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Participatory and Pro-Poor Local Contribution Mechanisms in Poverty Reduction Program: Evidence from Vietnam

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Abstract

Labour contributions provided by villagers are central to government policy on rural infrastructure development in Vietnam. This brief report is an initial step to assess problems and provide analysis of the contribution system, and outline the minimum required to ensure that the poor access employment opportunities in local poverty reduction projects with equitable working conditions, participate in decisions about contribution schemes, and a framework that clearly outlines conditions where the poor are partially or completely exempted from contributing. This involves a range of issues such as improving the use of participatory processes, understanding the vulnerability of the poor, capacity building, institutional change, political will, developing the regulatory framework and planning process, and better monitoring and evaluation.

Keywords: Poverty reduction program, impact evaluation, household survey, Vietnam.

JEL Classification: I38; H43; O11.

1. Introduction

Labour contributions provided by villagers are central to government (GoV) policy on rural infrastructure development. The aim of policy and guidelines embodied in National Programme 135 (P135) and National Target Programme for Poverty Reduction (NTP-PR) is to encourage these contributions to ensure that state subsidies/grants for local investments can be utilized more effectively, and improve access to employment opportunities for the poor. However, in the provinces there are significant problems with the implementation of contribution schemes. They are implemented inconsistently in communes which results in low efficiency and very limited benefit for the poor, and, in some cases, their exploitation.¹

State subsidies and grants from National Programme 135 (P135) and National Target Programme for Poverty Reduction (NTP-PR) and revenue generation in communes are not sufficient to fund the construction and operations and management (O&M) of infrastructure necessary for socio-economic development². Local contributions are required to make up the difference including financial, labour and in kind contributions.³

Villagers are expected to contribute to a range of official and unofficial schemes:

Official

- a. 10 days annually to national infrastructure projects and a flexible number of days to local development projects
- b. Voluntary contributions to resolve immediate problems⁴
- c. Donations to special funds such as flood victims and education for poor children

¹ See Government of Vietnam (1998a, 1998b) for more details on the National Target HEPR Programs.

² In many communes, state budget only covers salaries and allowances of state, mass organisation and Party officials.

³ Evaluation of national poverty reduction program can be found in Nguyen (2003, 2005), and Nguyen et al. (2005).

⁴ With regard to P 135 there is considerable confusion due to the terminology and it is possible to hear the same term applied to many different concepts – ‘voluntary contribution’ can mean 1) paid income generating labour; 2) days worked as part of the nationally applied 10 day contribution; 3) voluntary or even obligatory unpaid labour beyond the 10 days.

- d. Taxes and fees such as agriculture, land irrigation and drainage
- e. User fees for health and school services
- f. Local social welfare, such as stable housing for the poor (Tinh Nghia)

Unofficial⁵

- a. Family expenses for weddings, funerals and anniversaries
- b. Annual contributions to state officials such as school teachers and doctors day.
- c. Contributions for ancestor worship and Buddhist pagoda.
- d. Contributions to officials for support completing state procedures

The level of expenditure varies from rich to very poor households but all households are expected to contribute to each of these schemes. Crucially, commune officials have the discretionary power to impose fees, levies and contributions on villagers in attempts to compensate for central government revenue shortfalls. The result is a system of *ad hoc* arrangements that are not transparent and decisions about investment selection and contribution schemes are characterized by top-down processes. Also, because these arrangements are not prepared as part of the annual planning process, villagers can not plan expenditure for contributions. Avenues for complaint about *ad hoc* arrangements, such as the Commune People's Council and Commune Inspectorate Board, are weak. In some communes the outcome has been social unrest and protest, such as in Thai Binh.

For example: In one commune in Bac Lieu province, commune officials wanted to improve their prestige at district level. In order to mobilise finances to seal 15 kilometres of road, commune officials forced people to contribute regardless of their economic status. Commune officials did not conduct a public meeting to discuss details of the project or mode of payment as prescribed by law. Contributions were fixed at 59,000 VND/meter of road that passed through each household's property. Accordingly, some households were to pay 12 million VND. Commune administrators "advised" people to mortgage or sell their land if they could not pay. People who did not pay or were too poor to pay were placed

⁵ Unofficial contributions have a significant impact on the capacity of the household to contribute to official projects. For example, the typical Khmer household contributes 30% of the rice harvest to the Pagoda, and Kinh households contribute large amounts annually to ancestor worship.

under custody in the commune. On the 16 July 2003, commune officials reported to district and provincial authorities that they were the first commune in the province to complete their section of the road due to the joint efforts of the commune authorities and villagers⁶. (*Tuoi Tre Newspaper* 24.7.03)

For the 2006-2010 period, central authorities have issued planning and policy documents that outline the increased role that official contributions raised through province resources and contributions from state corporations, mass organizations, the private sector and individual households will have in poverty reduction programmes. However, the role of poor on some very important issues is still unclear. The poor need to be included in decisions about the level and type of contributions. For example, transparent mechanisms are needed that outline conditions when exemptions to contributions would apply, the rights and conditions of the poor when they provide labour to state construction projects, and preferential selection of the poor to work as paid labourers in projects and increase income.

The preparation of guidelines for the next stage of the national programmes will start in early 2006. This provides an excellent opportunity to ensure that guidelines are developed that improve the pro-poor nature of contribution mechanisms. It involves finding solutions to some critical problems in present contribution schemes.

This brief report is an initial step to assess problems and provide analysis of the contribution system, and outline the minimum required to ensure that the poor access employment opportunities in local projects with equitable working conditions, participate in decisions about contribution schemes, and a framework that clearly outlines conditions where the poor are partially or completely exempted from contributing. This involves a range of issues such as improving the use of participatory processes, understanding the vulnerability of the poor, capacity building, institutional change, political will, developing the regulatory framework and planning process, and better monitoring and evaluation.

⁶ After this situation was made public, Bac Lieu PC directed Gia Rai district administration to organise urgent meetings with villagers. Bac Lieu PC also reviewed methods to solicit contributions for infrastructure and established regulations to ensure that the situation did not reoccur.

2. Problem Analysis of local Contribution Mechanisms in NTP-PR and P135

Community Participation

A “bottom-up” planning process is often simply by-passed. Investment decisions are often made based on limited criteria by a small group of key officials. The criteria used includes decisions based on local knowledge and personal experience, relationships with contractors, targets set by higher levels and results from pilot activities conducted locally. Key officials include leaders from the People’s Committee, the Party apparatus and a few main mass organizations. The end result is short- and long-term strategic planning which does not effectively utilize participatory assessment tools or demand- driven approaches to develop contribution schemes. In this milieu there is little incentive for villagers to contribute

Table 1 presents the percentage of households who accessed information about the NTP-PR and P135 in 2004 using Vietnam Household Living Standard Survey (VHLSS) conducted by GSO. 58.5% of poor households knew that there were poverty reduction sub-programmes under NTP-PR and P135. Alternatively, this means that 42.3% of the poor households had no idea of the programmes, and so did not contribute ideas to the planning and implementation process. Also, informed households also may not participate in the village meetings. The percentage of households who had knowledge about the infrastructure projects under NTP-PR and P135 was even lower, at 25.5%. The main source for households to access knowledge was village meetings with 84.8% of informed households receiving information in this way. Other households accessed knowledge from media such as television, newspapers, and etc.

It is interesting that the percentage of households informed about the NTP-PR and P135 was higher in ethnic minorities. 71.6% of ethnic households had knowledge about the poverty reduction sub-programmes under NTP-PR and P135, and 45.3% had been informed about infrastructure projects in these programmes. The percentage of informed households is also higher in the mountainous regions where most poverty reduction sub-programmes are focused.

Table 1: Percentage of households who have information on NTP-PR and P135 (in 2004)

Household sub-groups	Percentage of households who know about the following programs		
	NTP-PR/P135	NTP-PR/P135	NTP-PR/P135
Poverty status			
Non-poor	57.2	25.0	67.2
Poor	58.7	27.9	84.8
Total	57.5	25.5	70.2
By ethnicities			
Kinh/Chinese	55.8	23.3	67.6
Ethnic minorities	71.6	45.3	87.6
Total	57.5	25.5	70.2

Note: NTP-PR is the national targeted programs on poverty reduction (conducted by MOLISA)
Source: Authors' estimation from VHLSS 2004

Table 2: Percentage of households in P135 communes who have any information on the NTP-PR and P 135 (in 2004)

Household sub-groups	Percentage of households who know about the following programs		
	NTP-PR/P135	NTP-PR/P135	NTP-PR/P135
Poverty status			
Non-poor	65.7	43.0	79.7
Poor	68.4	44.1	89.8
Total	66.8	43.5	83.9
By ethnicities			
Kinh/Chinese	57.4	34.4	75.3
Ethnic minorities	76.7	53.1	90.8
Total	66.8	43.5	83.9

Note: NTP-PR is the national targeted programs on poverty reduction (implemented by MOLISA).
 (2) Estimates for the rural areas.
Source: Authors' estimation from VHLSS 2004

Table 2 estimates the percentage of households informed about NTP-PR and P135 by households in P135 communes. Even in P135 areas, however, there were only 66.8% of households who knew the existence of the NTP-PR and P135. In poor and ethnic minority households this figure was 68.4% and 76.7%.

The fact that poor households often had knowledge about the programme via village meetings was a key finding in a qualitative survey conducted by the consultant team in 4

communes in 2 districts in Hoa Binh province⁷ (Table 3). About 80% of the poor households interviewed participated in village meetings to discuss P 135 activities.

Table 3: Poor households attending village meetings in a Hoa Binh and Bac Ninh province survey

District	Poor households attending village meetings		
	No	Yes	Total
Luong Son (Hoa Binh)			
In number	5	23	28
In percent	17.9	82.1	100
Thuan Thanh (Bac Ninh)			
In number	7	29	36
In percent	19.4	80.6	100
Total			
In number	12	52	64
In percent	18.8	81.2	100

Households do not have information on issues such as technology, financial mechanisms and management models that are needed for better and informed choices during village and commune planning meetings. The roles and responsibilities of each agency involved in the information transfer process are not clear.

There are no explicit mechanisms in any laws to encourage women's participation including the Grassroots Democracy Decree. In any case, even when women attend meetings they often do not speak for cultural reasons, and local officials do not perceive a need to involve them in decision making, beyond formal consultation of the Women's Union.

Models of good practice on community participation that are available, in particular from donor-assisted and INGO projects, have not been mainstreamed in provinces. This is a lost opportunity.

⁷ The survey was conducted by the consultants in November 2005 in two P135 communes of Luong Son district, Hoa Binh province and two "difficult" communes of Thuan Thanh district, Bac Ninh province.

Vulnerability of the Poor

Household contributions to official commune projects are assessed on a per capita basis and more remote areas pay more for access. The poor are adversely affected by this system because they often have larger families and live in remote and isolated areas in the commune. The poor have less opportunity to access off-farm employment because of issues such as low human capital, low asset base or lack of capacity to migrate to other areas. The result is that they are more dependent on low-paid agricultural employment and income from paid labour in local investment projects. These sources of income are seasonal or unreliable, which impacts on their well-being. The poor often lack vital information about legal benefits and work conditions because they live in remote and isolated areas. In communes with high poverty rates, the poor seldom participate in decisions about contribution modalities and labour conditions for local infrastructure construction. The lack of transparency and information flow often results in officials entering into corrupt arrangements with contractors, such as the hiring of skilled labour from outside or paying lower daily rates than prescribed by the Labour Law.

Local poor people may also not know the going rate for labour per day, making them vulnerable to manipulation by contractors. This is in part because ethnic peoples who are living in a basically subsistence economy often have difficulty valuing their own labour (in one commune they said they base it on the price they get for pigs).

The development of pro-poor local contribution schemes must be combined with grassroots democracy, decentralized budgets, and restructure of local revenue raising and involve a system of proportional exemptions/grants and employment generation. Schemes must cause the least disruption possible to poor people's other survival strategies, which involves being sensitive to issues such as the timing and sequencing of inputs.

Capacity of Officials

Research indicated that principles such as grassroots democracy, transparency and accountability, were not well understood by both officials and the community. This had a significant impact on the provision of services. For example, targeting of the healthcare card was random and many poor households, such as households in remote areas, missed

out. The poor did not participate in the selection process to decide who received a healthcare exemption card, and people with the cards did not clearly understand their entitlements. The research identified that inadequate targeting was a major factor in the inefficient distribution of social assistance during times of crisis. The fact that only 1% of programme budgets was allocated to capacity building reflects both the low level of importance placed on capacity building by programme planner and implementers despite the rhetoric and helps explain the continuing problem of low capacity at local levels.

Decentralisation is being implemented but the different roles of officials and villagers and how they should interact in this changing environment is not clear. The result is slow change. In addition, the majority of the poor were unaware of policies such as “One-Stop Shop”, and were not confident in interacting with local politicians.

On investment projects, officials disseminate information and conduct very limited monitoring and enforcement of the Labour Law and labour standards and there is little incentive for contractors to be sensitive to the capabilities of local labour. The result is that in most cases the conditions outlined in the Law are not followed. For example, many state projects stipulate at least 5% local input in the project document. This is usually provided as labour. Yet, most projects do not reach this level with many only utilizing about 1% of local input. Contractors prefer to hire in their own labour, which is better skilled and easier to manage. They consider local labour lazy or too difficult to train. In addition, if the labour is unpaid, it is often difficult for the commune or contractor to mobilize local people. In Dac Lac it was mentioned that road construction work normally takes place at the same time as the coffee harvest – coffee picking is an easier and better paid job than infrastructure works, so even for paid labour it is very difficult to recruit local labourers.

In the multi-sector market economy, stakeholders have different, sometimes conflicting, interests (public vs. private). Many provincial leaders, department heads, and district and commune officials do not have the experience in dealing with how to resolve these competing interests efficiently, and achieve economic and social goals in the most effective way. This environment is new for officials, and very different from centralized planning. The role of the private sector is still unclear, and relations between officials and contractors

are often not transparent and characterized by shady deals involving local labour contributions. This limits the development of the private sector and inhibits a competitive process.

In communes where a participatory planning process has been conducted, often it has not been matched with decisions over budget allocation. Commune and district officials do not utilize the list of priorities identified by the community during consultations. Until local levels can raise and spend funds autonomously, local planning processes will remain inefficient and continue to depend on central government grants.

Officials are not experienced in developing the private sector using tools such as social marketing and market chain analysis. In this environment, planning for the scaling up of small-scale business activities is difficult. The policy of “Socialisation” is not well understood in the provinces. Officials perceive the main focus of the policy as increasing the contributions of villagers and do not see the broader picture which includes more villager participation in decisions and the role of the private sector.

Institutional Issues

Villagers have no recourse once decisions concerning contributions are made. The commune People’s Council is the advocate of the community but it seldom meets and key officials in the Council are usually part of the People’s Committee or Party apparatus, which could influence their perspectives. The People’s Inspectorate Board also has responsibility to monitor social conditions in the commune but this institution is very weak and unable to implement its mandate. Inevitably, the poor pay a price for this. They are expected to contribute to investments and if levels are set too high they have no avenue to respond. Women headed households face a particular dilemma; they are often both labour and income scarce.

Central and provincial allocations are recorded and controlled by the Treasury system and so leakage of funds is limited by exerted control over disbursement and acquittal. However, contributions by households (whether in cash or in kind) and donor agencies are not recorded at district and provincial level. This means that there is a large amount of money

in the system which can not be accounted, which increases the potential for leakage. In addition, it is not clear what contributions are used for. For example, households pay irrigation fees for service and maintenance, but considering the degraded state of most irrigation schemes, it is obvious that O&M is a low financial priority. Villagers are not confident that their financial contributions are used for the intended purpose and so are reluctant to contribute.

Political Will

The political will and capacity of key commune officials is a significant factor affecting the contribution system. Commune officials have discretionary power to decide how to use local contributions, and proper monitoring, transparency and accountability systems are lacking. The result is officials arbitrary impose new taxes, fees and levies to resolve budget shortfalls. Some villagers reported that they paid into 20 formal contribution schemes each year.⁸ Villagers have no effective way to complain about the level and purpose of these contributions, and the situation sometimes ends up in the exploitation of the community, especially the poor.

Officials are dependent on guidance from higher levels. Leaders do not develop actions or activities in response to their strategic plan but wait until the level of financial contribution from higher level is made clear. With this information officials design actions and activities. It would be more effective if leaders were proactive and took the initiative to develop the full range of activities needed to carry out their strategic plan.

There is an urgent need to develop district and commune leaders' commitment to innovative ways to increase local revenue, search for their own solutions and function as more independent units within an integrated administrative hierarchy. Presently, there is a passive reliance by leaders on subsidies and targets set by higher levels. Decentralization has increased the responsibilities of local leaders in the planning process. However, they lack commitment to carry out these responsibilities, develop a comprehensive set of actions and activities including a comprehensive contribution system, and then find funding from a

⁸ Discussion with villagers in Hai Lang District, Quang Tri Province, October 2004.

range of local sources, the private sector in particular. Leaders do not use available data and information effectively for analysis and goal setting.

Research identified two issues: political commitment needs to be linked with human capacity, and political commitment is essential for change but just as important is the political commitment to enforce the institutionalisation of new practices and procedures.

Regulatory Framework

Much of the construction of infrastructure in communes relies on locally provided labour, financial or in-kind contributions. The poor do not have the funds for financial contributions to investments so often provide labour. The GoV has a comprehensive policy and legal framework outlining national standards for types of labour. This involves standards for recruitment and labour conditions such as workers compensation, remuneration levels, recruitment modalities etc. The Grassroots Democracy Decree provides the legal means where villagers participate in decisions about level of contributions by whom and priorities in development. The national policy of Socialisation promotes the mobilization of resources from the public and private sectors to resolve local development goals.

In practice, the implementation of these laws and policies is not consistent across communes. In most communes, formal contribution schemes are based more on traditional modalities. Decisions on the level of contributions and ways of contributing are often made by a few key village and commune leaders. For infrastructure projects, implementation plans, selection of contractors and targets are often set by the district, or even the province.

Commune leaders often comment that the implementation of Grassroots Democracy is reflected in the amount of contributions made by households. A high rate of contributions indicates approval for the project and the contribution scheme. Meetings to discuss the construction of infrastructure often concentrate on the level of contributions by households and do not consider how disadvantaged groups such as the poor can be provided access or participate in decisions. Access to clean water and sanitation is a good example. Households who can contribute receive access. Using a participatory planning process to

help make decisions about contribution schemes is not considered a high priority by commune and village leaders.

There is a lack of consistent and simple regulations and technical guidelines of small-scale infrastructure issued by provincial government. The result is official campaigns to mobilize resources from mass organizations and households, such as socialization, have had very limited impact.

Responsibilities and duties of officials have not been revised in line with the process of decentralization. If responsibilities are not regularly revised and clarified in this changing milieu, then further progress in the decentralization process will be affected. Outcomes from decentralisation need to focus on both developing institutional arrangements between line agencies, levels within each line agency and also ensure reforms are implemented consistently at local levels.

Strategic Planning

Contributions schemes are initiated on a needs basis responding to immediate problems and not developed according to a strategic plan prepared by the commune. Villagers can not prepare in advance for contribution schemes and there is often confusion in the communes on what contributions are voluntary, what contributions are considered to be national service and what contributions should be paid an allowance. Commune leaders do not provide information on the different schemes or entitlements when labour is provided. While regulations require at least 5% of local labour contributions in projects, this is not effectively carried out. Usually, local contributions are much lower. Very little monitoring of the labour situation in communes and villages is conducted by district level. The poor are not aware of schemes that entitle them to preferential access to paid labour in poverty reduction projects to increase their income. The reliance on *ad hoc* arrangements in the communes results in village reluctance to provide their labour. Incentives and benefits need to be made explicit.

Budgetary Issues

The Grassroots Democracy Decree outlines that local level of contributions and commune budgeting are to be discussed in village meetings using participatory budgeting processes. Research identified that these legal requirements are not applied consistently in the communes. In some communes, villagers decided the level and type of contributions but were not consulted about selecting investments. In other communes, level and type of contributions was not discussed and decisions were made by representatives of the community at commune level. Targets and level of contributions were issued by district level. In all communes, issues involving the special conditions for the poor were not discussed, such as exemptions and employment preferences. However, some villagers commented that the poor were often consulted to work in areas that no-one else wanted, for example, extremely dusty or mountainous or very wet.

The participatory budgeting schemes introduced under P135 are limited to discussing budgets for local infrastructure. Allocated funds can not be used for other purposes which would benefit the community, such as developing information flows, O&M and production inputs, which brings into question how participatory the budgetary process really is.

Monitoring and Evaluation

One of the key activities outlined in the Grassroots Democracy Decree is the participatory monitoring and supervision of work done by government. However mechanisms for this monitoring and supervision are not well defined in the legislation and are the weakest parts in the implementation of the decree. In particular, in the communes there is confusion over the precise mechanisms for supervision.

Effective targeting, and the development of strategic and implementation plans with effective labour contribution schemes is reliant on high-quality and up-to-date information. However, the data and information necessary to understand the multi-dimensional nature of labour contributions and pro-poor economic growth potential is generally poor and is not enriched by the use of all available sources of information. There is no monitoring of labour contributions or the implementation of the Labour Law, and so key officials are not

provided information for reporting and planning. Effective participatory planning techniques are not used and the use of extensive stakeholder consultations, or the undertaking of research and assessment is not common.

Provinces do not make enough use of the Vietnam Household Living Standards Survey and do not appear to recognize opportunities open to them to make more use of the survey in the future as it becomes more applicable to provincial analysis.

There are sources of data and information available in the provinces but they are not utilized. Reasons include problems with the reliability of the data, inexperience in managing and using the data, and very limited storage of data and information.

At the commune, there are two main surveys: the poverty assessment conducted by DOLISA and the land survey. Key issues have been identified:

- There is no specific data collected for labour contributions
- The poverty assessment is income based and does not collect information about cross-cutting issues, such as the impact of labour contributions
- Assessments concentrates on technical aspects of investments with limited focus on social aspects
- Officials organize the surveys and send the data and information to higher levels without using it for local short- and long-term planning.
- Data and information is not stored in the commune, which limits strategy development and implementation planning.
- The DOLISA survey is very complicated and time consuming which limits resources available for monitoring of the Labour Law.

3. Analysis of existing guidelines on local contributions

The Vietnamese Labour Code of 2002 provides the regulatory framework for the labour standards, labour utilization and the obligations of workers and employers. The Labour Code applies to urban and rural labourers who have signed a labour contract or have a verbal agreement. However, the Code does not apply to all of the labour market, for

example, labourers below the age of 15 and labourers who have not signed a contract or have a verbal agreement, including most of the self-employed. These labourers are more often than not poor.

The broad principles embodied in Socialisation are the basis of contribution schemes in the national programmes. Socialisation involves the mobilisation of resources from all stakeholders in the public and private sectors to resolve development priorities. These priorities are decided through demand driven processes utilising Grassroots Democracy. Once priorities are decided, implementation depends on the participation and contributions from all sectors in the community including individuals, households, corporate bodies and the private sector. With increased local investment, contributions from the state budget are minimised. The focus of 'socialisation' is to increase local ownership and management of investments for the long-term.

Cooperatives under the 1997 Cooperative Law and Cooperative Groups under the Civil Law Code are popular in different parts of the country and have a central role in national policy to develop employment opportunities in communes. However, they have limitations. Cooperatives are formal institutions approved by the district and require experienced financial management. Cooperative groups can not borrow money collectively and only borrow money through individual members, which often excludes the poor.

Decree 24/1999/ND-CP was issued in April 1999 and regulates the mobilisation, management and utilisation of people's contribution to construct rural infrastructure in communes and district towns. The Decree outlines the central role and responsibilities of the commune PC, including the mobilisation and utilisation of user contributions based on the approval of the commune People's Council. After project approval for construction, the commune PC prepares a plan for the management and utilisation of funds for the infrastructure and establishes a board to supervise implementation and financial arrangements.

In 2003 Decree 07/2003/ND-CP on the management of investment and construction was issued. The objective of Decree 07 is to improve the decentralization of investment

management and construction. Provincial PC can authorize the district PC to appraise and decide investments less than VND 3 billion. The district can authorize commune PC to decide and control the implementation of projects less than VND 1 billion. However, in practice, most rural infrastructure is small-scale and decided by district level and the steps for investment preparation are very time-consuming and costly.

The CPC meets with the project supervisory board (which often includes commune officials), cooperative, village leaders with representatives of beneficiaries to discuss level, types and timing of contributions. Contributions of labour have a priority over material contributions, though contributions of land are sometimes also required. Contributions are received in cash only when there are needs for procurement on materials and equipment that beneficiaries can not produce themselves. The project supervision board assigns one member (usually the commune accountant) to monitor the contribution scheme and keep notes on revenues and expenditures. Contributions in cash are often paid directly to the contractor in accordance with the contract between the CPC and the contractor.

Joint Decision 666 issued by MPI, CEM, MoF and MoC on the 23rd August 2001, is the main instrument outlining contribution modalities for Programme 135. The PPC has the responsibility to organise the mobilization of local resources such as material and labour from each level of government, mass organizations and the community including disadvantaged groups. The district PC has the responsibility to decide and appoint contractors for construction projects under 135 and must ensure that contractors give preference to using local labour in communes and pay the salary of these workers according to an agreed amount as fixed in the contract. Commune officials have the responsibility to monitor the implementation of the conditions of the labour agreement. Feasibility studies must outline clearly the volume of materials, funds, the level of local labour assigned to the commune.

There are two main criteria for selecting 135 investments: to serve the community, and create employment and increase the income of villagers by working in projects. Investments should be selected using democratic processes and the commune People's

Council decides the type, scale and priority of investments, and the ability of the commune to mobilize resources for construction.

In June 2002, MoLISA, MoF, MPI, issued Joint Decision 6 that outlines policy guidelines to implement the state fund for employment generation and in poverty reduction programmes. The key component of the guidelines is the provision of credit to develop employment opportunities in communes. Special conditions are provided to borrowers who provide employment for the poor.

Presently, there are a range of mechanisms for implementing labour contributions, and all have inherent problems. Many of the poor are not covered by the Labour Law which creates the conditions for the misuse of their labour or exploitation. Commune officials do not have the capacity to conduct effective targeting of the poor or develop tools to respond to the causes of this poverty. They either lack the incentive to monitor the implementation of the law or and there is more incentive to develop financial relations with contractors. There is a lack of monitoring by district on the development of commune/contractor relations. Socialisation has aspects that could promote a more equitable, flexible and inclusive contribution system. However, there are no guidelines for implementation, and in the provinces the policy is vague and not well understood. NP 135 and NTP-PR have developed guidelines for the implementation of their respective programmes but they lack guidelines that outline contribution schemes, in particular labour conditions, workers' compensation, selection processes and level of contributions. Training handbooks also lack reference to these important aspects of the programmes. Policies to improve access to employment opportunities for the poor are known by commune officials but methods to implement the programme are not available. The poor are not aware of this programme.

4. Analysis of contribution mechanisms in P135 and NTP HEPR

4.1. People's contribution to public activities

As mentioned above, people are required to contribute work days or cash to public activities such as the construction of infrastructure and social welfare funds. It is expected

that the contribution mechanism is more favourable for the poor and ethnic minorities. However evidence from the VHLSS indicates that the system has problems and is not significantly pro-poor or pro-ethnic minorities⁹.

Table 4 shows the percentage of people who are 15 years old and above, and contribute work days in years 1998 and 2002 by expenditure quintiles and rural/urban areas. The percentage of those who contributed to public work is higher among the poor, especially the poor in rural areas. For example, in 1998, 28% of the poor in rural areas had to work for public activities¹⁰, while this figure for the richest was 8.8% and 2.1% in rural and urban areas, respectively. In terms of contribution by days, it is clear that the current contribution is pro-rich.

The percentage of people contributing work days reduced from 1998-2002 for the people in rural areas, but it increased for the people in urban areas. However, Table 5 indicates that the average number of days for contributing people increased by around 2 days from 5.5 to 7.6 days during this period.

Table 4: Percentage of people whose age are from 15 and above and have contributed public working days by expenditure quintiles and rural/urban

Expenditure quintiles	1998			2002		
	Rural	Urban	Total	Rural	Urban	Total
Poorest	28.1	0.9	27.2	23.5	12.1	23.0
Near Poorest	21.4	5.2	20.4	16.0	10.0	15.5
Middle	15.4	3.2	14.0	13.6	8.7	13.0
Near Richest	12.9	4.8	10.7	10.4	5.9	9.2
Richest	8.8	2.1	4.4	6.9	5.0	5.7
Total	18.3	3.0	14.4	14.9	6.1	12.7

Source: Authors' estimation from VHLSS 1998-2002

Table 5 also indicates that there is not a significant gap between the average number of contribution days for the poor and the rich during the period 1998-2002.

⁹ Note that in some Tables, there are no estimates for the year 2004 because information was not collected.

¹⁰ VHLSS does not collect information on the kinds of public activities.

Table 5: Average contribution working days by expenditure quintiles and rural/urban

Expenditure quintiles	1998			2002		
	Rural	Urban	Total	Rural	Urban	Total
Poorest	5.1	1.0	5.1	7.6	6.8	7.6
Near Poorest	5.5	6.5	5.5	7.8	7.4	7.8
Middle	6.2	5.1	6.2	7.4	8.2	7.5
Near Richest	6.0	4.4	5.8	7.5	8.2	7.6
Richest	5.4	5.3	5.3	6.9	8.6	7.8
Total	5.6	5.0	5.5	7.6	8.2	7.6

Source: Authors' estimation from VHLSS 1998-2002

Tables 6 through 9 estimate the percentage of contributing people and the average contribution days by regions, poverty status and ethnicity. It indicates that the poor in northern mountainous regions, for example the North West and North East, have the highest percentage of people who contributed work days to public activities. Non-poor people in rich regions, such as the North East South, have the lowest contribution ratios by work days. It is expected that rich people tend to contribute to public activities in cash rather than work days. However, people including the poor and non-poor in the Mekong Delta and Red River Delta have the highest number of contribution days on average.

Table 6: Percentage of people aged from 15 and above and contributed public work days by regions and poverty status

Regions	1998			2002		
	Non-poor	Poor	Total	Non-poor	Poor	Total
1. Red River Delta	10.8	23.8	14.4	6.2	12.0	7.3
2. North East	23.7	37.0	30.5	27.1	37.1	30.5
3. North West	33.3	39.2	37.0	21.5	45.6	37.2
4. North Central Coast	27.0	37.6	31.5	18.0	26.1	21.2
5. South Central Coast	3.8	3.2	3.6	6.1	10.9	7.2
6. Central Highlands	13.2	28.0	19.4	18.7	27.2	22.7
7. North East South	2.7	9.5	3.3	7.2	5.8	7.1
8. Mekong River Delta	5.1	6.3	5.4	4.4	6.1	4.7
All Vietnam	10.2	24.1	14.4	9.9	21.0	12.7

Source: Authors' estimation from VHLSS 1998-2002

Compared with the Kinh and Chinese people, ethnic minorities have a higher percentage of people who worked in public activities at 28.6% and 29.4% in 1998 and 2002, respectively. However the average number of days that each person contributed was similar between the Kinh, Chinese and the ethnic minority people.

Table 7: Average work days contributed by regions and poverty status

Regions	1998			2002		
	Non-poor	Poor	Total	Non-poor	Poor	Total
1. Red River Delta	5.7	5.0	5.4	8.9	9.4	9.1
2. North East	5.8	6.1	6.0	8.6	8.2	8.5
3. North West	4.0	4.8	4.5	7.7	8.9	8.7
4. North Central Coast	5.5	4.5	5.0	6.5	6.7	6.6
5. South Central Coast	4.3	3.9	4.2	6.7	6.3	6.6
6. Central Highlands	4.1	4.6	4.4	6.4	4.8	5.5
7. North East South	5.4	3.3	4.8	6.3	5.3	6.3
8. Mekong River Delta	9.1	7.7	8.7	8.5	9.1	8.7
All Vietnam	5.9	5.2	5.5	7.7	7.6	7.6

Source: Authors' estimation from VHLSS 1998-2002

Table 8: Percentage of people aged from 15 and above and contributed public work days by regions and ethnicity

Regions	1998			2002		
	Kinh and Chinese	Ethnic Minorities	Total	Kinh and Chinese	Ethnic Minorities	Total
1. Red River Delta	14.3	16.6	14.4	7.3	12.8	7.3
2. North East	23.1	38.6	30.5	29.1	33.1	30.5
3. North West	19.6	44.4	37.0	18.9	42.3	37.2
4. North Central Coast	31.3	37.0	31.5	19.9	37.0	21.2
5. South Central Coast	4.1	0.0	3.6	6.9	13.3	7.2
6. Central Highlands	11.1	29.9	19.4	19.5	28.6	22.7
7. North East South	2.8	17.1	3.3	7.1	7.1	7.1
8. Mekong River Delta	5.7	3.0	5.4	4.5	7.8	4.7
All Vietnam	12.4	28.6	14.4	10.6	29.4	12.7

Source: Authors' estimation from VHLSS 1998-2002

Table 9: Average work days contributed by region and ethnicity

Regions	1998			2002		
	Kinh and Chinese	Ethnic Minorities	Total	Kinh and Chinese	Ethnic Minorities	Total
1. Red River Delta	5.3	9.1	5.4	9.0	9.4	9.1
2. North East	5.6	6.2	6.0	9.1	7.5	8.5
3. North West	3.8	4.6	4.5	6.1	9.0	8.7
4. North Central Coast	5.0	5.0	5.0	6.5	7.3	6.6
5. South Central Coast	4.2	0.0	4.2	6.8	4.2	6.6
6. Central Highlands	4.3	4.4	4.4	5.6	5.5	5.5
7. North East South	5.3	2.5	4.8	6.3	5.9	6.3
8. Mekong River Delta	8.9	4.8	8.7	8.6	9.1	8.7
All Vietnam	5.5	5.6	5.5	7.7	7.5	7.6

Source: Authors' estimation from VHLSS 1998-2002

The gender issue in labour contributions is analyzed in Tables 10, 11 and 12. In general, the contribution by the male population was higher than the female population. For example, in 2002, males aged from 15 and above contributed 15.6%, while this figure was 10% for

females (Table 10). Table 11 presents the percentages by gender among contributing people. It shows that 57.5% of contributing people were male in 1998, and this percentage rate increased slightly to 59.6% in 2002. It is interesting from Table 12 that in 1998 the ratio of the female population was higher than the ratio of males for some regions such as Red River Delta and South Central Coast, but in 2002 the ratio of males contributing was higher than the ratio of females for all regions.

However, in terms of the average number of days contributed, there is rather equality between the female and male population for all regions in 2002.

Table 10: Percentage of people aged from 15 and above and contributed public work days by regions and gender

Regions	1998			2002		
	Male	Female	Total	Male	Female	Total
1. Red River Delta	15.0	13.8	14.4	8.7	6.1	7.3
2. North East	36.2	25.2	30.5	37.5	24.0	30.5
3. North West	41.7	32.3	37.0	41.5	32.8	37.2
4. North Central Coast	36.4	27.4	31.5	22.2	20.3	21.2
5. South Central Coast	3.7	3.6	3.6	9.1	5.3	7.2
6. Central Highlands	27.2	12.1	19.4	26.6	18.8	22.7
7. North East South	6.2	0.7	3.3	9.7	4.7	7.1
8. Mekong River Delta	9.7	1.7	5.4	8.2	1.5	4.7
All Vietnam	17.6	11.6	14.4	15.6	10.0	12.7

Source: Authors' estimation from VHLSS 1998-2002

Table 11: Percentage of male and females aged from 15 and above and contributed public work days by regions

Regions	1998			2002		
	Male	Female	Total	Male	Female	Total
1. Red River Delta	48.6	51.4	100	57.0	43.0	100
2. North East	57.5	42.5	100	59.4	40.6	100
3. North West	55.6	44.4	100	56.2	43.8	100
4. North Central Coast	52.8	47.2	100	50.9	49.1	100
5. South Central Coast	48.6	51.5	100	61.7	38.3	100
6. Central Highlands	68.1	31.9	100	58.5	41.5	100
7. North East South	89.5	10.5	100	65.9	34.1	100
8. Mekong River Delta	83.2	16.8	100	83.4	16.6	100
All Vietnam	57.5	42.5	100	59.6	40.5	100

Source: Authors' estimation from VHLSS 1998-2002

Table 12: Average work days contributed by region and gender

Regions	1998			2002		
	Male	Female	Total	Male	Female	Total
1. Red River Delta	5.8	5.0	5.4	9.1	9.0	9.1
2. North East	5.9	6.1	6.0	8.5	8.3	8.5
3. North West	4.9	3.9	4.5	8.7	8.7	8.7
4. North Central Coast	5.5	4.4	5.0	6.6	6.6	6.6
5. South Central Coast	3.8	4.6	4.2	6.5	6.7	6.6
6. Central Highlands	4.8	3.5	4.4	5.2	5.9	5.5
7. North East South	5.0	3.8	4.8	6.3	6.3	6.3
8. Mekong River Delta	8.9	7.5	8.7	8.8	8.3	8.7
All Vietnam	5.9	5.0	5.5	7.7	7.6	7.6

Source: Authors' estimation from VHLSS 1998-2002

Tables 13 to 18 present household contributions in cash to public work and social funds for activities such as poverty reduction and education encouragement, and calamity mitigation, etc. over the period 1998 – 2002 – 2004. Table 13 indicates that the percentage of households who contributed in cash to public activities increased over time. This rate was 71.5% in 1998 and increased to 85.2% in 2002. As expected the percentage of households who contributed in cash to public activities was higher for the rich than for the poor. In 2004, 94% of the richest households and 71.6% of the poorest contributed in cash.

Table 13: Percentage of households who contributed in cash to public work and social funds by expenditure quintiles and rural/urban

Expenditure quintiles	1998			2002			2004		
	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total
Poorest	65.3	48.5	64.8	71.1	52.4	70.3	72.8	52.1	71.6
Near Poorest	75.2	37.0	73.0	77.3	70.7	76.8	83.2	72.8	82.2
Middle	73.9	56.4	72.0	80.0	78.7	79.9	86.7	85.4	86.5
Near Richest	75.4	63.3	72.3	81.1	86.2	82.4	87.7	90.2	88.4
Richest	77.1	72.6	74.2	83.0	92.4	88.9	89.1	96.4	94.0
Total	73.0	66.9	71.5	78.0	87.2	80.2	83.2	90.7	85.2

Source: Authors' estimation from VHLSS 1998-2002-2004

In terms of the absolute value of contributions, the rich also contributed higher than the poor with the gap increasing over time. In 2004, the amount contributed by the richest was almost twice as much as the amount contributed by the poorest. However if we look at the expenditure per capita for households by expenditure quintiles presented in Table 23 in the Appendix, this contribution was not pro-poor, since the richest had more than 6 times the expenditure per capita as the poorest in the year 2004.

Table 14: Average amount of cash contributed per household by expenditure quintiles and rural/urban

Expenditure quintiles	1998			2002			2004		
	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total
Poorest	61.3	28.5	60.6	74.9	67.9	74.6	89.4	77.8	88.9
Near Poorest	74.0	43.1	73.1	83.2	74.2	82.6	104.2	106.8	104.4
Middle	75.3	33.3	71.7	89.5	83.9	88.8	106.9	117.2	108.4
Near Richest	73.5	53.7	69.2	91.1	88.4	90.4	116.7	133.4	121.5
Richest	82.3	87.9	85.8	104.3	131.6	122.1	144.1	176.0	166.1
Total	72.7	74.4	73.1	87.3	113.9	94.3	108.9	154.8	121.8

Source: Authors' estimation from VHLSS 1998-2002-2004

Alternatively, when we estimate the contribution as a percentage of total expenditure, this figure is higher for the poor than for the rich over 1998-2004 (Table 15).

Table 15: Average percentage of cash contribution over total household expenditures by expenditure quintiles and rural/urban

Expenditure quintiles	1998			2002			2004		
	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total
Poorest	1.0	0.4	1.0	1.1	1.0	1.1	1.1	1.0	1.1
Near Poorest	0.9	0.4	0.9	0.9	0.8	0.9	0.9	0.8	0.9
Middle	0.8	0.3	0.8	0.8	0.7	0.8	0.7	0.8	0.7
Near Richest	0.6	0.4	0.6	0.6	0.5	0.6	0.6	0.6	0.6
Richest	0.4	0.3	0.3	0.5	0.4	0.4	0.5	0.4	0.5
Total	0.8	0.3	0.7	0.8	0.5	0.7	0.8	0.5	0.7

Source: Authors' estimation from VHLSS 1998-2002-2004

Tables 16 to 18 present the percentage of households who contributed in cash by regions and ethnicity, which was rather high in the mountainous regions of North East and North West and the North Central Coast during 2002 – 2004 compared with other regions. These regions are the poorest and have extreme difficulties in development. They also had a rather high absolute value of cash contributions. For example, in the North East and North West the average contribution was around VND 95 thousand, while the average contribution in the Red River Delta and North East South was VND 101 thousand and 167 thousand, respectively. As a result, the percentage of contribution over the total expenditure is higher in poor regions than for the richer regions.

Ethnic minority households have lower percentages of contributing households and smaller amounts of average contribution, but slightly higher percentage of contribution over the total household expenditure.

Table 16: Percentage of households who contribute in cash to public work and social funds
by regions and ethnicity

Regions	1998			2002			2004		
	Kinh/Chinese	Ethnic Minorities	Total	Kinh/Chinese	Ethnic Minorities	Total	Kinh/Chinese	Ethnic Minorities	Total
1. Red River Delta	71.0	75.2	71.1	90.9	92.6	90.9	92.0	94.7	92.0
2. North East	66.1	72.0	68.8	93.3	83.6	89.9	96.1	85.8	92.4
3. North West	91.9	93.6	93.1	92.2	85.3	87.1	97.1	90.1	91.8
4. North Central Coast	76.9	79.3	77.0	91.9	89.1	91.7	92.6	91.5	92.5
5. South Central Coast	81.1	0.9	71.5	84.5	14.9	81.7	88.8	24.8	85.8
6. Central Highlands	84.5	78.2	81.9	83.8	49.7	72.3	87.4	62.3	81.1
7. North East South	81.1	6.9	79.2	80.3	49.7	79.5	87.3	50.7	86.1
8. Mekong River Delta	61.9	40.5	60.0	57.4	30.9	55.8	68.3	41.2	67.0
All Vietnam	72.6	64.0	71.5	81.5	69.1	80.2	86.2	76.6	85.2

Source: Authors' estimation from VHLSS 1998-2002-2004

Table 17: Average amount of contribution cash per household by regions and ethnicity - VND

Regions	1998			2002			2004		
	Kinh/Chinese	Ethnic Minorities	Total	Kinh/Chinese	Ethnic Minorities	Total	Kinh/Chinese	Ethnic Minorities	Total
1. Red River Delta	92.3	49.9	91.3	85.0	79.0	85.0	100.9	93.9	100.8
2. North East	49.4	43.4	46.6	78.4	60.5	72.7	99.0	88.4	95.5
3. North West	38.7	29.7	32.6	76.4	64.1	67.5	108.9	91.2	95.8
4. North Central Coast	61.7	49.7	61.3	100.0	90.2	99.4	137.9	115.5	136.0
5. South Central Coast	79.6	120.0	79.6	88.0	48.0	87.7	109.3	42.7	108.4
6. Central Highlands	57.1	25.7	44.6	78.8	54.8	73.3	115.2	65.2	105.5
7. North East South	82.6	121.3	82.7	131.4	73.1	130.5	169.9	95.1	168.5
8. Mekong River Delta	76.1	41.8	74.1	103.3	172.4	105.7	134.9	128.9	134.7
All Vietnam	77.3	39.1	73.1	96.6	70.6	94.3	124.8	92.3	121.8

Source: Authors' estimation from VHLSS 1998-2002-2004

Table 18: Average percentage of cash contribution over total household expenditures by regions and ethnicity

Regions	1998			2002			2004		
	Kinh/Chinese	Ethnic Minorities	Total	Kinh/Chinese	Ethnic Minorities	Total	Kinh/Chinese	Ethnic Minorities	Total
1. Red River Delta	1.1	1.0	1.1	0.7	1.0	0.7	0.6	1.1	0.6
2. North East	0.6	0.4	0.5	0.7	0.6	0.6	0.7	0.8	0.7
3. North West	0.5	0.4	0.4	0.6	0.8	0.8	0.7	1.0	0.9
4. North Central Coast	0.8	0.7	0.8	1.0	1.2	1.0	1.1	1.3	1.1
5. South Central Coast	0.7	0.5	0.7	0.7	0.9	0.7	0.7	0.5	0.7
6. Central Highlands	0.4	0.3	0.4	0.6	0.7	0.6	0.7	0.6	0.7
7. North East South	0.3	0.3	0.3	0.6	0.6	0.6	0.6	0.5	0.6
8. Mekong River Delta	0.6	0.4	0.6	0.7	1.9	0.7	0.7	0.7	0.7
All Vietnam	0.7	0.5	0.7	0.7	0.8	0.7	0.7	0.9	0.7

Source: Authors' estimation from VHLSS 1998-2002-2004

VHLSS did not collect information on whether local people were paid for the work that they contributed to public projects. However, results from a survey conducted by the consultants indicated that that few households were paid for work in infrastructure construction projects (Table 19).

Table 19: Poor households paid for work in infrastructure construction in Hoa Binh and Bac Ninh¹¹

District	Paid labor contribution of the interviewed poor households		
	No	Yes	Total
Luong Son (Hoa Binh)			
In number	20	9	29
In percent	69.9	31.1	100
Thuan Thanh (Bac Ninh)			
In number	36	0	36
In percent	100	0	100
Total			
In number	56	9	65
In percent	86.2	13.8	100

4.2. Support of the NTP-PR and P135 to people contribution

Although the VHLSS did not collect information on household contributions to sub-programmes and projects in NTP-PR and P135, it does have some information on whether a household receives reduction or exemption for agricultural land use tax, education fee, or provision of free healthcare insurance cards from NTP-PR and P135.

Table 20 presents the percentage of crop-growing households who were exempt from agricultural land use tax in 2002 for 8 regions. More specifically, the second column gives the estimate of the percentage of crop-growing households who were exempted from the land use tax over the total of poor households. The third column presents a similar figure but the denominator is the total of crop-growing and food poor households (estimates in the second and third columns are the coverage rates). The final column estimates the percentage of poor households among households receiving exemptions (so-called targeting

¹¹ Survey conducted by consultants, 65 households were interviewed in November 2005.

rate¹²). A programme that has poor poverty targeting will have low coverage and targeting rates. Table 20 indicates that only 23.7% of the poor and crop-growing households were exempted from the agricultural land use tax in 2002. The percentage of exempted households among the food-poor households was higher, at 37.6%. However, this rate was still low since there were a large proportion of the poor and very poor who had to pay this tax. However the programme had relatively good targeting of poverty. Among the beneficiary households, 75.1% were poor¹³.

Table 20: Percentage of crop-growing households exempt from agricultural land use tax

Regions	2002		
	Coverage to poor households	Coverage to food poor households	% of poor households over beneficiaries
1. Red River Delta	17.8	33.7	66.1
2. North East	24.0	34.5	80.3
3. North West	29.4	34.8	94.0
4. North Central Coast	29.4	44.4	83.1
5. South Central Coast	23.2	37.4	76.7
6. Central Highlands	28.9	41.1	88.4
7. North East South	19.3	33.1	50.8
8. Mekong River Delta	18.3	30.7	53.6
All Vietnam	23.7	37.6	75.1

Note: No information in VHLSS 2004
Source: Authors' estimation from VHLSS 2002

Table 21 estimates exemptions for education fees and contributions from households for the 2002-2004 period. Households who received the reduction and exemption are classified by the commune authorities, ethnic minorities, those located in remote areas, and households with special difficulties. It shows that the percentage of poor households who had someone attending school and received support was 26.8% in 2002 and this increased to 40.8% in 2004. There were also 58.5% of food poor households receiving reduction and exemption in 2004. One explanation for the increase in the coverage rate is the reduction in the number of the poor households.

¹² In fact, the rate that is equal to 100 minus this rate is called the leakage rate. This indicator measures the percentage of non-poor households who received support from the programme over the total number of recipients.

¹³ It should be noted that although Government policy was land-use tax exemption for the poor, the poverty line for the period 2000-2005 was based on income. Thus, the poverty rate was lower than one based on the expenditure poverty line prepared by GSO-WB. In this report, the expenditure poverty line is used.

However, the poverty targeting of the programme were not good in 2004. Non-poor households represented 51.3% of beneficiaries. In some richer regions, such as the Red River Delta and North East South, the programme seemed to target the non-poor instead of the poor. For example, in the Red River Delta there were only 15.7% of poor households (with school age children) receiving the reduction or exemption in 2004. Of all households who benefited only 31.3% were poor households, while 68.7% were the non-poor households. An explanation for this might be that there was a proportion of households who were poor in 2002 but escaped poverty and became non-poor in 2004 but still received support. Thus, the coverage rate of the programme was increased, but the targeting rate of the programme was reduced.

Table 21: Percentage of households with school children who received reduction or exemption for education fee and contributions

Regions	2002			2004		
	Coverage to poor households	Coverage to food poor households	% of poor households over beneficiaries	Coverage to poor households	Coverage to food poor households	% of poor households over beneficiaries
1. Red River Delta	9.0	17.7	54.7	15.7	14.9	31.3
2. North East	36.5	48.0	63.4	48.6	61.4	55.1
3. North West	35.6	39.6	77.7	56.9	59.0	69.6
4. North Central Coast	20.0	28.6	68.3	31.8	49.4	65.2
5. South Central Coast	28.6	48.8	68.7	38.4	64.0	57.8
6. Central Highlands	50.5	58.5	70.4	86.3	96.9	56.1
7. North East South	30.1	44.6	38.2	56.3	83.4	21.7
8. Mekong River Delta	28.6	34.2	52.2	35.5	54.6	34.6
All Vietnam	26.8	38.8	61.6	40.8	58.5	48.7

Source: Authors' estimation from VHLSS 2002-2004

Table 22 estimates the coverage and targeting rates for the provision of the healthcare insurance for poor households in 2002 and 2004. Similar to the trend in the education sub-programme, the coverage rates of the healthcare insurance program increased during 2002-2004, but the targeting rate significantly decreased. Among the beneficiaries, poor households accounted for only 44.9%, while non-poor households accounted for 55.1%. This is concrete evidence that the current contribution mechanism is not pro-poor even in the main poverty reduction programmes, NTP-PR and P135.

Table 22: Percentage of households who receive free healthcare insurance card

Regions	2002			2004		
	Coverage to poor households	Coverage to food poor households	% of poor households over beneficiaries	Coverage to poor households	Coverage to food poor households	% of poor households over beneficiaries
1. Red River Delta	9.3	19.6	65.8	17.9	25.4	38.1
2. North East	7.8	11.4	79.7	29.9	39.4	50.8
3. North West	16.0	20.6	94.3	49.0	52.2	66.6
4. North Central Coast	10.1	14.5	80.0	20.8	25.5	59.9
5. South Central Coast	15.4	19.4	63.8	26.5	47.6	51.8
6. Central Highlands	8.6	14.0	87.0	30.2	27.4	50.9
7. North East South	12.5	17.0	28.4	20.4	24.4	14.7
8. Mekong River Delta	9.5	16.8	63.4	10.1	17.9	24.4
All Vietnam	10.2	16.0	66.6	23.5	33.0	44.9

Source: Authors' estimation from VHLSS 2002-2004

5. Conclusions

Major variations in social, economic and geographic conditions across the different regions in Vietnam make it difficult to develop generic responses to the problem of pro-poor labour contributions. Some factors were more important in some areas and less important in others. For example, there are stark differences in the problems faced by Khmer communities in Soc Trang, and the problems faced by the poor resettled on state organized housing in Son La. In addition there were major differences within any particular area depending on factors such as gender, ethnic group, age and history of settlement. The most vulnerable groups included displaced communities that had been resettled, ethnic minorities, women and aged and young, newly established households. However, despite these variations, by combining analysis of the data with discussions with stakeholders, conclusion and key recommendations were identified.

Many of the conclusion and recommendations are focused at commune level. This is the weakest link in the system, and it is here that officials must interact with the poor and try to resolve problems.

The Labour Law is not representing the interests of villagers under 15 years and villagers that do not have a written or verbal contract with the contractor. This places the poor at increased risk. It is often poor families who cannot afford to send their children to

secondary school and critically need the income that these children could secure. It is illegal for children under 15 years to work in the market and so it is important that alternative policy is developed where under 15 children are not in the market but are given government assistance to support their well-being. The poor are more income dependent on local project work than other groups and often do not participate in decisions about contributions. Consequently, they are more vulnerable to exploitation by commune officials and contractors. The Labour Law needs to respond to these gaps. This includes:

- a. An awareness campaign is needed for the officials or contractors who prepare and implement public investment projects and programmes on the national labour standards including remuneration conditions and recruitment modalities. It is imperative that the 5% or 10% local labour contribution clause is carried out to maintain or increase the income of the poor (either via preferential access to paid work or via exemption from voluntary contribution).
- b. Access to information in the villages so that the poor understand their rights according to national labour standards. Workers compensation is a key issue.
- c. Monitoring and enforcement when applying national labour standards by officials/project. Commune level officials should be encouraged to intervene and even stop work if the Labour Law is not being applied and the agreed level of local labourers are not paid.
- d. Transparency and accountability in management and operations of projects in the communes will promote incentives for the poor to contribute labour
- e. Decisions about whether labour should be paid or not for infrastructure construction needs to a community based decision not just a few key village and commune leaders. This involves Grassroots Democracy.
- f. In the case that the poor need to voluntarily contribute their labour, there needs to be a range of incentives that they can clearly identify. They need to know exactly how contributing their labour will benefit them.
- g. Organised field visits by officials and villagers to communities that have developed participatory and pro-poor contribution mechanisms.

Contributions might become a burden on local communities and result in some households with little scope to deal with economic shock and natural calamities. It is important to bear

in mind that these programmes are targeted at the poor, so raising contributions from local households raises the risk of further impoverishing people living with incomes below the national average. There is a critical need for clarification of the role and framework for local and household contributions.

One key policy target during the next stage of the national programmes for poverty reduction is the incremental increase of commune ownership over the identification, selection and construction of state sponsored infrastructure¹⁴. The process to achieve this target needs to be explicitly linked to improved community participation in decisions about investment priorities and contribution schemes. A main issue is that even if the commune is the investment owner, if the community is not part of the decision-making process then the impact of infrastructure will be significantly affected. What is the difference if district officials decide to build a road or market in one commune or commune officials make the decision. If the people who would use it are not consulted the result will be the same, lack of impact and wasted opportunity. The construction of local markets is a good example. The Vietnamese media have identified a lack of community participation in decisions to prioritise the construction of local markets. The result has been that many districts decided that local markets were the best investment for the commune. In practice, many of these markets are seldom used. If commune officials also use this method of decision-making without having full discussion of the pros and cons with villagers, the result will be the same - empty local markets.

Increased commune ownership and participatory processes in decisions will mean increased resources mobilized. Accounting routines need be simplified for villages and communes to comply. It is important that household contributions are recorded in full. The present system is not transparent. Guidelines are needed from the province that outline instructions for national labour and contribution schemes for districts and communes to help ensure that household contributions are raised fairly.

Communes are also using procedures for design/costing regulations and bidding and contracting regulations meant for larger contractors and departments, for example Decrees

¹⁴ According to the P135, commune ownership will rise 50% by 2008 and 100% by 2010.

52 and 88. These are inappropriate for what is necessary at this level. The province needs to issue guidelines that are appropriate for capacities at commune level and provide sufficient information to district and province levels.

Decentralisation must consider the different types of schemes that are constructed in communes. Many are complex and capacity in the commune is not yet available for construction and O&M, without technical support from higher levels. In cases of complex design, district needs to continue preparing design and supporting implementation.

The present system calculates household contributions using fixed percentages applied uniformly to all types of infrastructure across all communes. In this system, the contributions of the poor are high compared to relative income. The system should be replaced by a flexible system that calculates contributions using prevailing socio-economic conditions and specific for the requirements of different types of infrastructure. For instance, it is likely that the more economically active members of the community will get more benefit from roads that will enable them to take products to market, whereas poor people in more remote areas will use the road less. This will ensure that contributions are practical and do not disadvantage some groups in the community, such as the poor. Grassroots Democracy regulations to decide the appropriate level and type of contributions is preferred at the scheme selection and planning stage.

Stronger efforts are required to promote a sense of local ownership of projects by involving the community more fully in the selection, design and construction, and management of schemes. Explicit links are needed between contributions, decisions and financial contributions.

The interests of local people to be consulted, informed or be involved in direct decision-making is often limited to instances that are in their direct interest. People participate more actively if the activity affects their livelihoods immediately, and when their labour or financial contribution is required. Infrastructure projects and credit scheme activities are at the top of their lists. Incentives are required to encourage poor and non-poor villagers to contribute to their own socio-economic development. These include the following options:

- a. Commune/ village and beneficiaries have complete control over the finances of the scheme. The process of allocating budget, award of contracts and signing of agreements, liquidation of investment and handover for O&M follows a very transparent process. Complicated reporting and record keeping is avoided. The procedures for formulation of proposals, approvals, and release of funds are simple and quick. Rigid regulations governing the purpose and modalities if the use of the commune budget inhibits participation and beneficiaries quickly lose interest.
- b. Effective community participation by poor and non-poor in investment identification, design, cost estimate preparation, decisions whether construction is carried out by the community or contractor. In the case of a contractor, the contract is between the commune/village and contractor, who reports to commune/village on quality of construction and financial issues.
- c. The utilization of local skilled and unskilled employment is a priority and a standard clause in the contract. Workers conditions accord with the National Labour Law. The poor are given preference in paid labour opportunities with district level monitoring how this policy is implemented. In the case of voluntary contributions of labour, the very poor are exempted or the contribution is lessened. The district level would also enforce the policy and impose sanctions and penalties such as the withholding of funds, if commune officials do not implement the policy.
- d. All savings against the estimated cost are retained by the commune/village and participatory methods used to decide the purpose for the savings.
- e. Level of household contribution is not prescribed and is negotiated during community meetings. Contributions reflect the nature and complexity of each investment.
- f. Create the conditions to improve the development of the private sector in the local economy. Developing small household-based businesses provide employment opportunities for the poor.

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Appendix

Table 23: Average expenditure per capita by expenditure quintiles and poverty status

Expenditure quintiles	1998			2002			2004		
	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total
Poorest	1158.5	1231.8	1160.1	1329.3	1398.5	1331.4	1607.9	1737.8	1612.5
Near Poorest	1683.9	1686.0	1683.9	1951.7	1972.3	1953.1	2490.5	2554.3	2495.7
Middle	2176.0	2183.4	2176.6	2571.3	2632.2	2578.8	3376.3	3417.5	3382.6
Near Richest	2980.8	3083.3	3005.0	3619.0	3777.7	3665.0	4801.9	5025.1	4868.9
Richest	4997.7	7327.5	6463.4	6246.6	8895.8	8030.6	8368.4	10696.2	10025.4
Total	2263.5	5598.5	2959.7	2736.1	6644.6	3756.8	3484.0	7885.5	4684.4

Source: Authors' estimation from VHLSS 1998-2002-2004