

Tung Duc Phung; Thanh Minh Pham

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Programme-135: Addressing poverty and inequality in Viet Nam

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WIDER Working Paper 2022/59

**Programme-135: addressing poverty and
inequality in Viet Nam**

Tung Duc Phung and Thanh Minh Pham*

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Abstract: Viet Nam has achieved remarkable economic growth and poverty reduction since the Doi Moi. However, ethnic minorities and the ethnic majority do not benefit equally from the national economic progress. The proportion of poor households that are ethnic minority-headed soared from 18 per cent in the early 1990s to 56 per cent in 2008. The disparity exists in their access to crucial basic infrastructure and public services, including transportation, education, healthcare, electricity supply, markets, and justice services. Initiated in 1998, Programme-135 targets the most vulnerable communities and aims to promote production, increase access to basic facilities, improve education, and raise awareness for better living standards. The programme addresses typical causes of poverty among ethnic minorities and inequality between these groups and the majority. Programme-135 has created positive impacts and successfully improved the lives of the beneficiaries. In this paper we provide an overview of the programme and examine the drivers of its success in reducing poverty and bridging the majority–minority development gap. We also discuss the limitations and lessons from the programme.

Key words: poverty reduction, inequality, ethnic minorities, Viet Nam

JEL classification: I38, J15, J18

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* Mekong Development Research Institute, Hanoi, Viet Nam; corresponding author: thanhpham@mdri.org.vn

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Katajanokanlaituri 6 B, 00160 Helsinki, Finland

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1 Introduction

Despite being one of the poorest nations at the beginning of the 1980s, over the past three decades Viet Nam has experienced rapid economic growth and has been one of the most successful countries in terms of poverty reduction. This success began with the Doi Moi reforms of 1986, which started the country's transition from a centralized to a market economy and opened the country to international markets and trade. Combining these core principles with a wide range of social agenda that focused on education, health, and electricity supply expansion, Doi Moi has transformed the country from one of the world's poorest nations into a lower-middle-income country, with real GDP per capita tripling between 1990 and 2015, and the poverty rate¹ falling from more than 60 per cent in the 1980s to below 5 per cent of the population now (Baum 2020).

Although economic growth and poverty reduction at the national level were remarkable, these achievements were not distributed evenly across ethnic groups. The decline in poverty for ethnic minorities has been slower than that of the Kinh majority. According to Ha (2009), during the period 1993–2006 the average annual poverty reduction rate for ethnic minorities was 2.6 per cent, while it was 3.4 per cent for Kinh. As a result, while the national poverty rate was reduced from 58 per cent in 1993 to around 14 per cent in 2008,² the proportion of poor households who are ethnic minority-headed soared from 18 per cent in the early 1990s to 56 per cent in 2008, even though ethnic minorities represent only approximately 14 per cent of the total population. Dang (2019) also shows that horizontal inequality matters in Viet Nam, especially in terms of ethnicity, region, and the rural–urban divide.

To increase the opportunities for poor households to further benefit from the national economic growth, the Vietnamese government has introduced multiple poverty-reduction programmes that specifically targeted poor household groups and regions, such as Programme-135 (P-135) and Programme-30a (improving the living conditions of ethnic minorities), Programme-132 and Programme-134 (targeted mainly at the Central Highlands to increase access to land and improve housing conditions), the Hunger and Poverty Eradication Program, and the National Target Program for Poverty Reduction (NTP-PR; health insurance for the poor) (Phung et al. 2012). Among them, P-135, initiated in 1998, is considered the country's most significant in terms of scale, and is the longest-running programme. It aims to improve the living standards of the ethnic minority groups living in the most remote and inaccessible areas of the country by promoting agricultural productivity and access to basic facilities, improving education and local governing ability, and raising people's awareness.

After three phases spanning more than 20 years, P-135 has proven to be a key tool in work towards Viet Nam's goal of reducing poverty among ethnic minorities. The infrastructure built through the programme's investment, combined with multiple poverty-reduction models and training projects for local residents and administrative officials, have transformed the face of extremely disadvantaged and underprivileged communes in Viet Nam. Indeed, the socio-economic indicators among the beneficiary areas under the programme improved significantly, especially in dimensions such as education, health, housing, sanitation, agricultural productivity, transportation network, and clean water access.

Several important core elements of P-135 can serve as examples for other poor developing economies to develop similar programmes. First is the decentralized management approach from the central to the grassroots levels, and the involvement of local community in the programme's activities and projects. At the beginning, a higher administrative level (usually the district) determined the projects to build for the communes, regardless of the communes' needs. In addition, there was not enough participation

¹ Poverty is defined as living below the International Poverty Line standard of US\$1.90 per day.

² Authors' calculation using the 2008 Vietnam Household Living Standard Survey (VHLSS).

from the local communities in the programme's implementation process, especially in the oversight and the management aspects. Consequently, resources were wasted and projects were underutilized or of substandard quality. However, starting from the second phase, local communities could decide on their own what projects would be built according to their actual needs instead of having to follow a higher administrative level. Furthermore, as more communication efforts were made, locals were encouraged and started to participate more in every aspect of P-135.

The success of P-135 highlighted the importance of a collaborative system between the Vietnamese government and international organizations. In the first phase of the programme there was no support from international communities. However, the promising results following the first phase changed this: international organizations and donors started to see the potential of the programme and began to provide support—first only technical assistance (designing the programme, setting up monitoring and evaluating systems, etc.) and then eventually providing substantial funding.

Three phases of P-135 show the need for an adequate classification system that can identify the right beneficiaries. By changing from using only geographical factors to using multidimensional poverty criteria to classify communes and areas into different levels, P-135 was able to determine the right target areas in which to invest, reducing wasteful resources and improving the effectiveness of the programme.

However, even though P-135 is considered to be successful, the programme still possesses some weaknesses and has not reached its full potential. The shortcomings arise from its structural organization, implementation process, and allocation of resources. First, in terms of structural organization, most evaluations of programme efficiency focused on descriptive statistics (number of structures built, etc.) and did not have a clear set of criteria taking into account the specific conditions, needs, and cultures of individual ethnic minority groups when evaluating the development progress of the target communes. As a result, the effectiveness of P-135 varies significantly across ethnic minority groups, and many projects were poor quality or underutilized. Second, in terms of implementation processes, there were many complications related to programme oversight due to an unclear chain of command, with too many different stakeholders and lack of clear regulations and guidance. In addition, the programme relied too heavily on subjective evaluations and direction from local authorities, many of which were ineffective due to their level of management ability or integrity. Third, in terms of funding, communes that receive P-135 funding receive less from other assistance programmes, hence creating a major difficulty in evaluating the actual impacts of P-135 and likely undermining the effectiveness of the programme. In addition, P-135 did not provide enough investment in many other development aspects beyond infrastructure, such as production development, settlement, or capacity-building. This disproportionate investment resulted in imbalanced development.

In this paper we provide an overview of P-135. We then examine in more detail the drivers of its success in reducing poverty and bridging the socio-economic gap between the country's majority and minorities. We also discuss the lessons and limitations of P-135 to provide a basis to replicate or scale up the programme nationally or internationally.

The rest of the paper proceeds as follows: Section 2 discusses the context of Viet Nam and the rationale for P-135. Section 3 provides an overview of P-135 and its phases. Section 4 discusses the factors that contribute to the success of P-135, while Section 5 discusses its weaknesses. Section 6 concludes.

2 The context of Viet Nam and the rationale for P-135

2.1 The context of Viet Nam

In the 1980s Viet Nam was one of the poorest countries in the world. The national economic growth was stagnant, rice production was not sufficient to feed the fast-growing population, and most essential products, especially drugs and manufactured goods, were heavily dependent on subsidized imports from the Soviet Union (Glewwe et al. 2000). The country carried a 'least developed nation' label, with a shrinking per capita income estimated to be between US\$180 and US\$300 per year, with unemployment of 20–30 per cent in combination with stumbling food production and massive inflation (Cima 1989). In addition, the country's slow growth in school enrolment rates, combined with a high incidence of child malnourishment in this period placed Viet Nam in the same category as many of the poorest nations in Africa, Asia, and Latin America (Glewwe 2004). Overall, there was little prospect for a brighter future and a higher level of welfare in Viet Nam.

However, the situation changed dramatically following the country's adoption of Doi Moi ('renovation'), a series of economic and political reforms. The reform process began in late 1986 (Glewwe 2004) as the government's response to the country's dire economic performance. The reforms made fundamental policy changes that affected various important aspects of the Vietnamese economy at the time. In the agriculture sector the collective farm system was eliminated and the land was allocated to individual rural households. Households then had property rights to all the farm output after land taxes. Land rights were gradually relaxed, giving households more control over what to do with their allocated land. Price controls for agricultural products were also removed. In terms of inflation and macroeconomic stabilization, the central government reduced spending (mainly by closing or selling unprofitable state-owned enterprises) and modified the tax system to raise revenues (Glewwe 2004). Regarding foreign trade and investment, the government took decisive action to integrate the Vietnamese economy into the international market. Restrictions on exports and imports were removed. Regulations regarding domestic and foreign investments were relaxed, encouraging private investment and allowing for foreign-owned enterprises. Diplomatic relations with the US were re-established and the embargo was lifted in 1995. Viet Nam joined multiple bilateral and multilateral trade agreements with the US, the European Economic Community, the Association of Southeast Asian Nations, and eventually the World Trade Organization. Major social aspects were also addressed, which saw significant changes particularly in healthcare and education.

Table 1 shows the economic and social indicators descriptive statistics for four years: 1985, 1988, 1994, and 2000. Among these four years, the period 1985–88 reflects the country's performance before the Doi Moi reform policies were in place or taking effect. During this period, the country's GDP growth rate per capita was low relative to other East Asian countries, especially in the agriculture and services sectors. The industrial sector growth rate was unusually high (8.1 per cent), but this was mainly due to government subsidies, which led to a high national budget deficit and hyperinflation (7.1 per cent and 374 per cent, respectively) (Glewwe 2004). In addition, most essential products, especially manufactured goods, relied on imports. Hence, the trade deficit was also sizeable, with the value of imports being nearly double that of exports in 1988.

However, in the late 1980s and the 1990s, the Vietnamese economy experienced a remarkable transformation after Doi Moi. Viet Nam became one of the most successful countries in the world in terms of economic growth. According to the World Bank's annual GDP growth data, Viet Nam's GDP growth rate averaged more than 7 per cent per year between 1990 and 1997, a great jump from 4.2 per cent between 1985 and 1988. The high growth rate, combined with a decline in population growth, meant GDP per capita growth nearly tripled, from 2.0 per cent in the mid-1980s to 5.0 per cent in the 1988–94 period and 5.7 per cent in 1994–2000 (Glewwe 2004). The government deficit decreased by more than

half and inflation practically disappeared (−1.6 per cent in 2000). The increase in rice production due to the changes in agricultural policies and the removal of trade barriers made Viet Nam the second biggest rice exporter by the end of the 1990s.

Table 1: Viet Nam's economic and social indicators over time

| Indicators | 1985 | | 1988 | | 1994 | | 2000 |
|---|--------|----------|--------|----------|--------|----------|--------------|
| GDP (trillion dong, 1994 prices) | 106.18 | [+4.2%] | 119.96 | [+6.9%] | 178.53 | [+7.4%] | 273.58 |
| Agriculture | 36.83 | [+1.8%] | 38.87 | [+3.9%] | 48.97 | [+4.4%] | 63.35 |
| Industry | 26.40 | [+8.1%] | 33.35 | [+7.5%] | 51.54 | [+11.1%] | 96.92 |
| Services | 42.95 | [+3.6%] | 47.74 | [+8.5%] | 78.03 | [+6.4%] | 113.31 |
| Population (million) | 59.87 | [+2.1%] | 63.73 | [+1.8%] | 70.82 | [+1.5%] | 77.64 |
| GDP/capita (thousand dong, 1994 prices) | 1,774 | [+2%] | 1,882 | [+5%] | 2,521 | [+5.7%] | 3,524 |
| Budget deficit (% of GDP) | – | | 7.1 | | 3.0 | | 2.8 |
| Inflation rate (%) | 91.6 | | 374.4 | | 9.5 | | −1.6 |
| Exports (US\$ billion) | 0.50 | [+13.4%] | 0.73 | [+33.1%] | 4.05 | [+23.6%] | 14.45 |
| Imports (US\$ billion) | 0.90 | [+16.1%] | 1.41 | [+24.5%] | 5.25 | [+17.9%] | 14.07 |
| Trade balance (US\$ billion) | −0.41 | | −0.68 | | −1.20 | | +0.38 |
| Poverty rate (%) | 75.0 | | – | | 58.1 | | 37.4 |
| | (1984) | | | | (1998) | | (1998) |
| School enrolment ratios (gross) | | | | | | | |
| Primary | 103 | | 104 | | 113 | | 106 |
| Secondary | 43 | | 40 | | 41 | | 67 |
| Life expectancy | 65 | | 66 | | 68 | | 69 |
| Child malnutrition (stunting, %) | – | | – | | 51 | (1993) | 34 (1998) |

Source: Glewwe (2004), licence: CC BY 3.0 IGO.

The improvement in economic conditions also brought changes in social indicator performance. Dollar and Litvack (1998) estimated that 75 per cent of Vietnamese were poor in 1984. The school retention rate from primary to secondary school was low. Life expectancy was unusually high for a poor country, but was certainly accompanied by very high rates of child malnutrition (Glewwe 2004). However, the rapid economic growth after the Doi Moi reform also translated into a sharp decrease in the poverty rate and improvements in various social aspects. The poverty rate dropped to 58 per cent in 1993 and 37 per cent in 1998. The secondary school enrolment rate increased from 40 per cent in the 1980s to 67 per cent in the year 2000. Life expectancy also increased steadily throughout the period. Child malnutrition, defined as low height for age, among children younger than five years of age also declined, from 51 per cent in 1993 to 34 per cent in 1998.

2.2 The inequality in growth and the rationale for P-135

Even though the Vietnamese economic transformation after Doi Moi was remarkable, the benefit was not distributed evenly across regions and ethnic groups. Unfortunately, there was no reliable micro-data in Viet Nam in the 1980s to examine the inequality. However, in the 1990s, with financial assistance from the United Nations Development Programme (UNDP) and Swedish International Development Agency (SIDA) and technical assistance from the World Bank, the Vietnamese General Statistical Office (GSO) conducted the 1992–93 and 1997–98 VLSS. The surveys produced extremely rich data sets for poverty and inequality (and other) analysis purposes. Tables 2 and 3 present information on the inequality in expenditure and consumption from two rounds of the survey.

Table 2 shows that the average expenditure per capita increased by 43 per cent between 1993 and 1998. However, the increase for urban areas was 60 per cent while the increase for rural areas was only 30 per cent. Table 3 presents the change in the Gini coefficient and the Theil index in the 1990s. The

Gini coefficient increased from 0.329 in 1993 to 0.352 in 1998, a 7 per cent increase. The Theil index,³ another common measure of inequality, increased at a much faster rate of 17 per cent, from 0.197 in 1993 to 0.230 in 1998 (0.033-point increase). In panel A of Table 3 the inequality within urban and rural groups increased slightly from 0.155 to 0.158 (2 per cent). However, the inequality due to the differences between mean expenditure for urban and rural areas increased by 71 per cent from 0.042 in 1993 to 0.072 in 1998. This means that the 17 per cent increase in the Theil index was predominantly contributed to the rise in inequality between urban and rural areas. In panel B of Table 3, the Theil index is decomposed into economic regions. There are seven main economic regions in Viet Nam: the Northern Uplands, the Red River Delta, the North Central Coast, the Central Coast, the Central Highlands, the Southeast, and the Mekong Delta. Between 1993 and 1998 the average inequality within each region only increased from 0.171 to 0.180 (5 per cent). On the other hand, the inequality between regions almost doubled from 0.026 to 0.05 (0.024-point increase). The increase in inequality between regions accounted for approximately three-quarters of the total change in the Theil index (0.024/0.033).

Table 2: Expenditure per capita by urban and rural area, 1993 and 1998

| | 1993 | | 1998 |
|---------|-------|---------|-------|
| Urban | 3,013 | [+ 60%] | 4,829 |
| Rural | 1,669 | [+30%] | 2,166 |
| Overall | 1,936 | [+43%] | 2,764 |

Source: authors' creation based on Haughton (2001).

Table 3: Inequality indices in Viet Nam in the 1990s

| Inequality index | 1993 | 1998 |
|-------------------------------------|-------|-------|
| Gini coefficient | 0.329 | 0.352 |
| Theil index | 0.197 | 0.230 |
| Decomposition of Theil index | | |
| A. Urban/rural | | |
| Within | 0.155 | 0.158 |
| Between | 0.042 | 0.072 |
| B. Regions | | |
| Within | 0.171 | 0.180 |
| Between | 0.026 | 0.050 |

Source: authors' compilation based on Glewwe (2004); Glewwe et al. (2000).

The fact that the increase in inequality in Viet Nam during the 1990s mostly came from inequality across regions and between urban and rural areas suggests that the benefits from the economic growth during this period were not distributed equally spatially. Hence, the reduction in poverty and the improvement in social indicators were not equal between areas. Table 4 presents poverty incidence from the VLSS 1992–93 and VLSS 1997–98 by socio-economic characteristics. Overall, Viet Nam's national poverty rate (determined by household consumption expenditure level) fell from 58.1 per cent in 1993 to 37.4 per cent in just five years. Poverty reduction in urban areas was extremely impressive (from 25.1 per cent to 9.2 per cent). Despite the national economic growth, in rural areas, even though the poverty incidence dropped by more than 20 percentage points (from 66.4 to 45.5 per cent), almost half of the rural population were still poor.

Across regions, the most significant decline was in the Red River Delta (34.2 percentage points (pp)), North Central (26.5 pp), and South East (25.1 pp) regions. In contrast, the Central Coast and the Mekong River regions experienced a modest decrease in the poverty rate, at 14.4 pp and 10.2 pp, respectively. Overall, poverty declined in all seven economic regions. However, the poverty incidence in the Northern Uplands, the North Central, the Central Coast, the Central Highlands, and the Mekong River regions was

³ The advantage of the Theil index is that, when the population is divided into several mutually exclusive groups, the measures can be used to divide the total inequality into the inequality from the differences in the mean income between groups and within each group (Glewwe 2004).

still extremely high, especially in the Northern Uplands and the Central Highlands (>50 per cent), where the majority of ethnic minorities reside.

Table 4: Poverty rate (%) by year and socio-characteristics

| | 1993 | 1998 |
|---------------------|------|------|
| All Viet Nam | 58.1 | 37.4 |
| Urban/rural | | |
| Urban | 25.1 | 9.2 |
| Rural | 66.4 | 45.5 |
| Region | | |
| Northern Uplands | 78.6 | 58.6 |
| Red River Delta | 62.9 | 28.7 |
| North Central | 74.5 | 48.0 |
| Central Coast | 49.6 | 35.2 |
| Central Highlands | 70.0 | 52.2 |
| South East | 32.7 | 7.6 |
| Mekong River | 47.1 | 36.9 |
| Ethnic group | | |
| Vietnamese (Kinh) | 55.1 | 31.7 |
| Tay | 81.3 | 63.8 |
| Thai | 82.3 | 71.1 |
| Chinese | 11.8 | 8.4 |
| Khorme | 75.4 | 57.5 |
| Muong | 89.6 | 80.6 |
| Nung | 91.8 | 72.0 |
| H'mong | 100 | 91.8 |
| Dao | 88.5 | 100 |
| Other | 90.0 | 75.8 |

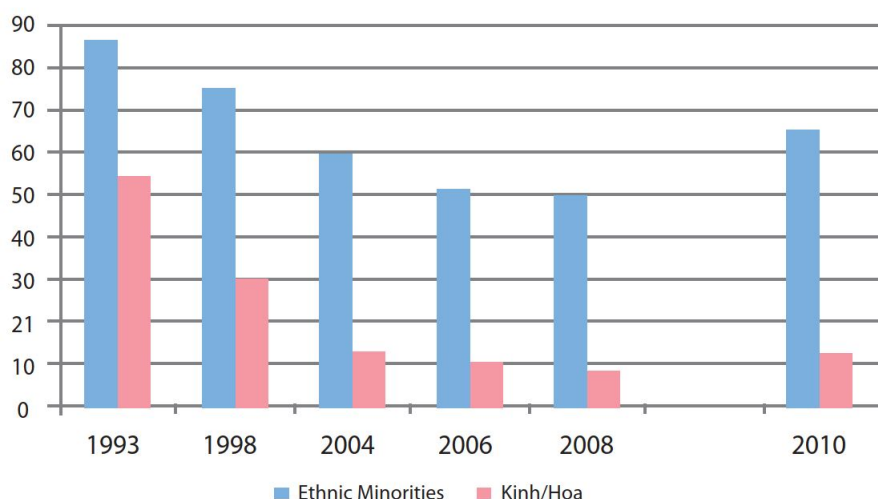
Note: the general poverty line (food + non-food) for 1993 was VND1,160,363 and for 1998 was VND 1,789,871.

Source: Glewwe et al. (2000), licence: CC BY 3.0 IGO.

Indeed, among ethnic groups, in 1998 the Kinh majority and Chinese had the lowest poverty rate. Even though the rate also reduced for most other ethnic minorities between 1993 and 1998, their poverty incidences were still extreme (for example: Dao, 100 per cent; H'mong, 91.8 per cent; Muong, 80.6 per cent; Nung, 72.0 per cent). The differences in the poverty rates and the poverty reduction rates across ethnic groups are presented in Figure 1. There were also disparities between the ethnic minority and the majority in other socio-economic development indicators. As shown later in Table 7, in 1998, 32.9 per cent and 75.5 per cent of the ethnic majority households had access to safe drinking water and electricity, respectively. These statistics were only 11.6 per cent and 47 per cent for ethnic minority households. There was also a 10 pp majority–minority gap in the net enrolment rate for primary school, 28 pp gap for lower secondary school, and 18 pp gap for upper secondary school. Minority households also experienced lower availability of social and health assistance. As the numbers show, minorities were disadvantaged relative to the Kinh majority and the Chinese ethnic group.

The natural question, then, is what are the reasons for ethnic inequality in Viet Nam? Van de Walle and Gunewardena (2001) show that there are two main sources. The first one is due to the general geographical factor. Minorities tend to live in more remote areas with less productive land, difficult terrain, poor infrastructure, less access to the market economy, education, and healthcare, and many fewer non-farm employment opportunities. Second, the authors argue that even within the same geographical areas, geographic characteristics matter more to minorities, and the geographic effects are correlated with their other characteristics. Specifically, living in areas with worse condition tends to be associated with less rewarding non-geographic household characteristics, and this effect is more substantial for minorities (Van de Walle and Gunewardena 2001).

Figure 1: Poverty headcount for the ethnic majority and minorities



Source: World Bank (2012), licence: CC BY 3.0 IGO.

With the goal ‘No One Left Behind’, the Vietnamese government has introduced multiple poverty-reduction programmes to assist in development for ethnic minorities and to bridge the gap between the minorities and the majority. These programmes address a wide range of socio-economic issues, such as living conditions of ethnic minorities (P-135 and Programme-30a), increasing access to land and improving housing conditions (Programme-132 and Programme-134), health insurance for the poor (NTP-PR), and hunger and poverty eradication (HERP) (Phung et al. 2012). Among them, P-135, initiated in 1998, is considered the country’s most significant in terms of scale and is currently the longest-running programme. The programme aims to improve the living standards of ethnic minority groups living in extremely disadvantaged areas of the country by tackling direct issues that hinder their development progress, such as poor infrastructure, low agriculture activity, poor access to healthcare and education, and reduced local governing ability.

3 Programme-135

3.1 Overview of the extremely disadvantaged communes

Viet Nam is a very diverse country with 54 different ethnicities, each of which has its own unique language and culture. The Kinh majority accounts for approximately 86 per cent of the total population. The Tay, Thai, Muong, Khmer, Nung, Mong, and Dao account for about 10 per cent. Minority group populations, especially those with low numbers, are concentrated in mountainous areas and highlands, where they face difficult natural circumstances and have little access to basic infrastructure, public services, and the market economy (Baulch et al. 2012; Imai et al. 2011; Van de Walle and Gunewardena 2001). As a result, minority groups are often highly disadvantaged in terms of socio-economic development.

According to the Committee for Ethnic Minority Affairs (CEMA 2005),⁴ among the administrative units (province, district, commune), those in which at least two-thirds of the total area has a slope of 25 degrees or more or are located at an altitude of at least 200 metres above sea level are classified as mountainous, whereas those areas with an altitude of at least 600 metres above sea level and in which ethnic minorities

⁴ CEMA is a Vietnamese ministry-level government agency that oversees the state management of ethnic minority affairs. CEMA represents the voice of ethnic minorities in the government and is headed by a member of an ethnic minority.

constitute a majority of the population are classified as highland. In the first half of the 1990s only these geographical characteristics and natural features were used to determine qualifications to implement and apply socio-economic development programmes. However, these criteria only consider natural features, not the actual socio-economic conditions of the areas. As such, the development programmes in this period did not have the right target beneficiaries as the socio-economic levels varied substantially even within the same geographical category. Therefore, the Committee for Ethnic Minority and Mountainous Areas (CEMMA) issued a new classification of mountainous areas and highlands in 1996.⁵ To determine the level of development in an area, the new classification combined major features: natural geographical characteristics, basic infrastructure, social factors, production conditions, residential location within the area, and living conditions. The communes in mountainous and highland areas were classified into three different development zones according to their level of socio-economic conditions:

- Zone I: relatively better-off and stable areas;
- Zone II: disadvantaged but temporarily stable areas; and
- Zone III: underprivileged and extremely disadvantaged areas.

The classification into three zones using both geographical characteristics and multiple socio-economic criteria was critical in helping the government to formulate suitable development plans for each area, with special attention given to the most disadvantaged groups—that is, those in Zone III.

According to CEMA (2005), in the mid-1990s there were 1,557 communes in mountainous and remote border areas and former revolutionary bases, with a total population of 4,533,598 people in 799,034 households, which classified into Zone III (more communes in the delta areas that had ethnic minority populations were added later, bringing the total number of communes in Zone III to 1,715). The communes in Zone III were characterized by the lack of productive agricultural land and populations that relied on subsistence farming; lack of access to clean water; lack of access to basic healthcare and education; and lack of basic physical and social infrastructure. The Vietnamese GSO (Committee for Ethnic Minority Affairs 2005) estimated that more than 50 per cent of the communes in Zone III did not have access to the national power grid; 40 per cent of the population did not have access to clean water; as many as 600 communes did not have all-weather road access to the commune centre; 800 communes did not have a basic clinic; almost half of the communes did not have a primary school or sufficient classroom capacity; 900 communes did not have a market; and two-thirds of the dwelling houses were under construction. Hence, these areas were in urgent need of a comprehensive and integrated socio-economic development programme to assist and promote sustainable development. As a result, P-135 was formulated via Decision No. 135/1998/QD-TTg and signed by the Vietnamese prime minister on 31 July 1998.

3.2 Overview of P-135

The Socio-economic Development of the Most Vulnerable Communes in Ethnic Minority and Mountainous Areas in Vietnam programme, or P-135, was designed in 1997 and approved by the central government in 1998. The programme has been through three phases and is still ongoing, making it the most significant and longest-running poverty-reduction programme in the country's history. The programme was designed by a collaboration between the Vietnamese Ministry of Investment and Planning and CEMA, with help from other relevant government agencies and international organizations. It is managed by the 'Steering Committee for Socio-economic Development Programme for Extremely Disadvantaged Communes in Mountainous and Remote Areas'.⁶

⁵ CEMMA's Circular No. 41/UB-TT of 8 January 1996.

⁶ The committee is led by a vice prime minister and the chief of CEMA.

P-135's overall objectives are: (1) to accelerate production and promote market-oriented and agricultural development; (2) to eradicate hunger and reduce the poverty rate in the targeted areas to below 30 per cent; and (3) to improve the socio-cultural lives of ethnic minorities to narrow the gaps in living standards between 's ethnic groups and regions (Ha 2009).

In order to achieve its goal, the programme's overall structure comprises four main components:

1. **Infrastructure development:** to assist in developing local infrastructure to ensure all communes have at least basic infrastructure and facilities, and to improve all households' access to this infrastructure.
2. **Production development:** to provide ethnic minorities with new knowledge and production practices to improve skills and boost agricultural productivity.
3. **Capacity-building:** to provide training to local leaders and their staff to ensure they have adequate skills and knowledge to manage and carry out poverty-reduction programmes; to encourage and provide incentives for residents to participate in and supervise the projects in their communities.
4. **Improve socio-cultural standards and access to public services:** to expand and improve access to essential social and public services, such as clean water, sanitation, healthcare, and primary and secondary education.

3.3 Phase I (1998–2005)

The first phase of P-135 (P-135-I) was approved in 1998 for seven years (1998–2005). The total government (central and local) and donor funding for the programme during this period exceeded VND10,000 billion (US\$620 million). The targeted beneficiaries were the most underprivileged and extremely disadvantaged ethnic minorities and mountainous communes and villages, selected through the specified criteria for Zone III, including geographical characteristics, population size, poverty rate, existing physical and social infrastructure, and social indicators (healthcare, education, infant mortality rate, maternal mortality rate, etc.). Table 5 shows the number of communes under P-135 in the period 1999–2005. When the programme started, P-135 included more than 1,000 communes classified under Zone III, and 188 border communes. However, the number of targeted communes increased over the years because during the categorization of the three zones, local authorities in many areas did not adhere to the formal guidelines and made insufficient objective adjustments, and hence misclassified communes facing special difficulties into a better zone (Committee for Ethnic Minority Affairs 2005). By the end of the first phase there were 2,410 communes under the programme, representing nearly one-quarter of all communes nationwide and 15 per cent of the total population (Ha 2009).

Table 5: Number of communes under P-135 in the period 1999–2005

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|----------------------------------|-------|-------|-------|-------|-------|-------|-------|
| Extremely disadvantaged communes | 1,012 | 1,490 | 1,884 | 1,907 | 1,907 | 1,919 | 1,938 |
| Border communes | 188 | 388 | 388 | 388 | 388 | 388 | 389 |
| Ex-revolutionary base communes | 0 | 0 | 53 | 67 | 67 | 67 | 83 |
| Total | 1,200 | 1,878 | 2,325 | 2,362 | 2,374 | 2,374 | 2,410 |

Source: authors' compilation based on Committee for Ethnic Minority Affairs (2005).

The first phase focused on the following aspects: (1) improving and developing local villages' and communes' basic infrastructure and facilities; (2) providing support for production development; and (3) providing training to grassroots officials.

Improving and developing infrastructure was the focus of the first phase and it took the overwhelmingly majority of the total funding for P-135-I. The total investment capital from the central state budget for communal and commune clusters' infrastructure projects in extremely difficult areas in the period 1999–2005 was VND8,434 billion, in addition to more than VND500 billion that was mobilized locally (Committee for Ethnic Minority Affairs 2005). The programme's investment projects comprised eight

main types of infrastructure: transportation, irrigation, schools, clinics, clean water supplies, electricity supply, markets, and reclamation. Table 6 presents the total communal projects that were completed in the first phase of P-135. Seven years after implementation, there were more than 20,000 communal facilities completed under the programme. Of these, transportation accounted for one-third of the total number of projects, schools accounted for one-quarter, irrigation infrastructure accounted for 17 per cent (or 3,608 projects), electricity and water facilities accounted for approximately 20 per cent, and clinics, markets, reclamation, and some others accounted for the rest. In addition to the communal projects, 498 commune cluster infrastructure facilities were also built.

Table 6: Number of communal infrastructure projects under P-135-I

| | Number of facilities | Percentage of total facilities | Percentage of total investment |
|--------------------|----------------------|--------------------------------|--------------------------------|
| Total | 20,026 | 100 | 100 |
| Transportation | 6,652 | 33.35 | 40.28 |
| Irrigation | 3,608 | 17.08 | 17.08 |
| Schools | 4,654 | 24.08 | 22.79 |
| Water supply | 2,346 | 12.02 | 5.84 |
| Electricity supply | 1,298 | 7.94 | 7.94 |
| Clinics | 487 | 1.72 | 1.72 |
| Markets | 237 | 0.97 | 1.2 |
| Reclamation | 426 | 2.44 | 0.5 |
| Other | 318 | 0.4 | 2.65 |

Source: Committee for Ethnic Minority Affairs (2005).

Agriculture assistance for the P-135 communes also provided the locals with a new way to exploit their natural advantages. Before 2001, P-135 did not have a specific budget for developing agricultural production. In the period 2001–05 the central government allocated more than VND60 billion (approximately US\$3.75 million) for agriculture improvement purposes, such as agriculture and forestry extension, afforestation, and forest products development and utilization programmes. After seven years of the programme, irrigation areas and staple-food crops productivity had increased significantly. According to the statistics from the Committee for Ethnic Minority Affairs (2005), investment in irrigation projects increased irrigation capacity for more than 40,000 hectares of cultivation land and about 2,000 hectares of reclamation land. In addition, new cultivation and production practices, combined with higher-yield crop varieties and better livestock breeds, enabled communes in extreme difficulty to eliminate the problem of chronically hungry households, obtain food stability, and increase the average self-sufficient food supply from 286 kg per person in 1998 to 320 kg per person in 2004, with some areas exceeding 500 kg per person.

Another primary goal of the programme was to provide training to improve and strengthen local public and social administrative officials' ability to manage and overview projects under the programme, and to promote poverty reduction and sustainable development in their areas. By the end of 2004, the Committee for Ethnic Minority Affairs (2005) estimated that as many as 1,080 training courses were conducted, with a total number of more than 155,000 entries. As a result, grassroots officials' abilities improved significantly, and provide a foundation for many communes to implement their own projects and be their own investment owners later in the programme.⁷

Table 7 presents socio-economic indicators for the ethnic majority and minority groups for the period under P-135-I (1998–2006). Even though there was still a large development gap between the minorities (panel A) and the majority (panel B), the indicators for the ethnic minority group improved tremendously over the years. The poverty headcount decreased from 75 per cent in 1998 to 52 per cent in 2006.

⁷ At the start of the programme's phase II, 21.54 per cent of the infrastructure projects had communes as investment owners and 70 per cent of communes had project management boards.

Table 7: Socio-economic indicators for ethnic minority and majority groups

| | Panel A: minority | | | | Panel B: majority | | | |
|--|-------------------|-------|-------|-------|-------------------|-------|-------|-------|
| | 1998 | 2002 | 2004 | 2006 | 1998 | 2002 | 2004 | 2006 |
| Poverty headcount (%) | 75 | 69 | 61 | 52 | 31 | 23 | 14 | 10 |
| Nutrition indicators for children under five (%) | | | | | | | | |
| <i><24 months</i> | | | | | | | | |
| Stunting | 35 | - | - | 33 | 34 | - | - | 27 |
| Wasting | 13 | - | - | 18 | 11 | - | - | 15 |
| <i>>=24 months</i> | | | | | | | | |
| Stunting | 54 | - | - | 57 | 53 | - | - | 37 |
| Wasting | 11 | - | - | 10 | 12 | - | - | 11 |
| Access to public services in rural areas | | | | | | | | |
| Safe drinking water (% households) | 11.6 | - | - | 55.6 | 32.9 | - | - | 88.4 |
| Mains electricity (% households) | 47 | - | - | 79.7 | 75.5 | - | - | 97.3 |
| Preferential loans (% households) | 17 | - | - | 15.4 | 10 | - | - | 5 |
| Percentage of household receiving social assistance payment (%) | | | | | | | | |
| Social protection transfers ('000s VND) | 284 | - | - | 804 | 485 | - | - | 1,152 |
| Health assistance | 13 | - | - | 31.5 | 18.3 | - | - | 10.3 |
| Social assistance (A) | 7.8 | - | - | 15.4 | 10.6 | - | - | 11.2 |
| Social insurance (B) | 6.6 | - | - | 3.8 | 9.8 | - | - | 6 |
| Social protection payments (A+B) | 13.8 | - | - | 18.5 | 18.8 | - | - | 16 |
| Access to infrastructure | | | | | | | | |
| <i>Proportion (%) of communes that have</i> | | | | | | | | |
| Factories/enterprises within 10 km | - | 33 | - | 40 | - | 71 | - | 74 |
| Mains electricity | - | 62 | - | 95 | - | 98 | - | 100 |
| <i>Distance (km) from village to</i> | | | | | | | | |
| Closest hospital | - | 19.04 | - | 4.63 | - | 10.22 | - | 3.68 |
| Primary school | - | 1.77 | - | 1 | - | 0.87 | - | 0.73 |
| Lower secondary school | - | 3.68 | - | 2.23 | - | 1.93 | - | 1.44 |
| Upper secondary school | - | 11.42 | - | 10.12 | - | 5.65 | - | 4.98 |
| Road that cars can travel on | - | 0.89 | - | 0.81 | - | 0.81 | - | 0.6 |
| Public transport | - | 11.5 | - | 6.16 | - | 2.96 | - | 1.93 |
| Post office | - | 8.62 | - | 4.84 | - | 2.16 | - | 1.8 |
| Gross and net enrolment rates for rural areas | | | | | | | | |
| <i>Net enrolment rates</i> | | | | | | | | |
| Primary school | 83.1 | 82.4 | 84.3 | 85.3 | 93.9 | 91.7 | 93.9 | 93.4 |
| Lower secondary school | 36.1 | 50.3 | 56 | 63.6 | 64.1 | 77.3 | 80.1 | 84.4 |
| Upper secondary school | 7.4 | 18.3 | 26.5 | 30.2 | 26 | 42.8 | 50.5 | 58.7 |
| <i>Gross enrolment rates</i> | | | | | | | | |
| Primary school | 124.7 | 120.5 | 114.3 | 107.5 | 116.2 | 115 | 106.8 | 102.2 |
| Lower secondary school | 57.4 | 75.4 | 85.9 | 89 | 81.7 | 93.2 | 93.7 | 95.4 |
| Upper secondary school | 15.7 | 31 | 45.8 | 51.7 | 35.3 | 59.7 | 67.7 | 73.3 |

Source: authors' calculations based on data from the Vietnam Living Standard Survey 1998 and Vietnam Households Living Standard Surveys 2002, 2004, and 2006.

In terms of basic infrastructure, only 11.6 per cent of households had access to safe drinking water in 1998. This figure increased by 44 pp and reached 55.6 per cent in 2006. The percentage of households that had access to electricity increased by 32 pp, from 47 per cent in 1998 to 79.7 per cent in 2006. The proportion of communes with factories/enterprises within 10 km and with electricity increased by 7 pp and 33 pp, to 40 per cent and 95 per cent, respectively, in 2006. The average distance from the villages to the closest public facilities (schools, hospitals, car roads, post offices, or public transport) decreased drastically between 2002 and 2006, especially the distance to the closest hospital (-75 per

cent), primary schools (–44 per cent), lower secondary schools (–39 per cent), public transport (–46.4 per cent), and post offices (–44 per cent). Improvements in access to infrastructure also translated into improvements in social welfare indicators. School enrolment rates increased tremendously from 1998 to 2006, especially for the secondary level. In 1998 the net enrolment rate for lower secondary and upper secondary schools for ethnic minorities in rural areas was 36.1 and 7.4 per cent, respectively. However, in 2006, 63.6 per cent of lower secondary school-age children attended secondary schools, and 30.2 per cent did the same for upper secondary schools, increases of 27 pp and 23 pp relative to 1998. More households received social assistance and health assistance after P-135-I ended. However, the nutrition indicators (stunting and wasting) for children under five years did not improve or got even worse, signalling a need to provide policies to help improve locals' healthcare and childcare knowledge, food security, and other social welfare.

3.4 Phase II (2006–10)

With the experience from P-135-I and technical support from the UNDP, P-135 phase II (P-135-II) was developed and initiated in 2006. The programme is led by CEMA and has a total budget of US\$1.1 billion, with more than half of the funding coming from the Vietnamese central government and the rest from international donors (World Bank, UNDP, SIDA, IrishAID, and more). The average total investment for a commune increased from VND860 million (approx. US\$53,400) per commune per year in 2006–07 to more than VND1,300 million (approx. US\$66,600) per commune per year in 2010. The programme targeted the 1,600 poorest communes, determined using criteria similar to those for P-135-I.

There are several major changes in the implementation of P-135-II that derived from the lessons learned in the first phase and other poverty-reduction programmes, such as (1) an emphasis on decentralization, with the goal of 100 per cent of the programme's projects being managed by communes; (2) a monitoring and evaluation system that includes an impact assessment methodology with baseline, mid-term, and final impact surveys; (3) a pro-poor budget, with allocation of funds directed to communes based on criteria determined by provinces; and (4) a participatory approach that encourages more of the local population to participate in the programme's process (Ha 2009).

The main objectives for the target beneficiaries by the end of phase II were to:

- reduce the average poverty rate to below 30 per cent;
- ensure more than 70 per cent of the households have annual income per capita exceeding VND3.5 million;
- improve agricultural productivity;
- increase the net enrolment rate for primary school to at least 95 per cent; and
- increase the net enrolment rate for lower secondary school to at least 75 per cent.

To achieve these goals, P-135-II was designed with four main pillars:

1. Increase agricultural production by improving skills and providing training to ethnic minorities on new production techniques, products, and practices.
2. Develop local infrastructure and increase households' access to basic facilities.
3. Improve socio-cultural lives and increase the access to public services.
4. Strengthen grassroots officials' administrative management, investment, and operation management skills and knowledge.

Phung et al. (2012) thoroughly evaluated P-135-II through a baseline survey in 2007 and an endline survey in 2012. Overall, the authors found that P-135-II reduced poverty among ethnic minority groups by 10 per cent, increased rice productivity by 10 per cent, increased agriculture income by 17 per cent, and increased households' total income by 16 per cent. Table 8 presents the additional progress that communities made under P-135-II.

Table 8: Baseline and endline indicators for targeted communes under P-135-II

| | Baseline 2007 | Endline 2012 | | Baseline 2007 | Endline 2012 |
|---|------------------|-----------------|--|---|-----------------|
| ERADICATION OF POVERTY AND HUNGER | | | CAPACITY-BUILDING | | |
| Income-based poverty and inequality | | | Communes having adequate capacity to manage the implementation of a programme (%) | | |
| Poverty headcount (%) | 57.5 | 49.25 | Communes with Project Management Board | 70.04 | 93.93 |
| Poverty gap (%) | 23.5 | 22.36 | Village and commune staff provided with appropriate skills and knowledge (%) | | |
| Gini coefficient | 43.07 | 47.53 | Duration of training is sufficient | 35.09 | 59.73 |
| Income | | | Training practical and applicable | 82.69 | 85.42 |
| Per capital income (thousand VND/year)* | 6024.04 | 7265.78 | Quality of the trainers (% good or very good) | 79.53 | 90.06 |
| Average income per capita/year >3.5 million/year (%)* | 30.88 | 41.13 | Supervision team trained before taking their role | - | - |
| Household income structure | | | Capacity strengthened with community participation (%) | | |
| Wage, salary | 19.54 | 23.92 | Organization of meeting to select project | 86.41 | 85.61 |
| Agriculture, forestry, and aquaculture | 63.5 | 57.47 | Participation of household in meeting | 49.01 | 73.86 |
| Non-farm | 5.32 | 4.73 | Households have members monitoring infrastructure projects | 3.48 | 8 |
| Others | 11.64 | 13.88 | Household received financial information | 11.57 | 21.33 |
| AGRICULTURAL PRODUCTION | | | IMPROVED SOCIO-CULTURAL LIVELIHOODS | | |
| Agricultural infrastructure | | | Household access to education (%) | | |
| % annual crop land is irrigated | 50.21 | 82.08 | School enrolment | | |
| % perennial crop land is irrigated | 29.82 | 61.71 | | Net enrolment rate at primary level | 84.59 |
| Productivity of some main trees | | | | Net enrolment rate at lower secondary level | 60.91 |
| Rice productivity (ton/ha) | 3.54 | 3.94 | | Net enrolment rate at upper secondary level | 31.13 |
| Corn productivity (ton/ha) | 3.13 | 3.36 | Household access to healthcare services (%) | | |
| Cassava productivity (ton/ha) | 13.41 | 12.14 | % of individuals being ill or injured over the past 12 months | 49.55 | 49.91 |
| Poor households use market-oriented services | | | Types of healthcare facilities used for medical treatment | | |
| % of rice traded | 9.7 | 8.5 | | Health centre (hamlet, commune, region) | 54.85 |
| % of other food crops traded | 24.41 | 37.12 | | Hospital (district, province, national, other) | 15.61 |
| % of industrial crop traded | 39.62 | 51.83 | | Other facilities | 29.55 |
| % households received agri extension support | 32.18 | 49.34 | % exempted from healthcare fees | | |
| % of household paying for agri extension services | 5.44 | 14.35 | | Having free healthcare certificates | 88.04 |
| % happy with the quality of the information | 88.49 | 87.68 | | Having no free healthcare certificates | 11.96 |
| INFRASTRUCTURE DEVELOPMENT | | | Household access to other key services (%) | | |
| Access to physical infrastructures (%) | | | Water for drinking and cooking | | |
| Having transportation roads to villages | 93.12 | 95.55 | | Piped, bought, and rain water | 14.96 |
| Having cultural post office | 85.43 | 85.83 | | Hand-dug well uncovered, unprotected spring sources | 26.38 |
| Having small irrigation system | 59.11 | 70.45 | | River, lake, pond, and other sources of water | 10.73 |
| Having electricity (as alternative for power scheme) | 82.19 | 95.14 | % of households using national power grid | 68.57 | 83.6 |
| Having healthcare stations | 96.98 | 97.49 | Types of toilets | | |
| Having schools | | | | Flushed/semi-flushed toilets | 3.72 |
| | | | | Suilabh | 2.04 |
| | | | | Double vault compost latrine | 5.37 |
| | | | | Other types of toilets | 46.08 |
| | | | | No toilet | 42.37 |
| Primary school | 74.09 | 89.07 | | | 33.16 |
| Lower secondary school | 63.97 | 81.38 | % of household using legal services | | |
| Upper secondary school | 2.02 | 3.64 | | | 24.07 |

Note: * income adjusted to January 2021 price level using the consumer price index (CPI).

Source: authors' compilation based on data from Phung et al. (2012).

The poverty rate among ethnic minorities decreased but remains extremely high (49 per cent) and above the target of 30 per cent by 2010. The authors found that the majority of poverty reduction was achieved by income growth, and that ethnic minority households are more likely to be persistently poor compared to Kinh households. Households' average per capita income in the beneficiary communes increased by 20 pp (VND6,024.04 to VND7,265.78⁸), but the rate is still much lower than the national average (50 pp). The programme did not meet its target of 70 per cent of the households having annual income per capita exceeding VND3.5 million; only 41.13 per cent of the households achieved this income level. However, even though the majority of the households' incomes still came from agricultural activities, the authors observed a transition from farm to non-farm activities. Ethnic minorities' living standards also improved with the rise in durable goods ownership. In 2012, 70.9 per cent of households had a telephone, 70 per cent had a television, and 66.2 per cent had a motorbike (a 23 pp increase from 2007). The proportion of households living in a permanent home increased and the average living area also increased from 13 m² per capita in 2007 to 18 m² per capita in 2012. However, access to clean water and hygienic latrines was still limited. The authors estimated that only 17 per cent of the ethnic minority households had tap water and only 30 per cent of the households had access to hygienic latrines. Access to electricity continued to improve, with 83.6 per cent of ethnic minority households having electricity in 2012, but this was still low compared with the national figure of 98 per cent. In terms of education, the net enrolment rate at the primary and lower secondary school levels did not increase significantly and still fell far short of the central government's objectives. For healthcare, more people utilized a higher level of healthcare facilities (hospitals) instead of local health centres in their communes or hamlets, and the travel time for ethnic minority households to health facilities decreased by about 12 per cent (Phung et al. 2012).

In terms of agricultural production, the area of annual crop land and perennial cropland that is irrigated increased remarkably. Between 2007 and 2012 the percentage of irrigated annual crop land increased from 50.21 per cent to 82.08 per cent, and the percentage of irrigated perennial crop land increased from 29.82 per cent to 61.71 per cent. Staple-food crops (rice and corn) productivity increased slightly. More households received agriculture extension support (49.34 per cent in 2012 versus 32.18 per cent in 2007). More households utilized the improvement in access to the market economy and increased their trade activities. For example, other food crops (besides rice) trading increased by 13 pp, while industrial crop trading increased by 12 pp.

In terms of physical infrastructure development, the percentage of households having access to primary and lower secondary school increased by 15 and 17 pp, respectively. In addition, households' access to small irrigation systems increased by 11 pp and access to electricity also increased by 7 pp between 2007 and 2012. However, these statistics still fell short of the development target by 2010.

Regarding capacity-building, more than 12,000 projects were built to educate and improve skills and knowledge for grassroots officials. CEMA had trained more than 3,500 administrative officials at the provincial and district levels to participate in the management and overview of the P-135 process. On average, each area had provided training to 178 communes, villages, and hamlet officials in administrative management, economics, and project oversight. At the end of phase II, in 2012, 93.93 per cent of the communes had a Project Management Board, compared with 70 per cent in 2007.

3.5 Phase III (2012–15 and 2016–20)

After two phases (1998–2010), P-135 had proven to be essential in reducing poverty and effective in assisting socio-economic development of the vulnerable ethnic minorities in the most disadvantaged communities. The programme had transformed the lives of these underprivileged communities in the

⁸ Income level is adjusted to the January 2012 level.

most remote, mountainous areas and the highlands. The poverty rate declined rapidly (on average 3.6 per cent per year); the general governing and management abilities of the grassroots officials improved tremendously at all administrative levels, especially at the commune level, allowing communes to be the investment owners of their own projects; locals' production started to shift from subsistence farming to commercial farming or non-farm economic activities; and the proportion of villages, hamlets, and communes with access to electricity, roads, primary and secondary schools, health clinics, irrigation, and local cultural centres increased (Committee for Ethnic Minority Affairs 2013). Overall, the results from P-135-I and P-135-II helped become one of the most successful countries in the world in terms of poverty reduction between the 1990s and the end of the 2000s.

However, despite the programme's initial success, there is still an extensive development gap between the areas where most of the population are ethnic minorities and other regions of the country. According to the Committee for Ethnic Minority Affairs (2013), the per capita income in the underdeveloped mountainous areas and highlands was approximately only one-third of the national rural average income; the average poverty rate in these communes and villages was 45 per cent, with many communes reaching the 70–80 per cent range; 900,000 households were barely above the poverty line; 67.2 per cent of the villages and hamlets did not have all-weather roads; 3,150 irrigation facilities needed investment; 202 communes did not have electricity in their centre; 38.6 per cent of the villages and hamlets did not have access to electricity; 32.2 per cent of the households did not have adequate clean water; 120,000 poor households with more than 660,000 people living in the areas along the border could not secure enough food; more than 218,000 local officials needed training; and more than 400,000 households had demanded help in production development.

Given the goal to further reduce poverty sustainably and the need to continue support for the most disadvantaged areas, the Vietnamese central government approved the third phase of P-135 (P-135-III). This phase was built upon the experience from implementing the first two phases and with the help from other international organizations. An important new aspect of phase III was that the locals could decide which project to build, supervise the process, and even bid for the contracts to build the projects themselves in their communities. The third phase was split into two smaller phases: 2012–15 and 2016–20. P-135-III prioritized and particularly focused on two components: assisting infrastructure development and production development.

The first phase of P-135-III was approved for the period 2012–15. The overall objectives of the phase were: (1) improving the socio-economic conditions of the poor, giving priority to the ethnic minorities in disadvantaged areas; and (2) reducing the economic and development gap between regions, ethnic groups, and urban and rural areas. Specifically, the programme in this period had the following aims:

1. Reduce the poverty rate on average by 4 per cent per year.
2. Increase per capita income to 50 per cent of the national rural average by 2015.
3. By 2015 85 per cent of villages should have a car road to the centre; 35 per cent of communes and 50 per cent of villages should have all-weather roads; 95 per cent of commune centres and 60 per cent of villages should have electricity; small irrigation systems should be able to fulfil 50 per cent of agricultural needs; and 50 per cent of local clinics should meet standards.
4. 100 per cent of local officials should be trained and equipped with skills in administration and management to handle and oversee programme projects. Projects are to be built with local participation, improving local social cohesion.

⁹ According to Decision No. 551/QD-TTg of 7 April 2013.

According to Dang Cong San (2015),¹⁰ the first phase of P-135-III had a budget of more than VND16,700 billion and targeted 2,331 communes and 2,932 villages that faced extremely difficult circumstances. In 2012 and 2013 almost 9,000 facilities/infrastructure projects were built. In the first nine months of 2014 the infrastructure development component included 5,240 projects, of which 3,294 were new structures, 1,055 were continued projects, 404 were repair projects, and final payment was made on 487. In addition, many provinces had given their communes the ability to be their own investment owners, such as Phu Tho and Kien Giang, where 100 per cent of the communes were the investment owners of their own projects. At the beginning of this phase the poverty incidence among beneficiary communes was 49 per cent and the back-to-poverty rate was 14 per cent. By the end of 2014 the average poverty rate among poor ethnic minority communities was 34.8 per cent, an average of 3.5 pp reduction per year. By the end of the phase, 98 per cent of commune centres and 70 per cent of villages had electricity, higher than the initial target of 90 per cent and 60 per cent, respectively (Dang Cong San 2015).

The second phase of P-135-III was approved in 2016 and was now combined into a larger project to help the government achieve the poverty reduction goal for the 2016–20 period.¹¹ The overall project objectives for this period were the following:

1. Reduce the national poverty rate on average by 1–1.5 per cent per year (poor districts and communes: 4 per cent per year; poor households among ethnic minorities: 3–4 per cent per year).
2. By 2020, the national per capita income for poor households should increase by 1.5 times relative to the level at the end of 2015 (two times for extremely disadvantaged districts, communes, and poor households among ethnic minorities).
3. Improve socio-cultural standards and accessibility of public services.
4. Improve basic infrastructure and encourage local communities to participate in the programme's projects.

The programme had target beneficiaries of more than 2,100 communes and 3,970 villages, with a budget of more than VND20,000 billion. The phase had three components: (1) to assist production development; (2) to assist infrastructure development; and (3) to improve the abilities of locals and grassroots officials. By the end of 2020, 92 out of 292 (32.5 per cent) of extremely disadvantaged communes along the coastal areas and on islands had been lifted out of poverty; 32.67 per cent of villages (1,298/3,973) and 5.69 per cent of communes (125/2,193) had completed their P-135 objectives (Ethnicity and Development Newspaper 2021).

4 Factors contributing to the success of P-135

Even though P-135 has only partly achieved its targets, it has been a tremendous success. Thousands of infrastructure projects built under the programme, combined with multiple poverty-reduction models and training projects for residents and administrative officials, have transformed the face of extremely disadvantaged and underprivileged areas in , particularly among ethnic minorities. After more than 20 years of the programme, 100 per cent of communes have car-usable roads to their centre; 99 per cent of commune centres and 80 per cent of villages have electricity; 65 per cent of communes have an adequate irrigation system for daily living and production; 42 per cent of villages have standardized roads; more than 50 per cent of communes have health clinics that are up to standard; and, most important of all, the poverty rate declined rapidly under P-135 (on average 4.5 per cent per year between 1999 and 2005 and 3.5 per cent per year since 2006) (Ethnicity and Development Newspaper 2021).

¹⁰ Dang Cong San is an online newspaper of the Vietnamese Communist Party.

¹¹ According to Decision No. 1722/QĐ-TTg of 22 September 2016. P-135 is project No.2.

The success of the programme can be contributed to, but not limited to, several factors:

The programme targeted the right beneficiaries and the right investment aspects. By changing from using geographical factors as a sole qualification for a development assistance programme to using a multidimensional criteria to classify communes and areas into different levels of difficulty and poverty, the programme could determine which communities needed help and the appropriate level of assistance. Even though the classification was not smooth at first due to the negligence of local officials, the process improved over time and proved to be a key component in the implementation of P-135. Furthermore, by understanding that the root causes of poverty in these extremely disadvantaged locations are infrastructure, low productivity, and low accessibility of public services and the market economy, the government designed the right components for the programme and focused on the right areas in which to invest.

The decentralization of the programme's projects. The central government listened to the communities and gave locals the power to decide their own projects. In the earliest phase of the programme, a higher administrative level (usually the district level) determined suitable projects to build for the communes. However, the view of district-level administrative officials might not reflect the actual needs of the communes. Hence, many projects were underutilized, and resources were wasted. From phase II onward, local communities could decide what was built according to their actual needs.

The involvement of locals in the projects. One of the main problems in phase I was communication. P-135-I did not exert enough effort to communicate with the local communities and encourage them to participate in the programme's processes. Consequently, many projects were not appropriate for the communes and were of substandard quality due to the lack of close oversight and management. From phase II onward, specific funding and policies were allocated to promote the involvement of locals in P-135 projects in their communities. Hence, more locals participated in their community's projects by voting for projects to build, built the projects, or joined the oversight board for their projects. As a result, the projects were more fit for the communities' needs and they were much higher quality.

The involvement of multiple international organizations. Even though the programme did not have any support from international organizations at the beginning, starting from phase II P-135 was able to attract different social organizations, non-governmental organizations, and donors to participate and help to improve the programme in terms of its structural organization, transparency, resources, and implementation processes. The programme has become a trusted trademark in poverty- and inequality-reduction efforts. The success of the programme also helps to draw funding from the World Bank, Asian Development Bank, Australian Department of Foreign Affairs and Trade, the UK Department for International Development, and many others for similar development programmes, such as the Tay Nguyen poverty-reduction programme, the Northern Mountains poverty-reduction project, the Rural Transport Project, and more.

The government's commitment. The Vietnamese government's strong determination, in combination with the commitment and effort from all relevant administrative bodies, international organizations, and the population in general, is also an important factor that contributed to the programme's success. The government was able to recognize the need to assist and accelerate the socio-economic development in the most underdeveloped ethnic minority regions to help the poor minorities catch up with the majority and to be able to benefit from the overall national development. Throughout the programme, the central government and other relevant administrative bodies were continuously learning and improving the programme, making the implementation process more efficient and effective in combating local communities' poverty issues.

The magnitude of the programme was of sufficient scale. One of the main goals of poverty reduction was to provide enough of a push so that the communities would be able to leave poverty and remain out

of it afterwards. In order to do so, the magnitude of the programme's funding for each community needed to be sufficient to lift the community out of poverty and prepare the locals with enough resources (infrastructure, facilities, knowledge, and skills training) to help them maintain the progress. The long-term commitment and considerable amount of investment from P-135 enabled achieving this goal in many communes.

5 Weaknesses of P-135

Even though P-135 has been considered a massive success in achieving its goal in reducing poverty and bridging the gap between the underprivileged ethnic minority groups and the majority, the programme still has some weaknesses.

First, the local officials did not identify target beneficiaries in many locations objectively and correctly, especially in the initial phase of the programme. The reason is that the classification criteria are very qualitative and some local authorities did not adopt democratic procedures or understand the underlying implications of classification, and thus either focused too much on achievements or expected and relied heavily on external support (Committee for Ethnic Minority Affairs 2005). In addition, the progress towards the programme's development target varies significantly across ethnic groups. Phung et al. (2012) found that there were many more improvements in income and poverty rates in Tay, Nung, Dao, and H'mong than in other ethnic groups, suggesting a need for a better-designed development assistance programme that takes into account the specific conditions, needs, and cultures of individual minority groups.

Second, P-135 did not have a clear set of criteria to evaluate the progress of the targeted communes. Most evaluations focused on descriptive statistics (number of structures, training classes, etc.) and not on the qualitative side (the quality of the work). As a result, many projects were built with poor quality or were underutilized. In addition, many communes lacked incentives to graduate from P-135. As communes received multiple aid and resource packages from different programmes simultaneously, many communes were able to experience rapid economic growth but still qualify for P-135, leading to the inefficient and wasteful allocation of resources. After phase I, only 20 communes in Lao Cai, Dong Nai, and Thua Thien Hue provinces voluntarily requested to graduate from the programme (Committee for Ethnic Minority Affairs 2005).

Third, in terms of funding, the budget allocation from P-135 to communes affects the amount of funding that communes receive from other development assistance programmes. Phung et al. (2012) find that while P-135-II communes did receive substantially more P-135 funds than non-P-135 communes, they also received less non-P-135 support, hence creating a major difficulty evaluating P-135 impacts and likely undermining the effectiveness of the programme. In addition, each targeted commune was allocated the same amount of money, especially during the first and second phases. Even though this formula of equitable distribution of resources created a transparent and straightforward process, it was not effective in meeting the diverse needs of different communes and villages. Furthermore, the overwhelming majority of the funding went towards infrastructure development. Production development, planning, settlement, and capacity-building were paid little attention, especially during the earlier phases of the programme. The disproportionate allocation of resources created imbalanced development among these aspects, and hence the people could not benefit fully from the programme.

Fourth, even though there were improvements throughout the programme in terms of leadership ability, local authorities in many areas were still ineffective due to the unclear chain of command, with too many different stakeholders and a lack of clarity in operation regulations and guidance. In addition, the decentralization directive from the programme in many areas was not carried out fully by the local authorities

due to their unwillingness to give up control of fund allocation, which reduced the power of the commune committees and made communes more passive in implementing the programme (Committee for Ethnic Minority Affairs 2005). Furthermore, local administrative officials were not enthusiastic in providing feedback and recommendations to improve the programme further, only in requesting additional funding. These complications in oversight and lack of determination from grassroots officials created a roadblock for an efficient monitoring and supervision system of the programme's projects, causing poor-quality final products and wasteful allocation of resources.

6 Conclusion

's development story over the last three decades is built upon a wide range of economic and social reforms. However, with the rapid success came a widening socio-economic gap between the majority and the country's ethnic minorities. With the goal of 'No One Left Behind', the government initiated an inclusive growth agenda that aims to accelerate social and economic growth among the vulnerable population groups. The agenda includes multiple poverty reduction and development programmes that specifically target underprivileged groups and regions. This paper provides an overview of the most significant and longest-running programme, P-135. This is a socio-economic development plan for the most vulnerable communes in ethnic minority and mountainous areas in . The programme addresses the typical causes of poverty among ethnic minorities to help these highly disadvantaged groups reap more benefits from the national economic growth. P-135 aims to promote production, improve access to basic infrastructure/facilities and social services, improve local administrative officials' management abilities, and raise people's awareness for better living standards.

After three phases and more than 20 years, the programme has yielded promising results in reducing poverty and bridging the development gap between ethnic minorities and the majority in . However, the socio-economic indicators among the beneficiary areas still fall behind the programme's targets and are low compared to the national average. Furthermore, with a more internationally integrated economy and rapid developments in technology, ethnic minorities in underprivileged areas face additional challenges in benefiting from the national economic growth and catching up with the majority. Hence, more efforts are needed from all relevant parties to improve poverty-reduction programmes and to provide appropriate opportunities to boost economic growth for ethnic minorities in disadvantaged communities in the decades to come.

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