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Growth, inequality and the future of poverty reduction in Vietnam

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Abstract

Vietnam's economy over the past decade grew at one of the highest rates in the world. The broadly based nature of this growth sent tumbling by over 20% points the proportion of the population falling under an internationally comparable poverty line. Yet this growth has also generated increases in income inequality which, by some measures, threaten to give Vietnam one of the highest Gini coefficients in Southeast Asia within 10 years. This paper examines the dynamic interconnections between growth and equity over Vietnam's transition to a market economy. It argues that the sustainability of Vietnam's achievements in reducing poverty is not assured, since greater inequality may undermine both the efficiency with which future growth will reduce poverty and make it politically more difficult to pursue pro-poor policies. The paper reviews the current state of Vietnam's reform agenda, as it affects prospects for achieving equitable growth in the medium-term.

JEL classification: I3; I39; P2; P26

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1. Poverty as the litmus test of economic reform in Vietnam

After seemingly interminable decades lost to war and later isolation and economic mismanagement, the closing decade of the 20th century was, in development terms, perhaps the greatest in its history. Vietnam enjoyed an average rate of economic growth of 7.6% over

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the decade, placing it among the fastest growing countries in the world, alongside its neighbor China. Less remarked upon is the burst of poverty reduction Vietnam experienced over this period, one that would, if sustained a further 10 or 15 years, move it from the ranks of the poorest populations in the world to one with negligible levels of absolute poverty. In part because of these numbers, and the textbook fashion in which the Vietnamese economy responded to market-oriented reforms, the multilaterals have celebrated Vietnam as a case study of the promise of economic integration or 'globalization' for poor countries (e.g., World Bank, 2002a).

Yet the close of the decade found many examining Vietnam's experience from a more critical angle. Despite conflicting claims (explored below), inequality appears to be rising sharply. Growth has slowed, hovering in the IMF's estimates around 5% from 1998 to 2001.[1] Some observers find the government's commitment to the structural reforms necessary to recover high growth rates to be flagging (Riedel, 1999). Concerns over institutional quality are also pronounced; for instance, perceptions of corruption in officialdom, already ranked among the highest in the world, are on a steady upward trend.[2] A scenario of declining growth and static institutional quality, and rapidly increasing inequality, would (if accurate) trigger serious doubts over the sustainability of poverty reduction in Vietnam.

Poverty in Vietnam is arguably the most momentous socioeconomic issue facing Vietnam over the medium-term, for a number of reasons. First, however defined, the sheer number of people living in 'absolute' poverty is still high in Vietnam. Approximately one-third of the population, or some 25 million people, fall below a putatively comparable international poverty line, and a large population is clustered just above the that line (World Bank and others, 1999, p. 3). Second, the issue of how fast inequality is growing, and what it means for Vietnam's self-defined 'multi-sectoral economy with socialist characteristics', is politically sensitive, particularly given reports of sporadic rural unrest in several regions of the country, which, though their causes may be localized, cast doubt the degree of responsiveness and legitimacy of local institutions. Local debate over the links between growth, inequality and poverty in the transition process affect the willingness of policy elites to pursue more rapid economic and institutional reforms. Third, the pace of poverty reduction (as well as economic restructuring) will fundamentally color relations with the donor community, more focused than in previous decades on the impact of the policy environment on poverty reduction (World Bank, 2001).

Thus, how Vietnam deals with the question of poverty and inequality will fundamentally determine the type of society it will become. Will it be able to emulate the long-term relative success of the East Asian 'tigers' in generating broadly based affluence and reducing poverty? Will Vietnam ultimately resemble countries like the Philippines or Sri Lanka, which, despite better-than-average social indicators in some areas, have lost the momentum of growth and poverty reduction for sustained stretches in the recent past. A 'worst case' scenario—in which Vietnam drifts towards some unstable combination of accelerating inequality, low economic growth and institutional dysfunction—is not to be discounted as well.

What was the Vietnamese model for reducing poverty over the last 10 years? How sustainable is it in light of the ever-changing institutional and economic environment? What will Vietnam have to do in order to continue to reduce poverty? The paper first examines the interrelationships between growth, inequality and poverty reduction in the literature, and then uses the 'growth with equity' paradigm as the background against which to assess Vietnam's growth experience. The paper goes on to project poverty and inequality indicators forward under different scenarios. Having surveyed the reform agenda necessary to continue to deliver rapid poverty reduction, the paper concludes by assessing the political and institutional dynamics underlying these reforms.

2. 'Growth with equity' as an emerging model of economic governance

The relationships between growth, inequality and poverty reduction have generated an enormous literature over the years (Bruno, Ravallion & Squire, 1998 and Srinivasen, 2001 provide an overview). While interpretive emphasis may differ, a number of analysts and institutions previously holding quite contrary positions have in recent years embraced certain key general propositions, which might be broadly described as the 'growth with equity' position (Watkins, 1998). Specific elements of this broad school of thought include the following.

2.1. Necessary relationship between growth and poverty reduction

Even typical critics of orthodox development theory increasingly acknowledge the critical role of growth in reducing poverty sustainably, particularly in very low-income countries. In the absence of growth, few government interventions can sustainably reduce poverty, and radical measures to affect income distribution generate huge inefficiencies and lack political feasibility.

2.2. Need for 'high-quality' growth to maximize poverty reduction

While the impact of growth on poverty reduction is almost always positive, the speed and depth of the impact varies significantly. A range of policy measures is available to governments to improve the impact of any given level of economic growth on poverty reduction.

2.3. No necessary relationship between growth and inequality

Contrary to earlier theories going back to Kuznets (1959), several studies (reviewed by Srinivasen, 2001) suggest that there is no *necessary* connection between rapid growth and inequality generation. Country experience varies dramatically; in a study of 44 countries over the period 1981–1992, inequality was found to slightly rise with greater rates of economic growth in about half of the countries, and in half it actually fell (Bruno and others, 1998). One must therefore look at the specific propelling forces behind the growth–inequality relationship in any given case.

The above propositions derive from a particular reading of international experiences, with East Asian countries occupying a prominent position. It is widely known that successful East Asian economies such as South Korea and Taiwan have been able to combine comprehensive economic transformation with relative social equity, while many Latin American countries—Brazil and Mexico are the classic examples—have made far less social progress, despite substantial economic growth. Several studies (Watkins, 1998; World Bank, 1993) suggest the success of the "tigers" in this regard rests on three important factors: (i) higher levels of *initial* equality and equal distribution of assets (in part due to major socioeconomic traumas, such as World War II, the Korean War etc.); (ii) egalitarian, high-quality educational systems; and (iii) a labor-intensive growth strategy which contributed to employment creation and growth in real wages. These three factors worked to Latin America's detriment. It has been plagued by continued economic and social inequalities which actually predate its period of rapid industrialization. Its income distribution has been skewed by an educational system and social expenditure biased heavily against basic services (e.g., favoring university education). And its import substitution industrial strategy was decidedly less successful in creating flexible labor markets with low unemployment and growing wages (Watkins, 1998).

The case of China reveals the complex interplay of the three variables—growth, inequality and poverty reduction—in practice, as opposed to the neat theory. It plays an important role in interpreting the Vietnamese experience, since it does not obviously fall into the East Asian 'miracle' or 'Latin American' categories. The poor have benefited greatly from Chinese growth over the previous 20 years, with poverty estimated to have fallen by over 50% between 1981 and 1995, regardless of the poverty line used (World Bank, 1997, p. 11). But China has experienced a degree of inequality generation (as measured, for instance, by a Gini coefficient which increased from 28.8 in 1981 to 38.8 over the same period) which is "highly unusual and signals deep structural transformation in the distribution of assets and their returns" (World Bank, 1997, p. 1). Regional disparities have grown tremendously: between the coast and the interior, but even more between rural and urban regions throughout the country. Such disparities have gone hand in hand with widening gaps in access to basic services, which reflect purchasing power to a greater degree than in the past.

Regional disparities in China have grown for several reasons, in ways that complicate the relationship between the variables under consideration. The advantages of better infrastructure (proximity to world markets and harbors, etc.) have increased with the reforms, so better endowed areas have benefited from them to a greater extent. Yet several reasons relate more to particular policy choices, making the pace of inequality generation perhaps less 'inevitable' than many casual observers may posit (Wang & Hu, 1999; World Bank, 1997). First, regional policies have designated coastal areas for preferential treatment in foreign trade and investment. Second, the interprovincial distribution of public finance has become more regressive and has led to inability to maintain basic expenditures on public services in poorer areas. Third (and partly as a result of these policy-related shifts), interior regions have generated significantly less human capital, with pre-existing gaps in literacy, school attendance and infant mortality widening since the advent of the reforms. Fourth, coastal regions have benefited from investment levels two and a half times higher than those in the interior, leading to differential economic growth rates, with coastal growth powered by fast growing export industries. Thus while the basic East Asian, 'growth with equity' pattern of stressing education and labor-absorbing growth is evident in the Chinese case, the degree of inequality—to a large extent generated by policy—is inconsistent with that basic paradigm.

3. Indicators from Vietnam's transition

To what extent have Vietnamese reforms followed a 'growth with equity'-type pattern? To what extent do they parallel China, with its extremely rapid inequality generation coupled with poverty reduction? This section first explores the background to Vietnam's transition reforms, and then examines its impacts on socioeconomic indicators over the past 10 years.

3.1. Background to reforms

The scope of Vietnam's *doi moi* ('renovation') reforms stretching over the past 15 years is striking. Vietnam's economy has grown—and very quickly—whereas many, if not most, other former command-and-control economies have stagnated. Of 28 transition economies—from Albania to Uzbekistan—25 had negative growth rates of GDP in 1992, for instance. But China and Vietnam were the 'stars', with sustained growth rates over 7% through much of the 1990s. Even the comparison with China is sobering. Unlike China, Vietnam began its reforms in macroeconomic crisis; it also began its most far-reaching reforms nearly a decade later than China.

What were the conditions from which Vietnam began this economic ascent? Following reunification of the country in 1975, the North pressed ahead with its model of a top-heavy, centralized economy, which had been consolidated in the North for some decades. An attempt was made to collectivize agriculture in the South; it was fiercely resisted and generally unsuccessful. Private trading of any kind was banned, as the service sector was viewed as non-productive. The banking system simply responded passively to politically driven investment decisions, and in any case faced a dire shortage of funds. Prices were essentially irrelevant in this bureaucratic, centralized state-subsidy system. The results of this experiment were dire. Per capita growth was negative throughout the late 1970s, including in the state-owned heavy industrial sector, which was intended to be the leading engine of growth.

By 1979, calls for reform were heard, and two important reforms—introducing a contract system in agriculture, and allowing 'spontaneous commercialization' of state-owned enterprises—were implemented in 1981. A period of "big bang" fundamental reforms began in 1987 and is well documented elsewhere (Fforde & de Vylder, 1996); key reforms included large-scale decollectivization, monetary and price reforms, and openness to trade and foreign direct investment. Following stabilization in both external relations and in the economy, by the early 1990s Vietnam was set for several years of rapid economic growth.

The growth bonanza—both for GDP and FDI—slowed significantly beginning in 1997,[3] from which time estimates of GDP growth have varied considerably. The Government Statistics Office estimates growth from 2000 to be in the range of 6–8% per year, while other observers, notably the IMF, place it at less than 5% (EIU, 2002). Analysts actively debate the extent to which the slowdown is attributable to government reluctance to pursue more rapid structural reform. Some analysts spot a clear deceleration in reform of the state-owned enterprise system, with the party signaling its commitment to a leading role for the state sector (Webster, 1999). Yet in 2001, the increasingly proactive National Assembly passed an amended version of the 1992 constitution which fully acknowledges the role of the private sector (EIU, 2002, p. 9), and efforts to improve the legal environment for foreign investment have been prominent in recent years. Meanwhile, an emerging industrial policy has aimed at the creation of triangular regional growth poles, with anchors in Hanoi, Danang and Hochiminh City, and the establishment of a number of industrial parks (EIU, 1997). It is too early to fully assess the impacts of these policy developments, which have yet to be consolidated. Section 4 below examines some reasons behind divergent assessments of the Vietnamese development situation, to a large extent rooted in how the transition policies are perceived.

3.2. Vietnam in comparative context

There are three relevant human development facts about Vietnam that immediately stand out when looking at the country in comparative perspective. The first is high poverty. The World Bank places Vietnam 157 out of 207 ranked countries in terms of Gross National Income per capita (at purchasing power parity in 2000).[4] Low per capita income translates into high levels of deprivation in some key indicators. Despite a decade of incremental improvements, "child malnutrition rates in Vietnam are among the highest in the region" (World Bank, 2001, p. 27). Second, Vietnam has better social indicators than most similarly situated poor countries (excepting malnutrition rates). The final stylized point is the extreme sub-national variation found in terms of both economic and social indicators.

Fig. 1 above depicts all three facts rather simply, plotting, for Vietnam and several comparator countries, per capita GDP against their Human Development Index (HDI) score.[5] Vietnam ranks near the bottom in terms of per capita income, but its HDI score is significantly better than several other low-income comparators. Table 1 places the sub-national picture in perspective by providing regional HDI estimates, confirming that some areas—the Southeast

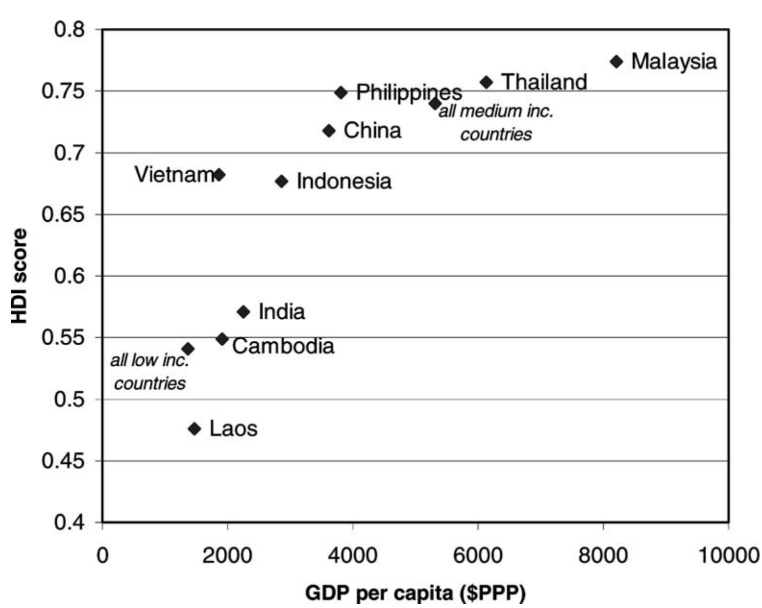

Fig. 1. Vietnam's human development score and per capita GDP in comparative perspective. Source: UNDP (2001).

Table 1
Sub-national socioeconomic indicators

Region	Population (1998, millions)[a]	Incidence of poverty (%)[a]		GDP growth rate (average 1995–1999)[b]	GDP per capita (1999, $PPP)[b]	HDI score (1999)[b]
		1993	1998			
Vietnam (total)	75.8	58	37	7.6	1860	0.696
Northern Uplands	13.5	79	59	7	899	0.629
Red River Delta	14.9	63	29	6.9	1616	0.723
North Central	10.5	75	48	4.9	939	0.662
Central Coast	8.1	50	35	6.6	1238	0.676
Central Highlands	2.8	70	52	11.5	1102	0.604
South East	9.7	33	8	9.9	3809	0.751
Mekong Delta	16.3	47	37	5.5	1496	0.669

[a] Source: World Bank and others (1999).
[b] Source: NCSSH (2001).

(home to Hochiminh City) in particular—are nearly as well off as average residents of richer countries such as Malaysia, while others are on par with Vietnam's poorer Indochinese cousins, Cambodia and Laos.[6] Vietnam's HDI score increased steadily since 1985 (the first year for which it was calculated) to 1999, from 0.58 to 0.68, driven primarily by increases in the GDP per capita component of the index (NCSSH, 2001, p. 147).

3.3. Socioeconomic impacts of the transition

What happened to poverty and human development indicators during the transition? Rapid growth generated rapid reductions in poverty; the period between 1993 and 1998—dates framing the most rigorous large-scale survey available, the Vietnam Living Standards Survey (VLSS), technically assisted by the World Bank (GSO, 1997)—saw a 20.8% point decline in the head-count index of poverty (see Table 1). This figure suggests Vietnam's poverty reduction experience over the 1990s was among the fastest ever recorded.[7] Growth was also relatively broadly based: all regions and most sub-populations (such as ethnic minorities) have seen absolute incomes rise and well-being increase.

Key social indicators—such as life expectancy, infant mortality, and literacy—have almost uniformly improved during the transition, though often marginally. Some nutritional indicators saw rapid improvement between 1993 and 1998, with stunting rates for children under five decreasing from 53% to 33.6% (Koch & Nguyen, 2001, p. 66), though others, such as underweight children under five, have declined much more sluggishly (World Bank and others, 2001, p. 29). Vietnam posted relatively strong gains between 1985 and 1999 in life expectancy (67–74 years) and infant mortality (49 to 33 per 1000 live births), but marginal gains (from already high levels) in adult literacy, from 85% in 1980 to 90% in 1999.[8] Indeed, it is the pre-transition (i.e., indeed pre-1980s) period that stands out for exceptionally rapid advances in these latter indicators.

The trajectory of the social sectors, with health and education representative, has thus been quite different from that of the productive sectors, which saw extremely rapid development over the transition. Most of the uniqueness of Vietnam—relatively good social indicators given its income level—was evident prior to the reforms, not as a direct result of them. Moreover, during the early transition period (i.e., the late 1980s) the social sectors experienced what might be called a 'double crisis without a transition'. They were first hit by the marked lack of investment and organizational decline which inflicted all sectors of the economy (precipitating the reforms). And, what service-delivery mechanisms did exist essentially crumbled with the decline of the cooperatives, the disappearance of subsidies and the lack of a clear legal and regulatory framework. The opportunity for a revitalized social sector—with both renewed resources and a coherent legal and policy framework consistent with a market-oriented economy—was one which inevitably would take longer to realize. By the mid-1990s, the social sectors enjoyed relatively stable funding after significant increases in the share of a rapidly increasing GDP the government was collecting as revenues (SRVN and others, 2000). Overall, then, social service delivery networks and social indicators have not declined, but rather have stabilized and marginally improved over the transition, particularly since the mid-1990s. Given appalling declines seen in some transition contexts (e.g., Russia), that is no small achievement.

The more problematic aspect of the transition is its impact on rapidly accelerating socioeconomic and regional disparities and the persistence of vulnerable populations who have yet to fully take part in the economic growth picture. Inequalities in certain social indicators critical to human capital remained undiminished, or have even increased, over the decade. Though not worsening in absolute terms, some groups—notably ethnic minorities (who constitute approximately 15% of the population)—have seen relatively modest gains in educational attainment or other social indicators over the past 10 years. Ethnic variations in life expectancy are striking. According to 1989 census figures, a H'mong woman's life expectancy in 1989 was close to two decades less than the average for the Red River Delta or Southeast, and 16 years less than the 85% of Vietnamese who are ethnically Kinh (Fritzen, 1997, p. 9, drawing on 1989 census figures; see also Donovan, Rambo, Fox, Le Trong & Tran, 1997); while no comparable figures have been published for later years, life expectancy in eight "low human development" provinces with a large share of ethnic minorities was 7 years lower than the national average (NCSSH, 2001, p. 98). Such indicators, read in conjunction with the much slower reduction in poverty for upland regions and minorities, cast doubt on the ability of vulnerable groups to bridge the widening gap between them and those better positioned to gain from the transition.

Such disparities in human capital also reinforce economic inequalities. The increasing geographical concentration of poverty is striking, with the Northern Uplands, Mekong Delta and North Central Coast regions holding over 67% of Vietnam's poor in 1998, from 55% in 1993 (World Bank and others, 1999). While in the aggregate, Vietnamese income/expenditure inequality is still moderate by international standards (Table 2), a focal point of contention is the pace at which inequality has been growing. Two recent estimates—one from the aforementioned VLSS for 1993–1998 (GSO, 1997), and another appearing in the UNDP-sponsored Country Human Development Report (NCSSH, 2001) based on more recent data obtained through regular administrative reporting by provinces, reach significantly different conclusions. The VNLSS data showed Vietnam's Gini coefficient to have increased only marginally, while the UNDP-backed study reports a large increase, from 35.6 to 40.7. It is this latter estimate that is striking. If true, it suggests Vietnamese inequality is growing at one of the

Table 2
Regional comparisons of inequality

	Survey year	Gini	Ratio of top to bottom income quintile
Malaysia	1997	49.2	12.4
Philippines	1997	46.2	9.8
Thailand	1998	41.4	7.6
Cambodia	1997	40.4	6.9
China	1998	40.3	8
India	1997	37.8	5.7
Laos	1997	37	6
Indonesia	1999	31.7	4.6
Bangladesh	1995	33.6	4.9
Vietnam (VLSS)	1993	33	3.9
Vietnam (VLSS)	1998	35.4	5.6
Vietnam (UNDP)	1995	35.6	–
Vietnam (UNDP)	2000	40.7	7.3

Source: GSO (1999) and NCSSH (2001) for Vietnam; UNDP (2001) for all other countries.

fastest rates recorded in the world in recent years,[9] and has reached the same level as China much faster, and at a much lower income level (NCSSH, 2001, p. 46). This paper is not in a position to evaluate the methodologies employed in reaching the two estimates, but a plausible interpretation, given their different starting and end-points, would be that the generation of economic inequality, still moderate in the mid-1990s, was by the close of the decade accelerating rapidly.

3.4. Projecting trends

Another means by which one can gain perspective on these trends is by projecting them forward under different scenarios. If rate of poverty reduction found in the VLSS were to continue (i.e., 36% reduction in poverty every 5 years), absolute poverty would be reduced to less than 10% by 2013, as shown in Fig. 2 (faster poverty reduction scenario). Even in this scenario, ethnic minorities would continue to suffer high rates of poverty, a politically important fact given the government's sensitivities towards 'border areas' and the occasional unrest that takes place there (such as that widely reported in the international press this year, but as yet poorly understood, in the Central Highlands).

Yet VLSS poverty trends almost certainly outpace current rates of poverty decline. They were based on the highest growth period in the Vietnamese economy, which as noted has already slowed significantly. Moreover, increasing inequality will have a negative influence on the rate at which any level of economic growth reduces poverty. If poverty were reduced for ethnic minorities at half the rate it was in the heady period framing the VLSS,[10] some 62% of its (non-Chinese) minorities would still fall under the poverty line in 2013. A reduced rate of poverty alleviation would also maintain a much larger population poised just above the absolute poverty line; thus aggregate poverty estimates would remain highly vulnerable to any significant economic shock. From this perspective, the welfare gains of the transition, though substantial, are still precarious.

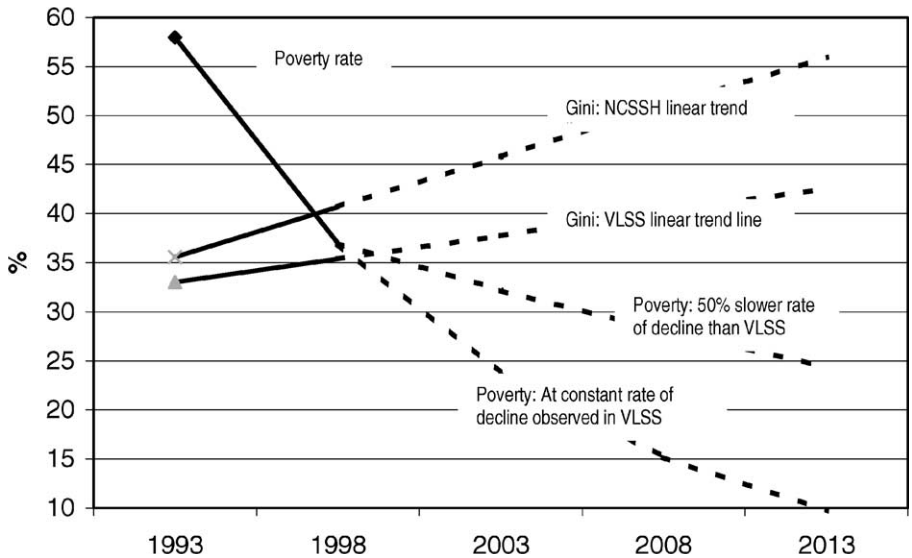

Fig. 2. Projecting poverty and inequality trends. Note: NCSSH Gini starting points are for 1995 and 1999. Sources: extrapolations based on NCSSH (2001) and GSO (1999).

Regional inequalities will continue to grow under almost any scenario; under current (VLSS-measured) trends, the ratio of per capita income in the Southeast to that of the Northern Uplands would climb from 2.6:1 in 1998 to over 5:1 in 2010. Estimates of increases in overall inequality, as already noted, are highly dependent on the current estimate, but even the lower VLSS estimate, if extrapolated in linear fashion, would represent a substantial increase in Vietnam's Gini—to 43—by 2013, placing Vietnam by then somewhere between present-day Thailand and the Philippines. Linear extrapolation of the UNDP-backed study's rate suggests Vietnam's Gini would reach over 55 by then, a level that would make it the country with the most unequal income distribution in (present-day) Southeast Asia.

4. Can Vietnam sustain 'growth with equity' as a poverty reduction strategy?

Vietnam has thus experienced rapid growth linked to broadly based poverty reduction and generally improving social indicators during its transition to a market-oriented economy. Yet inequalities have also increased substantially, whether measured by income or social indicators. Ethnic minority–majority, regional and urban–rural disparities are all pronounced. From this perspective, Vietnam's experience has generally resembled that of China, which one might summarize as growth with imperfect (but still substantial) equity.

Can Vietnam sustain and build on the gains of the transition to date, while slowing or reversing the trend towards increasing inequality? The answer will depend, first, on the analyst's assessment of the nature of Vietnam's achievements to date, and specifically on how dependent these gains were on specific circumstances experienced in the early to mid-transition period. The answer will also hinge on Vietnam's changing policy environment. This section examines each of these areas.

Why did Vietnam succeed in quickly achieving, not only stabilization, but also rapid economic growth and poverty reductions over the course of its reforms? Views divide into the 'pessimist' and 'optimist' camps, depending on the analyst's views on the implications of the early transition period for further development. The 'pessimist' position[11] begins with the assertion that Vietnam benefited in its initial reform period in ways unlikely to be sustained or repeated. Its economic structure was not overly dependent on a large state-owned heavy industrial complex, making its downsizing less problematic. Just as external aid from the former Soviet Union dried up, large oil production came on line to help balance the budget. And the enormous boost in rice production was a 'one-shot deal', compensating for previous restrictive structures; further growth in agriculture will be slower and more difficult to achieve. In looking for a guidepost for future development in Vietnam, pessimists focus on three factors: (a) structural constraints, such as population growth and relative dearth of natural resources per capita; (b) policy shortcomings, particularly urban and lowland bias, leading to a predicted stagnation of agricultural growth and rapid environmental decline in the highlands; and (c) institutional rigidities, such as continued emphasis on the state-sector over the more dynamic private sector. Vietnam is seen to lack the political will to make the thorough institutional changes, particularly in the promotion of the non-state sector, which are the logical continuation of the initial transition policies. The essence of this view is that achievements to date in terms of both the *level* and *broadly based nature* of growth are currently under threat.

The 'optimistic' position[12] views the transition through a different lens. While acknowledging all the fortuitous contributing factors above, optimists see in Vietnam's *doi moi* reforms a demonstrated commitment to pragmatism, and the capacity to adjust with changing circumstances. In marked contrast to the pessimists, government capacity generally, and social organization specifically, are typically seen as strong. Vietnam has enjoyed generally good macroeconomic management, of crucial importance to providing a long-term pro-growth environment. Moreover, Vietnam's relatively broadly based human capital has enabled many segments of society to benefit from the initial reforms (creating a momentum in favor of their continuation) and will underpin Vietnam's long-term attraction as a magnet for foreign investment, only temporarily disrupted in this view by the Asian financial crisis, the world economic slowdown and ongoing administrative reforms. This view suggests one can still expect considerable poverty reduction in Vietnam.

While both stylized perspectives above are consistent with some of the facts of Vietnam's transition—there is no need to choose one or the other—they imply substantially different trajectories for Vietnam's development outcomes. It is in the assessment of the government's reform agenda that the views above differ most sharply, and indeed, the 'growth with equity' paradigm discussed in Section 2 holds that public policies play an important role in mediating the growth–poverty–inequality relationships. Some of the most important overall policy orientations posited in this paradigm to lead to both sustainable growth and social equity, and which can be empirically evaluated in Vietnam, include: (a) maintenance of macroeconomic stability; (b) economic policy that generates demand for labor; (c) ensuring broad access to human and productive assets; (d) provision of public goods that boost the returns to those assets; (e) compensatory policies for slow growing regions and vulnerable populations; and (f) institutional reforms that ensure effective implementation of these policies. The remainder of this section briefly surveys the state of reforms in these areas.

4.1. Maintenance of macroeconomic stability

Macroeconomic stability is strongly associated with the primary means to sustainably reduce poverty—facilitation of high-levels of investment and economic growth. Inflation also serves as a regressive tax borne disproportionately by the poor, who are unable to protect the value of their cash assets as well as the better-off (Ames, Brown, Devarajan & Izquierdo, 2001).

Vietnam has been able to maintain overall macroeconomic stability throughout the transition. Inflation was held in single digits throughout the 1990s. One trend causing concern is the erosion of revenue collection as a percentage of GDP, down from 22.6% of GDP in 1995 to 18.5% in 2000,[13] but expenditure has generally been reduced by an almost equal amount, and budget deficits have remained low; the donor community estimates associated risks to fiscal sustainability in the near term as "manageable" (SRVN and others, 2000, p. 2). The authorities have shown a high commitment to maintaining macroeconomic stability, even at the cost (in their perspective) of slower economic integration and structural reforms. Most forecasts of the macroeconomic picture are for continued stability (EIU, 2002).

4.2. Rapid employment generation

Reducing poverty in Vietnam is inextricably linked to policies that promote extensive use of the primary asset owned by the poor—their labor. It is estimated that the Vietnamese economy must absorb well-over one-million new labor entrants per year (Webster, 1999), while returns to labor must increase over time for incomes to be rising and poverty falling. In Vietnam and many other countries, the primary engines of employment generation are labor-intensive industrialization and the promotion of higher incomes through higher productivity in the smallholder agricultural sector. Among the most important policy instruments for doing this are the removal of biases (e.g., in the allocation of scarce credit) towards capital-intensive, import-substituting industries and the facilitation of private-sector investment and small- and medium-scale enterprises.

Performance in these areas is mixed and the subject of much controversy. Vietnam has made some progress in establishing a legal framework for the private sector, which is now acknowledged in its new (2001) constitution to play a pivotal role in development. Beyond such policy statements on the role of the private sector, however, some analysts find deep contradictions in the overall policy and regulatory environment towards private enterprise, and in the application of existing laws (Webster, 1999, pp. 10–11). Reform of state-owned enterprises, and related banking sector reforms, are perceived by most analysts to be generally sluggish, with base case triggers for World Bank support in this key area "not met" and only 230 relatively small state-owned enterprises completely equitized by 1999 (World Bank, 2000).

Why has structural reform proceeded so slowly? At one level, the pace reflects the lack of consensus on the ideas themselves, with some conservative elements of the Party still clinging to socialist theory that suggests law is a management tool to preserve the state's interests (Webster, 1999, p. 11). Moreover, some Vietnamese officials argue that a slower pace of structural reform is necessary in order to maintain overall macroeconomic (and by implication, sociopolitical) stability. A more telling rationale for slow reform is to be found in the economic rents created by the SOE sector and the lack of a level playing field for the private sector.

A 'cautious economic stance' with regard to economic integration, loosening of exchange rate controls and banking reform thus becomes an idiom for slow structural adjustment. It both delays the eventual costs of structural reform and poses "a serious risk that continuing a slow reform program ... would lead to a more permanent low growth path" (World Bank, 1999, p. 46). This interpretation is certainly consistent with Vietnam's much reduced growth performance over the past 4 years. There is little doubt that the desired pace of structural reform is contested in senior policy-making circles in the government (Riedel & Turley, 1999). But policy continues to "muddle-along" rather than be guided by a strategic vision of reform which could lower the costs of uncertainty to potential investors and entrepreneurs (Riedel, 1999). The outlook for more rapid structural reforms that could boost growth to levels experienced in the mid-1990s is thus not particularly promising.

4.3. Broad access to productive assets and human capital

Literature on the determinants of how broadly based growth will be emphasizes initial conditions, particularly the distribution of human and productive assets prior to any bout of growth (Watkins, 1998; World Bank, 1993). On this measure, Vietnam was relatively well-poised for its high-growth period, with its relatively good social indicators and (following decollectivization in 1987) broad and generally equitable distribution of farm land. This picture is still generally positive, though the distribution of income is by no means static; rapidly increasing inequality can be expected to lower the efficiency with which growth translates into poverty reduction in the future.[14]

Universal provision of social services is a fundamental plank in the growth with equity strategy (Taylor, Mehrotra & Delamonica, 1999). While social delivery systems have recovered from the negative impact of the early transition, they suffer at present from chronic problems of low quality and continued disparities in access by the poor (Fritzen, 2000; World Bank and others, 1999). For example, a drive over the 1990s for 'universal basic education' has resulted in improvements in enrollments, while repetition and drop-out rates in mountainous areas have remained stubbornly high (UNICEF, 2000). Slow improvements in nutritional status in poor regions (such as the Mekong Delta and Northern Uplands) are probably a good proxy for access to social sector delivery systems (World Bank and others, 2001).

In general, this reform area looks relatively more achievable and positive than the others, particularly given recent indications that social sector expenditure is being protected through the recent fiscal decline (World Bank, 2000). Key reforms across the board for the social sectors include greater stability of financing for basic social services and improved capacity building for service delivery in the weakest capacity—and generally poorest—areas of the countries (Fritzen, 2000).

4.4. Public goods

Provision of public goods that raise the productivity of the assets controlled by the poor is an essential function of any 'growth with equity' development paradigm. The two primary means of doing this are to make public-expenditure pro-poor and to strengthen the institutions which provide public goods (including opening to civil society; see Section 4.6). Reorienting public expenditure is a recommendation that cuts across reform sectors. In terms of funneling public expenditure into productive investments (outside the SOE sector), Vietnam's public expenditure system is considered to be relatively good for its income class (SRVN and others, 2000). In terms of the distribution impact of that expenditure, however, several areas need urgent attention.

The first is in the intersectoral distribution of expenditure. A significant but unclear share of public expenditure is eaten up by subsidies to state-owned enterprises, crowding out expenditure on such potentially high-impact areas as agricultural research, currently a paltry 0.1% of the state budget (SRVN and others, 2000, pp. 11, 37–39).[15] The second is to reform interprovincial finances, towards enhanced financing of fiscally weak provinces. While the central government transfers funds from richer to poorer provinces, local finances in poorer localities are commonly found to be insufficient to ensure basic standards of service delivery (Fritzen, 2000; Rao, Bird & Litvack, 1999). Boosting fiscal capacity in poor provinces will likely necessitate increases in interprovincial fiscal redistribution, consistent with aggregate fiscal discipline and the avoidance of distortionary effects on local fiscal effort. Greater efforts are also needed to spread investments more equitably intra-provincially, taking into consideration the rural–urban distribution of expenditure. Large investments made in provincial town infrastructure are often out of proportion with provincial population structures, let alone the distribution of poverty (Fritzen, 1999; World Bank and others, 2001).

A third critical area concerns the distributional effects of local government revenue intake. The average incidence of the various taxes, fees, and contributions (TFC) to which rural populations are subject does not appear in the aggregate to be overly high (although this is subject to dispute in some recent studies; see Fritzen, 2000, p. 28); what is certain is that the *distribution* of these fees between provinces appears to be highly uneven, and even regressive; for example, the highest TFC incidence is in rural Thanh Hoa (9.2%) and the lowest in two of the richest provinces in the country, Hochiminh City and Tay Ninh (1.8%) (World Bank and others, 1999, p. 97).

4.5. Safety net policies

Most countries that have achieved sustained poverty reduction have put into place mechanisms to compensate slower growing regions and vulnerable populations (Taylor et al., 1999). An increasing percentage of Vietnam's poor are concentrated in a few regions, such that the influence of regional policy on developments there will have a major impact on poverty. Four key influences on development in slower-growing areas can be identified (in addition to exogenous factors such as commodity prices and the structural reform agenda already mentioned, which would help to mitigate the urban bias of public expenditure).

The first is the increasing integration of labor markets. Unlike for China, there has been little work on labor migration issues in the Vietnamese context (see World Bank, 2002b, Section 2), yet seasonal migration is clearly increasing rapidly. Anecdotal evidence suggests restrictions placed on migrants to cities, while not as comprehensive as those in China, are on the increase. How the government regulates these flows will be an important indicator of the appropriateness of the reform environment for poverty reduction.

Second, regional policy at present is focused on so-called "economic focal point zones" (one each for the northern, central and southern regions), in which public investment is concentrated and FDI, to the extent possible, directed. From a 'growth with equity' perspective, this model of regional development has major weaknesses. Hoped-for linkages between growth zones and surrounding rural areas have been slow to materialize (Fritzen, 2001a).

A third factor concerns the efficacy of the government's targeted programs for poor regions, under the umbrella of the National Hunger Eradication and Poverty Reduction Program. National programs, initiated in the early 1990s and substantially reengineered in the past few years, funnel central-government funding to high-priority areas such as agricultural extension, small-scale infrastructure and anti-malarial programs, targeted primarily onto the poorest regions. The overarching program's key weakness at present is poor coordination, both between sectors and levels of government; a massive gap between the programs on paper and on the ground is evident in many localities (Fritzen, 2001b; Nguyen The Dzung, 1998).

Ultimately, the weak implementation of poverty-related programs shows up in the strikingly low share of safety net (or social welfare) income in the household expenditure of the poor. In the VLSS (World Bank and others, 1999, p. 125), the combination all four major sources of 'safety net' expenditure—social insurance, social subsidies, poverty alleviation programs and NGO assistance—amounted to less than 2.7% of household income for the poorest quintile of the population in 1998. In addition, this expenditure was found to be very poorly targeted, with the highest 40% of income earners capturing almost 70% of government spending on safety nets. The importance of weak safety nets is highlighted by the fact that any exogenous shock could push a substantial portion of the population below the poverty line, making aggregate poverty estimates subject to major shifts.

4.6. Institutional reforms

Creating durable institutions that can underpin the above reform areas is perhaps the ultimate challenge facing Vietnam's government. The quality of institutions also directly affects poverty reduction in its 'empowerment' aspect, much emphasized by the World Bank in recent years (World Bank, 2001). Institutional reforms in the broadest sense hinge on the future of changes underway in state–society relations, center–local relations and party–state relations.

Allowing meaningful local participation, institutionalizing checks on local authority and creating the conditions for private sector participation in the country (including in social service delivery) are three essential elements of state–society relations in transitional Vietnam. One of the flagship reforms in this regard is the so-called 'grassroots democratization' decree from 1998, which provides guidelines to local government on making local expenditures more transparent and on processes for eliciting the participation of villagers in local planning. The donor community has called this an "important step" (World Bank and others, 1999, p. 90), but much will depend on the quality of implementation, especially given local interests that could stand to lose out from greater budgetary transparency and broader participation in decision-making (Fritzen, 2001b).

In terms of center–local relations, a central issue concerns how interprovincial disparities in both finances, capacity and leadership can be addressed for the weakest localities, while strengthening incentives for finding innovative solutions to local problems. Analysts' attention is focused on ongoing revisions to the Budget Law of 1996, and whether a specific 'decentralization policy' will emerge in the near future. The situation of Hochiminh City—which has been pushing for greater authority—will be important to monitor.

A final overarching reform concerns party–state relations. Countries that successfully promote growth over the long run typically do so through policies guided by technocratic elites, achieved through competitive recruitment to public-sector posts (World Bank, 2001). Underpinning the rule of law, so essential to promoting growth and protecting the legal rights of citizens, in most (though not all) cases is also a healthy distance between administrative and political functions of government (though an air-tight separation exists only in academic theory). Vietnam has suffered on both counts from party domination of governmental functions and recruitment based, in the Vietnamese idiom, on "virtue" (i.e., loyalty) as much or more than "talent". A number of reforms, typified by the assertiveness of the National Assembly, are concerned with carving out a more technocratic basis and independent sphere for the administration, with the Party focusing on its overall 'steering' function.

All of these institutional reforms are, in practice, deeply controversial in the Vietnamese context. It is important to note that the impetus behind them comes not primarily from outside, i.e., from the donor community; an active debate is evident in the local press and specialist forums on each of these reform areas. Institutional reform will inevitably carry 'Vietnamese characteristics'; the crucial question is whether they will be comprehensive enough to underpin higher-quality, and faster, growth.

5. The political context of economic governance reforms

One implication of the analysis offered in this paper is clear. Continuation of the rapid poverty reduction experienced over the 1990s in Vietnam is not assured. Growth itself, the primary engine of poverty reduction, has slowed considerably. And while the pace of change is unclear due to conflicting data, income inequality appears to be growing significantly, in ways that could undermine economic growth and the efficiency with which growth is translated into poverty reduction. Essential reforms that would both boost growth, reduce poverty and slow the tide of rising inequality are in many cases on the policy agenda, but progress towards their adoption and implementation is halting.

One indicative way to conceive of poverty reduction scenarios in Vietnam is in terms of the interaction of two basic variables: the speed of growth, and the 'quality' of growth, i.e., how broadly shared the growth is. Ultimately, the growth with equity paradigm underlines that those two variables are not independent. Those policies that will lead to rapid economic growth are also the ones that will promote rapid poverty reduction as well as reducing inequalities. Some elements of the reform agenda sketched above—such as targeting poorer areas with an area-based development program; increasing fiscal redistribution towards poorer provinces; and boosting absolute spending levels on basic services—are mildly redistributive; these would need to be well integrated into the general policy framework and in keeping with overall fiscal and monetary discipline. But the proposed scale of these interventions does not pose a danger of slowing aggregate economic growth (e.g., by siphoning major resources away from productive investments or distorting tax frameworks). Quite the contrary: these measures are fully consistent with macroeconomic and sectoral reforms necessary to accelerate economic growth. The 'growth with equity' is highly relevant for the Vietnamese context.

Table 3 sums up the implications for poverty reduction. The best case scenario, represented by quadrant four, is for growth to accelerate to levels experienced in the mid-1990s, and for significant progress on the 'growth with equity' agenda to lessen inequality. The worst case scenario—low growth and increasing inequality—would over the medium term substantially increase sociopolitical tensions in Vietnam; in the extreme, and in the presence of exogenous economic shocks, some of the poverty reduction achievements to date could be eroded. Quadrant one represents a real danger, and is in fact consistent with some of the (still contested) evidence, such as the IMF estimate of growth below 5% in 2002 (against the government's claim to 6.8%), and the UNDP-backed study's finding that inequality has increased much more quickly than earlier evidence suggested. In between these cases lie quadrants two and three. Both go somewhat against the grain of the 'growth with equity' analysis as applied to contemporary Vietnam, in the sense that continued high growth rates are in fact likely to be correlated with, indeed caused by, progress on the

Table 3
Poverty reduction scenarios in Vietnam

	Growth low	Growth high
Inequality high	I. Worst case. Limited poverty reduction in better-off areas, possibility of reversal of current gains, and possible worsening in minority areas. Increasing tension. Happen if structural reforms not carried out. *Indicative comparison: Russia (1980–1993)*	II. Current track. Poverty reduction to decelerate. Regional differences and socioeconomic differences to accelerate, leading to increasing governance tension. *Indicative comparison: China (1985–1993), Thailand (1981–1992)*
Inequality low	III. Stagnation of poverty reduction. Somewhat unlikely scenario except in event of economic crash, in that decreased economic growth likely to be accompanied by limited structural reform and hence increased rent seeking. *Indicative comparison: Sri Lanka (1981–1990)*	IV. Best case; significant poverty reduction (continuing trend found in VLSS), with improved income distribution. *Indicative comparison: Malaysia (1979–1989), Indonesia (1980–1993)*

Source for comparisons: see World Bank (1997, p. 8).

structural reform agenda which underpins improved equity. But they remind that the reform reality is likely to fall somewhere in between the two extreme cases.

How likely a 'growth with equity' path can be sustained in Vietnam will depend ultimately on the political economy of reform (albeit in interaction with external issues, such as the changing world economy). To assess this political backdrop requires examining the interests and relative power of stakeholders involved in particular reform sectors. Distinguishing reform areas with respect to three characteristics is also helpful. First, reforms that touch upon systemic economic relationships—i.e., that affect powerful embedded political and economic interests—rather than more narrowly construed bureaucratic interests, should be more difficult to reform in the absence of a crisis (Grindle & Thomas, 1991). Second, higher consensus on the underlying problem analysis should facilitate reform adoption and implementation (Kingdon, 1995). Finally, more tractable problems, i.e., those amenable to clearly defined technical solutions (short of fundamental institutional reorientation)—are more likely to be adopted than those demanding fundamental institutional reorientation or lacking 'obvious' solutions.

An exploratory analysis along these lines (Table 4) yields some initial insights. Some reforms, particularly those involving structural reforms and slowing down urban–rural bias, are of a highly political nature. They pit 'reformers' against 'conservatives', and slower-growing provinces against faster-growing ones, with middling provinces (more likely to have a larger percentage of state-owned enterprises and fewer market-oriented possibilities than the richest provinces) pushing for slower structural reform. The structural reform dynamic is driven by the need to recover higher growth rates as one bedrock of political stability—suggesting rapid reform—against powerful groups which would lose out from liberalization, combined with those of a conservative ideological bend. Given the consensus-oriented decision-making of policy in Vietnam, the presence or not of external economic shocks will likely have a significant impact on how quickly the structural reform agenda moves forward. Political initiative and leadership may also play a role in framing that agenda, with many eyes on the General Secretary of the Communist Party, Nong Duc Manh, installed in late 2001. Fundamentally, this analysis suggests progress on the structural reform agenda is likely to continue to be incremental in the short term.

Other reforms fall into a 'bureaucratic politics-as-usual' pattern, i.e., the primary decision-makers and contending parties are narrow bureaucratic interests, such as particular ministries. Most reforms that have a high quotient of implementation concerns—such as implementation of the grassroots democracy decree (see Section 4.6 above)—fall into this category, as do a number of important public expenditure reforms, such as reorienting the percentage of intra-sectoral expenditure within the social sectors allocated to basic services. On the more positive side, the Vietnamese administrative system has been constantly engaged in incremental bureaucratic reforms over the transition period; it shows a fairly high capacity to learn and adjust. Prospects for reform in the bureaucratic category rest on the skill with which donors, an increasingly critical press and ministry reformers focus sustained attention onto key areas. They also depend on the effectiveness of new institutional arrangements, such as the role of the National Assembly and procedures for budget transparency at the grassroots level.

How the major central line ministries would respond to ongoing calls for increased decentralization and horizontal coordination is an open question. They would benefit from a

Table 4
Stakeholder analysis of ‘growth with equity’ agenda

Key influence on growth–poverty–inequality	Stakeholders	Systemic issues vs. ‘bureaucratic politics-as-usual’ issues; consensus: high or low; tractability: high or low	Indicative areas to monitor
Macroeconomy	At present (though not through institutional guarantees) in technocratic hands	Bureaucratic, high, high	Banking reforms and share of revenue in GDP: only two weak indicators
Structural reform	Party factions (‘progressives’ vs. ‘conservatives’), SOEs, emerging private sector, donors	Structural, low, low	Speed of SOE equitization; growth of export-oriented SME’s
Rural development	Provincial groupings, ministries, political elites	Elements of both, low, moderate	Allocations to Public Investment Program
Social development	Primarily coordinating and sectoral ministries	Bureaucratic, high, moderate	Secondary school enrollments; allocations to basic services; private-sector participation
Public finance	Provincial groupings, ministries, political elites	Bureaucratic, low, low (without high-level support)	Interprovincial fiscal allocations to poorest provinces
Institutional reform	Party, local government officials, political elites, ministries, incipient civil society groupings	Elements of both, low, low	Implementation of grassroots democratization decree; role of National Assembly

clearer framework for the accountability of lower governments regarding minimum service delivery standards, and from improved strategic direction within their sectors. Yet direct upper-level control over some fiscal allocations and implementation arrangements would be delegated to local governments and communities, involving a delicate reorientation of roles and responsibilities. Strong leadership from central-level coordinating ministries and the national leadership would be necessary to make decentralization work, but these also may face conflicting pressures and interests. Administrative decentralization, to be coupled with a major capacity building effort in poorer localities, remains one of the most complex, though promising, elements on Vietnam's reform agenda at present.

Summarizing the stakeholder picture, then, the more powerful interests would appear to be working to maintain a slow pace of reform, particularly concerning highly important structural issues. Yet this picture may underestimate the impetus to further reform, since economic performance is likely to remain at depressed levels until more progress on structural reforms is made. In any case, rather than attempting to pick 'winning' reforms in this fluid situation, it makes sense to continue to watch several key reform indicators, also suggested in Table 4.

There is never an equilibrium in politics; the effect of reforms is changing political configurations, and vice versa. Economic reforms tend to produce consequences that outstrip the capacities of the political system to cope with them in part because, as in Vietnam, these reforms have consequences for the distribution of income and the future of entrenched institutional interests (Riedel & Turley, 1999, p. 50). Much will depend on four elements in the changing political situation: how quickly the social forces calling for speedier reform (such as private entrepreneurs and the rural poor) organize; how much clout weaker provinces can leverage based on the perennial concerns of the center over regional inequalities; the influence of the donor community, which increases as the economy slumps; and, finally, the political skills of those who see speedier reforms as the best hope for sustaining economic growth and with it, the legitimacy of the Vietnamese party/state. Collectively, these could represent powerful groups pushing for 'growth with equity' reforms. Yet entrenched interests will work to protect their prerogatives, and the present reform trends suggest the balance is in their favor.

Vietnam's population has benefited from one of the fastest rates of poverty reduction experienced in the world over the 1990s, but the jury must be still out on the long-term sustainability of this achievement, let alone further gains.

Notes

1. Time series estimates for IMF, ADB and Government Statistics Office can be found on http://www.vvg-vietnam.com/economics_38.htm. Note the Economist's estimates are an average of 6.5% from 1997 to 2001. See http://www.economist.com/countries/Vietnam/profile.cfm?folder=Profile-FactSheet.
2. According to the Political and Economic Risk Consultancy's surveys, perceptions of corruption in Vietnam among regional investors have increased from 1996 to 2001 from 7.78 (out of 10) to 9.75, highest in Asia. From http://www.asiarisk.com/lib10.htm.

3. FDI approvals fell three straight years beginning in 1997. See http://www.intellasia.-com/pdf_stats/investment-fdi.htm.
4. From http://www.worldbank.org/data/databytopic/GNPPC.pdf.
5. The Human Development Index—HDI for short—combines five indicators: per capita income, educational attainment (combined first-, second- and third-level gross enrollment ratio), literacy rates and life expectancy.
6. Fritzen (1997), using VLSS 1993 data, found variations in HDI by income quintiles to be wider than that for regions.
7. Others rapid experiences of poverty reduction include Malaysia (1965–1992), Cuba (1960–1970) and Korea (1965–1992); see Taylor and co-workers (1997, p. 443).
8. These figures are subject to large measurement errors and should be read cautiously. Data for life expectancy and infant mortality for 1985, and literacy for 1980, is taken from ESCAP (1993) and for 1999 from UNDP (2001).
9. This would make it comparable to the fastest periods of inequality generation in Thailand (9% point increase in the Gini coefficient between 1981 and 1992) and China (11% points between 1981 and 1995) (World Bank, 1997, p. 8).
10. Poverty for (non-Chinese) minorities, who account for some 15% of the population, was reduced 86% to 75% between 1993 and 1998, or 12.8%. The scenario discussed here is a halving of that rate, to 6.4%. See World Bank and others (1999), Fig. 2.1, p. 32.
11. Some typical early statements in this vein: ‘‘[I]t is more than likely that Vietnam will not be able to maintain rates of GDP growth that will enable it to avoid falling behind others in the region’’ (Fforde & de Vylder, 1996, p. 20). ‘‘Judged by current progress, Vietnam has at best a chance in three of achieving [the route followed by the four little dragons, including Taiwan and China]’’ (Haughton, 1994, p. 31). ‘‘The assessment ... of Vietnam's development prospects is not *n* optimistic one. ... We perceive many of the negative factors—rapid population growth, limited resources, environmental degradation, cultural, institutional, and ideological rigidities—as interacting in ways that produce negative synergy’’ (Jamieson, Nguyen, & Rambo, 1992, p. xx).
12. The donor community is nature home of most ‘optimistic’ analysts. As Landes (1999, p. 492) notes after listing self-defeating government policies in developing countries, the ‘‘international experts keep their chin up (that's what they're paid for) and offer modest recipes for improvement.’’
13. The figure for 2000 is IMF estimate, cited in World Bank (2000, p. 1).
14. Landlessness is also growing in certain regions, notably the Mekong River Delta, which is probably contributing to the slower rate of poverty reduction in this area.
15. The report notes that agricultural research is 1.7% of public agricultural expenditure, which is 6.3% of the overall state budget.

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