



CHAPTER 1

**Social and Economic
Trends Affecting
Children and Families**

Poverty is perhaps the most serious threat to children's rights. Article 27 of the *Convention on the Rights of the Child* recognises the right of children to a standard of living adequate for their overall development and the responsibilities of parents and the state in securing this right. This chapter assesses the impact of Viet Nam's economic reform process on the well-being of children and the capacity of families to implement Article 27. Though poverty has been significantly reduced under *doi moi*, 37 per cent of all families remained poor and 'food poverty' was estimated at 15 per cent at the end of 1998 compared to 58 and 15 per cent respectively at the end of 1993 (Surveys VLSS93 and VLSS98, GSO, 1999). 45 per cent of the rural community is considered poor compared to less than 10 per cent of the urban population though pockets do persist in urban areas where the incidence is higher. The incidence and rate of decline of poverty also vary greatly across regions. (Viet Nam Development Report 2000—Attacking Poverty, (draft), Joint Government-Donor-NGO Working Group, November 1999). Since current economic reforms may actually have worsened the situation of the most vulnerable and marginalised households, these regional, ethnic and rural/urban disparities in the incidence of poverty need to be addressed in order to comply with the non-discrimination principle contained in Article 2 of the *Convention*.

1.1. MACROECONOMIC GROWTH UNDER *Doi Moi*

Viet Nam has experienced dramatic changes in its transition from a centrally planned to a market-oriented, 'multi-sectoral' economy. Initiated in 1986, the *doi moi* reform process has entailed two major thrusts:

- A considerable degree of market liberalisation
- Implementation of an open door policy on external trade, foreign direct investment (FDI), and official development assistance (ODA).

Major macroeconomic reforms began in 1989. Key external reforms have included the liberalisation of external trade, the unification of exchange rates and the passage of a law encouraging foreign direct investment (FDI). Key domestic reforms have included the liberalisation of most prices, the development of a more liberal banking system, the implementation of positive interest rates to encourage savings, the rationalisation of state-owned enterprises (SOEs), and reductions of state subsidies and of the state budget deficit. In the legal field, *doi moi* has adopted a land law a labour code and a domestic investment law, and has put in place a modern tax system. In the agricultural sector, major reforms have included a return to family-based farming, privatisation and land reform (United Nations, 1999).

As shown in Table 1.1, the results of *doi moi* have been impressive. Over the past 10 years, the country has achieved high real rates of growth in GDP while maintaining low levels of inflation and public debt. Economic growth has been driven by a boom in savings and investment, rapid expansion of external trade and sizeable inflows of FDI and ODA. Both imports and exports have expanded and the country has gone from being a rice importer to being the world's second largest rice exporter. Though Viet Nam's economy remains firmly based in agriculture, the composition of GDP has changed, with more resources directed to industry and services.

Table 1.1. Key Economic Indicators in Viet Nam

Economic Indicators	1990	1991	1992	1993	1994	1995	1996	1997	1998
GDP per capita (\$)	-	157	156	176	217	280	319	335	352
GDP at current prices (billion dong)	41,955	76,707	110,535	136,571	170,258	228,892	272,036	313,623	368,690
Sectoral shares of GDP									
Agriculture	40.6	39.2	38.6	37.1	27.4	26.2	25	24.2	23.4
Industry	22.4	23.1	24.2	25.4	28.8	29.9	31.3	32.6	33.4
Services	36.9	37.7	37.1	37.5	43.7	43.8	43.6	43.2	42.5
Real GDP growth rate	5.1	6	8.6	8.1	8.8	9.5	9.3	8.1	5.8
Agriculture	1.6	2.2	7.1	3.8	3.9	4.8	4.4	4.3	2.7
Industry	2.9	9	14	13.1	14	13.6	14.5	12.6	10.2
Services	10.8	8.3	7	9.2	10.2	9.8	8.8	7.1	4.2
Exports (\$ m)	2,404	2,087	2,581	2,985	4,054	5,449	7,256	9,145	9,361
Imports (\$ m)	2,752	2,338	2,541	3,924	5,826	8,155	11,144	11,622	11,495
Current Account Balance (as % of GDP)	-4.2	-1.9	-1.3	-8	-8.5	-10.1	-11.3	-10.5	
Total			16.3	17.3	17	17	16.6	17.7	
Public			4.1	2.5	5.8	5.1	6.1		
Non-public			12.2	14.8	11.2	11.9	10.5		
Investment (as % of GDP)									
Government			5.8	7	5.4	5.6	6.6		
Private			11.8	17.9	20.1	21.5	21.3		
FDI			2.6	6.5	6.8	7.5	7.7		
Foreign Direct Investment (\$m)									
Commitments	1,501	1,388	2,271	2,987	4,071	6,616	9,212	5,548	4,058
Disbursements	120	165	260	832	1,048	2,236	1,838	1,930	1,800
ODA (\$ m)									
Pledges				1,900	1,860	2,000	2,300	2,400	2,200+500
Disbursements	448	338	356	274	624	611	984	918	1,200

(United Nations 1999)

1.2. HUMAN AND SOCIAL DEVELOPMENT GAINS UNDER *Doi Moi*



The process of economic reform in Viet Nam has resulted in greater choice for its people and greater opportunity to participate, particularly in the non-state sector. Land reform has, for example, provided rural families with much more freedom of choice in how they use and manage agricultural land; the promotion of voluntary, rather than mandatory co-operatives has done the same for local communities. Price and market liberalisation has increased the options in production, employment and consumption while the 'open door' policy has promoted international trade and choice in the types and quantities of goods and services that can be produced and made available. In addition, foreign investment has broadened technology and employment opportunities (UNDP, 1998).

A living standards measurement survey supported by the World Bank, UNDP and SIDA found that poverty (calculated on the basis of household food and non-food expenditures) dropped from 58 percent in 1992-93 to 37 percent in 1997-98 (GSO, 1999). In addition, average real incomes have risen sharply, with GDP per capita almost doubling between 1991 and 1998 (United Nations, 1999). Life expectancy has increased to 66 years and adult literacy has been maintained at over 90 per cent (UNDP, 1998). Between 1990 and 1998, mortality rates among children under age five declined from 55 to 42 per 1,000 live births (UNICEF, 1999). The primary school net enrolment rate increased from 91 per cent in 1993/94 to 97 per cent in 1997/98 (NCEFAA, 1999), and has been rising steadily at the rate of about 2.1 per cent per annum since 1985 (Evans, 20/20, 1998). In short, available data indicate that reforms have significantly reduced the incidence of poverty and improved social indicators have been sustained during the process.

1.3. THREATS TO SUSTAINING GROWTH AND DEVELOPMENT – VIET NAM'S CURRENT ECONOMIC SLUMP

Viet Nam is now facing serious challenges that may halt the gains of the past decade. The economy has entered a downturn. GDP growth fell from 8.1 to 5.8 per cent in 1998, and is expected to slip to 4.6 per cent in 1999 (EIU, 1999). Inflation rose in 1998 to 9.2 per cent compared to only 3.6 per cent in 1997 (United Nations 1999), while FDI dropped by 70 per cent in 1998 (World Bank, *Economic*, 1999). Unemployment rose in 1997 and 1998, with industry and agriculture losing jobs and the low productivity service sector acting as 'employer of last resort' (World Bank, *Economic*, 1999). In short, the momentum of growth is slowing and the quality and sustainability of growth may be deteriorating.

Both external and internal factors have caused the current downturn. Viet Nam's economy has been partially insulated from the currency and financial crises that have crippled parts of East Asia and much of Southeast Asia over the past two years (UNDP, 1999). However, the country depends heavily on its neighbours for foreign investment and export markets. The recent sharp declines in FDI and stagnation of export earnings have amounted to losses of around US\$ 3 billion or 12 per cent of GDP (World Bank, *Economic*, 1999). Beyond these external shocks, the impact of initial economic reforms is fading and the second phase of *doi moi* has proven much more difficult and complex than the first (EIU, 1999). Policy makers are struggling to come to terms with intractable problems – such as a weak banking system, an unfavourable climate for private enterprise and an inefficient state enterprise sector – and the social costs associated with addressing them.

Poverty can be expected to rise over the next two years unless strong measures are taken to address the current slow down. If public spending on health and education declines, the poor will be especially hard-hit. (World Bank, *Economic*, 1999).

1.4. PERSISTENT POVERTY IN VIET NAM: THE LIMITS AND RISKS OF *Doi Moi*

According to the Global Human Development Index, Viet Nam ranks 122nd of 174 countries in the world (UNDP, 1998).

The Government has expressed concern that the recent pattern of economic growth has been unbalanced, favouring urban over rural development, and capital- rather than labour-intensive growth, which does not generate enough new jobs (World Bank, *Development*, 1999). For example, though national GDP grew by 5.8 per cent in 1998, the GDP of Hanoi and Ho Chi Minh City rose by 9.2 per cent each. Together, these two cities generate close to one-third of national GDP, and their rapid growth has helped to widen the income gap between urban and rural households (EIU, 1999). According to the GSO, income gaps between rich and poor households and between urban and rural areas widened between 1994 and 1996, although the magnitudes of the increases are small (World Bank, *Fighting*, 1999). These findings suggest that *doi moi* has benefited the rich more than the poor and urban more than rural populations.

For example, poor farming families are less likely to derive economic benefits from the land reform process because they tend to be risk-averse. Furthermore,



land reform may further impoverish the rural poor as subsidised inputs and extension services are discontinued. Similarly, poor families may have limited access to newly available credit because they lack collateral. Urbanisation is resulting in increased unemployment, the development of slum areas and increased homelessness, crime and social disorder. Economic liberalisation is likely to accelerate environmental degradation, including air and water pollution. Social sector reforms have removed traditional safety nets and instituted user fees for education, health care, child care, and other basic services. These changes have undermined the ability of the poorest families to meet their children's basic needs, particularly in ethnic minority areas (World Bank, *Fighting*, 1999).

The economic reform process is likely to have specific adverse consequences for poor children and women (Save the Children (SCF) UK, 1996 and World Bank (WB), *Fighting*, 1999):

- As a result of market liberalisation, all labour, including child labour, has become a commodity with a clear market return. There is some evidence of a link between earning opportunities for children and increased school drop-out rates and decreased school enrolment rates in poor rural areas.
- Children who enter the labour force are exposed to greater risks, receive lower wages and face difficult working conditions that may jeopardise their health and development.
- There appears to have been a rise in the number of children who are vulnerable to abuse.
- Because most pre-schools run by co-operatives have closed, mothers and older children have to devote more time to child-minding.
- The rise in user fees for basic social services also increases the burden on families who cannot afford such fees.
- The burden of the extra women's work involved in increasing agricultural productivity and at the household level hits them especially hard, diminishing their opportunities to rest, socialise and learn new skills.
- 27 percent of all Vietnamese households are headed by women. The number of such households will probably increase. When husbands are absent, wives will have to shoulder the full burden of agricultural and domestic work and may become poorer if they do not receive remittances.

1.5. DISPARITIES IN HUMAN AND SOCIAL DEVELOPMENT

There are significant disparities in income and the incidence of poverty between urban and rural populations, which account for 23 and 77 per cent respectively of the total population according to the 1999 Census. As of 1998, average annual per capita income was less than

US\$ 200 in rural areas compared to a national average of US\$ 310 (UNDP, 1998). According to 1995 estimates by the World Bank, 90 per cent of all poor families live in rural areas, with the incidence of poverty averaging 57 per cent compared to 27 per cent in urban areas.

There are also significant regional disparities in the incidence of poverty. The North Central region is by far the poorest, with a poverty incidence of 71 per cent, followed by the Northern Highlands region with 59 per cent. These two regions account for about 40 per cent of all the poor in Viet Nam though they are inhabited by just 29 per cent of the population. The lowest incidence of poverty is found in the Southeast, where the economy is dominated by Ho Chi Minh City. The Red River Delta, the Central Coast and the Mekong Delta have poverty rates slightly below the national average (World Bank, 1995). According to estimates by the Ministry of Labour, Invalids and Social Affairs (MOLISA), the following provinces have the highest incidence of poverty in Viet Nam: Ha Giang, Lai Chau, Cao Bang, Thanh Hoa, Kon Tum, and Quang Ngai (cited in World Bank, 1999).

Ethnicity is also an important factor in the distribution of poverty. Ethnic minorities have a much higher incidence of poverty than the national average, ranging from 66 per cent among the Tay to 100 per cent among the H'mong (cited in World Bank, 1999).

Similarly, ethnic minorities have higher crude death rates and infant mortality rates and lower life expectancies than the Kinh majority, as shown in Table 1.2.

Table 1.2: Social Indicators for Ethnic Groups in Viet Nam, 1993

For the poorest, then, little has changed, apart from the widening gulf between their own situation and that of the richest. The rights of the most vulnerable marginalised groups remain unfulfilled and they are comparatively worse off.

1.6. VIET NAM'S DEMOGRAPHIC TRANSITION



The country is nearing completion of a demographic transition from high to low levels of fertility and mortality. At the same time, there has been greater mobility and increased urbanisation (United Nations, 1999). These changes have important policy implications for children and adolescents.

According to the 1999 Census, the population has reached 76.3 million. The annual demographic growth rate has therefore slowed to 1.75 per cent at the end of a 45-year period of

rapid growth during which the population trebled. It seems highly likely that the policy goal of replacement level fertility by the year 2015 will be reached within the next 10 years or sooner.

Viet Nam's declining fertility and mortality rates will have a significant impact on the age structure of its population. In 1994, the age groups 5-9, 10-14, 0-4 and 15-19 accounted for (from 1st to 4th) the four highest percentages of the total population. According to current projections, the age groups 25-29, 20-24, 30-34 and 15-19 will account for (again, from 1st to 4th) the four highest percentages of the total population by the year 2014 (United Nations, 1999). It will be important for policy makers to keep these trends in mind as Viet Nam continues its efforts to achieve the goals for children in the NPA and to implement the *Convention on the Rights of the Child* (CRC).

On one hand, for example, the declining number of school-age children provides an opportunity for devoting more resources to improving the quality of primary education and the health and development of children who are not yet of school age. On the other hand, as the number of adolescents rises, social policies and investments should give higher priority to this group. For example, it will become both increasingly important and challenging to offer literacy and life skills training to out-of-school adolescents and to expand education opportunities at the secondary and higher levels.

The demographic changes that bring about age structure transformations also act on household structure. As fertility declines, the number of children in households also tends to decline. Between 1994 and 1997, mean household size declined from 4.8 to 4.7. The trend from extended to nuclear families also seems to be a factor in smaller households. As more youth migrate to find work, the probability of parents living with grown children

decreases. According to the Inter-censal Demographic Survey of 1994, 66 per cent of all households were nuclear while only 30 per cent were extended (GSO, 1997). Delayed marriage masks the effects of reduced fertility and changing household living arrangements. Slightly over 20 per cent of women aged 25-29 were unmarried in 1997 compared to 15 per cent in 1988 (United Nations, 1999).

The geographical distribution of Viet Nam's population also appears to be undergoing a major change. Movement from rural to urban areas has begun to dominate internal migration. An estimated 70,000 to 100,000 persons migrate to Ho Chi Minh City each year, while about 40 per cent of urban growth in Hanoi is attributed to internal migration. According to the 1999 Census, urbanisation stands at 23 per cent.

The rapid growth of large cities is placing pressure on the urban infrastructure and may undermine the ability of local authorities to provide basic services, such as housing, clean water and sanitation. If urban employment opportunities do not keep pace with migration, the incidence of urban poverty can be expected to increase and slum areas will develop, especially given the fragility of the urban infrastructure. These trends generally go hand in hand with increased homelessness, crime and social disorder.

Adolescents will be among the hardest hit. A survey undertaken in Ho Chi Minh City found that over two-thirds of migrants were between the ages of 15 and 29 (United Nations, 1999). Separated from the authority of their parents and the support of their families, they are likely to be especially vulnerable to economic and sexual exploitation, drug abuse and reproductive health problems.



VIET NAM
Children and Women:
A Situation Analysis
1999