

Vietnam: Poverty Reduction Strategy Paper—Annual Progress Report

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PREFACE

The implementation process of the socio-economic development plans is also the implementation process of the Comprehensive Poverty Reduction and Growth Strategy (CPRGS).

In 2004, the Vietnam's economy has been maintaining a good growth rate, with the Gross Domestic Product (GDP) increased by about 7.6%; the industrial output and export turnover have been continuously increased and exceeded the targeted plan; the state budget revenues have also exceeded the estimation; the entire social investment has been fairly well increased, especially that of the private sector has been vigorously increased; culture, education and health care continue to develop; targets of employment and poverty reduction as well as the rate of malnourished children, etc. have been satisfactory or even beyond the estimated plan.

These social and economic achievements in the context of price fluctuations, epidemic occurrences and natural disasters over the recent time have highlighted great efforts of the people, enterprises, the Government of Vietnam and authorities of different levels, as well as the support and coordination from the entire political system in guiding the implementation of resolutions of the Communist Party and National Assembly. Effective support and assistance from the international donor community and international organizations are also highly appreciated.

This victory is a vivid reflection of the fact that Vietnam is pursuing the implementation of Doi Moi policy, opening its economy, moving towards international integration, and improving the investment and business environment in order to promote the economic growth for poverty reduction.

*This annual 2003 – 2004 report "**Vietnam: Growth and Poverty Reduction**" provides a comprehensive assessment and analysis of the economic growth and poverty reduction situation over the recent time.*

We do hope this report will be useful for agencies, institutions, individuals, donors, international organizations and investors to acquire a better understanding of the situation and give further support to Vietnam in the course of economic development, poverty reduction and hunger elimination, realization of social equality and progress.

MINISTER OF
MINISTRY OF PLANNING AND INVESTMENT

(Signed)

Vo Hong Phuc

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INTRODUCTION

Implementation of the Comprehensive Poverty Reduction and Growth Strategy (CPRGS) is now regarded as an important task of the Government of Vietnam. Under the guidance of the Steering Committee on CPRGS, the Inter-Ministerial Working Group has coordinated with the concerned ministries and agencies to take many actions in order to concretise activities for implementing the Strategy. Objectives and targets of the Strategy have been step by step integrated into the socio-economic development plans of the country, ministries, agencies and provinces, and are now being further proceeded with.

The CPRGS implementation process has been closely linked with the implementation of extensive economic reforms in each sector and area in order to increase the efficiency in resources utilization, enhance the competitive ability and accelerate the process of international economic integration. Many new policies and mechanism have been issued, forming an appropriate legal framework to promote the economic growth. Along with the process of economic reform, the Government has taken many measures for social development. More resources for health care and education, as well as social and poverty reduction programs have been mobilized, and the efficiency of the social safety net system has been further strengthened and improved to ensure that everybody are equal in benefiting from the growth.

Along with economic growth promotion and social progress realization over the past 2 years, the Government of Vietnam has vigorously implemented the extensive and comprehensive administrative reform program throughout the country, in order to increase the efficiency of the state administrative apparatus performance. Many action plans have been implemented, such as institutional reform, administrative apparatus reform, staff quality improvement and renovation, public finance reform, etc.

Thanks to reform efforts, Vietnam has made significant achievements, e.g. high and stable economic growth rate which has always moved along the increasing trend over the years (7.1% in 2002, 7.3% in 2003 and estimated 7.6% in 2004). The economic structure has positively changed to link with the domestic and international markets. The export turnover has been strongly increased in the recent years (20.8% increase in 2003, and estimated increase of more than 24% in 2004). Budget revenues have exceeded the targeted plan and budget deficit is still under control.

Along with the policy of economic development promotion in 2003 – 2004, the social field has also been paid attention to, investment sources for the social fields have been increased, and support investments targeting to poor communes, poor areas and areas of ethnic minorities have been continuously increased and account for a major share in the total targeted support investment of the Government. At the same time, many mechanisms and policies have been issued and implemented, such as policies on job creation, support to redundant workers, support on housing, productive land and clean water for poor people and other social policies. As a result, new jobs have been created; particularly in 2004, 1.55 million of jobs have been created, reducing the unemployment rate to 5.6% and 1.1% in the urban and rural areas, respectively. The number of poor households according to the

national and international standards has been reduced by more than 2% on the average. Particularly, in 2004 this number has been decreased to 8.3%. Substantial progress has been seen in the fields of health care, education, environment and resources, population, families and children, social welfare, etc. The issue of socio-economic development in isolated, remote and ethnic areas has also been paid attention to. The material and spiritual living conditions of the ethnic minorities have been significantly improved.

Nevertheless, the socio-economic situation this year still has a lot of deficiencies and outstanding problems, which are namely unobvious changes in the growth quality and efficiency; lack of strong shift of the economic structure; limitations in capital mobilization and utilization; deficiencies in and constraints of the environment, production and business environment; delayed implementation of activities to accelerate the process of international economic integration; poor and backward infrastructure, especially in the rural, mountainous and ethnic areas.

In the social field, apart from the achieved results, there are still a lot of implicit challenges and difficulties, such as high unemployment rate in the urban areas; high number of unemployed workers in the rural and agricultural areas; low quality of education; deficient health care services for people; high number of people contracting HIV/AIDS, increasing trend of imbalances between poor and rich people, and between different regions in accessing to and utilization of health care services; insufficiently effective social welfare system to support disadvantaged people; increasing social evils; slow socialization process of social fields; failure of administrative reforms to satisfy requirements of the Doi Moi program; living standards of the people are still difficult.

All of the above mentioned issues are referred to and analyzed in a quite comprehensive manner in this report. Especially the report includes assessments of the CPRGS implementation in 2003 – 2004. The implementation process of the socio-economic development plan is also the process to implement the Strategy. Over the past time, institutions at national and local levels have taken many concrete actions and achieved encouraging results. The annual and 5-year socio-economic development plans have integrated the objectives and targets of the Strategy. During the preparation of the 2006 – 2010 socio-economic development plan, the CPRGS objectives and targets will be integrated again, with basic reforms in terms of procedures, methodology to make the plan and content of the plan.

Under the above approach, this report includes 4 parts:

Part I, assessing outstanding achievements in economic development, social and poverty reduction in the period 2003 - 2004.

Part II, assessing the implementation of policies and measures within the CPRGS framework.

Part III, emphasizing challenges and difficulties in implementation of development and poverty reduction objectives, and at the same time, referring to objectives, targets, mechanisms, policies and measures to promote growth and the course of poverty reduction in the coming time.

Part IV, giving an overall assessment of the CPRGS implementation process, e.g. taking actions to integrate objectives of the Strategy into the socio-economic development plans at the national and local levels; establishing a framework to guide the local-level socio-economic

development plans, taking consideration of the growth and poverty reduction factor; monitoring and evaluating the implementation of the plans, and making recommendations for the coming time.

This report preparation is led by the Head of the Inter-Ministerial Working Group, incorporating comments by Mr. Nguyen Hai Huu (Director, Social Protection Department - Ministry of Labour, Invalids and Social Affairs), Mr. Bach Van Mung (Director, Planning and Investment Department - Ministry of Trade), Mr. Duong Huy Lieu (Director, Planning Department - Ministry of Health), Mr. Nguyen Van Ngu (Deputy Director, Planning and Finance Department - Ministry of Education and Training), Mr. Do Hoang Anh Tuan (Director, Budget Department – Ministry of Finance), Mr. Nguyen Quang Huy (Director, International Relations Department – State Bank of Vietnam), Mr. Nguyen Trong Dung (Deputy Director, Steering Committee on Enterprise Reform and Development), Mr. Vu Hoe (Deputy Director, Administrative Reform Department – Ministry of Internal Affairs), Ms. Ngo Thi Tam (Senior Officer, Local Authorities Department – Ministry of Internal Affairs), Mr. Tran Van Thuat (Director, Department of Policies for Mountainous Areas – Ministry of Internal Affairs), Mr. Nguyen Ba Khoang (Director, National Information and Documentation Centre – General Department of Statistics), Mr. Ho Minh Chien (Director, Labour, Culture and Social Affairs – Ministry of Planning and Investment) and a number of other Departments, Institutes and staff of the General National Economics Department under the Ministry of Planning and Investment.

We will highly appreciate any comments and suggestions to enrich and refine the report for the next publications. Comments can be sent to: Mr. Cao Viet Sinh, Director, General National Economics Department, Ministry of Planning and Investment, Chairman of the CPRGS Joint-ministerial Working Group, or e-mail address: cprgs@mpi.gov.vn.

CPRGS Inter-Ministerial Working Group

PART I

ASSESSMENT ON ECONOMIC GROWTH AND POVERTY REDUCTION IN 2003-2004

I. OVERVIEW

1. International and national context in 2004

The year 2004 is remarked by both difficult and favourable conditions. A lot of positive conditions were predicted, for example, the international and domestic situation which has become more auspicious; the position and strength of Vietnam while implementing the 2004 plan have become much stronger than in the previous years; the political and social situation remains stable and provides a firm foundation for mobilizing the country potentials and resources, as well as attracting more external investment sources for economic development purposes.

Various policies and mechanisms issued in the recent years are actually being realized, becoming more positive days after days, attracting more resources and creating a stronger impetus for development. The thinking of economics has been reformed and become more active and efficient.

The under structure, capacity and productive capability of many economic sectors have been significantly improved; the quality of growth has had initial enhancements; and the national economy is now adapting itself to the continually changing international economic environment.

The international economic relations have been strengthened and developed. Export goods of Vietnam have been standing firmly in many markets and have the prospective of finding more markets. There is a sign for a strong revitalization of attraction of foreign investment. The process of international economic integration and implementation of bilateral and multilateral trade agreements are on track and step by step gaining good results.

Were predicted also the challenges and difficulties, for example the lower capability of Vietnamese businesses (compared with that of businesses of many other countries in the region) of integrating into the international and regional economies; high production costs in some areas, such as electricity, transportation, communications, etc; removal of many trade barriers, and the risk of fast increase of trade deficit; and insufficient effects of the recent administrative reform process in spite of being accelerated, especially low effects of such activities as economic institutional reform, management apparatus renovation, staff quality improvement, etc., which do not yet satisfy the socio-economic development requirements.

Nevertheless, during the implementation of the 2004 socio-economic development plan, new and unexpected difficulties were found continuously, in particular:

(1) The avian influenza widely occurred in most of cities and provinces nationwide, causing direct impacts to agricultural production, as well as considerably affecting tourism, some other service sectors and the people's life;

(2) The price of some items of goods, especially raw materials and fuels (steel, gasoline, petroleum, etc.) significantly rose up, causing negative impacts to production and business activities, and leading to delayed progress of many infrastructure construction works;

(3) Long and bitter colds or severe droughts in some regions of the country were also unfavourable to agricultural production.

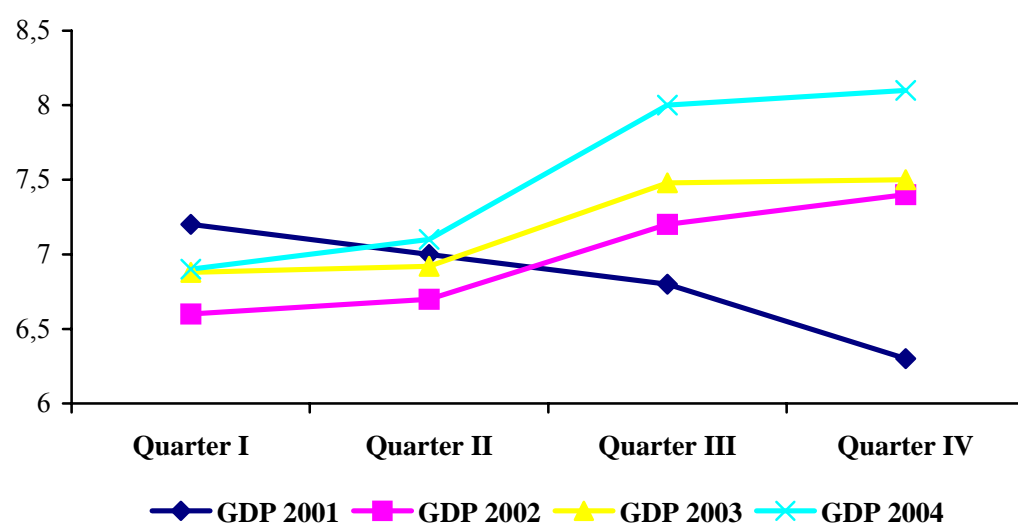
To minimize harmful impacts caused by unfavourable factors, the Government of Vietnam had timely guidance to resolve these problems and overcome difficulties so as to ensure conditions for production, business, export and social activities. As a result, it can be assessed that the Vietnam's economy in 2004 is still keeping its fairly good growth, which is reflected through the following facts: industrial production is continuing to grow, services sectors are in process of recovery, export is considerably increasing, budget revenue is exceeding the targeted projections, and many achievements are observed in the social field and poverty reduction.

2. Overview on major achievements in the course of growth and poverty reduction

(1) Outstanding achievements in economic growth in 2004:

Firstly, progress and development have been seen in many economic sectors. The 2004 GDP is positively progressed through the quarters, reflecting by actual increases of 6.9%, 7.1% and 8% in the 1st, 2nd and 3rd quarters respectively, as well as an expected increase of up to 8.1% in the 4th quarter. Accordingly, it is expected that the GDP for the entire year will be increased by 7.6% compared with that of 2003, meeting the planned target.

Figure 1: Quarterly GDP developments through the years 2001-2004



Source: GSO and projections by MPI

The value of industrial production has been continuously and considerably increased by 15.6%, which exceeds the targeted plan and of which the added value reaches to 10.6%¹. This is the highest ever value over the recent years, which has contributed to the general growth of the economy. A remarkable fact is the higher quality of many industrial products, which has made the first step to enhance the competitiveness in the foreign and domestic markets. Different lines of production have closely stuck to the market, linking production to consumption, renovating technologies in each stage of the production

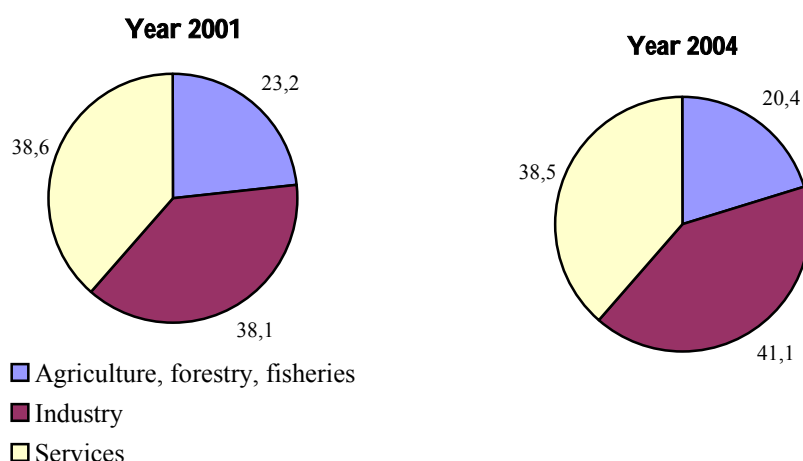
¹ Industrial and construction sectors have seen the growth rate of 10.2%, of which industries grown by 10.7% and construction – by 8.6%.

process, making the full use of strengths of each individual sector (e.g. the ship-building, mechanical manufacturing, etc.) and each product, creating some important and positive changes to the economic structure, contributing to the economic growth, and gradually improving the growth quality and efficiency².

The services are developing quite well with better quality and satisfying requirements of production activities as well as the people's life. The domestic market has been expanded, and the total retail value of goods and services has increased by 17.7%, contributing to a great extent to the general growth of the whole service sector. Tourism has been gradually recovered with a quite positive increase in the service revenues.

Secondly, the economic structure is continuing its positive shifting, step by step linking more closely to the domestic and export markets. The share of agricultural, forestry and fisheries sectors in GDP has decreased from 21.8% in 2003 to 20.4% in 2004, whereas the share of industrial and construction sectors has been continually increased to 41.1% of GDP, as estimated, compared with the value of 40% in 2003. Particularly, it appears that the service sector is now recovering its share from continuous decreases in the last 3 successive years. The estimated share of the sector in 2004 is 38.5%, compared with the value of 38.2% in 2003.

Figure 2: Economic structure in 2001 and 2004



Within the sectors of agriculture, forestry and fisheries, the economic structure has shifted to get into a more positive trend. The share of the agricultural sector has decreased from 76.6% in 2003 to 75.5% in 2004, while the share of the fisheries sector has been increasing from 18.4% in 2003 to 19.5% in 2004. The farmer's income in some regions has been raised up to thanks to increased output, increased export price and increased domestic consumption price.

² The growth quality has been improved, which is reflected by the fact that the contribution of modern science and technology factor to the annual GDP development has increased from 15% (during the period 1992 - 1997) to 22.5% (during the period 1998 - 2002).

The economic structure of the industrial sector has seen a lot of progress. The share of processing and manufacturing industries still maintains its increasing trend, and the added value of the sector has grown from 61% in 2003 to 61.5% in 2004, whereas the share of the mining industry decreased from 27.7% in 2003 to 26.5% in 2004. This fact indicates that the industrial sector has had a better and more effective performance, which is useful for the general development process.

The structure of the services sector is starting to change in such a way the services of high quality such as finance, banking, insurance, etc. are increasing their share. The tourism sub-sector is developing fast with diversified types of tourism. The share of hotel and restaurant business sub-sector has also increased from 8.2% in 2003 to 8.4% in 2004. Trading activities are so busy and active, better satisfying the consumption demands as well as production and business requirements. The share of the trading sub-sector has increased from 36% in 2003 to 36.5% in 2004. The output of export processed goods has risen over the years³.

Thirdly, all the economic sectors, especially the private sector with its substantially high growth rate, have actively contributed to the general growth of the entire economy⁴. The state economic sector continues to be reformed and re-arranged in line with Resolution No. 3 of the Communist Party Central Committee, and has starting to be more effective in performance. The collective economic sector has also seen new developments in many diversified forms, contributing to the general economic growth, creating job opportunities for workers, helping to achieve sustainable results in poverty reduction, especially in the rural areas. Economic sectors with foreign investment continue to develop and have actually become an important integral part of the entire economy.

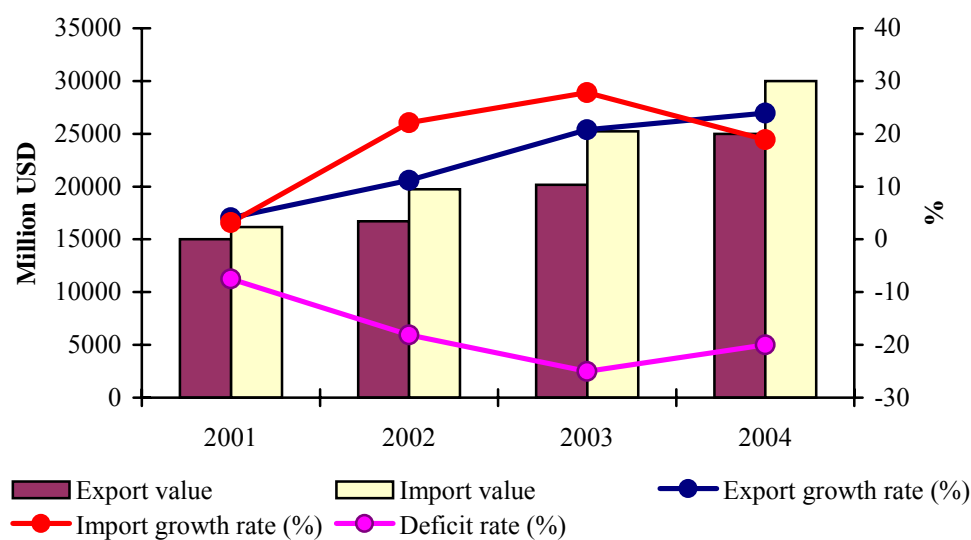
The number of enterprises registering their business in line with the Law of Enterprise has increased in both terms - quantity and the registered capital. Non-state enterprises have contributed to resolving the unemployment problem. The number of workers working firsthand in these enterprises is nearly the same as in the state-owned enterprises.

Fourthly, export activities have had a lot of progress and are step by step adapting to the integration process. In the context of cut-throat competition in terms of market and price, our export activities still maintain a high growth rate (24%), exceeding the projected target. This year, we have gained for the first ever time the average export value of more than 2 billion USD/month (even more than 2.3 billion USD in some months, i.e. equal to the total export value of the entire year of 1999).

³ In 2000, processed goods accounted for 44.2% of the total export value; in 2001: 46.7%; in 2002: 50.4%; in 2003: 55%; and in 2004: 57%.

⁴ Contributions of the domestic non-state economic sectors, mostly the private sector, has helped to increase the GDP growth rate from 36.6% in 2000 to 41.7% in 2003, and approx. 42% in 2004.

Figure 3: Export and import values, difference between export and import values in 2004



Fifthly, resources mobilized for investment purposes have been diversified, internal strengths have been better utilized, the domestic capital source has been quite significant, especially the investment capital from the people. The ratio of the domestic capital to the total investment of the society has been always high over many years (72%).

The investment capital has focused on promoting the economic structure shifting, producing high-quality goods that meet the domestic and export requirements, and fulfilling one more step in the socio-economic structure development, improving the productive capacity of the economy.

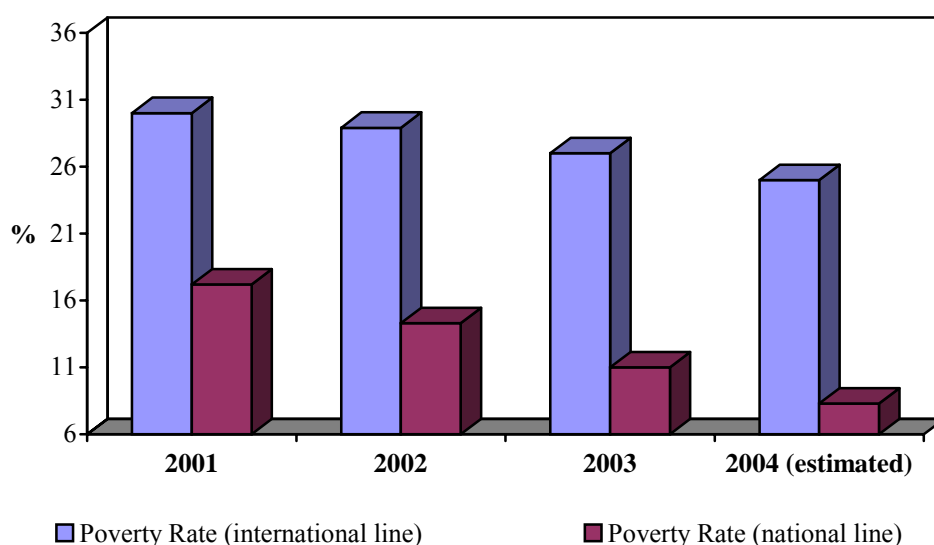
The ratio of budget revenue to GDP is high (23,5%); the structure of state budget revenue has had a lot of positive changes, the share of domestic budget collection has been increased thanks to the development of the domestic economy, especially in the state and non-state sectors.

(2) Achievements in social issues and poverty reduction:

First, there have been a lot of progress in the poverty reduction activities based on the previous results; in 2004, these activities have focused on very disadvantaged provinces where the poverty rate and the risk of falling back to poverty are substantially high. The number of poor households has been decreased to 8.3% nationwide in the year 2004⁵.

⁵ The poverty standards of the National Poverty Reduction Program are: 80,000 VND per person/month in islands, and rural mountainous areas; 100,000 VND per person/month in rural delta areas; 150,000 VND per person/month in urban areas.

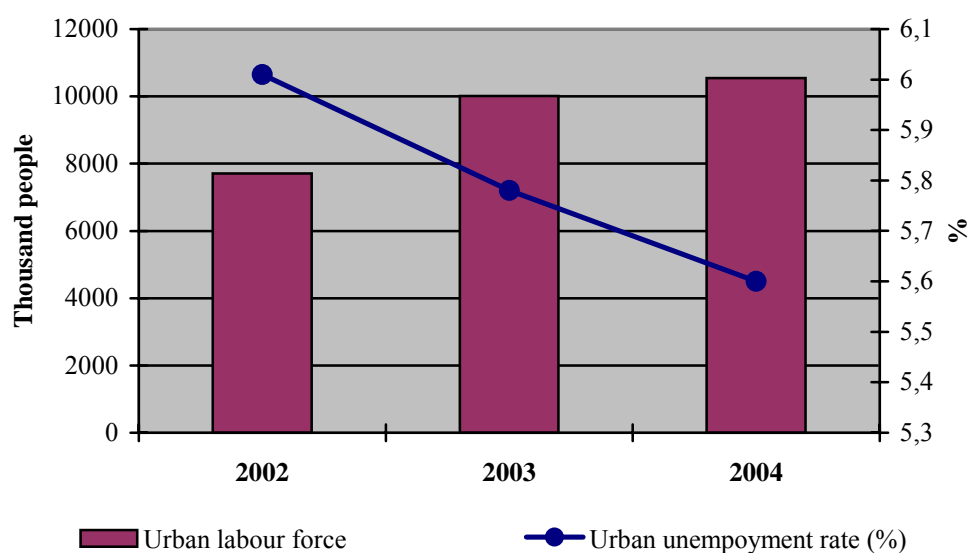
Figure 4: Poor household ratio through years (%)



Source: MOLISA, GSO and MPI

Second, the issue of employment and job opportunities has been paid more attention to. It has become a real focal task of all the sectors and levels, therefore a lot of new jobs have been created, which has helped to abruptly the unemployment rate in urban areas and increase the rate of working time utilization in the rural areas.

Figure 5: Urban unemployment rate at the working age (%)



Third, the national health care activities have also had a lot of progress. In 2004, the health care sector could timely prevent the risk of the avian influenza virus transmission to the human, and prevent the epidemics from wide spreading at a larger scale. Preventive measures have also been actively taken through the sector's initiative to prevent, control and reduce life losses from such diseases as petechial fever, encephalitis by virus, etc. The sector also effectively used resources, grants and aids; expanded services of voluntary

medical insurance, or medical insurance for the poor; and improved the quality of health care services for the poor.

Fourth, models to integrate population programs with sustainable family development purposes have been maintained.

Family planning policies to reduce the birth rate have been introduced. Childcare and protection programs have been conducted, associated pilot models have been established, for example "for children's benefit model" at the communal or district level, pre-school age education model, vocational training model, etc. Different social unions have closely collaborated with the programs to act for the benefits of children.

Education, information, consultation and support activities have been promoted to help street children return home and have a stable life.

Last, the Government and the Communist Party have paid specific attention to the socio-economic development activities in the isolated and remote areas or regions of ethnic minorities. Many development programs and projects for these areas have been effectively implemented and contributed to improving living conditions, intellectual standards, cultural preservation and development for the ethnic minorities.

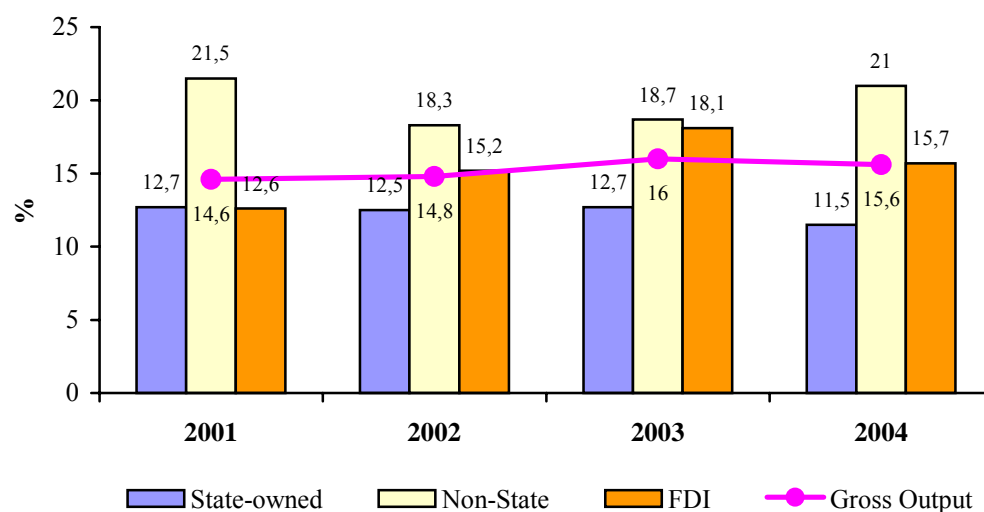
In 2004, more investment were made to construct infrastructure for 2,374 extremely disadvantaged communes in 355 districts of 49 provinces; build up more than 400 communal community centres; and provide training for more than 5,000 public servants of communes, villages, and hamlets...

II. ECONOMIC GROWTH IN MAJOR INDIVIDUAL SECTOR

1. Industrial production continues growing and is becoming stable

The industrial gross output is expected to increase by about 15.6% compared with 2003, over fulfilling the plan; of which the increases are respectively 11.5%, 21% and 15.7% from the state-owned, non-state and foreign investment sectors. The value added of the industrial sector as a whole is estimated to be 10.7%, higher than last year.

Figure 6: Industrial growth rates of economic sectors in 2001-2004



The participation of various economic sectors has created conditions for diversifying industrial production in terms of the scope of production, level of technology, types and quality of products. Some sectors such as the shipbuilding or mechanical sectors have been developed to the satisfying level. Most of provinces throughout the country have been maintaining a quite good growth rate compared with 2003.

Production costs of some products and in some industrial sectors are gradually reduced, whereas the quality and competitiveness of some products have been improved.

However, industrial production is still facing a number of difficulties, such as: the gross output of processing and manufacturing sub-sectors has not yet considerably increased. Sub-sectors of substantial hi-tech content are developing rather slowly, especially the informatics technology. Consequently, the share of those sub-sectors is still low compared with that in other regional countries. Though the number of industrial bases has increased, they are still operating at a rather small scale, and businesses still have a low-level knowledge of technology. Industrial production is still depending on imported materials; domestic materials are not yet popularly used, therefore the national value in each product is still low, the competitiveness of some products though have been being improved, is still weak compared with that of other countries in the region. Some major cities or provinces have a high number of state-owned industries managed by the local institutions, facing substantial difficulties, and therefore cannot yet contribute to the sector's general growth (the growth rate in 2004 is only increased by 7 - 8%). Industries invested by foreign investment have had the lower growth rate compared with the same term last year. The delayed operations of some projects (e.g. electricity, or cement, etc. projects) are causing obstacles to meet the current needs of the economy.

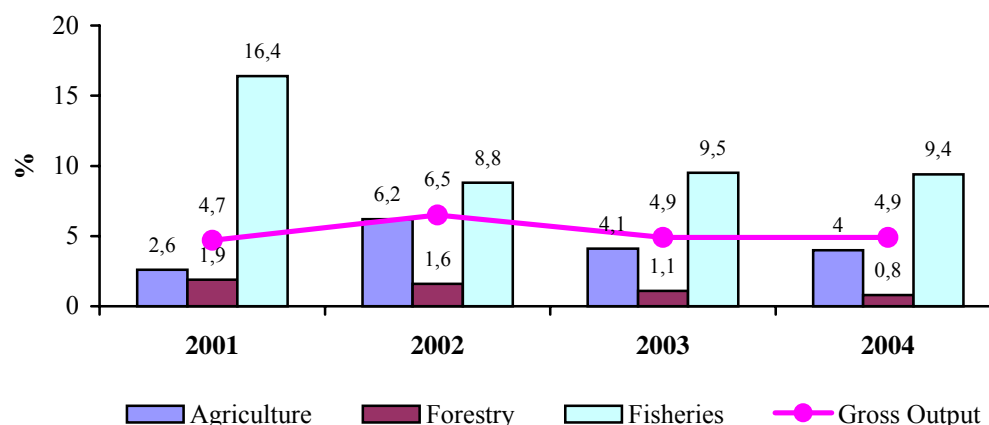
2. Agricultural, forestry and fisheries continue developing passably well

Agricultural, forestry and fisheries production in 2004 faced some certain difficulties. In particular, widespread drought and/or bitter cold in northern provinces badly affected the winter-spring rice crop, afforestation and aquaculture. The avian influenza outbreak in most of provinces and cities in the first quarter of the year; long-lasting hot weather in early July inundation caused by heavy rains induced complete loss of newly planted summer rice in many parts of the Red River delta.

However, since the weather became more favourable in the following months and thanks to appropriate measures taken to overcome the above-mentioned difficulties and facilitate the development of the 3 sub-sectors, the general gross output of the sector as a whole is still good and higher than in the last year.

The gross output of agriculture, forestry and fisheries sub-sectors in 2004 is estimated at 172,800 billion VND (at the 1994 comparative price), i.e. increased by 4.9% compared with the year 2003. Of this amount, the agricultural output is about 133,200 billion VND (4% increased), the forestry output - 6,200 billion (0.8% increased) and the fisheries output - 33,400 billion VND (9.4% increased).

Figure 7: Growth rate of gross output of agriculture, forestry and fisheries



Output of food crops continues to develop and is higher than that of the last year thanks to applications of high yield seeds⁶. It is estimated that the output of grain food crops will reach 39.1 million tons, increased by 1.4 million tons compared with that in 2003.

A part of the rice cultivating land that has given low and unstable yield has been then shifted to being used for aquaculture or growing other crops of higher value. After 4 years of cropping patten changes, the economic structure and efficiency of the agricultural sub-sector have been considerably improved.

Husbandry has been increasing its weight in the agricultural output. Many new breeds of animals have been raised, especially the porker breed.

In the forestry sub-sector, there have been positive movements to shift from the domination of state-owned forest farms to the mobilization of social entities and participation of many economic sectors. Efforts have been made to continue the 5 million hectares Reforestation Project; promote forest restoration-oriented protection, conservation and revitalization, as well as increasing the forest coverage to about 38.7%.

The fisheries sub-sector continues to develop and greatly contributes to the growth of the whole sector. The total yearly output of this sub-sector is estimated to increase by 9.4% compared with the year 2003 and account for 19.3% of the sector's total gross output. Hi-quality breeds of shrimps and fish are being raised, and the raising technology is being enhanced step by step.

First steps have been made to diversify rural trades. Many industrial bases have been opened or developed, using local labour and materials. Different forms of commercial, financial and agricultural technique services have been expanded, contributing to changing the agricultural - rural labour structure, improving the rural population's income and living standards⁷.

The rural economy has achieved visible progress, established co-operatives have been operating well, providing more products and services for the life and export. Rural

⁶ The total yearly rice yield is estimated at 48.1 quintals/ha, increased by 1.7 quintals/ha compared with the previous year (N.B: a quintal is equivalent to 100 kg).

⁷ At present, there are totally 2,017 trade villages throughout the country, of which about 30% work on traditional trades and attract more than 1.3 million professional workers. The estimated export turnover is 450 million USD, 22% increased in comparison with that of last year.

infrastructure has been constantly upgraded. It is expected that in the year 2004, 97 more communes will have access to electricity. By this time, 58% of the households have already had clean water, and 97.3% of the communes have had car accessible roads connecting to the communal centres or commune complex. Many traditional trades have been restored and developed, attracting more labour force, and by that way, creating jobs and increasing the population's income, making an active contribution to the process of rural labour structure shifting.

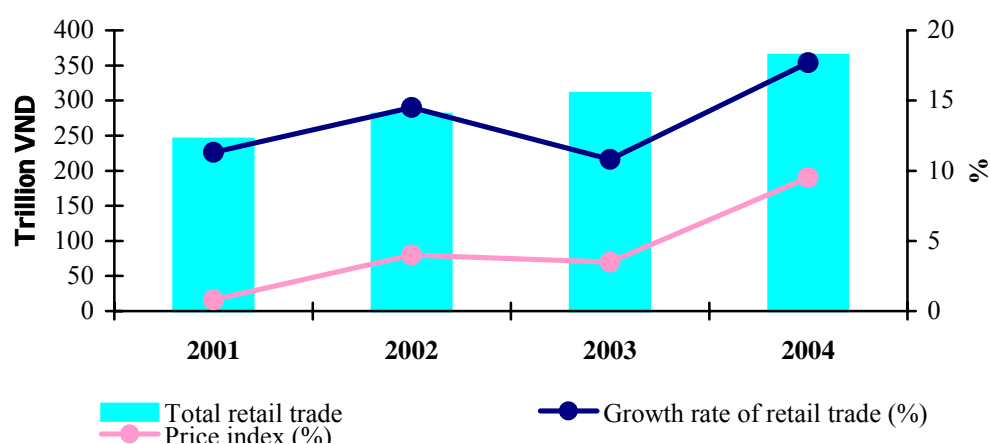
In 2004, it is expected to complete the construction of and put into operations 103 irrigation works. In addition, the canal concretising program is being vigorously implemented in many provinces, contributing to the production development.

The biggest difficulties for the agriculture, forestry and fisheries sector include the followings: the avian influenza in the early months of the year caused a huge loss to the husbandry sub-sector (about VND 1,300 billion), affecting the general economic growth⁸. The recovery of animal raising/husbandry is progressing slowly; whereas the price of animal food is highly increasing and large-scale animal farm owners do not have sufficient capital. The price of agricultural materials and inputs has significantly increased, especially fertilizers, adversely impacting to the development of cropping cultivation. Many law cases claimed by the foreign countries (such as the anti-dumping cases of catfish, shrimps, etc.) have affected the production and export of agricultural products. Due to the avian influenza and droughts in the early months of the year, the production cost of the agriculture, forestry and fisheries sector has considerably risen, leading to the outcome that the value added of the sector's output is only 3.3%.

3. Services sector

Domestic trade has been re-structured to facilitate wholesale trade, expand the network of transactions and goods exchanging among different markets in mountainous, rural and urban areas. The total retail value and services turnover in 2004 are estimated to be VND 365,000 billion, increased by 17.7% compared with that of 2003⁹.

Figure 8: Total retail value of goods and services



Source: GSO and MPI

⁸ According to some experts' assessment, the avian influenza has diminished the production and affected other related sectors, such as tourism, victuals, etc., causing a 0.5% reduction to GDP.

⁹ If price factor, which increased 9.5%, is excluded the growth rate of retail trade will be 8%.

Services such as *finance, banking, insurance, etc.* have been expanded and included the participation of businesses from all the economic sectors, both domestic and foreign¹⁰. Such operations as capital mobilization, lending and payment have strongly developed, especially the state commercial bank network has just introduced the inter-bank automatic teller machine (ATM) system, which has contributed to the rapid increase of turnover for the state commercial banks.

Transportation services have been rather well developed. The urban public transport has been much improved in terms of vehicle number, number of service routes, and service quality; the total turnover of the sector is estimated to reach approx. USD 19,000 billion, i.e. increased by 8.7%. Goods transported through sea ports are estimated to be 123.7 million tons, 8% increased compared with the year 2003.

Construction works (civil works, operation and maintenance of constructed works) have reached the advanced level in the region. In particular, the sector has received new construction technologies, self-furnished with a lot of modern equipment, and as a result, has been able to satisfy development needs in the construction field and is capable of doing major construction works of modern technology. There has also been progress in management and administration of construction contracts in the country and overseas. Many projects and works have been implemented and met the urbanization requirement or the needs of people.

Post and telecommunication services have been rapidly developed, and step by step opened the market to allow some non-state businesses to participate, increasing the competitiveness. Many modern means of communication of international standards have been formed and have had initial achievements by satisfying the public requirements of communication and trading, and at the same time, providing telecommunication services at a significantly reduced price¹¹. The turnover of the whole sector has reached VND 31,000 billion, i.e. increased by 5%.

Tourism continues to develop, being supported by the wide participation of various economic sectors. A lot of tourism centres and attractions have been restored and improved; new types and itineraries of tourism have been introduced with more diversified and attractive products. It is estimated that in 2004 the tourism sector will fulfil the plan of receiving 2.8 million visits of foreign tourists and 13.6 million tours of domestic tourists, and the total turnover from tourism will be VND 25,000 billion, i.e. 13% increased compared with the last year.

The output of services sectors in 2004 is expected to increase by 8%; the value added is expected to increase by 7.3%, lower than the general growth of the economy. However, such results will be great in considering the implicitly difficult conditions in the early months of the year.

¹⁰ So far the insurance market has had 17 businesses with totally 40 different insurance services, helping attract a rather considerable amount of capital, and increase the capability of capital accumulation and investment to the economy.

¹¹ In 2004, 2.5 million new telephones were installed, 70% higher than the targeted plan. So far every 100 people have 12 telephones, 98% of the communes nationwide have telephone, more than 80% of the communes have post office - communal cultural centre. 90% of the communes have daily access to newspapers. Internet access has been increased by 34% compared with the situation in 2003.

Table 1: Some indicators for services

	2001	2002	2003	2004
Growth rate of gross output (%)	6.7	7.0	7.2	8.0
Growth rate of total retail value (%)	11.3	14.5	10.8	17.7
Number of foreign tourists (thousand people)	2,330	2,550	2,429	2,800
Number of telephones per 100 people	5.5	6.9	9.0	12.0
Ratio of people using internet (% of population)				6.9

Notwithstanding the above achievements, some activities in the services sectors are still facing a lot of difficulties and constraints: the growth rate of the sector is lower than the targeted plan and not yet relevant to the sector's potential; the service charges in some sub-sectors are still high and inappropriate, if compared with that in other countries of the region and the world; some services such as stock exchange, real estate transactions, etc. are generally slowly developing. The circulation system of most of critical items of goods is ineffective, causing opportunities for tradesmen to take that advantage to speculate in those goods, increase the price and rig the market. The state management function in terms of trade in the provinces is not yet fully performed, still being stagnating and inactive. Smuggling and trading of adulterated goods still happen a lot and adversely affect production. Businesses are still weak in forecasting, information accessing and marketing; consequently they are not active enough to expand the market. Tourism activities are not yet well organized, the tourism environment is not very attractive to tourists and the country's tourism potential is not yet fully exploited.

4. Import and export

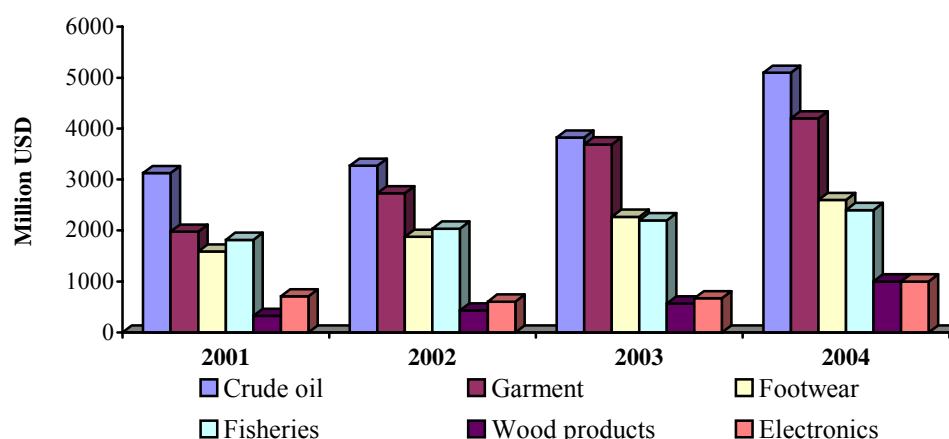
Export continues to grow. The export turnover of goods in 2004 is expected to be more than USD 25 billion, increased by 24% compared with 2003, higher than the targeted plan. The increase is partially because of the price factor (about 8.5%) and partially because of the quantity factor (about 15,5%).

The export turnover in 2004 increased so rapidly, partially because of the increased price of some key export goods¹². In addition, the world market's demand in our goods is increasing because of the economic recovery and development in a number of large markets. Furthermore, our businesses have actively sought for markets, made investment in renovating production line, promoting the execution of export contracts right from the beginning of the year, and as a result, could sign a lot of contracts for the entire year. 6 items of goods have gained the export turnover of more than USD 1 billion¹³.

¹² For 19 calculated items of goods, the export turnover is to reach USD 19.7 billion, increased by 18.5% (equivalent to USD 3.9 billion), of which USD 1.4 billion increased by the price factor (35%) and USD 2.5 billion increased by the quantity factor (65%). Export goods with the turnover increased by the price factor include rice (the price increased by 27.7% compared with that in 2003), rubber (the price increased by 34.2%), crude oil (by 16.6%), coal (by 12%), cashew nut (by 10%), etc.

¹³ In 2004, the export turnover of crude oil is USD 5.1 billion; garment - 4.1 billion; fishery products - 2.4 billion; footwear - 2.6 billion; wood products - 1 billion; electronic products - 1 billion.

Figure 9: Some key export goods with turnover of more than USD 1 billion



Source: GSO and MPI

In 2004, the Asian market made up the biggest share in the total export turnover of Vietnam. Export to this market is expected to reach USD 10.8 billion¹⁴. The EU market has also seen the increasing trend this year, with the expected export turnover of USD 4.5 billion. The export turnover to the US market is about USD 4.3 - 4.5 billion.

However, in spite of these achievements, exporting activities are still facing a lot of challenges and difficulties, in particular the vigorous increment of bilateral free trade agreements, which have caused a lot of market challenges to our goods. There are more and more trade barriers and quotas in many export markets.

The import turnover in 2004 is expected to reach USD 30 billion, increased by approx. 20% compared with that in 2003¹⁵, of which 9.2% increased because of the price factor, and about 10.8% increased by the quantity factor. The super import value in 2004 is expected to be USD 5 billion, equivalent to 20% of the total import turnover, lower than the super import value in 2003 (25% of the total import turnover).

Though the super import value tends to gradually decrease, it is still high due to the increased price of some major raw materials in the world market, e.g. gasoline (increased by 27% against the price in 2003), finished steel products (by 29.7%), steel foil (by 37%), Urea fertilizer (by 24.2%), etc. In addition, the imported quantity of some raw materials needed for manufacturing export products has also been increased to satisfy the stronger need of export¹⁶.

¹⁴ Whereas Japan expects to have the turnover of 3.3 billion USD, increased by 10.5%; China expects to have the turnover of 2.5 billion USD, increased by 43%.

¹⁵ Of which the group of machineries and accessories increased by more than 15%; the group of raw materials and fuel increased by 14%; and the group of consumer goods increased by 17%.

¹⁶ For 19 calculated items of imported goods, the import turnover has reached USD 20.7 billion, increased by 17% compared with that in 2003, of which the increase because of the price factor is about USD 1.6 billion, accounting for 54% of the total increase.

III. SOCIAL PROGRESS AND ACHIEVEMENTS IN POVERTY REDUCTION

1. Poverty reduction activities continue to achieve encouraging results

(1) Since the economy continues to develop well, the income of different classes of the population continues to be improved, in spite of price increases. Poverty reduction activities are implemented based on clear focal points; especially focus has been placed to very disadvantaged provinces, where the poverty rate and the risk of falling back to poverty are high. The poverty reduction movement is propagandised widely and acquires the participation of the whole society. According to the national poverty standard, by the end of 2004, there will be 14 million poor households in the country and the rate of poor households will be reduced to about 8.3% (compared with 1.7 million poor households and the poverty rate of approx. 11% in 2003). The reduction therefore is more than 2% each year.

Table 2: Poverty rate in different regions, according to the national standard

	Beginning 2000	End 2003	Estimated for 2004
Nationwide	17.2	11.0	8.3
<i>Of which:</i>			
North-east mountainous region	22.3	13.8	9.5
North-west mountainous region	33.9	18.7	16.4
Red River delta	9.7	8.1	6.1
North central region	25.6	15.7	12.7
Central coastal region	22.3	12.2	8.8
Central Highland	24.9	17.4	13.6
South east region	8.9	6.3	3.1
Mekong River delta	14.2	9.3	7.3

Out of 64 provinces, 36 provinces have the poverty rate of less than 10%, of which 12 provinces have the poverty rate below 5% (namely Ho Chi Minh city, Hanoi, Binh Duong, Da Nang, Khanh Hoa, Tay Ninh, Can Tho, Long An, An Giang, Hung Yen, Quang Ninh); 4 other provinces have the poverty rate of more than 20% (Bac Kan, Dien Bien, Lai Chau, Soc Trang).

(2) The number of poor households reduced quickly throughout the country and in all the geographical regions. The higher the poverty rate is, the higher the reduction tends to be.

(3) From 2001 to 2003, more than 11 million people (i.e. 3.66 million people per year on the average) were supported by free-of-charge health care services. However, the services quality is still limited due to the fact that the maximum allowable expenditure for one time of medical consultation/examination/treatment is still low (that at the district level should not exceed VND 147,000).

More than 7 million pupils were exempted from tuition or allowed to pay lower tuition (2.33 million pupils per year on the average). More than 4 million pupils were given notebooks, textbooks and scholarships (1.33 million pupils per year on the average).

More than 230,000 poor households were supported in terms of housing. More than 10,000 poor ethnic households were supported in terms of productive land. The rate of poor ethnic households given access to clean water supplies and electricity has been increased. Tens of thousands of relocated households were supported by to stabilize their living conditions. Practices of uncontrolled migration of people and slash-and-burn cultivation were reduced in the recent years.

(4) The poverty reduction program helped to considerably change the rural life, in terms of both social and economic aspects, in poor and disadvantaged communes in the mountains, frontier lands, islands, as well as isolated and remote areas. A Ministry of Labour, Invalids and Social Affairs' (MOLISA) qualitative survey of 3,700 poor households in 2004 indicated that the annual income and living standards were highly increased. More than 90% interviewees said their life had become better thanks to the program; and up to 12% of poor households said if there had not been the policy of tuition exemption or reduction, they would have never been able to send their children to school.

(5) Living standards of a major part of the population, especially among the groups of poor households and ethnic minorities, have been improved in terms of nutrition requirements, clothes, health care, education, culture, housing and means of transport. However, the improvement among these groups is still slower than that among the groups of richer families.

2. New progress in terms of labour force and employment

In 2004, employment opportunities were created for 1.55 million people, i.e. equivalent to 103.3% of the targeted plan. Of this number, 830,000 jobs were in agricultural, forestry and fisheries sectors; 330,000 other jobs were in construction and industry sectors; and 390,000 jobs were in trade and services. About 65,000 workers were exported.

Thanks to these achievements, the urban unemployment rate has been reduced from 6% in 2002 to 5.6% in 2004. More labour force has been attracted to the agricultural, forestry and fisheries sectors, which have provided basis to increase the rate of used working time in rural areas from 75.5% in 2003 to 79.3% in 2004.

Table 3: Rate of used working time in rural areas (%)

	2002	2003	2004
Nationwide	75.5	77.94	79.34
Red river delta	76.3	78.73	80.39
North-east	75.5	77.37	78.90
North-west	71.1	74.45	77.61
North central region	74.6	76.06	76.55
South central coastal region	75.0	77.69	79.36
Central Highlands	78.1	80.58	80.80
South east	75.5	78.51	81.56
Mekong river delta	76.6	78.43	78.66

Source: Survey of labour force and employment in 2004

Table 4: Urban unemployment rate at working age (%)

	2002	2003	2004
Nationwide	6.01	5.78	5.60
Red river delta	6.64	6.37	6.03
North-east	6.10	5.94	5.45
North-west	5.11	5.19	5.30
North central region	5.82	5.45	5.35
South central coastal region	5.50	5.46	5.70
Central Highlands	4.90	4.39	4.53
South east	6.30	6.08	5.12
Mekong river delta	5.50	5.26	5.03

In the urban areas, the unemployment rate significantly reduced among workers of ages 15 - 19 (reduced from 15% to 13.9%), followed by the rate among people of ages 50-54 (from 3.2% in 2003 to 2.4% in 2004). However, the rate seems to increase among people of ages 30 - 34 and 55 - 59.

Table 5: Increase or decrease of nationwide unemployment rate among people at working age, sort by age groups

Unit: %

	1 July 2003	1 July 2004	Increase/ decrease
Workers at working age in general	5.8	5.6	- 0.2
<i>Sort by age groups</i>			
15 - 19 years old	15.0	13.9	- 1.1
20 - 24 years old	13.8	13.8	0
25 - 29 years old	7.5	7.2	- 0.3
30 - 34 years old	4.6	5.2	+ 0.6
35 - 39 years old	4.0	4.0	0
40 - 44 years old	2.9	3.1	+ 0.2
45 - 49 years old	3.4	2.7	- 0.7
50 - 54 years old	3.2	2.4	- 0.8
55 - 59 years old	1.9	2.3	+ 0.4

However, many industrial parks and some sectors such as textile, leather, clothes making, have experienced the situation when supply in labour force is lower than demand. Many enterprises had vacant jobs but could not recruit necessary staff due to low qualifications of workers. Whereas services for workers are still inadequate and insufficient, especially housing, health cares, cultural conditions, etc. The workers' life is not ensured and social evils are strongly developing.

3. Education and training

Universal education continues to be developed. The policy of making universality to everyone general primary education has been being pursued. By the end of the school-year 2004, 19 provinces and cities have reached the target of universal primary education at the right age and 19 provinces and cities have been recognized for applying universal secondary education.

The scope of lower education continues to be extended; primary education has started to develop in a stable manner. 97.5% of children have been effectively encouraged to acquire primary education at the right age. The number of elementary secondary level pupils has increased by 1.8%; that of tertiary level pupils increased by 6.6%. The scope of professional secondary education and vocational training in the recent years has increased more rapidly than that of college and high-school education. The number of new students enrolling in vocational training courses has been increased by about 10%, in professional secondary schools - by 8%, in universities, colleges and high schools - by 7%, compared with those of the previous school year.

The network of boarding schools for ethnic minority students has been strengthened and developed. At present, there are 48 provincial secondary boarding schools, 266 district elementary boarding schools, 519 semi-boarding schools in communes and groups of communes, with the total number of pupils of above 60,000.

Efforts are now being made to seek for measures of further improving the educational quality and efficiency. The quality of child caring and fostering activities in kindergartens has already been improved. General education has shown its quality and efficiency. The number of pupils who have to repeat class or drop out has been reduced (e.g., in the school year 2002 - 2003, the number of pupils repeating class in primary schools has been reduced by 0.5% from 1.75% to 1.24%; in elementary secondary schools - by 0.1% from 1.05% to 0.94%. The number of pupils drop out in tertiary schools reduced by 1%, from 8.18% to 7.19%). The training efficiency has been increased to 74.42% in primary schools, 70% in elementary secondary schools and 83.16% in tertiary schools. Physical education and health care in schools have been paid more attention to and had certain progress. New versions of textbooks for classes 1, 2, 6 and 7 have been widely applied according to the National Assembly's Resolution No. 40. The program of concretised schools and classes continues to be under way. It is expected that by the end of 2004, more than 35,000 classes will be completed and utilized.

Regarding the structure of training, the group of technical and technology training is increasingly wanted, especially the informatics technology is developing rapidly, while the group of pedagogic training trends to decrease. However, agriculture, forestry and fisheries branches are only accounting for more or less 10% and therefore need to be developed.

The policy of tuition exemption or reduction was applied. Papers, notebooks, textbooks were given free and preferential policies were applied to pupils of ethnic minorities in cases of entrance exams. Therefore, the course of educational development has achieved remarkable results as follows: illiteracy has been basically eliminated, primary education has been universalised in a standardized manner, and the educational system has been complete in communes and groups of communes from the level of kindergarten to the level of elementary secondary schools. The rate of children going to school is about 90% - 95%, the rate of pupils attending classes and finishing secondary schools is gradually becoming the same throughout the country.

The training quality of some major technical and technological areas has been improved to a higher level. Most of graduates express their ambitions and aspiration of establishing their business and position in life, and are usually very active and independent. The rate of graduates who can find jobs trends to increase every year. Graduates from colleges, universities or high schools contribute significantly to the socio-economic development. Many of them have been given high rewards in international and national competitions. Scientific research and technology transfer activities in colleges and universities have been much progressed, and helped to improve the quality of training.

However, there are still many deficiencies in the quality of education at different levels. Students are still weak in practical skills. This fact actually restrains them from applying their knowledge in practice.

The structure of the educational system is not yet completely reasonable, but it has not been adjusted yet. The scope of education is not yet closely monitored; the quality of education in some cases is still low and cannot meet the development requirements. Textbooks are not yet appropriate, the teaching method is not regularly reformed, teaching staff is insufficient and sometimes is limited by low qualifications and inadequate organizational structure. The program of concretised classes and schools is implemented slowly. Participation in education is not yet fully implemented due to the lack of complete and synchronous legal documents regarding mechanism, policies and instructions¹⁷ as well as due to weak management of and insufficient co-operation among central and local agencies to manage non-public educational and training institutions. How to select the method to carry out the college entrance exam has been always a question.

4. Natural resources, environment and sustainable development

In the new context, baseline surveys and environmental protection need to be further strengthened to provide timely data and information for any adjustments and establishment of the socio-economic development plan.

In line with the Directive No. 36-CT/TW of the Politburo on "improvement of environmental protection during the period of industrialization and modernization" as well as other directives and resolutions, over the past many years, the Government has reserved a quite large part of the budget to implement projects on baseline surveys and environmental protection within annual and long-term planning terms. Ministries, agencies and provinces have made arrangements to conduct baselines surveys and protect the environment with defined focal points and priorities, and have all fulfilled the given tasks.

¹⁷ E.g. tuition regime, ownership in non-public institutions, distribution of income, incentive policies for teachers, pupils, stakeholders in investments and education ...

Baseline surveys of natural resources and socio-economic features have achieved major objectives, timely providing data for doing master plans. Environmental protection is actually playing an important role in the economy and has had initial positive progress. A lot of valuable survey data have been processed and appeared to be partially responsive to the reform requirements of the economy.

Results of baseline surveys and environmental protection over the past time include: baseline survey activities are done on regular basis, data on natural conditions and natural resources is collected and processed at fixed stations, present status and changes of resources of various types are investigated to provide a basis for more practical and scientific planning and/or plan adjustments by the year 2010 by different ministries, agencies and provinces. Regular and periodical baseline surveys on socio-economic conditions (social resources) of each region of the national territory, of each province and of the country as a whole are conducted to give justifications for making policies and identifying needs of the society. Many reports have been produced to present results of baseline surveys. Data on environment has been being collected, processed and maintained. Investigations have been carried out on environmental pollution levels, industrial wastes, domestic wastes, waste water, rubbish, etc. and major factors directly or indirectly relating to the land environment, air environment, water environment, ecosystem, rivers, oceans, etc.

Hydro-meteorological observations and data collection are done regularly and continuously to timely provide information to economic sectors and help to give precise forecasts. Measurements have been done, and the entire network of co-ordinates, elevations, astronomical observation and gravity has been refined in-land and on major islands at sea. The topographical map of scale 1/50,000 has also been refined. In addition, further measurements and operations have been done to produce more than 1,000 new maps of different types. Nearly 10,000 km² have been measured and mapped in terms of regional geology, geo-hydrology and engineering geology. 158 geological studies are kept ongoing and geological reports have been submitted. Efforts are also being made to seek for precious and rare solid minerals. Investigations and measurements have been done to produce maps of agricultural and special land administration. The basic-level land administration network has been basically completed and covered the entire country.

The Communist Party and the Government have paid attention to the environmental protection issue. Legal documents and regulations on environmental protection have been prepared, issued and enforced. The system of environmental standards has also been introduced in order to serve the environmental management works more effectively. Much progress has been recorded in terms of prevention and control of environmental pollution. The Environmental Protection Strategy by 2010 as well as environmental protection orientations by 2020 have been established and then approved by the Government. There have been many policies and preventive plans to avoid and/or recover from environmental pollution, degradation and incidents.

Appraisal of environmental impact assessment reports, environmental monitoring, control and supervision have gained a lot of progress and are becoming an orderly routine. Many projects on capital construction and/or socio-economic development have experienced sound and proper environmental impact assessment process.

Education, training and information on environment and sustainable development have been carried out widely through mass media and by many other forms. These activities have actually gained encouraging results, and the social awareness of environmental protection has been positively developed.

Nevertheless, the environment in many urban and crowded residential areas is still being polluted, especially by hazardous wastes, which are not yet collected and processed in accordance with required standards. Most of industrial zones in the country do not have wastewater treatment stations as required. Uncontrolled mineral exploitation situation is not yet completely prevented, causing serious environmental pollution.

Planning and making development strategies for each field and area, some issues relating to baseline surveys and progress of project implementation are not yet relevant to the real conditions of the market economy.

The policy of "socialization" in investments for environmental protection is not yet given due attention and therefore not yet becomes a popular movement in the society that can encourage the voluntary participation of businesses.

The community awareness on environmental protection, in spite of being raised, is still at different levels. Many serious environmental incidents did occur, e.g. forest fire, riverbank collapse, and environmental pollution in industrial and densely populated zones.

5. Health care for people

The medical and health care system has been developed in many forms, providing various types of services and opportunities for making choice. Medical consultation and treatment services at public bases, for example, medical stations, regional polyclinics, district medical centres, etc. have been strengthened to improve the people's access to health care bases.

Medical bases, especially district and communal level bases, have been refurbished with more facilities.

Table 6: Medical facilities at medical stations

Indicator	Percentage
Rate of medical stations having enough facilities for general consultations and treatments	97.0
Rate of medical stations having enough facilities for children care and nutrition	86.1
Rate of medical stations having enough facilities for productive health care	24.7
Rate of medical stations having enough facilities for consultations and treatments of special diseases	12.2
Rate of medical stations having enough facilities for consultations and treatments by traditional medicinal herbs	10.6
Rate of medical stations having enough facilities for sterilization/disinfection	51.0
Rate of medical stations having telephone line	37.6

Most of medical stations have been furnished with medicine cabinet and popular kinds of medicine for medical consultations and treatments. Especially many medical stations have also used traditional medicinal herbs to enrich the medicine source and reduce the patient's expenditures.

Table 7: Availability of medicine

Indicator	Percentage
Rate of medical stations having enough anti-biotics	86.0
Rate of medical stations having enough medicine to treat cold and flu	82.3
Rate of medical stations having enough first-aid drug	43.3
Rate of medical stations having enough medicine to treat diarrhoea	95.9
Rate of medical stations having enough medicine for productive health care	75.7
Rate of medical stations having enough medicine to treat malaria	53.7
Rate of medical stations using or producing traditional medicinal herbs	39.5

Provinces throughout the country have had plans to implement the Directive No. 06/TW-CT regarding strengthening and completing the basic-level health care system. Most of districts and communes have had Health Care Committees. Additional staffs have been appointed to the medical stations. By the end of 2003, there were totally 10,373 district medical stations with 47,668 staffs, i.e. nearly 4.6 staffs per station, on the average. The staff included: 4 people with master degree on medicine, 6,288 doctors, 4 pharmacists with university degree, 2 nurses with university degree, 1 medical technician with university degree, 6 midwives with university degree, 23,915 physicians, 233 technicians with high-school degree, 401 pharmacists with high-school degree, 6 technicians with pharmaceutical high-school degree, and 3,263 nurses with high-school degree. More medical stations had had doctors. It was expected that by 2004, 65.4% of medical stations would have doctors, 91.3% of them would have midwives or doctors in obstetrics or paediatrics, 37.8% would have nurses of secondary degree and above; and 79.8% of villages and hamlets would have medical staff.

In 2004, the medical sector could timely prevent the avian influenza from transmission to human and wide spreading at a large scale. The sector has been always maintaining guidance and instructions for prevention and control of epidemics. Propaganda has been strengthened on all means of mass media to publicize preventive and hygienic measures. Preventive health care has been promoted and active initiatives have been taken to prevent and control petechial fever, encephalitis by virus, etc., to wipe out the epidemics and reduce losses of life.

The sector has taken actions to implement Decision No. 139/2002/QD-TTg regarding medical consultations and treatments for the poor. So far, in every provinces and cities directly managed by the central government there has been a subsidiary of the Fund for Medical Consultations and Treatments for the Poor. The Fund's management board has gradually stabilized its organizational structure and started operating its services.

The number of beneficiaries from medical consultations and treatments has obviously increased. In 2003, this number was 13.5 million people, accounting for 16.8%

of the whole country's population. The ratios of beneficiaries to population were highest in the provinces of the Central Highlands (41.1% of the population) and the northern mountains (33.3% of the population). This ratio even reached up to more than 70% in Ha Giang, Bac Kan, Son La, Dien Bien and Lai Chau provinces.

The budget for medical consultations and treatments for the poor has been improved. In 2003, the Fund for Medical Consultations and Treatments for the Poor had the total budget of VND 520 billion to cover the whole country. Of this amount, VND 125 billion were spent for the northern mountainous provinces, VND 114 billion for provinces in the Mekong River delta, VND 79 billion for provinces in the northern central region, and VND 73 billion for provinces in the Central Highlands.

Implementation arrangements for the National Standards on Commune level Health Care have also been made and had initial results. Preliminary assessment by the end of 2003 indicated that about 25% of the communes nationwide, mainly in the delta areas, had reached the standards. Sub-standard areas were mainly focusing traditional medicinal herbs, infrastructure and facilities, finance, etc.

The National Targeted Programs have been implemented since the 1990s and had achieved many important results, considerably contributing to the reduction of infectious epidemic diseases and those with available vaccine. The number of people contracting malaria has been reduced by 70% and the number of deaths caused by this disease has been reduced by more than 80%. These numbers are respectively 99%, 54%, 94% and 85% (compared with 1995) in case of diphtheritic, whooping cough, tetanus in newly born babies and measles. Polio was eliminated; tetanus in newly born babies was also eradicated in 2000. It is expected that leprosy will be abolished in 2005. The development of HIV/AIDS has been slowed down. The under 5 mortality rate of children has been reduced from 55% in 1995 to 32.8%, that of babies of less than 1 year old has been reduced from 42% in 1995 to 21% in 2003. In 2002, Vietnam was the first country in the world succeeded in containing SARS and had initial successes in controlling the avian influenza H5N1.

General health indicators of Vietnam have been improved against those of the countries with the same per capita income level. Some indicators of Vietnam are even equal to those of the countries with a 10 times higher income level. The average expectancy of life is 10 years more than that in the countries with the same income level. The first successful case of liver graftage has remarked a new development in the modern medical technique of Vietnam.

Despite encouraging results in health care services for the people, the medical sector is still facing big challenges. One of the challenges is that the illness model of Vietnam is now shifting from infectious diseases (which do not cost a lot for treatment) to non-infectious diseases, such as cardiovascular diseases, mental and nervous diseases, diabetes, chronic diseases and those diseases caused by unhealthy style of living. Many epidemic and infectious diseases have been controlled. However, there is still a high risk of new occurrences. Preventive medical activities also need to be encouraged for early detection of the illness and epidemics, as well as provision of initial health care services to the people, especially those living in rural, mountainous and island areas.

The sector has not yet performed well its management function. Consequently, the drug price has considerably increased, affecting much the health care services for the

people and leading to a strong reaction in the society. The issue of medical morality and evil incidents in the sector, especially in hospitals, is agonizing and needs to be resolved.

Facilities and equipment at the medical stations are not yet sufficient and complete. About 3% of these stations (equivalent to more than 300 stations) still lack normal and ordinary medical facilities. Only 9.9% of the stations nationwide have equipment for vaccine storage and preservation. All of the stations do not have 100% of essential listed drugs, especially anti-biotics.

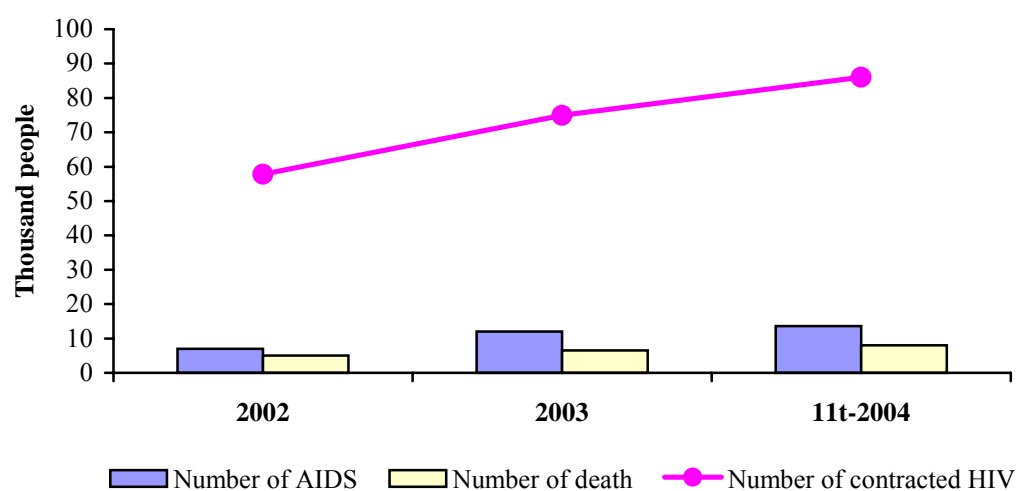
Highly qualified staffs are still unreasonably allocated. Most of them are still concentrating in the delta areas. There is still a shortage of pharmaceutical staff. Only 6.23% of the medical stations have pharmacists. Only 3.87% of the staff is working on traditional medicine, and 5,578 nurses with elementary education need to be given secondary education. The ratio of medical staff to the population is still low, especially in the rural, far and remote areas. In 2003, the ratios of doctors, physicians, convalescence nurses and pharmacists to 10,000 people were respectively 5.88, 11.86, 5.95 and 0.77. The staffing structure in the sector is not yet reasonable and satisfactory to the national standards. This is also a reason affecting to the quality of medical consultations and treatments.

Deployment of HIV/AIDS prevention and control activities

HIV/AIDS has been spreading widely in 100% of cities and provinces, 93% of districts and more than 50% of communes throughout the country. It has caused direct impacts to the human health and the national course of socio-economic development.

By November 2004, 86,000 people had been contracted HIV, of which 13,612 people had moved to AIDS stage, and 8,000 people died. About 45 people are infected with HIV/AIDS everyday. During the period 1999 - 2002, more than 10,000 people contracted HIV every year. Most of them were youngsters being of 20 - 29 years of age, accounting for up to 62% of the total number of HIV/AIDS patients.

Figure 10: Number of people contracting and dying of HIV/AIDS in 2002 - 2004 (accumulative number)



Source: Ministry of Health

People who tend to be most easily infected with HIV/AIDS include those who inject drug (accounting for approx. 60%), prostitutes (more than 6%), and people who get the disease through sexual relations (about 2.9%). About 0.39% pregnant women are infected with HIV/AIDS. The rate of disease transmission from mother to child is relatively high, about 30 - 40%, increasing the number of babies born with HIV/AIDS. Those social evils such as drug addiction and, prostitution often have complex changes and make the HIV/AIDS prevalence become more difficult to control.

As estimated, by 2003, about 0.23% of the population had been infected with HIV/AIDS. Some provinces and cities have high ratio of HIV/AIDS patients to the total population, e.g. Quang Ninh province (580 HIV/AIDS patients per 100,000 people), Hai Phong (338 HIV/AIDS patients per 100,000 people), Ho Chi Minh city, Ba Ria - Vung Tau, An Giang, and Hanoi (181 HIV/AIDS patients per 100,000 people).

Actions for HIV/AIDS prevention and control have been vigorously taken, raising the people's awareness of preventive measures to avoid being infected with the disease, and ensuring compliance with national and international commitments in the field of HIV/AIDS control. Nevertheless, the HIV/AIDS disease still tends to further spread. The epidemic is becoming more and more complex in terms of scope, objects of infection and forms of transmission.

In 2004, the Ministry of Police, Ministry of Labour, Invalids and Social Affairs and Ministry of Health made joint efforts to undertake a lot of activities in many forms, e.g. propaganda and education, direct cure for prostitutes and people who try to give up drug addiction in detoxification centres. Education, information and communication have been strengthened to encourage the community to change their habits; educate people, especially teenagers and youngsters, of moral values, healthy style of living, and risks of being infected with HIV/AIDS. Education and information activities have reached to every families, every individuals, every villages and districts, and have made people recognize their responsibilities to voluntarily and actively participate in the fight against HIV/AIDS. Actions against discrimination to people who have caught HIV/AIDS have been extensively taken and have had encouraging results, helping those people to live usefully and integrate to the community. Models on HIV/AIDS prevention and control have been built. Every year, investment is made for more than 3,000 pointed communes and districts to implement those activities. As a result, the people's awareness and knowledge have been obviously improved. Surveys show that in 2002, up to 27.8 million people were provided with access to education and information on HIV/AIDS, and more than 65% of the population knew about HIV/AIDS.

More blood screening equipment has been furnished to the localities to ensure safety in blood transmission, which is also very important and needs to be taken care of. Monitoring activities have been getting in order; the HIV/AIDS monitoring system in 64 provinces and cities as well as many districts throughout the country has been strengthened and developed, especially in 40 pointed provinces and cities and 6 target groups in high risks of getting disease. Behaviour monitoring has been implemented since the year 2000 in 5 provinces and cities. At present, 41 provinces and cities are allowed to confirm the positive result of HIV/AIDS testing; data on HIV/AIDS cases is updated on weekly and monthly basis.

The quality of medical treatment for HIV/AIDS patients is gradually getting improved. By this time, most of provinces have had separate departments or services to receive and cure HIV/AIDS patients. In 3 years 2001 - 2003, 38,907 HIV/AIDS patients were given medical examination, 17,000 people were out-patients, and 10,665 others were given hospital treatment. 14,447 patients were given opportunity infection treatment. In addition, treatment for people in professional risks has also been provided in different cities and provinces for 854 individual cases, of which 75% have been given preventive treatment, and 25% have been provided in-place consultation and treatment.

The testing consultative system and preventive treatment against mother-to-child transmission has been completed and widely applied, significantly increasing the number of pregnant women receiving HIV testing and consultation.

The system of management, taking care of and consultation at home and in the community for people contracting HIV/AIDS has been improved. During the period 2001 - 2003, consultation was given to more than 2 million people, in particular more than 480,000 people in 2003. More than 45,000 people infected with HIV/AIDS were managed, taken care and consulted. 73% of HIV infected people with clear address received care and consultation. There are many diverse forms of care and consultation, e.g. regular consultation (46%), documentation of health records (53%), physical and mental support, introduction of job and vocational training opportunities for people infected with HIV.

6. Population, family and children issues

These fields of activities have had a lot of positive progress, for example, further integration of population issues with sustainable family development on the basis of co-ordination among various ministries, agencies and social institutions. The population in 2004 is estimated to be 82.07 million people. The birth rate has been decreased by 0.37‰ (compared with the target of 0.4‰). The primary birth rate is 1.739‰, while the population growth rate is 1.44‰.

The issue of children care has been paid more attention to. Indicators of mother and child health have been much improved. The infant mortality rate has been reduced to the same level as that commonly seen in the countries with 2-3 time higher per capita income. In 2003, the mortality rate among children below 1 year old was only 26‰, and the mortality rate among mothers nationwide is about 90/100,000. This rate in urban areas is often lower than in the mountainous, far and remote areas. However, in general these rates have been reduced everywhere in the country over the past 5 years. The average life expectancy in 2004 is about 71.3 years.

The anti-malnutrition program for children below 5 years old has been implemented in every province. The malnutrition rate among children below 5 years old, though being still rather high according to the international standards, has been significantly reduced by the year 2003. This rate was respectively 31.9% in 2001, 28% in 2003 and 26.7% by the end of 2004. Efforts have been focused on building up children care models, such as the so-called model "children under the commune's and district's care", pre-school age education model, vocational training model, etc. The Action Program for Children has been vigorously implemented based on close co-ordination with social unions.

Education, information, consultation and supporting activities have been strengthened to help street children to return home and stabilize their life.

The movement of establishing the "Fund of Gratitude" has been promoted. Houses of gratitude (i.e. built for war invalids or martyr's families) have been built. Children of wounded and sick soldiers, families of martyrs and of those people remarkably contributing to the country are always the first people to receive assistance and aids for living, learning and being given a job opportunity. At the same time, families being entitled from special social policies have been encouraged to participate in doing business, continuing the tradition of being good exemplary citizens and revolutionary families. The program of gathering martyrs' tombs has been successfully implemented.

However, there are still some outstanding issues. In particular, the birth rate has not been reduced yet to the targeted level as specified in the National Assembly's Resolution at the beginning of the year¹⁸. Children protection and health care are still facing a lot of difficulties. There are still a lot of street children, especially in towns and cities. The fact that many children have contracted social evils is still a serious headache for the society.

7. Ensuring socio-economic development for ethnic minorities areas

There has been a lot of progress in the socio-economic development situation in the areas of ethnic minorities. The socio-economic under structure and living conditions of the ethnic minorities have been visibly improved. Great achievements of poverty reduction have been gained. The intellectual standards have been increased. Culture has been developed; especially traditional cultures of the minorities have been maintained and brought into play.

Projects that give direct support to poverty reduction have been operated effectively, contributing to improving the living standards of the ethnic minorities. These projects include: credit projects that lend money to poor households for developing their production; projects that guide the poor the way how to do business; projects on agricultural and forestry extension; projects that establish poverty reduction models for poor communes not being covered by Program 135; projects that construct infrastructure, support production activities, develop trades, stabilize the people's living conditions, build up new economic zones, call for permanent agriculture and permanent settlement, and train communal staff in the areas not being included in Program 135.

Thanks to the Government's policy of poverty reduction and effective investments, the rate of poor households in mountainous and ethnic areas have been notably reduced.

¹⁸ As reported by the Committee for Population, Families and Children, in the first 6 months of the year, 42 out of 64 provinces and cities had the birth rate increasing. 34 out of 64 provinces and cities had the higher rate of giving birth to the 3rd child (compared with the same term last year). There were many cases where members of the Communist Party or civil servants had their 3rd child. The reason for that situation is that the Ordinance of Population has not been understood properly, leading to the consequence that people do not fully realize their rights, interests and obligations under the Policy of Population and Family Planning. Some other reasons might be that the subjective feeling and self-satisfaction has led to loose management by responsible agencies over the work of population and family planning in the recent time; the apparatus dealing with this work is not yet stable and inconsistent while guiding the implementation of the Program, which have directly affected the implementation process. On the other hand, in some provinces, the management mechanism for the National Target Program on Population and Family Planning is not properly applied.

Table 8: Rate of poor households in mountainous and ethnic areas

Region	Rate of poor households in 2001 (%)	Number of poor households by the end of 2003 (estimated)		Rate of reduction (%)
		Amount (1,000 households)	Rate %	
1. North eastern mountains	22.35	235	13.8	8.55
2. North western mountains	33.95	82	18.7	15.25
3. Former 4 th zone	25.64	350	15.7	9.94
4. Central Highlands	24.9	150	17.4	7.5

Source: MOLISA in the summing up meeting on 3 October 2003

Many mechanisms and policies on socio-economic development on the regional basis have been issued to improve the living standards of ethnic minorities, such as Decision No. 168/2001/QD-TTg, 173/2001/QD-TTg, 186/2001/QD-TTg on orientations for socio-economic development of the Central Highlands, the Mekong river delta and 6 extremely disadvantaged provinces in the north eastern mountainous areas; Decision No. 120/2003/QD-TTg regarding typical policies on socio-economic development for communes along the border line between China and Vietnam; Decision No. 134/2004/QD-TTg dated 20 July 2004 regarding the policy of assistance in productive land, residential land, housing and domestic water supply for households of ethnic minorities and poor living conditions.

In 2004, the Government invested to build infrastructure for 2,374 extremely disadvantaged communes in 355 districts of 49 provinces, more than 400 centres for groups of communes, and provide training for more than 5,000 communal staff from communes, villages, hamlets, etc.

So far, the technical infrastructure in the areas of ethnic minorities has been notably improved and initially satisfied the production requirements as well as facilitates the living conditions of the ethnic minorities.

The national electricity network has been rapidly developed, contributing to promotion and development of production, business activities and increase of physical and mental conditions of the ethnic minorities. 100% of towns and provincial capital towns, 98% of districts and 64% of communes have had access to the national electricity network. In addition, there are also small and very small power sources, such as wind power, solar cells, etc. By 2003, more than 60% of households in the mountainous and ethnic areas had electricity.

The system of irrigation works has been developed in the mountainous and ethnic areas, ensuring irrigation and drainage services for more than 60% of cultivated land. Large irrigation works have been combined with hydropower plants, such as Hoa Binh, Yaly, Tri An, Song Rac, etc. Some medium scale irrigation works combining irrigation/drainage with hydropower or domestic water supply purposes have been built.

The system of post and telecommunication has reached many isolated and remote villages. The telephone system has reached all the provinces, districts and critical places in the mountainous and ethnic areas. So far, more than 70% of communes have had access to telephone services. Many provinces in the mountainous areas have quite large coverage of telephone services, e.g. 89% in Thai Nguyen, 82% in Dak Lak, Binh Phuoc. The post network has also been strengthened and rapidly developed. More than 80% of very disadvantaged communes have had communal cultural post office that initially satisfies the needs of people of ethnic minorities.

The market system in the mountainous and ethnic areas has been quickly developed, being doubled during the period 1994 to 2003. In the Central Highlands, there are totally 203 markets, and in the northern areas there are 1,190 markets. Most of the markets are permanent structures, which are combined with post office, cultural centre, agricultural and forestry extension centre. These places are not only for goods exchange but also for cultural exchange among the ethnic minorities.

In addition to the rapid development of infrastructure serving production and the life of the ethnic minorities, the social under structure has also been invested, for example education and health care. By combining various sources of capital, the education sector has worked with the provinces to improve physical and material bases for training institutions, creating conditions to ensure quality of teaching and learning.

The school and class system has been built and strengthened: So far in the mountainous and ethnic areas, all the communes have had primary schools. In the remote villages, which are far from the centre, there are also classes. Most of communes and groups of communes have had secondary schools. Each district has at least 1 elementary secondary school, apart from people founded semi-boarding schools and boarding schools in the groups of communes. Apart from the public schools, the Government also invested to build a system of boarding schools for ethnic minorities from the central to the local level. The system of universities, colleges and high schools and vocational schools has been strengthened and furnished with necessary facilities and equipment.

The medical infrastructure system in the mountainous and ethnic areas has been strengthened, built up and developed. Districts all have medical centres. 93.5% of communes in the mountainous, isolated and remote areas have medical stations, of which 83.24% of stations have been strengthened. 100% of the stations have enough water and electricity, being furnished with medicine and tools needed for initial health care for the ethnic minorities.

The land issue has been paid attention to and for the Kh'mer and aboriginal ethnic minorities in the Central Highlands.

Health care, education and cultural development for the ethnic minorities have been paid attention to. Audio programs in languages of the ethnic minorities have reached many ethnic minorities in the isolated and remote areas.

However, the living conditions of the ethnic minorities are still difficult; infrastructure in the isolated, remote areas is still poor. Access to essential services such as health care, education and culture as well as technical advances and information to serve

production and the people's life is still limited. The intellectual standards of the ethnic people are rather low, production practices are backward, causing obstacles to the socio-economic development of the areas.

8. Information, culture, physical education and sports

Information and culture: Efforts have been made to serve the political tasks given by the Communist Party and the Government. Propaganda has been done well for the elections to the People's Councils, the semicentenary day of Dien Bien Phu Victory, the Hanoi Cultural Day in Dien Bien, and Tay Bac Cultural Days in Hanoi. Cultural exchange has been promoted through cultural days and festivals of different minorities in the northwest, the central region and the southwest.

The movement of "Entire people unite to build a cultural life" has mobilized all the resources and included smaller movements such as: Good actions by good people; Remember the water source when drinking; Repayment in kind; Establishment of Cultural families, cultural villages and civilized living quarter; and Entire people unite to build a new life in the residential areas. Many provinces and cities have pioneering in the movement "Good leaves cover up the bad", which aims to help people in the flood or disaster prone areas, and contribute to various funds. The establishment of the Fund for Gratitude has also been supported. For example, in Quang Ngai, people contributed nearly VND 12 billion to build or rehabilitate houses for gratitude. In Binh Dinh, the people's contribution for the same purpose was more than VND 5 billion, Tay Ninh - VND 4 billion. In 2002, Hai Duong province could build 25 houses for gratitude. In Ca Mau province, from 1999 to 2002, VND 21.1 billion were contributed to build 1,400 houses for gratitude. People in Ninh Binh province contributed VND 840 million and built or rehabilitated 58 houses for gratitude. This number in Gia Lai was VND 190 million. People in Phu Tho province contributed to rehabilitate 109 houses for gratitude and grew up 532 gardens as presents to the Vietnam heroic mothers and families being entitled to the social special policies.

However, these movements are not yet fully effective and intensive. There are still overlaps in the content of these movements with other movements in the same province, which have led to ineffective and confusing guidance by the local authorities.

Management and restoration of historical sites are being continued¹⁹. Many sites have been upgraded, especially the ones of the national importance.

Broadcasting, television and the press: Broadcasting and television have become tools for the Communist Party and the Government in the sense that they have timely reflected major political events, identified key information for management activities and socio-economic development. A number of radio stations have been completed to cover depressive and mountainous areas. The audio program in 8 ethnic languages has been refined. Existing programs have been re-arranged to improve the broadcasting quality.

Press activities have been strengthened in terms of quantity, and have been improved in the content and layout. There have been more journalists, who have mature political knowledge, ideology and professional skills. However, some aspects of press activities are

¹⁹ The Hue citadel has been recognized by UNESCO to be a non-material cultural masterpiece heritage of the world. UNESCO is now being requested to consider and recognize the gong playing culture in the Central Highlands as another cultural heritage.

still defective, for example, failure to timely reflect wrong actions which are against the Communist Party's policies and the State law. Some information is not precise, far from the reality that affects the foreign economic activities.

Physical education and sports: Many talents have been detected through massive sports movements. Physical education in schools has had good quantitative and qualitative changes. Attention has been paid to training and examination of athlete's health conditions of selected teams. The policy of socialization in physical education and sports is being pursued. Many stadiums, playgrounds and national sports training centres have been upgraded.

PART II

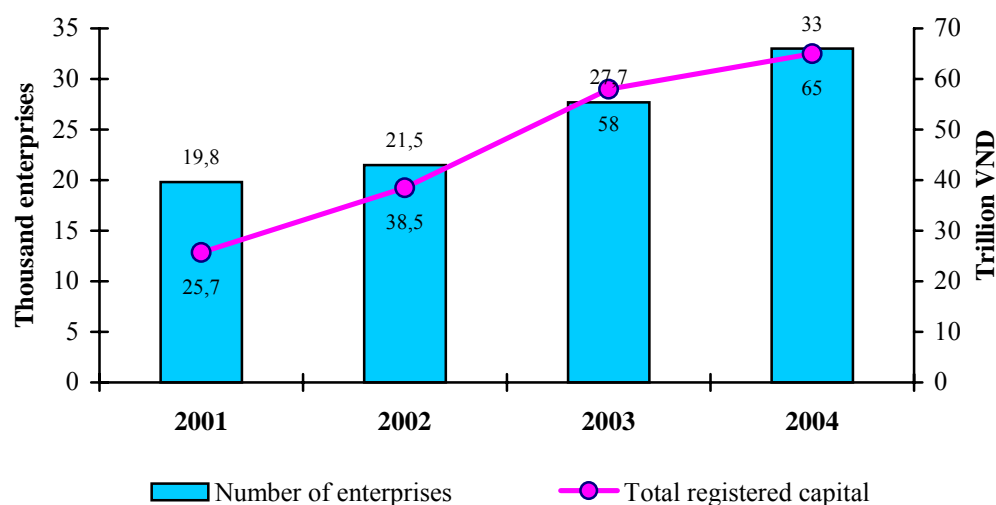
POLICY IMPLEMENTATION DURING THE PERIOD 2003-2004

I. AMELIORATION OF BUSINESS ENVIRONMENT, IMPROVEMENT OF EQUALITY AMONG DIFFERENT CLASSES OF POPULATION

1. Pursuing the Law on Enterprises, in the first 9 months of 2004 only, more than 26,800 enterprises registered their business with the equivalent capital of VND 53.2 trillion, increased by about 36% in terms of the number of enterprises and 29% in terms of the registered capital in comparison with the equivalent term of last year (excluding 4,000 other enterprises which raised their capital to VND 14.4 trillion). It is estimated that in the entire year of 2004, there will be more than 33,000 enterprises registering their business with the total capital valued up to approximately VND 65 trillion.

Non-state enterprises have contributed to creating about 1.6 - 2 million jobs, increasing the total number of labourers directly working in this sector to nearly the same level as the number of workers in state owned enterprises. Small and medium enterprises accounting for 96% of non-state enterprises have contributed 26% to the total value of social products; 31% to the total industrial output, 78% to the total retail value; 49% to non-agricultural jobs in rural areas and 25 - 26% to the total labour force of the country.

Figure 11: Number of enterprises and registered capital according to Law of Enterprises



Source: MPI

Businesses with foreign investment are contributing more and more to the growth of the economy. It is expected that the turnover of the foreign investment economic sector is about 18 billion USD, 13% increased compared with the year 2003; budget contribution is about 580 million USD, increased by 3%. Jobs were created for about 84,000 people, making the total number of direct workers in Vietnam to 770,000 people, increased by 12%.

In 2003 - 2004, Vietnam issued many important legal documents, for example, Decree instructing the implementation of the revised law on foreign investment, Decree

instructing to convert some businesses with foreign investment to joint stock businesses, Decree allowing foreign investors to subscribe for shares (less than 30% of the registered capital) of Vietnamese businesses; legal documents simplifying many administrative procedures and creating favourable conditions for foreign businesses to associate and co-operate with domestic ones to do activities of trading and services, step by step implement the most favoured nation (MFN) status and national favoured policies.

However, management of business activities after their registration is insufficiently close. Non-state businesses are facing some difficulties such as limited accessibility to sources of capital and marketing, low financial capacity, weak technical capability, and lack of market information.

In some important fields, e.g. services, attraction of foreign investment is still limited. Mechanisms and policies for businesses with foreign investment are not yet fully consistent. Some sector planning experienced delays in the approval process. The process of appraisal and granting investment license is also usually slow. These factors have affected attraction of the foreign investment.

2. Since the beginning of the year, the process of re-structuring and reforming state owned enterprises has been promoted. Many enterprises of large scale have been privatised. Enterprises with outstanding and long-lasting financial problems have also been re-structured. These facts indicate a new stage of the re-structure process, which is more pragmatic and resolute from now on. This is the outstanding advantage of the re-structure process for state owned enterprises over the past 9 months. This has also led to new difficulties that need to be resolved.

According to 2004 plan, 893 enterprises throughout the country will be re-structured in line with a plan approved by the Prime Minister, under which 751 enterprises will be equitized. Including the remaining enterprises that should have been restructured in 2003, the total number of enterprises to be restructured this year will be 1,468, of which 1,000 businesses will be equitized.

In the first 9 months of 2004, 615 enterprises were re-structured (69% of the targeted plan), including 425 independent enterprises and 64 enterprise units having been equitized (57% of the targeted plan), 21 enterprises having been business assigned, 15 others been sold, 2 enterprises been leased and contracted out, 54 enterprises been merged, 5 others been incorporated, 21 enterprises been dismissed, 7 others been declared bankrupt, 13 enterprises been shifted to profitable state administrative bodies, 16 enterprises been moved, 36 enterprises been shifted to single-partnership limited companies, and 10 new enterprises been established. Ministries and agencies have achieved 48.5% of the targeted plan, general corporations 91 (e.i. established according to Decree No. 91) - 65%, and provinces - 80%.

By 30 September 2004, 1,560 enterprises had been restructured (55% of the Government's master plan on state owned enterprise restructure in the period 2003 - 2005), including 960 independent enterprises and 138 enterprise units having been equitized (48.3% of the master plan). Many large enterprises have been equitized, e.g. Vinamilk, Ho Chi Minh city insurance company, enterprises in such fields as electricity, telecommunication, etc.

After being privatised and having diversified ownerships, all the enterprises appeared to operate well and could increase such indications as registered capital, turnover, profit, budget contributions, and employees' income. Many enterprises have invested to buy new modern machinery and equipment, renovate technology, extend the scope of production, enter new lines of business, effectively operate the business, and increase their competitiveness in the domestic and international markets.

Regarding the implementation of the pilot model "parent company - affiliated company": the Prime Minister has approved the pilot project for 36 out of 48 state owned general corporations and large companies (including 11 state owned general corporation, 16 independent businesses, 1 research institute, and 8 new general corporations operating on the model "parent company - affiliated company").

In line with the above mentioned project, many Ministries and provinces decided to establish parent companies, guiding the establishment of working regulations and financial management regulations of these companies. Re-structuring and promoting privatisation of affiliated units and dependent businesses to form affiliated or associated companies (2 enterprises of these have got the approval of their financial regulations). The Prime Minister has also appointed the ministries and provinces to rely on the Law on Enterprises and Decree No. 153/2004/ND-CP to approve working regulations for such enterprises that have had restructuring plan approved. Ministries and provinces have also guide the remaining enterprises to work on similar proposals to submit to the Prime Minister for his consideration and further guidance.

During the restructuring process, the Government paid attention to the policies for labourers and workers. The rate of surplus workers in restructured state owned enterprises is 18.98% compared with the number of current employees. By the end of September 2004, the Support Fund for arranging redundant workers had given VND 1,382 billion to assist 1,035 enterprises in dealing with 47,986 redundant workers. This policy has facilitated the enterprises to do restructuring, especially for those enterprises shifting to joint stock companies. Workers, having realised their rights under related policies, especially the policy on redundant workers according to Decree 41/2002/ND-CP dated 11 April 2002, have felt safe and stabilised their life.

Many legal documents have been issued to give instructions on restructuring for state owned enterprises: Decree 153/2004/ND-CP dated 9 August 2004 on management organization of state owned general corporations and shifting these companies and independent companies to the model "parent company - affiliated company"; Decree 155/2004/ND-CP dated 10 August 2004 by the Government revising and adding some provisions to Decree 41/2002/ND-CP on policies for redundant workers as a result of restructure; Decree 170/2004/ND-CP dated 22 Sep. 2004 regarding restructuring, renovating and developing state farms; Decision 155/2004/QD-TTg dated 24 August 2004 issuing criteria and classification list of state owned enterprises and self-financing member companies under state owned general corporations (substituting Decision 58/2002/QD-TTg); Decree 180/2004/ND-CP dated 28 October 2004 on establishment of new enterprises, restructuring or dismissing state owned companies.

Some draft decrees are being consulted before issued: Decree substituting Decree 64/2002/ND-CP on shifting state owned enterprises to joint stock companies, state farms in line with the Politburo Resolution No. 28-NQ/TW; Decree on assigning, selling, leasing state owned enterprises.

However, the process of restructuring is still too slow in general. The major reason is that directors of many state-owned enterprises do not want to restructure and renovate their business. Other reasons may be: lack of firm guidance from the leadership of the line Ministries and agencies in provinces; incompleteness, lack of timeliness and detailed instructions in the issued mechanisms, policies and implementation measures (e.g. mechanism to value enterprises, measures to deal with bad debts of enterprises, policy to deal with redundant workers, etc.), and lack of a sound management mechanism for enterprises after equitization.

II. FURTHER STABILIZATION OF MACRO LEVEL ECONOMY THROUGH IMPROVEMENTS OF BALANCES OF THE ECONOMY

1. Strengthening mobilization of resources for economic growth and poverty reduction

Resources mobilized for investment and development were quite good and more diverse. The investment structure started aiming to promoting the shifting of the economic structure and development of socio-economic infrastructure.

The total investment capital of the entire economy in 2004 is estimated to be VND 251.1 trillion, increased by 15.3% compared with 2003 and equal to 35.4% of GDP (approx. equal to the targeted plan), of which investment from the state budget is estimated to be more than VND 59 trillion, investment from state credits - VND 29 trillion (increased by 1.8% compared with 2003)²⁰; investment capital by state owned enterprises is to be VND 46 trillion, increased by 19.4%.

In 2004, mobilization and attraction of ODA capital for socio-economic development have been further strengthened. Vietnam's relations with the community of international donors have been further developed on the basis of active co-operation, co-ordination and mutual belief. The total disbursement of ODA in 2004 is estimated to be USD 1,490 million, equivalent to 95.5% of the target.

Investment capital of the individuals and private sector is VND 67 trillion, increased by 15.3%.

The foreign direct investment (FDI) implemented in 2004 is estimated at more than USD 2.8 billion (equivalent to VND 43.4 trillion), increased by 6% compared with that of 2003. Of this amount, investment from the foreign side is USD 2.6 billion (equivalent to VND 40.3 trillion), increased by 10.4%²¹.

²⁰ The credit fund contributed to ensuring the implementation of the state large scale projects and programs, and contributed to shifting of the economic structure. The fund has been focused on some national priority projects, such as the canal lining program, rural roads, raising the house floor against floods, gathering residential clusters in Mekong river delta.

²¹ In 2004, foreign investment is only more than 3.35 billion USD, increased by 9% compared with 2003.

In addition, investment has also been mobilized from bonds, state bonds and others, and is expected to be VND 5 - 7 trillion.

The investment source has focused on shifting the economic structure so as to increase the productive efficiency, make the full use of advantages and strengths of each region and sector, and at the same time, provide a quite large amount of capital to poor provinces.

Further attention is paid to investments for growth and poverty reduction. The capital source is proportionally allocated to Ho Chi Minh city, Hanoi, Ba Ria Vung Tau province, which are the cities and provinces of quite high revenues.

Table 9: Investment structure among provinces (%).

Provinces with different rate of poor households	2002	2004
I: 12 provinces with highest rate	11.8	14.9
II: 12 provinces with rather high rate	13.4	12.5
III: 13 provinces with medium rate	15.5	13.5
IV: 12 provinces with low rate	16.0	11.9
V: 12 cities and provinces with lowest rate	43.7	47.2
Total	100.0	100.0

Whereas, the targeting financial support fund under the National Target Program, other programs, decisions 168, 186, 120, 134, 173... by the Prime Minister has been focused on the poor provinces and region. Therefore the investment capital structure for these provinces has been increased much over the past 2 years.

Table 10: Investment structure under targeted support for poor provinces (%).

Provinces with different rate of poor households	2002	2004
I: 12 provinces with highest rate	17,8	26,6
II: 12 provinces with rather high rate	21,0	22,6
III: 13 provinces with medium rate	13,5	16,2
IV: 12 provinces with low rate	12,7	12,1
V: 12 cities and provinces with lowest rate	33,2	22,6
Total	100,0	100,0

In the 3 recent years, the state budget has reserved about VND 6 trillion every year to invest in developing important infrastructure (e.g. transport roads, power stations, schools, medical stations, irrigation structures, etc.) to serve production and the people's life. Of this amount, more than VND 1.6 trillion is spent every year on Program 135, covering 2,300 poor communes and disadvantaged communes along the borderlines. Apart from the direct source of capital and the National Program, which deals with employment issues, the state budget has also indirectly given loans at preferential interest rates in order to create more jobs and stabilize existing jobs for millions of workers. By this way, 20% of the total workers seeking for jobs are actually given jobs every year. Thanks to investments from

the state budget and efforts of the authorities, social, economic organizations and households, the work of poverty reduction in Vietnam has achieved initial important results, and the rate of poor households has been reduced to 8.3% in 2004.

The investment source has been concentrated to develop major and large scale infrastructure projects in such fields as transport and transportation, irrigation, energy, education and training, technique and technology, health care, culture and information, etc. Some of these important works have been completed and put into operations. In the field of transport, some life-line transport routes have been completed, e.g. the National Highway No. 1, section Quang Ngai - Nha Trang; upgraded Highway 10, rehabilitated section Vinh - Dong Ha; rehabilitated and upgraded Highway 5; some large bridges and harbours have also been covered to serve the economic development purpose and the people's life. Important irrigation projects have been accelerated, e.g. Dong Do reservoir, Thanh Lanh reservoir, Thai Thuy irrigation project for shrimp farms, etc. Some projects in the field of education have contributed to capacity strengthening for the economy, serving the economic growth and poverty reductions purposes (e.g. upgrading colleges and universities, including Hanoi Polytechnic University, Foreign Languages college, Nha Trang Fisheries University).

From the investment results in the previous years, the major capacity of some sectors and branches has been significantly enhanced, e.g. capacity of the power source increased by 2,210 MW; irrigation capacity increased to serve additional area of 100,000 hectare; drainage capacity increased for additional 40,000 hectare; salinity prevention - 5000 hectare; national highways - 1,557 kilometre; rural roads (including new constructions and rehabilitation works) - 15,200 kilometre; 12,000 metre of road bridges; 76 kilometre of upgraded railways; new construction of 680 metre quay at deep harbours; transportation through harbours - 4.2 million tons; building 8 new ships with capacity of 65,000 TEU...

Along with mobilizing resources for large infrastructure projects, measures to refine management of capital construction works to ensure the investment efficiency have been strengthened, and supervision has been strengthened as well to monitor the compliance of management regulations for capital construction works. Ministries and branches have done closer supervision and made some timely adjustments. However during the implementation period of large infrastructure projects, there are still some difficulties and problems, namely, limited source of capital that leads to the situation that the allocated fund for the projects is not yet sufficient to satisfy requirements. Implementation of investment activities and disbursement are still slow, which has delayed the progress. The state procedures on capital construction management have not yet been fully enforced, capacity of some employers is still weak and cannot help to meet requirements. Some ministries and sectors do not yet pay attention to assessment of investment activities.

2. Further changes of financial policy, contributing to strengthening and making the national finance become healthy, maintaining stability and promoting socio-economic development

Over the past time, tax policies of the State have been revised and modified to accommodate to the socio-economic development requirements in the new context. The tax policies have initially become the state macro level regulating tool to the economy, encouraging investment and export, ensuring resources for the state to make investments on economic development, implement social courses, and maintain national security and

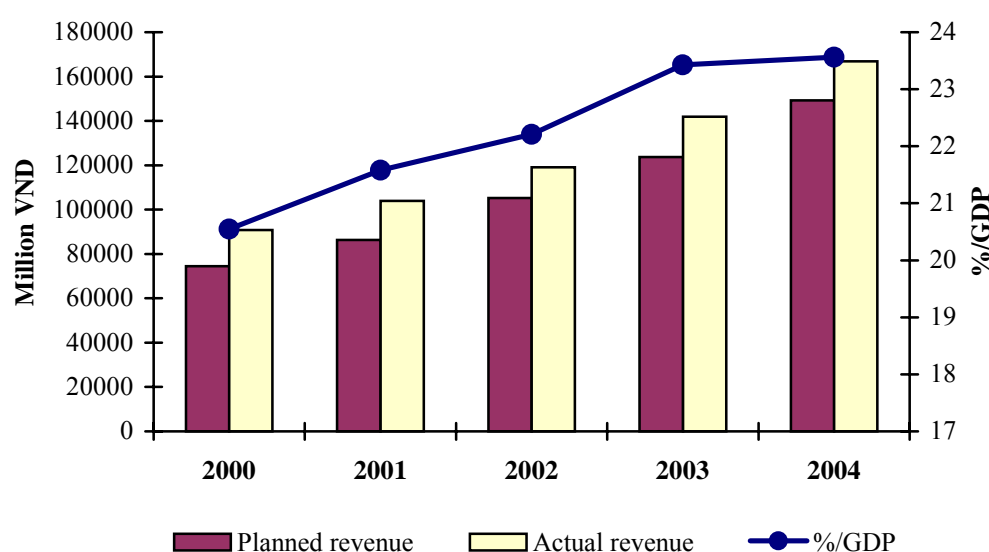
defence. The tax policies have been reformed in such a way that all the activities of the economy are covered, tax discrimination among different economic sectors is alleviated to adapt to the international economic integration.

Reforms of the tax policies have also shifted to the direction that is more relevant to international regulations, so as to promote integration and develop the goods economy under the market mechanism with socialist orientations. Tariff has been reduced (at present, the enterprise income tax is collected at the only tariff of 28%, VAT now has only 3 tariff rates 0%, 5%, 10%), gradually expand targets for tax payment (e.g. tax policy for land sector, tax policy for people with high income, etc.); reform the tax collection method; ensure proper and sufficient tax payments to the state budget; avoid both insufficient or excessive tax collection, and by this way, be active in economic integration to the international and regional economy.

Tax collection management: reforms have been made to tax administrative procedures; application of informatics technology has been strengthened, many tax bodies have implemented a common mechanism "one stop shop". Enterprises are encouraged to do by themselves the calculation, declaration and payment of tax. Strict and close guidance have been given to ensure tax reimbursement in the due course. Together with measures to strengthen supervision of tax collection (e.g. examination, supervision, etc.), propaganda to support enterprises and consult them on tax issues has also been done nationwide in many forms. Dialogues have been organized on a regular basis to answer questions and queries of the enterprises. Thanks to all of these efforts, budget contributions were timely done, delayed and over due payments were reduced.

The state budget revenue is quite high, exceeding the targeted plan of the year. The estimated increase is 17.4% compared with the revenue in 2003 and higher than the target by 11.8%. The rate of mobilization to budget is 23.5% GDP, higher than that in 2003. Budget revenues are enough to meet the needs of regular expenses and are being accumulated for investment, development and debt repayment.

Figure 12: Rate of budget revenues through years



There has been progress in the collection structure. Domestic collections have been increased from 50% in 2001 to 56% in 2004 within the total budget revenue. Contributions of some certain economic sectors are increasing with every passing day, especially the non-state and the foreign invested sectors.

The non-state sector continues to develop in quantity, scope of investment and with more diversified lines of trades. After 4 years of implementing the Law on Enterprise, the non-state sector has encouraged nearly 100,000 enterprises to invest in production activities and contribute more to the state budget (in 2001 the weight of collections from this sector was 12.4% in the total domestic collection. This figure in 2004 has been increased to 14%).

The foreign invested sector has been increasing stably. The contribution of this sector in the total domestic collection has been increased from 10.8% in 2000 to 14.7% in 2004.

The state sector, on the other hand, has rather low rate of increased contribution due to the increased price of inputs, limited competitiveness and low adaptability to market changes. A rather large part of enterprises in this sector are experiencing losses, with low efficiency of investment and capital utilization...

Management and mobilization of financial resources from houses and land has been paid attention to. The Communist Party Committees of different levels and many local authorities have given guidance on this issue. Thanks to this, receipts from houses and land to the budget revenue are trending to develop well.

The state budget has gradually moved from a subsidy system covering all the activities of the economy to a system that creates environment and a corridor for economic development. It helps to step by step maintain stability, develop the national finance, and contribute to high and sustainable economic growth. The weight of expenditure for development investment in GDP and the total social investment capital has had the trend to increase in the period 2001-2004. In 2000, the total investment from the state budget accounted for 6.7% compared with GDP, in 2004 - it is 7.7%. Compared with the total social investment, the ratio of investment from the state budget has respectively increased by 20.3% and 21.5%.

Investments from the state budget have made an important contribution to shifting the economic structure, especially the agricultural and rural sectors. The state budget provides assistance to make investment for infrastructure development, implement many important projects and programs (infrastructure for trade villages, infrastructure around the industrial zones, etc.) to create environment for attracting investment capital from different economic sectors, promote the shifting of the economic structure towards industrialization and modernization.

The total expenditure from the state budget is estimated to increase by 16.7% compared with that in 2003, and increased by 9.8% compared with the estimated figure. Priorities were expenditures for human resources, technique and technology development, as well as expenditures for social purposes, e.g. poverty reduction, job creation, health care, environmental sanitation, and social security assurance. In 2001, the ratio of expenditures for education accounted for 15% of the total expenditure from the state budget. This figure in 2004 is 17.1%. Expenditures for scientific research by the year 2003

reached 2% of the total expenditure from the state budget. Expenditures for medical services and initial health care were increased by 17.2%/year. In 2003, the Government allocated VND 760 billion to implement the policy of free medical consultation and treatment for the poor.

Expenditures from the state budget are to ensure the social equality and poverty reduction. The budget fund is usually allocated on priority basis to invest in and implement socio-economic programs in poor, disadvantaged, far and remote areas, or difficult and less developed regions.

The share of expenditures for investment and development from the total expenditure of the state budget is estimated to be 28.9% this year, lower than the average share of the years 2001 - 2003 (which is 30.1%). There were also expenditures for debt repayment and aids to fulfil the Government's duties. Especially expenditures from the state budget helped to ensure timely satisfaction of urgent requirements on security, political situation and social order.

State budget deficit has been closely controlled. Budget deficit is only allowed if it is for investment and development purposes. Foreign trade loans are not allowed to compensate for deficit. The ratio of state budget deficit is about 2.5% - 3.5% a year, compared with GDP, according to the international standards. Balanced debts of the Government and the State are 34 - 35% of GDP, i.e. within the permissible limits. Financial reserves have been supplemented and increased.

3. Implementation of flexible monetary policies to control the rate of price increase and serve the socio-economic development requirements

Monetary activities have been adjusted to accommodate the price changes, but still meet the needs in money and credits for the economy. The total instrument of payment in 2004 is estimated to increase by 22% compared with that in 2003; the mobilized resources increased by 24%; on-lend credit of the whole economy increased by about 24%. All these 3 indicators are lower than those of the last year.

Closely following changes of the domestic and international market, Vietnam has introduced flexible measures on currency, credit, interest rate, and exchange rate which are relevant to the objectives of our monetary policy. Policy and monetary instruments continue to be reformed and refined to enhance the efficiency of monetary regulation.

In 2003-2004, interest rates continue to be regulated according to agreeable mechanism based on the basic interest rate declared by the State Bank. In general, the basic interest rate is kept stable, about 7.5%/year. Apart from the basic interest rate, re-financing interest rate and discount rate are also used as indirect instruments helping to guide the market interest rate. Discount interest rate is 3%/year and re-financing interest rate is 5%/year. The compulsory reserves instrument is also used in a flexible manner in order to encourage credit organizations to promote their long and medium term mobilization of capital, and increase the possibility of resources using of credit organizations.

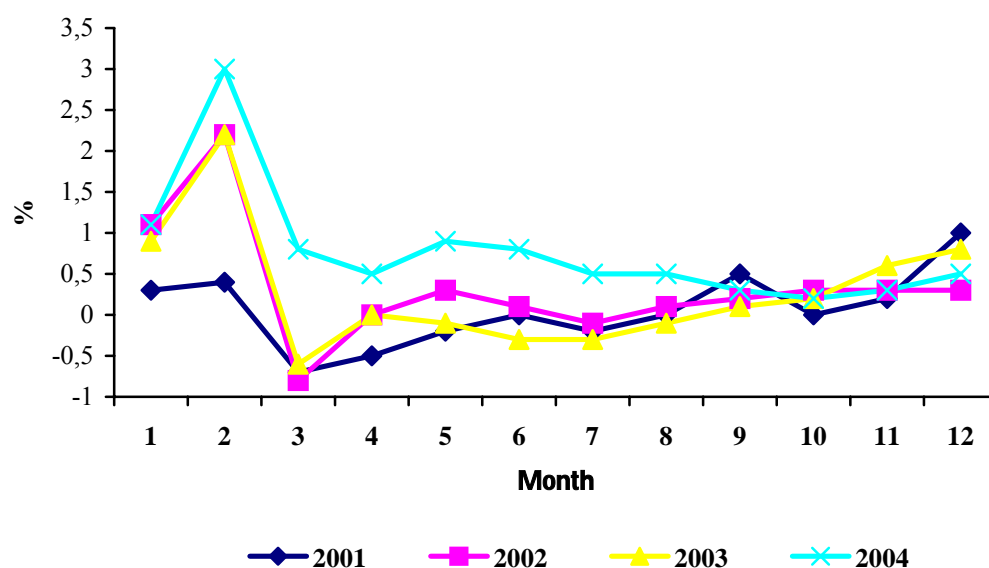
Implementing the Law amending some provisions of the Law on State Bank, mechanisms on mortgage, discount of valuable papers and open market operations have been modified and amended to increase the volume of valuable papers used in transactions

between the State Bank and commercial banks, and accordingly create favourable conditions to increase the regulatory ability of the State Bank to the monetary market. Open market operations are being paid more attention and gradually becoming the major instrument of the monetary policy.

Exchange rates are regulated in a flexible way, closely reflecting the demand and supply of foreign currencies in the domestic foreign exchange market. Over the past 2 years, changes of exchange rates at medium rate which is appropriate to the demand and supply in the market has helped to increase the people's confidence in the local currency, facilitating enterprises in establishing their business strategy, and contributing to improving the international payment balance. In addition, appropriate and convenient policies on foreign exchange have satisfied essential needs of the economy.

In 2003, the price index of Vietnam increased by 3%, lower than that in 2002 and the given target of the National Assembly. The consumption price index in the whole year 2004 is estimated to be increased by 9.5%. Some groups of goods items have high rate of price increase, e.g. food and foodstuff, construction materials, etc. In some fields, prices only increase at a low rate, e.g. services of education and culture, domestic utilities...

Figure 13: Consumption price indices in months of period 2001-2004



To help stabilize prices, many policies in the monetary field have been applied, e.g. doubling the compulsory reserve rate of deposit money in commercial banks in order to reduce the surplus payment instruments in the banking system; the basic interest rate and oriented interest rates have been maintained at a stable level.

In the 2 years 2003-2004, the credit mechanism of commercial banks continued to be revised and amended to realize the equality among the economic sectors, alleviate subsidy mechanism, increase autonomy of credit organizations and customers taking loans, approach to a perfect legal environment for safe and effective credit activities. The State Bank has issued a directive on lending loans to state forest and agricultural farms; guiding credit organizations to deal with debts and giving new loans to businesses people suffering

from losses by the avian influenza; revising lending regulations for people working overseas for a certain term. In addition, in order to ensure safety in credit activities, the State Bank has also issued directives on improving the credit quality and ensuring safety of credit activities to stabilize the monetary market.

The credit mechanism in the recent time has been evaluated to be relatively consistent, open and appropriate to the international practices, and at the same time, helpful to increase autonomy and accountability of credit organizations in credit activities and ensure safety for loan money. The credit organizations have expanded the scope of lending to rural, far and remote areas, to collective economic sector, private sector, especially businesses manufacturing products of high competitiveness in the domestic and international markets. In 2003-2004, lending in the agriculture, forestry and fishery sector accounted for a major weight (more than 50% of the total debt balance), and helped to shift the economic structure and develop trades to create jobs for labourers and alleviate poverty.

For the purpose of international integration, in 2003-2004, the banking system of Vietnam has been continuously strengthened and developed. Outstanding debts of the state commercial banks have been gradually dealt with, and along with the increase of registered capital, the banks have step by step improved their financial capacity and competitive ability. The state commercial banks are audited in accordance with the international accounting standards to give more transparency to banking activities. Along with restructuring their operational arrangements, the commercial banks have also paid attention to developing technology and banking services to increase the ability of competitiveness and integration.

The system of joint stock commercial banks have also been continuously strengthened towards a sound system of joint stock banks, which has appropriate scale and competitive ability. The operational scope and types of services of these banks are also expanded to meet the increasing need of the society in banking services. The system of people's credit funds have been also strengthened and completed.

The Social Policy Bank has started its operations, acting as the lender of policy loans from the state commercial banks. Recently, apart from continuing to complete mechanisms and policies on the organizational structure and business activities, the Bank has coordinated with the concerned agencies and sectors to seek for every measures to increase the financial capacity and establish physical conditions to fulfil the policy lending function in different areas. In 2003, the total funding source of the Bank was VND 10,525 billion, which was then increased by VND 915 billion in the first 5 months of 2004, making the total of VND 11,440 billion. In 2003, the Bank had the debt balance of VND 10,349 billion, which became VND 10,779 billion in the first 5 months of 2004, i.e. increased by VND 430 billion. The Bank's loans mainly include loans for the poor households, loans according to programs, loans to cover housing instalments, loans to students, and loans to people working overseas in a certain term.

In 2003-2004, the banks continued to diversify their services and products to meet the increasing and diversified needs of customers. Apart from traditional products and services, a lot of new and modern banking products and services have been developed, especially retail banking services that apply advanced informatics technology, e.g. banking cards, e-banking services, banking services through mobile phones, and at home services. The banks have installed about 300 ATM machines working 24/24 hours to facilitate

monetary transactions and payments of businesses and the people. This is also to encourage people open bank accounts and make payments through the banking system. In addition, the project on inter-bank e-payment has been put into operations and appeared to be effective for many participating members by helping them accelerate the rate of the capital flow in the economy. Payments without cash have been well progressed. In 2003, the weight of payment without cash accounted for about 77% of the total payment instrument through banks. This figure was 79% in the first 6 months of 2004.

4. Maintaining the policy of open trade and actively taking initiatives for international integration

In 2004, the Government continues to pursue the policy of open foreign relations, which are multilateral and diversified for peace, independence and development. Since the beginning of the year, the external economic activities and active initiatives for international integration have been promoted, contributing to strengthen our political position in the international arena and facilitating the implementation of socio-economic development tasks.

The 8th round of negotiation for accession to the WTO has achieved encouraging results, creating favourable conditions to prepare for the follow-up rounds of negotiation, including bilateral negotiations, in order to reach the target of joining the WTO in 2005.

Vietnam has actively participated in activities within the framework of ASEAN, e.g. participated in negotiations with partners on opening the service market (AFAS), implemented the commitment on AFTA according to the given pathway, established ASEAN investment area (AIA), negotiated ASEAN – China free trade area, and ASEAN – India free trade area. Co-operation within the Mekong sub-region has been strengthened to realize initiatives, e.g. development of the East – West Economic Corridor, ADB's GMS program, etc.

Successful organization of the Consultative Group Mid-term meeting in June 2004 indicated the support and backup of international friends to the Vietnam's course of DOI MOI.

Multifaceted co-operation relations between Vietnam – Laos, Vietnam – Cambodia have also been strengthened, especially in the fields of trade, investment and training. The recent meeting among the Prime Ministers of the 3 countries focused on measures to promote co-operation and development, especially for the development triangle of the 3 countries.

Especially, the success of ASEM 5 Summit attended by 39 national delegations, of which 20 delegations were led by either the President or the Prime Minister, was evaluated to be an excellent achievement of Vietnam, as the hosting country, in terms of organizational arrangements and agenda preparation for the summit. The success of the summit opened a new stage of development in the ASEM evolution, in particular the stage of strengthening Asia – Europe co-operation to overcome future challenges and bring practical results in the process of economic growth and socio-economic stability within the region and in the whole world.

Within the framework of ASEAN, the focus for economic co-operation is to implement commitments under CEPT/AFTA Agreement. In order to fulfil these commitments, as a later comer, Vietnam has actively participated in implementing the pathway of tariff reduction in accordance with the Agreement's provisions. In 2003, Vietnam completely moved products in the temporarily excluded list (TEL) to the list of

reduced tariff (IL). So far, the number of Vietnam's tax categories with tariff ranging from 0 to 5% is 7,495, accounting for 73.89%; the number of tax categories with tariff above 5% is 2,648, accounting for 26.11%. The tax categories with zero tariff is 3,257, accounting for 32.11% of the total number of tax categories with reduced and cut-down tariff.

In addition to implementing commitments under CEPT/AFTA, in the past 2 years, Vietnam participated in implementing and proceeding with a lot of important co-operation issues, e.g. the 3rd negotiation round on trade and services liberalization within the ASEAN Framework Agreement on Services (AFAS); implementation of ASEAN Industrial Co-operation program (AICO) through measures of preferential import and export tax, and waiver from the requirement of national cost sharing.

Over the past 2 years, Vietnam also participated and made increasing contribution to high-level seminars and meetings of working groups in many different fields, such as e-commerce, transport and transportation, tourism, energy, etc.

Vietnam's participation within the APEC's co-operation framework has been strengthened to increase Vietnam's active role in the co-operation activities of this Forum. Vietnam's participation in the high-level seminars, specialized ministerial level meetings, SOM meeting, etc. indicates its increasingly important voice to the key subjects of the Forum, e.g. issues relating to agreements on bilateral and regional free trade, issues on regional trade and security, issue of liberalization and accommodation in trade and investment, technical and economic co-operation, structural reform, etc.

Co-operation activities in many different fields have been strengthened and expanded, such as finance, customs, standardized criteria, intellectual property, telecommunication, agriculture, industry, etc., on the basis of implementing National Actions Plans (IAP), participating in activities under the Collective Action Plan (CAP), especially in the 2 fields of standardized criteria and customs procedures.

The years 2003 and 2004 remarked the impressive and active participation of Vietnam in co-operative activities of ASEM. Vietnam strongly participated in and contributed to the meetings of co-ordinators, task force groups, as well as high-level seminars, e.g. the senior officers' meeting on trade and investment (SOMTI), ASEM Economic Ministers' meetings (EMM).

The economic reform process in general and reform of trade policies in particular has been being implemented over the years in Vietnam. Especially in the past 10 years, Vietnam has had new progress in dealing with international issues in a comparatively comprehensive manner, which is reflected through preparations and issuance of the system of law and legal documents. In the field of trade, in 2003 - 2004 many issues of major importance and long term influence on trade development have been institutionalised and specified in laws, ordinances, decrees, decisions and directives of the state management agencies at different levels, such as Law on Competitiveness (expected to be approved in November 2004), Ordinance Antidumping and the Decree giving detailed instructions on implementation thereof, Ordinance on Anti-subsidy to imported goods and the Decree giving detailed instructions on implementation thereof, Decree giving detailed instructions on implementation of the Ordinance on Self-defence in international trade, Decree on administrative sanctions in the field of trade, Decision approving the project on Development of Exported Goods market during the period 2004 - 2005.

Import and export management policy.

Regarding policies on import and export management and development, Vietnam has had many reforms in adjusting tax rates, import tariff and export tariff for taxation of non-tariff measures for some groups of goods. Codes of import tariff list have been changed and refined according to standards of the World's Customs Organization. Export bonus regime has been applied to encourage businesses to make the full use of export potentials and promote export. Temporarily imported and re-exported goods, transitional goods, imported for processing goods have been managed more closely. Progress has been made in executing and giving quota on textile/garment products to the markets applying quota. Activities for trade promotion have been prepared and implemented, focusing on priority goods and markets. Reform has been made to provide information on trade to serve the state management activities. Programs of trade law dissemination and education for the period 2003 - 2007 have been implemented. Working groups have been established to work on some major issues and markets, e.g. the US, China, EU. Management of and instructions on border trade have been strengthened.

Policy on domestic trade development

Reforms in the domestic trade development activities in the past 2 years have been reflected quite clearly and have achieved good results. With new points of view and new approach to regulate the domestic market, Vietnam has quite succeeded in stabilizing and developing the market in the context of changes in the world's market. Strategies for domestic market development have been established and issued along with many programs and plans, which have been making the domestic market busier and healthier. At the same time, many new regulations have been issued to adjust domestic trade activities and have brought good effects, e.g. business regulations for some critical goods, such as gasoline, steel, fertilizers, cement, medicine, etc; regulations on list of prohibited goods or conditionally tradable goods; regulations organization and operations of commercial centres, open markets and supermarkets throughout the country; regulations on reformed structure of goods distribution systems, development of trade under-structure, especially wholesale markets of agricultural products and large scale commercial centres.

III. SOCIAL POVERTY REDUCTION POLICIES

1. On-going poverty reduction program and national targeted programs

Systematically executing the poverty reduction and hunger elimination policies and measures, such as investing in infrastructures for poor communes, lending preferential loans to poor households, supporting healthcare, supporting the children education for poor households, supporting houses and job training, etc. and assigning the capable ministries, ministries in line, sectors, organizations, provinces, cities and enterprises to assist the poor localities.

Conducting the Social Policy Bank to implement the lending policies applicable to the poor households: Bank for the Poor (now is Social Policy Bank) is actually to be an useful cure to help the poor have funds for production, trade with the low interest rate (0.5% per month), providing non-collateral credits through the independent groups, the borrowing groups. The maximum credit for one poor household can be adjusted to increase gradually to suite the growth rate of the financing sources of the Bank and the capacity to utilize the credit of the poor households, the common credit amount now is VND 3.5

million per household. The short-term loan is maximum 12 months, and the mid-term loan is maximum 60 months. With such credit resources, millions of poor households have access to the preferential loans of the State, and hundred thousands of poor households have escaped from the poor. In addition, the Social Policy Bank is to lend through the national funds for employment and for the poor social households to borrow for labour exporting purpose.

Obtaining the equality to benefit the basic social services like the material infrastructure investment and promulgating policies for the poor to have access to the healthcare, education, culture and communication, sport, etc. services; properly implementing the communication, enhancing the intellectual capacity, improving living conditions of the population; focusing to train officials and staffs for the poor communes, facilitating to have access to investment fund, employment and livelihoods to the poor people; incorporating in other national targeted programs in the locality, encouraging people to participate in the poverty reduction and hunger elimination; allocating production land and resident land for ethnic minorities in Tay Nguyen and Mekong river delta, etc.; providing supports on healthcare, education and legislation to the poor; building up funds for the medical examination and cure for the poor and Funds for education support for the poor school-children; strengthening the international cooperation in the poor reduction and hunger elimination and employment.

Effectively implementing the movement for self-rising to make fortune, thousands of family-economic households and farmstead in the rural area have raised up, have been well engaged in business, and many households in the urban area also have been very active, established many small and medium businesses and they have been good at business and providing services, creating jobs for themselves and for the society.

The medicinal examination and treatment for the poor is given special attention to. Over a year of implementing Decision 139 by the Prime Minister on the medical examination and treatment for the poor, as reported by the provinces and cities in 2003, the total beneficiaries accounted up 13.5 million people, making up 16.8% of total national population.

Supporting the poor with land: continuously implementing the policy to support the poor households with production land and resident land, mainly in the Mekong river delta and the Central Highlands, and expanding to other poor mountainous provinces in the North.

Studying, applying scientific and technological successes to the poor reduction and hunger elimination program, especially in the agricultural sector, to study, select, hybridize, and multiply seedlings and varieties with high yield and good quality, providing guidelines for farmers to develop their production with high yield and to develop new careers.

2. Policies supporting the poor in remote, isolated areas, ethnic minority areas

In order to improve the living conditions of the ethnic minorities, reducing gaps between areas and groups, the State have issued various mechanisms and policies to support the poor in the remote areas, isolated areas and ethnic minority areas.

Policies on resettlement and settled agriculture and emigrant to develop new economic areas: in recent years, the resettlement and settled agriculture have significantly improved, shifting from the campaign to the implementation of projects. The Ministry of Agriculture and Rural Development have conducted the localities to incorporate the

available fund resources in their localities to implement the resettlement projects, prioritizing the households living in serious locations that lack of production land, lack of water for domestic use; the ethnic households have still practised the shifting cultivation and wandering, living too dispersedly; the households who want to resettle in the national boundary communes and islands. By end of December 2002, a total of 943 communes, 10,800 hamlets and villages, 557,000 households (3,142,000 persons) who had practised the shifting cultivation and wandering have settled their agricultural production and life, making up 40% of total communes, 67.5% of households, 63% of population as compared with the targeted figures. From 1998 to 2003, a total of 47,304 households have been settled to the national boundary areas and islands.

The settled agriculture and living policies have changed the knowledge of the ethnic minorities, the economy and society in the settled area and settled agriculture area have initially developed; the resettlement and settled agriculture projects have provided many important material bases; reclaiming more lands, providing irrigation and drainage and water supply facilities, etc. and building up resettlement and settled agriculture models with appropriate forms.

Policies on agro-forestry stability and development in combination with the product processing and consumption have been executed in coporating in the 135 program, mainly supporting the seeds, seedlings and building up production mixed with product processing and consumption models.

Policies on land and forest allocation: Implementing the Decree No 163/ND-CP dated November 16th 2001 by the Prime Minister on land and forest allocation, the localities have been actively conducting the land allocation, zoning to protect and develop the forest for the local ethnic minorities and agencies. The forest economy have been improved significantly from the natural exploitation to the new plantation, afforestation and forest protection. The overall coverage of the whole country increases remarkably. However, the forest area to be assigned for the locality to afforestrate and protect is still small compared to the total forest area of the locality's territory, for example, only 60-70% of the total forest land.

Policies on allocation of production land: The lack of production land in the local ethnic minorities is quite serious, especially in Tay Nguyen and other mountainous provinces in the North.

Recently, Government has continued its policy to support poor households in terms of production land and residential land according to the Decree No. 134/2004/QĐ-TTg issued by the Prime Minister. The policy helps to remove difficulty of lacking production and residential land faced by poor ethnic families, especially in Mekong river delta and Central Highland. For those poor ethnic families currently do not have houses, the Government provides VND 5 million per one family so that they can build their houses. Hence, situation that poor ethnic families are contriving is improved.

Policies on house support: Implementing the policy to provide roof plates for the ethnic minorities in the North (Decree No 186), supporting houses for Kho Me people in the South (Decree No 173) and in Tay Nguyen (Decree No. 168). To date, only 15.8% of total households indeed have been supported by the State, mainly living in the Mekong river delta with more than 52,000 households, South-east area with over 21,000

households, Tay Nguyen with 9,000 households and North-east area with 32,000 households, etc.

Policies on price subsidy and fee subsidy: have been significantly contributed to stabilize the market prices, improving and increasing living conditions, and promoting production of the ethnic minorities, strengthening the development of trade system in the ethnic and mountainous areas.

Policies on supporting specially poor ethnic minorities: that have been executed in many years that is an important fund to assist the ethnic minorities to develop their production, increase incomes. However, due to the too small amount of fund (about VND 30 billion per year), only 20-30% of needs of the households in need have been fed, it is impossible to help the households subject to benefit the policy rise up to escape from the hunger and the poor.

Credit policies have been implemented in various fund sources from the State Bank system, from the projects, credit models applicable to the ethnic and mountainous areas, especially from the Social Policy Bank.

3. Equality of gender notably improved, roles of women increased

Implementing the action plan for the progress of women by year 2005 on the base of detalizing the targeted objectives that have been guided by varioys sectors and branches to the unions to prepare the actions plan for women in individual agencies; organizing workshops and seminars to discuss and exchange experiences, to solve problems incurred during the implementation of the action plans such as: knowledge on gender, incorporating gender issues in the socioeconomic development plans.

Employment solutions: the norms of the employment solutions applicable for the female labourers were implemented fairly good in 2003. The rate of female labourers that had jobs in 2003 made up 40% of total labourers with job, achieved the target. The rate of utilizing labour time of the female labouers in the rural area obtained 77.7%, i.e. 3.6% higher than planed. The Vietnamese Women's Union have launched the programs on supporting women to develop the enonomy such as lending from the National Fund for Employment Assistance, Women's Saving Groups in order to improve the economic life of the women. By year 2003, a total of 59/90 fund branches had lent 1.3 million of women to increase their incomes and reduce the poor and eliminate the hunger with a total fund of VND 5,134 billion. The rate of women's householders that have borrowed from the National Program for Poverty Reduction and Hunger Elimination and Employment Assistance made up 25% of the targeted figure.

The labour market assistance activities have been organized in many localities, providing many opportunities to jobs to the female workers. In other hand, the international projects on employment have been increasingly effective, contributing to provide jobs for the female workers.

Improved dender issues in education: The rate of female labourers subject to be trained gained 30%, byond the target of the action plan. The female officials who have been given refresher coures in politic, administrative, informatic, language, professional subjects made up 30%, equal to the proposed plan.

Implementing the tasks specified in the Action Plan, the Ministry of Education and Training have issued policies to encourage female ethnic school children to the ethnic boarding schools, thus increasing the education opportunities for the female children in the remote and isolated areas. The school textbooks have been reviewed in order to erase any gender preconception in the primary and junior education levels.

The vocational training for the female workers have been remarked. In recent years, the Vietnamese Women's Union have built up many vocational training models incorporated with employment that helped women have stable jobs to improve their lives such as the Training and Job Center in Ha Tinh, Yen Bai, Hai Duong provinces, etc.

Healthcare services for the pregnant women have been improved. The grass-root healthcare networks have been strengthened and upgraded, facilitating the women to check and cure especially the normal diseases. The rate of women having access to the healthcare services makes up nearly 100%; the population and family planning, caring and protecting children and mother have been fairly well done. In parallel with reducing the sustainable birth rate, it initiates to implement the pilot models to improve the population quality. 93.8% of the parturiting women are cared by healthcare cadres, exceeding the planed target, and over 74.5% of total provinces/cities have well implemented this norm. The number of pregnant women who are checked and cared is also increased to 83.8% in 2003, exceeding the planed target. Thanks to access to the better healthcare services, the average life expectancy of women is 71.3 years, exceeding the norm targeted in the action plan.

Women's roles in the family and in the society have been improved; the rate of women to be introduced and participated in leadership at all levels and sectors also has increased. Quality and effectiveness of women's activities in politic, economic, cultural and social sectors have been enhanced. The rate of women as members in National Assembly XI was 27.3%, higher than the previous term. The rate of women participating the local People's Council at all levels in session 2004-2009 generally exceeded the norm specified in the Action plan.

The National Committee for Women's Advancement have organised courses for National Assembly and People's Councils candidates in session 2004-2009, contributing effectively and usefully to fulfilment of the norm specified in the Action plan for the Women's Advancement in 2005. To improve the capacity of women in all sectors, the National Committee for Women's Advancement actively mobilized available resources to prepare materials, textbooks for training courses improving knowledge on gender and equal gender in the whole country.

However, the equity of gender and improvement of women's position have been insufficient; the rate of householders as poor women that have borrowed from the National fund for poor reduction and hunger elimination and employment was low. The access to basic social services is restricted, and the rate of university and after university graduated women is reduced accordingly, and the mortal rate of parturiting women is high, and the rate of female National Assembly members and people's councils at all levels though increased but did not meet the norms specified in the Action Plan.

4. Improved social security contributes to stabilize life of vulnerable people

Together with renovation and extensive economic growth, the social security to the social vulnerable people has been more concerned. In parallel with the development of economic policies, social security policies have been formulated to secure the social equity. This is not only the strong commitment of the Government embodying through the state budget allocation but also the good tradition of Vietnamese people. In recent years, many programs, policies of social security (social welfare) have been formulated to cover the special poor people and to improve their lives. By year 2004, Vietnam has a total of 5.1 million of disabled people, of which 10% is seriously disabled, 7.2 million are old of which 1,300,000 are sole old; and more than 136,000 are motherless or fatherless of which nearly 30,000 orphans are parentless; and 16,000 are homeless children (in 2001, the homeless children accounted for 23,000). Most of the special difficult social welfare are supported and subsidized in various forms, by the State, community, social organization, international organization, of which 40% are of monthly supported from state budget to secure the life. Every year, over 5,000 special difficult children have been supported to train a job, more than 10,000 disabled have been rehabilitated and orthopedied, provided with artificial legs or hands, travel means such as wheelchairs, visual and audio devices.

Number of people subject to emergent support due to natural disasters, floods and droughts, is tentatively reduced, from 1.4-1.5 million in 2001-2002 to 700,000-800,000 in 2003-2004. This proves that the capacity to fight against risks of people has been improved.

By year 2004, about 14% of people have involved to social insurance and about 20% of population have involved in health insurance. It is noted that besides the salary earners participating in social and health insurance, there is also voluntary involvement to health insurance of school children, and to social insurance of farmers in certain localities. This model shall be repeated in future.

In the equalization of state-owned enterprises and the bankrupts of some private enterprises, the State have applied appropriate measures to provide them opportunities to find new jobs by applying policies on supporting job training, consulting and introducing jobs and providing allowances for surplus workers in the state-owned enterprises.

IV. ADMINISTRATIVE REFORM AND THE ESTABLISHMENT OF MANAGEMENT SYSTEM

1. The public administrative reform has made lots of progress

The administrative reform has been strengthened and implemented in the for areas, which are institutional reform, administrative reform, to build and develop employees, personnel and public finance reform creating changes in the organization and operation of the state administrative system.

(1) Polishing the steering committee of the administrative reform of the Government and the steering committees of the administrative reform of Ministries, industries, provinces, cities and well organization of communication.

At Central level: The Government Steering Committee of the administrative reform has been polished, which is chaired by the Prime Minister and the Deputy Prime Minister is the vice-chairman, Minister of Home Affairs is the vice-chairman, members are the Director of the Office of the Government, Ministers of Justice, Finance, The Director of

Research Board of the Prime Minister and the Deputy Director of the Organization Department of the Communist Party.

Ministers and Directors of ministerial-level offices under the government are the directors of the steering committees of the administrative reform of the ministries and industries.

At local level: The head of the steering committees of administrative reforms of provinces and cities is chairman, the deputy head is the director of department of home affairs. Information communication and promotion on the state administrative reform has been strengthened on mass media

(2) Continuously clarifying the functions and obligations of agencies in the state administrative network from the Government, central ministries, and industries down to local authorities of all levels in order to avoid duplication in term of the functions, obligations among these agencies. The results of this work has been clearly expressed in various important institutions such as the law of government organization, the law of people's council organization and people's committee organization, the working regulation of the government and decrees of the functions, rights and obligations, the organizational structure of Ministries, ministerial-level agencies, offices under the government.

(3) The decentralization between the central and the local is in line with the defining functions and obligations of each administrative agency. For the last 3 years, a series of detailed work has been decentralized to the local government such as: Decentralization in budget decision according to the law of state budget, of which emphasis is in the allocation of the revenue and implementation of expenditure; decentralization of approving investment projects; decentralization of authority in land allocation and provision according to the land law; decentralization of non-administrative personnel and the organization of district mechanism; decentralization in education, etc.

Currently, 22 ministries and industries are preparing the content of decentralization to their localities under the instruction of the Prime Minister.

(4) Organizational structure of the administrative mechanism based upon clearly defining the functions, obligations, rights and decentralization more appropriately. The 48 government agencies have been reduced to 38 agencies. The professional offices at the provincial level on average are 22-25 and at the district level are 10-12. The extremely important point is that the amendment in the legislature of civil servants has clearly regulates the specialized employees and communal civil servants including 7 professional civil servants (head of the army, director of communal security, statistical office, household legislature, land and construction, finance and accounting, socio-culture).

(5) Administrative procedures continue to be reformed linking with the application of the "one stop shop" mechanism. Exactly during the process of administrative reform, state agencies have shown their initiatives, creativeness and high sense of responsibility, especially at the unit level when concretising the Government's policies. Administrative procedure reforms in accordance with the "one stop shop" mechanism in seaports of Vietnam have appeared very effective. Similarly, good results have been seen at district, commune and provincial department levels throughout the country. By October 2004, about 40% of the provincial departments, 85% of district level agencies and 11% of commune level agencies had been implementing the "one stop shop" mechanism.

In its official letter No. 276 dated 27 February 2004 of the Prime Minister, the Government has guided to review administrative procedures in the ministries, agencies and provincial people's committees. Accordingly cumbersome procedures causing troubles to people will be alleviated. Serious sanctions will be applied to those governmental employees who intentionally cause troubles to people. Those employees who violate these regulations will be either fined or replaced.

(6) Implementation of policy on distinguishing state administrative agencies and public service non-productive agencies, distinguishing administrative officers and public service officers.

Implementing the mechanism of permanent employment contracts and administration budget under the Decision 192/2001/QD-TTg dated 17 December 2001 of the Prime Minister, and the financial mechanism for public service non-productive agencies with revenues under the Decree 10/2002/ND-CP dated 16 January 2001 of the Government.

At present, the Government is giving guidance to issue soon 3 autonomy mechanisms in organization and performance of scientific research institutions, universities, colleges, high schools and public hospitals.

(7) Capacity strengthening for delegates elected in April 2004 to People's Councils of different levels. Capacity and qualification strengthening for delegates to the People's Councils is an important issue to raise the efficiency and performance of the People's Councils of different levels. According to the guidance by the Standing Committee of the National Assembly and by the Government, such a capacity strengthening can be done in many forms: e.g. preparation of hand-out materials, provision of training courses, or provision by the Ministry of Internal Affairs of 12 training courses from now until the end of 2004 for about 4,000 delegates to provincial People's Councils.

Provincial staff training institutions can provide training courses to delegates to district and commune level People's Councils.

(8) Preparations for implementing project on salary policy reform, social insurance policy and policy of preferential treatments to people performing great services.

These activities have been examined for a period of time, and are expected to be taken in October 2004. Under this project, there will be major changes in the existing salary system, so that from now until 2007, the basic salary rate will be gradually increased to improve living standards of governmental employees, creating motivation for their better professional performance.

2. Implementation of grassroots democracy has seen a lot of positive changes, creating conditions for the people's participation in building up and strengthening the government

Over the past time, grassroots democracy principles have been applied at different levels and in different branches and localities. Initial results have been observed in provincial departments:

Implementation of the grassroots democracy regulations on the principle "people's knowledge, people's discussion, people's work, people's control" is a breakthrough, providing a new motivation for socio-economic development, creating conditions for people to participate in building up the Communist Party, strengthening the government, cleaning up the apparatus, limiting negative phenomena in the economic life.

So far, 100% of communes, districts and towns have made arrangements to implement the content of the grassroots democracy regulations at different levels in different areas and regions.

On the principle of Joint-efforts by the people and the State, thousands billion VND have been mobilized to build rural transport roads, schools, medical stations, cemeteries, houses for gratitude, etc. typically in provinces of Nghe An (VND 1,160 billion), Bac Ninh (more than VND 200 billion), Ha Nam (nearly VND 200 billion), Ninh Binh (VND 100 billion), Vinh Long (VND 103 billion), Dong Thap (VND 100 billion), Yen Bai (nearly VND 60 billion), Dak Lak (VND 50 billion).

To implement the resolution of the 5th Communist Party Central Committee and Directive 30 of the Politburo on implementing the Democracy Regulations at the unit level, different localities have closely combined the 2 contents of the Regulations along with the movement so-called “Entire people unite to build up a cultural life” in order to overcome problems concerning ideology, morality, style of living, construction of cultural, healthy and civilized environment in each family, village, commune, agency, enterprise, school and units of armed forces, as well as encourage people to establish a civilized style of living and healthy life, give up bad practices, social evils and superstitious customs.

In the 2 elections of delegates to People’s Councils of different levels in the two terms 1999 - 2004, 2004 - 2009, ordinary people closely monitored the implementation of the election law. Many cases of corruption and negative incidents were detected by the people at the unit level. The Party’s organization and the State judicial body gave punitive sanctions to thousands of staff and party’s members for violating the law, which contributed to making the state apparatus and the grassroots government become cleaner.

The working style of authorities of different levels and of grassroots staff has been visibly changed, becoming more open, transparent, democratic and closer to the people’s opinions, minimizing bureaucracy and imposition. The relationship among the Communist Party Committee levels, authorities and people has become closer to serve the people better.

One important step forward in encouraging direct democracy by the people is that the people have been able to elect the chief of village or living quarter who is the representative for the community. So far, nearly 100,000 villages and living quarters (out of the total of 145,000) have successfully organized such elections. 79.2% of the villages and hamlets throughout the country have established the village customs, rules and implemented the major content of those rules.

The self-control role of villages, hamlets and living quarters has been proved to be important for ensuring security and order in the countryside and on streets, and for mobilizing the people’s efforts to build infrastructure and new rural life.

The relationship between the direct democracy mechanism and representative democracy mechanism has become closer. Activities of the People’s Councils have been reformed. The content of the People’s Councils meetings has been publicized in the mass media.

Democracy realization in agencies and organizations: according to the spirit of the democracy regulation, many agencies and organizations have timely publicized their budget issues; financial issues; cost norms for gasoline, car and telephone usage; the given financial resources; income and expenses of the organization/agency; investment in

physical facilities, such as construction, rehabilitation works, equipment shopping, or procurement of works; official documents on incentives and policies relating to the staff benefits. 95% of the agencies and organizations have the Board of Inspectors established and operated. More than 92% of administrative and non-productive agencies have organized annual staff meetings to clear working plans and programs.

Many agencies and organizations have closely linked the implementation of the Democracy Regulation to the implementation of the Ordinance on governmental employees, civil servants and administrative reforms. They have actually reviewed existing documents, amended and revised the documents, issued working regulations and coordination mechanism among different parts of the organization, and aimed to a rational and efficient working apparatus.

Implementation of democracy principles in the relationship with people: Since the implementation of the Democracy Regulation, the style of working of different agencies, organizations and civil servants has been reformed to be closer to the people, and more respectful to the people. Administrative procedures have been gradually systematized and publicized in terms of documentation, service fees and time frame to deal with working requirements so as to minimize troubles for the people. Many agencies and organizations have had a living room to receive people, working agenda, commentary box, and map to give instructions on the working rooms so as people can easily contact to when necessary. The procedure of claim/complaint settlement has also been reformed. Public and democratic dialogues have been organized between disputing parties and helped to resolve long lasting cases, avoiding the occurrence of “burning points” on land, compensation and resettlement issues.

Within state owned enterprises.

According to the spirit of the Democracy Regulation, many enterprises have reviewed, refined and made consistent their existing regulations, or issued new regulations that encourage democracy and transparency, e.g. the regulation on salary and bonus distribution; regulation on raising the staff salary rate; regulation on financial management.

Most of state owned enterprises have established a general Democracy Regulation for the organization as a whole, and democracy regulations for different departments and/or productive teams of the organization. The regulations have focused on the principle “people know, people discuss, people work, people control”, including publicity of plans, investments in production, finance, rewards and bonus.

Regulations and rules have been established based on the worker’s participation under the bottom up approach, and eventually commonly agreed in the Staff meeting.

The Board of Inspectors of the enterprises has been strengthened and worked more effectively, creating an atmosphere of unity in the organization, avoiding misunderstandings due to lack of information or improper information. The number of claims and complaints has been reduced.

PART III

CHALLENGES, TARGETS, MECHANISM, POLICY AND SOLUTIONS TO POVERTY REDUCTION AND GROWTH IN THE COMING TIME

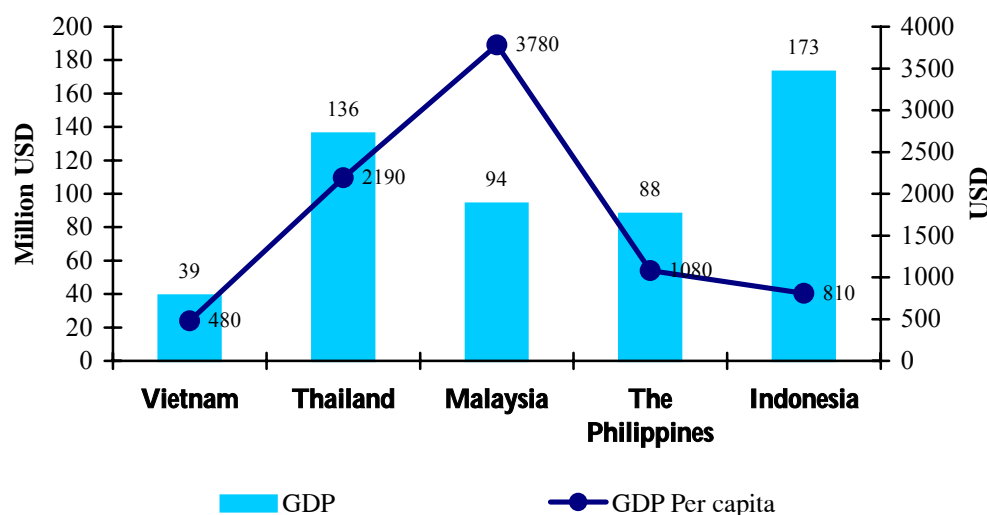
I. CHALLENGES IN POVERTY REDUCTION AND GROWTH

(1) The level of Gross Domestic Product (GDP) was lower than the targeted level. There hasn't been any clear sign of the growth's quality and efficiency. Besides, economic mechanism hasn't made any strong movements towards modernization trend.

The speed of economic growth has only been at the low level of the proposed plan, especially in the field of agriculture and service, the economic growth speed has been left far away from the target speed of the Central Party Resolution IX (which is 8%). Meanwhile, at the same time, some countries' economic growth in the region has increased at the higher speed or higher than that of last year²².

Although Vietnam has achieved the Millennium Development Goal (MDG) on poverty reduction, it is still a country with low income (the average income per capita in 2004 is approximately USD 545) and with a small-scale economy (Vietnam's GDP reaches more than VND 45 billion which is lower than Thailand's, Malaysia's and Indonesia's...)

Figure 14: GDP and GDP per capita of some countries (the year 2003)



Source: MPI and the World Bank

Therefore, the resources for investment and development of society, economy poverty reduction and jobs generation are limited.

The productivity is low. Capital and labour are the 2 fundamental elements in making contribution to economic growth. Besides, science and technology achievement

²² According to the Asia Development Bank's evaluation (ADB), at the same time, China's economic growth speed increases by 8.8%; Malaysia's increases by 6.8%, 1.6% higher than 2003; Singapore's increases by 8.1%.

and management are also contributing to the economic growth but only account for small density.

The economic growth's efficiency is still low, ICOR co-efficient is rather high. The ICOR co-efficient in 2004 is about 4.7. Although this number is lower than many years before, it is higher than many regional countries²³.

Agriculture is badly affected by epidemic and natural calamity. In spite of high production value, the added value in reality increases more slowly than that on schedule²⁴. In industry, the added value density in comparison with the production value has increased, there still remains a big difference between production value growth and added value²⁵. In processing and manufacturing industry, manufacturing which plays an important role in the whole industry's growth (about 55-65%), is dependent on raw materials import, thus this industry lack stability. The production cost in the industry has decreased, however, it is still high, compared with some countries in the world²⁶...Although the competitiveness of some products has improved, and it is weaker than that of regional countries. Service makes a great contribution to economic growth, however in 2004 economic growth pace is not as high as the planned pace (which is 7.3%).

There are weaknesses in state-owned economic sector, many negative manifestations have been found out in state-owned corporations. Market economy's thinking of many enterprises is limited. Besides, enterprises lack strategic vision and logic thinking in making plan. Many enterprises do business without making any profits but bad debts. Their abilities of paying debt are restricted. Their available capital is small²⁷; equitization process is still slow.

Collective economy sector has many limits and has not been able to make use of it potentiality. There isn't much capital for this sector to do business. Generally, technology level is backward. Co-operatives' managements are loose.

The economic shift towards industrialization and modernization is slow. There have not been any milestones and this shift is unprompted. Service hasn't taken advantage of its potentiality, that's why the growth speed is not high. In industry, the density of high quality product is still low. In agriculture, the density of high capacity products, plants and cattle is restricted.

²³ The co-efficient of developing countries in Asia like Singapore: 4.3; China: 3.5; India:3.7; Malaysia: 4.6...

²⁴ According to plan this number is 4% but in fact it is about 3.3%.

²⁵ Annual industrial production value increases by 15.5-16% but the added value of this industry increases 10-10.5%.

²⁶ In 2003 industrial production value (based on the price in 1994) increases by 16% but the added value only increases by 10.28, it is anticipated that in 2004 industrial production value increases by 15.6% and the added value increases by 10.7%. However the difference between the production value and the added value will be higher than that in regional countries.

²⁷ In accordance with the evaluation, the density of profit/capital of state-owned enterprises in 2003 was about 10.7%: approximately 23% state-owned enterprises made loss with the total progressive loss of billions of VND. Many enterprises borrowed money 5 times in comparison with the state investment capital for enterprises. Some enterprises used 99% of borrowed capital which led to high risk and low ability of paying debts.

The investing and business environment has many disadvantages and does not treat enterprises equally (especially in granting land). Moreover, this environment lacks transparency, which limits the competitiveness and the development of enterprises

(2) Investment capital for development is slowly implemented; the proportion disbursement is low.

In 2004, there was a slow movement in putting into use the investment capital in fundamental construction of ministries, corporations, provinces and cities. Some regions' plan lacks concentration. There still exist situations in which many projects or constructions last much longer the planned time and some projects lack investment procedures. The disbursement's pace of some projects is still slow, especially the disbursement's pace of the government bonds and the education bonds. The ODA disbursement hasn't met the established plan. Foreign investment capital attraction increases at the low speed and without much prosper.

In each area, many programs' capital and projects' capital stems from the budgets of schools, medical stations, traffic ways, etc. Each of the programs has its own board of management, which causes complications and unnecessary wasting.

There are many limits in resources mobilization. Besides it hasn't met provinces' potential and the level of mobilization accounts for 7-10% of the total capital of the program. In some rare cases this proportion is 2-5%. The citizens can manage something themselves, however, they still suggest the government support them such as: the fee of using clean water, the fee of electricity, the fee of maintaining small constructions etc.

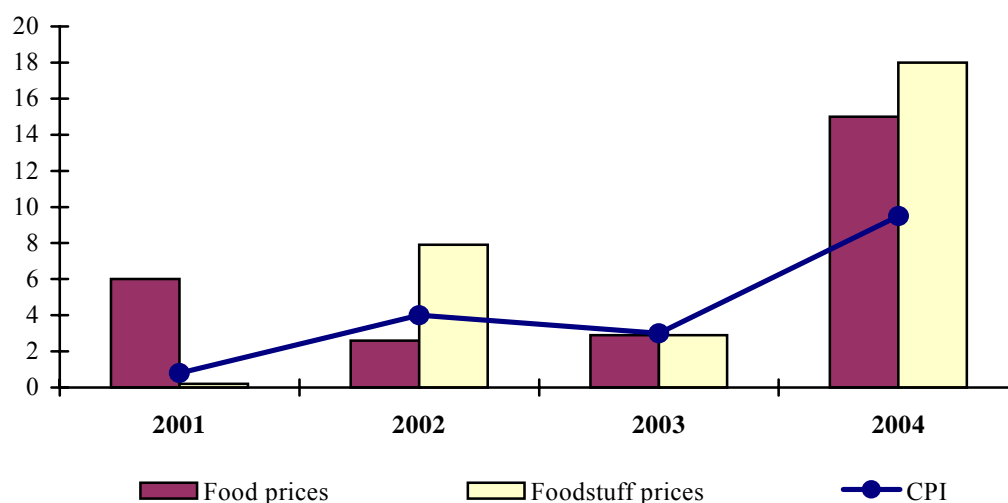
Capital allocation has not been able to encourage the local. Moreover there have not been any sanctions for regions that use capital for wrong purposes and in an inefficient and wasting way. There have not been any criteria to evaluate whether the resources allocation is suitable or not as people have not based on population scale, geographic location, area and poverty level; and there has no effective expenditure supervising basis in the fundamental grade.

(3) Consuming price index (CPI) increases at higher level than many previous years and this affects many manufacturing industries and citizens' life.

A rise in raw materials' prices such as: iron, steel, clinker, petrol, urea, plastic etc. has great impact on many industries, pushes prices of some products to high level, lessens the efficiency and profits of enterprises and makes the total investment capital of fundamental constructions increase.

A high increase in retail prices make employees' real income decrease, especially the food prices increase more highly than previous years. This causes worst impact on the poor or those who have low incomes.

Figure 15: Consuming price index (CPI) and food grains and foodstuffs prices



Source: GSO

However, the level of impact on each class varies²⁸. The main reason for price increasing is both subjective and objective. As for objective reason, it is because of fluctuation of prices in petrol, iron, steel, manure ...; besides an increase in price of Euro in comparison with USD has made the capital price of materials and equipments import rise equally with the increase in speed of exchange rate; epidemic situations, especially bird flu bring in a rise in food prices. As far as subjective reason is concerned, it is because of price management, which is loose, agent systems are weak, and monopoly control is not strong enough...

(4) Infrastructure is less developed, especially rural, mountainous and ethnic minority's areas.

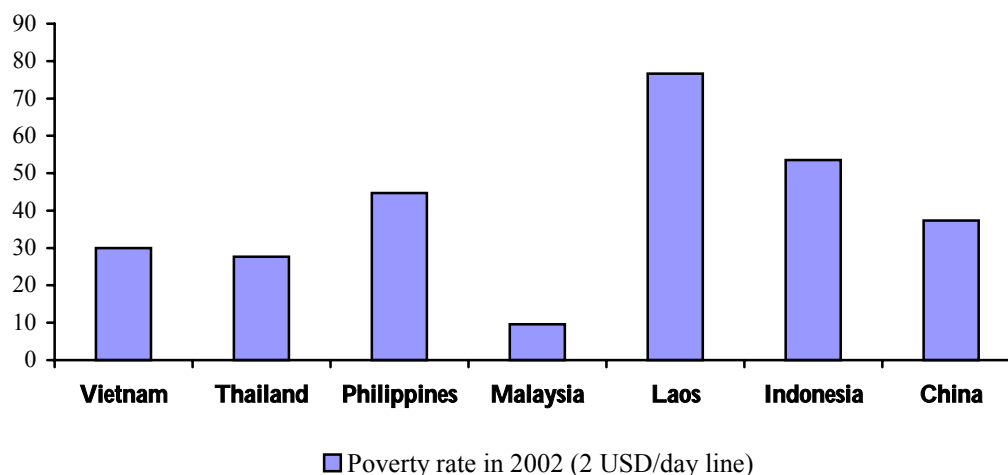
Agricultural production level is still backward. The productivity is low, Vietnam's productivity in growing rice is 60% as much as China's and Vietnam's maize productivity is 50% as much as Thailand's; 1 Vietnamese employee's wage in agriculture can only manage a group of 3 persons while in developed countries, 1 employee's wage in agriculture can manage a group of 30 persons. Along with the process of agricultural land collection, urbanization and industrialization are quickly carried out. The situation in which farmers have no land to plant is considerably increasing and this leads to unemployment and potential poverty; 21% of the farmers in Soc Trang, Tra Vinh, Hau Giang provinces have no land to do farming due to the process of land collection. In Hai Duong provinces, 60% of farmers in some districts no longer have land, due to industrialization.

(5) The quality of poverty reduction is unstable. The ratio of people who may become poor again is high. The living standards of people in rural areas, in areas where there are many natural calamities and droughts are not good. If we base on the international

²⁸ As for farmers in small cultivated areas, if the goods' price percentage is low, a high price increase in foodgrains and foodstuffs not only help increase incomes but also affect production cost for manure, insecticide etc. However, in concentration production areas, especially in areas where food are produced to export, an increase in food prices both helps increase incomes and partly compensate for production cost and material input

poverty standard(USD 2, depends on money buying value) , the proportion of the poor is more than 26% in urban area, in rural areas this proportion is more than 30%, in ethnic minority's areas this number is up to 50% and there are nearly 35 mountainous areas of which poverty proportion accounts for 70%.

Figure 16: Poverty rate of some regional countries in 2002



Source: ESCAP, WB and MOLISA

The gaps of income and living standard between urban and village, between economic zones, between the poor and the rich, between ethnic minority and Kinh peoples, between male and female is rather high and tends to be bigger.

(6) *The fundamental challenge in generating jobs is that the supply in jobs is higher than the demand; labour market develops unequally;* there is a big labour redundancy in agricultural and rural sector, besides, after state-owned enterprises' reform there is a group of unemployment and jobs are always urgent matter, especially for young employees. The quality of the labour is low, the ratio of uneducated employees accounts for 3/4 of the general society's workforce. Job mechanism is unreasonable. In 2002, the ratio structure of employees who had graduated from universities, vocational secondary education, and technical training school is 1 - 1.2 - 17, while in developing countries, it is 1 - 4 - 10. Therefore, there is a lack of high-technical skill workers, many jobs need to hire foreign labour. The shift in labour structure, especially in agriculture in rural areas is still very slow; labour in agriculture accounts for 57% of the total country's labour, while in developed countries, this percentage is only 10-15%.

(7) *The quality of all-sided education is at a low level and has not met the demand of economic and social development.* There are many obstacles in education in rural areas. Studying fees are higher than people's income and there are many restrictions on educating and training the poor. Education and training management in non-public school is not good. It lacks regulation documents and strict quality control.

(8) *There are many limits in health care;* there is an increasing difference in approaching and using medical services between the poor and the rich, between each area. The policy of medical insurance, fees for diagnosing and healing sickness is not clear, especially between areas, regions and objects.

(9) *The social safety net system has not been able to support the majority of the poor. Many supporting poverty policies have been issued; however, there remain difficulties in implementing them.*

(10) *Social problems such as: prostitution, gambling, drugs are increasing and wide-spreading, especially in the youth. This also is heated and insolvable social matter. The number of traffic accidents is increasing very fast.*

There exists situation in which some ministries, agencies and locals are wasting their budgets. There haven't been any financial punishments for administrations from centre to local.

(11) *Socialization in social fields is very slow, has many mistakes and hasn't got specific plans or schemes.*

Socialization has not been strictly implemented. The mechanisms and policies have not been issued in a sufficient and synchronous way. The instructions of implementing law documents are not specific; the management as well as the co-ordination between central and local companies is not close. Socialization hasn't been carefully concerned in some functioned companies and this has affected the implementation process.

(12) *Administrative reform's results have not come up to expectation and haven't met the demand of the renovation process.*

Administrative reform made less progress than people had expected. Enterprises and local administration are the weakest systems nowadays. A group of officers' new thinking has not met the demand yet. Administrative reform's impact on citizens' lives is not clear, and is mainly expressed in documents. There have been no clear milestones on administrative reform

The synchronous issue of mechanisms and policies, slow improvement in administrative procedures and state's policies and laws control and supervision are not carried out regularly. The relationship between state-own companies and the citizens is insufficient. In the early process of carrying out the program, mechanisms and policies issues, which support premises, capital and approach to social services like medical care and education for the poor, are right. However this process lasted so long that it formed unfairness and a thinking of relying on others. Investment in infrastructure hasn't been concentrated and the responsibility of management and maintenance hasn't clarified yet. A group of officers lack skill and morality. Besides harassment is a social and economic barrier.

II. Poverty reduction and social and economic growth objectives in the coming time

In order to successfully achieve this target in the 5-year-plan (2001-2005), 2005 must a year to mark a milestone in pace and quality growth as well as in solving social matters and poverty reduction. At first, we have to concentrate on the following objectives:

Firstly, develop the economy quickly, efficiently and sustainably. Mobilize and use resources effectively to develop the country and to make a clear change in quality, efficiency and competitiveness of the products and of the economy. Step up the economic structure shift and decrease production cost so as to improve quality of growth.

Secondly, continue to carry out commitments and international economic intergration itinerary efficiently; strictly carry out export promotion measures as well as developing domestic market.

Thirdly, conduct stronger renovation in education, training, healthcare and cultural in the direction of enhancing the socialization and improving quality. Strengthen science and technology study; develop and improve the quality of human resources, well implement poverty reduction policies, improve living standard, especially in the remote and ethnic minorities areas.

Fourthly, continue to reform the organisation and strengthen the efficiency in activities of State Agencies. Enhance the reform in economic institutions, administration and the fight against corruption, waste. Develop citizens' democratic rights and talks between local officials and the public, between enterprises and state agencies.

Fifthly, focus on improving business environment, strongly implement state-owned enterprises' organizing and equitizing process. Offer favourable conditions for the financial and real estates market to operate smoothly in order to accelerate the development capacity of the economy.

The five objectives are concretized with development criteria system as follows:

GDP increases to 8-8.5% against 2004; total export revenue increases to 14-16%. Social development investment accounts to 36.5% of GDP. Increase in CPI is lower than that in growth rate. Carry out universal education at lower secondary education, net enrolment rate of lower secondary level at correct ages reaches 80%. Enrolment increases by more than 8% in universities and colleges, by 15% in vocational schools and by 12% in training schools. Create jobs for about 1.6 million people, 70,000 of whom are exported to work abroad. Reduce the rate of poor households to less than 7%. Decrease the rate of under-5-malnourished-children to less than 25%.

III. SOME MECHANISM, POLICIES AND SOLUTIONS TO ECONOMIC DEVELOPMENT AND POVERTY REDUCTION IN THE COMING TIME

1. Stronger improvement on business environment, creating good condition to encourage economic units to strengthen their efficiency and competitiveness

Study to amend, issue documents to create favourable conditions to make organizations and individuals equal in approaching business and manufacturing serving factors such as land, capital, labour, science and technology...

Formulate a general legal frame on terms and cost in investment and doing business for both domestic and foreign companies. Study, build up and issue Investment Law (including domestic and foreign investment)

Regarding Finance: Continue to focus on implementing 3 new Tax Laws (Value added tax, enterprise income tax and luxury tax) and amended contents of Decree on income tax for high income people; strengthen measures to manage the budget collection, against tax loss. Study formulation Assets Tax Law, Individual Income Tax Law. Continue to simplify administrative procedures in making list and pay tax. Make amendment to policies on the collection, management and use of income from money-collecting administrative zone.

Consistently carry out the roadmap in reducing and removing tax and tariff according to AFTA and international commitment of the government; determined to only protect some important products through tax.

Continue to well implement amended Budget Law and publicize budget at all levels, consider it one of important measures to struggle against corruption and waste. Strictly punish illegal budget-related-actions, which cause losses, waste or inefficient use in State budget.

Consider building a 3-5 year-budget-spending-plan to take the initiative in using money annually and to match with the implementation of planned targets and socio-economical development programs.

Keep improving budget spending norm system; reinforce measures to inspect, examine the purchasing, car and cell phone using, headquarter construction, receiving guests, presents... to find out and punish cases of violation.

Make amendment to Decree 10/2002/ND-CP of the government on 16/01/2001 on financial regulations applied to money-collecting administrative units; simultaneously soon amend regulations concerning the collection of some kinds of fees. Concentrate on the guidance so that from 2005 the delegation of active power in duty, responsibility, authority and organization to administrative units will be applied; continue to widen the contract in administrative spending and regular staff in administrative organizations.

Improve Central criteria and supporting terms for the local provinces; ensure right targets and fairness among them.

Study to shift the mode of budget spending calculation to programs, projects and output results, shift the mechanism of budget spending for public administrative activities to one for supporting according to the quantity and quality of service output.

Strictly manage the income from land using to raise capital for infrastructure construction to encourage efficient use of this capital to accelerate resources investing in local infrastructure development.

Intensify debt management, especially foreign debts. Improve finance and currency supervising mechanism to ensure national finance security, control inflows of capital, debts, and loans, and broaden forms of financial publicity. Widen auditing activities; stimulate to form and develop foreign and private auditing companies.

Regarding currency: implement cautious monetary policy to control prices in the calculation in advance as well as support economic development. Total circulation money, mobilized capital, debit balance increase about 23-24% against 2004.

Enhance the efficiency in using tools of monetary policy, especially indirect tools. Create good conditions for all economic sectors to get State credit. Raise the role of state-owned-banks in the fields of management, monetary control and credit activity supervision.

Implement the equitization program of State commercial banks as planned. Pay right, sufficient bad debts according to international standards, deduct and set up funds providing against risks, reduce outstanding debt rate.

Continue to make joint stock commercial banks' activities healthy. Encourage and offer good conditions for these banks to modernize bank technology; train staff to improve management skill; join the secondary monetary market, the refinancing professional skill and the payment system of State owned banks.

Take the initiative of integrating into global economy effectively and carry out bilateral and multilateral commitments in bank currency field.

Actively stabilize prices to create favourable investment environment to boost economic growth and improve living standard. Focus on producing goods of great demand to balance supply and demand, flexibly put tax and monetary policies into practice, and take administrative-economic measures with essential goods and services at right time.

Study, implement the guidance in exchange rate towards flexibility to accelerate enterprise exports. Ensure a reasonable foreign exchange reserving structure; continue to buy foreign exchange to strengthen foreign exchange reserving fund. Heighten the ability of convertibility of Vietnam Dong as soon as possible.

Enhance the synchronous development of any kinds of markets, change dramatically business and manufacturing activities into market mechanism.

Continue to concentrate on the implementation of mechanism and policies in order to improve and widen activities of *Securities market*. Carry out the equitization and make some large State owned enterprises listed. Early to instruct foreign invested companies and joint-stock banks to list their shares in Securities market. At the same time, establish and develop bond trading market, to transact government bonds in the coming future. Set up State owned financial investment companies soon, at first for experiment in some localities having many equitized enterprises.

Accelerate competitiveness and make *finance-credit market* healthy. Continue to innovate and improve financial and banking system.

Develop and manage *real estate market* efficiently. Formulate and issue Real Estate Law as soon as possible to ensure State management and regulation in these business activities. Issue documents to remove land subsidization as well as construct specific regulations, policies on land for socialized projects.

Strongly develop *labour market*, study to amend policies on using labor in the direction of enlarging enterprises' right in recruiting employees, especially foreign ones. Intensify professional training to enhance labour quality for industrial parks and export. Broaden labour exporting markets and reorganize labour exporting work.

Strengthen the capacity of job-centres, first of all set up 3 job-centres in the North, the Middle and the South to supply significant national economic regions with labours.

Develop *science and technology market*, offer good environment to accelerate the development of market economy.

Develop policies and legislative legal frame which encourage investment of all domestic economic sectors and foreign organizations, enterprises and individuals in research, transfer of science and technology in business and manufacturing, especially policies on hi-tech development.

Step by step shift science-technology research and implementation organizations to ones operate in enterprise mechanism.

Work out plan of technology renovation in socio-economic fields to heighten technology levels in industries, strengthen science and technology potential.

2. Boost the attraction of investment capital for economic growth; enhance the investment efficiency to avoid loss and waste

Continue to speed up development investment in the society, make use of resources from all economic sectors; strengthen supervision, check inspection to fight against loss, waste and corruption to enhance the investment efficiency, especially from State resources:

(1) Continue to check, update and raise the quality of development master plan.

Organize to check, amend socio-economic master plan; master plan of provincial and city socio-economic development, development plan of some important industries, some main products, especially those having high growth rate and markets. Carry out publicly and transparently, appreciate public opinions and supervision. Strategies and plans are widely informed so that enterprises can decide their own suitable forms of investment and business.

(2) Boost the mobilization of capital invested in all economic sectors.

Quickly to issue new policies to create good conditions for the *private sector* to strongly develop, with no scale limit, even for large scale private enterprises. More importantly, issue a combined law on Investment and Enterprise in 2005.

Remove unnecessary procedures and regulations and make the coordination among State Agencies in the solution of procedures and impediment related to enterprises' market access (business and tax-code registration, premise rent, conditions to get credit...)

Have strong administrative measures to prevent the reappearance of these licenses. Study the experimental shift of the license grant of State Agencies to some competent job organizations.

Well implement regulations on management and using stamp according to Decision 58/2001/ND-CP dated 24 August 2001 of the government and directive documents.

Issue regulations on coordination among three related Agencies (Agencies for Business Registration, Stamp marking management and Tax). Hopefully, by the end of 2005, it takes at most 15 days to register business activities according to Enterprise Law.

Accelerate State-owned- enterprise equitization according to passed roadmap, with some adjustment from Central Party Resolution at Session 9 (Term IX), attract more capital.

Well implement Land Law and directive documents, especially focus on master plan task, land using purpose change, site clearance and infrastructure construction for industrial parks; actively satisfy the need for land of investors; quick to solve land procedure problems...

Build information (about enterprises) system for banks to serve their lending purpose. Set up experimentally service companies forecasting enterprise prospect to help banks in making decisions.

Continue to mobilize capital for development investment through enhancing to issue enterprise bonds, government bonds and city bonds. Draw experience and boost activities of Securities market in Hanoi and Ho Chi Minh City.

Study amendment of the Decree 77/CP dated 18 June 1997 on the Statute of domestic investment under BOT form.

Amending, supplementing mechanism and policies in order to make basic improvement in attracting foreign direct investment (FDI), especially from trans-national

corporations. Enhance the legal foreign investment list in such fields as trade, credit, insurance, telecommunication, advertising, human resource training... to make it suitable with the process of international economic integration. Setting up strategy and national list of attracting FDI: building industrial zones projects.

Continuing to improve and publicize administrative processes, procedures to simplify investment procedure. Cut the time of considering and licensing.

Speeding up the route of applying one-price mechanism and cutting down on some manufacturing costs in order to help businesses raising their competitiveness and eradicate discrimination between domestic and foreign investors.

Reforming, strengthening and enhancing the effectiveness of agitating and promoting investment on both content and method, following an active, effective program, suitable with each region and type of business.

Setting up a master plan to attract and use ODA to serve the work of economic and social development in the period 2006-2010. Supplementing and amending legal documents related to managing and using ODA, firstly the Decree 17/2001/ND-CP. Using ways such as regular shifting to timely solve problems, push up ODA disbursement. Closely cooperate with donors to streamline and harmonize ODA procedures.

(3) Raising the effectiveness of investment, avoiding wasting and losing capital form the state budget

Put more responsibilities on the person taking decision and considering investment projects; only making decision to invest after clearly verifying the source of capital and in the scope of the capital that has been delegated to various levels, avoiding ratifying higher capital on an investment project than the ability of capital balancing. Carefully consider investment goal, scale, choosing technology, time and place of investment before approving an investment project, avoiding mistakes of investing decision (which can cause huge waste).

Checking again the investing decision and effectiveness of the big projects on which there are many different opinions and timely working out the way to solve.

Firmly refuse to lay investment capital on projects that do not fully follow regulated procedure of investment. Refuse to lay investment capital on projects of group B, C that have lasted longer than the regulated time of investment (not more than 4 years from the start to the finish for group B and 2 years for group C).

Strengthen the work of guiding, supervising and evaluating investment. Ministries, industries and locals should supervise right from the step of advocating investment capital, make sure that it follows the approved plan, and carry out supervising on all stages of the process of investment.

Split some supervising and executing organizations belonging to the same managing one which holding large governmental capital (transportation, hydraulics, civil construction) into separate supervising organizations. The work of loss - evaluating is based on current regulation of the Government.

Clearly pointing out the responsibility of individuals, units related to the quality of the product and project such as the investor, consulting organization, investigating, designing and executing units in each phase of the work, from investigation, design, following regulation of bidding to supervising the process of executing.

To inspect the plan and investment, continue to consolidate and fulfil the inspection unit in all provinces, cities, complete regulation for organizing and working, cooperate with provinces' Department of Planning and Investment to regularly inspect the work of planning and investment of all Ministries, industries and locals. Organize courses to train cadres of all levels on professional inspection skill. Inspecting ODA projects together with the sponsors. Supervise more closely the investment by SOEs. Enhancing the role of the Ministries and locals in inspecting, supervising in the field of investment.

3. Pushing up the process of arranging and equitizing SOEs

(1) Fully work out the synchronous legal frame so that SOEs can lift their autonomy, be responsible for the working effectiveness themselves. Amending and supplementing mechanism, policy on reforming and arranging SOEs according to criterion of classifying SOEs, equitization, assigning, selling, leasing, and disintegrating SOEs.

Study the move into selling SOEs under the form of bidding and auction. Carrying out the mechanism of bidding, manufacturing enquire, supplying products and beneficial services to every businesses, no matter what kind of ownership. Continue to implement the entire plan to arrange, reform SOEs approved by the Prime Minister. Strengthen to supervise the implementation of the project within the route.

(2) Increase the number of big SOEs that should be equitized, including some corporations and big enterprises in electric power industry, metallurgy, mechanical engineering, chemicals, fertilizer, cement, construction, road, waterway, airway transportation, maritime communication, telecommunication, banking, and insurance.

Amending the Decree 64/2002/ND-CP on turning SOEs into equitized companies in a way that business shares are traded freely in the market, surmounting the state of closed, in-company equitization, especially the restriction of number of shares can be bought even by foreign investors.

Evaluate property of the SOEs that will be equitized (including land-using value) market price basis.

Set up mechanism and policy so that corporations and big enterprises (e.g. Vietnam Electric Corporation-EVN, Vietnam Cement Corporation, Vietnam Post and Telecommunication Corporation...) can sell their shares on the market. Implement to issue business bond in the case of big corporation.

Strengthen the work of guidance, checking, summing up the process of equitization; correcting the mistakes, drawing out experience, completing mechanism and policy to make it better and better. Replacing major personnel of SOEs which refuse to equitize or have made loss for more than 2 years. Ministries, agencies and Provincial People Committees should raise their responsibility of managing SOEs' works according to the State owned Enterprise Law.

4. Pushing export and speeding up the process of international economic integration

Support and guide businesses to continue carrying out solutions of widening market, pushing up the manufacturing of goods for export in order to rapidly increase the amount of exported goods and services and the proportion of processed exported goods.

The Government can support with market information to make use of garment export quota; guide businesses to use CEPT/AFTA program so that they are more active in exporting to ASEAN market, widening export market.

Enhancing the possibility of penetrating new markets, traditional markets (China, The Middle East, Africa, Russia and Eastern Europe); diversifying ways of exporting rice (trading export, governmental contract export, goods for goods export,)

Firmly manage the import of each kind of goods to avoid deficit in trading balance. Encourage businesses, bidders to purchase and use domestic equipments, apply saving methods in using imported materials.

Continue to multilateralism and diversify external relation. Enhance bilateral and multilateral relations, create and consolidate legal frame, mutual trust for the development and stability of friendly relation, long-term corporation with different counterparts, with the highest aim to increase the effectiveness of social, economic development.

In the year 2005 we should take bigger step with high determination of international economic integration. Together with implementing our pledge on the route to join the ASEAN Free Trade Area (AFTA) and developing bilateral economic relation, we should more actively negotiate to join the World Trade Organization (WTO) with suitable project to become a member of it in the year 2005.

Amending and supplementing the system of institutions and lifting the ability of implementing these institutions to meet the demand of reforming our country and be more suitable with the general regulation of WTO; and, at the same time, help businesses find out specific solutions to cut costs, improve each product's quality and competitiveness, build up their trademarks... so that they can work effectively after the protectionism barrier has been lifted.

5. Some solutions in the social field

Implement policies to make ways for production, jobs for the poor, including land, manufacturing tools, level, knowledge and skills. Give the poor the opportunities to approach basic social services such as health care, education, clean water, house, and electricity. Continue to give priority to developing infrastructure and supporting poor families, poor areas. Creating the chances to develop their work so that the poor can overcome their poverty themselves through policies of infrastructure developing, farm products processing, credit, marketing and training, social development fund. Decrease the risks of the poor by raising social capital, raising the ability to prevent risks, helping them build county organizations of the poor, encouraging the model of savings-credit attached to micro-insurance.

Continue to thoroughly delegate to different levels to harmonize responsibility and right, make use of local initiative and dynamism. Pushing the socialization of poverty reduction; improving the mechanism of mobilizing, dividing and managing resources, appreciating local capital-mobilizing; having suitable policy to encourage businesses to invest in the mountainous area, especially preference on land and tax.

Raise forms of creating jobs, especially in the countryside, and focus on labour exporting. Gradually turn from low-valued general labour export into that of skilled, high-income labour, create more important resources for economic development and poverty reduction.

Consolidating and completing the basic healthcare network; speeding up the process of developing medical service in villages to national standards. Put up policies, which give priority to taking care of people in the mountainous, remote areas. Make sure that all the poor, children under the age of 6 and women in the bearing age are well-treated with medical services. Study to increase the number of people having medical insurance, taking policy encouraging all economic units to take part in developing medical service (encouraging investment, land, tax, legal conditions policies...). Strengthen the work of provided-for medical service to improve people's health. Build a socialization project to develop the abundant resources for taking care and protecting people's health.

Take policies to invest in historical and cultural traces. Encourage all economic units to take part in preserving and restoring historical monuments. Try to wipe out the system of budget subsidies in cinematography and art-performance activities. Support provinces with difficulties in widening organizations helping to increase the number of people giving up using drug; strengthening the control of drug-trading through the border; carrying out effective solutions to restrict the spreading-out of HIV/AIDS. Strengthen to control the outbreak of social and dangerous diseases.

Develop private schools, building projects to turn some national schools into private ones, gradually wiping out half-national schools in the education system. Encourage fair competition, giving mechanism and conditions for the universities and training schools to turn into operating and being responsible for themselves. Build up mechanism and policies to attract social resources to invest in education and training development, especially from businesses and investors.

Continue to implement policies with preference of investment lending, credit, land, tax... to build up and improve the conditions of the private schools. Lifting insufficiencies in the current policies on dividing land for the building of schools, on borrowing development-investing credit capital (low interest rate, time of lending, tax policy).

Basically reform the planning of science and technology, using planning methods within the program and objectives of the scientific and technological research, gradually come to using the way in which the Government only set up objectives, policies and solutions, the rest of executing detailed activities are the responsibilities of Ministries, agencies, provinces and businesses.

Diversify the investing capital for the fields of natural resources, environment and sustainable growth. Strengthening the build of equipments, professional staff of e organizations responsible for basically investigating, protecting the environment and managing, carrying out the sustainable growth program.

Open the supplying of healthcare, training, and entertainment services... to every economic unit. The government only concentrates on professional work, quality, supervise activities generally and support supplying essential services to people that are unable to approach public services (healthcare for the poor).

Restrict and gradually put an end to the co-existence of charging service and public service in the same administrative unit. Holding bid for doing business on public services.

Build methods to evaluate the quality of social activities. Carrying out more sociological surveys to timely find out the people's need, desire and ideas on social problems, on which we can build suitable and feasible policies.

6. Continuing administrative reform, focusing on preventing graft

Strengthen to divide the management to different levels according to the 08 ministerial decision of the Ministry of Politics. Ministries, industries and locals are to well execute within their responsibilities. Raise the effectiveness of the administrative body, the responsibility and clearance of the public and legal organizations. Regularly supply mechanism, policy, development programs, information of services to the people, help them make access to information easily.

Modernize the governmental administrative system, reform the managing methods of the administrative system, and apply information technology in the management of the Government.

Carrying out ways to prevent graft and waste, practicing saving, improving the subsidies of means of transportation for the governmental body and cadres; keeping clearance in budget management; strengthening the financial checking in administrative organizations in order to enhance the responsibility and effectiveness of using money from the state budget.

Raise governmental cadres' morality and discipline. Building up mechanism to control income, make a list of personal property and income in the case of governmental cadres, especially the high level ones. Strengthen the education and control, strictly punishing degenerate cadres. Focusing on clarify the Law-protecting bodies.

Strengthening the checking, investigating and settling violations in executing public-work of the cadres. Issue a legal document on public-work investigation as soon as possible. More closely check, supervise government, individuals, and organizations' follow the Law.

PART IV

THE IMPLEMENTATION OF THE COMPREHENSIVE POVERTY REDUCTION AND GROWTH STRATEGY (CPRGS)

The implementation of the annual socio-economic development plan is also the implementation of the comprehensive poverty reduction and growth strategy. For the last few years, many detailed activities have been developed by the central and local levels and positive outcomes have been achieved. The objectives of the strategy have been integrated into the yearly and 5-year plan of the socio-economic development; the implementation of the strategy has effectively the support from international donors' community, non-government organizations (NGOs) financially as well as gaining their experiences.

1. The 2005 socio-economic development plan

The 2005 socio-economic development plan has been developed in 2004. The 2005 plan is in the last year for the execution of the 5-year socio-economic development plan from 2001 till 2005 and poses an extremely important position to the successful implementation of socio-economic development goals set in the 5-year plan 2001-2005 and in the 10-year socio-economic development strategy 2001-2010.

Based on the 4-year performance of the objectives set in the 5-year plan, the 2005 plan has detailed objectives, obligations of the 5-year plan 2001-2005, integrating goals of the comprehensive poverty reduction and growth strategy, the Millennium Development Goals, development goals and tasks of ministries, agencies especially the introduction of new contents like gender, ethnic minority groups....

The content of the 2005 plan has been publicly broadcasted on mass media like radio, television, newspapers, etc so that people and organizations can provide comments and implement after the National Assembly approves it.

2. Preparation of the 5-year socio-economic development plan 2006-2010

New and core renovations should be put into the design of the 5-year plan. The Prime Minister has issued the Directive No. 33/2004/CT-TTg dated on 23 September 2004 on the design and development of the 5-year socio-economic development plan 2006-2010, in which the content and methodology for planning should be reformed. Currently ministries, industries, provinces are receiving the instruction on how to develop and design this 5-year plan.

The process and methodology for developing the plan

The 5-year plan 2006-2010 will be conducted through the consolidation from the grassroots levels. Based on the requirements, contents on the general development direction of the country, industries and levels of authority will directly develop the plan within their management.

The plan will be constructed and consolidated from different around and in diversified forms like collecting opinions from agencies, social strata, consultation with the community, people.

The scope of the plan will be expanded; opinions from research institutes, universities, non-government agencies especially from investors and businessmen will be collected, which will be publicly disseminated in order to mobilize the entire social resources in the implementation of the objectives and tasks of the plan.

Decentralization and empowerment will be strongly given to different levels of authorities during the development, implementation and management of the socio-economic development plan, which makes levels of authorities will be more proactive, more creative, and more responsible in front of the people and community especially in mobilizing and allocating resources.

The transparency and publicity in the budget allocation and management will create opportunities for people to participate in the selection process of objectives, goals and projects in their localities, which will fit with the necessary need of their localities. The utilization of resources will be improved by the direct participation and monitoring of the implementation of projects.

The content of the plan

The content of the 5-year plan 2006-2010 has to concretise the objectives, obligations of the 10-year socio-economic development strategy 2001-2010 based upon the assessment the implementation over the last 5 years.

The assessment of the implementation of the 5-year socio-economic plan should come from the objective, honest, straightforward perspective and spirit; the assessment should focus on the achievement as well as existing weaknesses, include deep and sharp analysis of the reasons leading to success as well as weaknesses of the economy, from which valuable lessons can be drawn.

It is necessary to take into account the international and domestic context in developing development proposals in the next 5 years. Analysis on both favourable and difficult international conditions that would impact Vietnam (e.g. social and political condition of regional and other countries, world economic forecasts, economic analysis...).

The trends, objectives, obligations of industries in the next 5 years have to be expressed clearly, feasibly with a new spirit in term of thinking and brainstorming, avoiding bureaucracy, hastiness, voluntarism and have to concretise the objectives of the 10-year strategy 2001-2010 as well as to raise the content needed to be amended and changed in the next 5-year plan.

The first prioritised goal is the effectiveness and the quality of the development, the fast economic growth will improve the effectiveness and the competitiveness, ensuring the stability and micro-economic balance, dramatically developing human factor, more investment in human resource management, fastening poverty reduction and hunger alleviation, improving material and spiritual life of people, reducing social crimes, protecting and improving the ecological environment.

The reforms in the 5-year plan 2006-2010 will be expressed by the change in the system of indicators in the plan, narrowing the quantitative indicators, expanding qualitative indicators in term of growth and development. In addition to economic indicators, it is necessary to have indicators to reflect the quality of life.

The objectives of the plan should take into accounts the fact that Vietnam has fully integrated into the Asian Free Trade Area (AFTA), initially accessed into the World Trade

Organization (WTO) and confronted with the fierce competition of bilateral and multilateral cooperation. In calculation, it is necessary to study the international calculation methods and international standards (such as criteria for calculating bad debts, poverty line, budget balancing, etc).

The 5-year plan needs to fully concretize all the objectives defined in the development strategies of industries and sectors, of the comprehensive poverty reduction and growth strategy, the Millennium Development Goals, commitments between Vietnam and international.

It is suggested that study the possibility of adding new content on the link between economics and society into the existing contents in the plan: stabilizing micro-economics, poverty reduction, sustainable development, improving the quality of life, the value of nation and religions, women and gender equality; the youth, public investment programs, monitoring and evaluation method of the plan implementation, especially the community monitoring, etc.

To drastically liberate production capacity especially the production of state economic entities. To generate domestic resources at the maximum level and consider these as the decisive factor and take advantage of external resources, effectively use sources of funds towards the development.

To better response non-profit sectors on social infrastructure, it is required to effectively use resources under the state direct management and to polish socio-economic infrastructure.

3. Localities should integrate the objectives of the strategy into their local socio-economic development plan during the implementation

Inter-ministerial working group on the comprehensive poverty reduction and growth has supported provinces in capacity building in establishing the local socio-economic development plan with the inclusion of growth and poverty reduction factors by organizing workshops, training courses in localities.

Currently, more than 20 provinces have been committed by 15 official sponsors in integrating CPRGS into the provincial socio-economic development plan. The assistance has been navigated towards such objectives as:

- Strengthening information like collection, processing, analyzing and dissemination according to suitable indicators and methods.

- Improving the provincial capacity, capacity building for staffs of agencies, offices in provinces through workshops, training courses in order to improve the skill to establish socio-economic development plans to be in line with growth and poverty reduction factors.

- Providing consultation on the establishment of provincial socio-economic development plans through the provision of qualified consultants in order to make reports of the 2005 plan taking into account the growth and poverty reduction factors.

- Supporting monitoring and evaluation of the implementation of the plan and CPRGS locally such as: developing monitoring and evaluation mechanism, system of monitoring and evaluation indicators, methods for information collection and processing, etc.

There are many ongoing discussions between localities and donors on the future activities to be implemented.

With the support from donors, since December 2003, training workshops on developing plans have been conducted for leaders and experts of such provinces like Quang Tri, Yen Bai, Ha Giang, Ninh Binh, Thanh Hoa, Gia Lai, Dak Lak, Dak Nong, Soc Trang, Kon Tum, etc in order to teach them how to integrate the content of the CPRGS into the local socio-economic development plan. Currently, some localities are conducting some thematic training workshop in order to provide direct assistance to the design of the 5-year plan 2006-2010. The workshops and training courses have emphasized on the following contents:

- To enhance the awareness of staffs, specialists and people on the content of the CRRGS through the general introduction on the establishment, the main content of steps of implementation.

- General introduction on principles, process, methods, contents of the development of the annual and 5-year socio-economic development plan; the relationship between CPRGS and other socio-economic development plans.

- Instructing the methods of integrating the content of the CPRGS into the local socio-economic development plan; the development of tabulations and reports of the plan implementation in localities.

- Introduction of the Millennium Development Goals (MDG), Vietnam development goals (VDGs), calculation method, developing indicators, and samples of reports of local socio-economic development plans with the inclusion of poverty reduction and growth indicators.

- Some principles and indicators to allocate resources to poverty reduction and growth goals.

- Methods for developing socio-economic development plans with the involvement of people.

- Development of mechanism, monitoring and evaluation indicators of the plan implementation

Beside the above mentioned contents, participants also provide comments and suggestions on solutions to overcome difficulties in localities during the establishment of socio-economic development plans aligning with growth and poverty reduction objectives; clear analysis and explanation of the link between the public investment program and the CPRGS in order to develop appropriate mechanisms and indicators to ensure the public investment programs to achieve sustainable objectives of poverty reduction and hunger alleviation.

4. Development of the guidelines framework for the establishment of socio-economic development plans in localities with the inclusion of poverty reduction and growth factors

In order to gradually integrate the goals of CPRGS into the 2005 plan and 5-year socio-economic plan 2006-2010, the Ministry of Planning and Investment adopted the official letter No. 2215 BKH/TH dated 14 April 2004 sent to provincial and municipal Department of Planning and Investment instructing the designing of more comprehensive and more qualified socio-economic development plan in order to ensure fast growth and targeting to the poor.

The obligations and contents of the activity aim at improving the quality of establishing the local socio-economic development plan, which are:

(1) Assessment of data and information serving for the establishment of the local socio-economic development plan (particularly for the 2005 plan and the 5-year plan 2006-2010).

- Assessment on the data collection from social and economic sectors.
- Conducting analysis on the socio-economic data of each province with the emphasis on the achieved objectives in growth, social development and poverty reduction.
- Conducting assessment on the poverty situation of each province, with the emphasis on the reason and characteristics of poverty of each province.
- Analysis of reasons leading to success and existing in the economic growth and poverty reduction of localities.
- Quantitative and qualitative assessment of available data and information to ensure the planning to be complied with the reformed procedure. Missing data will be continuously collected and analysed. Adding methods for poverty assessment with the community participation (applied in provinces without poverty evaluation).
- Conducting assessment on sources of information from different channels; recommendation of solutions for data collection and adding missing information. Conducting supplementing necessary information, base upon which defining prioritised objectives, policies and tendencies of each industry. This information will serve the establishment of provincial plans.

(2) Defining objectives, contents of plans, implementation solutions, general regulations and directions for provincial budget allocation to be in line with the socio-economic development plan.

- Assessment of the status of the plan development, planning documents and available studies, analysis of the local planning capacity. Exchanging discussions with relevant agencies, staffs on the plan and policies development (the implementation process, concerns, impacts of the planning, budgeting and decision-making processing in provinces).
- Defining the direction, development goals, policies, etc for planning activities in the next periods based upon the analysis of the situation, socio-economic characteristics of each province and based upon the objectives, policies of national strategies including the CPRGS.
- Developing indicators and general regulations on the provincial budget allocation taking into account the provincial socio-economic development plan.

Budget mobilization and allocation plans including expenditure for direct activities towards the poor like health care, education and providing other basic services, etc.

Plans for policies implementation towards the poor such as financial transfer, public investment, micro credit and credits to small and medium enterprises, developing infrastructure.

Due to the limited resources causing the decision on recourse allocation has to be based on the operation effectiveness creating the link between the objective and the available budget, thus it is necessary to have the participation of departments, offices and districts in the province.

- Providing consultations and efficient suggestions to the provincial people council in making decision on budget allocation.

- Organizing workshops to receive comments within the province, inviting representatives from ministries, industries and some neighbouring provinces to share information and comments.

(3) Paying attention on the implementation of the plan, enforcing the monitoring and evaluation system to facilitate the implementation of the plan

- Creating monitoring, evaluating mechanism with the participation of people.

- Strengthening monitoring and evaluation of the plan implementation. Reporting is supported by assessment activities based on administrative reports or surveying data.

- Developing monitoring indicators for implementing the plan including social, poverty and management indicators, providing indicators of micro-economic activities based upon the general indicator of the nation.

- Conducting periodic evaluation. Introducing objectives, indicators and benchmarks of CPRGS into the local and industrial development plan is one of the important components of the implementation of CPRGS at the local level.

Up to now, the quality of a provincial socio-economic development plan selected to be integrated into the objectives of the CPRGS has been improved. The source of information collected is more trustful and available. Attention has been paid to monitoring and evaluation of plan implementation. Some provinces have established the monitoring board for supervising the plan implementation and initially developing the operational regulations and monitoring indicators in the locality.

(4) Activities to support the province in developing the plan:

- Supporting in capacity building in the locality in the establishment and implementation of provincial socio-economic development plans.

- Support in consultation in coordinating planning staffs of the locality in designing the 2005 and the 5-year socio-economic development plan with the inclusion of sustainable growth and poverty reduction.

5. Promoting communication and advertising the CPRGS

It aims to raise the awareness of levels of authority, industries, and people by organizing conferences in different regions, localities and by dissemination of the strategy's documents to employees of agencies, offices in localities.

Developing medium-term expenditure framework: Ministry of Finance is executing this project with the progress from 2003-2008.

Developing investment procedure toward the poor; reviewing and evaluating public investment programs; defining and selecting 3-4 international experience suitable to Vietnam in the poor-oriented budgeting.

Creating monitoring and evaluation system. Improving the national capacity in monitoring and reporting the Millennium Development Goals and Vietnam Development Goals.

The inter-ministerial working group on the CPRGS has coordinated with non-government offices, mass organizations such as: Vietnam Association of Science and

Technology, Committee for the progress of women, VCCI, etc to organize workshops, training courses for to improve monitoring capacity of the strategy implementation.

Developing guidelines documents on the design and establishment of the socio-economic development plan attaching with growth and poverty reduction.

Making reports on the implementation of CPRGS in 2003-2004.

In some ministries and industries in the central level, workshops on finding out the methods to implement CPRGS within the ministerial development plan (MARD, MONRE, MOET, etc) have been conducted.

6. Monitoring and evaluation of the implementation of the objectives of growth and poverty reduction

Monitoring the implementation progress of the poverty reduction objectives and the implementation of the Millennium goals have been emphasized in all activities of the statistics industry from the General Statistical Office (GSO) to ministries, industries, which are expressed in the following contents: (1) Organizing the monitoring and evaluation of CPRGS; (2) On-going monitoring and evaluation mechanisms; (3) Creating monitoring indicators for the implementation of the CPRGS.

The CPRGS and the implementation of the Millennium Goals have been concretized by annual plans of ministries, industries, government offices, localities. In order to improve the M&E capacity, the M&E system has been implemented according to the following contents: (1) Improving capacity for agencies, organizations in charge of monitoring and evaluation; (2) creating a legal corridor for M&E.

Based upon the above directions, the M&E system is gradually developed:

(1) In term of improving the capacity of M&E agencies, the state has enforced statistical offices from the state centralized statistics like GSO (including central, provincial, municipal and district statistics) and the statistical departments of ministries, industries to ensure that the statistical system has enough human resource, finance for collecting statistical data, consolidating and analysing statistical data for monitoring and evaluating the implementation of economic development and poverty reduction objectives in every industry, at all levels.

The source of information for M&E has been continuously improved in term of the nature of the data and been collected from different channels, sources such as statistical surveys, reports from Ministries, industries, localities and households.

In order to improve the effectiveness of M&E, the state has created a legal corridor for statistical activities. Since 1 January 2004, the statistics law has been approved and in effect by the National Assembly. The adoption of the statistics law and other legal documents under the law is the important legal evidence for the improvement, reinforcement of the national statistical system, improving the data quality and quantity, meeting the comprehensive demand of the monitoring indicator system both in term of economic growth, social development and poverty reduction, meeting the urgent demand in M&E through the regulations on statistical surveying, publishing statistical data and the organization of state statistics, etc.

(2) The system of monitoring and evaluation mechanisms under the implementation needs to ensure the objectiveness, community, which are expressed in the political frameworks including:

The M&E system is regulated in the Constitution in term of the rights of elected agencies. This is the M&E function authorized by people through the communal, district, provincial people's council and the National Assembly. Authorized agencies, state offices have to report the implementation of socio-economic development and poverty reduction goals voted by selected agencies of all levels.

The M&E system of the government offices including the statistical offices have the role in consolidating information, creating the national statistical indicators, helping the government to appraise and propose the Prime Minister to approve statistical surveys, assigning responsibilities to Ministries, industries in collecting and dissemination of statistical data, deciding the time of statistical data provision for M&E, issuing statistical tabulations, developing definitions, methodologies in calculating statistical criteria to ensure the unification in the statistical indicators system. The statistical office is responsible in collecting and publishing the national socio-economic statistical indicators towards the goals of CPRGS and the MDGs. This monitoring mechanism also receives the inter-ministerial assessment of the issues related to respective ministries and industries.

The M&E system conducted by NGOs, institutes, universities, people has been enforced. Currently this M&E system has generated positive impacts making the M&E content more comprehensive, more objective and community-oriented.

The three above M&E methods are always integrated, supported each other making M&E more diversified.

(3) The tool for M& E of the CPRGS is the system of objectives and indicators. After the Prime Minister has approved the CPRGS, the Secretariat on the implementation of CPRGS has coordinated with the GSO to systemize, and study the implementation of 12 goals and 136 indicators of M&E. All M&E indicators of CPRGS will be viewed from: (1) The source of data collected at the beginning; (2) the content of each indicator; (3) Methodology of calculation; (4) The scope of data collection; (5) Data collection cycle and (6) Notice for data users regarding of where to receive data, the advantages and disadvantages of data so that data users can be aware for the application.

Out of 136 M&E indicators, only 83 indicators collected and declared to be stable for M&E purposes by the GSO and ministries; 47 indicators have data collected, however the scope and the quality is not complete; 6 indicators have not defined the source of data, methods, definition, concepts.

Together with conducting research, defining the status and situations of M&E system, according to the regulations of the statistics law, GSO is creating the national statistical criteria for the submission to the Prime Minister for approval next year, of which the national indicative system should fully present indicators in the CPRGS and the MDGs of Vietnam.

7. Some recommendations to be implemented

(1) Strengthening the coordination among Ministries, industries, localities during the implementation of CPRGS. The close coordination among Ministries, industries, localities will create favourable conditions for the implementation of policies uniformly.

(2) Improving the capacity of industries, different levels of authorities in designing and implementation of the socio-economic development plan aligning with growth and poverty reduction objectives. Organizing training courses in order to provide information,

detailed guidelines to planning specialties of Ministries, industries, departments, provinces in knowing how to integrate CPRGS into the socio-economic development plan based upon changing the method of developing the 5-year plan 2006-2010 (in accordance with the directive No. 33/2004/CT-TTg dated 23 September 2004 by the Prime Minister).

(3) To M&E CPRGS effectively for the successful implementation of the CPRGS, the upcoming M&E require the implementation of the following tasks:

To develop and execute the content, requirements and M&E methods of CPRGS and MDGs to all levels, industries especially in localities (provinces, districts) of which, statistics is the information coordinator.

Improving the capacity of statistical offices including the developing of the national statistical indicative system, improving statistics activity, especially the reform of statistical surveys, particularly the household surveys in order to better response M&E information demand.

Creating inter-ministerial and industrial coordination in developing plans, M&E growth plans with the inclusion of poverty reductions of ministries, industries, localities.

Developing the mechanism for information collection and analysis of inter-ministerial assessments on the implementation of CPRGS and MDGs, assigning responsibilities in collection and publishing the results of implementing these objectives so that information can be widely disseminated to all levels, industries and people.

Creating a handbook to instruct the M&E of CPRGS so that all levels, industries, and people can participate in M&E of CPRGS.

(4) Strengthening information collection and processing activities in order to serve planning and M& E of the plan implementation.

Assessing the quality and quantity of information, available data in order to ensure the planning complying with the reformed procedure. The missing information will be continuously collected and analyzed. Conducting the study on the method of assessing the poverty with the participation of the community (towards provinces, which do not have poverty evaluation).

Conducting evaluation on the sources of information from different channels; making recommendations on solutions for information collections, supplement of missing information. Conducting analysis, making priorities in each industry. This information will support the planning of the province.

(5) Continuing to integrate objectives and obligations of the strategy into the yearly and 5-year socio-economic development plans.

The integration of the objectives of the CPRGS has been implemented in all levels from the central to the local. The successful implementation of socio-economic development plan will push the implementation of the objectives and obligations of the strategy.

To fasten the integration in all localities requires the close instruction of all levels, industries especially the steering committee of the CPRGS.

The expansion of integrating CPRGS to all cities, provinces is implemented according to the unified guidelines and instructions.

(6) Improving the participating of the community in developing, monitoring and evaluating the plan implementation.

During the whole period from the design of the plan till the M&E of the plan implementation, it is necessary to have the community involvement, in which people will play an active role. The participation of the community in the development and M&E of the plan implementation will create the opportunities for more feasible plans, more effective investment and maximizing the utilization of on-spot resources.

APPENDIX

SELECTED INDICATORS ON ECONOMIC DEVELOPMENT
AND POVERTY REDUCTION IN 2003 - 2004

#	Indicators	Unit	2003	Est. 2004
A.	ECONOMIC INDICATORS			
1.	<i>GDP growth rate</i>	%	7.3	7.6
	<i>Of which:</i>			
	- Agriculture, forestry, fisheries	%	3.3	3.3
	- Industry	%	10.4	10.2
	- Services	%	6.6	7.3
2.	<i>Gross Output growth rate</i>			
	- Agriculture, forestry, fisheries	%	4.9	4.9
	- Industry	%	16.0	15.6
	- Services	%	7.2	8.0
3.	<i>GDP structure</i>			
	- Agriculture, forestry, fisheries	%	21.8	20.4
	- Industry	%	40.0	41.1
	- Services	%	38.2	38.5
4.	<i>Labour structure</i>			
	- Agriculture, forestry, fisheries	%	61.3	58.6
	- Industry	%	15.7	17.4
	- Services	%	23.0	24.0
5.	<i>External trade</i>			
	- Total export turnover	Mill. USD	20,176	25,000
	- Export growth rate	%	20.8	23.9
	- Total import	Mill. USD	25,227	30,000
	- Import growth rate	%	27.8	18.9
B.	SOCIAL AND POVERTY INDICATORS			
1.	<i>Goal 1: Poverty reduction</i>			
	- By 2010, reduce by 2/5 poverty rate according to international line compared with 2000 (32% in 2001 down to 20% in 2010).	%	27.0	26.2
	- By 2010, reduce by 3/4 poverty rate according to food poverty line compared with 2000.	%		

#	Indicators	Unit	2003	Est. 2004
	- By 2005 reduce by 2/5 rate of poor households and by 2010 reduce 3/5 that rate compared with 2000 according to criteria of National targeted Program of Poverty Reduction and Employment (from 17.2% in 2000 down to about 5% in 2010).	%	10.0	8.3
	- Number of families escaped from poverty	Thousand	300	300
2.	<i>Goal 2: Universal and improved education</i>			
	- Raise the net enrolment rate at right age of primary level to 97% in 2005 and 99% in 2010.	%		97.5-98.0
	- Raise the net enrolment rate at right age of lower secondary level to 80% in 2005 and 90% in 2010.	%	80.6	83.7
	- Achieve removing illiteracy for 95% of under 40 female illiterates in 2005 and 100% in 2010.	%		
	- Universal education at lower secondary level in provinces	Provinces	19	25
	- Kindergarten children	Thousand	2,173	2,600
	- Primary school children	"	8,350	8,300
	- Lower secondary school children	"	6,612	6,600
	- Upper secondary school children	"	2,616	2,600
	- New university and college students	"	300	320
	- New professional college students	"	217	252
	- New technical training workers	"	979	1,080
	- New post graduate students	"	11.5	14.5
	- Re-trained and strengthened officers	"	36	44
3.	<i>Goal 3: Gender equality; women advancement and ensured rights for female children</i>			
	- Raise the number of female members in all level elected bodies	%		26.0
	- Both husband's and wife's names appear in Land-use-right certificate in 2005	%		
4.	<i>Goal 4: Reduce birth rate, children mortality and malnutrition rates</i>			
	- Reduce the under-1 children mortality rate to 30‰ in 2005 and 25‰ in 2010	‰	32	26

#	Indicators	Unit	2003	Est. 2004
	- Reduce the under-5 children mortality rate to 36‰ in 2005 and 32‰ in 2010	‰	40	35
	- Reduce the under-5 children malnutrition rate to 25% in 2005 and 20% in 2010	%	28	26
	- Birth reduction rate	‰	0,4	0,37
	- Population	Million	80.7	82.1
	- Population growth rate	%	1.3	1.4
	- Rate of communes with health stations	%	98.6	99.0
	- Rate of communes with doctors	%	61.4	65.4
	- Total medic treatment beds	Thousand	195	200
	- Rate of beds/ 10 thousand people	bed	24.1	24.4
5.	Goal 5: Maternal health			
	- Reduce maternal mortality rate to 80/100.000 live birth in 2005 and 70/100.000 in 2010, more attention paid to disadvantaged areas.	1/100.000	90	85
6.	Goal 6: Combating HIV/AIDS, malaria and other diseases			
	- Control HIV/AIDS contractive rate by 2005 and halve its contractive rate by 2010 (accumulative figure).	case	75,000	86,000
7.	Goal 7: Sustainable environment			
	- Raise forest coverage from 33% in 1999 up to 38% in 2005 and 43% in 2010	%	37.7	38.7
	- By 2010, achieve no urban slums and no rural temporary houses	%		
	- By 2010, achieve 100% solid wastes and organic wastes to be collected and transported to safe areas	%		
	- Ensure 60% rural population and 80% urban population to have access to clean water in 2005 and 85% rural population in 2010	%	54	58
	- Air and water pollution rate is under control according to national criteria in 2005	%		
8	Mục tiêu 8: Bảo đảm các công trình hạ tầng thiết yếu cho người nghèo, cộng đồng nghèo và xã nghèo			

#	Indicators	Unit	2003	Est. 2004
	- Improved, upgrade, expanded essential infrastructure works (small irrigation works, schools, health stations, roads, lighting power, clean water, market, cultural post offices, meeting houses...) for 80% poor communes in 2005 and 100% in 2010			
	+ Rate of poor communes with car accessible roads to centres (CPC)	%	57.3	
	+ Rate of poor communes with health stations	%	98.6	99.0
	+ Rate of poor communes with primary schools, kindergartens and nursery classes.	%	26.88	
	+ Rate of poor communes with markets or inter-communal markets	%	10.03	
	- By 2005, expand national power grid to 900 poor communes, ensuring that 90% poor communes with electricity	%	57.67	
	- Rate of poor communes and districts with safe and clean water supply systems	%	23.27	
9.	<i>Goal 9: Job creation</i>			
	- Provide jobs for about 1.4 đến 1.5 million new worker per annum	Mill. worker	1.53	1.56
	- Rate of rural utilized working time	%	76.5	78.3
	- Reduce the rate of unemployed workers among urban workforce at working age to 5,4% in 2005 and less than 5% in 2010	%	5.8	5.6
10.	<i>Goal 10: Development of culture and information; improve people's spiritual life and preserve ethnic minority culture</i>			
	- By 2005, ensure 95% households to be covered with VOV broadcasting	%	93	94
	- By 2005, ensure more than 95% households to be covered with VTV	%	86	88
	- Preserve and develop reading and written ethnic minority languages (Rate of ethnic language literacy aged 15-24)	%		
	- Telephones per 100 people	Subscriber	9	12
	- Rate of communes with telephone service	%	93.8	98
	- Number of preserved relic	relic	310	320

#	Indicators	Unit	2003	Est. 2004
11.	<i>Goal 11: Reduce vulnerability and develop social safety nets helping disadvantage and poor people</i>			
	- 40% average income of the poorest quintile compared with that in 2000 and it is up to 90% in 2010.	%		

**KEY SELECTED
SOCIO-ECONOMIC DEVELOPMENT
INDICATORS**

1. GENERAL ECONOMIC AND SOCIAL INDICATORS

#	Indicators	Unit	Assessment of 2001-2004			
			2001	2002	2003	Est. 2004
A	ECONOMIC INDICATORS					
1.	GDP growth rate	%	6.9	7.08	7.26	7.6
	<i>Trong đó:</i>					
	- Agriculture, forestry, fisheries	%	3.0	4.2	3.3	3.3
	- Industry	%	10.4	9.5	10.4	10.2
	- Services	%	6.1	6.5	6.6	7.3
2.	Gross output growth rate					
	- Agriculture, forestry, fisheries	%	4.7	6.5	4.9	4.9
	- Industry	%	14.6	14.8	16.0	15.6
	- Services	%	6.7	7.0	7.2	8.0
3.	GDP structure					
	- Agriculture, forestry, fisheries	%	23.2	23.0	21.8	20.4
	- Industry	%	38.1	38.5	40.0	41.1
	- Services	%	38.6	38.5	38.2	38.5
4.	External trade					
	- Total export turnover	Mill. \$	15,027	16,706	20,176	25,000
	- Export growth rate	%	4.1	11.2	20.8	23.9
	- Total import	Mill. \$	16,162	19,733	25,227	30,000
	- Import growth rate	%	3.2	22.1	27.8	18.9
B	SOCIAL INDICATORS					
	-Population	Mill.	78.7	79.7	80.7	82.1
	- Reduction of birth rate	‰	0.5	0.4	0.4	0.37
	- Population growth rate	%	1.4	1.3	1.3	1.4
	- Provinces achieved universal education	Prov.		12	19	25
	- Total labour force in the economy	Mill	37.6	38.7	41.1	42.3
	- New workers provided with jobs (sum)	"	1.4	1.42	1.53	1.56
	- Rate of poor households	%	17.5	14.5	11.0	8.3
	- Under-5 malnutrition rate	%	31.9	20.0	28.0	26.0
	- Rate of rural population with access to clean water	%	48.0	52.0	54.0	58.0

2. GDP BALANCE, SAVING AND CONSUMPTION

#	Indicators	Unit	Assessment of 2001-2004			
			2001	2002	2003	Est. 2004
1.	Sources	Tril. VND	755.1	867.5	1,016.7	1,194.6
	- GDP at current prices	"	481.3	535.8	605.6	708.5
	- Import	"	237.8	332.0	411.1	486.1
2.	Use					
	- Consumption	Tril. VND	342.6	382.1	434.7	509.5
	<i>Of which: Personal consumption</i>	"	<i>312.1</i>	<i>348.8</i>	<i>393.0</i>	<i>461.6</i>
	- Accumulation	"	150.0	178.0	212.5	250.4
	- Export	"	262.9	304.3	365.4	434.2
3.	Accumulation - Consumption					
	- Consumption	%	69.5	68.2	67.2	67.0
	- Accumulation	%	30.5	31.8	32.8	33.0
4.	Compared with GDP					
	- Consumption	%	71.2	71.3	71.8	71.9
	- Accumulation	%	31.2	33.2	35.1	35.3
	- Saving	%	28.8	28.7	28.2	28.1

3. AGRICULTURE, FORESTRY, FISHERIES

#	Indicators	Unit	Assessment of 2001-2004			
			2001	2002	2003	Est. 2004
1.	Gross output growth rate	%	4.7	6.5	4.9	4.9
	<i>Of which:</i>					
	- Agriculture	%	2.6	6.2	3.1	4.0
	- Forestry	%	1.9	1.6	1.1	0.8
	- Fisheries	%	16.4	8.8	9.5	9.4
2.	Major products					
	- Grain food	Mil. ton	34.3	37.0	37.7	39.1
	<i>Of which:</i> + Paddy	"	32.1	34.5	34.7	35.9
	+ Maize	"	2.2	2.5	3.0	3.2
	- Coffee	Thou. ton	841	700	771	750
	- Rubber	"	313	331	364	395
	- Meat of all kinds	"	2,040	2,146	2,350	2,500
	- Planted forests	Thou. ha	194	190	192	200
	- Forest coverage	%	35.7	36.6	37.7	38.7
	- Fishery production output	Thou. ton	2,130	2,330	2,795	2,850
	- Area of aquaculture	Thou. ha	988	955	1,040	1,050
	- Watered cultivation land	Mill. ha	7	8	8.2	8.3

4. INDUSTRY

#	Indicators	Unit	Assessment of 2001-2004			
			2001	2002	2003	Est. 2004
1.	Gross output growth rate	%	14.6	14.8	16.0	15.6
2.	Major products					
	- Electricity production	Mil. Kwh	30.6	35.8	40.7	46.7
	- Electricity sales	"	25.8	30.2	34.9	39.8
	- Oil exploitation (gas included)	Mil. ton	18.4	18.6	21.2	24.0
	<i>Of which: Crude Oil</i>	"	16.8	16.6	17.5	18.5
	- Clean coal	"	13.4	15.4	18.6	22.5
	- Rolled steel	"	1.9	2.5	2.6	2.8
	- Fertilizer (Urea, Phosphat...)	Thou. ton	1,270	1,158	1,287	1,600
	- Cement	Tr. tấn	16.1	20.2	23.3	25.0
	- Cloth	Tr. mét	410	441	487	540
	- Paper	Ngh. tấn	434	469	534	600
	- Sugar and treacle	Kg. pc.	13.6	13.8	16.6	17.0
	- Beer	Mil. litre	871	893	1,049	1,100
	- Milk	Litre pc.	6.4	6.8	8.0	8.5
	- Diezel motors	Thou.	18.7	32.5	55.6	75.0

(pc. = per capita)

5. SERVICES

#	Indicators	Unit	Assessment of 2001-2004			
			2001	2002	2003	Est. 2004
1.	Retail trade growth rate	%	11.1	11.3	10.5	17.7
2.	Growth rate of transported goods	%	8.6	7.7	6.0	6.0
3.	Growth rate of transported goods per kilometre	%	14.1	8.4	5.4	9.0
4.	Growth rate of transported passengers per kilometre	%	7.7	8.2	6.3	5.8
5.	Fixed telephone/100 population	Subc.	5.5	6.9	9.0	12.0
6.	Rate of communes with telephone service	%	69.0	85.0	93.8	98.0
7.	International tourists	Thou.	2,330	2,550	2,429	2,800
8.	Domestic tourists	Thou.	11,700	13,000	13,000	13,600

6. EXTERNAL TRADE

#	Indicators	Unit	Assessment of 2001-2004			
			2001	2002	2003	Est. 2004
A	EXPORT OF GOODS					
1.	Total export turnover	Mil. \$	15.0	16.7	20.2	25.0
	Growth rate	%	4.1	11.2	20.8	23.9
	<i>Of which:</i>					
	- FDI enterprises (crude oil excluded)	Mil. \$	3.7	4.6	6.3	8.4
	- FDI enterprises (crude oil included)	"	6.8	7.9	10.2	13.5
2.	By groups					
	- Heavy industry and mining	Mil. \$	5.2	5.3	6.3	8.0
	<i>% in export</i>	%	34.9	31.8	31.0	32.0
	- Light industry and handycraft	Mil. \$	5.4	6.8	8.1	10.0
	<i>% in export</i>	%	35.7	40.6	40.1	40.0
	- Agriculture, forestry, fishery	Mil. %	4.4	4.6	5.9	7.0
	<i>% in export</i>	%	29.3	27.5	29.2	28.0
3.	Major export items					
	- Rice	Mil. ton	3.7	3.2	3.8	3.8
	- Coffee	Thou. ton	931	719	749	900
	- Rubber	"	308	449	433	400
	- Ground nuts	"	78	105	83	60
	- Vegetables	Mil. \$	330	201	151	160
	- Cashew nuts	"	152	209	285	380
	- Pepper	"	91	108	105	130
	- Fishery	"	1.816	2.036	2.200	2.400
	- Garments	"	1.975	2.732	3.687	4.200
	- Foodwears	"	1.587	1.875	2.268	2.600
	- Electronics and parts	"	709	605	672	1.000
	- Crude oil	Tr. tấn	16.7	16.8	17.1	18.2
	- Coal	"	4.3	6.0	7.2	9.0

#	Indicators	Unit	Assessment of 2001-2004			
			2001	2002	2003	Est. 2004
A	IMPORT					
1.	Total import	Mil. \$	16.2	19.7	25.2	30.0
	Growth rate	%	3.2	22.1	27.9	18.9
	<i>Of which:</i>					
	- FDI enterprises	Mil. \$	5.0	6.6	8.8	10.5
2.	By groups					
	- Machinery and equipment	Mil. \$	4.9	5.9	8.2	10.0
	<i>% in import</i>	%	30.3	29.9	32.4	33.3
	- Materials and fuel	Mil. \$	10.0	12.3	15.4	18.0
	<i>% in import</i>	%	61.9	32.3	61.2	60.0
	- Consumption goods	Mil. \$	1.3	1.6	1.6	2.0
	<i>% in import</i>	%	7.9	7.9	6.4	6.7
3.	Major import items					
	- Petroleum	Mil. ton	9.0	10.0	10.0	11.2
	- Completed steel	"	2.2	2.7	2.73	3.0
	- Steel foil	"	1.8	2.2	1.8	1.9
	- Cotton	Thou. ton	98	98	90	150
	- Assembled cars	Mil. \$	199	262	266	280
	- Computers and parts	"	710	701	975	1.100
	- Medicines and pharmaceutical materials	"	329	350	374	390

7. TRAINING AND EDUCATION

#	Indicators	Unit	Assessment of 2001-2004			
			2001	2002	2003	Est. 2004
1.	Kindergarten children	Thou.	2,232	2,144	2,173	2,600
2.	Primary school children	Thou.	9,371	8,841	8,350	8,300
3.	Lower secondary school children	"	6,253	6,498	6,612	6,600
4.	Upper secondary school children	"	2,327	2,459	2,616	2,600
5.	New university and college enrolled students	Thou.	239.5	282	300	320
6.	New vocational college enrolled students	"	184	197	217	252
7.	New technical training workers	"	820	870	979	1,080
8.	New postgraduate students	"	5.9	8.8	11.5	14.5
9.	Re-trained and strengthened officers	"	30	30	36	44
10.	Provinces achieved lower secondary universal education	Prov.			19	25

8. LABOUR, CULTURE, HEALTH AND SOCIAL AFFAIRS

#	Indicators	Unit	Assessment of 2001-2004			
			2001	2002	2003	Est. 2004
A	POPULATION					
	Population	Mil.	78.7	79.7	80.7	82.1
	<i>Of which:</i> Rural population	"	59	59.7	60.3	60.6
	Rural population percentage	%	75.0	74.3	74.7	73.8
B	LABOUR					
1.	Total labour force	Mil.	37.6	38.7	41.1	42.3
	<i>Structure:</i>					
	- Agriculture, forestry, fisheries	%	67.2	66.1	61.3	58.6
	- Industry and construction	"	12.6	12.9	15.7	17.4
	- Services	"	20.2	21.0	23.0	24.0
2.	Urban unemployed rate	"	6.3	6.0	5.8	5.6
3.	Rural used working time rate	"	74.3	75.4	76.5	78.3
4.	Rate of poor households out total	"	17.5	14.5	11.0	8.3
5.	Number of new workers provided with jobs	Thou.	1,400	1,420	1,525	1,555
6.	Number of trained new workers	"	887	1,005	1,074	1,160
C	CULTURE					
1.	Total publication	Mi. copy	270	280	290	332
	<i>Of which:</i> Secondary textbooks	"	155	165	198	198
2.	Total press copies	"	650	650	680	680
	<i>Of which:</i> The People paper	"	110	120	140	140
3	Time amount of VOV programs	Thou. h	46.1	47.4	48.5	48.5
4.	Total VOV broadcasting time	"	258	323	325	325.5

(VOV: Voice of Vietnam Radio)

#	Indicators	Unit	Assessment of 2001-2004			
			2001	2002	2003	Est. 2004
5.	Rate of households covered by VOV	%	92	93	93	94
6.	Time amount of VTV programs	Thou. h	24.3	25.2	37.1	48.5
7.	Total VTV broadcasting time	"	281.1	310	368	390
8.	Rate of households cover by VTV	%	82	84	86	88
9.	Number of footage films produced by order	Vol.	11	12	13	14
10.	Number of relics preserved	Relic	290	300	310	320
D	HEALTH-SOCIAL AFFAIRS					
1.	Under 1 children mortality rate	‰	35	33	32	26
2.	Under 5 children mortality rate	‰	< 42	<42	<40	35
3.	Under 5 children manutrition rate	%	31.9	29.0	28.0	26.0
4.	Rate of communes with health stations	"	97.0	97.3	98.6	99.0
5.	Rate of communes with doctors	"	56.1	>60	61.4	65.4
6.	Total treatment hospital beds	Thou.	185.8	190	195	200
7.	Beds/10 thousand people	Bed	23.7	23.9	24.1	24.4

(VTV: Vietnam Television)

9. INVESTMENT IMPLEMENTATION

#	Indicators	Unit	Assessment of 2001-2004			
			2001	2002	2003	Est. 2004
	TOTAL	Tril. VND	163.5	183.8	217.6	251.0
1.	State Budget	Tril. VND	37.0	40.4	47.0	61.0
	<i>Percentage</i>	%	<i>22.6</i>	<i>22.0</i>	<i>21.6</i>	<i>24.3</i>
	<i>Of which: ODA</i>	Tril. VND	8.06	7.3	8.1	
2.	Planned State Credits	Tril. VND	28.0	31.9	28.5	29.0
	<i>Percentage</i>	%	<i>17.1</i>	<i>17.4</i>	<i>13.1</i>	<i>11.6</i>
3.	Investment of SOEs	Tril. VND	29.0	31.0	38.5	46.0
	<i>Percentage</i>	%	<i>17.7</i>	<i>16.9</i>	<i>17.7</i>	<i>18.3</i>
4.	Investment of Individuals and private sector	Tril. VND	38.5	46.5	58.1	67.0
	<i>Percentage</i>	%	<i>23.5</i>	<i>25.3</i>	<i>26.7</i>	<i>26.7</i>
5.	Foreign direct investment (FDI)	Tril. VND	31.0	24.0	36.5	40.3
	<i>Percentage</i>	%	<i>19.0</i>	<i>18.5</i>	<i>16.6</i>	<i>16.1</i>
6.	Others	Tril. VND			9.0	7.8
	<i>Percentage</i>	%			<i>4.1</i>	<i>3.1</i>

10. STATE BUDGET BALANCE

#	Indicators	Unit	Assessment of 2001-2004			
			2001	2002	2003	Est. 2004
A	TOTAL BUDGET REVENUE	Tril. VND	103.9	121.7	142.2	166.9
1.	Domestic collection (crude oil revenue excluded)	"	52.6	61.4	74.3	92.0
2.	Crude oil revenue	"	26.3	26.51	32.1	37.4
3.	From export and import	"	22.9	31.6	33.8	35.5
4.	Grants	"	2.0	2.3	2.0	2.0
B	BALANCE LEFT OVER FROM PREVIOUS YEAR	Tril. VND	3.4	2.1	4.4	4.4
C	TOTAL BUDGET EXPENDITURE	Tril. VND	144.7	148.2	176.6	206.1
1.	Investment expenditure	"	40.2	45.2	51.0	59.0
2.	Debt payment and aids	"	14.9	19.8	24.8	29.4
	- Domestic debt payment	"	8.9	12.3	17.8	21.7
	- Foreign debt payment	"	5.8	7.3	6.8	7.5
	- Aids	"	0.2	0.2	0.2	0.2
3.	Recurrent expenditure and defense expenditure	"	71.56	78.0	95.5	98.4
4.	Expenditure for lightened administrative apparatus	"	0.04	0.2	0.1	0.1
5.	Expenditure for salary reform	"				0.7
6.	Financial reserve fund	"	0.8	0.5	0.6	0.4
7.	Converted source for salary expenditure	"	2.1	4.4	4.4	6.0
8.	Petroleum import subsidy	"			0.3	5.7
D	BUDGET DEFICIT	Tril. VND	23.6	25.6	29.9	34.8
	<i>Percentage in GDP</i>	%	4.9	4.8	4.9	4.9
	<i>Deficit compensate sources</i>					
1.	Domestic loans	Tril. VND	17.7	18.4	22.8	27.5
2.	External loans	"	6.6	7.2	7.1	7.3

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