As a result, rising income and employment opportunities have lifted millions of people out of poverty.

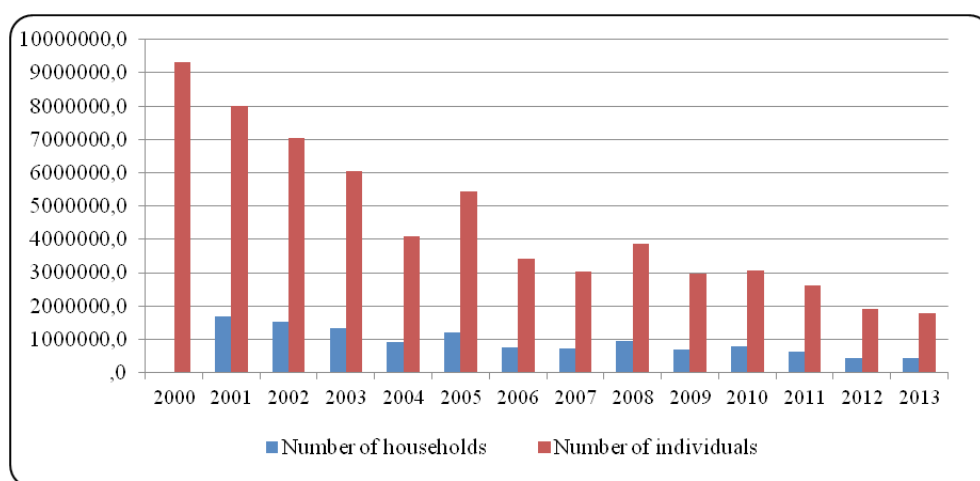
Poverty reduction targets have been approached in a comprehensive and pragmatic manner. From the early 2000s, Viet Nam has set out a range of national targeted programs focusing on poverty reduction, covering essential aspects of living conditions as well as improving public services and social safety nets. Priority has been given to the most disadvantaged groups living in remote mountainous areas and ethnic minority communities. In addition, the active involvement of international community through consultation and policy dialogue, financial and technical assistance has been an indispensable factor. Through dynamic consultation processes, Viet Nam has succeeded in aligning the country's goals with international development goals. In the coming decade, the Government will place emphasis on a more "sustainable" poverty reduction approach, focusing on poor districts by delivering socio-economic infrastructure investment, and fundamental social services through more transparent and accountable processes.

HUNGER ERADICATION

Eradication of hunger is a precondition for poverty reduction, improvement of core living standard as well as political stability. Rigorous promotion of agricultural policies, complemented with rural development policies, has transformed Viet Nam from a country with food deficiency some 30 years ago into the world's second largest rice exporter. Increased agricultural production has resulted in extensive reduction of hunger all over the country. From 2000 to 2013, 7.5 million people had escaped from hunger and within the same period, the number of households suffering from hunger declined by more than four times over.

By 2011, the Red River Delta, the Mekong River Delta, and the South East had completely eradicated hunger. Nevertheless, hunger is still a prevalent phenomenon in provinces in the North West and North Central Coast, and some provinces of the Central Highlands. In 2013, Nghe An had the largest number of individuals afflicted by hunger (415,187 people), followed by Dak Lak with 170,594 people and Lai Chau with 134,530 people. While the statistics on hunger have tended to decrease over the years for most of the provinces, the reverse trend was identified in a number of provinces in the North West and the Central Highlands during 2012-2013. For instance, the number of those suffering from hunger increased by almost 3 times in Ha Giang, 2 to 2.5 times in Bac Can, Tuyen Quang, Ha Tinh, and Dak Lak. Noticeably, in Ninh Thuan, 67,038 people fell into hunger in 2013 while no hunger was recorded in the province the year before.

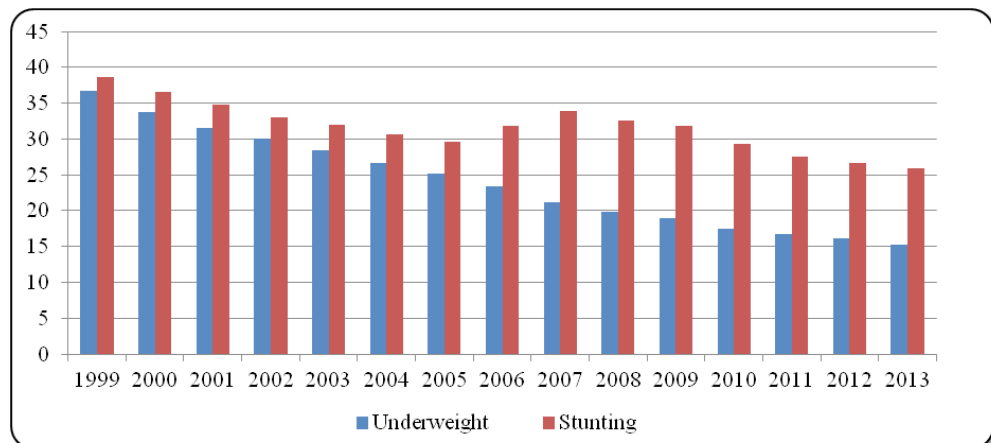
Figure 1.1. Number of households and individuals who suffer from hunger



Source: GSO, 2000-2013

In parallel with strong progress in hunger eradication, the malnourishment situation among children below 5 also improved. With a noticeable decline in underweight prevalence among this age group, Viet Nam had realized the target of 20.5 percent set for 2015 seven years ahead of time. Specifically, this rate fell by 7.2 percentage points from 41 percent in 1990 to 33.8 percent in 2000; after 14 years, the level declined at a faster rate, by 19.3 percentage points from 2000 to 2013. By geographical region, the most significant improvement in malnourishment for children below 5 was recorded in the more developed areas including Red River Delta, South East and Southern Central Coast. The remaining regions experienced generally slower progress.

Figure 1. 2: Malnourishment rate of children aged under 5 (%)



Source: National Institute of Nutrition⁹

Besides progress in the underweight indicator, stunting in children under 5 is an important indicator of the overall hunger and poverty situation. Stunting indicates the chronic restriction of a child's potential growth, which can come from the cumulative effects of inadequate food intake and poor health conditions. Even though stunting in under-five children has not enjoyed the equivalently strong progress as underweight has, a strong decline in stunting rate over the period 1999-2013 has suggested Government's efforts in raising health standards have succeeded. In 1999, stunting affected 38.7 percent of children under 5. By 2014, the prevalence had reduced to 24.9 percent, a decrease of 13.8 percentage points. Decreases in the stunting rate have occurred across all regions of the country throughout the period 1999-2013. But it is also worth noticing that the Central Highlands has been experiencing the highest rate of reduction¹⁰.

The continual improvement in under-nutrition among children under 5 in Viet Nam for the past decades reflects Viet Nam's growing commitment and determination in providing adequate care and nutrition for children. Nevertheless, unequal living conditions have resulted in huge variations in terms of nutrition status across different social groups and geographical regions. While the better-off account for only a small percentage of malnutrition, the prevalence among disadvantaged groups is persistently high. Specifically, the stunting rate is three times lower among the rich group as compared to the poorer group (12.9 percent versus 38.7 percent correspondingly)¹¹. Furthermore, the highest stunting rates are witnessed in Northern Mountainous areas and the Central Highlands, where children have inadequate access to basic health and nutrition, and community awareness on the role of nutrition is generally limited. In coming years, reducing malnourishment at these highly remote and under-developed areas poses a huge challenge.

⁹ National Institute of Nutrition (NIN).(2011). *Nutrition program report 2011*.

¹⁰ National Institute of Nutrition (NIN) & UNICEF.(2011). *General Nutrition Survey 2009-2010*. Medical Publishing House

¹¹ National Institute of Nutrition (NIN) & UNICEF.(2011). *General Nutrition Survey 2009-2010*. Medical Publishing House

EMPLOYMENT

Recognizing the key role played by decent and productive work in poverty reduction, in 2008, the United Nations included a specific target “achievement of full and productive employment and decent work, including women and young people” as Target 1B under MDG1.

The importance of job creation and employment in poverty reduction and sustainable economic growth has received recognition by the Government. This theme has been rigorously integrated into national development strategy, and promulgated into various employment-related policies. Notably, National Targeted Program on Employment and Vocational training 2012-2015, was formulated to recognize the value and renovate vocational training especially in rural areas and expand labor markets across the nation. These endeavors and strategic reforms in employment and training have garnered positive outcomes.

Table 1.7: Employment to population ratio (%)

	2008	2009	2010	2011	2012	2013	2014
Total	72.6	74.2	74.6	75.5	75.4	76.0	76.1
<i>By gender</i>							
Male	--	79.3	79.4	80.3	80.0	80.4	80.5
Female	--	69.4	70.2	70.9	71.1	71.8	71.9
<i>Area</i>							
Urban	64.3	64.0	66.0	67.3	67.9	68.0	68.0
Rural	76	78.7	78.5	79.4	79.2	80.0	80.2
<i>By region (6 regions)</i>							
Red River Delta	--	71.9	73.2	72.9	72.7	73.4	73.0
Northern Midland and mountainous areas	--	83.2	82.6	83.9	83.7	85.3	85.5
North Central and Central coastal areas	--	73.6	75.6	76.5	76.2	77.9	78.7
Central Highlands	--	81.2	80.8	82.7	81.8	82.3	83.4
South East	--	69.1	68.1	69.0	69.6	69.1	68.9
Mekong River Delta	--	74.4	74.4	75.7	75.9	75.5	75.4

Source: GSO, 2008-2014

Throughout the period 2008-2014, as the table shows, there has been a consistently increasing trend in participation of population aged 15 and above in the national workforce. By 2014, the employment-to-population ratio reached 76.1 percent, the highest rate in recent decades. This high ratio reflects the potentially strong capacity of the economy to provide employment for its workers. The employment to population ratio is higher for males than female, with the difference hovering around 9-10 percentage points. By region, the employment to population ratio is generally higher for more developed than less developed areas; and on average it is higher in urban than rural areas.

Among 6 geographical regions, the lowest ratio is recorded in the South East and about 17 percentage points lower than the highest ratio found in the Northern Midlands and in mountainous areas. This discrepancy may result from several factors. The first reason could be that population aged 15-22 in more developed areas are more likely to enroll in educational or training programs instead of entering the workforce as those in highly disadvantaged areas. Second, high labor productivity in the better-off regions can produce more output with less workers compared to economically worse-off areas.

Among various types of employment, self-employed and contributing family workers are classified as the most vulnerable types of employment. This group of workers is more likely to have inadequate or a total lack of social protection and safety nets as well as other work benefits and other rights. In general, Viet Nam still has a relatively high proportion of vulnerable workers, which accounts for more than 60 percent of total employment in recent years. Troublingly, the proportion of vulnerable employment has seen a slight increase of 0.9 percentage point over the period 2009-2014.

Table 1.8: Proportion of self-employed and contributing family workers in total employment (%)

	2009	2010	2011	2012	2013	2014
Total	61.8	63.2	62.4	62.5	62.6	62.7
<i>By gender</i>						
Male	53.9	56.6	55.9	56.3	56.6	56.6
Female	70.4	70.3	69.4	69.1	69.0	68.2
<i>Area</i>						
Urban	44.1	40.1	42.4	42.7	43.5	42.5
Rural	68.2	72.0	70.7	70.9	70.7	70.8
<i>By region (6 regions)</i>						
Red River Delta	57.3	58.4	57.9	57.3	58.3	56.9
Northern Midland and mountainous areas	76.4	81.3	79.2	79.0	78.9	78.9
North Central and Central coastal areas	70.7	71.0	68.1	67.5	67.5	67.0
Central Highlands	76.2	78.5	78.4	77.0	77.5	78.9
South East	40.5	37.2	39.8	40.3	40.5	40.2
Mekong River Delta	60.0	63.8	63.1	65.2	64.3	65.9

Source: GSO, 2009-2014

With reference to gender: There is a positive sign that female workers enjoy increasing access to decent work - as the proportion of vulnerable female workers has been decreasing overtime. But equally, the corresponding rate for male workers has increased at a faster rate within the same period. This phenomenon might partly result from the fact that male workers join the workforce at a higher rate than their female counterparts, so the rate of vulnerable male workers is actually higher than female workers’.

With regard to *region*: Huge discrepancies are recorded between the urban and rural areas as well as between the higher-income regions like the South East and the poorer, Northern Midland and mountainous areas. More worryingly, this gap appears to have grown overtime. By 2014, the vulnerable employment rate of Northern Midland and mountainous areas was almost twice higher than that of South East.

During 2005-2008, Viet Nam is among those countries with the highest labor productivity growth among ASEAN nations¹². The 2009-2011 period saw increasing growth in labor productivity by some 16 percentage points. The increase in productivity coming together with the increase in employment-to-population ratio indicates economic growth that has been pro-employment. This combination is likely to bring about an increase in efficiency and output, which in turns sets the stage for an increase in earnings and overall living conditions.

12 Lawrence Jeff Johnson, *the New MDG Employment Indicators*, ILO 2010



Millennium Development Goal:

- ❖ Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

Viet Nam has achieved universal primary education and the country is moving towards universal lower secondary education. By 2014, the net enrolment rate for primary education reached an all-time high of 99.0 percent; and net enrolment rate at lower secondary education was 87.2 percent in 2012. Throughout the past few decades, the Government had expressed strong commitment and succeeded in its approach towards renovating the national educational system, leading to improved learning and teaching equality as well as upgrading of school facilities and creating a learning environment.

One of the big issues faced by the nation nowadays is inequality in access to education and variations in the quality of education that still exists between the majority community and the ethnic minorities, between remote and between mountainous, rural and urban areas. Education and vocational training reform to address the quality of teaching and learning as well as school facilities is essential to ensure that the Vietnamese educational system can meet the rising demands of a rapidly changing economy.

Quality of education is a major determining factor in promoting productivity, fostering economic growth and social development through increasing the competitiveness of Viet Nam. This is vital in the context of Viet Nam's high level of integration in the global economy. The role of education has become increasingly important as it equips the people with necessary skills and knowledge to embrace an ever fast-growing economy. As such, education has always been a top priority for the country and has been rigorously integrated in current and past national Socio-economic Development Strategies. For the past decades, a wide range of education programs have been formulated to strengthen the quality of teaching and learning as well as improving access for children. Viet Nam has shown high flexibility and strategic vision in positioning and steering the role and direction of educational reform during different phases of its socio-economic development. During the 2001-2010 period, Viet Nam set a goal of promoting access and improving the quality of education services. Later on, the theme for education during the 2011-2020 period was transformed into a strong commitment and determination to systematically build a well-rounded education system basing on knowledge, innovation, equity and applicability. The Government's enormous efforts in renovating and enhancing the national educational system through multiple educational policies and programs have led to remarkable results, promoting highly accessible and quality education at every educational level.

UNIVERSAL EDUCATION

Universal education programs at both primary and lower secondary education have been actively built throughout the nation. Since the early 1990s, Education Law has clearly stated that “primary education is compulsory for all children aged 6-14, and obtaining primary education is not only a right but also a duty of every Vietnamese”. The Government, with support from international partners and local organizations, had committed to fully finance the implementation of comprehensive primary education provision throughout the country. By 2010, Viet Nam had achieved universal primary education some five years earlier than the time target.

Constant progress in education access is shown as the net enrolment rate at primary education level had consistently increased over the 2006-2014 period. In 2014, the net enrolment rate in primary education reached 98.96 percent, with all 63 provinces and central cities having met the national standard for universal primary education.

Table 2.1: Net enrolment rates (%)

	2006- 2007	2007- 2008	2008- 2009	2010- 2011	2011- 2012	2012- 2013	2013- 2014	2014- 2015
Primary education	96.0	96.1	97.0	97.6	97.7	98.3	98.96	99.0

Source: Ministry of Training and Education

Remarkable progress is not only witnessed in primary education but also in lower secondary education as the country is moving towards full universal education at both levels. Starting from a lower base, the net enrolment rate at lower secondary education increased at a faster rate as compared to that of primary education. From 2006 to 2012, net enrolment rate at lower secondary level increased by 6.2 percentage points. By 2012, the net enrolment rate reached 87.2 percent and all of 63 provinces and central cities have met the national standard for universal lower secondary education¹³.

ILLITERACY ERADICATION

Eradication of illiteracy has been actively tackled as a fundamental aspect of ‘Education for All’ in Viet Nam since the early 1990s. Literacy rates have however demonstrated a slow increase by 1.1 percentage points over the period 2006-2014. In 2014, 5.3 percent of the population, equivalent to about 4.9 millions of people aged 15 and older, do not know how read and write. The highest level of literacy has been recorded for the Red River Delta (98.1 percent in 2014), and the lowest in the Northern midland and mountainous areas (89 percent, 2014). As such, Viet Nam has strongly prioritized on awareness raising

¹³ Definition of universal lower secondary education at provincial level is stated at Circular N-129/KH-BGDĐT

campaigns among disadvantaged communities on the importance of literacy, together with governmental support activities to completely eradicate it. The Government approved Decision 692/QĐ-TTg on 04/05/2013 for the project “Illiteracy eradication till 2020” setting the target of eliminating illiteracy for 1.2 million people aged 15-60, bringing literacy rate to 98 percent. According to this intervention, the literacy rate for 14 economically disadvantaged provinces will reach 94 percent, eliminating illiteracy for 300,000 ethnic minorities, bringing the literacy rate among ethnic minorities to 90 percent.

Table 2.2: Literacy rates for population aged 15 and older (%)

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total	93.6	93.8	93.6	94.0	93.7	94.2	94.7	94.8	94.7
<i>By gender</i>									
Male	96.0	96.2	96.1	96.1	95.9	96.5	96.6	96.6	96.4
Female	91.4	91.6	91.3	92.0	91.6	92.2	92.9	93.1	93.0
<i>By area</i>									
Urban	96.9	97.0	97.0	97.3	97.0	97.3	97.5	97.6	97.5
Rural	92.3	92.5	92.2	92.5	92.3	92.7	93.3	93.4	93.3
<i>By region</i>									
Red River Delta	96.8	96.9	96.5	97.5	97.3	97.6	98.0	98.1	98.1
Northern midlands and mountain areas	88.8	89.0	88.5	88.1	88.3	89.3	89.2	89.5	89.0
North Central and Central coastal areas	94.3	94.6	94.2	94.5	93.3	93.9	94.5	94.7	95.2
Central Highlands	88.2	88.9	89.9	88.8	89.9	90.8	92.1	91.2	90.3
South East	96.1	96.0	96.2	96.7	96.3	96.7	97.0	97.1	97.2
Mekong River Delta	91.8	92.2	91.7	92.0	92.2	92.3	93.1	93.4	92.6

Source: GSO, VHLSS 2006-2014

QUALITY OF EDUCATION

The quality of primary education has improved over the years, evidenced by simultaneous increases in enrolment as well as annual improvements in the completion rate. From 2003 to 2013, the completion rate at primary level increased by 8.7 percentage points. Nevertheless, geographical disparities in educational attainment still persist. Primary completion rates remained the lowest in the Central Highlands (83.8 percent in 2013) and in the Mekong River Delta (87.0 percent in 2013). The Red River Delta showed a one percentage point drop in the primary completion rate from the 2012-2013 academic years, while the remaining regions did not indicate clear changes.

Table 2.3: Primary completion rates (%)

	2003- 2004	2004- 2005	2005- 2006	2006- 2007	2007- 2008	2008- 2009	2009- 2010	2010- 2011	2011- 2012	2012- 2013
Total	83.5	83.7	92.4	85.6	87.9	88.5	91.5	92.2	92.1	92.2
<i>By region</i>										
Red River Delta	--	--	--	--	--	--	98.7	99.1	98.8	97.8
Northern midland & mountainous area	--	--	--	--	--	--	87.4	89.5	89.4	90.6
North Central area & Central coastal area	--	--	--	--	--	--	93.8	94.5	94.6	94.5
Central Highlands	--	--	--	--	--	--	81.8	83.3	83.6	83.8
South East	--	--	--	--	--	--	96.2	96.6	96.1	96.0
Mekong River Delta	--	--	--	--	--	--	85.5	86.1	86.4	87.0

Source: GSO, 2003-2013

Within the 2007-2012 period, completion rates for lower secondary education improved at a faster pace than for primary education. The completion rate for lower secondary education increased from 76.4 percent in 2007-2008 academic year to 81.3 percent in 2011-2012 academic year. Similar to the trends noticed at primary level, the Mekong River Delta and Central Highlands experienced the lowest completion rates for lower secondary education at 66.9 percent and 74.4 percent respectively. The Mekong River Delta fared in line with the better developed areas in the country, yet its educational outcomes, shown through secondary completion rates, were 16.9 percentage points lower than that of Northern midland & mountainous area, the poorest area of the country.

Table 2.4: Completion rates for lower secondary education (%)

	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Total	76.4	77.6	78.0	79.1	81.3
<i>By region</i>					
Red River Delta	--	--	92.9	91.8	93.2
Northern midland & mountainous area	--	--	79.7	81.3	84.0
North Central area & Central coastal area	--	--	80.0	81.0	83.8
Central Highlands	--	--	69.3	71.9	74.4
South East	--	--	77.3	80.1	82.1
Mekong River Delta	--	--	62.3	64.5	66.9

Source: GSO, 2007-2012

Consistently high enrolment rates, particularly at primary and lower secondary education level, are direct outcomes of strong political will and the determination of the Government and society in building a comprehensive and inclusive national education system. Financial capital and human resources have been mobilized in improving both the quantity and quality of education. Special attention has been given to education, evidenced by year on year increases

in the national education budget. Spending has increased 1.5 times between 2008 and 2012. The Government has set itself a goal of increasing budget expenditure to more than 20 percent of total government expenditure by 2020.

Corresponding to the rising Government education budget, household expenses on education have increased steadily and significantly over the period 2002-2012. Average expenses on education per school student have risen more than six times between 2002 and 2012. This increase not only comes from improved living standards but also from the community's rising awareness of the importance of investment in education. High disparities in educational expenses still exist between urban and rural areas. Even though the gap narrowed in 2012, expenditure of urban households is still double that of rural households. This discrepancy reflects an unequal capacity to invest in education for children as well as significant disparities in quality of education between urban and rural households.

Table 2.5: Household's average expense on education and training per schooling person (thousand VND)

	2002	2004	2006	2008	2010	2012
Total	627.0	826.0	1,211.0	1,844.0	3,028.1	4,082.2
<i>By area</i>						
Urban	1,255.0	1,537.0	2,096.0	3,088.0	5,253.2	6,352.4
Rural	433.0	602.0	894.0	1,354.0	2,063.8	3,090.6

Source: GSO, VHLSS 2002-2012

Responding to increasing enrolment as well as the goal to create a cohesive and learning environment, Viet Nam has made significant progress in building school and improving learning facilities at every educational level. Every year, a number of newly built schools with better learning equipment for basic and advanced education have helped encourage school enrolment as well as improved educational quality. The number of schools by year and by education level is shown in Table 2.6, indicating the strong improvement in school capacity for the growing cohort of students. In addition, school facilities have been enhanced as each class has more available classroom space for learning, evidenced by substantial decreases in class: classroom ratios throughout 1999-2013.

In addition to educational support provided nationally, a series of education support programs including infrastructure development, integrated through socio-economic development and poverty reduction policies, have been specially designed for the disadvantaged ethnic minorities and those living in remote mountainous areas of the country. Notable programs including Program 135, NTP-SPR, Resolution 30a, and the NTP entitled "Education for All" have carried out a series of activities such as constructing new schools, upgrading classrooms, building new facilities and purchasing new equipment in the poorest communes and districts. By 2013, every commune has had at least one primary school and every province has its own lower secondary school.

Table 2.6: Number of schools at every educational level

	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Kindergarten	11,629	12,190	12,357	12,908	13,172	--	--
Primary education	14,939	15,051	15,172	15,242	15,337	15,361	15,337
Lower secondary	9,768	9,902	10,060	10,143	10,243	10,290	10,290
Upper secondary	2,167	2,192	2,242	2,288	2,350	2,361	2,404
Professional secondary	209	227	230	226	215	557	592
Undergraduate	160	169	173	188	204	347	354

Source: GSO, 2007-2014

In order to meet the ambitious goal set for education as a whole, the Government also put tremendous focus on improving both quantity and quality of teachers at every educational level. *In terms of teacher availability*, the upward trends in teacher/class ratios at all basic education levels indicate that students are now given more attention and support from their teachers. Specifically, teacher/class ratios increased by 0.24 units for primary education, 0.66 units for lower secondary education and 0.57 units for upper secondary from 1999 to 2013. These increases have been achieved by the provision of thousands of teachers at each education level, and as such, students in each class are now taken care by a greater number of teachers.

Table 2.7: Teacher and classroom availability by education level

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
<i>Children/teacher</i>														
Nursery	7.99	7.76	8.93	9.45	9.50	--	--	--	11.52	10.90	10.32	10.12	10.45	10.61
Kindergarten	22.05	21.66	20.57	20.77	20.40	--	--	--	20.86	20.36	19.79	19.32	18.79	18.87
<i>Teacher/class</i>														
Primary	1.06	1.09	1.12	1.16	1.21	1.25	1.28	1.28	1.29	1.30	1.30	1.30	1.30	1.30
Lower sec.	1.50	1.55	1.58	1.63	1.70	1.73	1.83	1.90	1.95	2.06	2.09	2.07	2.12	2.16
Upper sec.	1.63	1.64	1.68	1.71	1.77	1.78	1.83	1.87	2.01	2.08	2.13	2.20	2.27	2.20
<i>Class/classroom</i>														
Primary	1.57	1.51	1.47	1.39	1.32	1.23	1.15	1.11	1.08	1.08	1.08	1.12	1.12	1.08
Lower sec.	1.51	1.50	1.49	1.48	1.44	1.35	1.11	1.06	1.10	1.05	1.17	1.19	1.14	1.10
Upper sec.	1.43	1.43	1.42	1.39	1.38	1.27	1.28	1.21	1.17	1.12	1.20	1.16	1.11	0.99

Source: Ministry of Training and Education

The relatively low average number of students per teacher, which is maintained at 19 for primary education, and 16 or lower secondary and upper secondary education, also illustrates the improvement in availability of teachers at each basic educational level. The average number of students per class is the lowest

in primary education, followed by lower secondary with 33 students, and upper secondary school at 38 students. The average number of students per class remains stable for primary and lower secondary, but the data shows a consistent reduction for upper secondary education throughout 2010-2015. This reduction implies either better facilities through increases in number of classrooms or increased availability of teachers at every educational level.

Table 2.8: Average number of student per teacher, per class

	2010-2011	2011-2012	2012-2013	2013-2014	Prel. 2014-2015
<i>Average number of student per teacher</i>					
Primary	19	19	19	19	19
Lower secondary	16	16	15	16	16
Upper secondary	19	18	17	17	16
<i>Average number of student per class</i>					
Primary	26	26	26	27	27
Lower secondary	33	33	33	33	33
Upper secondary	42	42	39	39	38

Source: Statistical Handbook of Viet Nam, 2014

Quality of teachers plays a key role in shaping knowledge and performance of students. Over the period 2007-2012, the rate of qualified teachers at every education level has improved substantially. By 2012, more than 99 percent of teachers had standard qualifications at all basic educational levels. Recognizing the lack of qualified teachers at remote mountainous areas, a number of support programs have been put in place to strengthen the capacity of existing teachers as well as to encourage newly qualified teachers to teach at these areas. Strategic programs include improvement of pedagogical skills, development of suitable syllabuses for teachers and school officials, as well as provision of accommodation, water, expenses for teachers at remote areas. These pro-poor and inclusive education strategies have resulted in positive changes in the quality of teaching and learning particularly of basic education levels throughout the country.

Table 2.9: Percentage of teachers with standard qualification and above (%)

	1999- 2000	2000- 2001	2001- 2002	2002- 2003	2003- 2004	2004- 2005	2005- 2006	2006- 2007	2007- 2008	2008- 2009	2009- 2010	2010- 2011	2011- 2012
Nursery	--	--	--	--	--	59,7	70,3	74,3	79,6	79,6	89,5	89,7	91,1
Kindergarten	--	--	--	--	--	83,2	86,6	90,3	94,3	94,7	95,4	96,0	97,1
Primary	80,0	85,3	87,6	87,0	91,2	93,4	95,9	97,0	97,4	98,6	99,1	99,5	99,6
Lower sec.	86,3	89,5	91,1	91,2	92,8	95,0	96,2	96,8	97,4	97,4	98,3	98,8	99,2
Upper sec.	95,6	95,3	95,4	95,3	97,1	97,1	96,2	97,6	97,5	98,0	98,9	99,1	99,6

Source: Ministry of Training and Education

Undeniably, the ethnic minorities and those living in remote mountainous areas are the group that needs the most attention and assistance. Throughout the period 1990-2015, education support policies for the ethnic minorities have helped narrow down the gap between Kinh and non-Kinh people as well as contributed directly to universalizing primary education and lower secondary education. From those achievements, Viet Nam has continued finding ways to improve the overall education system and foster learning standards among disadvantaged groups.

Another challenge faced by education is the low-quality teaching and training curriculum at advanced level, which also lacks a focus on practical and employment-useful skills. The number of colleges, universities as well as vocational training has consistently increased overtime leading to a constant rise in enrolment numbers. Nevertheless, the increase in enrolment has not fed through to an actual improvement in access or quality of education. Increases in student-intake have largely resulted in an increased proportion of unemployed graduates, instead of contributing effectively towards the quality of the labor supply. Many students upon graduation do not have the necessary qualifications for gainful employment. The percentage of workers that has undergone training remains low, especially in rural areas. Vocational training has not met the actual demand of labor market. This situation calls for improvement and reform of advanced education to improve students' qualifications, in terms of technical knowledge, skills and work ethics to better prepare them for the job market.

Education is a key priority sector - the country's future depends on an equal, inclusive and high-quality provision. Education is key to poverty eradication and social development. In order to meet an increasing demand for highly skilled and qualified labor force so as to embrace a market-oriented and internationally integrated economy, Viet Nam needs to do use its full capacity to strengthen and empower the local workforce. This vision has been vigorously expressed in Viet Nam's plan for the future, documented in the Socio-Economic Development Strategy 2011-2020 and the Education Strategic Development Plan 2011-2020.



Millennium Development Goal:

- ❖ Eliminate gender disparity in primary and secondary education preferably by 2005, and at all levels by 2015

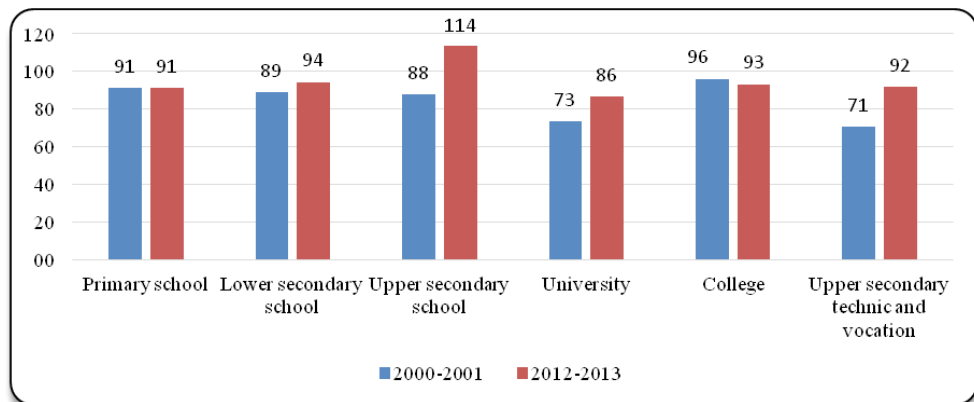
Viet Nam has been successful in meeting MDG 3 with all of its component indicators being fully achieved. By 2014, there was no discernible difference between literacy rates and education attainment across all educational levels between males and females. Women have also proved their growing role in education. In higher education (university and colleges), where male lecturers were dominant in the early 2000s, the percentage of male and female lecturers are now similar. With regard to employment, women's participation in non-farm activities has increased at a rapid rate, especially in rural areas. The wage gap between men and women has been narrowed to 106.7% in 2014 (100 would denote full equality). Women's representation in the National Parliament in the current term is 24.4%.

Nevertheless, Viet Nam still faces several challenges on the road to full gender equality and empowering women. Women remain disadvantaged in employment; female wages are still lower even at the same level of education. More women are engaged in informal and vulnerable jobs. Women's representation in leadership and management remains well below targets given in the the National Strategy on Gender Equality 2011 – 2020. Gender preference for boy children continues to be widespread and gender-based violence becomes a common and more complicated issue.

GENDER EQUALITY IN EDUCATION

Viet Nam has eliminated gender inequality in education across all levels. In the 2000-2001 school years, the ratio of girls to boys was 91% at primary, 88.9% at lower secondary and 87.8% at upper secondary school. In the 2012-2013 school year, these ratios had increased to 91.3%, 94.3%, and 113.7% respectively. This is a significant improvement given the sex ratio at birth was 93 girls in 2000 and 88 girls in 2013 (per 100 boys) (GSO, 2014). More interestingly, higher levels of education witnessed a higher presence of females (upper secondary and university). In 2000-2001, there were 88 females to 100 male at upper secondary level, by 2012-2013, females outweighed males by 14 students.

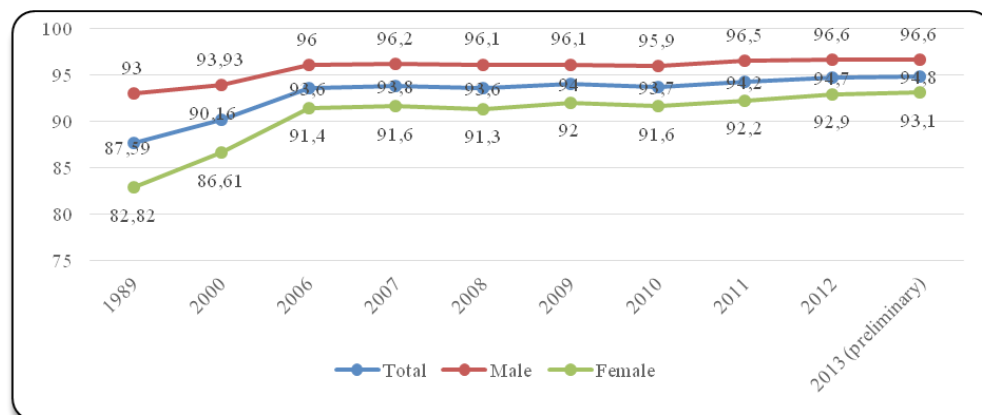
Figure 3.1 Ratio of girls to Boys in Primary, Secondary, and Tertiary Education 2000-2013 (%)



Source: Education Statistics 2000 – 2012 (MOET, 2013)

Another useful indicator that is often used to evaluate gender equality in education is literacy rate of adults (aged 15 and above). Figure 3.2 shows that there was a substantial difference between the two sexes in 1989. 93% of male were literate as compared to 82.8% of female – a difference of more than 10 percentage points. This gap has been continuously narrowing. By 2013, 93.1% of females are literate while the rate for males was 96.6%.

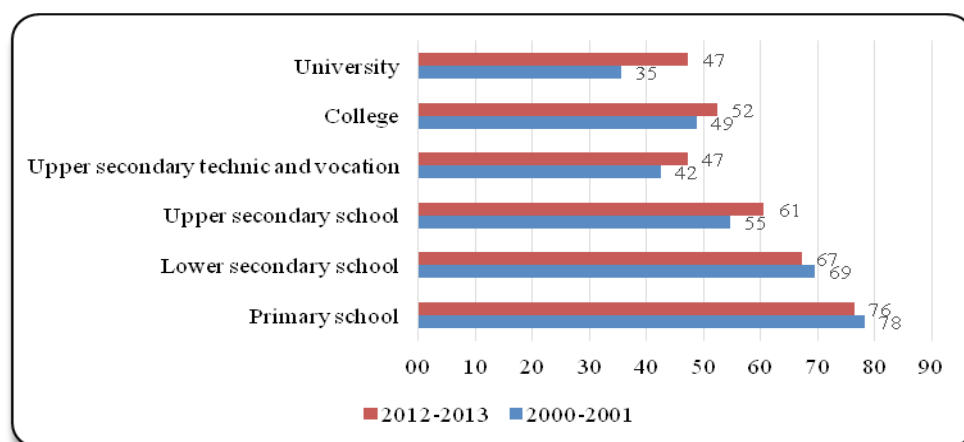
Figure 3.2 Literacy Rate of Adult, Male and Female (%)



Source: All data is from GSO database (2014) except for 1989 and 2000 from the World Bank database (2014)

Not only has female educational attainment improved but women have also progressed and proved their crucial role in the teaching profession. Figure 3.3 compares the percentage of female teachers in the 2000-2001 school years versus 2012-2013. While females have been dominant at lower education levels over the years, at higher education levels, they accounted for only one third at the beginning of the period. By 2012 - 2013, the percentage of male and female lecturers at university, college, and vocational school were broadly similar.

Figure 3.3 Percentage of Female Teachers at Different School Levels



Source: Education Statistics 2000 – 2012 (MOET, 2013)

GENDER EQUALITY IN EMPLOYMENT

Women’s situation in non-agriculture jobs has improved remarkably in terms of both quantity and quality. Figure 3.1 displays the share of female versus male labors in the non-agriculture sector over between 2009 and 2014. By 2014, 42% of non-agriculture labor was female. Female workers in urban areas engage more actively in non-agricultural jobs than in rural areas. A further interesting trend is that non-farm job opportunities have increased at a faster rate for rural women compared to their urban counterparts.

Table 3.1: Share of Women in Wage Employment in Non-agriculture Sector (%)

	2009	2010	2011	2012	2013	2014 (Prel.)
Whole country	39.9	40.5	40.5	41.2	41.8	42.2
<i>Urban-Rural</i>						
Urban	43.2	43.6	43.9	44.5	44.9	44.4
Rural	37.0	37.7	37.2	38.1	38.9	40.2
<i>6 regions</i>						
Northern midlands and mountain areas	40.6	40.5	39.2	39.8	41.0	40.9
Red River Delta	40.9	40.0	39.8	41.1	41.5	43.0
North Central and Central coastal areas	37.9	37.4	37.1	38.4	37.6	38.6
Central Highlands	39.4	40.9	42.0	41.6	42.6	42.0
South East	43.7	44.8	44.7	45.4	46.5	45.4
Mekong River Delta	33.9	37.0	38.6	38.0	39.5	40.3

Source: Annual Labor Force and Employment Survey, GSO (2014)

The wage gap between males and females has also narrowed significantly. While in 2009, ratio of male to female average wage per hour in non-agriculture sector was 114.8%, i.e. on average a male earned 114,800 VND per hour for every 100,000 VND female made, this wage gap fell to 106.7% in 2014. The salary difference between male and female is more severe in urban areas.

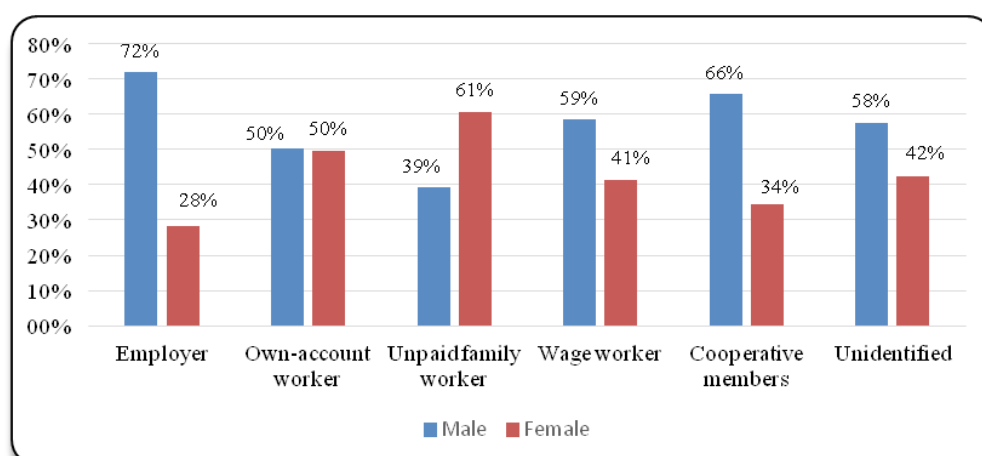
Table 3.2: Ratio of Male to Female Average Wage per Hour in Non-agriculture Sector (%)

	2009	2010	2011	2012	2013	2014 (Prel.)
Whole country	114.8	113.8	111.8	108.8	107.3	106.7
Urban-Rural						
Urban	116.4	115.3	116.2	113.8	113.0	109.7
Rural	118.3	116.9	111.8	108.4	105.2	106.3
6 regions						
Northern midlands and mountain areas	87.5	96.5	95.2	93.5	92.5	91.0
Red River Delta	124.7	116.8	112.1	110.8	110.1	109.4
North Central and Central coastal areas	114.7	116.0	109.4	110.5	104.9	108.9
Central Highlands	99.2	106.6	104.3	103.5	102.6	105.3
South East	123.0	117.9	119.7	114.7	113.0	109.6
Mekong River Delta	109.7	118.9	119.1	113.6	114.5	112.4

Source: Annual Labor Force and Employment Survey, GSO (2014)

Even though the gap between male and female workers has been narrowed, females remain more disadvantaged over their male counterparts in non-farm sector. Female income is still lower than that of males even with the same level of qualification because women usually take up lower-level positions compared to men. For example, in quarter 4 of 2014, the ratio of male to female wages was 111.1% for workers with no qualifications and 120% for workers with university or higher education. Additionally, more women are engaged in informal and vulnerable jobs. Figure 3.4 clearly demonstrates that vulnerable employment types (self-employed/own-account and unpaid family workers) are dominated by women.

Figure 3.4: Employment Status of Employed Population Aged 15 and Above in Quarter 4, 2014



Source: GSO Labor Force and Employment Survey, Quarter 4, 2014

REPRESENTATION IN NATIONAL ASSEMBLY

Representation of women in Viet Nam's National Assembly in the current term (2011 – 2016) stands at 24.4% - an impressive number as compared with the average rate of 19% for Asian countries and a global average of 21%¹⁴. A comparison between different terms shows that this proportion has decreased from 27.3% in the 2002 – 2007 term to 24.4 percent in the 2011-2016 term. An increase in women's participation in the National Assembly was only seen in the Red River Delta and the North East.

Table 3.3: Proportion of Seats Held by Women in the National Assembly (%)

	Term 1997-2002	Term 2002-2007	Term 2007-2011	Term 2011-2016
Red River Delta	25.0	24.0	29.4	27.8
North East	24.2	30.6	29.6	32.4
North West	37.5	31.6	26.1	28.0
Central Coast	21.8	20.3	19.0	16.4
South Central Coast	26.3	27.9	26.2	19.0
Central Highlands	26.1	25.8	29.4	28.6
South East	23.9	25.7	20.3	20.0
Mekong River Delta	31.5	33.3	26.6	23.2
TOTAL	26.2	27.3	26.0	24.4

Source: National Assembly Office' administrative report

¹⁴ Compiled by Inter-Parliamentary Union by 1st January 2015 at <http://www.ipu.org/wmn-e/world.htm>

In contrast with the declining trend in National Assembly representation, at lower levels, there was a slight increase in women's representation. Specifically, the percentage of women went up from 21.57% in the 1999-2004 term to 25.17% in the current term at provincial level. At commune level, this figure also rose from 16.61% to 21.71%.

Table 3.4: Deputies in People's Councils by Terms: % of Female

	Term 1999-2004	Term 2004-2011	Term 2011-2016
Provincial level	21.57	23.88	25.17
District level	20.99	23.01	24.62
Commune level	16.61	19.53	21.71

Source: Ministry of Home Affairs Administration Report

Nevertheless, women's representation in leadership and management remains very low. In politics, the proportion of female leaders at all levels is small, and more so at the higher levels. By December 2014, the percentage of People's Committee chaired by women was 1.6% at provincial level, 3.6% at district level, and 3.2% at commune level. In business, women account for only one quarter of the total owner/director positions in enterprises nationally¹⁵. In agriculture, only 8.64% farm owners are women¹⁶.

Although formally all indicators for monitoring progress of the MDG 3 have been achieved, Viet Nam continues to face several challenges on the road to gender equality and empowering women. A key issue is gender preference for boy children. This is illustrated by the increasing trend of the sex ratio at birth over the years, currently at 112.2 boys to 100 girls in 2014¹⁷. Sex selection raises particular concern about basic gender inequality, and gender imbalances may lead to severe problems in the future. More alarming is the prevalence of gender-based violence. A national study on domestic violence against women in Viet Nam from GSO (2010) reveals that gender-based violence is common but also an intractable issue. Among married women, 58% reported ever suffering at least one type of domestic violence by their husband in their lifetime (physical, sexual violence, economic or emotional abuse) while 27% suffering over the last 12 months. Combating domestic violence is getting more and more difficult as the social and cultural norm to give privilege to boys and men remains acceptable even among women. Indeed, the MICS survey 2014 (UNICEF) found that by 2014, up to 28.2% of women believe that it is acceptable for husbands to hit their wives in various circumstances¹⁸.

¹⁵ GSO Enterprise Census, 2013

¹⁶ GSO Agriculture, Rural and Fishery Census, 2014

¹⁷ Social and Economic Situation 2014, GSO.

¹⁸ This include all women age 15-49 years who state that a husband is justified in hitting or beating his wife in at least one of the following circumstances: (1) she goes out without telling him, (2) she neglects the children, (3) she argues with him, (4) she refuses sex with him, (5) she burns the food

Gender equality still exists in any aspects, and in majority of the cases, women are still at disadvantaged positions, especially in remote, ethnic minority-dominated areas, and in economically disadvantaged areas. The perception that men are the “head” and the “bread-winner” while women are required to do domestic work, and take care of the family has resulted in biased perceptions about gender roles in society. As a result, there exists a lack of sharing in family responsibility between women and men, creating a burden in family finance for men while preventing women from participating in the socio-economic development process.



Millennium Development Goal:

- ❖ Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate

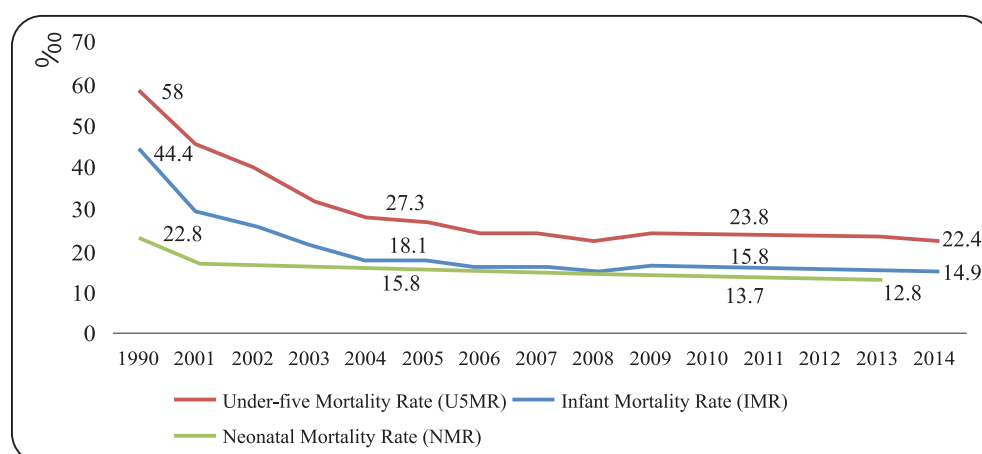
Viet Nam has made remarkable progress in reducing child mortality. The Under-five Mortality Rate (U5MR) was 58‰ in 1990 and this was cut in half by 2004, while the Infant Mortality Rate (IMR) fell rapidly by 2.5 times over the same period. The success of the extended program on immunization and policies to protect women's health all contributed to these positive outcomes. Viet Nam is on track to achieve MDG4 on IMR indicator. However, these indicators have showed slow progress recently and the U5MR remains short of the target. Child mortality in the most difficult regions (especially ethnic minority areas) remains hard to address.

GENERAL ASSESSMENT

Rigorous monitoring of the child mortality rate is of great importance as it reflects the broader quality of country's health services for children and pregnant mothers. In addition, the Neonatal Mortality Rate also has a strong connection with maternal health.

Figure 4.1 presents the child mortality rates over the period 1990 – 2014. The MDG target is to reduce by two-thirds children deaths between 1990 and 2014; Viet Nam made significant reductions in child deaths, especially in the first 15 years of the period. The key contributors to this success include the Viet Nam's Expanded Program on Immunization (which helped to reduce infant mortality remarkably), the National Strategy on Reproductive Health Care services 2001-2010, Viet Nam Population and Productive Health Strategy 2011-2020 and the Two-child policy implemented since early 1990. After a period of strong reductions, the rate of reduction in child mortality has slowed down in recent years. From 2005 to 2010, the U5MR fell at the rate of 0.6‰ per year. However, over the 2011 – 2014 period, the rate was only 0.23‰ per year. Similarly, between 1990 and 2010, the IMR reduced by 1.4‰ annually; from 2011 to 2014, it fell by only 0.15‰ per year. More importantly, since 2000, there been little change in the IMR. This can be explained by the fact that child mortality is now only problematic in mountainous areas where improvement in the quality of health services has been sluggish. In addition, the Viet Nam National Injury Survey 2010 reveals that major reason of deaths for children over 1 year old is drowning and traffic accidents.

Figure 4.1 Viet Nam Child Mortality Rate (‰)



Source: The U5MR and IMR were collected from GSO, 2014. The NMR was from the UN Inter-agency Group for Child Mortality Estimation (UNICEF, WHO, World Bank, UN DESA Population Division) at www.childmortality.org.

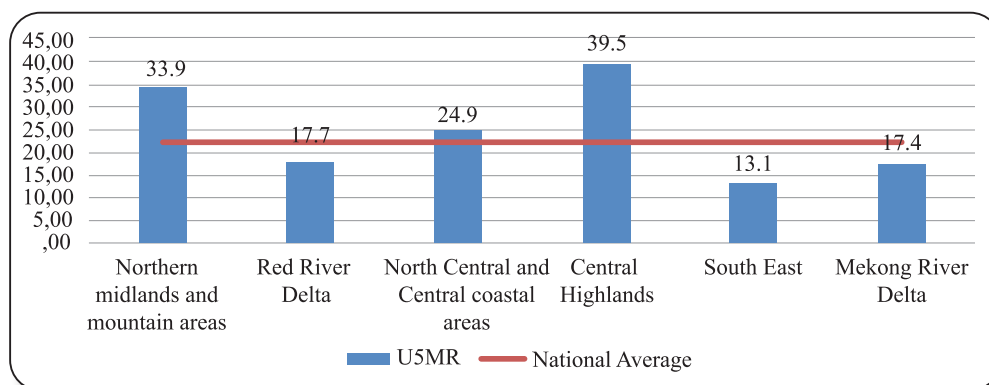
One of the biggest challenges in monitoring child mortality is the fact that child mortality statistics are not consistent among different sources. Currently, there are a number of organizations and sources providing child mortality statistics in Viet Nam, including GSO surveys, UNICEF’s MICS dataset, and combined data from the UN Inter-agency Group for Child Mortality Estimation (UNICEF, WHO, World Bank, and the UN DESA Population Division). Numbers vary across different sources and do not completely provide up-to-date information or adequate mortality indicators. Indicators on neonatal mortality rates have not been collected by the national statistical system while efforts to reduce child mortality are closely dependent on improvement of neonatal survival.

UNDER-5 MORTALITY RATE (U5MR)

The Under-five Mortality Rate was 58‰ in 1990 and had halved by 2004. Therefore the rate has been reduced by 2‰ per year on average during this period. However, the rate of decline has slowed down significantly to about 0.5‰ per year on average. By 2014, U5MR remained at 22.4‰, which is some 3.1‰ short of the MDG target. Nevertheless, Viet Nam is moving towards the MDG 4 indicator.

Underlying this, are large disparities between urban and rural areas, Kinh people and ethnic minorities, and among regions. The mortality rate has always been as twice as high in rural areas over urban ones. In urban areas, the U5MR was 13.1‰ while in rural areas the rate was 26.9‰ by 2014. The highest mortality rates were seen in mountainous and disadvantaged regions such as Central Highlands, Northern midland and mountainous areas, North Central and Central coastal areas (see Figure 4.2). Mortality rates among ethnic minorities have remains three times higher than that of the Kinh majority. According to an MDG progress report from CEMA (2015), the U5MR of ethnic minorities was 39‰ some three times higher than that of Kinh people (12‰).

Figure 4.2: Under-five Mortality Rate by Regions, 2014



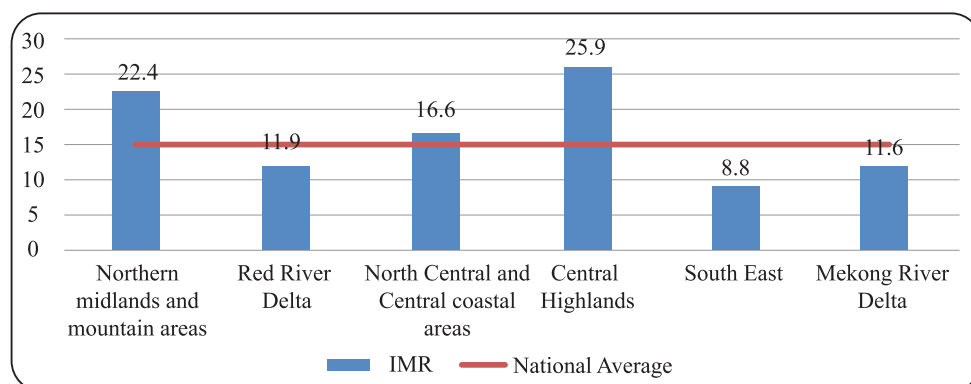
Source: GSO, 2015

INFANT MORTALITY RATE (IMR)

The Infant Mortality Rate fell from 44‰ in 1990 to 14.9‰ in 2014. The IMR fell rapidly by 2.5 times over the 1990 – 2004 period. After 2004, the IMR declined at a steady state, from 0 – 1‰ per year. By 2014, the IMR was only 1‰ short of the MDG target. Viet Nam is highly likely to achieve MDG 4 on this indicator.

Similar to the U5MR trend, there are significant differences between urban and rural areas, and among regions; IMR was 8.7‰ in urban and 17.9‰ in rural areas in 2014. The highest mortality rates were also seen in Central Highland, followed by Northern midland and mountainous areas, North Central and Central coastal areas (Figure 4.3). The IMR for ethnic minorities is 30‰ while that for the Kinh group was 12‰.

Figure 4.3: Infant Mortality Rate by Regions, 2014



Source: GSO, 2015

The Neonatal Mortality Rate (NMR)¹⁹ is an important indicator as early child death is closely related to maternal health. However, the national statistical system still does not collect statistics for this indicator. According to the UN Inter-agency Group for Child Mortality Estimation (UNICEF, WHO, World Bank, UN DESA Population Division), this indicator has decreased at a lower rate than the IMR and the U5MR. The NMR declined from 22.8‰ in 1990 to 12.8‰ in 2013.

UNDER-1 CHILDREN MEASLES IMMUNIZED

Viet Nam's Expanded Program on Immunization has been implemented since 1981 by the Ministry of Health with assistance from the WHO and UNICEF. The initial goal of the program was to provide free immunization for infants against six common and dangerous infectious diseases (BCG, diphtheria, pertussis, tetanus, measles and polio). By the end of the trial period the program had been implemented in half of the provinces, but the level of coverage in districts and communes was limited. The program has since been extended to cover 100% of the communes nationwide. At present, the program includes 11 types of vaccines of which 10 produced domestically²⁰. By 2014, 97.4% of children under 1 year old have been immunized against measles and 97.1% received full immunization. Viet Nam's extended program on immunization has been recognized by World Health Organization as being very effective.

¹⁹ Neonatal mortality rate is the number of neonates dying before reaching 28 days of age, per 1,000 live births in a given year.

²⁰ National Institute of Hygiene and Epidemiology (NIHE), access on June 4, 2015 at <http://www.nihe.org.vn/new-vn/chuong-trinh-tiem-chung-mo-rong-quoc-gia/2912/Tiem-chung-mo-rong-voi-muc-tieu-giam-ty-le-tu-vong-o-tre-em.vhtm>



Millennium Development Goal:

- ❖ Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio
- ❖ Achieve by 2015, universal access to reproductive health.

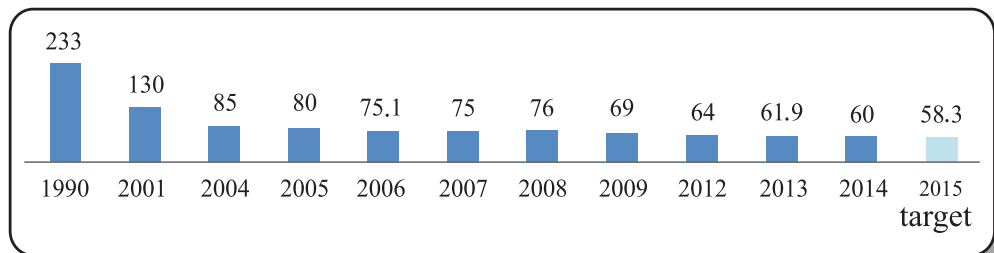
Viet Nam has achieved significant progress in lowering the maternal mortality ratio, and is now approaching its target. The reproductive health of maternal women has also been paid great attention, with the contraceptive prevalence rate recorded at 75.7% nationwide, and the adolescent birth rate has fallen to 45 cases per 1000 women in 2014. Most women during pregnancy now have access to antenatal care services with 95.8% having at least 1 visit and 73.7% having at least 4 visits by qualified staff in 2014. However, challenges remain in some particular regions where ethnic minorities reside and socio-economic conditions are less developed such as the Northern midlands and mountains and Central Highlands. The maternal mortality rates remain very high in these regions in addition to the low contraceptive prevalence. The adolescent birth rates of ethnic minorities are 3 times higher than that of the Kinh group. Conversely, the rate of at least 4 times maternal check-ups for the non-Kinh groups is only one-third compared to that of the Kinh people.

However, challenges remain in some particular regions where most ethnic minorities reside and socio-economic conditions are less developed such as the Northern midlands and mountains and Central Highlands: especially remaining high MMRs, low contraceptive prevalence, adolescent birth rates of the ethnic minorities are more than three times as high as the Kinh's, and the rate of at least 4 times maternal check-ups for the non-Kinh group is one-third of the Kinh's. Hence, strengthened policies and actions addressing these challenges should be directed to these groups with a view to comprehensively achieving MDG5 across the whole country.

MATERNAL MORTALITY RATIO (MMR)

Under Millennium Development Goal 5 – *Improving maternal health*, Viet Nam aims to reduce the MMR to 58.3 per 100,000 live births by 2015. Compared to the 1990 figure of 233 deaths, the country has progressed remarkably, bringing the ratio very close to this goal, with the strongest reduction taking place in the 1990s and the early 2000s (Figure 5.1). Over this period, the average annual reduction rate was 9.8 incidences over 100,000 live births while after 2006, the annual reduction slowed to only around 2.14 cases. By 2014, the national MMR was 60 with the reported number of maternal deaths remaining at around 580 – 660 cases a year. With constant efforts to improve maternal health services, Viet Nam has a very good chance of achieving the targeted rate nationally.

Figure 5.1: MMR 1990 – 2014



Source: Ministry of Health

Despite the positive outlook at the national level, discrepancies in MMRs among different regions and socio-economic groups remain a great concern for more thorough achievement of MDG5. In 2008, the MMR for urban areas was 79 while that for rural areas was 145 per 100,000 live births²¹. The discrepancy is highest for mountainous regions, according to statistics from the Lowering MMR and Child Mortality Program implemented in 2009. This program's results showed that in 14 mountainous provinces, including 10 in the Northern and 4 in the Central Highlands, the MMRs while constantly falling over the years remained remarkably high compared to other regions. Viet Nam has made great efforts to improve maternal health care services in this area to catch-up with other provinces. Nevertheless, the very high MMRs in some economically disadvantaged regions with poor healthcare facilities and where most of the ethnic minorities are concentrated demand the nation to pay more attention for improving maternal health in these particular areas.

Research shows that maternal and child mortality in mountainous areas is more than three times higher than in lowland areas²². Table 1 presents MMR in these 14 provinces, which was at around 192 as of 2010; the highest maternal mortality ratio was recorded in Dien Bien with 676 maternal death per 100,000 live births of women aged 15-49, which is 24 times higher than the ratio of Lang Son province (the lowest recorded level). Therefore, while the nation is heading towards achieving the MDG target by 2015, more attention is needed on lagging regions and provinces, especially the northern mountainous areas and the Central Highland provinces, in order to achieve a comprehensive result across the country.

²¹ Viet Nam; *s Gender statistics report 2000-2010*

²² <http://www.interaksyon.com/article/37172/maternal-mortality-rate-in-Viet-Nam-rapidly-decreasing>

Table 5.1: Estimated MMR by provinces (2010)

	<i>MMR (per 100,000 live births, women aged 15 – 49)</i>
<i>Average 14 provinces</i>	
MOH's statistics (2000 – 2001)	299 (or 1/334)
“Lowering MMR and child mortality” program statistics (2010)	192 (or 1/521)
<i>By province (2010)</i>	
Dien Bien	676
Lai Chau	459
Gia Lai	369
Son La, Cao Bang, Lao Cai (est.)	333
Lang Son	28

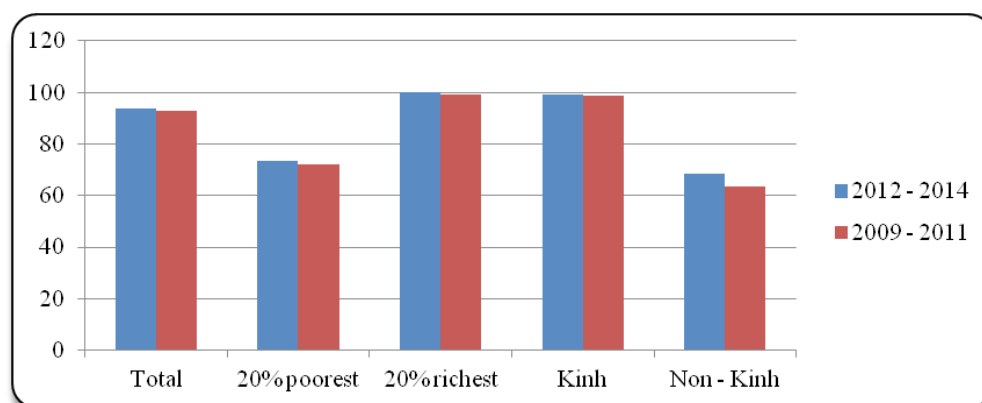
Source: Ministry of Health and Committee for Ethnic Minority Affairs

BIRTHS ATTENDED BY SKILLED HEALTH STAFF

One of the most crucial indicators in measuring the progress to achieve lowered MMR is the proportion of births attended by skilled health personnel that could significantly reduce miscarriages and complications during delivery. The MDG target is defined by the United Nations as the percentage of births attended by skilled health personnel (doctors, nurses or midwives) – in full: the percentage of deliveries attended by health personnel trained in providing life-saving obstetric care, including giving the necessary supervision, care and advice to women during pregnancy, labor and the post-partum period; conducting deliveries on their own; and caring for newborns. Traditional birth attendants, even if they receive a short training course, are not included.

The percentage of women aged 15-49 years with a live birth in the last 2 years who were attended by skilled health personnel during their most recent live birth was recorded at 93.8% (MICS 2014). In 2014 alone, the rate was 97.5% (MOH). For institutional deliveries, the percentage was 93.6% while the number delivered by caesarean section is 27.5%. The above numbers represent national achievement. However, discrepancies persisted between the richest and poorest populations and between the Kinh and non-Kinh groups, although the most vulnerable groups have shown some evidence of catch-up. Statistics show that over 2 years, the poorest 20% achieved a 1.5 percentage point improvement compared to 0.8 percentage point of the richest 20%, despite this, the proportion of the former is still low at 73.4% against the 100% of the latter. The Kinh also score better than minorities by some 30.7 percent for births having attendance of a skilled health worker in 2014, implying stronger efforts required for the less advantaged to achieve universal attendance by skilled health personnel at delivery.

Figure 5.2 Percentage of birth attendance by wealth quintile and ethnicity

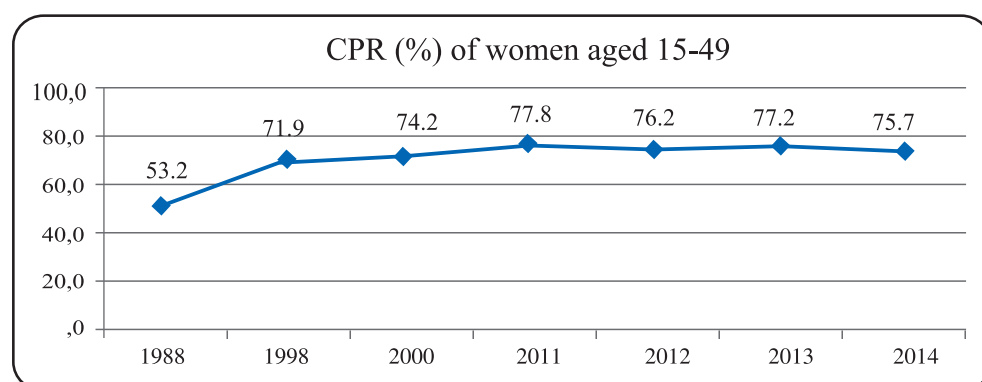


Source: Multiple Indicator Cluster Survey 2014

CONTRACEPTIVE PREVALENCE RATE (CPR)

The contraceptive prevalence rate among women in of reproductive age is of particular importance for the health of women and children. Viet Nam saw improvements in the CPR during the 1990s as the national average rate was raised by around 18 percentage points between 1988 and 1998. Meanwhile, the gain was much slower since the 2000s: by 2014, the CPR by any method was 75.7%²³, a small increase from the rate of 74.2% in 2000²⁴.

Figure 5.3: Contraceptive Prevalence Rate (CPR) in women aged 15 – 49 nationwide



Source: World Bank data, Population Change and Family Planning Survey 2013, Multiple Indicator Cluster Survey 2014

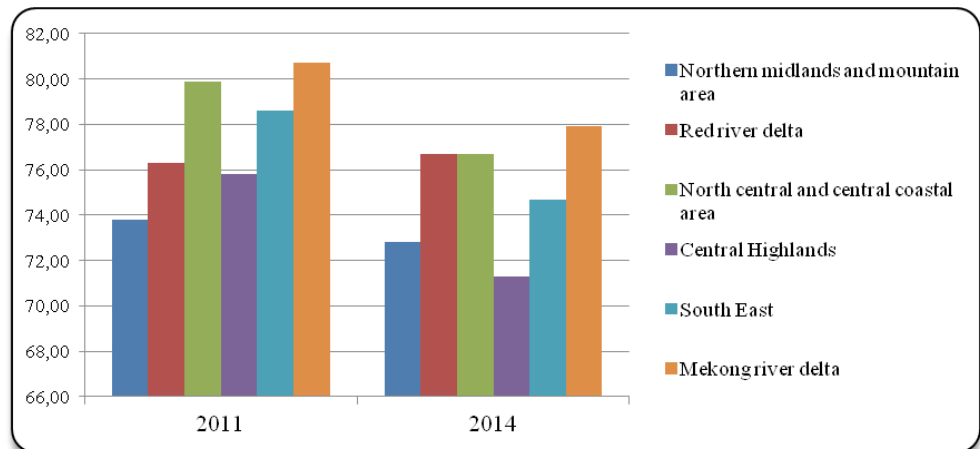
When comparing among regions, the Mekong delta, Red River delta and North central and central coastal areas are three regions having highest CPRs, while mountainous areas like Northern Midlands and Central Highlands registered

²³ MICS 2014

²⁴ World Bank's data

much lower ratios. Additionally, from 2011 to 2014, all regions' ratios fell except for that of Red River Delta and the central highlands which saw a very significant decrease. This highlights even further, the problems of maternal health resulting from low prevalence of contraception in disadvantaged regions (Figure 5.4).

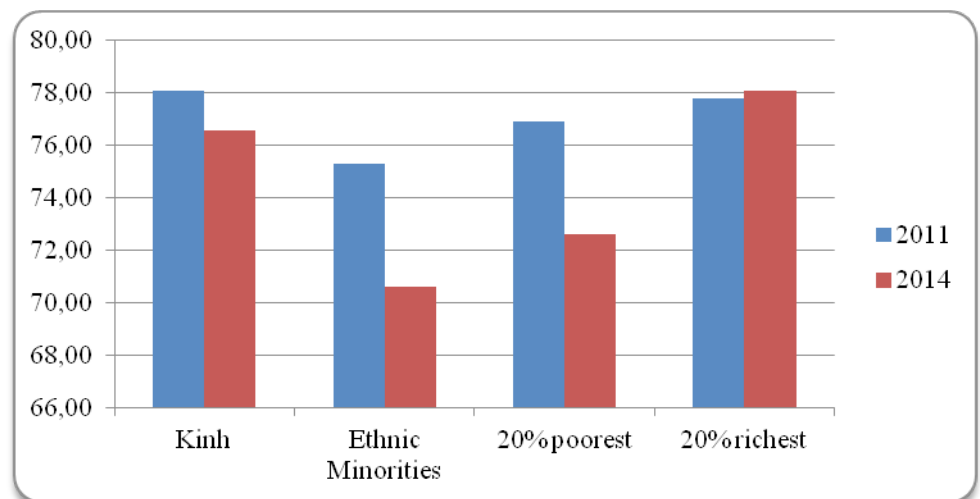
Figure 5.4: CPR by regions (2011 – 2014)



Source: Viet Nam Multiple Indicator Cluster 2011, 2014

Another notable fact is while in 2011, factors such as women's education, wealth and ethnicity of household did not clearly affect contraception prevalence among women in these different groups, the gaps were wider and more emphasized in 2014. Figure 5.5 demonstrates that by 2014, both the Kinh and the minorities have lower ratios of contraception used, but the latter decreased at a much stronger pace: 4.7 percentage points compared to 1.5 for the former. Equally, the poorest group in the population saw a decrease in the CPR of 4.3 percentage point while the richest group saw a rise of 0.3 percentage points.

Figure 5.5 CPR by ethnicity and by wealth quintiles (2011 – 2014)



Source: Viet Nam Multiple Indicator Cluster 2011, 2014

Likewise, factors such as women’s education, wealth and ethnicity of household seem not to play such a big factor in determining the prevalence of contraception among different groups as compared to factors like age and the number of children the woman already has. Furthermore, the more educated, the richer and the older a woman is, the more likely she is to use a traditional contraceptive method such as periodic abstinence or withdrawal rather than modern methods like female/male sterilization, IUD, injected contraception, implants, pill and male/female condoms.

ADOLESCENT BIRTH RATE (ABR)

The Adolescent Birth Rate is the number of live births to women in a specific age group during a specified period, divided by the average number of women in that age group during the same period expressed per 1,000 women. Viet Nam’s adolescent birth rate in 2014 was 45 per 1000 women aged 15-19 years. The indicator is of interest as adolescent birth are usually coupled with early marriages, pre-marital sex, improper sexual and reproductive health counseling, and inadequate services for adolescents and youth, leading to concerns on reproductive health of women at this age.

There are significant gaps among different groups of adolescences as demonstrated in Table 5.2 rural areas still record a much higher ABR compared to the urban ones though the gap was narrowed between 2011 and 2014. The Northern midlands and mountainous area stands out as an area with remarkably high adolescent birth rates – around 3 times the rate of other regions. This is likely due to the customs of early marriage in ethnic minority communities who predominately reside in this region which are still prevalent.

Table 5.2: Adolescent birth rate (ABR) per 1000 women aged 15-19, disaggregated by residence, region, ethnicity and wealth quintile

	2011	2014
Nationwide	46	45
<i>By area</i>		
Urban	15	24
Rural	59	56
<i>By regions</i>		
Northern midlands and mountain area	100	107
Red river delta	36	24
North central and central coastal area	38	37
Central Highlands	37	65
South East	29	24
Mekong river delta	40	49

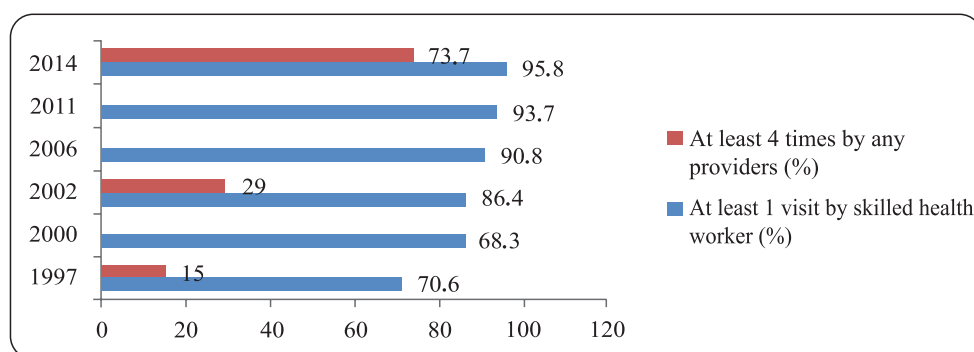
	2011	2014
<i>By ethnicity</i>		
Kinh	37	30
Non-Kinh	99	116
<i>By wealth quintiles</i>		
20% poorest	95	108
20% richest	15	9

Source: MICS 2011, 2014

ANTENATAL CARE

Antenatal care is important in that it helps provide information to women and families about danger signs and symptoms and about risks of complications during labor and delivery, and so it ensures the women will be attended by skilled health personnel. The World Health Organization recommends a minimum of four antenatal visits based on a review of the effectiveness of different models of antenatal care.

Figure 5.6: Percentage of women having at least 1 visit and at least 4 visits antenatal care during pregnancy 1997-2014

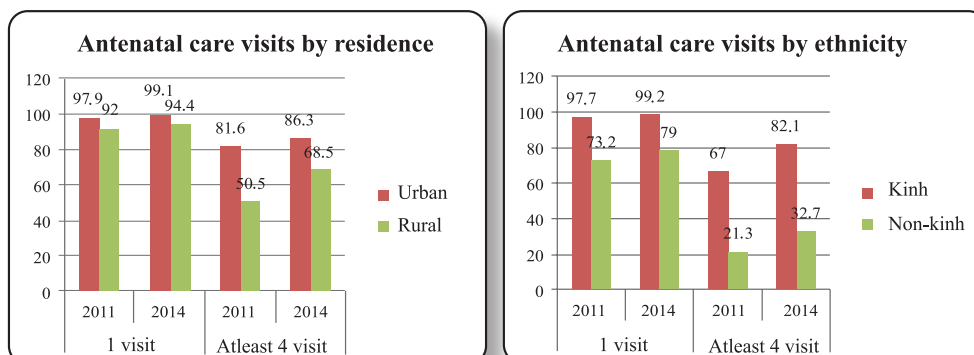


Source: UNICEF, MICS 2014

Among indicators representing progress of reproductive health services, antenatal care coverage has shown significant improvement over the past 2 decades: more pregnant women are having at least four visits during their pregnancy. Figure 5.6 indicates that by 2014, almost all pregnant women receive some type of prenatal care service: 95.8% nationally compared with only 70.6% in 1997. At the same, it should be noted that the percentage for those receiving 4 or more prenatal care is still comparatively low at 73.7%. This means that achieving the standard antenatal care services recommended by WHO is still quite a challenge for the country. However, considering the impressive leaps in this service, annually at 3.5 percentage points, it is likely that Viet Nam will soon progress to achieve near-universal WHO-standard

antenatal care. When measuring by the ratio of women with at least 3 antenatal care visits, the number in 2014 was 89.6%, surpassing the 2015's target of 87%.

Figure 5.7 Percentage of women having at least 1 visit and at least 4 visits antenatal care in 2001 & 2014, by residence and by ethnicity



Source: MICS 2011, 2014

Data disaggregated by residence, regions and ethnicity shows notable gaps among different socio-economic groups, with the more disadvantaged ones registering remarkably lower percentages of ante natal care visits. While rural and urban residents were not much different on the 1 visit standard, the gaps are more considerable when it comes to 4 or more visits during pregnancy. The Non-Kinh group has poorer access to maternal health services with only 79% women having 1 visit and 32.7% women having at least 4 visits in 2014 compared to 99.2% and 82.1% of the Kinh, respectively. Therefore, in order to achieve a universal reproductive health policy, Viet Nam needs to place stronger emphasis on delivering antenatal care services to rural areas as well as to Non-Kinh minorities, who usually reside in remote and economically disadvantaged areas.

FAMILY PLANNING

Unmet need for family planning, is defined as the percentage of women aged 15-49 who are currently married or in a relationship or who are fertile, and want to plan births or limit the number of children they have, who are not currently using contraception. The average national figure is 6.1% (MICS 2014) with higher prevalence in rural areas and the mountainous regions of the Northern Midlands and Central Highlands.

It is notable that the younger group of women, aged 15-19, had the highest rate of unmet need for contraception. Misconceptions regarding reproductive health and the use of condoms resulted in a significant number of unwanted pregnancies and unsafe abortions among young women. Particularly, as the use of contraception tends to be higher among those wealthier, unmet need is higher among poorer women.

Achievements in the improvement of reproductive health can be attributed to a number of programs focusing on improving the quality of birth attendants through training programs, improving health center infrastructure and expanding communication campaigns. These policies included the National Strategy on Improving Reproductive Health period 2001-2010; The National Standard and Guide on Reproductive Health; and the health care information system. In 2013, the National Program on the Population's Health Protection, Care and Improvement for the Period 2011-2020, Looking Forward to 2030, was approved, outlining key solutions to improve the general health care system, in which enhancing reproductive health is an important component.



Millennium Development Goal:

- ❖ By 2015, halt and begin to reverse the spread of HIV/AIDS
- ❖ Achieve, by 2010, universal access to treatment for HIV/AIDS for those who need it
- ❖ By 2015, halt and begin to reverse the incidence of malaria and other major diseases.

Viet Nam has displayed encouraging progress towards halting the spread of HIV/AIDS: The number of new HIV cases has decreased over the years from 13,815 in 2010 to 10,570 per year as of November 2014. Viet Nam has reduced HIV prevalence to under 0.3% of the population. The quantity and quality of HIV/AIDS treatment, care and support services have been improved, especially the remarkable scale-up of antiretroviral therapy coverage that reached 67.6% against current eligibility criteria (per national guidelines in 2013) bringing the number of individuals receiving ART to 90,428 by the end of 2014, almost 34 times the figure in 2005.

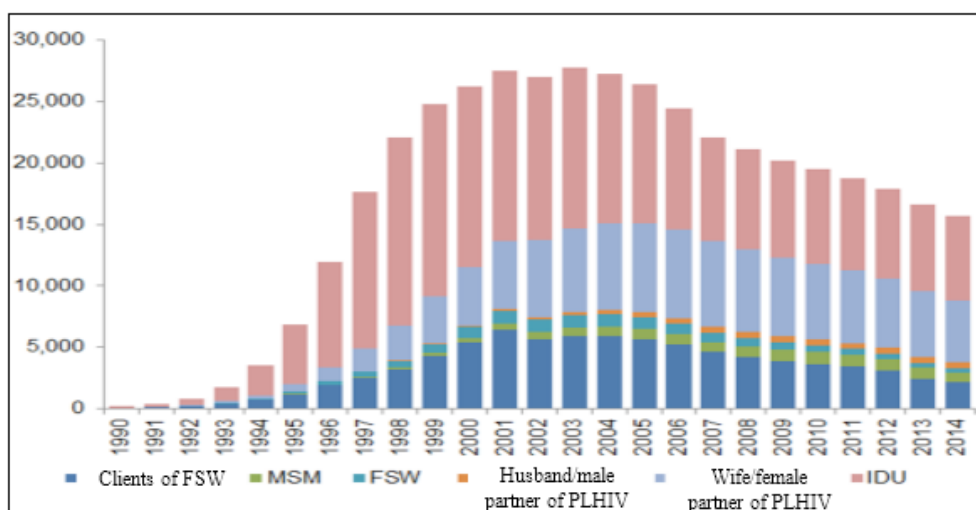
Viet Nam achieved its goal for controlling malaria in 2011 with the proportion of malaria-related deaths standing at only 0.01 per 100,000 people in 2012. Viet Nam also surpassed the global target regarding TB control when it successfully reduced the number of new cases and deaths by 62 percent from 1990 levels.

To sustain its achievements and make smooth progress towards the SDGs in the coming years, Viet Nam needs to prevail over significant challenges, the most portentous being financial support from international donors. Persistent inadequacies in the healthcare system, including a severe lack of human resources, as well as emerging capricious global health risks are also hurdles to Viet Nam's progress.

HIV/AIDS CONTROL

As of April 2015, Viet Nam has 224,611 HIV-positive people, 75,871 AIDS patients and 77,604 AIDS-related deaths. The figures for newly reported cases of HIV, AIDS and related mortality have seen a downward trend over the years and it was estimated that the HIV prevalence among general population would be 0.26% in 2014. While the number of new cases has declined, Viet Nam is unlikely to reach the target of a 50% reduction in new HIV infections by 2015, as committed to in the Political Declaration on HIV AIDS of the UN General Assembly in 2011.

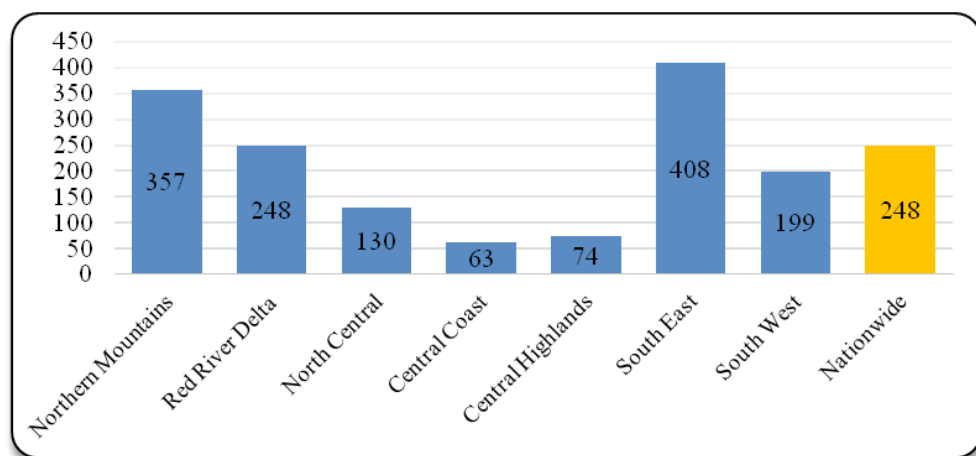
Figure 6.1 Estimated of new HIV cases over the year



Source: VAAC

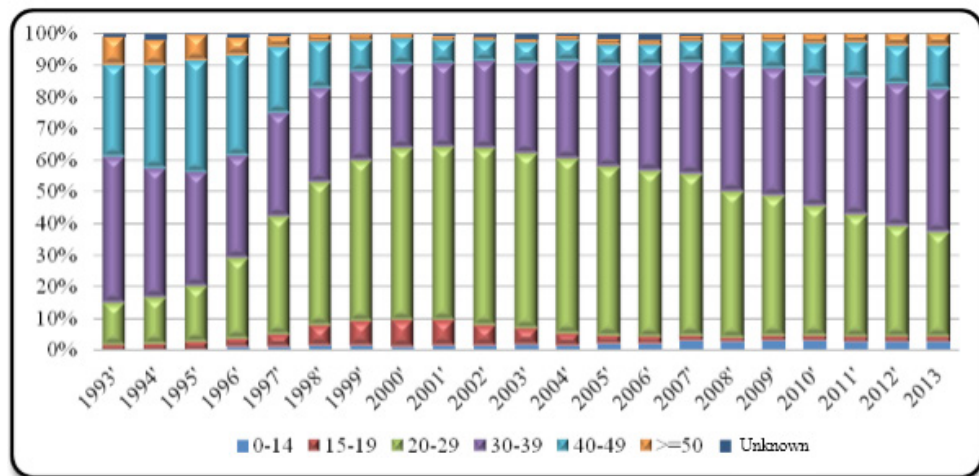
Statistics by geographical areas show the highest concentration of HIV cases is in the Northern, Mekong River Delta and the South East provinces. Distribution by gender shows that the proportion of female HIV cases has been on a steady rise, from 13.7% in 2000 to 32.5% in 2013. By age, the majority of people living with HIV (PLHIV) reported in 2013 are between the ages of 20-39, with those at 30-39 increasingly accounting for the largest shares of new HIV cases.

Figure 6.2 HIV cases per 100,000 people nationwide and by geographical areas (2014)



Source: VAAC

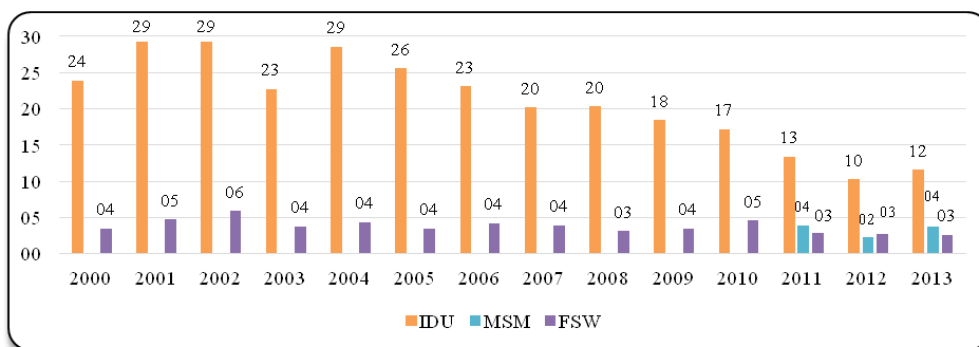
Figure 6.3 Distribution of PLHIV by age group over the years



Source: VAAC

Among the three populations with high HIV-transmission risk behaviors; there has been an overall steadily decreasing trend in HIV prevalence among intravenous drug users (IDUs) from 2004, fluctuations in HIV prevalence among female sex workers (FSW) but overall a downward trend from 2002, and an increase in HIV infection among men who have sex with men (MSM) especially in urban areas. Some research suggests that there might be a new risk for HIV transmission among people who use Amphetamine Type Stimulants (ATS) among youth, MSM, and FSW because of high-risk sexual behaviors after using these drugs. Sexual transmission has also overtaken blood transmission as the most common means through which the epidemic is transmitted, rising from 12% in 2000 to 45% of new reported HIV cases in 2013.

Figure 6.4: HIV prevalence among high risk behavior groups over the years (%)



Source: VAAC

Viet Nam has scaled up comprehensive harm-reduction programs, including the Needle and Syringe Program (NSP), the 100% Condom Use Program (100% CUP) and opiate substitution with methadone maintenance therapy (MMT), to reduce the transmission of HIV among those with high-risk behaviors. The National Comprehensive Condom Program for 2011-2020, which had all

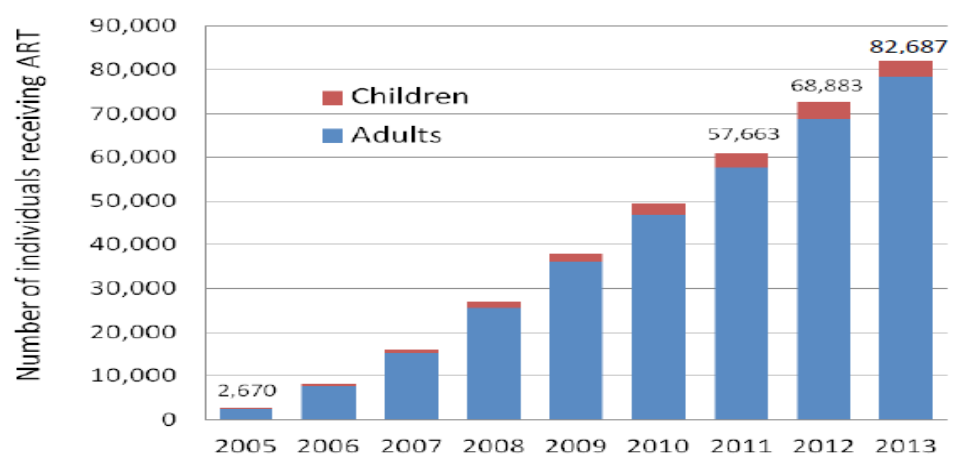
provinces distribute condoms free of charge, has critically addressed the decline in donor resources for condoms in Viet Nam, promoting social marketing for condoms and improving the quality assurance mechanism. As per 2013 data, only 66.4% of men reporting the use of a condom the last time they had anal sex with a male partner and 41.2% of IDUs who report the use of a condom at last sexual intercourse.

IMPROVING HIV/AIDS KNOWLEDGE AND ACCESS TO ART

To spearhead prevention of HIV/AIDS infection, Information, Education and Communication (IEC) activities have been implemented by multi-sectoral organizations and in various forms throughout the country. In the first 6 months of 2014, communication activities were carried out for 5 million people, 13% of which were high risk populations. Activities such as a six-month exhibition on reproductive health have strengthened participation and capacities of the targeted adolescents and young people. Results from multiple surveys indicated an increasing trend in knowledge among youth aged 15-24 years who identified HIV transmission modes and three common misperceptions regarding HIV transmission.

Antiretroviral therapy (ART) services have been continually scaled up in Viet Nam and were delivered at 364 HIV outpatient clinics (OPC) at the end of 2013, among which 56 OPCs provide services in closed settings. The level of compliance after 12 months of ARV treatment in 2013 was 84.6% and remained stable over the past years, and hence meeting the WHO target of over 80%. Since July 2012, Viet Nam has piloted the UNAIDS/WHO-proposed “Treatment 2.0” approach aimed at expanding early access to ART, while promoting sustainability of HIV treatment by integrating related services into primary health care systems.

Figure 6.5: Number of individuals receiving ART in Viet Nam from 2005 to 2013



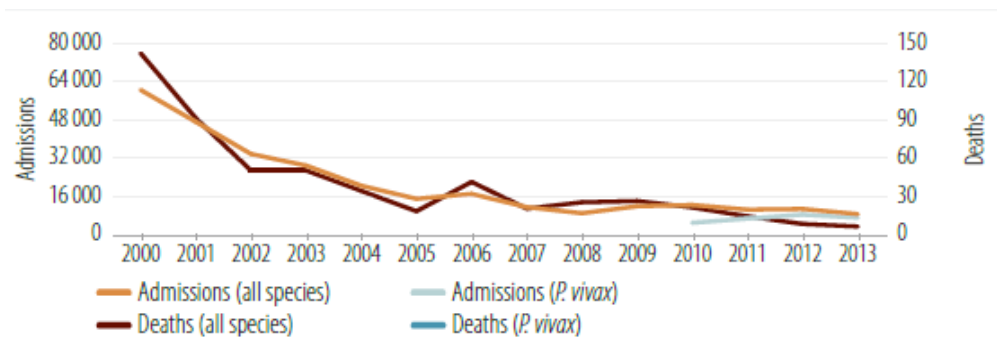
Source: MOH (2014)

Despite marked progresses, Viet Nam is still facing several challenges that hinder its efforts in fighting the epidemic. Although the numbers of people living with HIV (PLHIV), new HIV infected cases and HIV related deaths have decreased, the pace of reduction has been slow and unstable. The HIV/AIDS epidemic has spread to all geographic areas of the country, with PLHIV present in 100% of provinces, 98% of districts and 78% of communes. Meanwhile, the coverage of HIV/AIDS services is still limited. The number of condom and syringes available only meets 50% of demand. The number of patients receiving methadone treatment are only 21% of the target (16,000 out of 80,000), and HIV/AIDS treatment only reached 1/3 the number of PLHIV. Furthermore, there is a lack of social and economic support for PLHIV and other high-risk population groups who continue to suffer from stigma and discrimination while there is currently no dedicated legal service to provide protection for the rights of PLHIV and key at-risk populations.

MALARIA, TUBERCULOSIS AND OTHER DISEASES

In recent years, Viet Nam has achieved remarkable progress in reducing malarial mortality and morbidity by strengthening its malaria program. Since 2000, Viet Nam has achieved a 90% decrease in incidence and mortalities. In 2014, nationwide there was only 6 reported deaths caused by malaria equivalent to a 0.016/100,000 (deaths per population) mortality rate and the rate of case incidence stands at 0.35/100,000. However, malaria is still widespread and concentrated in mountainous, remote and poor areas where ethnic minorities live, and practice outdoor sleeping habits. Drug-resistant malaria parasites have grown in numbers and this risks spread to other regions.

Figure 6.6: Malaria admissions and deaths



Source: WHO (2014)

Viet Nam faces one of the highest numbers of new tuberculosis cases in the world, with around 100,000 new cases every year. Nevertheless, during 1990-2013, estimates for Viet Nam show that the prevalence reduced 4.6%, incidence 2.6% and mortality 4.4% every year. The proportion of new case of tuberculosis has declined from 375/100,000 (2000) to 209/100,000 (2014)²⁵. Although Viet

25 Viet Nam Country Progress Report - The ninth Technical Advisory Group and National TB Programme Managers meeting for TB control in the Western Pacific Region

Nam has carried-out more than 50 years of TB control, Viet Nam has now, for the first time declared a National Strategy for Tuberculosis Control to 2020 and Vision to 2030. The control of TB has faced complications such as the rising prevalence of multi-drug resistant TB and TB-HIV co-infection issues. However, Viet Nam is still likely to reach the target of 187/100,000 cases by 2015.

Viet Nam has also successfully controlled the spread of prevailing infectious diseases such as cholera (no new cases in 2014), typhoid (no deaths in 2014, incidence reduced by 49.3% compared to 2013), and hand foot and mouth disease (8 deaths in 2014, incidence reduced by 61.9%). The persistence and emergence of transnational health risks such as MERS-CoV, Ebola hemorrhagic fever, and Avian influenza strains H7N9 and H5N6 with increasing complications also challenged Viet Nam's capacities in prevention and control of epidemics.

The most major obstacle to the fight against HIV/AIDS as well as the major diseases is the financial sustainability of the programs. International funding for HIV AIDS prevention and control has been falling in recent years. While Viet Nam has been reliant on international community for HIV AIDS prevention and control, e.g. 94% of people receive ART supported by external donors; many donors already ceased their funding for Viet Nam's AIDS program, e.g. DFID and World Bank in 2013. Malaria and TB prevention and control program have also encountered similar shrinking financial and technical support.

With this significant decrease in available international resources, an increase in domestic funding is urgently needed to ensure that recent progress made in the response is not reversed. It is projected that for the 2014-2020 period, self-mobilized sources from state funding, aid, health insurance, enterprises and customers co-payments can only account for 45.7% of the total funding needed for combating HIV/AIDS.

Systemic constraints also pose persistent difficulties. Vital programs such as ART and MMT have not yet been fully integrated into the general health system, causing difficulties in implementing these via the health insurance scheme. Epidemics have become complicated and difficult to manage in some areas, e.g. remote, mountainous and ethnic minority locations where people still have limited knowledge and services are also limited. Other pertinent issues include a lack of personnel, health facilities, equipment and laboratories.



Millennium Development Goal:

- ❖ Integrate the principles of sustainable development into country policies and programs
- ❖ Reverse the loss of environmental resources, achieving a significant reduction in the rate of loss
- ❖ Reduce by half the proportion of people without sustainable access to safe drinking water and basic sanitation
- ❖ Achieve significant improvements in the lives of slum dwellers.

Recognizing environmental resilience as a key pillar of sustainable development, Viet Nam has progressively incorporated sustainability principles into its policies and programs. In addition, it demonstrated its active role in global efforts to limit climate change and environmental damage by honoring its international commitments. This has contributed to some key results, such as in improving access to clean water, basic sanitation and safe housing, reaching the majority of the population and the targeted disadvantaged groups. The country has also made remarkable efforts to fulfill its responsibilities in curtailing green house gas emissions (GHGs) and Ozone Depleting Substances (ODSs), and to increase the natural carbon sink via reforestation programs. However, Viet Nam still has to manage the pressures of a growing economy and a large population – and as a result - biodiversity loss, environmental pollution and violations, as well as inadequate attention to sustainability in favor of economic growth. To reverse these trends and make progress in the next phases of development, especially when stronger sustainability targets will be required under the SDGs, the country needs to exert extra efforts.

INTERGRATED SUSTAINABLE PRINCIPLES IN POLICIES

For more than 20 years, Viet Nam has demonstrated its commitment to balance economic growth objectives with environmental sustainability goals. This progressive approach was first enunciated in the “Strategy for Socio-economic Stabilization and Development 1991-2000” and most recently re-affirmed in the Strategy for Socio-economic Development (2011-2020) with sustainability as one of the key development criteria. The Constitution of Viet Nam also stipulates environmental protection as a responsibility of every citizen and organization. This high-level orientation paved the way for a comprehensive and adaptive environmental legal and regulatory system. Besides the specialized laws on environment, e.g. the prevailing Law on Environment Protection 2014 (amending to the 2005 Law) and the Law on Biodiversity (2008), environmental provisions are also essential part of other

laws where necessary, e.g. the Law on Investment (2005), the Enterprise Law (2005) and the Law on Construction (2003).

In addition to integrating principles of sustainable development into macro-level socio-economic development strategies, Viet Nam has devised specialized policies and programs focusing on environmental issues. These include Strategic Orientation for Sustainable Development in Viet Nam (2004), the Viet Nam Sustainable Development Strategy for 2011-2020 (2012), the National Environmental Protection Strategy until 2012 and the National Strategy for Green Growth 2011-2020 with a vision to 2050 (2012).

In the international context, Viet Nam has actively demonstrated its commitment to environmental protection and sustainable development through its participation in multilateral conventions and treaties. These commitments include Ramsar Convention on Wetlands of International Importance (1989), Rio Declaration on Environmental Protection and Development; Global Agenda 21; UN Framework Convention on Climate Change (1992), the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES); the Montreal Protocol on Substances that Deplete the Ozone Layer; the Vienna Convention for the Protection of the Ozone Layer; the UN Convention on the Law of the Sea; the Convention of Biological Diversity (1994), the International Declaration on Cleaner Production (1999).

Viet Nam has established a system of dedicated government organizations to administer environmental protection. These include two levels of administration: specialized agencies under MONRE, and environmental agencies under other ministries, which are also provided at both national and local levels. Specific action plans have been developed by line ministries and local governments to implement the aforementioned strategies and plans. A range of joint legal documents have been issued by related government ministries and specialized agencies, such as Ministry of Health, Ministry of Construction, Ministry of Industry and Trade, on critical environmental regulations such as environmental standards, environmental impact assessment, environmental licensing, and environmental violations. This inter-agency and inter-level involvement signifies integrated efforts to include environmental consideration into all aspects of development.

The state funding for environmental protection has increased over the years, reflecting the government's commitment to allocate at least 1 percent of the total budget to environmental issues. The national strategy on environment protection to 2020 with visions to 2030 resolves to gradually increase regular spending in the State budget for environment protection up to 2 percent of the total budget expenditure. Viet Nam has also proactively mobilized international support for environmental development. Funding sourced from ODA during 2000 – 2009 , amounted to some USD 3.2 billion (including for forestry, water supply and sewage, liquid waste treatment and environmental sanitation), of which loans were about USD 2.4 billion and grants were some USD 0.79 billion. From 2010 – 2012, funds from international sponsors and loans for the response to climate change in Viet Nam reached more than USD 500 Million.

Table 7.1: State funding for environmental protection (billion VND)

	2013	2014	2015
Total state budget expenditure	978,000	1,006,700	1,147,100
State budget for environmental protection	9,772	9,980	11,400
Growth rate of State budget for environmental protection		2.1%	14.2%
Central budget	1,172	1,450	1,700
Provincial budget	8,600	8,530	9,700

Source: Ministry of Finance (2015)

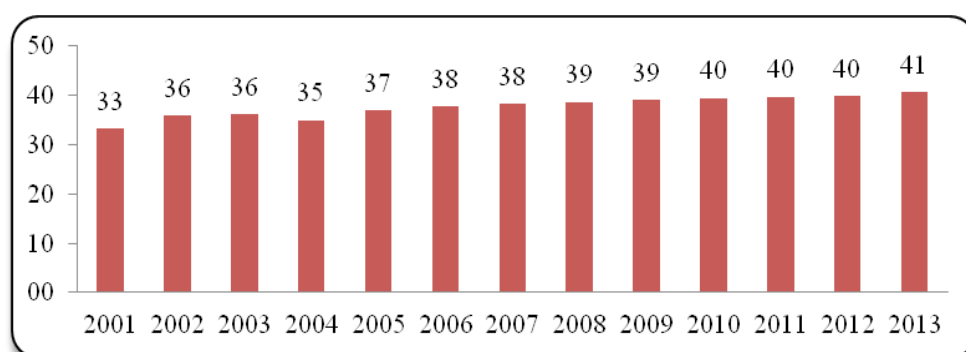
REVERSING LOSS OF ENVIRONMENTAL RESOURCES

Regarding the MDG indicators on the loss of environmental resources, Viet Nam has fared well in some, while has yet to achieve desirable results in others.

1. Forest coverage

Protection and enrichment of forests have been included in Viet Nam's development policies, schemes and action plans such as the Plan on Land Use till 2020, Plans on Land Use for 2011-2015, the Action Plan for 2011-2016, Forestry Development Strategy 2006-2010, Forestry Protection and Development Plan 2011-2020, Viet Nam Sustainable Development Strategy for 2011-2020, and Viet Nam Socio-Economic Development Strategies for 2011-2020. Targeted forest development programs, notably the Five Million Hectare Forest Reforestation Program (1998-2010) contributed to the growth of 1,140,630 hectares of forests during the period 2006-2010. Viet Nam aims to increase national forest coverage to 42-43% by 2015 and 44-45% by 2020. According to the latest figure, at the end of 2013, Viet Nam had 13,954.5 hectares of forests and the total forest cover was 40.7, a number that has experienced a steady rise over the years.

Figure 7.1: Progress on forest coverage over the years (%)



Source: VAF, MARD

Although forest coverage has been expanding, this is mainly due to an increase in planted forests, which have a lower value in terms of biodiversity. Overall in Viet Nam, the value and quality of biodiversity in rich and moderate forests and mangroves has continued to decline. The most destructive infrastructure measures in terms of forest loss are road building and dam construction. While roads facilitate movement of people and goods and thus trigger economic growth, they not only lead to direct forest loss through clearing, but also facilitate encroachment and unsustainable exploitation of natural forests. Construction of dams, reservoirs, roads and other infrastructure has directly prevented the migration of species and caused loss of natural habitats, resulting in harmful and long-term impacts on the survival of wildlife populations. Infrastructure construction also displaced a large number of local residents, mostly ethnic minorities. As the ethnic minorities mostly depend on land and forests for their living, without proper resettlement plans, they would be deprived of their livelihoods and causing them to fall back to slash and burn practices for productive land, further shrinking forest coverage.

Viet Nam recognizes the importance of sustainable forest management and has developed a number of initiatives aimed at protecting and restoring its forests, including the National Forest Development Strategy (NFDS) and Payments for Ecosystem Services (PES) programs within the forest sector. Viet Nam is one of 9 countries selected to implement a pilot UN-REDD Program (the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Viet Nam (UN-REDD)). Its close linkage with the Viet Nam Forestry Development Strategy 2006-2020, the National Targeted Program to Respond to Climate Change, Support Program to Respond to Climate Change in Viet Nam (SPRCC) and other policies and strategies will ensure that it will constructively contribute not only to the development of the forestry sector, but also to the sustainable development of Viet Nam as a whole.

2. Rising emissions of CO₂

As a signatory to the United Nations Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol, although not obliged to reduce GHG emissions and strictly annually prepare GHGs inventories like developed countries, in an effort to properly navigate the country's development toward a low-carbon economy, Viet Nam has prepared national GHG inventories for 5 sectors: energy, industrial processes, agriculture, land use, land use change and forestry (LULUCF) and waste sectors, with respect to the most important GHGs: CO₂, CH₄ and N₂O. Viet Nam has approved National Strategy on Green Growth 2011-2020 and vision to 2050. Among these sectors, energy and agriculture account for the highest GHG emissions, while energy and waste sectors have experienced the most rapid growth.

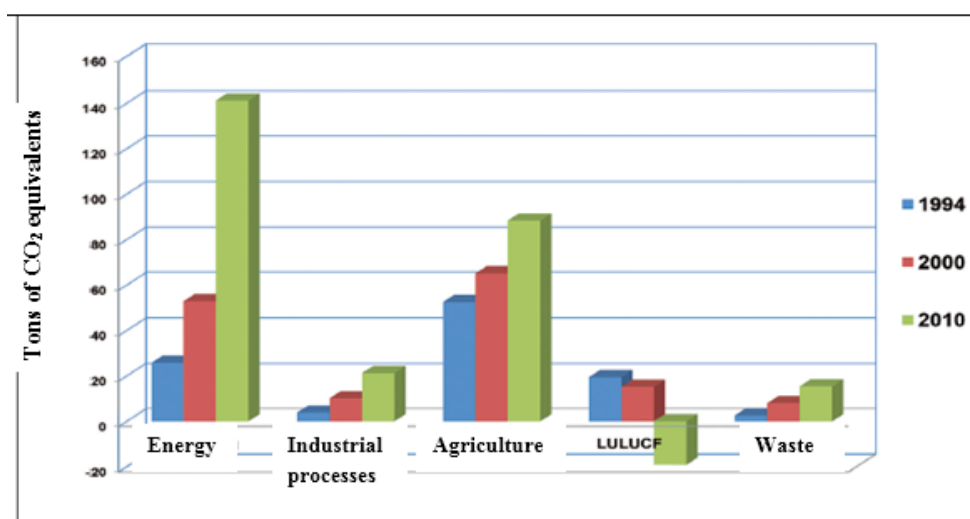
Table 7.2: GHG emissions (in CO₂ equivalent)

Year	1994	2000	2005	2010	2020 (Estimated)	2030 (Estimated)
Total emission (CO ₂ equivalent thousand ton)	103,839	150,900	175,471	246,830	300,400	515,800
Emission per capita (CO ₂ equivalent ton per capita)	1.47	1.94	2.2	2.84	3.12	5.00

Source: MONRE (2014)

To counter rising emissions, Viet Nam has devised a range of mitigation options in each sector, including the development of technologies to reduce GHG emissions, Clean Development Mechanism (CDM) projects and the aforementioned UN-REDD Program.

Figure 7.2: GHGs emissions by sector

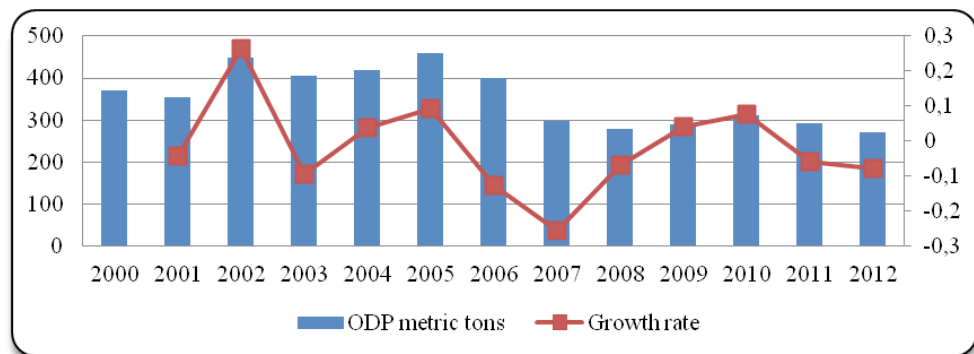


Source: MONRE (2014)

3. Elimination of consumption of ozone-depleting substances (ODS)

As a party to the Montreal Protocol on Substances that Deplete the Ozone Layer signed in January 1994, Viet Nam is obliged to eradicate the use of the ODS and is entitled to financial and technological assistance. Viet Nam has restricted the import of ODS, as well as the application of these substances in business establishments nationwide.

Figure 7.3: Consumption of ODS substances in Viet Nam, 2000 – 2012



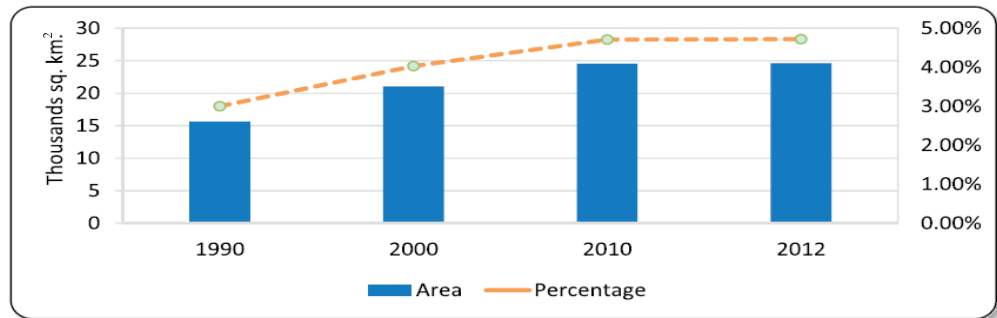
Sources: UNDATA

According to UNDATA, in 2012, Viet Nam consumed only 269.93 metric tons of ODPs, marking a drop in two consecutive years. Since 2010, Viet Nam has got rid of 500 tons of CFC (chlorofluorocarbon), which won the country's UN Environment Program recognition for its positive contribution to the Protocol implementation. The country already successfully eliminated the import and use of CFCs, Halon and CTC between 1995 and 2010. Between now and 2019, Viet Nam plans to cut the use of HCFC substances, mainly HCFC-22, by 900 tons from 3,600 tons at present.

4. Preserving natural resources, especially biodiversity

Following the Law on Biodiversity (2008), the Government of Viet Nam has promulgated a number of strategies and plans related to biodiversity, particularly the 2010 National Action Plan for Biodiversity and Vision to 2020 (to carry out the Biodiversity Convention and Cartagena Protocol on Bio-safety), and the National Action Plan for Biodiversity 2020 and Vision to 2030 (to conserve and sustainably manage biodiversity resources). These guiding documents played a fundamental role in the efforts to preserve Viet Nam's rich biodiversity, which has resulted in the establishment of 180 inland conservation sites, including 30 national parks, 74 nature conservation sites, 56 cultural and historical conservation sites and 20 experimental research forests. As demonstrated in Figure 7.5, the proportion of terrestrial and marine area protected, natural resource conservation programs have experienced an expansion over time. In 2008, Viet Nam also agreed that 45 inland wetland conservation sites would be established by 2020 and the system of 16 marine conservation sites (in 2010), as well as 17 wetland protected areas. Viet Nam has 3 out of 200 globally identified eco-zones by the World Wildlife Fund, one area of habitat for an endemic bird recognized by Birdlife International, and six Centers of Plant Diversity approved by the International Union for Conservation of Nature (IUCN), six Centres of Plant Diversity recognized by the IUCN, nine Biosphere Reserves declared by UNESCO, five Ramsar sites declared by the Ramsar Secretariat and five ASEAN Heritage Parks. During the period 2011-2013 alone, international environmental organizations recognized two Biosphere Reserves, five Ramsar sites and one ASEAN Heritage Park in Viet Nam.

Figure 7.4 Proportion of terrestrial and marine area protected (%), 1990-2012



Source: UNDATA

Despite its conservation efforts, biodiversity in Viet Nam has seen substantial degradation at different level. Natural ecologies especially forest ecology, wetlands and oceans have been facing potential environmental threats. The Viet Nam Red List (2007) identified 882 species (418 animals and 464 plants) as threatened and endangered. This represented an increase of 161 species considered as threatened from the first assessment (1992-1996 – the first edition of the Viet Nam Red List). Also between the first and second assessment were ten species that moved from being classified as “Endangered – EN” to “Extinct in the wild-EW”. The status of aquatic species, particularly those species with an economic value, is declining rapidly. The numbers of rare and precious freshwater fish, in particular those with a high economic value and migratory species have also decreased.

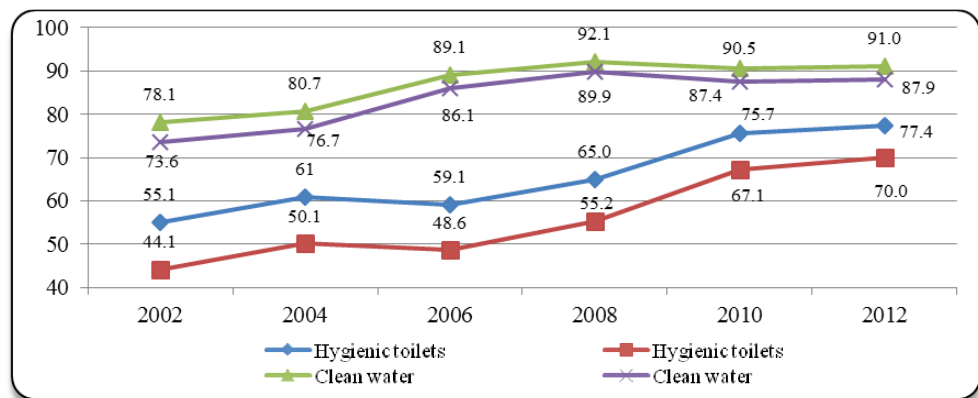
Illegal exploitation of natural resources remains a prickly and pervasive issue. Despite a framework for punishment and handling environmental violations in Chapter 7 of the Penal Code 2009, the management of many law enforcement agencies, not only forest rangers and the Viet Nam Marine Police, but also agencies including the economic police, customs, market management bodies, etc, the number of deforestation violations remain high (28,565 cases in 2012) and the number of wildlife trafficked year by year has been on the rise. The perception that wildlife products such as rhino horns, tiger bones and bear bile are precious and highly effective medicines, is widely held by many consumers. This has led to soaring prices and the expansion of the illegal wildlife trade. Meanwhile, sanctions are not rigorous enough to punish, or deter violations of environmental laws. The pool of natural resources and environment management cadres is neither sufficient nor efficient.

ACCESS TO SAFE DRINKING WATER AND BASIC SANITATION

To achieve the goal of providing sustainable access to safe drinking water and basic sanitation, Viet Nam is currently proactively implementing the National Targeted Program for Rural Water Supply and Sanitation for the period 2012-2015. This NTP seeks to reach the following targets by end of 2015: 85% of

rural population using clean water, 65% of rural households using hygienic latrines, 100% of schools delivering pre-school education and general education and health centers using clean water and latrines. To reach the target of the NTP for the period, Viet Nam has been making steady progress. By the end of 2013, the percentage of people in rural households using clean water was 82.5%, an increase from 62% (2005) and 80% (2010); 60% of rural households used hygienic latrines, and 87% of targeted schools and 92% of health centers used clean water and latrines. Among the regions, Northern Central and Central Highlands had the lowest percentage of people using clean water (73% and 77%, respectively), while the Mekong Delta and Central Highlands had the lowest proportion of the population using hygienic toilets (46% and 49%, respectively). The results of the household living standard surveys have revealed growth in the reported proportion of households using improved sanitation facilities and clean water sources over the period 2002 – 2012, as illustrated in the figure 7.5.

Figure 7.5: Proportion of households using hygienic toilets and clean water resources



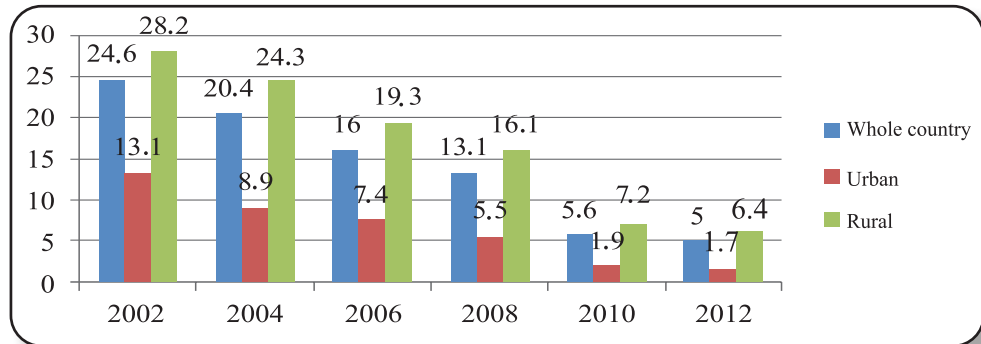
Source: GSO

IMPROVED HOUSING CONDITION

According to the data across successive iterations of the Viet Nam Household Living Standards Survey, the proportion of households living in temporary and other non-permanent housing have declined substantially over the period 2002 - 2012. This achievement can be attributed to several of the government’s policies targeting poor housing conditions. For example, during the period 2009-2012, Viet Nam successfully implemented a program to support poor households to build houses in 63 provinces and cities across the country following a 2008 Prime Ministerial direction (Decision 167/2008/QĐ-TTg), reaching over 520,000 poor households by 2012. More recently, the Prime Minister issued a decision on supporting policies to assist the poor in building houses to weather storms in floods and in the typhoon prone regions of Central Viet Nam (Decision 48/2014/QĐ-TTg). In addressing the challenge of improving housing conditions for ethnic minorities whose shifting cultivation and migratory customs posed considerable hindrances, Viet Nam has mobilized considerable resources to develop a comprehensive policy and programs to support ethnic minorities in cultivated land and settlements. From 2007 to 2012, the government helped

9,827 ethnic minority households, totaling 46,187 people, to establish fixed cultivation and settlement, reaching 33.1 percent of the target.²⁶

Figure 7.6: Percentage of households living in temporary & other non-permanent housing



Source: GSO

QUALITY OF ENVIRONMENT

Rapid socio-economic development and the twin processes of industrialization and modernization have exerted negative impacts on the country's environmental conditions. Air quality in major cities has deteriorated, with the concentration of total air-borne particulates exceeding 1.5 – 4.5 times the national standards for air quality in many areas. Other monitoring indicators such as the concentration of NO₂, SO₂, O₃ in industrial zones, thermal power plants and some craft villages have exceeded permitted standards. The quality of water has increasingly suffered stresses from industrial, agricultural and medical wastes. The amounts of pollutants such as COD, BOD₅, TSS, N-NH₄, Coliform, which surpass 1.3 – 14 times the national standards in many locations, has contaminated lakes, rivers and canals. Coastal water has also shown signs of organic, heavy metal contamination and oil. Land pollution due to improper use of fertilizers and pesticides is a growing issue in intensive cultivation areas, with pesticide residue concentration reaching up to 1.5 – 5.5 times national standards. Environmental hazards resulting from environmental incidents have become more complicated over the recent years, with 15 environmental incidents, 12 of which are related to hazardous chemicals during the 2013 – 2015 period. This aggravated state of the environment has complex detrimental implications for the quality of human development and will demand tremendous resources to tackle these challenges in coming years.

The deterioration of climatic risks also poses very troubling scenarios for the country's environment and development progress in general. The impacts of climate change on the progress of development will be discussed in greater detail in chapter IV of this report.

²⁶ Report No.252/BC-UBTVQH13 of the National Assembly Standing Committee on the results of supervising the Implementation of policies and laws on cultivated and settlement land for ethnic minorities



Millennium Development Goal:

- ❖ Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. Includes a commitment to good governance, development and poverty reduction - both nationally and internationally.
- ❖ Address the special needs of the least developed countries, landlocked developing countries and Small Island developing States. Includes: tariff and quota free access for the least developed countries' exports; enhanced program of debt relief for heavily indebted poor countries (HIPC) and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction
- ❖ Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term
- ❖ In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries
- ❖ In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.

Viet Nam has achieved impressive outcomes in building a global partnership for development. The past years witnessed massive liberalization of trade, reflecting deeper global integration of the economy. Thanks to trade liberalization, Viet Nam's imports and exports have increased immensely, though there are several issues including increasing trade deficits, non-tariff barriers created by foreign markets and low competitiveness of Vietnamese domestic enterprises, inadequate corresponding barriers in the domestic market to support young and infant industries of Viet Nam. At the same time, the low value-added characteristics of export products and services together with high dependency in a few markets have become key challenges for maintaining momentum in the expansion global trade.

Trade liberalization has opened way for remarkable foreign resources to enter the Vietnamese economy. Due to the impact of the global economic downturn, FDI flows have declined in recent years but still play a significant role in providing capital. Alongside these private inputs, ODA has been one of the most important investment capital resources for Viet Nam's socio-economic development. These resources have continuously increased over the years, though their composition and structure changed away from grants and non-concessional loans as Viet Nam has graduated to low middle-income status. Furthermore, in order to effectively utilize ODA, Viet Nam has made efforts in enhancing public investment management and been prepared to address risks associated with borrowed funds, especially repayment capacity. Public debt increased rapidly since 2000 and stood at 55% in 2014, which is regarded as sustainable and at a safe level. Economic

integration also enhances the population's access to better quality essential pharmaceuticals, despite the existing challenge with controlling drug prices. Lastly, it must be acknowledged that Viet Nam's development can be also attributed to a boom in the use and production of information technology and the population's access to information resources, which also enables better governance and monitoring capacity.

PROMOTING INTERNATIONAL TRADE RELATIONS

The 8th Millennium Development Goal advocates an open and liberalized trading system, which in turn, brings about economic development and strengthens the country's institutions. Over the last 20 years, Viet Nam has constantly made efforts to foster its bilateral and multilateral relationships with other countries, beginning in 1995 when Viet Nam entered the ASEAN and officially normalized its relationship with the United States. Trade and economic integration has provided a momentum for economic development while at the same time, drove an overhaul and restructuring of the economy as well as governance, to cope with the potential challenges of economic integration. In fact, liberalization of trade is considered a key factor in securing poverty reduction (World Bank, 2012).

Table 8.1: Viet Nam's participation in FTAs

Year	FTAs
	<i>Signed</i>
1995	ASEAN (AFTA)
2001	Viet Nam – US Bilateral Trade Agreements
2004	ASEAN – People Republic of China FTA (ASEAN – PRC FTA)
2006	ASEAN – Korea FTA (ASEAN – KOR FTA)
2007	<i>Viet Nam Joining the WTO</i>
2008	ASEAN – Japan
2008	Viet Nam – Japan
2009	ASEAN – Australia/New Zealand (AANZFTA)
2009	ASEAN – India (AIFTA)
2012	Viet Nam – Chile FTA (VCFTA)
2014	Viet Nam – Customs Union of Russia – Belarus - Kazakhstan
2015	Viet Nam – Korea FTA (VKFTA)
2015	Viet Nam – Eurasian Economic Union (EAEU) FTA
	<i>In negotiation</i>
	+ ASEAN – EU
	+ Trans Pacific Partnership (TPP)
	+ Viet Nam – European Free Trade Agreement (EFTA)
	+ Regional Comprehensive Economic Partnership Agreement (RCEP) (ASEAN+6)

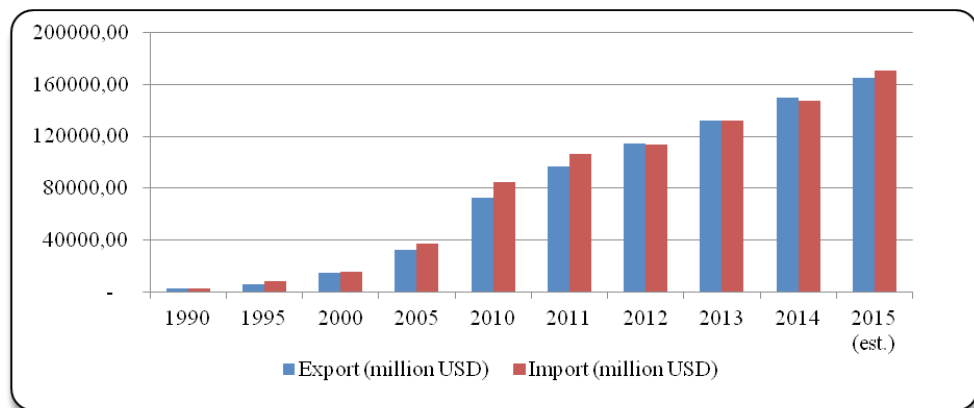
By the end of 2014, Viet Nam has signed and participated in 9 trade agreements, 6 of which are regionally agreed between ASEAN and other countries and 3 of which are bilateral agreements with the US, Chile and Japan. Furthermore, the country has been recognized as a full market economy by India, Australia and New Zealand. Most recently, in May 2015, Viet Nam has successfully concluded negotiation rounds with Korea and officially signed the Viet Nam - Korea FTA and in June, the Viet Nam – Eurasian Economic Union (EAEU) FTA. The country is currently in negotiation for several other FTAs, including the crucial Viet Nam – EU and the Trans Pacific Partnership (TPP), since June 2012 and 2013 respectively.

The benefits from joining these FTAs include lower or zero tariff barriers for a number of exported products and services. To conform to the rules and regulations of the WTO, since January 1, 2007, Viet Nam has been proactively reducing all import tariffs in line with its commitments (including 10,689 tariff lines) to an average of 13.4 percent (from 17.4 percent) over a 5 to 7 years time frame. Therefore, exporters in Viet Nam have enjoyed a larger export market and favorable conditions to enter foreign markets than ever before. Yet at the same time, local firms also face fierce competition from foreign goods and services due to the reciprocal character of the FTAs applied by participating parties. With the newly signed FTA with EAEU, Viet Nam has advantageous access to a market of 175 million people with an estimated GDP of USD 1,500 billion. Following this, bilateral trade is forecasted to increase by 18-20% per year, reaching USD 10-12 billion by 2020 compared to the USD 4 billion in 2014.

Overall, FTAs have brought about positive impacts on Viet Nam's economic development, including a surge in the amount of trade (both import and export) and inflows of FDI. By advocating economic integration, trade reforms have gradually removed import tariff barriers, progressive deregulation of trade regimes and relaxation of restrictions on entry to trading activities. The average weighted tariff rate dropped from 20% in early 1990s to around 15% in the early 2000s prior to accession to the WTO. In turn, with WTO accession, Viet Nam has had to reduce its tariffs on industrial products by 13% on average, on agricultural products by 21% over 3 to 5 years.

Figure 8.1 represents Viet Nam's export and import value in millions of USD over the period 1990 – 2015. Exports have grown 62 times while imports 53 times. However, trade deficits occurred during most of this time, except for some years where marginal trade surpluses were recorded. Notably, trade deficits have been quite high since 2005 and have enlarged due to growing demands of foreign investment and domestic demand for production inputs (i.e. are driven by capital account surpluses).

Figure 8.1: Viet Nam's import-export data in the period 1990 - 2015



Source: MPI's data

Although the country's trade balance remains in deficit, imports and exports show positive trends in relation to the ratio of non-oil exports to total exports. This ratio has steadily increased. Machinery and intermediate goods (including refined petroleum, textile fabrics, etc.) are important to Viet Nam's economic development and have played an important role in export composition. Viet Nam is now the top ASEAN exporter to the US with a record trade surplus of almost US\$25 billion. Bilateral trade reached \$36.3 billion in 2014.

Exports have created strongly positive dynamics for the country's economic development. However, the further Viet Nam integrates into the global economy, the more it will be exposed to global risks such as regional/international economic crisis. Furthermore, when Viet Nam reaches its deadline for relaxing all tariff lines, foreign imports and investment are likely to have an edge in the domestic market, posing strong competition to already struggling local firms. These threats will be heightened, with a higher degree of integration, and notably the Viet Nam – EU FTA and TPP will over time completely remove all tariff lines. Most Vietnamese firms have not and will not be fully ready to take advantage of these trade agreements. Meanwhile, foreign businesses are global enterprises with strong capacities, high technology and will be ready to fully grasp the potential Vietnamese market.

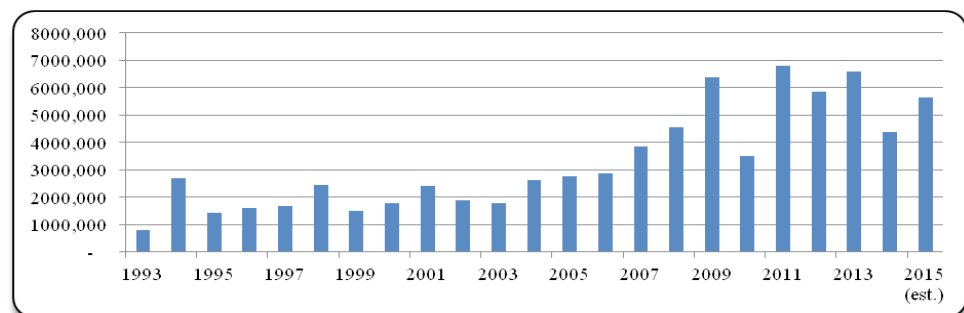
Another challenge for the country when integrating more deeply in the global trading system, with the upcoming trade agreements is that Viet Nam's export products will likely face non-tariffs barriers and local businesses are not been well-prepared for these. The 3 key export product groups that face non-tariff barriers include garments, leather and shoes and aquaculture. There are a number of strict standards that Vietnamese products must satisfy in order to enter the market such as ISO certification, environmental standards, social accountability, certificate of origin and so forth. These high standards have often created significant difficulties for Vietnamese businesses, whose capital and technologies remain under-developed in compared to their competitors. However, Viet Nam has not managed to provide sufficient incentives to enhance the competitiveness of domestic producers and nurture local young industries to succeed against the massive entry of foreign products and services.

Therefore, while Viet Nam has endeavored to build global partnerships, to facilitate the nation’s development, the process of strengthening local firms and national administration systems to ensure stronger competitiveness must now be accelerated. TPP negotiations are now in their final phase, stipulating extremely high standards and posing difficulties for Vietnamese exporters in terms of getting participating markets to open up to the country’s competitive products like garments and textiles, footwear, farm produce and sea food. Besides this, there are stricter requirements than previous FTAs regarding intellectual property rights, environmental protection, reform of SOEs, corruption, government spending and business environment transparency. Therefore, the country needs to make further efforts on administrative reforms, tax and customs burdens as business in countries under the TPP are not subject to such burdensome procedures. TPP will require Viet Nam to move forward with the difficult task of restructuring State-owned enterprises to ensure they are managed with transparency, responsibility, and accountability and that SOEs operate on a level playing field with both foreign and domestic private sector enterprises.

OFFICIAL DEVELOPMENT ASSISTANCE (ODA)

Official Development Assistance (ODA) has been among the most important investment capital sources for Viet Nam’s socio-economic development in the last two decades. ODA received accounts for some 11.4% of total social investment. Since 1993, the amount of ODA received increased progressively, especially expanding in the 2004 – 2009 period. Although during 2011 – 2014, ODA decreased, given Viet Nam has achieved the middle-income country status and the impact of global economic downturn, the average ODA concluded during this period still amounts to almost 6 billion USD per year, double that of the 2000-2010 period. This fact demonstrates the impressive and enhanced capability of the country to absorb increased ODA for socio-economic development.

Figure 8.2: Amount of ODA received during 1993 – 2015 (million USD)



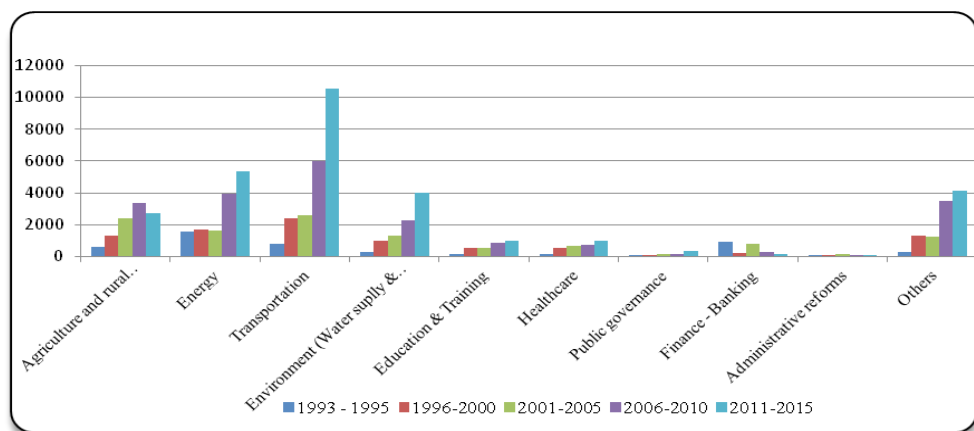
Source: MPI, 2015

The flow of ODA into Viet Nam has increased over the last 15 years. Not only did the volume of aid increase, the effectiveness of aid implementation

has also improved significantly. The annual Consultative Group Meeting for Viet Nam (CG Meeting) is an important channel for the GOVN to discuss with development partners on the progress of the country’s development. The mid-term annual CGs held in local provinces, also played an important role in facilitating donors to understand provincial priorities and development needs, and to meet local aid beneficiaries.

ODA funds have been allocated to key sectors including agriculture and rural development, energy, transportation, water and sanitation, education and training and healthcare. In the 1990s, the top 4 sectors receiving ODA investment included Agriculture and rural development – Poverty reduction; Energy; Transportation; Banking & Finance. Meanwhile, in the early 2000s, the first three sectors still led, while the fourth most invested sector was Environment (Water supply & sanitation).

Figure 8.3: ODA allocated by key sectors in various periods (million USD)



Source: MPI’s data

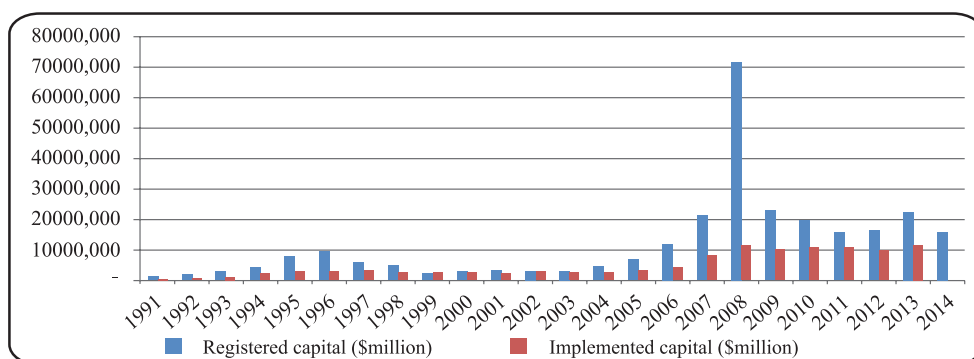
After Viet Nam graduated to middle-income country status, the structure of ODA started to shift from grants/ highly concessional loans to commercial loans. Equally, the Consultative Group of Donors Meeting in Viet Nam was re-named the Vietnamese Partnership Development Forum from 2013. Many donors plan to scale-down and/ or withdraw their operations in Viet Nam after 2015, for example DFID and SDC will exit as bilateral donors in 2016. However, multi-lateral donors and other international organization still commit a very promising amount of ODA to Viet Nam, and these moves demonstrate a strong global partnership between Viet Nam and its development partners.

ODA has been a critical funding source for socio-economic investment in Viet Nam. However, there are certain risks associated with utilizing these resources; especially with limited fiscal space for debt repayment. Viet Nam also needs to establish a better supervision mechanism to effectively utilize these resources. The associated debt burden will be larger in the coming years; especially given loan interest will now be higher and with shorter grace periods. The country will also have to face a number of other risks including currency exchange and cash flow risks due to budget deficits and increasing debt service, technical risks and even natural disaster risks.

FOREIGN DIRECT INVESTMENT (FDI)

Alongside Viet Nam’s integration within WTO, FDI flows into Viet Nam surged dramatically, though the figures for recent years have been significantly lower due to the global financial crisis. This trend was initiated in 2006 when Viet Nam amended various legal documents to meet WTO standards, proving its attractiveness to the investors. After record high FDI registrations in 2008 of 71.1 billion USD, the global financial crisis affected the flow of capital into Viet Nam in the period 2009 – 2012 as FDI decreased only to just above 15 billion USD. However, by 2012 total foreign capital accounted for 24% of total social investment and the FDI owned sector generated 46.3% total industrial production and 63.1 percent of total export value.

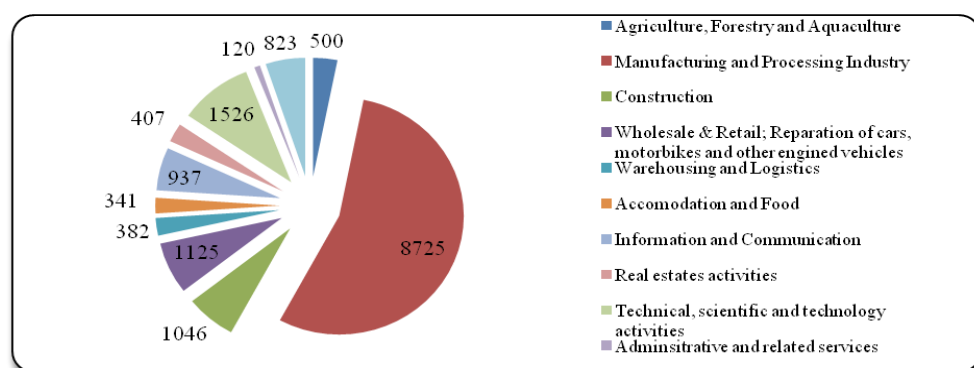
Figure 8.4: FDI capital registered and implemented during 1991 – 2014 (million USD)



Source: MPI’s data

With Samsung’s investment in the high-tech complex in Thai Nguyen province, in 2014, this region led the country in terms of highest registered FDI capital of 3,250.6 million USD for 22 projects, followed by Ho Chi Minh City with 2,863.7 million USD and 381 projects. The top 3 highest investment countries and regional territories in 2014 included Korea, Hong Kong and Singapore. Key sectors attracting investment are manufacturing and processing industries, construction and technical activities, and scientific and technology activities

Figure 8.5: Total value of FDI accumulation by 2013, disaggregated by key sectors



Source: GSO’s data

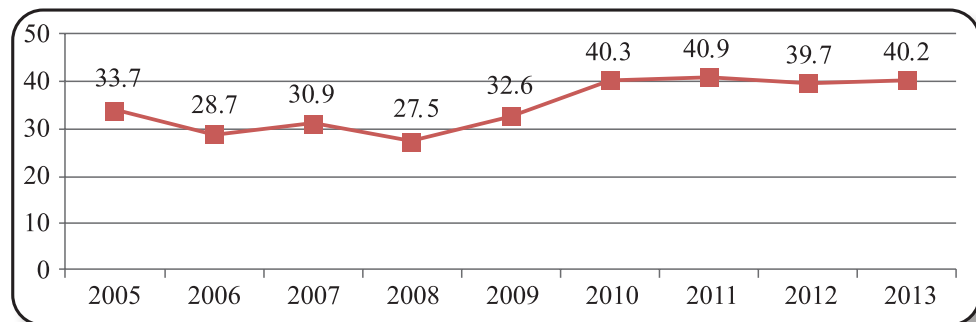
Viet Nam has emerged as a favored investment destination in the Asia-Pacific region. Due to rising labor costs in China, and Viet Nam in the medium and short term, will maintain its production cost competitiveness. However, the challenge for the country in the long-term in order to attract a high inflow investment capital, is to both maintain the current advantage while investing in skills and technical development to climb the value chain as the factories start migrating to cheaper locations.

PUBLIC DEBT, MEDICINE AND TECHNOLOGY

1. Viet Nam's public debt

Viet Nam's external debt stock as a percentage of GNI has risen quite significantly during the 2005 -2010 period, from 33.7% to 40.3%, an increase by 6.6 percentage points in 5 years. However, since 2010, the level of external debt has leveled off and remained at around 40% of GNI, which can be maintained and is sustainable.

Figure 8.6: Viet Nam's external debt stock as a percentage of GNI in 2005 – 2013 (%)



Source: World Bank's data – 2015 International Debt Statistics

At the same time, public debt including public and publicly-guaranteed debt almost doubled since 2000, at around 55% of the GDP in 2014 with increases accounted for largely by the increase in domestic debt (bonds issued by the government during the 2008 – 2013 period). Although signaling risk in terms of debt sustainability, the figure is controlled at a safe level as external concessional loans remain a large share of Viet Nam's debt portfolio (IMF).

2. Cooperation with pharmaceutical companies, provide access to affordable essential drugs

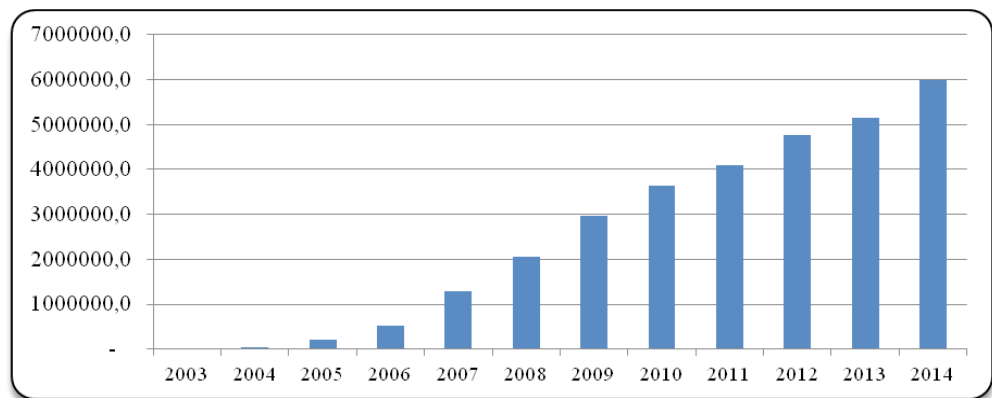
With its economic development, Viet Nam has obtained positive achievements in the pharmaceutical field with medical expenditure per capita increasing from US\$6 in 2001 to US\$19.77 in 2009. The Essential Medicine (EM) list has been revised according to the nation's illness pattern over time and the latest 6th EM was promulgated in 2013. Although access to essential medicines has been improved in Viet Nam, price of drugs is still a concern for the country. The

Ordinance No.40 on prices was issued in 2002, stipulating transparent posting of prices at point of sale and the Ministry of Health also required drug prices to be listed on the application for approval of both domestic and imported drugs for sale in Viet Nam. Despite the post-2012 drug price surge, the line ministry’s efforts to control drug price inflation were effective in keeping rises under the general price inflation.

3. Harnessing the benefits of new technology

The development of technology in Viet Nam in recent years has contributed significantly to the implementation of MDGs. From 2003 to 2007, internet subscriptions in Viet Nam grew at considerable rates and by 2014; the number of subscriptions surpassed 6 million. At the same time, mobile prevalence was consistently high since 2009 while landline phones became less popular in the country.

Figure 8.7: Number of internet subscriptions 2003 - 2014



Data Source: Ministry of Information and Communications, 2015

Thanks to the improvement of IT and communication infrastructure, information deployment to rural and remote areas have been enhanced significantly. In addition, application of information technology into the government and public administrative system has also been of interest. The Viet Nam e-Government Symposium 2014 was held with the topic: “E-Government Development: Modernizing Information Infrastructure and Transforming Public Administration to Drive Higher Citizen Satisfaction”, demonstrating the Government’s efforts to keep pace with more developed countries in e-government and public administration.

CHAPTER THREE

LESSONS LEARNT AND GOOD PRACTICES FROM MDG IMPLEMENTATION

The general lesson to be drawn from 15 years of MDGs implementation by Viet Nam cannot be attributed to a single group, a policy or a specific change, but rather the efforts of the whole nation, including the political system and its people. This lesson can be divided into two groups of factors: a group related to the process of implementing the MDGs, and a group related to Viet Nam's growth model.

Firstly, MDG implementation has been managed very effectively with: (i) Strong official efforts and political determination, with the spirit of the MDGs reflected in international commitments, legal documents and major national policies. (ii) The promotion and propagation of the goals and training on the MDGs, within mainstream planning as the VDGs, has ensured the goals had popular support in Viet Nam. (iii) Localization of the MDGs into the VDGs based on the specific characteristics of Viet Nam - with a focus on poverty alleviation, education, health, helped the country mobilize resources to effectively address these goals and targets, and in recent years, helped prepare for the transition to the post 2015 development agenda (the SDGs); (iv) Viet Nam has ensured strong international commitments (such as the MDGs) are delivered by mainstreaming the goals within the planning process, strategies, key policies, specific and action plans, and has allocated appropriate budget resources. (v) A clear division of responsibilities in monitoring, reporting and coordination of implementation of the MDGs since the first phase was adopted to promote the mainstreaming of MDGs into strategies and national action plans for socio-economic development, to ensure effective implementation, monitoring and harmonized reporting. (vi) Viet Nam has paid attention to building a national database system serving MDG monitoring and implementation. MDGs indicators were integrated into the national system, which allowed Viet Nam to have timely and decision-useful information, assisting policy makers to identify the right approach in the following implementation period, including the focus, case studies and limitations to be addressed. (vii) Viet Nam has drawn valuable lessons in the mobilization and effective use of national and international resources to implement the MDGs, and especially in respect of internal resources. (viii) An equally critical lesson is decentralization, strengthening ownership of the local governments as well as the implementation of a "bottom-up" approach based on participation and consultation.

Second, Viet Nam's inclusive and comprehensive growth model, combining socio-economic development, environmental protection and pro-poor growth has been a key factor in helping Viet Nam achieve success in implementing the MDGs. (i) The State of Viet Nam remained committed to

an economic development orientation which couples improvements in social living conditions with environmental protection. This was embodied in the Constitution, laws, strategies and successive Socio-economic Development Plans and other policy documents issued by the Communist Party and Government. (ii) A comprehensive, diverse system of policies combining sector development, the macro-level and national target programs was established. (iii) Progressive international and regional integration and South–South cooperation has facilitated Viet Nam’s mobilization of resources and sharing of experiences and knowledge, for the implementation of the MDGs, while raising Viet Nam’s status in the international arena.

EFFECTIVE IMPLEMENTATION OF MDGS WITH STRONG POLITICAL COMMITMENT

The 15-year implementation of the MDGs not only helped Viet Nam produce impressive results in each of the MDG areas but also helped in developing national and local capacities as well as drawing valuable experiences in implementing of a major international commitment in development. The contribution to Viet Nam’s successful implementation of the MDG commitments was, first and foremost, an effective and well coordinated process of implementation.

1. Strong political will and commitment

A key experience from MDG implementation is that in order to successfully deliver the MDGs, a high degree of commitment is required at all levels of the political system, from the central to local level, particularly when socio-economic conditions remain difficult.

In Viet Nam, high political commitment towards to the implementation of the MDGs was first and foremost demonstrated in the official statement made by the Vietnamese Head of State before the international community at the Summit of United Nations’ member countries in September 2000. This statement was based on the Party and State’s strategic views on the building of a rapid, effective and sustainable development process whereby economic growth goes hand in hand with the implementation of social progress, social equality and environmental protection. This statement on the Millennium Declaration which laid the basis for implementation of the MDGs not only demonstrated Viet Nam’s determination and sense of responsibility before the international community but also its commitment to implement Viet Nam’s own socio-economic development strategy. Thus, this determination and commitment enjoyed the support and consensus from various levels of government, central, provincial and local.

This well-established high political commitment and national consensus provided Viet Nam with favourable conditions to combine the MDGs with national goals and design proper tasks, steps. Although, initially, the timeframe for the realization of the MDGs and the timeframe for the implementation of the national socio-economic development strategies, plans were not synchronized, creating difficulties for ensuring that , Viet Nam was successful in addressing this problem through the process of formulating and implementing the

Comprehensive Poverty Reduction and Growth Strategy (CPRGS). This served as Viet Nam's principal medium-term strategy, which allowed the achievement of profound objectives in poverty reduction and social equality. As a result, a range of practical targets were identified for Viet Nam's development goals. These targets were not only in keeping with the vision developed by the Government and laid out within national development strategies, but also reflected solutions to the most pressing problems in the implementation of the MDGs during that period of time. In 2004, the Government also adopted the Strategic Direction for Sustainable Development or the Viet Nam's Agenda 21 which, among other things, stressed the need for harmony between economic development, social development and environmental protection which, in turn, was in full line with the direction mandated by the MDGs.

In the educational field, the political commitment was evidenced in the Vietnamese State's consistent effort of putting into practice President Ho Chi Minh's thoughts on educational development. The strong commitment to abolish illiteracy and achieve universal education were not only reflected in the Government's political statements but institutionalized in the existing system of legislation as well as elaborated and concretized in socio-economic development strategies and the actions of localities and of the educational sector itself.

With regard to gender equality, the Vietnamese leadership's high political commitment was clearly demonstrated in accomplishment of Viet Nam's obligations as a signatory state to the UN Convention on the Elimination of All Forms of Discrimination against Women (CEDAW). Viet Nam's efforts in recent years in formulating, implementing and enforcing the Gender Equality Law and the Law on Domestic Violence Prevention demonstrated Viet Nam's strong commitment to the continued realization of its goals in gender equality, social progress and social equality. The implementation of gender equality and women empowerment as well as other women's rights and interests have been institutionalized and ensured by a system of the Government's policies and Law.

It was thanks to the high determination and political commitment at the highest level of national leadership that Viet Nam was successful in mobilizing available resources, including both domestic international, as well as the active participation of civil society organizations (CSOs) and communities. Political commitment helped in uniting the Vietnamese nation and the country as a single unified block unanimously determined to implement the MDGs and other national development goals.

2. Due attention given to communication and dissemination

Excellent communication and dissemination ensured the MDGs and the ensuing VDGs became widely known in Viet Nam. Due attention was given to the use of communications and the diversity of modalities, such as training activities, TV programmes, news reports, leaflets, forums, contests and, consultation events . These were employed to disseminate and provide information, knowledge on the MDGs and VDGs to various target groups from policy-makers at various levels, research institutions, academic institutions, economic organizations, socio-political organizations, non-governmental organizations (NGOs) and the general population. In addition, attention was given to organizing training workshops on imparting skills to synthesize and analyze MDG results as well

as techniques to integrate MDGs into the process of developing, monitoring and evaluating plans and programmes, in order to ensure information on the MDGs/VDGs was effectively used for policymaking. This was also of great help to the Government in mobilizing assistance and support from various stakeholders during the MDG implementation process.

3. Nationalization and prioritization of the MDGs during implementation process

Based on the MDGs and national development directions, Viet Nam established 12 development goals of its own - the “Viet Nam Development Goals” (VDGs) and which focused on social and poverty reduction goals. VDGs fully reflected MDGs and, at the same time, took into account Viet Nam’s own development characteristics and national aim of realizing the ultimate goal of “developing a rich people, a strong country and a just, democratic and civilized society”. An additional number of sectors were included and stressed in the VDGs, namely good governance, reduced gaps between ethnic groups and infrastructure development. In particular, determination to reduce poverty was a high and overarching priority and was seen as the ultimate goal of the VDGs. Together with the MDGs, the VDGs were also mainstreamed into national socio-economic development strategies, plans and further broken down in detailed objectives. It was thanks to this nationalization and prioritization process that Viet Nam was able to orchestrate its resources to successfully address its core poverty reduction and other goals in basic education, public health.

Particularly, in recent years, the prioritization process received additional attention with the aim of further accelerating the realization of the MDGs. Of particular notice was the adoption on 13 January 2014 of Government Resolution 05/NQ-CP on accelerating the implementation of the MDGs for the Health Sector. Identifying ethnic minorities as the group that was most lagging behind all the MDGs which was preventing realization of the MDGs at national level, the Government has developed and will soon approve the “Framework Plan to promote MDGs for ethnic minorities linked to the post-2015 SDGs”. These are important steps forward for Viet Nam in accelerating the implementation of the MDGs, identifying the existing shortcomings that should be addressed as well as laying the foundation for a smooth transition to the implementation of the post-2015 SDGs.

4. Integration of MDGs into programmes, plans and policies of the country

Viet Nam has been effective in introducing international-level commitments, such as the MDGs, into national-level processes by widely integrating these goals into important strategies, plans, policies of the country. This has included ensuring that the specific action plans are in place and adequate resources allocated for the implementation of such goals.

At the beginning of the implementation process, the MDGs were mainstreamed into the CPRGS, Viet Nam’s primary planning document and its Agenda 21 framework. During the latter years, the MDGs have been more deeply integrated into the country’s Socio-Economic Development Strategy (SEDS) for 2011-2020 and the Five-Year Socio-Economic Development Plans (SEDP) for 2006-2010 and 2011-2015, and the annual socio-economic development plans for the country and for localities, as well as sectoral development plans.

Viet Nam has focused on the most challenging goals such as sustainable poverty reduction, clean water and rural sanitation, effective and efficient energy utilization, response to climate change and HIV/AIDS prevention. A series of Prime Minister's documents were issued in order to institutionalize and guide integration within planning, monitoring and reporting on the implementation of the MDGs.

5. Clear task division and mechanism for monitoring and reporting on the implementation of the MDGs

After the Millennium Declaration was approved and the commitment was made to implement the MDGs in 2000, Viet Nam immediately initiated the implementation process. In its role as the Government agency responsible for State management of development planning, investment and statistics, the Ministry of Planning and Investment was assigned by the Prime Minister as the national focal point for monitoring, evaluating and reporting on the implementation of the MDGs.

With the passage of time, this decision proved to be foresighted from the very beginning of the MDG implementation process. Delivery activities were well coordinated, closely monitored and duly reported through the national focal point in terms of strategic advice and socio-economic development planning. This division of responsibilities ensured that guidance was given on how to integrate the MDGs into the SEDSs for 2001-2010 and 2011-2016, into Five-Year and Annual SEDPs at national, local and sectoral levels as well as into targeted and dedicated programmes and policies. At the same time, the implementation of the MDGs was closely monitored and reported in a timely manner, together with the lessons learned, the difficulties encountered and the challenges faced, which together constituted a useful basis for planning development programmes, policies and reporting to the international community on the implementation of Viet Nam's MDG commitments. Led by MPI as the national focal point, Viet Nam prepared 4 country reports on the implementation of the MDGs in 2005, 2008, 2010 and 2013 and this final country report in 2015.

6. Emphasis on data collection for monitoring and reporting on MDGs implementation

Monitoring and evaluating the implementation of MDGs provided Viet Nam with useful information and valuable experience and helped policymakers in determining the direction of follow-up implementation, including determining the focus, success models, shortcomings to be addressed and adjustments to be made.

The role of the MPI and the engagement of General Statistical Office (GSO) in this process helped in ensuring that the collection of data was harmonized and timely. Legal documents relating to the collection of data on the MDGs such as Decision No. 1755/QĐ-TTg on "Principles and tasks for reporting on the implementation of MDGs" and major reforms in the statistical field as stated in the "Strategy for statistical development in Viet Nam for 2011-2020 and the vision until 2030" created a stepping-stone for comprehensive improvement of the collection of data on the MDGs.

Today Viet Nam has a historical database for MDG indicators which has been updated until 2015. From a point in time when only 50% of the MDG indicators

was collected, it is now possible to collect up to 75% of the MDG indicators. However, in the coming SDG commitments with 17 goals, 169 targets and hundreds of measurements, the strengthening of the data collecting system will become even more important and require extra effort.

7. Effective mobilization and utilization of diverse resources

Implementation of the MDGs required the availability of major and well-targeted resources, which was always a major challenge to a poor country like Viet Nam. The Vietnamese Government made a great effort and was successful in mobilizing a major amount of domestic as well as external resources, including ODA from international bilateral and multilateral donors.

State budgetary resources were always the major financing source for MDG implementing activities. Through the integration of the MDGs into national socio-economic development goals, the Government ensured the mobilization of resources from both central and local budgets for their implementation.

The resources mobilized from individuals and organizations, both domestic and foreign, were also of importance ensuring successful implementation of the MDGs. Viet Nam designed and applied, country-wide, “socialization” policies, policies that helped mobilize resources from organizations, individuals in order to increase the access to essential public services, particularly education and health services. Although the implementation of “socialization” policies in the education and health fields helped to considerably increase the coverage of services, there remain concerns over the polarization in the quality of such services and inequality in the access by different income groups.

ODA also made an important contribution to the implementation of the MDGs and socio-economic development goals generally. This was especially in poverty reduction and improvement of social protection in difficult, remote, isolated regions and regions largely populated by ethnic minority groups. The Consultative Group Meeting (CGM) for Viet Nam held in Paris in November 1993 marked the restoration of development cooperation relations between Viet Nam and the international community. Following this, Viet Nam became one of the highest recipients of international development assistance.

Viet Nam fully recognized that ODA was an important financing source for national socio-economic development. The Prime Minister issued “Directions for the attraction, management and utilization of ODA and other soft loans for the period 2011-2015” which served as an effective management framework for ODA resources and emphasized Viet Nam’s development priorities in international cooperation. This cooperation and international integration were mainstreamed into MDGs within the context of development programmes and policies. Vice versa, MDGs were integrated into ODA-supported programmes and projects.

Assistance coordination in Viet Nam was handled harmoniously, through four main donor groups (the 6 major Development banks, the Like-minded donor group, the EU and the United Nations agencies). The Government maintained a dialogue with its development partners and NGOs on Viet Nam’s international cooperation and development programmes through the high-level Consultative Group (which is now called the Viet Nam’s Development Partners Forum) and other forums. These, in turn, provided good opportunities for the Government

and its partners to discuss issues relating to the effectiveness and efficiency of ODA resources.

However, as mentioned in some detail in Chapter 4, Viet Nam faces major challenges in the mobilization of resources for the implementation of post-2015 SDGs. With lower medium income country (MIC) status, it is forecast that ODA resources for Viet Nam will decline and development loans be less concessional, particularly for the social sector. At the same time, socio-economic fluctuations and impacts from climate change, pose major questions for the future mobilization and effective utilization of resources for development. This would encourage Viet Nam to expand and search for creative solutions in order to mobilize resources for development. New modalities, such as public-private partnership (PPP), further “socialization”, South-South cooperation, will therefore be carefully explored and appropriately applied to the country’s conditions.

8. Enhancing ownership

During the process of implementing the MDGs, Viet Nam learned valuable lessons in terms of management decentralization, enhancement of ownership of local authorities, implementation of participatory and consultative “bottom-up” approaches. While introducing market-based reforms, both Viet Nam and its donors strongly supported management decentralization to grassroots level. Viet Nam has made efforts in increasing decentralization of budgetary management and administration as reflected in its national poverty reduction programmes and a general guiding principle was to give increased ownership and accountability to the lowest level possible.

In parallel with management decentralization efforts, improvements were made in the application of participatory consultations and “bottom-up” approaches in decision-making and planning processes. “Bottom-up” approaches encouraged the participation of, and consultation with, communities in the design and planning of programmes, projects and policies relating to development objectives. This was helpful in ensuring that policies were designed to serve the interests of targeted groups and responded to their needs and expectations. Programme 135, with its consultative meetings organized by local authorities to seek comments from communities on their concrete development needs, offers a valuable example to illustrate the application of these approaches. Relevant stakeholders’ opinions were listened to and noted, while they were also encouraged to participate in investment projects through direct contributions of manpower and resources, as well as oversight and monitoring of project implementation. Such approaches were replicated by other poverty reduction programmes, projects and policies relating to the improvement of education, health care and environmental protection.

Together with the improvements in ownership and participation, it is worth mentioning increased participation by CSOs in Viet Nam. Mass organizations, which had country-wide networks and representative offices from central to grassroots levels, were seen as part of the country’s social fabric. Social organizations consist of the Women’s Union, the Farmers’ Association, the Youth Union, the Veterans Association, and the Elderly People’s Association. As the missions and values of these organizations were broadly in line with the MDGs, their activities were strongly supported by the Government. Mass campaigns and movements initiated by these organizations made important contributions to the achievement of the MDGs. Examples that were worth

noting include the Learning Promotion Fund encouraged families to allow their children to go to school; the Women's Union worked in coordination with the Ministry of Health in launching campaigns to improve reproductive health care and family planning; the Youth Union and schools cooperated in launching the HIV/AIDS prevention programme; the Elderly People's Association, the Women's Union and the Youth Union together initiated the community-based environmental protection movement.

Lessons learned from the implementation of the MDGs constitute valuable experiences for the country and are suitable for continued application in the accomplishment of the remaining MDG tasks as well as in the implementation of the post-2015 SDGs.

INCLUSIVE, SUSTAINABLE AND PRO-POOR GROWTH

Viet Nam's success in the implementation of the MDGs and its graduation the group low income countries to lower MIC status was largely thanks to a period of rapid growth and changes in economic structure based on an inclusive growth model, which emphasized full employment and growing global integration, supported by pro-poor economic social development policies and environmental protection.

1. Economic development in parallel with improvement of living conditions and environmental protection

Since the early days after the birth of the State in 1945, the Vietnamese Government, headed by President Ho Chi Minh, paid special attention to hunger eradication and poverty reduction and the development of education, public health and other social services. President Ho clearly stated that "even if our country has gained independence and freedom but our people remain hungry and poor, then this independence and freedom would not be very beneficial". Since then and to date, the objectives of hunger eradication, poverty reduction, social progress, environmental protection and social equality have consistently been pursued by the Party and State of Viet Nam and have always been leading contents in national and local development strategies, plans, and programmes.

Important economic reforms have generated major impacts on poverty reduction and social development

Since the launching of the Doi Moi renovation programme during the 1980s and early 1990s, Viet Nam has undertaken reforms in many economic sectors, of which agricultural reforms and enterprise reforms aimed at progressively easing barriers in private sector activity and eliminating international trade barriers were the most important steps to create a driving force for economic development and poverty reduction. These renovation policies stimulated domestic and foreign investment and generated momentum for economic growth. Particularly, during the early stage of the renovation programme, economic growth made a one for one contribution to reducing the incidence of poverty. Indeed, research by the World Bank shows that through the 1993-2002 period, each 1% of GDP growth per capita resulted in a corresponding 1.2% - 1.3% decline in the poverty rate (Viet Nam Development Report 2004).

Viet Nam has conducted agriculture reforms in 1988. Acknowledging “farmer household is an autonomous economic unit”, the reforms facilitated the implementation of farm land distribution to agricultural households during the period of 15 to 20 years and legalization of agricultural household as the main economic unit in agricultural production. The Land Law was revised and amended in 1993 to realize equal land distribution to rural households, giving the households the rights to exchange, lease, hire, mortgage, transfer land use certificates in the long term and allowing the private sector to access land resources and transfer land use certificates for industrial development purposes. Together with agricultural policies that encouraged investments and agricultural market liberalization, the reform measures contributed to increasing output and productivity of commodity plants and industrial crops, diversifying rural livelihoods and expanding the exportation of agriculture products. During the early stage of development, increases in agricultural income became the main driving force for poverty reduction on rural areas.

The Enterprise Law which was promulgated in the 1990’s and was revised and amended during the 2000’s helped cut cumbersome registration procedures and legal obstacles, therefore opening the way for a series of private sector enterprises to join the market. The Enterprise Law also helped ensure equal access to market opportunities by State- and non-State enterprises. The easing of barriers to private sector activity due to legal and institutional reforms helped increase the effectiveness of enterprise operations and led to strong growth of this sector. In addition, the private sector generated a considerable amount of jobs for the poor and became an important driving force for poverty reduction during the period. It was often that the poor had difficulties in accessing the formal economic sector because they lacked qualifications and skills. Nonetheless, the development of the private sector thanks to trade liberalization since the 1980s generated a large amount of jobs for the poor. In 2011, labour in the private sector constituted over 62% of the total labour force - representing a double increase over the year 2000 (OECD’s 2012 report).

The Foreign Investment Law which was enacted in 1987 with ensuing revisions and amendments, helped attract large amounts of capital and technology for expanding production and market. The revision and amendment of this Law in 2000 streamlined procedures for the issuance of business registration certificates and for the management of foreign investment enterprises, thereby contributing to improving the business environment in order to attract increased foreign direct investment (FDI). The fact that export-oriented enterprises with foreign investment were allowed to do automatic registration and the easing of regulations on import transactions helped strongly attract FDI flows into Viet Nam. This was a particularly important force for economic growth during the early period of renovation.

Liberalization of international trade opened the doors for foreign trade and FDI flows into Viet Nam, strongly encouraging private sector investment, public investment and growth in exports. During the early period of renovation, the expansion of labour-intensive industries to produce industrial goods that had comparative advantages generated a major demand in the labour market and provided a considerable number of jobs to unskilled workers. Within less than a decade, the ratio of exports over GDP doubled and FDI flows increased continuously over the years. In addition, Viet Nam established partnership relations with many countries and economic groupings, such as the EU,

ASEAN, APEC. Of particular notice was the signing of the Bilateral Trade Agreement (BTA) with the United States in 2001 and the accession to the World Trade Organization (WTO) in 2007 which consolidated Viet Nam's process of economic restructuring, promoted profound reforms, improved the quality of public services and, most importantly, reduced poverty incidence significantly.

Directions for social development

In parallel with the direction and major policy frameworks to promote economic development, Viet Nam undertook major reform measures in the social sector such as in education, training, public health and health care, labour and employment and social security policies (including hunger eradication and poverty reduction). Viet Nam was one of the primary countries that had Socio-Economic Development Strategies and Socio-Economic Development Plans in which the economic, social and environmental pillars were included and given due consideration.

During the 2001-2010 period, the SEDS for 2001-2010 period was approved with the overall goal of taking the country out of low income status. In addition to economic objectives and targets (GDP growth, capacity utilization), the SEDS outlined clear social and environmental objectives and targets (e.g. HDI, poverty rates, nutrition, life expectancy etc). The SEDS was thereafter elaborated into Five-Year and Annual SEDPs and sectoral development plans at national and local level. Of particular note was the SEDP for 2001-2005 which set out objectives for the effective use of resources for hunger eradication, poverty reduction through several major approaches including infrastructure development for the poor and for people in remote, isolated regions; budget allocations to support mountainous regions and other poor communities including the development of basic infrastructure works of which irrigation, drainage, schools, medical stations, roads, electricity, clean water were the highest priorities.

The SEDP for 2006-2010 more strongly emphasized and addressed poverty reduction than it did during the preceding period. Three main aspects of poverty reduction that were included in the SEDP were: strengthening agricultural promotion; improving the provision of basic social services such as education, healthcare to regions with especially difficult conditions; and to promote participation and enhance the accountability of people for hunger eradication, poverty reduction programmes.

The CPRGS created a break-through in policy planning by clearly defining development objectives in keeping with policies and applying an approach that links effectiveness to the use of resources; mobilizing active participation of all relevant stakeholder groups in efforts to eliminate hunger, reduce poverty and improve all aspects of the living standards.

With unprecedented and comprehensive efforts of the state, its agencies and its people, in 2010 Viet Nam was officially listed as a lower MIC country, in accordance with the objectives set out in the SEDS 2001-2010.

During the 2011-2015 period, with the lower MIC status, the country's views on national development evolved to include intrinsic sustainability objectives and further emphasized the importance of social development in parallel with economic development.

The SEDS 2011-2020 reflected the linkages and possible trade-offs between rapid development and sustainable development, with sustainable development being seen as the overarching requirement in the Strategy. The SEDS sought to properly tackle the relationship between economic development and cultural-social development, social progress, social justice and environmental protection. It outlined the need for ensuring a rapid growth rate, reducing development gaps with other countries while also checking the validity seeking growth without taking due account of the quality of growth. Sustainability was particularly stressed alongside poverty reduction - at a time when a large percentage of households had fallen back or were vulnerable of falling back into poverty as a result of the adverse impacts from the 2008 economic downturn.

The SEDP 2011-2015 was prepared with three distinct pillars covering economic development, social development and environmental protection. Again, efforts were made to ensure economic development objectives were put on a par with the objectives of improving and upgrading the quality of education, training, human resource development, improving the material and moral life of people, strengthening environmental protection work and proactively responding to the impacts of climate change. Particularly priority was given to groups of poor people, ethnic minorities and people living in mountainous, remote, isolated regions.

Another point of particular note from the directions for poverty reduction and social development during this period was Resolution No. 80/NQ-CP on Sustainable Poverty Reduction for the 2011-2020 period that was adopted by the Government in mid-2011. The guiding principle of this resolution was to reduce poverty sustainably with due consideration being given to difficult regions, e.g. mountainous regions and ethnic minority regions, and focus being put on reducing the existing gaps in living standards between urban areas and rural areas, between geographical regions, ethnic groups and population groups.

Notably, by mid-2012, for the first time, the Party's Central Committee issued a resolution on social policies, entitled "Resolution No. 15-NQ-TW on major issues relating social policies for the 2012-2020 period". This action once more confirmed that the Party and State of Viet Nam remained of the view that social policies had a particularly important role to play and was the goal as well as the driving force for rapid and sustainable development.

It was precisely Viet Nam's comprehensive development directions covering economic, social as well as environmental sectors that constituted the driving force for the Government to determine important policies to promote economic development in parallel with poverty reduction and social development. The system of laws and development policies for various social sectors was continuously amended and improved. The coverage of social protection was increasingly expanded and the levels of support were also increased. The resources for development investment in social sub-sectors was to increase continuously, thus producing and encouraging economic and social results, particularly Viet Nam's achievements in the implementation of the MDGs.

It is against these set of current and emerging challenges that Viet Nam will embark on the implementation of the post-2015 SDGs, with a set of more ambitious global goals and within the context of many economic, political changes and limited resources. It will be essential therefore in this coming period, to further consolidate political will for further comprehensive reform, and to secure more balanced and inclusive economic growth. Only by so doing,

will social development and promotion of human rights be guaranteed, thus creating a driving force for sustainable development.

2. A comprehensive and diverse policy system

A salient feature of Viet Nam's policy approaches that made an important contribution to the successful implementation of the MDGs was its comprehensiveness, diversity and complementarities. Viet Nam's major direction, strategies, master plans, plans at the national level were elaborated into specific socio-economic development policies, programmes for individual sectors and fields, dedicated policies, programmes for selected geographical regions and target groups, and national targeted programmes.

Socio-economic development policies, programmes for individual sectors and fields were designed in such a way to reach objectives set out in various national, local SEDSs, SEDPs for individual sectors/fields (e.g. education, public health, housing, land, electricity, clean water) whereas the design of dedicated policies, programmes was based on characteristics of regions and population groups in order to produce the highest degree of effectiveness in the implementation of overall strategic priorities. In the meantime, national targeted programmes (made up of 16 programmes for the 2011-2015 period) were aimed at addressing pressing issues that were cross-sectoral, inter-regional nature, that were of major importance to the country's wider development, that require concentrated resources and needed close central guidance. Dedicated programmes and national targeted programmes were intended to bring about economic and social benefits for communities affected by with severe difficulties and highly vulnerable groups.

Representative dedicated policies, programmes and national targeted programmes that generated direct impacts on the poor and aimed at poverty reduction and social development objectives included: the National Targeted Poverty Reduction Programme (NTP-PR); the Sustainable Poverty Reduction Programme for 62 Poor Districts (Resolution No. 30a); the National Targeted Programme for Rural Development; the National Targeted Programme on Clean Water Provision and Rural Sanitation; the National Targeted Programme for Education and Training; National Targeted Programme on Vocational Training to 2010; Socio-economic Development Programme for Specially challenged Communes in Ethnic Minority and Mountainous regions (Programme 135).

Most noticeable among these programmes were a number of comprehensive and long-term programmes that were aimed more directly at poverty reduction objectives, including:

() National targeted poverty reduction programme (NTP-PR):*

The implementation of the NTP-PR commenced in 1998 with the original name of "National Targeted Hunger Eradication and Poverty Reduction Programme" (HEPR). During the 2006-2010 period, the name of the HEPR was changed to what it is called today, i.e. NTP-PR. The HEPR provided a national action framework for the coordination and integration of actions being undertaken in various sectors and fields at different levels of government. Its direct beneficiary groups were poor households in the most difficult regions across the country. The HEPR, which consisted of 6 supportive policies and 12 projects, provided

various forms of support aimed at enhancing access to basic social services as well as improving livelihoods of the poor. These included access to education, healthcare and low-cost housing. Support in terms of agricultural promotion and forestry promotion was also made available in order to improve livelihoods and encourage the poor to engage in productive activities.

() Programme 135 – Social-Economic development programme for especially difficult communes in ethnic minority and mountainous regions*

Programme 135 was Viet Nam's largest National Targeted Poverty Reduction Programme which provided support to especially difficult communes in mountainous, remote, isolated regions in 40 provinces across the country. Its implementation officially started in 1998 and was divided into three stages: 1997-2006, 2006-2010 and 2012-2016. The focus of the first stage was infrastructure development at commune, inter-commune and village levels and, at the same time, promoting agricultural livelihoods. The second stage saw the programme expanded to communes in 50 provinces. Its objectives were geared to comprehensive and sustainable poverty reduction through providing support to and promoting development in production, income generation, infrastructure, cultural and social activities and human capacity. During its period of implementation, poverty declined by an average of 3.6% annually in the targeted beneficiary locations.

() Sustainable Poverty Reduction Programme for 62 Poor Districts (Resolution No. 30a)*

Programme 30a was aimed at generating rapid improvements in the material and moral life of poor households, ethnic minority people in the poorest districts across the country (i.e. districts with a poverty rate of over 50%) with the aim of reaching a living standard similar to that of other districts in the same region by 2020. More specifically, by 2020, most of the communes should have been easily accessible by motor transport during all four seasons (roads would have reached villages, hamlets included in development plans); electricity provided to most of the population; and conditions for schooling, health care, cultural activities, preservation of ethnic cultural features been ensured.

These targeted and dedicated programmes, policies which were of particular relevance to Vietnamese conditions during the early stage of MDG implementation, generated marked improvements in the social and economic life of the country, demonstrated Viet Nam's strong commitment to concerted efforts for promoting economic growth coupled with comprehensive social development. This was a valuable experience that Viet Nam is keen to share with the international community.

However, in recent years, Viet Nam's system of policies – including the National Targeted Programmes, has revealed a number of shortcomings in management, execution and decentralization mechanisms. Most noticeable of these was the fact that there were too many desperate policies and projects. These often had differing delivery mechanisms and overlapping content, inadequate budget allocations, high operational costs and cumbersome procedures. This situation reduced effectiveness, led to wasted resources and brought about only limited benefits for target groups, and hence faced the risk of failing to reach the intended objectives.

In recent years, the Vietnamese Government had become well aware of these shortcomings and taken corrective measures. The most notable of these was Resolution No. 80/NQ-CP on Sustainable Poverty Reduction for the 2011-2020 period adopted by the Government in mid-2011. This had the aim of improving the “integratedness” of programmes, policies relating to poverty reduction, increasing their synchronicity, improving the division of tasks and decentralizing execution responsibilities in a clearer manner.

The above-mentioned changes in Viet Nam’s policies have revealed a valuable lesson that, even the best, most effective implementation models have their own life cycles, which may be highly relevant in certain periods of time and circumstances but in time and with changes may become irrelevant. This is also a useful lesson for Viet Nam itself when the country is facing a new stage of development with a new and very challenging SDGs agenda which would require efforts to tackle issues relating both to the remaining unaccomplished MDGs while moving to a more sustainable, comprehensive, higher-level development path.

3. International integration and South-South cooperation

Following the Doi Moi renovation programme launched in the late 1980’s, Viet Nam began to implement its commitments to promoting international integration with the first milestone being the trade negotiation with the United States in 1995 which pioneered other important trade negotiations. There were key factors that helped Viet Nam become successful in economic integration and gain a solid position in global relations. In reality, the achievements and decisive factors constituted a virtuous circle that was mutually supportive and that created momentum for Viet Nam to make continued and stronger reforms.

The political will for international integration provided additional stimulus for further important reforms. Viet Nam’s commitments to international economic integration were confirmed by clear strong statements. In addition, international integration moved from the level of partial integration to the level of comprehensive integration covering economic, cultural, and political and defense dimensions. At the same time, Viet Nam made clear its views on and commitments to deepening development of global partnerships which in turn, led to further reforms – such as economic restructuring and public administration and legislative changes.

South-South cooperation is a modality of cooperation that promotes effective development through mutual learning and sharing of experiences, practices and technologies between developing countries. It is a widely held view within the international community that South-South cooperation has an important role to play in global partnerships for development generally and for the achievement of MDGs in particular. It provides tailored solutions to common development challenges around the globe, by sharing the best practice lessons, financing arrangements, pilot projects, providing funding for the replication of successful projects, supplying public goods as well as developing and applying appropriate technologies.

In line with the above , Viet Nam has played an increasingly active and deeper role in development cooperation relations with other developing countries (South-South cooperation) alongside triangular cooperation with developing countries and donor nations. To support and implement the 2012

Busan Declaration on partnerships for effective development cooperation, the Vietnamese Government set up the Viet Nam Partnership Document (VDP) which, among other goals, made clear “through the expansion of South-South cooperation, the Vietnamese Government is committed to promoting its cooperation with other developing countries by means of expanding trade, investment, experience sharing and technical cooperation”.

In recent years, Viet Nam has been particularly active in promoting and expanding bilateral cooperation with developing countries, especially countries in Asia, Africa, Latin America and the Caribbean in many areas including education, public health, technology transfer, provision of financial support. In addition to bilateral relations, Viet Nam has also taken part in triangular cooperation with the participation of donor countries such as Japan (JICA), the United Nations, ADB, Germany, Australia (AusAID), FAO and via ASEAN.

Viet Nam has maintained close cooperative relations with African countries in priority fields such as food security, agricultural development, infrastructure development, education-training, public health, poverty reduction and environmental protection. In most of its cooperative relations with countries in this region, Viet Nam played the role of the offeror partner, sharing experiences and transferring technologies, particularly in the form of assigning experts in education-training and technical transfer. In recent years, Viet Nam has promoted bilateral cooperative relations with Angola, Mozambique, Egypt, and Libya on rice exports, rubber, coffee and cashew-nut plantation management, fruit and vegetable farming, and aquaculture. Viet Nam and South Africa signed an agreement on biodiversity conservation and protection, and successfully developed an agricultural cooperative model. Under a triangular arrangement a third African country will be included, based on the two countries might replicating this cooperative model to other African nations.

With regards to Latin American and Caribbean countries, Viet Nam’s relations with this region began to expand and develop only after Viet Nam had launched its renovation programme and embarked on international economic integration. To date, Viet Nam has established diplomatic relations with most Latin American countries. Viet Nam has also set up inter-governmental cooperation mechanisms with 5 Latin American countries, political consultation mechanisms with 15 countries, signed many agreements, cooperative arrangements and established favorable legal frameworks for promoting relations with countries in this region. In addition to Cuba which has maintained development and technical cooperation relations with Viet Nam, relations with other countries in this region focused mainly on bilateral relations in investment, trade, agricultural development, public health and technical-scientific cooperation.

Given Viet Nam is increasingly integrated with the World and faces new challenges in the SDG period, its valuable experiences in South-South cooperation and triangular cooperation should be fully recognized and promoted for mutual benefits and outcomes based on the potentials, and advantages of the economies in the region. In-depth and extensive participation in various modalities of South-South cooperation and triangular cooperation has enabled Viet Nam to learn, share and mobilize available knowledge, experiences, technologies and capacities, to strengthen linkages, enhance policy coordination with other countries and, at the same time, strengthen Viet Nam’s own position in the international arena.

CHAPTER FOUR

FROM MDGS TO THE SDGs: MOVING FORWARD - CHALLENGES AND OPPORTUNITIES

In the post-2015 stage, Viet Nam will continue to focus its efforts on maintaining and enhancing the MDGs, while at the same time moving forward a more sustainable and comprehensive development model, for the development of people is attached to the liberalization and international integration, maximizing resource mobilization to bring about higher economic growth and poverty reduction success. This demands more attention in the area of productivity and innovation along with policy tools to ensure equity and comprehensive development.

Further regional and global integration provides huge potential benefits but also presents challenges particularly for certain enterprises and for workers engaged in the informal sector. Urbanization, social and demographic changes can facilitate Viet Nam's transition to a more sustainable and inclusive growth path. The impact of climate change will be a key challenge and need to be increasingly factored into development planning and policy choices.

OPPORTUNITIES AND CHALLENGES

1. Lessons from the recent economic slowdown

Lessons from the economic slowdown

Economic slowdown is partly a result of the impact of the global financial crisis, but also the inability to make a full transition from a factor driven economy to a productivity and efficiency-based economy. Underpinning this are structural and institutional weaknesses, which have become more apparent in recent years and now need to be addressed if Viet Nam is to maintain the rate of social and economic progress that it has enjoyed in the past.

The economic slowdown exerted impacts on both firms and households. The slowdown caused a decline in job opportunities and incomes, as well as bringing about job losses and insecurity. Labor became more likely to turn to less sustainable and lower-productivity activities. The percentage of labor having formal contracts fell, the proportion of workers having social insurance and/ or health insurance also dropped during 2011-2012. In the formal sector, average real salaries of employees increased, but the quality of output did not keep pace.

In terms of the enterprise situation, the number of enterprises still increased but at a slower rate as compared to the period before the economic slowdown. Moreover, firms' real average revenues from 2007 to 2012 suffered a significant decline. The average number of employees in a firm also declined. This reduction revealed that during the economic slowdown, most of the newly established firms was small.

Lessons from the impact of the economic slowdown on poverty and household's welfare

From 2010 to 2012, average real household incomes increased by 3.5 percent. However, this was far from the average increase of 17 percent seen during the 2006–2008 period. Viet Nam still achieved positive results in poverty reduction, but at a much slower pace. Poor households' expenditure on basic services such as healthcare and education decreased within 2010–2012, reflecting a decline in the poor's living standards during the economic slowdown.

Most of the population experienced a slight increase in consumption with the only exception being the richest 10 percent. The slowdown of the growth rate at the top end reflected a slight decrease in inequality. However, this pattern was not the same for both rural and urban areas. While rural areas witnessed an increase in expenditure levels across the whole population, urban areas saw an improvement only in the bottom 60 percent²⁷.

In 2014, the economy exhibited signs of recovery with low inflation and a decent GDP growth rate; the driving force is now the foreign invested sector²⁸. Moreover, at the same time, the basic factor-driven model remains the mainstay of economic expansion. Although this is a natural outcome during a period of catch-up, efforts to focus on greater productivity should not be put off.

The threat of being trapped in small-scale, low-value added manufacturing economy

When Viet Nam entered the low-middle income category, the country experienced a slowdown in economic growth for almost five years. Productivity has been unable to keep pace with wage increases, implying rising costs of production. The country also showed low efficiency in the use of investment. As shown in Table E.1, current growth is primarily driven by capital investment instead of productivity improvements (given by Total Factor Productivity or TFP). Moreover, the 5.5 percent depreciation of Vietnamese Dong seen in the period against the dollar has not offset the 22.7 percent reduction in competitiveness.

27 Mahajan et al., 2013

28 Mahajan et al., 2014

Table E.1: Proportion of contribution of capital, labor and TFP to economic growth (%)

	Capital	Labor	TFP
2006	73.85	20.71	5.44
2007	69.79	24.96	5.25
2008	90.54	28.26	-18.80
2009	84.50	30.33	-14.82
2010	65.84	26.42	7.74
2011	60.61	25.37	14.01
2012	55.68	24.37	19.95
2013	50.46	17.04	32.50
2014 (estimates)	47.74	15.46	36.81
Average 2006-2010	79.67	26.06	-5.73
Average 2011-2014 (estimates)	53.62	20.56	25.82

Source: Viet Nam National Productivity Institute, 2014. Viet Nam Productivity Report

In recent years, Viet Nam's growth has been boosted by a credit bubble, and the banking system remains burdened with bad loans, which can exert adverse impacts on the economy for years to come. Large debts and the inefficiency and uncompetitiveness of many SOEs not only act as a drag on economic growth, but also distort the allocation of public resources. The country's enormous demographic dividend, which lifted labor force participation and economic growth has now tailed off. The Global Competitiveness Index Ranking²⁹ for Viet Nam has also showed little improvement in recent years³⁰. Viet Nam faces the threat of staying uncompetitive in export markets versus lower-cost economies, while also lagging behind the advanced economies in its ability to produce higher-value products. The country faces multiple challenges in moving from factor-driven growth dependent on cheap labor and capital, rather than productivity-based improvement.

Structural transformation away from the agricultural sector and productivity improvements have remained slow. Equally, structural problems in enterprises, weaknesses in the banking sector, and macroeconomic turmoil in recent years have persisted. The main source of economic growth has been capital investment, which is not a sustainable growth model. Viet Nam needs to implement radical economic reforms addressing the economy fundamentals, including building the capacity of domestic enterprises, restructuring and equitizing state-owned enterprises, improving the efficiency of public administration, promoting human capital and skills, restructuring the banking system and improving the quality of infrastructure.

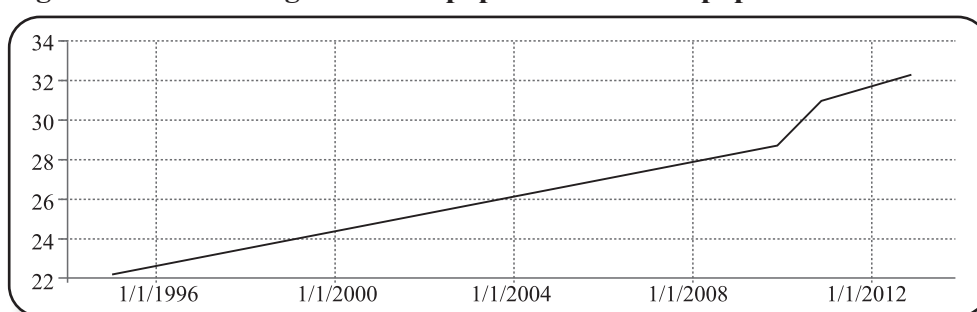
²⁹ *Global Competitiveness Index measures the set of institutions, policies, and factors that set the sustainable current and medium-term levels of economic prosperity*

³⁰ *Global Competitiveness Report 2013-2014, and 2014-2015, World Economic Forum, Klaus Schwab*

2. Urbanization Trends

Viet Nam's economic rise has been fueled by the booming growth of its large cities. Today, more than one-third of the total population lives in cities, and these urban areas account for a major share of the country's GDP. The percentage of urban population over the decades has been escalating and this expansion shows no sign of slowing. The country's annual urban population growth stands at 3.4 percent, with the fastest growth rates occurring in the two largest cities of Hanoi and Ho Chi Minh City. In coming years, there will be a growing influx of migration from rural to urban areas. The urban population is expected to reach 45 percent in 2020 and 50 percent by 2025 (World Bank estimates); and it is estimated that cities will be home to more than 46 million people by 2020.

Figure E.1: Percentage of urban population to total population



Source: The World Bank, United Nations World Urbanization Prospects

Opportunities of urbanization

Urbanization has been a driving force for economic growth - facilitating industrialization and modernization. History has confirmed that no country has ever climbed from low-income to middle-income status without a significant population shift into towns and cities. As huge numbers of people continue to move to cities for better job opportunities, the dramatic income shift will also spur demand for a wide range of goods and services, creating a new wave of consumers with considerable spending power, hence generating a virtuous circle. The number of households in the consuming class in urban areas is expected to double from 2013 to 2030³¹. Cities are also typically progressive places where new technologies are tried out and taken up and innovations are made. The gathering of businesses and talent in urban areas would fuel innovation and boost economic growth.

Urbanization trends in Viet Nam extend to small (i.e. towns) and midsize cities. Indeed studies have forecasted that cities with 0.75-5 million residents will grow faster and will drive a substantial share of the country's GDP growth in the next two decades. Urban growth will bring about productivity increases as value-added is higher in cities and towns. If well managed these gains can be maximized and a larger population could enjoy economies of scale, rising income and greater access to public services such as health care and

education. Urban growth can stimulate investment in infrastructure to improve connectivity and help the cities to withstand climate change.

Furthermore, studies have shown that urbanization can have positive spillover effects that also strengthen the agricultural sector and boost the rural economy. *First*, migrants finding a better source of income in urban areas usually send their remittances back to their families in the countryside, creating a flow of capital that helps improve rural living standards as well as enables farmers to purchase better inputs and machinery to boost agricultural productivity. *Second*, higher incomes of migrant workers create stronger demand for higher-value agricultural products. The value of agricultural production therefore tends to rise most strongly in areas near fast-growing cities. These channels have ensured that increased urbanization goes hand in hand with expansion of the agricultural sector and productivity levels within it..

Challenges and the threats of Urban Poverty

Without proper planning and accurate vision and foresight, urbanization can pose significant challenges. The surging population puts huge pressure on the cities' housing, infrastructure, services and social-welfare systems. Infrastructure in Viet Nam's larger cities is already strained under the growing demands of population and new development. Studies suggest that the value of infrastructure stock needs to reach around 70 percent of GDP for an economy to sustain urban growth. Since Viet Nam falls short of this benchmark with its share standing at 47 percent in 2013, the country needs to increase its rate investment some five times from 2013 to 2030 to support its growing urban areas. Transport infrastructure in the major cities such as Hanoi or Ho Chi Minh is ill-equipped to take further motor traffic. Rising car ownership might eventually lead to gridlock due to low road to population density ratios. These two cities are already suffering from restrictions to their competitive advantage due to logistical bottlenecks, exceedingly high transport cost, and turmoil in the land markets.

Rapid urbanization, as elsewhere, has also been accompanied by new forms of multi-dimensional poverty and Viet Nam faces the threat of replacing one form of poverty with another. Mass migration to the cities, in addition to placing enormous demands on public services can drive income poverty as population flows run ahead of opportunities, and depress urban wage levels. But urban poverty is also characteristically different to its rural counterpart, given the different living conditions and the need for households to secure all of their basic needs through the market. Deprivation is defined less by income or consumption but more by basic non-monetary factors – including nutrition, health and access to basic services.

Growing population requires more affordable housing to avoid slums from emerging. In the two largest cities, typical housing provided by formal land developers is affordable to only the top 5 percent of the income distribution. Rapid population growth can overwhelm health-care system and lead to overcrowded schools. As such, urban growth demands larger and better-quality provision of housing, basic infrastructure services including water supply, power and more accessible public services such as healthcare, education to support the new residential arrivals.

Thus the rising wave of urbanization can aggravate poverty due to the influx of migrants from very rural areas. Many poor rural Vietnamese will “try their luck” in the thriving urban centers, expecting better job opportunities, even though most of these migrants are ill-equipped to participate in the urban economy. The urban poor, including local and migrants, cannot afford proper housing; this situation further limits their access to basic public services and social protection. They are also deprived of full access to health services.

Urban poverty would also slowdown wider social and economic progress of urban areas. Moreover, urbanization alongside a growing, more educated middle class is also associated with greater expectations of the quality of social and other services. These potential and existential challenges need to be addressed urgently to help the country fully benefit from economic prospects of urbanization.

3. Regional and International Integration – Opportunities and Challenges

The ASEAN Economic Community (AEC)

The ASEAN Economic Community is one example of regional integration which offers a host of opportunities for Viet Nam but – if not properly managed – also presents multiple challenges.

The Association of Southeast Asian Nations (ASEAN) is an alliance of ten nations in the region. Southeast Asia is tied together by multiple threads of history, culture and common geopolitical concerns and has become increasingly connected by business networks, trade relationships, migration, and shared resources.

Southeast Asia has enjoyed remarkable economic progress in recent years. Viewed as single entity, the region would rank as the seventh-largest economy in the world. Its combined GDP of 2.4 trillion USD in 2013 was more than 25 percent larger than India’s economy in 2013, and the region has the third largest workforce in the world. Being the fourth-largest export region, ASEAN sits at the crossroads of many global flows: the region is in a position to capture a larger share of the world’s trade; and current flows could almost triple by 2025. These figures prove the great potential benefit of deeper cooperation, and ASEAN is pursuing a more ambitious form of economic integration as a tool for achieving broader regional prosperity and greater global competitiveness. One of the biggest potential for Southeast Asia in the near future is capturing a larger share of the world’s trade in goods and services. *First*, the region’s cross-border flows will deepen and accelerate if ASEAN Economic Community (AEC) integration plan is successfully implemented. The AEC, which envisions freer movement of goods, services, capital and human resource among member countries, would create an open market for 600 million consumers. *Second*, China’s labor costs continue to rise, so multinational corporations will look for more cost-effective production locations in the region. *Third*, ASEAN countries are located close by the huge consumer market of China. These elements are driving factors for ASEAN members to become still larger manufacturing hubs and assume a more formidable scale in the global economy.

Opportunities for Viet Nam

Viet Nam is well positioned to benefit from financial and commercial flows through AEC integration. Studies suggested that this could bring an additional 14 million jobs to the six ASEAN economies including Viet Nam by 2025³². AEC integration has the potential to boost manufacturing and trade, which in turn would provide a significant drive for employment and living standards. Participation in AEC will also enable Viet Nam to expand its market using its lower input costs and to receive more inward investment in manufacturing and services. Yet this also requires active engagement by Government to ensure these benefits are realized.

Studies by ILO and ADB indicate that Viet Nam could be one of the countries benefiting the most from deeper regional integration as its economy is heavily reliant on external trade. Increased trade and investment flows accelerate the pace of structural change towards higher value added production, which could promote the country's competitiveness in global markets based on higher productivity and skills. It is estimated that Viet Nam's productivity could more than double during the 2010-2025 period. Moreover, with market expansion in various sectors, AEC can offer robust employment growth for Viet Nam in sectors such as construction, transportation, garment and food processing. Research studies foresee fast growth of 28 percent in demand for medium-skilled workers between 2010 and 2015. But again, reaping these benefits will require actions to address weak productivity and especially the skills base and the quality of infrastructure. A further key issue is the operating environment; all businesses, especially FDI require a stable and secured environment. While there are positive feedbacks, like urbanization, regional integration is opportunity not a panacea. Seizing these opportunities requires policy actions and engagement by a number of public and private actors.

Additionally, while AEC presents numerous opportunities for economic expansion and job creation, these opportunities and trends may also result in higher levels of inequality and worsen the situation for those in vulnerable and informal employment. If poorly managed, Viet Nam might also fail to harness integration to benefit all, including the more vulnerable groups and address existing labor market weaknesses. Almost 50 percent of Vietnamese workers are currently employed in low-productivity jobs and the low-income agricultural sector. The working poor and the vulnerable will not be able to benefit from integration without improved skills and qualifications..

4. Opportunities for sustainable development

Further regional and greater international integration presents significant opportunities for growth and prosperity; and these integration processes present the potential for the country to transition towards a high-productivity economy, driven by skills and innovation. In order to benefit from the integration and the new population shift, as well as promote an economic rebound, Viet Nam needs to upgrade its labor productivity through a focus on developing the skills of its workforce, maintaining macroeconomic and political stability, reform governance to promote a more efficient and transparent system, promote the

development of science and take-up of new technologies as well as build a world-class infrastructure.

Labor productivity determines international competitiveness of local firms

Even though labor productivity has been on the rise in recent years, much of this progress was driven by a major shift of labor from the agricultural sector into industry or service sectors, rather than productivity improvements within sectors. It is vital to significantly raise productivity levels to move up the value chain and to reap the benefits of global integration. One important element contributing towards economic development and modernization for the coming decades will be to strengthen the skills base of Viet Nam's labor force through improving the quality and relevance of the education and vocational training systems.

Given the forecast expansion in a number of higher value sectors, a focus on developing specific vocational competencies along with promoting quality in science and engineering and other key professions where skills shortages have emerged, would prepare the country's young, future workforce. In addition to developing core technical skills, the education and training systems need to sharpen life skills such as teamwork, organizational and managerial competencies and communications.

Viet Nam needs to take five important measures to reduce skill gaps between regions and improve qualification of its future workforce. *First*, the system needs to provide policies that raise the quality of instruction by attracting and training better teachers. *Second*, educators and trainers, with support from government, society and businesses, need to develop curricula geared to the needs of the economy. *Third*, the creation of new and flexible education pathways can help learners take greater advantage of technology and remove the barriers of remoteness in learning. *Fourth*, similar measures need to be taken to ensure that access to quality education is equitable through a review of costs and financing mechanisms. *Fifth*, the management capacities of the state need to be strengthened to ensure quality standards in public and private education facilities.

Comprehensive infrastructure system to support urbanization and economic growth

In coming years, urbanization in particular and the economy in general call for major strategic infrastructure investments. On top of building the necessary water, power, sanitation, transportation, and communications systems, and health-care facilities, Viet Nam will have to invest heavily in new housing and commercial space. Affordable housing schemes to absorb new urban migrants are essential towards achieving a sustainable and high quality of life.

Viet Nam's rapid socio-economic growth has outpaced the nation's infrastructure, placing a huge constraint on growth and investment. Moreover, acute vulnerability to climate change means the country must focus on building more resilient infrastructure. In order to sustain growth from now until 2020, the country needs a sizeable amount of financial capital to build new roads, bridges, ports, water sanitation plants, power stations and other infrastructure. As the Government cannot afford to fully finance these investments, public-

private-partnerships (PPP) provide a potential alternative to attract non-Government investment in order to deliver public infrastructure to sustain the country's development. However, such partnerships require much stronger regulatory capacities, more transparent and effective system with accountability mechanisms of the government as well as capable, highly qualified personnel.

Promoting science and technologies to updrage growth quality

To boost productivity, the country will need to substantially improve its domestic innovation capabilities, particularly in science and technology development. Technology will be a powerful catalyst for GDP growth and productivity gains at the macroeconomic level. In the future, these technologies can create more inclusive growth by extending the reach of formal banking services, expanding education and health care and by lowering the barriers to entry for SMEs. They also improve agility of all organization by establishing new platforms for innovation and new instruments that can respond adeptly to changing markets. If necessary backbone infrastructure could be put in place, technology can be harnessed as powerful instrument to drive productivity and create multiplier effect.

In terms of high-tech production, the country has succeeded in drawing big names like Microsoft, Samsung, and Intel to establish manufacturing facilities in Viet Nam. Besides creating a new job market for the local, these multinational giants have been making Viet Nam a major link in their global manufacturing networks. This domestic push has laid the fundamental foundations for growth of a modern tech sector in the country.

To benefit from technological advancement, Viet Nam needs to provide policy incentives for domestic industries to invest in technological upgrading and in organizational skills. In the medium term much of these efforts should focus on developing a competitive medium technology sector or supporting industries. This will allow the creation of productive employment opportunities while supporting a gradual move up the value chain. The realization of potential impacts requires concerted efforts and collaboration of both public and private sectors. Viet Nam needs to remove and update industry regulations that may constrain the growth of new technology-driven business models while also ensuring that policy incentives are in place to encourage firms to upgrade.

POVERTY AND INEQUALITY

1. Poverty reduction in “hardcore” poverty areas

The, two regions needing the most attention in terms of poverty reduction, remain the Northern Mountains and the Central Highlands. The total area of the Northern midland and mountainous areas is 95,246.4 km², accounting for one third of the total country's area. The Northern midland and mountainous areas is habited by more than 10 million people, and the majority of them are members of the ethnic minorities. Complex geographic areas, infertile soils, and limited educational attainment have made poverty reduction in the region

a formidable task. The Central Highlands, characterized by basalt land at 500-600 meters, has a surface area of 54,474 km², accounts for 16.8 percent of Viet Nam's total area. The two primary cash crops of the region, coffee and rubber, have become income-generating sources for many households in the region but these have inevitably become vulnerable to external events, not least volatilities in global prices.

In general, the ethnic minorities located in these areas do not have sufficient production potentials and material for development. While agriculture is the main source of livelihood, a large proportion experience shortages of land for cultivation. Moreover, a lack of social capital, limited educational attainment and language barriers has prevented this group from accessing various socioeconomic opportunities. The geographic and demographic conditions of the ethnic minorities means that their medium term primary livelihoods remain with farming, but there are also opportunities to boost off-farm activities in the service sector and food processing. In order to reduce poverty sustainably for the poor, and the ethnic minorities in particular, Viet Nam needs to develop an appropriate strategy to renovate the agricultural sector and boost productivity throughout the country and in economically disadvantaged regions specifically.

2. Agriculture and the need to boost agricultural productivity

To date, agricultural development in Viet Nam has been largely based on exploiting the land's natural capacity and using high quantities of inputs and low technologies. These forms of farms have resulted in the high losses after harvests, inconsistent quality, unsafe products, and lack of capacity in producing high value-added products. Moreover, agricultural markets have suffered from a number challenges - such as exposure to market price volatility, increasing competition, and a decline in market demand. Strategic cash crops that used to generate high incomes, such as coffee and rubber in the Central Highlands have been hit by sharp falls in world prices. These problems pose a considerable threat to sustainable development of the agricultural sector, and therefore weaken rural development in Viet Nam. The problems of low quality, low productivity, and stagnating growth in the agricultural sector underline the urgent need for thorough restructuring and modernization.

Restructuring the agricultural sector is especially vital for economically disadvantaged areas such as the Central Highlands and the Northern midland and mountainous areas. Based on the history of the Central Highlands, the Government, in collaboration with enterprises needs to identify strategic crops or other sustainable sources of livelihood (outside of farming) for each geographic area, while at the same time developing a clear and systematic plan for growing, harvesting the crops and producing and preserving value-added farm products. In the case of the Central Highlands, a large proportion of coffee and cashews trees have reached 'aging stage', but most farmers cannot afford to re-invest in the crops by themselves. As such, local authorities need to have solid plans to help farmers rejuvenate these major crops or introduce better economic-value crops to provide a stronger and more stable source of income for these regions.

Market evidence and studies show that in the long-term, high quality, safe and hygienic agricultural products tend to enjoy a large and stable market

share. In the context of the ASEAN Free Trade Agreement (AFTA) and likely participation in TPP, accompanied by expanding international markets, the agricultural sector could enjoy stronger growth if local products were of better quality and higher value-added. As such, technological advances must be part of the long-term solution.

Advanced agricultural technology would also help improve agricultural productivity and ensure climate-resilient production while protecting the environment. With the advantage of a great source of agricultural and fertile land, a large and young workforce, development of the rural economy could help realize the great potential that exists in rural areas and attract entrants, supported by favorable policies from state agencies. Investment in advanced technology in agriculture, with private sector participation will help solve the problems of capital for production, training for farmers, finding new markets for agricultural products, and minimizing the impact of climate change on agricultural production. Equally important, technological advances in agriculture will help eliminate the current short-term and unsustainable cultivation and harvesting habits of farmers. This process will need to be accompanied by supporting skills training as well as the creation of off-farm opportunities for redundant workers.

3. Tackling dimensions of inequality

Since the 2000s, inequality in Viet Nam measured by Gini coefficient, despite a slight rise over time, has risen at a smaller rate than in other fast growing economies such as China, Indonesia and Thailand. By 2012, Viet Nam's expenditure-based Gini stood at 0.356 while China's was 0.47. However, inequality in Viet Nam entails a much more complex set of phenomena and is not captured by trends in the Gini data. Those in the middle of the income distribution experienced the fastest relative income growth from 2004 -2012, while the top 20% of the income range have garnered the greatest gains in absolute incomes. Yet the vulnerability of incomes for those in the middle income groups, especially the lower middle, where workers are often engaged in the informal sector is higher. Indeed, informal employment is also a driver of non-income inequality, as it determines social insurance and health insurance coverage. Equally, informal work is predominant in rural areas, though the income gap has shrunk somewhat between urban and rural areas. Within urban areas, inequality persists across the types of urban settlements, whether in metropolitan Hanoi and Ho Chi Minh City or small commune towns. Regional poverty differences persist, and the divide between ethnic minorities and the rest of the population is large and narrowing very slowly. Across the ethnic minority groups, poverty and socio-economic conditions are highly diverse, and inequality tends to persist across generations, demonstrated by the similarity of group rankings in the 1989 census to that in 2009.

The prevalent inequality in outcomes measured by income and consumption are, among others, the results of *inequality of opportunity*³³ and differential access to Viet Nam's strong post-Doi Moi economy. The Human Opportunity Index (HOI) for Viet Nam shows that inequality of opportunity in education and health is attributable to four key factors: household resources (expenditures),

parents' education, ethnicity, and location. As inequality persists among these factors themselves, this suggests the vicious circle of poverty begets further poverty and reinforces patterns of inequality.

Ethnic minority children, children from poor households, children in rural areas and children born to mothers without any formal education are more likely to suffer from stunting and low school readiness³⁴. Despite the universalization of primary education, educational investments are still unequally distributed at lower and upper secondary levels, where schooling costs pose a substantial barrier for cash-strapped poor households. Access to health care is also more limited for poor households. The Viet Nam Health Watch Report, which monitored the health equity situation in Viet Nam, observed that the main factor contributing to health inequities in Viet Nam is economic status³⁵. Moreover, richer households receive higher quality health care than poorer households. While households in the bottom 20 percent are four times more likely to visit commune health centers for outpatient care, richer households are more likely to visit hospitals, where the quality of care and availability of drugs is higher. In the domain of basic household infrastructure, while access to electricity and safe water sources are fairly equitable, access to improved sanitation facilities is much less favorable for the poor. In rural areas, those that were closest to cities and to transport links were able to benefit most from new market opportunities created by a growing urban population and increased exports.

As stated at the beginning of this section, that middle income status brings inherent pressures towards rising inequality. Policy responses must avoid distortions which inhibit natural mechanisms to limit these inequities. Viet Nam has secured an inclusive pattern of growth thus far by facilitating a high level of employment and access to employment for the vast majority of its population. It is vital this pro-employment orientation is maintained. Yet equally, in a more differentiated economy, more activist measures will be needed to manage the pressures. These might include: high quality schooling and skills training to promote access to better work for all alongside further modern labor market policies; a modern social protection system, with much broader coverage, both reducing vulnerability and by directly redistributing incomes; and finally a progressive tax system which ensures adequate tax revenues based on a fair tax burden. Government is actively working on a number of these measures, but constant review and revisions may be required to ensure a fully inclusive pattern of development.

The negative effects of inequality on social cohesion are also significant. These often operate through the perceptions of the citizens. In Viet Nam, expressions of concern about inequality have been on the rise. The surveys reveal that urban people are more likely to perceive inequality and to see larger disparities between the rich and the poor. Younger people are also more worried about inequality than older people. Therefore, popular concerns about inequality and demand for policy responses are likely to grow over time as more Vietnamese move to cities and are exposed to visible differences in welfare. This underlines the importance and visibility of the policy response.

34 WB (2013), *Skilling up Viet Nam: Preparing the workforce for a modern market economy - Viet Nam Development Report 2014*

35 PAHE (2012), *The Second Viet Nam Health Watch Report: Health System in Viet Nam: Towards Targets with Equity*

FINANCIAL RESOURCES AND THE POST 2015 AGENDA

1. A Changing Development Finance Landscape

Viet Nam is on the way toward committing the new post-2015 development on Sustainable Development Goals and ready to ‘localize’ post-2015 SDGs as well as to mainstream them into development planning and budget processes. In the context of diminishing ODA resources, the implementation of the new goals will require exploring other innovative financing options as well as increasing domestic resource mobilization. Existing ODA and public financing will need to be used more strategically and to leverage other sources of financing.

Many development partners will withdraw in the coming years as bilateral donors, although they will continue to provide assistance through multilateral channels and/ or via global programs. The Netherlands ended its bilateral support in 2012. Sweden ended its bilateral assistance in 2013, Denmark in 2015, DFID in 2016 and Finland in 2017/18. Moreover, future aid flows are likely to focus on capacity building, but also areas that are not strongly aligned with the country’s development goals.

For many sectors, Viet Nam will continue to need substantial resources and assistance to realize the SDGs, especially those related to improving incomes and living conditions, decent jobs, health, education, sustainable economic development and environment and institutional capacity building. In light of this, Viet Nam has already attempted to reduce its level of aid dependency in recent years, but the reduction in donor support has had clear impacts on some specific sectors.

The most visible future impacts are likely to be in health care and notably areas like HIV/AIDS programming, where donor support still plays a pivotal role. UNAIDS Viet Nam have assessed this concern and found that the organization would need 2 more years to completely set-up the country’s own systems to cover HIV-prevention needs in key populations. Most of the funding of Viet Nam’s HIV programs comes from the Geneva-based Global Fund to Fight AIDS, Tuberculosis and Malaria. The current cycle will end in 2017 and although Viet Nam is expected to be eligible for the next round, the amount of assistance will be considerably reduced.

This is an issue of high concern as unlike other diseases, which can be cured, treatment for HIV is a life-long effort. Therefore, an interruption to life-saving antiretroviral treatments might lead to the nation’s suffering from an outbreak of the disease in key populations. The situation will be even more serious in regions which lag behind national averages.

2. Investment and the growth model

Viet Nam’s economic growth model in the past year relied heavily on intensive capital investment. In fact, the proportions of total capital investment as a percentage of GDP over the 2005-2013 period were consistently high (though these have fallen dramatically in the most recent years). During this period, the total investment typically accounted for over 30% of the GDP, with the highest level in 2007 in which total investment was nearly 43% of the total GDP.

Table E.2: Total investment as a percentage of GDP (billion VND)

	Total investment (Nominal)	GDP (Nominal)	%
2005	343,135	914,001	37.54
2006	404,712	1,061,565	38.12
2007	532,093	1,246,769	42.68
2008	616,735	1,616,047	38.16
2009	708,826	1,809,149	39.18
2010	830,278	2,157,828	38.48
2011	924,495	2,779,880	33.26
2012	1,010,114	3,245,419	31.12
Prel. 2013	1,091,136	3,584,262	30.44

Source: GSO

Over the past years, state investment still played an important role in economic growth. Although state investment has fallen, now accounting for a smaller proportion of total social investment, the trend was not remarkable; the reduction was only about 7 percentage points over 8 years and state investment still accounted for the largest share. The non-state sector over years maintained its second position while FDI showed positive signs of increasing its share of the total, from 14.9% in 2005 to roughly 22% in 2013. This demonstrated that government spending has been a major contributor to the economy's growth despite efforts to cut public spending.

The productivity of investment has also declined, and high investment levels have recently proved not to generate the same level of development returns as before. Furthermore, the inefficient management of ODA has hindered prospects for rapid repayment of borrowed funds, and an incomplete legal framework for monitoring and managing public investment has been a hindrance to the efficient use of public funds. Meanwhile, planning and resource allocation is on annual basis, which has led to situations when projects might not be completed due to a lack of end funding. A further challenge for Viet Nam is the need to strengthen financial planning for multi-annual projects and to co-ordinate infrastructure projects on a national or regional basis rather than the current fragmented provincial planning.

3. Challenges in attracting finance for social development

Agriculture, transport, telecommunications and education have been Viet Nam's highest priorities for capital investment. Viet Nam will continue to need a substantial amount of capital for infrastructure investment to meet the demands of economic growth. As the amount of ODA declines, there will be gaps in financing basic social infrastructure development. Therefore, Viet Nam has looked to the private sector, especially foreign investment through various types of public-private partnership (PPP). The 2014 draft on Law on Public Investment paved way for public-private partnerships in infrastructure development and social services. However, these sorts of projects rarely

generate the revenues desired by investors. Therefore, a key priority is to make investment deals in these projects more attractive to private investors, as well as allocate the risks between the investor and the state.

4. Looking forward

The decline in ODA has been anticipated by Government and its impact is likely to be less associated with the loss of finance, but more as the loss of flexibility to undertake new policy and institutional reform initiatives. Therefore, a first priority for the coming period is to utilize these sources of finance more strategically and efficiently, so as to maximize development results. To make use of the remaining period of ODA support, it is recommended Viet Nam develop sector/field finance strategies that identify the most effective uses of ODA alongside other development resources.

PPP is an effective way forward in financing some infrastructure needs for Viet Nam's development. Mobilizing private investment in infrastructure development would help to free remaining ODA resources for social sector needs. Therefore, it is essential for the Viet Nam to complete the legal framework for PPP and to strengthen its regulatory capacities as well as accountability mechanisms.

In the coming period, development partners have started looking into new modalities of aid, such as "Partnership-based cooperation", in which development partners promote the development of the private sector in Viet Nam. Hence, what Viet Nam needs to prepare for post-2015 period is to build an efficient market based on partnership-based cooperation.

IMPACTS OF CLIMATE CHANGE

Viet Nam is widely cited as a hotspot for future climatic impacts and vulnerabilities. With its high population density in lowland river deltas as well as its long coastline and geographic position in relation to cyclonic activity, Viet Nam is one of the 5 coastal developing countries most seriously affected by climate change³⁶. A 2007 World Bank study predicted that a 1-meter rise in sea level would affect approximately 5 percent of Viet Nam's land area, 11 percent of the population, 7 percent of agriculture, and reduce GDP by 10 percent (Dasgupta et al., 2007). In 2011, The Center for Global Development³⁷ ranked Viet Nam 5th out of 233 countries and other jurisdictions in the world in terms of extreme weather risks (physical climate impacts), and 8th in terms of sea level rise risks. According to the Climate Change Vulnerability Index, Viet Nam is considered one of 30 "extreme risk countries" in the world³⁸. Various national and international studies, e.g. the Viet Nam Assessment Report on Climate Change (ISPONRE) and the Fourth Assessment Report on Climate Change (IPCC) revealed that the country has already been experiencing

36 Dasgupta, S. Laplante, B. Meisner, C. Wheeler, D. Yan, J. (2007). *The Impact of Sea Level Rise on Developing Countries: A Comparative Analysis*. World Bank Policy Research Working Paper 4136.

37 <http://international.cgdev.org/page/mapping-impacts-climate-change>

38 *Financing Viet Nam's Response to Climate Change: Building a Sustainable Future - Key Findings and Recommendations of the Climate Public Expenditures and Investment Review (2015) MPI & WB*

increases in temperature, sea level rise, more intense storms, and more frequent floods and droughts.

The drivers of environmental degradation and climate change in Viet Nam are closely associated with the country's economic growth³⁹. Rapid and intensive industrial growth and urbanization have fueled annual increases in energy consumption and corresponding green house gas (GHG) emissions. The quality of land, water and air has been increasingly compromised through rises in the concentration, toxicity and variety of pollutants. Agricultural intensification and encroachment, exacerbated by suboptimal irrigation techniques and unsustainable natural resources management, has led to high levels of soil loss, pesticide and fertilizer runoff and surface water contamination. The combined forces of industrialization, urbanization, and agricultural encroachment have reduced forest cover, while the decline in terrestrial and aquatic biodiversity has undermined national climate resilience⁴⁰.

Table E.3: Current, observed climate trends

Climate zone	Temperature	Rainfall	Sea Level	Extreme events
Country wide	1911-2000: Increase in intra-seasonal and inter-annual variability 1958-2007: Increase of 0.5°-0.7°C in annual averages	1911-2000: No clear trends in annual averages 1958-2007: 2% decrease in annual averages	1993-2008: Mean rise of 3mm/year 1956-2007: Total rise of about 20cm	Typhoons: Typhoons of higher intensity have been occurring more frequently and the season has been ending later
Climate zone	Temperature	Rainfall	Extreme events	
North West	Winter temperature increased at faster rates than the country average	1958-2007: Annual rainfall decreased in northern zones	Cold fronts: There was a significant decrease in occurrence over last 20 years, but anomalous events occurred more frequently (e.g. damaging cold for 38 days in January/February 2008)	
North East			Cold fronts do not impact North Central Coastal Zones	
Red River Delta and Quang Ninh	Summer temperature increased at slower rates than the country average	1958-2007: Annual rainfall increased in southern zones	Typhoons: Some storm tracks showed abnormal movements southwards	
North Central Coast			Typhoons: Some storm tracks showed abnormal movements southwards	
South Central Coast			Typhoons: Some storm tracks showed abnormal movements southwards	
South (SE and Mekong River Delta)			Typhoon's abnormal movements southwards are not an issue for the central highland zone	
Central Highlands			Typhoon's abnormal movements southwards are not an issue for the central highland zone	

Source: IFAD (2014)

³⁹ ADB, *Environment and Climate Change in Viet Nam: Issues and Challenges (2013)*

⁴⁰ ADB (2013)

Climate change impacts and a highly carbon intensive economy will jeopardize the sustainability of the development progress and may reverse progress already made. In 2010, the total economic loss caused by climate change in Viet Nam was estimated to be 5 percent of its GDP. The climate change-induced damage could cost the economy 11% of its GDP in 2030⁴¹, seriously threatening the country's poverty reduction efforts. Notably, vulnerability to climate change is socially differentiated. Impacts of extreme weather events are related to poverty status, access to resources and social security systems. Groups that are already the most socially vulnerable (women, ethnic minorities, regions with high rural poverty rates, etc.) are disproportionately less able to adapt.

It is estimated that a 1 meter sea-level rise could displace more than 7 million residents and flood the homes of more than 14.2 million residents in the Mekong Delta as well as submerge half of the region's agricultural land (Warner et al. 2009). This scenario makes clear the future scale of the tasks faced to address migration, displacement and resettlement reflected in SDG11.

Climate change undermines health and life expectancy through various channels. Extreme weather events cause injuries and deaths, water contamination, infectious diseases and food shortages. The climate-induced reduction in crop yields and productivity threatens food security, which may lead to malnutrition. Increases in temperature, changes in rainfall pattern and worsened air quality exacerbate health complications such as heatstroke, malaria and dengue, and asthma⁴².

Climate change also impacts other areas of development progress. Forest and biodiversity conservation achievements can be reversed due to many effects, such as the heightened risks of forest fires during the dry-hot seasons, decline in soil moisture and increased spread of forest pests. Industrial facilities, equipment, power stations and transmission lines in coastal zones face being submerged and increased risk of flooding. A 1-metre rise of sea level could submerge 11,000 km of road infrastructure. Inundation is a serious threat to 695 km of national highways, 495 km of which are in the Mekong River Delta. As climate change takes hold, consideration for future energy in the face of rising temperatures and reduced dry season rainfall will also be an essential task to meet SDG7 on access to energy.

41 *DARA International and the Climate Change Forum (2012) Climate Change Vulnerability Report 2012 A Guide to the cold calculus of a hot planet. Spain: DARA International.*

42 *ADB (2014)*

Table E.4 Predicted climate change impacts in Viet Nam

Impacts	
Short term	<ul style="list-style-type: none"> • Increased number and severity of typhoons striking Viet Nam, leading to loss of life and large-scale damage to property and infrastructure • Reduced productivity of coastal fisheries • Reduced agricultural land and productivity in coastal and other areas prone to flooding and erosion
Medium term	<ul style="list-style-type: none"> • Increased migration of people from susceptible areas, especially in mountainous and delta regions and in floodplains of large rivers, due to more frequent and extensive flooding • More frequent outbreaks and spread of old and new diseases due to more regular flooding and more intensive wet season • More extensive saline intrusion reducing water quality for agriculture, drinking, and industrial uses due to reduced dry season rainfall and flow along with sea-level rise • Increased energy and water consumption due to increases in temperature
Long term	<ul style="list-style-type: none"> • Permanent inundation of coastal and low-lying areas due to sea-level rise • Permanent losses of land for cultivation and aquaculture due to increased intensity and duration of drought periods in some areas • Changes in the ecosystems and failure of some agricultural crop species due to increased temperatures

Viet Nam has recognized a wide range of development issues and challenges impacted by climate change. It has formulated the National Target Program to Respond to Climate Change (NTP-RCC) (2008). The National Climate Change Strategy was approved in 2011 listing issues such as proactive disaster preparedness and climate monitoring, suitable proactive responses to sea level rise in vulnerable areas, scientific and technological development for climate change response, international cooperation and integration to enhance the country's status in climate change issues. Following this strategy, the National Action Plan to Respond to Climate Change in 2012-2020 was promulgated, which includes 65 programs, projects and tasks during 2012-2020 with 10 priorities for 2012-2015.

Viet Nam devoted a considerable share of the national budget to climate change response, accounting for on average 18% of line ministry budgets. Climate change response expenditure has been mostly used for resilience-enhancing large-scale infrastructure projects, and is dedicated toward low-carbon actions, e.g. the National Target Program on Energy Efficiency.

To mobilize international support, Viet Nam also established a Support Program to Respond to Climate Change (SP-RCC) to coordinate the policy dialogue within the Government and with the international development agencies. Through the SP-RCC, Viet Nam has developed a policy matrix and related monitoring indicators to guide development of the policy measures required for implementation of the NTP-RCC. As a party to the United Nations Framework Convention on Climate Change, Viet Nam has actively engaged in numerous regional and global climate change-related initiatives, including participation in all Conference of Parties (COPs) and schemes like Clean Development Mechanism (CDM), Joint Credit Mechanism (JCM) and Reducing emissions from Deforestation and Forest Degradation (REDD).

Despite its efforts, Viet Nam still faces marked limitations and constraints in its response to climate change. Key issues include inadequate and incomplete data systems for recording the national GHG inventory and climate change impacts and response measures; poor infrastructure for climate observation monitoring and assessment; as well as an acute shortage of technical experts for research and technological development.

With climate change gaining prominence, the SDGs initiative has dedicated a full Goal (SDG13) to addressing the key issues (Take Urgent Action to Combat Climate Change and its Impacts). To pursue this goal, the country would need to continue its efforts to mainstream climate change response into sectoral and provincial programs, enhancing the use and strengthening climate reporting, striving for more effective inter-ministerial coordination, as well as mobilization of resources for climate change response activities. Efforts to incorporate climate change into the mainstream media and education system, and investments in human resources and climate friendly technologies should also be among the priorities.

CONCLUSION

After fifteen years carrying out a series of MDG-related programs and policies, Viet Nam has made important progress, and is highly regarded by international community for its MDG achievements. Viet Nam will accomplish the vast majority of the MDGs, and it has also begun to identify socio-economic development priorities for “Post-MDG” (SDG) period.

The country has achieved a number of Goals ahead of schedule. By 2002, Viet Nam had achieved the goal of eradicating extreme poverty and hunger, reducing the poverty headcount ratio by three fourths compared with the early 1990s. The country has achieved the goal of universal primary education and is moving towards universal lower secondary education. Viet Nam is among the countries that gained early success in promoting gender equality and women’s empowerment as the country placed gender equality directly within the national development strategy. The country has been able to control malaria and other serious diseases as well as reduce the child mortality rate. Maternal health standards have been enhanced. Sustainable development, especially environmental protection has been integrated in all development strategies and policies.

Throughout 2001-2015, the living standards of millions of poor households have been improved significantly - particularly in rural and mountainous areas. Access to basic public services such as health and education has increased dramatically. During the 2009-2014 period, more than one million people escaped from hunger, and the poverty rate fell to 9.8 percent. Households’ living standards in general have been lifted, with increases in owner occupied housing and ownership of durable goods such as motorbikes, phones, and color TVs. Unemployment has been kept at a low level.

Viet Nam has faced multiple challenges during the MDG implementation process. The global financial crisis in 2008 had strong adverse impacts on Viet Nam’s economy, slowing economic growth and threatening economic sustainability in Viet Nam, as well as undermining newly obtained socio-economic results. GOVN has made tremendous efforts to restore the economy and stabilize the macro-economy, at the same time promoting higher living standards at national level, and especially for households in rural and remote areas. Yet there is evidence that Viet Nam’s economy has faced long-term constraints which are now limiting its further rapid expansion. These are associated with the difficulties of transitioning from extensive (factor-led) to intensive (productivity and innovation driven) growth.

Furthermore, although Viet Nam has achieved the MDGs at the national level, ensuring that these achievements are obtained for all social groups, especially vulnerable groups, remains a major challenge. For numerous reasons, particular groups have been unable to reap the rewards of MDG realization to the same extent as others, resulting in an unequal distribution of benefits. This is especially pertinent in respect of different ethnic groups and inequalities in income and living standards between geographic regions. The disadvantaged groups require more attention and support. As a multi-ethnic country, ethnic minority groups play an important role in Vietnamese society and identity. However, ethnic minorities are scattered around the country; they usually reside in remote upland regions with complex and difficult terrain, so their access and integration into national socio-economic processes has been limited.

A distinct but allied issue is the growth of inequality in incomes, as well as group-based and geographic-based difference in access to basic services and living conditions. Viet Nam's development model that focuses on creating job opportunities, expanding public service coverage and promoting free trade has helped the country to achieve strong growth and poverty reduction; nevertheless, this model would be soon reaching its saturation point. In coming periods, Viet Nam needs new measures for improving the quality and scope of education, social protection, and tax reforms.

As Viet Nam further develops the tendency towards greater divergence will grow, as different individuals, households and areas will enjoy differentiated opportunities. While the basic hallmarks of Viet Nam's economic approach – full employment, wider public service coverage and phased liberalization have secured relatively inclusive growth this model is now reaching its limits. New measures are now needed – improvements in the quality, costs and scope of education and training, social protection and tax reform are some of the major issues.

Another major challenge for Viet Nam, as for other countries around the world, is to ensure the achievement and sustainable preservation of MDG results in the context of climate change. As one of the countries most affected by climate change, Viet Nam is suffering from the direct and indirect impacts of abnormal weather patterns and extreme weather events. Being a natural disaster-prone nation, compounded by the socio-economic pressure of a large and still growing population, Viet Nam needs to make tremendous efforts to tackle climate change challenges.

Moreover, a large proportion of poor and near-poor populations reside in isolated and remote areas that are most vulnerable to climate change. Their livelihoods are fundamentally linked to agricultural activities, which are dependent on weather conditions and natural resources. Ensuring sustainable livelihoods, provision of infrastructure and public services to those seriously affected by climate change will be a major challenge for Viet Nam in ensuring the sustainability of MDGs achievement at national level.

Amidst multiple challenges faced in the years to come, Viet Nam needs to uphold potential opportunities for stronger economic growth and deeper global integration. The prospective formation of the AEC in the near future would present manifold opportunities for employment, trading activities, and economic expansion. In order to reap maximum benefit from the potential cooperation, Viet Nam needs careful and effective negotiations. Additionally, efforts to improve productivity should be prioritized alongside regional integration.

Viet Nam's economic success and its emergence as a dynamic middle-income country are closely associated with the fundamental changes in economic structure, driven by migration, industrialization and urbanization. Increased urbanization can bring about prosperity in both urban and rural areas, raising aggregate productivity, strengthening consumption and bringing pool of talent, innovators and entrepreneurs together. Further industrialization is the route to higher value-added output and migration provides the necessary labor supply but these processes require rigorous management and oversight.

Viet Nam needs to prepare its financial, human and physical capitals to reap the benefits of the change and future opportunities. Improving labor productivity through renovating the education and training system, upgrading infrastructure to sustain economic growth and population growth as well as promoting science and technological advances should be among the focuses for the coming period. Viet Nam needs to sustain the positive outcomes brought about by MDG based policymaking, coordinate effectively among national and international organizations and agencies, and learn lessons from other countries, while ensuring human rights, equity and sustainability.

ANNEX

ACHIEVING MDG – RESULTS OF KEY INDICATORS

Indicators	Before 2000	2005	2010	2014	Outcome
MDG 1: Eradicate Extreme Poverty and Hunger					Achieved
- Poverty rate (Expenditure-based)	58.1% (1993)	19.5% (2004)	14.5% (2008)	17.2% (2012)	
- Poverty rate (Income-based)		18.1% (2004)	14.2% (*)	9.8% (2013)	
- Poverty gap	18.4% (1993)	4.7% (2004)	5.9%	4.5% (2012)	
- Under-5 malnutrition (underweight)	41% (1990)	23.3%	18.9% (2009)	15.3% (2013)	
MDG 2: Achieve Universal Primary Education					Achieved
- Net primary enrolment rate	87% (1990)	95%	97% (2008-2009)	98.96%	
- Primary completion rate		85.6%	88.5% (2008-2009)	92.2% (2012-2013)	
- Net lower secondary enrolment rate		81%	83.1% (2008-2009)	87.24% (2011-2012)	
MDG 3: Promote Gender Equality and Empower Women					Achieved
- Ratio of Female to Male primary enrolment	91.2% (1999-2000)	91.9%	92.1% (2008-2009)	91.3% (2013)	
- Ratio of Female to Male lower secondary enrolment	88.5% (1999-2000)	92.3%	91.6% (2008-2009)	94.3% (2013)	
- Ratio of Women's representatives in National Assembly (NA) of Viet Nam	18.48% (1992-1997)	27.3% (2003-2007)	25.76% (2007-2011)	24.4% (2011-2016)	
MDG 4: Reduce Child Mortality					Nearly Achieved
- Under-5 mortality rate	58‰ (1999)	27.3‰	25‰ (2009)	22.4‰	
- Under-1 mortality rate	44.4‰ (1999)	26‰	16‰ (2009)	14.9‰	
MDG 5: Improve Maternal Health					Achieved
- Maternal mortality ratio per 100,000 live births	233 (1999)	80	69 (2009)	60	
- Ratio of births attended by skilled medical staff		92.71% (2006)	94.48% (2009)	97.5% (2009)	

Indicators	Before 2000	2005	2010	2014	Outcome
- Ratio of pregnant women having at least 3 check-ups during their pregnancy		84.3%	86.4% (2008)	89.6%	
MDG 6: Combat HIV/AIDS, Malaria and Other Diseases					Partially Achieved
- HIV prevalence rate			0.28% (2011)	0.26% (2014)	
- HIV prevalence rate per 100,000 people			187 (2009)	248	
- Number of HIV-infected adults having ARV		7,182 (2006)	36,008 (2009)	78,438 (2013)	
- Number of HIV-infected children having ARV		428 (2006)	1,987 (2009)	4,204 (2013)	
- Number of malaria-infected cases	293,000 (2000)		60,867 (2009)	27,868	
- Number of malaria-infected deaths	71 (2000)		27 (2009)	6	
- Ratio of acid-fast bacilli (AFB) infected cases per 100.000 people		65 (2007)	46 (2009)	54	
MDG 7: Ensure Environmental Sustainability					Partially Achieved
- Forest coverage	27.8% (1990)	37%	40%	40.7% (2013)	
- Share of rural population having access to clean water	30% (1990)		87.4%	82.5% (2013)	
- Share of rural households having sanitary toilets	20% (1990)		67.1%	60% (2013)	
- Share of households living in temporary housing	22.7% (1999)		5.6%	5% (2012)	
MDG 8: Global Partnership for Development					Partially Achieved
- Total imports and exports (million USD)		69,206	127,045 (2009)	297,236	
- ODA commitment (million USD)	2,400 (2000)	3,748	8,064 (2009)	4397,61	
- FDI implemented (million USD)	428,5 (1991)	3,300.5	10,046.6 (2012)	11,500 (2013)	
- Internet subscription		210,024	2,048,953 (2008)	6,000,527	

(*): Using national poverty line of 2011-2015 periods for calculation

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