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Impacts of Price Hikes on the Lives and Livelihoods of Poor People in Viet Nam

Case Studies
in Provinces of Dien Bien, Dak Lak and Quang Tri,
Hai Phong City and Go Vap District (Ho Chi Minh City)

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Ha Noi, November 2008

Preface[1]

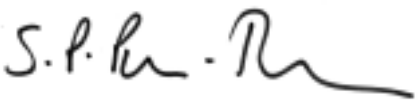
Viet Nam has made striking achievements in poverty reduction over the last two decades. However, the Government is facing new challenges associated with integration into the regional and global economy. Sustainable poverty reduction in the context of high inflation is considered of great concern. As an exporter of various agricultural products, Viet Nam should benefit overall from food price increases. Yet, it is still unclear who benefits, who loses, how the urban and rural poor are affected and how they are responding.

In an effort to seek solutions to mitigate the adverse impacts on the poor women and men and the most disadvantaged groups, Oxfam GB, Oxfam Hong Kong and Action Aid Viet Nam have, in conjunction with local partner institutions, conducted a joint study on the impacts of price hikes on the lives and livelihoods of the poor in Viet Nam. The study is a follow-up activity to the "Participatory poverty monitoring" initiative in selected communities.

The study provides detailed evidence-based analysis and recommendations as inputs to the process of policy dialogue and policy development with an aim to contribute to the cause of poverty reduction and sustainable development in Viet Nam.

We would like to sincerely thank all who have contributed to this study, including Truong Xuan (Ageless) Consultants who have worked very hard and effectively to complete the study within a tight timeframe; and the local partner institutions and the people in Dien Bien, Dak Lak, Quang Tri, Hai Phong City and Go Vap District of Ho Chi Minh City who have spared their time for this study.

For Oxfam



Steve Price-Thomas
Country Director

For Action Aid Viet Nam

Phan Văn Ngọc
Country Director

[1] This study is supported by various organizations and individuals. However, the views, conclusions and recommendations presented in this study do not necessarily reflect those of Oxfam, AAV or any other organizations or individuals referred to in the study.

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Finally, we would like to express our most sincere thanks to the households in the villages and hamlets we visited and the women and men for taking their time to talk to us about the advantages and challenges they have in life as well as their comments, plans and desires in the various group discussions and individual interviews. Without their kind and proactive participation this study would have been impossible.

Given the tight timeframe and the complex theme of the study, errors may exist. We would appreciate receiving comments[2] from interested readers and would like to thank you in advance.

Truong Xuan (Ageless) Consultants

Hoàng Xuân Thành (Team Leader)
Dr. Ngô Văn Hải
Đinh Thị Thu Phương
Phạm Việt Sơn
Hà Mỹ Thuận

[2] Comments to Mr. Hoàng Xuân Thành, Team Leader, Director of Trường Xuân (Ageless) Company, (04) 39434478 (work), 091 334 0972 (mobile), email: thanhhx@gmail.com; Ms. Lê Kim Dung, Programme Coordinator, Oxfam GB, (04) 39454362, ext. 141, email: lkdung@oxfam.org.uk; and Ms. Vũ Thị Quỳnh Hoa, Governance Officer, ActionAid Viet Nam, (04) 39439866, ext 126, email: hoa.vuthiquynh@actionaid.org

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Acronyms and Terminology

AAV	ActionAid Viet Nam
ARD	Agricutlure and Rural Development
Coop	Cooperative
CPI	Consumer Price Index
EM	Ethnic Minority
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GSO	General Statistics Office
HCMC	Ho Chi Minh City
HEPR	Hunger Eradication and Poverty Reduction
HI	Health Insurance
ILSSA	Institute of Labour Science and Social Affairs
KT3, KT4	Household classification by status of residence (KT3: temporary residence for 6-12 months; KT4: temporary residence up to 6 months, or casual visits)
LISA	Labour-Invalids and Social Affairs
OHK	Oxfam Hong Kong
Oxfam GB or OGB	Oxfam Great Britain
PCom	People's Committee
PCouncil	People's Council
PRA	Participatory Rural Appraisal
Programme 132	Government Programme on Support of Farmland and Residential Land for Ethnic Minority Groups in the Central Highland (under Decision 132/2002/QĐ-TTg dated 8 October 2002)
Programme 134	Government Programme on Support of Farmland, Residential Land, Housing and Portable Water for Poor Ethnic Minority Groups (under Decision 134/2004/QĐ-TTg dated 20 July 2004)
Programme 135	Government Programme on Support of Socio-Economic Development of the Most Disadvantaged Communes (under Decision 135/1998/QĐ-TTg dated 31 July 1998)
Sao	A local measure of area, equivalent to 360m^2 in Northern Viet Nam, 500m^2 in Central Viet Nam and 1,000m^2 in Southern Viet Nam
VHLSS	Viet Nam Household Living Standard Survey
WTO	World Trade Organization

USD 1 = VND 16,500 or VND (as of September 2008)

Executive Summary

1. Between May and August 2008, Oxfam and ActionAid Viet Nam in conjunction with local partner institutions conducted a **joint study on the impacts of price hikes on the life and livelihoods of the poor in selected communities in the three provinces of Dien Bien, Dak Lak and Quang Tri and two major cities of Hai Phong and Ho Chi Minh City**. The study is a thematic study within the framework of the "Participatory poverty monitoring in selected communities in the context of WTO accession" initiative implemented by Oxfam, ActionAid Viet Nam and local partner institutions between 2007 and 2011.

Overview

2. High inflation is currently a great challenge that Viet Nam is facing following its accession to the WTO. During the time of the study, between June 2007 to June 2008 price hikes were highest amongst food products. **Viet Nam is a surplus producer of rice and in general terms may benefit from the rise in rice prices in the world market. However, the impact varies between household groups**. As the price of rice increases net rice sellers will benefit and net rice buyers will be worse off. It is therefore important to consider both net rice sellers and buyers, especially among poor households when discussing the production, distribution and export of rice products.

3. VHLSS 2006 data show that 60 percent of poor people (as per expenditure poverty line, including expenditure for food intake of 2100 calories/person/day and expenditure for essential non-food items) are net food sellers compared to 41 percent of the non-poor. On average a poor household earns a net value of VND two million from selling food, less than the VND 3.7 million earned by the average non-poor household. Therefore **a rise in food prices will benefit a greater proportion of the poor than the non-poor. However in terms of absolute value and share of expenditures on food, the food price hike will benefit the non-poor more than the poor**.

4. Thirty percent of households – including 34 percent of poor households and 29 percent of non-poor households - are net rice sellers. The average poor household sells 61 kg of rice while the average non-poor household sells 496 kg – or eight times more. Therefore, **poor households who are net rice sellers benefit less than their non-poor equivalents from increasing rice prices**.

5. Fifty-five percent of rural households and 92 percent of urban households are net rice buyers. 53% of the poorest quintile are net rice buyers. Thus a rise in the rice price will have an adverse impact on the majority of households in Viet Nam, particularly urban households. **Rice is most important to the poorest quintile of the population as rice provides 78 percent of their daily food intake and constitutes nearly 50 percent of the total food expenditure of this group**.

Findings at the Study Sites

6. The "double-edged price" effect (a higher increase in the price of inputs than the price of outputs) was most evident between June 2007 and June 2008. The sale price of goods and labour (wages) increased at a slower pace than the purchase price of materials, services and foods. The cost of low-end food products consumed by poor households rose faster than high-end products consumed by better-off households. **Such a situation has had a negative impact on the poor and near-poor groups as they are at the same time producers, labourers and consumers**. Meanwhile the role of cooperatives and other forms of farmers' cooperation has been weak in supporting farmers' access to input and output markets.

7. **In rural areas** the income per hectare for rice farmers in 2008 is about 30 percent higher than 2007, while the income of producers of other types of commodities such as corn and coffee that require more intensive use of fertilisers and out-sourced labour is 30-40 percent lower. The income of cassava farmers

remains more or less the same as the higher sale price offsets lower productivity caused by deteriorating quality of soil.

8. Poor farmers tend to invest less in fertilizers and so earn less income. In a way, their income is affected less by price hikes. Nevertheless, they do suffer from the 'price storm'. The maize farmers in Dak Lak noted *'if we can cultivate 2-3 ha then we will be able to save some money. If we do less than one ha then we will not"*. Poor people often have to sell the bulk of their products immediately after harvest in order to pay off loans and cover other family expenditures. Hence they do not benefit from higher rice prices at the end of the crop season. Between harvests they may lose more as they have to buy or borrow rice at a higher cost.

9. Price hikes do not significantly impact investments in intensive rice farming, yet they do affect intensive corn farming by the poor. As a result, a number of poor ethnic minority (EM) farmers have opted to shift from corn to cassava as the latter does not necessarily require fertilizers. In the price storm poor farmers in Dien Bien opted to plant a more expensive variety of rice, which they can sell for higher price and buy a cheaper rice for their meals. As a result there is now more than 60-70 percent of the total paddy land planted with a single variety. However, according to local extension workers this monoculture constitutes a risk compared to the traditional practice of using multiple varieties as it may be affected by pests and diseases which could lead to a dramatic drop in productivity.

10. In Dak Lak, as the price of coffee remains high some poor households have decided to expand their coffee acreage, even in areas with unsuitable conditions, thus putting themselves at the risk of a sharp fall in coffee prices. Such a spontaneous reaction to short-term market signals could affect production planning by local governments and put investments by the poor at risk and reduce soil quality.

11. There has been a "shock" of the livestock production observed at the study sites. The pig raising business among poor households has also suffered from rising prices of breeds and feed relative to pork and more frequent outbreaks of diseases. As prices of goods and the overall cost of living increases the poor EM people tend to revert back to traditional farming practices. One immediate solution for the rural poor is to hire their labour. However, seasonality, fluctuations in the labour market and weather conditions mean this strategy may not be sustainable. The expected difficulties facing coffee farmers in 2009 is one example.

12. **Farmers in the rural study sites felt that there has been a sharp fall in purchasing power parity (as converted into rice and pork terms) in 2008 compared to 2007**. Even rice farmers whose gross income at current prices has increased considerably agreed. *"Our income from 1,000 m^2 of paddy land this year, when converted into pork terms, has decreased by more than ten kg"*.

13. **A decline in purchasing power seems to affect the quality of food of poor families. The impact of price hikes has been the greatest in more advanced commodity producing areas**, (due to intensive use of fertilisers and out-sourced labour). Although purchasing power has declined the situation is not yet one of rice shortage. Poor people manage to survive with increasing wages offered to their labour. In contrast, in remote areas where farming conditions are often harsh the price impact is most significant as local people already face risks related to weather and soil conditions. A significant rise in rice prices may well lead to prolonged hunger periods. The common response by the poor is to buy cheaper rice, mix rice with maize and cassava, cut meat intake to a minimum and take more loans (however the poorest often fail to get loans).

14. **Another undesired impact is deterioration in peoples' diets which if prolonged will lead to increases in child malnutrition rates. The number of children dropping out of school has increased in a number of poor EM provinces** as they are not able to afford school fees. Daily expenditures increase while income do not, resulting in reduced savings and increased vulnerability to other risks (for example, accidents, natural disasters and diseases).

15. **As prices rise, traditional male roles become more important and women more vulnerable**. Women are taking on more productive tasks as well as household chores and child care with a smaller

budget. Women also tend to give their own needs the lowest priority possible. Savings and micro credit activities run by the Women's Union have also been affected by rising prices as women are unable to save as much and group loans have less purchasing power.

16. Increasing prices have some positive impacts. For example, greater attention to agricultural extension messages in order to save costs and to improve product quality. Labour exchange is also becoming more popular.

17. **In urban areas**, the purchase prices of food products are increasing more rapidly than wages putting most urban poor and near-poor people, both locals and migrants, in a difficult situation as their purchasing power declines.

18. The poor with permanently registered urban residence include elderly, sick, disabled, and single people, as well as people living with HIV/AIDS who are dependent on their family members, small business jobs or manual work. According to the existing official poverty line, there are very few local poor households in Hai Phong and HCMC. However, in suburban districts there are "poor clusters" located near dykes, cemeteries or remote alleys where the infrastructure facilities remain poor (and land is cheap). In addition, pensioners and social assistance recipients who have no alternative sources of income - often considered as part of the near-poor group - are facing great difficulties as prices rise.

19. The poor migrants (who do not have registered permanent residence in the cities and are classified as KT3/KT4 groups) are most affected by rising prices. In terms of their gross income, they may not fall beneath the existing poverty line. However, their net income (exclusive of lodging, electricity and water expenses and remittances) is very small. In real terms, migrants fall into the "poor" and "near-poor" groups. Yet they are not included in official poverty surveys as they are not permanently registered and do not have a permanent address.

20. As their purchasing power declines the urban poor/near-poor end up spending almost all of their income on food and other essential needs (for example, accommodation, power and water) and have few savings, and are thus more vulnerable to different kinds of risks especially sickness. Personal savings and remittances are also seriously affected.

21. Price hikes have a domino effect. The security of migrant workers' jobs and incomes becomes uncertain partly due to the difficulties faced by their employers. Input costs have increased, access to credit is reduced and earnings from outputs have not grown accordingly. As a result the performance of enterprises has been affected putting pressure on the availability of jobs, the wage budget and social benefits. Once the urban poor suffer the providers of goods and services for them experience reduced revenues and profits.

22. Price hikes also make urban-rural linkages more intimate and mutually dependent. People migrating from rural to urban areas for jobs and incomes to send back to their home villages now have to depend more on their families to be able to feed themselves while in the cities. *"The urban poor are becoming ever increasingly reliant on the rural poor and vice versa"*.

23. In suburban areas, increasing numbers of people are deciding to "leave and lease out [their] land" as plots are too small to cultivate and incomes from rice farming lower than alternatives, for example handicrafts or other jobs outside of their village or in an enterprise. Such a tendency is also associated with the need to accumulate land in order to improve agricultural productivity.

24. Common reactions by the urban poor and near-poor is to seek other available jobs for additional income and to reduce spending. Urban poor households can still afford sufficient rice but have to purchase a variety of less quality and cut down on meat or move to lower-end meat. They also eat out and shop less often and almost completely stop entertainment activities outside of the family. Most notably, the urban poor have to cut on costs related to weddings and funerals. Many take out loans to pay for such social expenses traditionally perceived as mandatory regardless of a household's financial position.

25. In the coming years, the influx of migrants to major cities may slow due to the costs of urban living and the fact that there are now more job opportunities in the countryside as well as in response to policies of municipal governments (for example, relocation of labour-intensive enterprises to the suburbs or neighbouring provinces, limiting/ banning some informal jobs often done by migrants). Smaller cities, therefore, may become the preferred destinations for migrant workers.

26. **The poverty reduction story** evolves with more complexity in certain places and the poor have become more vulnerable. The "double-edged price" effect, insecure jobs, unfavourable weather conditions, diseases and land infertility make the division between the poor and non-poor less clear. The number of poor households in terms of the ability to meet their own basic needs may be increasing at the study sites.

27. The existing criteria for identifying poor households appear to be no longer appropriate. At the study sites both the local residents and the grassroots cadres feel the current poverty rate is far too low once the rise in the cost of living in the last two years is considered. The nominal reduction of the poverty rate according to the existing poverty line does not properly incorporate changes to the living conditions in each of the localities. It simply indicates which households *"are removed from the list of poor households"* but does not say anything about *"whether their quality of life has been improved or not"*.

28. The rich-poor gap is becoming more evident in the context of rising prices. The household economy classification exercise at the study sites shows an increasing gap between the wealthy and the poor/near poor who are struggling to survive and meet their basic needs.

29. **Government pro-poor policies** are facing challenges. However, escalating prices also offer an opportunity to reform the implementation of policies on poverty reduction and social safety nets as well as to formulate new ones.

Recommendations

30. Revising the poverty line (currently under VND 200,000 head/month for rural areas and VND 260,000 head/month for urban areas) is an urgent need. MoLISA is proposing to introduce a new poverty line in early 2009, which would be 50 percent higher than the existing one and reflects the projected inflation rate over the two-year period (2007-2008). It is recommended to review poverty line annually and adjust accordingly to take into account inflation rate.

31. The risk of policies failing to focus on the poorest group should be avoided. Most of the poorest urban households and some of the poorest rural households have no access to concessional credit (either because they choose not to borrow or they are not allowed to do so) and little access to agricultural extension information. Therefore it may be necessary to change the way social benefits are delivered to the poorest households and formulate policies dedicated to the poorest groups (who are still able to work and are not recipients of social benefits).

32. Social security policies need to be strengthened. The minimum wage offered by domestic enterprises and agencies is currently very low though it increased in early 2008. The current level of social assistance offered under Decree 67/CP is also excessively low, and Decree 67 does not cover the near-poor group. Therefore, the minimum salary and social benefits should be increased in line with inflation and reflect expenditures on basic needs of low-income groups and social assistance recipients. In addition, it is necessary to increase support for social assistance centres in the localities and to establish a regular mechanism for adjustment of the above mentioned poverty line and minimum wage in order to help minimize fluctuations in the lives of the poor. It is also important to consider continued assistance to a new group of near-poor once the poverty line has been revised in purchasing voluntary health insurance cards.

33. Other support policies and programmes to respond to escalating prices should be considered, such as assistance in upgrading temporary housing. The level of salaries and allowances for grassroots cadres needs to be increased in line with inflation. It may also be necessary to increase the budget for pro-poor projects to minimize the impact of rising prices.

34. A frequently asked question is how to fund social security policies of increasing scope and cost. In addition to existing policies to increase State budget revenues, increase saving and reduce waste universal social assistance and dedicated social assistance to the poor and near-poor groups needs to be considered. A good example is the petrol price subsidy which has cost thousands of billions of VND. The Government has decided to move to market-regulated prices and instead invest more in social security schemes. This move should be encouraged.

35. It is recommended to continue to review and offer discounts for the poor. The recent policy on exemptions of certain fees has been welcomed by the public. However, there still exist various types of contributions that may be voluntary in principle but compulsory in practice. There appears to be a conflict between the policy of the "socialization" of educational services and the willingness to pay by the poor and near-poor. New policies on discounted school fees are much desired by the poor.

36. Migrants (who do not have registered permanent residence) remain excluded from poor household reviews and surveys. They therefore cannot benefit from local programmes and projects intended to support the poor and near-poor. More attention should be paid to assisting migrants. For example, including them in poverty screening exercises, giving them access to support services such as credit, investing in infrastructure facilities in areas where most migrants live, taking measures to protect migrant workers and organizing communication activities to help them better integrate into the urban life.

37. There are still many poor rural and urban households that have not been able to access credit in order to cope with rising prices. The implementation of the credit for the poor policy needs to be more innovative so as to encourage grassroots mass organizations and cadres to sponsor loans and provide guidance to the poor on how to use loans most effectively. There should also be a credit scheme dedicated to the poor migrants. Current policies on scholarships for poor, near-poor and disadvantaged students need to be extended to high school students in mountainous EM communes.

38. The policy on skills training for poor and near-poor households has had limited impact as *"poor people have to feed themselves first and are not able to plan ahead"*. This is a very important policy area that needs more attention. There should also be better coordination with enterprises to ensure "training according to needs".

39. The effectiveness of agricultural extension work remains limited. More investments should be given to extension programmes in order to meet the needs of different target groups and help the poor better cope with risks.

40. There may be an opportunity to enhance the implementation of grassroots democracy. As prices increase people tend to become more sensitive to the various forms of mandatory contributions and require a higher level of transparency, waste reduction and quality assurance of infrastructure facilities. *"Everything that requires contributions from the people has to be implemented thoroughly and supervised closely"*. Transparent information will also allow for smoother implementation of State managed activities and particularly those "socialized" at the grassroots level.

41. More efforts should be made to formulate and implement new policies and programmes with an aim to improve the social assistance system in Viet Nam. The following policies and programmes could be considered in the context of unfavourable price developments:

    - "Food security and nutrition" programme: survey and identify hungry households who can not afford the very minimum level of nutrition; define measures to provide cash or food assistance (for example, food coupons); develop it into a national programme with a complete package including identification of target groups, assistance modality, budget allocation, monitoring and supervision and establishment of management structure at all levels. This programme should be explicitly linked to other programmes aiming at improving food production, such as agricultural extension. The programme would also have to be sensitive to possible creation of dependency.
    - "School meals" programme: provide free lunches for full-day schooling children in kindergartens and primary schools, especially those in the difficult mountainous areas.

- Assistance of poor workers including migrant workers with the engagement of mass organizations and enterprises; formulate enterprise support policies (for example, access to concessional loans) to encourage skills training, recruitment and security of jobs and incomes for both the local poor and migrant workers.

1. Introduction

1.1 Context

Rising inflation has become a pressing concern for Viet Nam since its accession to the WTO. Prices of all kinds of goods including food, petrol, agricultural inputs, construction materials and other non-food products have increased. The consumer price index (CPI) at the end of 2007 was 12.63 percent higher than at the end of 2006 and the highest rate of inflation recorded in the last 12 years. In the first three months of 2008 the CPI increased by 9.19 percent (food and food supply services displayed the greatest increase), which is already above the expected GDP growth rate for the year.

High prices have had an impact primarily on low-income earners in both urban and rural areas. A rise in food prices directly affects their daily life. Although in theory the farmers will benefit from higher food prices, in practice, they suffer from more expensive input costs and risks related to the weather and diseases.

In this context, AAV and Oxfam have undertaken a joint study on the impacts of price hikes on the life and livelihoods of the poor. The study follows up on efforts to build a participatory poverty monitoring network in selected communities. Results of the study will hopefully serve as inputs to policy dialogue as well as to the design and implementation of AAV and Oxfam initiatives.

1.2 Objectives and Questions

The objective of the study is ***"to study the impacts of price hikes on the lives and livelihoods of poor people in selected communities"***.

The key questions to be addressed by the study include:

1. How the purchase and sale prices of food, agricultural products and inputs consumed by households, particularly poor households, in the selected sites have changed over the last 12 months?
2. How the increased purchase prices of inputs and sale prices of outputs have affected agricultural performance and incomes of the rural poor? What has been the reaction by the poor?
3. What has been the impact of increased food prices on both the urban and rural poor? What has been their reaction?
4. What are the factors that have the greatest impact on the poor's reaction, their escape from poverty or falling back into poverty? What are the roles of policies and programmes/projects in helping the poor to cope with price hikes?

1.3 Methodology

1.3.1 Analytical Framework

In order to investigate the impacts of price hikes and reaction of the poor, this study uses the "sustainable livelihoods" framework that investigates the correlation between the poor's livelihood resources and risks (increased prices) as well as the processes and institutional arrangements in which they implement strategies and achieve corresponding results. The roles of market processes and institutions (market chains, market factors, buying and selling practices) are also emphasized in this study.

Poor households are affected by three main prices: (i) the food sale price; (ii) the sale price of agricultural products (and income from non-farm jobs) and; (iii) the purchase price of agricultural inputs and services.

This study applies the "household economy" model to analyze the combined impact of these three prices on the life and livelihoods of the poor.

To clarify the impact of prices, the study divides the target households into four groups:

- Surplus rice producers: in rural and suburban areas, often concentrated in places with favourable land and irrigation conditions. In principle this group should benefit from a rise in rice prices. However, production is affected by increased prices of inputs such as fertilizers, pesticides, labour and agricultural services. In addition, the highly risky nature of agricultural activities also has a significant impact in the context of price hikes.
- Deficit rice producers: in rural areas, often concentrated in mountain and EM communities without favourable land and irrigation conditions. In principle, given their deficit production, this group have to buy additional rice and thus will suffer from a rise in rice prices. However, they can earn extra income from other activities such as selling corn/cassava/cash crops or selling their own labour (including through migration).
- Other commodities producers (for processing and export): in rural areas, often concentrated in places with favourable conditions (for production of corn, coffee and fisheries products). The prices of these products depend largely on the world market (of which Viet Nam is one of the major suppliers). This group may also produce rice (most belong to the rice deficit group). The relative prices of outputs/products to inputs/materials (fertilisers, fuel, seeds) will determine their productivity and reaction.
- Net rice buyers: in urban areas or landless farmers and non-farm households. This group become worse-off when the price of rice (and other food and services) increases. How much they are affected depends on the extra income they can earn from non-farm activities. The wage level and job security will have an impact on the life and livelihoods of the urban poor and near-poor as prices increase.

The above grouping simplifies the actual participation of the four groups in the market. Rice surplus households may sell much of their own paddy output in exchange for a different variety of rice. The rice deficit households may also sell their limited output of paddy immediately post-harvest in order to cover various expenditures and buy back rice before the next harvest. The difference between the paddy sale price and the rice purchase price (which is related to the market chain and roles of traders) will therefore largely affect the income level and life of farm households in the context of rising prices.

All the four groups may exist in one site. This study focuses on the poor classified under one of the four groups. The impact of price rises and the response of households will vary by group, resulting in varying levels of effectiveness of support policies, programmes and projects.

1.3.2 Study Sites

The sites of the study were selected within the poverty monitoring network supported by AAV and Oxfam. The following provinces/cities were selected as they are where the target groups are concentrated:

- Hai Phong city and Go Vap district (HCMC): representative of urban areas with the "net rice buyers" group,
- Dien Bien province: representative of rural areas with the "surplus rice producers" group,
- Quang Tri province: representative of rural areas with the "deficit rice producers" group,
- Dak Lak province: representative of rural areas with the "other commodities producers" (corn and coffee) group.

In each province/city the study team focused on the same wards/communes that are included in the poverty monitoring network.

- Hai Phong city: two urban wards and one suburban commune (1-2 units/villages in each ward/commune)

- Go Vap district (HCMC): two urban wards (1-2 units/villages in each ward/commune)
- Dien Bien, Quang Tri and Dak Lak provinces: one commune in each province (two hamlets/villages in each commune).

A brief description of the study sites is provided in Annex 1.

1.3.3 Study Tools

This study uses the following tools:

- Meetings and interviews with district and ward/commune representatives
- Household questionnaires for three provinces of Dien Bien, Dak Lak and Quang Tri: random selection of 30 questionnaires/hamlet, two hamlets/commune or a total of 60 questionnaires/province (questionnaires were not used for the two cities)
- Interview forms for migrant workers in the two cities of Hai Phong and Go Vap District (HCMC): 60 forms/site.
- Group discussions using PRA tools at the unit/village/hamlet level: key informants group, poor men group, poor women group and children group
- Structured interviews with selected households as case studies
- Rapid survey of market chains: interviews of enterprises, shops/agents/traders of foods, inputs and agricultural products

In the five provinces/cities the following activities were undertaken:

- **180** household questionnaires including **53** poor households and **127** non-poor households (according to the poverty line defined by the Government at the time of the study). Of the **180** respondents, **123** were men, **57** were women; **63** were Kinh, **117** were Thai, Vân Kiều, Êđê, Tay and Nung.
- **120** migrant worker interviews including **42** men, **78** women; **88** married and **32** single informants
- **223** structured interviews with households and shop keepers/agents, **91** group discussions with local and grassroots cadres with a total number of **687** participants (including **420** men and **267** women; **554** Kinh and **133** EM people) meetings with representatives of five health clinics and **10** schools.
- **26** additional interviews of provincial and district officials and meetings with eight enterprises.

1.3.4 Study Team

The group of Truong Xuan (Ageless) Consultants consists of five members:

- Hoang Xuan Thanh – Truong Xuan Company, Team Leader
- Dr. Ngo Van Hai – Agronomist, IPSARD (MARD), Team Member
- Dinh Thi Thu Phuong – Truong Xuan Company, Team Member
- Pham Viet Son – Truong Xuan Company, Team Member
- Ha My Thuan – Truong Xuan Company, Team Member

The team was supported by staff members of Action Aid Viet Nam, Oxfam GB and Oxfam Hong Kong including:

- Le Kim Dung – Programme Coordinator, Oxfam GB

- Vu Quynh Hoa – Governance Officer, Action Aid Viet Nam
- Nguyen Thuy Ha – Governance Officer, Action Aid Viet Nam
- Nguyen Hien Thi – Programme Officer, Oxfam Hong Kong
- Hoang Lan Huong – Programme Support Officer, Oxfam GB
- Mai Thu Ha – Programme Intern, Oxfam GB

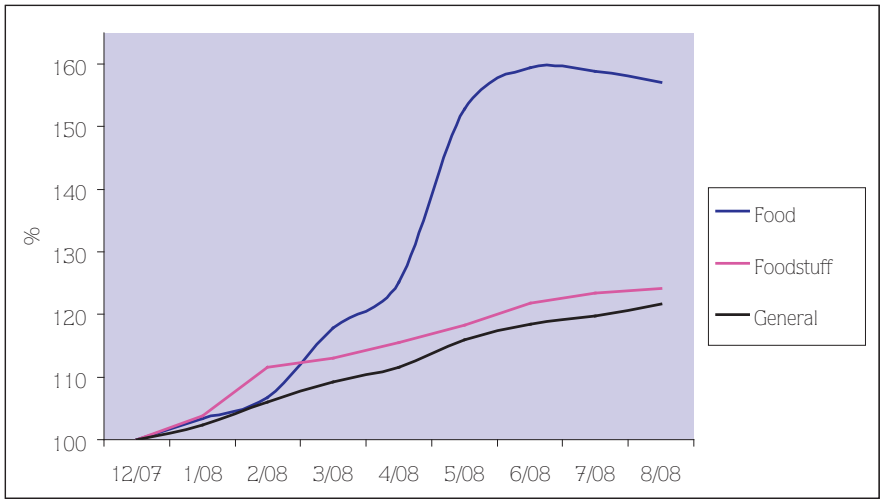
2. Overview

2.1 Inflation

Rising inflation has become a pressing concern of Viet Nam since its accession to the WTO at the end of 2006. The Consumer Price Index (CPI) began to rise at the beginning of 2007 and soared in the fourth quarter of the year. At the end of 2007 the CPI was 12.63 percent higher than the end of 2006 and the highest rate of inflation recorded in twelve years. Figure 2.1 shows that between January and June 2008, the CPI increased by 20.34 percent. Food and foodstuff products experienced the highest price rises (food products: 59.44 percent; foodstuff: 21.83 percent). Food and food supply services comprised 42.85 percent of the national CPI and were the primary drivers of the "price storm" occurring in the early months of 2008[3].

In July and August 2008 inflation appeared to be slowing. Food prices fell slightly and foodstuff prices barely rose. The "means of transportation and postal service" category of goods and services increased by 9.07 percent in August, mainly due to a sharp increase in the retail petrol price. The projected inflation rate for 2008 is between 25 and 27 percent, the highest in recent decades.

Figure 2.1: Consumer Price Index in the first 8 months of 2008 (December 2007 = 100%)



Source: General Statistics Office, 8/2008 (www.gso.gov.vn)

2.2 Food Production and Expenditure at the Household Level[4]

Production. Food production can be divided into groups such as seed crops (rice, maize), starch crops (potato, cassava), vegetables and fruits, livestock and aqua-products (fish, shrimp)[5]. Nationally, the average value of food production at the household level is about 1.5 times the average value of food consumption. This reflects the fact that Viet Nam is a major exporter of food products (rice, fish, shrimp).

VHLSS 2006 data show that on average a poor household earns a net value of VND two million from selling food, lower than the VND 3.7 million earned by non-poor households. Sixty percent of the poor are net food sellers (62 percent of the rural poor and 26 percent of the urban poor) compared to 41 percent of the non-poor. Therefore a rise in food prices will benefit a greater proportion of the poor than the non-poor. However in terms of absolute value and the share of expenditures on food price rises will impact the non-poor more than the poor. Unlike many other countries most rural poor households in Viet Nam are net food

[3] General Statistics Office, www.gso.gov.vn
[4] Comments and data from VHLSS 2006 quoted in this section are from the "Impacts of Rising Food Prices on Poverty and Welfare in Viet Nam" Discussion Paper by Linh Vũ and Paul Glewwe, June 2008.
[5] The concept of "food" used in this section adapted from the Discussion Paper by Linh Vũ and Paul Glewwe is a close equivalent to the Viet Namese concept of "food and foodstuff".

sellers because the percentage of rural poor households in Viet Nam having farm land is rather high.

As presented in Table 2.1, 52 percent of the country's households (65 percent of rural households) grow rice. However, only 30 percent are net rice sellers[6] including 37.8 percent of rural households and 6.8 percent of urban households. A net rice seller should benefit from a rise in rice prices while a net rice buyer will become worse-off. Despite the fact that Viet Nam is a surplus rice producer and expected to benefit from a rise in world rice prices the life of most Vietnamesehouseholds, especially those living in the cities, is adversely affected by rice price increases.

Table 2.1: Percentage of net rice selling households, net rice buying households and sufficient rice producing households (%)

	Net rice selling households	Net rice buying households	Self-sufficient rice producing households
All	**30**	**63.8**	**6.2**
Rural	37.8	54.5	7.7
Urban	6.8	91.8	1.4
By Region			
Red River Delta	41.6	51.9	6.5
North East	26.1	57.2	16.7
North West	28.9	49	22.1
North Central Coast	35.4	60.9	3.7
South Central Coast	31.5	65.4	3.1
Central Highlands	17.4	80.8	1.8
South East	10.1	87.9	2
Mekong River Delta	34	64.7	1.3
By Quintile			
Quintile 1 (poorest)	35.1	52.7	12.2
Quintile 2	40.5	52	7.5
Quintile 3	36.9	57.7	5.4
Quintile 4	26.5	70.5	3
Quintile five (wealthiest)	11.5	85.7	2.8
Ethnic Majority	29.7	66.5	3.8
Ethnic Minority	31.6	48.5	19.9
Non-farmer	0	98	2
Farmer	41.7	50.5	7.8
Not growing rice	0	98.5	1.5
Growing rice	57.2	32.5	10.3
Non-poor	29.2	66	4.8
Poor	34.4	52.2	13.4

Source: calculations by Linh Vu and Paul Glewwe on basis of VHLSS 2006, June 2008

Table 2.2 shows that the percentage of net rice selling households is highest in the Red River Delta and lowest in South East and Central Highlands. The percentage of poor net rice selling households is slightly greater than net rice selling non-poor households (as per the expenditure poverty line defined by GSO), except for the South Central Coast and the Mekong River Delta). However, in terms of net volume, an average poor household sells 61 kg while an average non-poor household sells 496 kg – or eight times more. It is evident that poor net rice sellers do not benefit as much as non-poor sellers from rising rice prices.

[6] Net rice sellers have rice sales exceeding rice purchase over the year. Conversely net rice buyers have rice purchase exceeding rice sales over the year.

Table 2.2: Percentage of Net Rice Selling Households (percent)

	Non-poor	Near-poor *	Poor	Average	Near-poor households as a percentage of the total number of households
All	29.2	38.4	34.4	30.0	4.3
Rural	38.4	39.7	35.2	37.8	5.2
Urban	6.3	25.0	19.0	6.8	1.6
By Region					
Red River Delta	40.3	64.9	55.0	41.6	3.8
North East	24.2	32.4	32.5	26.1	5.6
North West	19.7	22.6	38.0	28.9	7.2
North Central Coast	34.7	45.3	37.6	35.4	5.2
South Central Coast	31.9	37.5	27.5	31.5	3.8
Central Highlands	14.8	27.6	25.2	17.4	5.0
South East	9.7	11.1	15.8	10.1	2.3
Mekong River Delta	34.7	34.2	27.3	34.0	4.1
Ethnic Majority	29.0	41.9	36.7	29.7	3.7
Ethnic Minority	31.4	28.6	31.7	31.6	7.6

(*) A near-poor household is defined as a household with total expenditure within 10 percent of the poverty line

Source: calculations by Linh Vu and Paul Glewwe on basis of VHLSS 2006, June 2008

Expenditure. The 2006 VHLSS data show that food constitutes 50 percent of households' real expenditure, about 47 percent for the non-poor population and 67 percent for the poor population. The percentage of total expenditure devoted to food is largest for the poorest quintile (65 percent) and smallest for the richest quintile (37 percent). For the population as a whole, food purchases constitute 72 percent of total food consumption, and self-produced food constitutes the remaining 28 percent. The poorest quintile consumes the least purchased food (52 percent), while the richest quintile consumes the most (88 percent).

Rice is the most important food item in Viet Nam, accounting for 69 percent of the daily calorie intake and 15 percent of household total expenditure (29 percent of poor household expenditure and 12 percent of non-poor household expenditure). Rice constitutes 27.5 percent of average household food expenditure, or 44 percent among the poor households and 24.5 percent among the non-poor households. Rice is most important for households in the poorest quintile; accounting for 78 percent of their daily calorie intake and almost half of their food expenditure. Therefore, an increase in the price of rice could have severe consequences on the welfare of this poorest group.

2.3 Selected Studies on Poverty Impacts of Food Prices

Linh Vu and Paul Glewwe (2008)[7] examine the impacts of rising food prices on poverty and welfare in Viet Nam using the VHLSS 2006 data (assuming other factors remain unchanged). Increases in food prices raise the real incomes of those selling food, but net food purchasers are worse off. Overall, the net impact on the welfare of an average Vietnamesehousehold is positive. In a scenario where food prices increase by ten percent, the average household welfare increases by 1.7 percent and the national poverty rate falls by 0.6 percentage points. In another scenario when the price of rice increases by 10 percent, the average household's welfare increases by 0.6 percent and the national poverty rate falls slightly, by 0.1 percent[8]. However, the costs and benefits are not spread evenly across the population. A majority of the population would be worse-off from increases in food prices. A ten percent increase in food prices would make 56 percent of households worse off. Similarly, a ten percent increase in the price of rice would reduce the welfare of about 54 percent of rural households and about 92 percent of urban households. Average household welfare increases because the average welfare losses of the households whose welfare declines (net consumers) are smaller than the average welfare gains of the households that benefit (net producers),

[7] Linh Vũ and Paul Glewwe, June 2008.

[8] The poverty line used (in GSO surveys) corresponds to the expenditure required to purchase 2100 calorie per person per day, plus an amount for essential non-food expenditures. This yields a poverty line of VND 2.56 million per person or about VND 213,000 per person per month against 2006 prices. This poverty line, as calculated by Linh Vu and Paul Glewwe, implies that about 15.9 percent of Viet Namese population, 3.8 percent of urban and 20.3 percent of rural population, are poor.

and the poverty rate declines slightly because poorer households in Viet Nam tend to be net producers. Scenarios with larger price increases yield similar results: there are more losers than gainers, but average welfare increases because average gains are larger than average losses. Poverty rates decrease slightly or do not change at all.

The World Bank (2008)[9], using data from the above study by Linh Vũ and Paul Glewwe, describes a typical household in Viet Nam as producing about VND 15.4 million and consuming VND 10.2 million worth of food products each year. The household produces 1247 kg of rice and consumes only 582 kg each year. In this context, the suggestion of recent studies that average welfare in Viet Nam increases slightly when rice and other food prices of increase is reasonable. However, when analyzing the distributional effect of such an impact it is necessary to take into consideration households with different living standards, in different regions and with different production and consumption patterns. One scenario assumes an increase in the farm-gate price of rice by 15.5 percent and of the retail price by 11.2 percent. In this scenario, welfare increases by 4.3 percent for the average household and by 6.3 percent in rural areas. Increases are larger for richer households. Conversely, welfare falls by 1.6 percent in urban areas, with the negative impact largest on households towards the middle of the distribution. But despite improvements in overall welfare, 51 percent of all households and 86 percent of urban households are worse off following a price rise. The proportion of households who are worse off is highest in the Northwest region (76 percent).

ILSSA (2008)[10] also conducted a study on the impact of rising food prices on the poor using VHLSS 2008 data. The conclusions of the study are similar to those by Linh Vũ and Paul Glewwe (2008), in that rising food prices have different distributional effects on poverty and household welfare. Not only non-farming (including both poor and non-poor households) but also farming households (including both poor and non-poor households with incomes from farming less than food expenditures) become worse-off.

2.4 Production, Export and Import of Agricultural Products and Inputs

Viet Nam has more than 9.4 million ha of agricultural land and 61 million people living in rural areas as of January 1, 2007. This indicates with an average of only 1,500 m^2/ head (or 0.7 ha/farming household)[11] most households engage in small scale production. Agricultural land is also distributed unevenly by region. VHLSS 2006 data show that the average acreage per household is largest in the Mekong River Delta, which is six times more than in the Red River Delta.

Paddy/ Rice. Viet Nam's paddy productivity has increased from 4.24 ton/ha in 2000 to 4.98 ton/ha in 2007. As of 2007, the national paddy output reached 35.8 million tons, an increase of 3.3 million tons compared to 2000 despite a reduction of total paddy acreage by 450.000 ha.[12]

In each of the last five years Viet Nam has exported 4-4.5 million tons of rice. In the first six months of 2008, the country exported 2.5 million tons at more than USD 600/ton, twice as much as the average price of USD 295 USD/ton in 2007. Increased export prices plus crop failures due to unusual weather conditions and diseases have raised both farm-gate prices and retail prices in the domestic market. Farm-gate prices increased by 40 percent in the first half of 2008 (or VND 4500 VND/kg, compared to VND 3200 VND/kg in 2007).

Given concerns that rice price hikes were affecting efforts to rein in inflation and ensure food security, the Government decided to hold off rice exporting contracts between April and June 2008. In the following months the Government continued to allow new contracts to be signed in order to sell the Summer-Autumn 2008 crop. The Government also imposed a fixed tariff on each ton of rice exported. However, due to falling prices of export rice, the Government has not imposed the tariff on contracts below 800 USD/ton. At the end of April 2008 there was a "virtual hike" of rice prices which pushed up rice prices in the domestic market by more than 50 percent (most likely because of speculation) for two days. Concerned Government agencies are developing a plan to set up a "National Rice Fund" in order to stabilize the domestic markets against major market fluctuations. The Fund is expected to store some 100,000 tons of rice to be managed by two State-owned food corporations.

[9] The World Bank, "Taking Stock: An Update on Viet Nam's Recent Economic Developments". Mid-Year Consultative Group Meeting, Sapa, June 5-6, 2008.
[10] ILSSA, "Impacts of Rising Food Prices on Poverty in Viet Nam". Presentation at the East Asia Poverty Analysis and Data Initiative (PADI) Consultation Meeting and Regional Policy Seminar, Kuala Lumpur, Malaysia, 9-12 June 2008.
[11] GSO, "Statistical Data updated as of Jan 1,/2007". www.gso.gov.vn
[12] GSO, "Summary of Statistical Year Book 2007". www.gso.gov.vn

Maize. The average output of maize rose from 2.75 tons/ha in 2000 to 3.85 ton/ha in 2007. The national total output in 2007 (dried grains) was 4.1 million tons. The total maize acreage as of 2007 was more than 1 million, up 30 percent from 2000 (730,000 ha). Vietnamese maize is considered of good quality and used mainly as animal feed. The farm-gate price of maize has increased recently because domestic production is not able to meet the demands of animal feed plants, hence the need to import more maize at increasing world prices. The Government's plan is to increase maize acreage and achieve the target productivity of 5-6 million tons/year in order to meet domestic animal feed demand and reduce imports.[13]

Cassava. Cassava was previously considered one of the key staple crops. It is now a starch crop that is mainly sold to starch processing plants and flavor/alcohol/industrial additives and packaging industries (only a small amount is used as food for families). Cassava is most commonly grown in sloping mountain areas as it can survive dry soil conditions and does not require much investment. The national total cassava acreage has not increased much in recent years. In 2007 it was approximately 500,000 ha, and total output was almost eight million tons[14]. The output figure is most likely to fall due to shrinking acreage as well as degradation of soil quality.

Coffee. As of 2007 Viet Nam had more than 500,000 ha of coffee growing land and an output of 2-2.2 ton (dry beans)/ha. The total national output is more than one million tons each year, of which 95 percent is exported as raw material of rather low quality. The price of coffee has significantly increased in the last two years. The volume of coffee exported in 2007 reached 1.2 million tons with a total value of more than USD 1.8 billion USD, up 23 percent in terms of quantity and 54 percent in terms of price from 2006 (a record level of improvement in both quantity and value). By March-April 2008 the farm-gate price of dry coffee beans reached VND 40,000/kg, the highest for 14 years. Recently, however, the price has declined (due to harvests in Brazil and Indonesia) to VND 35,000/kg.[15]

Although there is a national plan to limit the total acreage to 500,000 ha and enhance intensive farming practices and the quality of coffee products for export, rising coffee prices have encouraged many farmers particularly in Dak Lak and Lam VND to expand coffee land by shifting from other crops (cashew, maize), even in places not suitable for coffee farming.

Imports. The total value of imports including agricultural products, inputs, supplies and materials in the first eight months of 2008 amounted to USD 5.5 billion, up 61.7 percent from the same period of last year. These imports can be grouped as:[16]

- Fertilizers: The total volume of imported fertilizers in the first eight months of 2008 is estimated to be some 2.5 million tons, or USD 1.22 billion in value, which indicates an increase of 8.7 percent in volume and 118 percent in value over the same period in 2007. Fertilizer import prices are increasing rapidly. 603 thousand tons of urea fertilizer was imported in the first eight months of 2008, equivalent to USD 237 million in value, up 51 percent in volume and 2.29 times in value; DAP fertilizer: 359.2 thousand tons, down 10.5 percent in volume but up 2.3 times in value, SA fertilizer: 535 thousand tons or VND 140.5 million, down 12 percent in volume but up 79.4 percent in value; Other fertilizers: 878.7 thousand tons and USD 425 million, up 13.8 percent in volume and 1.84 times in value.
- Pesticides and materials: Total imported volume in the first eight months of 2008 estimated to be USD 363 million, up 53 percent.
- Animal feed and materials: estimated to be USD 1.3 billion, up 70 percent.
- Salt: 180 thousand tons.

Growth and Investment in Agriculture. Following a period of consistent growth, GDP in agriculture (including agriculture, forestry and fisheries) has started to slow in recent years. The annual GDP growth rate fell from 4.6 percent in 1996-2000 to 4 percent in 2001-2005, and to less than 3.5 percent in 2006-2007. The share of agriculture in the national GDP has also declined form 41.1 percent in 1986-1990 to 22.1 percent in 2001-2005.[17]

[13] MARD, Press Release on Socio-economic Statistics 2007, www.agroviet.gov.vn
[14] Statistical Year Book 2007 and regular reports 2008, www.mard.gov.vn
[15] Website of Viet Nam Coffee and Cocoa Association, www.vicofa.org.vn
[16] ICARD – MARD, Monthly Report August 2008 on the Agriculture and Rural Development Sector, www.agroviet.gov.vn
[17] www.agriviet.com

In 2000 investment in agriculture accounted for 11.4 percent of total investment in the economy, falling to 5.5 percent in 2006. The percentage of public investment in agriculture also declined from 10.3 percent in 2000 to 6.2 percent in 2006. Of the total public investment between 1997 and 2002 the share of agriculture was only six percent, of which investment in irrigation accounted for as much as 60 percent. Government expenditures on research and development in agriculture which are expected to yield the greatest returns is less than two percent, mostly to cover salary and overheads costs. Less than one percent of the country's domestic enterprises invest in agriculture. FDI in agriculture also represents less than five percent of total FDI.[18]

2.4 Government Policies in Response to Inflation

Since the beginning of 2008 curbing inflation has become the Government's top priority. Eight broad solutions have been proposed:[19]

1. Tightening of monetary policy
2. Close control and improvement of the use of public expenditures
3. Further development of industrial and agricultural production and services in order to secure equilibrium between supply and demand of commodities
4. Further promotion of exports, close control of imports and reduction of surplus imports
5. Strengthening economical production and consumption practices
6. Enhancing market management to prevent speculation, smuggling and trade frauds; supervision of the implementation of Government pricing regulations
7. Enhance support measures to stabilize daily living and producing conditions of the people; expansion of social security policy implementation
8. Strengthen information dissemination and propaganda activities

Related to the seventh group the Government has issued a series of measures in response to rising prices:

- Maintain prices of essential goods and services until the end of June 2008 and continue to curb price rises;
- Provide free rice to people affected by natural disasters and food shortage; extension of due loan payments for households suffering from crop failures caused by diseases and bad weather conditions;
- Provide cash assistance (equivalent of five litres of kerosene oil/year) to ethnic minority and poor households in areas with no electricity supply and groups entitled to special assistance benefits;
- Provide support to fishermen for purchase/building of ships, replacement of engines, ship insurance and supply of oil for fishing boats;
- Increase the health insurance premium for the poor (from 80,000 VND/person/year to 130,000 VND/person/year); finance 50 percent of the cost of health insurance cards for members of near-poor households who participate in voluntary health insurance schemes;
- Provide free textbooks to students entitled to special assistance benefits and subsidize costs of text books for children of poor households;
- Increase scholarships for ethnic minority students;
- Provide more capital to the Policy Bank; strengthen concessional loan schemes for poor households and students; provide loans for trading of rice and cat fish with preferential interest rates;
- Remove fees and charges related to irrigation, security, natural disaster control, land planning, household registration and the first time issuance of ID cards;
- Assign ministries/agencies to study and propose to the Government a new poverty line (likely to be 50 percent higher than the current poverty line); improved pension and social assistance packages;

[18] www.Viet Namnet.vn/kinhte/2008/06/789913
[19] Resolution 10/2008/NQ-CP of the Government dated April 17, 2008.

and policies for new target groups such as job losers, low-income workers/pensioners/government employees and people in areas seriously affected by floods;

- Continue to implement the poverty reduction and employment programme; the support of the poorest communes programme; and the price subsidy for mountainous provinces programme and develop a new support programme for the poorest districts.

The eight groups of solutions had some encouraging results. Since June 2008, the CPI has started to decline, export turnover is surging, FDI continues to rise, agricultural crops are succeeding and tax revenues increasing which helps ensure adequate expenditures and allocation of budget to social security programmes. Nevertheless, challenges remain including: slower economic growth (in the first six months of 2008 GDP grew at 6.5 percent, less than in recent years and still below the reduced 2008 target of seven percent), a large trade deficit, continued rising prices and constraints in dealing with such social issues such as employment creation and poverty reduction[20].

[20] More details on the website of the Government www.chinhphu.vn

3. Impacts of Price Hikes on the Lives and Livelihoods of the Rural Poor

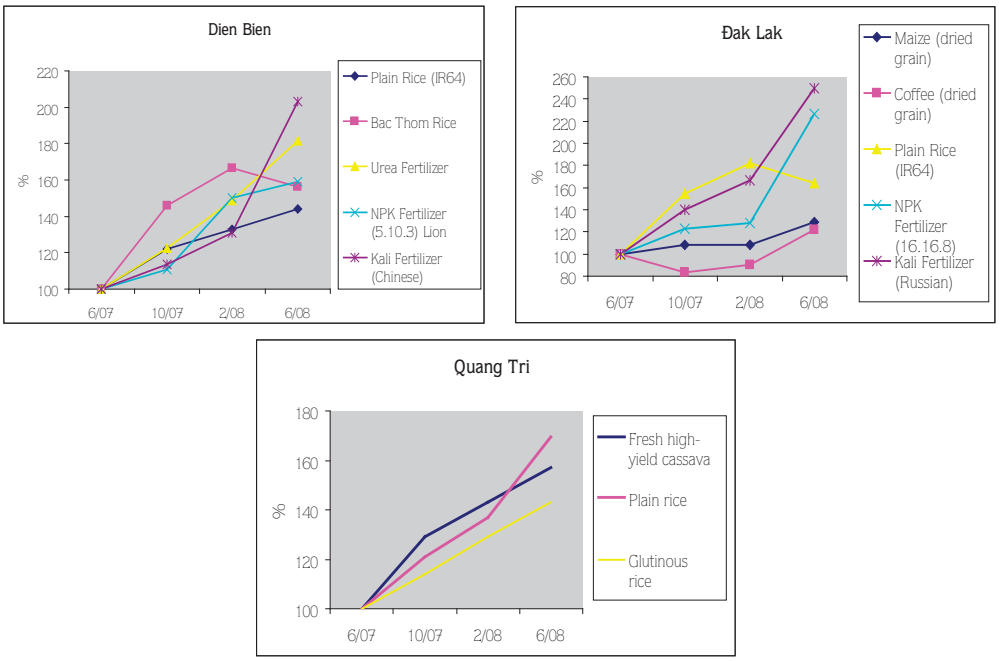
3.1 Price hikes at rural study sites

3.1.1 The "double-edged" prices

In the rural sites of the study prices of inputs increased faster than prices of outputs between June 2007 and June 2008. Of the three sites, Dak Lak seems to have experienced "double-edged" prices most acutely (Figure 3.1).

- In Dien Bien, where most of the farmers are surplus producers of rice, the price of paddy has increased by 50-60 percent (the rice price has increased at the same rate) while the price of fertilizers has increased by 60-100 percent. Between June and August 2008 the price of paddy began to fall (due to declining export prices and a successful Summer-Autumn crop). However, the price of fertilisers continues to rise, which worsens the "double-edged price" effect.
- In Dak Lak where most farmers rely on coffee and maize sales in exchange for rice, the price of maize (dry grains) has risen by 30 percent and coffee (dry beans) by more than 20 percent over 2007. The purchase price of rice has increased by more than 60 percent and fertilizers by 70-100 percent. The price of kali fertilizer in particular has increased 1.5 times.
- In Quang Tri where farmers typically trade cassava for rice, the price of fresh cassava sold to processing plants has increased by 45 percent; while the price of regular rice transported from lower land areas has risen by 70 percent.

Figure 3.1: Price index at the study sites 06/2007 – 06/2008 (price at 06/2007 = 100 percent)



Source: Retail prices at the study sites provided by local agents and residents (July-August 2008)

At all three sites the cost of manual labour - a common source of income of the poor - has increased by 40-50 percent on average and is often higher in places with labour-intensive production processes. It is highest in Dak Lak (80,000 VND/day), average in Dien Bien (60,000 VND/day) and lowest in Quang Tri (40,000 VND/day). On the one hand, the increase in labour costs helps improve the income of labourers and on the other hand, means higher costs to those households that have to hire simple labour for such jobs as planting, tending and harvesting. However, the jobs are often irregular and seasonal and depend greatly on weather conditions or the progress of construction projects.

The cost of mechanical services (for example, ploughing, husking, milling and transport) has increased by 40-50 percent due to increased oil and gas prices. Seed prices have also surged by 40-50 percent including rice seeds and maize hybrid seeds (provided by foreign invested enterprises) which have risen by 70-120 percent.

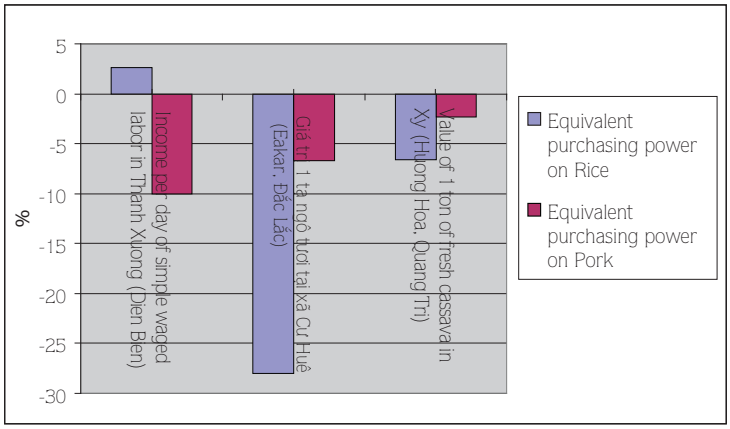
The costs of piglets and animal feed are also increasing fast. In Dien Bien, the price of piglets has doubled between June 2007 and June 2008, while the cost of animal feed has increased by 60 percent. In Dak Lak, the price of piglets and animal feed has risen by 40 percent and 20 percent respectively over the same period. Veterinary drugs also have increased by 30-50 percent while the sale price of hogs has only increased by 30-40 percent has fluctuated because of seasonal and disease-related factors.

Food prices have increased to different extents: pork by 30-50 percent, fish by 40-50 percent, cooking oil and salt by 100 percent and MSG by 30 percent.

It is noteworthy that buying prices of certain food products (for example, pork fat, pork side and dried fish) commonly consumed by poorer people have been rising faster than the prices of those more commonly consumed by the better-off (e.g. pork thigh, pork shoulder and fresh fish). In Dien Bien, for example, prices of pork thigh and shoulder have risen by 20-30 percent while prices of pork fat and pork side have gone up by as much as 60-80 percent. In Dak Lak, the price of fresh fish has increased by seven percent and that of dried fish by more than 130 percent. Chicken which is often purchased by the better off households has only become slightly more expensive. Prices of electronic appliances and motorbikes have almost remained the same.

The "double-edged" price effect has had a significant impact on production efficacy and overall purchasing power. Figure 3.2 below exhibits changes in purchasing power over the last one year by converting the cost of a man-day or the value of a certain quantity of products recorded at the study sites into weight units of regular rice and pork. Except for Dien Bien where the cost of an average man-day when converted into rice terms indicates a slight increase, calculations for the other two sites all show that the purchasing power has declined, most evidently in Dak Lak for rice and in Dien Bien for pork meat. Although, Quang Tri is the poorest purchasing power is the least affected.

Figure 3.2: Changes in comparative purchasing power due to "double-edged" prices, 6/2007 – 6/2008



3.1.2 Price Factors

Price signals from major markets are transmitted rapidly to the study sites which are located in remote and mountain areas through a network of agents, private traders and manufacturing/processing enterprises. A good example is the "virtual hike" of prices that lasted for only two days in April 2008. It was even experienced by farmers in Dien Bien. In Quang Tri, because of the distance between the site and the district centre, local farmers did not receive price information immediately and ended up having to "buy more expensive and sell cheaper" than elsewhere.

> *"Price information now reaches us very fast. We learn about maize prices from the buying price offered by a primary agent (Lai Vi or Thanh Quang). Often we also know about prices by double-checking with the various agents and the CP Company. As for coffee prices, we can check by asking the agents directly or telephoning the warehouses of the Foreign Trade Company or watching the TV daily."*
>
> (V.T.C., Dong Tam village, Cu Hue commune, Eakar, Dak Lak)

> *"Back in April there were 1-2 days when we were able to sell paddy at as much as 6,600-7000 VND/kg which was a suddenly high price as there were a lot of trucks coming to purchase. Right after that the price went down to 5,000-6,000 VND/kg. Only for these two days there were so may trucks coming that we did not have enough to sell to them."*
>
> (Group discussion at Chan Nuoi 2 village, Thanh Xuong commune, Dien Bien)

Prices of agricultural products in rural areas are highly seasonal. The sale prices of rice, maize, coffee and cassava are often 20-30 percent higher at the end than at the beginning or in the middle of the harvest time.

The scope of the market also affects price fluctuations. For products directly influenced by the world market or domestic supply and demand prices often change rapidly within a large range. Conversely products only sold in small local markets are less affected. In Dak Lak, the buying prices of coffee offered by local agents can vary by several thousand VND/kg within a single day. In Quang Tri a comparison of the prices of sticky rice (from neighbouring provinces or even from Laos which is a small market) and regular rice (from lowland provinces, affected by export prices) revealed that the situation in June 2007 when the price of sticky rice (7,000 VND/kg) was 15 percent higher than regular rice (6,000 VND/kg) was reversed in June 2008 when the price of regular rice (11,000 VND/kg) was 20 percent higher than sticky rice (9,000 VND/kg).

> *"Given the surplus supply of Laotian sticky rice, some Vietnamese people have moved to the border with Laos and set up rice mills to purchase sticky rice from Laos. The sticky rice is milled right there and then transported inland through the Lao Bao Border Gate. The cost of Laotian sticky rice is lower than that of Vietnamese regular rice. There are also many agents transporting Laotian sticky to Viet Nam so the price is very competitive. For this reason the price of Laotian sticky rice has been stable and always lower than Vietnamese regular rice."*
>
> (Rice agent N.V.V., Tan Long commune, Huong Hoa, Quang Tri)

The retail price of oil and gas also rose (gas up by more than 20 percent, diesel up by more than 60 percent) between mid 2007 and mid 2008 (disregarding the price hike at the end of July 2008), which had a direct impact on the prices of local mechanical services such as ploughing, milling and transport.

> By June 2008, the freight price of transporting by the multi-purpose vehicle (known as "xe cong nong") from mill stations to main roads (in Dien Bien) for forwarding to lowland provinces or from the villages to whole-sale shops in district centres (in Dak Lak) has increased by 50-70 percent from the level of the same period in 2007.
>
> In Quang Tri in particular, the freight price of transporting cassava from farmers' households to processing plants has only gone up by 10-20 percent (within a 25 km distance the freight has increased from 450,000-500,000 VND/trip of 5-7 tons in 2007 to 550,000-570,000 VND/trip in 2008), because the freight is defined by the processing plants who send the

vehicles to the farmers and only charge an extra amount of freight just enough to cover additional costs of oil and gas). Also, these plants receive some transport freight subsidy from the as part of the provincial budget.

However, the impact of increased prices of oil and gas on long-distance transport has not been felt by the primary agents in Dien Bien and Dak Lak. The reason is that long-distance transport is often arranged by suppliers of fertilizers (for example, manufacturing factories and fertilizer trading companies) or rice purchasers (agents/traders from the lowland provinces). There are a number of competitive transport and forwarding services that can reduce costs by providing two-way services between the low land and mountain areas.

"Despite rising oil and gas prices, the cost of transport has remained almost the same. It was 300,000 VND/trip to transport fertilizers from HCMC to Eakar. It is still the same this year as there are many choices of transport services. You can just pick one easily."

(Fertilizer agent H.T.T., Cu Hue commune, Eakar, Dak Lak)

3.1.3 Roles of Players in the Market Chain

Paddy/Rice: Both the wholesale and retail markets are dominated by private rice mills and traders. The direct interventions of major State-owned trading companies in the rice market at moments of surging prices are not clearly apparent at the study sites.

In Dien Bien, farmers typically sell their paddy crops to local rice milling stations (that have milling machines, storage facilities and means of transport available) and purchase rice back from them in case they run short of rice in between harvests (either cash on delivery or on credit). The local rice mills and wholesalers operate independently. Prices of paddy are set on the basis of orders from lowland traders. At harvest time rice mills and wholesalers often purchase paddy and store them while awaiting purchase orders. They will then sell rice to lowland traders on a cash-on-delivery basis. The role of intermediaries between farmers and the rice mills in Dien Bien has been considerably reduced as farmers prefer to sell paddy directly to the rice mills. They can also forge good relationships with the rice mills, enabling them to purchase rice on credit in between harvests.

In Dak Lak and Quang Tri, rice retailers in the village/commune profit from selling regular lowland rice purchased from wholesalers in the district centres. The common practice is for wholesalers to take a one-on-one loan equivalent to 30-50 percent of the value of each consignment. In Quang Tri retailers also sell upland rice (the traditional preference of the ethnic minority people) they import from other provinces or Laos. They also buy dried sliced cassava from farmers to sell to the wholesalers in the district centre (because the farmers sometimes have to use cassava to pay back their rice loans).

Maize (Dak Lak): One hundred percent of local maize output is sold to animal feed processing plants through the network of private agents and traders. Farmers typically sell to secondary agents. Some sell large volumes directly to primary agents. The buying price of maize is set by the animal feed plants (taking into consideration the price of imported maize). Big companies such as CP tend to build drying and processing plants in maize-producing areas in order to influence the prices offered by other buyers. With an aim to improving the quality of maize, the CP Company recently began to organize consultation and technical assistance activities for farmers for maize production, semi-processing and sorting. The company only purchases from the primary agents and not directly from the farmers (since the company requires legal invoices and receipts for the purchase).

Coffee (Dak Lak): One hundred percent of the local coffee output is sold to coffee exporting companies located in Dak Lak through a network of private agents. The purchase price of coffee is set by the exporting companies taking into account export prices. The larger agents accept a modality of transaction called "storage service" according to which farmers leave their coffee with the agent who has the full discretion to decide what to do with it. The price of the coffee will be defined according to the market price at the moment the farmers want to sell it.

Cassava (Quang Tri): Ninety percent of the local cassava output is sold while still fresh to processing plants (that export cassava starch mainly to China) and the remaining ten percent to agents who will resell to animal feed plants. Farmers often deal directly with processing plants. The processing plants also provide support services to farmers such as seeds, technical assistance and transport. The price of cassava as a raw material is set by the processing plants with reference to export prices of cassava starch and the correlation between supply and demand (that is the volume of cassava obtained at the beginning/end of the harvest compared to the processing capacity of the plants).

Farmers post-WTO: sale prices of products in remote areas now depend on export/import prices defined by the processing plants.

Dak Lak: Eakar is considered the "maize basket" of Dak Lak. In 2008 the CP Group invested in building a series of drying silos with the capacity of 1900 tons/day and a system of warehouses in the district of Eakar. The group is also planning to construct an animal feed plant within the next two years. CP has started to offer training and consultation to farmers in order to improve the quality of maize crops. In addition it has plans to invest in developing an animal farm. CP only purchases maize from the big agents as they provide legal invoices and receipts. According to villagers in Cu Hue they have to pay the agents a commission in order to get their maize sold to CP.

CP has an ambitious plan to purchase the entire maize output of Eakar in order to influence the market in Eakar and the neighbouring areas. According to the CP management, 60-70 percent of their material maize supply comes from Peru and Argentina (they no longer import maize from the US). The remaining 30-40 percent comes from within the country. The price of imported maize is used as a reference to define the buying price of domestically grown maize.

Quang Tri: the cassava starch processing plant located in the district of Huong Hoa became operational in April 2004. It purchases as much as 90 percent of the local fresh cassava output (the remaining ten percent is sold dried to wholesalers and finally to animal feed plants). The farmers sell directly to the processing plant and not through intermediaries. The processing plant purchases cassava on a lump sum basis without any prior sorting in order to avoid price comparison among the farmers. At harvest time, the plant sends a reminder to each of the farmers committing to collect their cassava output (even in the event of power cuts or problems with processing machinery) and arranges vehicles for transport at a cost defined by the plant and indicated in the reminders. The farmers then pay the transport costs to the vehicle drivers directly.

The plant also has offered support services to farmers such as providing a new variety of seeds known as KM94 (financed out of the Programme 135; currently almost 100 percent of the farmers are growing this new variety); mobilizing funds to assist the poor in clearing land for cassava farming (Programme 134 provides several billions VND each year); giving loans of five million VND/ha that can be paid back in installments (currently being piloted in a total acreage of 30 ha); subsidizing transport costs for more remotely located households in order to maintain the same level of farm-gate price (however the subsidy that the plants receives from the provincial budget is rather limited); guiding and encouraging the farmers to "exchange labour" at harvest time; providing eight technical staff on site to supervise and assist farmers in the eight target communes; and piloting the use of bio-fertilizers for cassava crops.

Ninety percent of the plant's cassava starch production is exported to China and only ten percent sold to domestic packing and glue factories. The price offered by the plant to the farmers is defined on basis of market prices, the export price of cassava starch and the available supply of material cassava. The buying price of cassava crops has increased in recent years, from 400 VND/kg in 2004 to 700 VND//kg in 2007 and 1,100 VND/kg in 2008 (recorded at the end of the harvest time). At present (August 2008), just prior to a new harvest, the volume of starch exported to China has fallen by ten percent as the Olympic games delayed orders from China.

Fertilizers: are either imported or supplied by domestic factories through primary and secondary agents. The prices of fertilizers are set by the factories and communicated to the agents. Prices have risen recently making agents feel nervous about their trading activities.

"Prices of fertilizers and pesticides have gone up so high since the beginning of the year. Each month I receive a new quotation from the primary agent. Fertilizers have become more expensive than ever before, especially kali and urea whose prices have doubled since last year".

(Secondary agent L. T. C., Thai minority group, Unit 7, Thanh Xuong commune, Dien Bien)

There is a notable difference between the distribution channels of fertilizers in Dien Bien and Dak Lak (at the study site in Quang Tri, the Vân Kiều group do not use fertilizers at all):

- In Dien Bien, the Farmers Union and the Cooperative work with the provincial Agricultural Inputs Company and the fertilizer producing company (Lam Thao Company) to provide deferred payment arrangements to the farmers. The transport cost of fertilizers supplied through these two channels is subsidized by the Government. An additional channel is through primary and secondary agents who purchase fertilizers from the factories and sell directly to farmers (Table 3.1).
- In Dak Lak, fertilizers are supplied to farmers entirely through the network of primary and secondary agents. Primary agents are allowed to defer 30 percent of the payment for 60 days. The secondary agents are also offered 20-30 percent deferred payment by primary agents for 30 days. Finally farmers when buying fertilizers from the secondary agents are allowed to pay back after 4-5 months at the interest rate of 2-4 percent/month.

Table 3.1: Features of the three Available Fertilizer Distribution Channels in Dien Bien

	Private agents	Farmers Union	Agricultural Inputs Outlet
Range of products	Full range of products (urea, phosphate, kali, pesticides)	Only NPK fertilizer produced by Lâm Thao Company	Only 3 products: urea, NPK, kali
Source	Agricultural inputs producing and trading companies	Lâm Thao Company	Provincial Agricultural Inputs Company
Modality of transactions	Direct sales to the farmers; acquaintances can purchase on credit while others have to pay cash on delivery	Through the cooperatives and village heads, farmers can purchase with deferred payments.	Tripartite arrangements: the Bank provide loans to the farmers (through village heads) to pay for their purchase of fertilizers
Price and Terms of Payment	Interest charged on purchased products. Extra cost of 5-10,000 VND/bag if purchased on credit, interest rate of 2-3 percent/month.	No interest charged; Price set and payment made at harvest time	Loans and interest paid back to the bank at harvest time (overdue payments may bear higher interest rate)
Advantages	Direct transactions with farmers	Farmers can defer payments and benefit from subsidized transport costs	Farmers can defer payments and benefit from subsidized transport costs
Disadvantages and Risks	Smaller volume of sales; greater investment (due to deferred payments by certain farmers; must broaden range of products due to high increase of fertilizer prices.	Farmers often do not know the price at time of purchase (in fact they still have to pay interest since payment is only made at harvest time); difficult collection of payments particularly from the poorer households in case of crop failure	The village head acts as guarantee for bank loans (using his land use certificate as collateral); difficult collection of payments particularly from the poorer households in case of crop failure

Seeds: in Dien Bien, most farmers purchase seeds on cash-on-delivery terms through the cooperative channel as the seeds are subsidized. In Dak Lak, most of the available maize varieties are provided by foreign invested companies through private agents. When seeds are in short supply farmers are charged high prices by speculative agents.

Other food and foodstuff products: at the study sites food shops are typically small. Food products are mainly locally produced (except for Dak Lak where pork is transported from lowland provinces). Essential foods (such as cooking oil, salt, fish sauce, MSG and instant noodles) are often supplied by agents located in the district centre. In Quang Tri street vendors sell these foods daily.

> *"Prices are always set by the agents from the district centre. I just follow their advice. As for prices of rice and cassava I can double-check with several different sources. The farmers here have very little information. Only a few of them who can travel by private transport to Tan Long (which is a place by Road 39 where the agents are located) can purchase things and compare prices."*
>
> (Shop-owner N.V.T., Xycreo village, Xy commune, Huong Hoa, Quang Tri)
>
> *"The people here have very little price information. They often just ask "why are your goods so expensive?" when they realize that prices have gone up. We depend mainly on the agents. If they tell us that the price has gone up then we have to follow. They set the prices for us..."*
>
> (Shop-owner H.T.N., Troan O village, Xy commune, Huong Hoa, Quang Tri)

The price storm has also caused local retailers difficulties. Rice mills in Dien Bien that have purchased paddy for storage are running losses due to falling paddy prices. The volume of fertilizers traded by agents in Dak Lak also has declined by 30-40 percent as poor farmers reduce their use of fertilizers and shift from expensive blended fertilizers to cheaper single ingredient fertilizers. Agents also hesitate to replenish their stock as farmers often buy on credit and banks are tightening their lending policies and fertilizer producing plants are cutting back on support services. In Quang Tri, rice sales by agents also have decreased by 50 compared to 2007.

> *"At the beginning of the harvest, there were many trucks coming to purchase so we had good sales. However we are now suffering the fall in the paddy price by as much as 500,000 VND/ton - from 7.5 million/ton to 7 million/ton. The reason is the impact of the falling rice price on the paddy price. We have had to stop our milling business. This month [July 2008] is particularly difficult as we would most likely make losses if we were to continue."*
>
> (Rice mill owner T.T.C., Chan Nuoi 2 village, Thanh Xuong commune, Dien Bien)
>
> *"Last year we kept in stock more than 40 tons of fertilizer. Since the price of fertilizer is now excessively high, this year we only invest ten tons of fertilizer just to hope to get enough money to pay back the loan…"*
>
> (Fertilizer agent D.T.T., Dong Tam village, Cu Hue commune, Eakar, Dak Lak)
>
> *"Given high fertilizer prices, it becomes more risky to allow farmers to purchase on credit. What if we give credit to them and there are droughts or crop failures? We'd rather keep our money in the banks."*
>
> (Fertilizer agent P.T.L., Eakar, Dak Lak)
>
> *"Apart from rising market prices price the fertilizer plant is making adjustments despite our advance payments. Last time we paid one billion VND but only managed to get back 700 million VND worth of fertilizers as there were not enough vehicles available for transport. The next day we came back with our own vehicle and was told that a new price was to be applied and that 300 million VND was now only enough for just two thirds of the volume expected at the former price. We complained and were told by the company that if we did not accept the new price the company would pay us back the money.*
>
> *Until 2007 we had always received some subsidy for transport costs (50,000 VND/ton). However since the rise in the price of fertilizers we have not got any of this.*

The bank interest rates are also becoming high. It is currently 1.7 percent/month which makes it very difficult for us to expand our business.

(Fertilizer agent H.T.T., Dong Tam village, Cu Hue commune, Eakar, Dak Lak)

Only large agents have benefited from price increases as they can now sell at a much higher price given the shortage of supplies. A good example is the business of a variety of maize seeds called NK66 in Cu Hue. In the first maize crop of 2008 farmers did not succeed with variety G49 while NK66, a new variety under pilot, yielded a very high productivity of 900 kg/1000m^2. The farmers rushed to purchase NK66 seeds for the second crop of the year. Taking advantage of the shortage of NK66 seeds, one or two major agents in the district centre decided to charge double the price they paid to the seeds company (from 65,000 VND/kg to 115,000 VND/kg).

In Dien Bien and Dak Lak poor quality fake NPK fertilizers were found. Concerned local people requested the local government adopt stronger measures to deal with fake fertilizers.

"I bought the fertilizer from a primary agent located in Cu Hue commune. The name of the CT plant was printed on the bag. I did not realize that it was fake until two weeks after I had used it for my coffee crop when I noticed the fertilizer particles remained non-dissolved and had clay inside. Now I have to do a test prior to purchase by tasting a particle. If there is no sour or bitter taste then I am sure it's fake".

"There is no way that we could accept fake fertilizers as they cause so much damage to our crops. We are very appalled and would like to request that the Government applies stricter sanctions for fake fertilizer dealers. The story about the company selling fake fertilizers was also reported on the TV. However they ended up paying a fine of only 12 million VND, which was just a joke!".

(Mr. P.H., Cu Nghia village, Cu Hue commune, Eakar, Dak Lak)

At the study sites, the role of the cooperatives and other institutional forms of cooperation among farmers in providing farmers with access to both inputs and outputs markets was unclear. A number of cooperatives have been established but are not yet operational. The farmers tend to prefer smaller but more flexible groups that do not require registered legal status.

Cooperatives encountering difficulties in operating in market mechanisms

Thanh Xuong Commune- Dien Bien:

Thanh Xuong Cooperative is an agro-forestry service cooperative operating at the commune level. It consists of 24 production units from the 24 hamlets in the commune. The cooperative management board includes five members (Manager, Vice-manager, Accountant, Supervisor and Cashier/Warehouse Keeper). The operational budget of the cooperative is limited to 47 million VND (including seven million VND worth of available cash, 32 million VND worth of outstanding loans and eight million VND worth of fixed assets). The cooperative has no access to land or bank credit unless there is intervention by the district government (the maximum level of credit available is between 60-70 million VND). The main role of the cooperative is to supply seeds and other agricultural inputs to farmers, organize technical training and provide irrigation and plant protection services.

The cooperative charges a fee equivalent to six kg of paddy per sao (1,000m^2) for such services as providing advice on cropping, technical assistance and management. The challenge is that their service fees are charged according to the existing agricultural tax which is fixed at only 4,200 VND/kg, while the market price of a kg of paddy is 6-7000 VND. The cooperative works with the Farmers Union to supply fertilizers to farmers on a deferred payment basis (mainly NPK fertilizer from the Lam Thao Company). The Cooperative and the hamlet heads are paid a commission of 40,000 VND/ton by the company. However, the volume of supply remains less than 15 tons/year.

Cu Hue Commune - Dak Lak: There are two existing cooperatives that are not operational.

The Đong Tam Cooperative was established in 2002 with 12 members, each contributing one million VND to the cooperative's registered capital. The original objective of the cooperative was to supply seeds and other agricultural inputs to farmers as well as purchase agricultural products from them. At the moment the cooperative no longer has any operations as the former Manager has left to establish his own company. The Cooperative is taking legal steps to get dissolved.

The second cooperative covering six ethnic minority hamlets and one Kinh hamlet was established in 1998 with 30 million VND seed money supported by DANIDA. The objective was to build a new type of cooperative to provide credit, training and technical assistance and promote craft village development. In 2006, the Cooperative received a Government grant of 50 million VND to build its office and increase its operational budget. However, due to management weaknesses the Cooperative has not performed well and currently does not have any services available for farmers.

Given the poor performance of the two cooperatives, there is a tendency to form small scale more flexible cooperation units without legal recognition or an "official stamp". Since 2006, four such cooperation units have been established with 10-12 member households each operating on a voluntary basis irrespective of whether the households are rich or poor. The members share experiences, conduct training and contribute one million VND each to a revolving fund with an interest rate lower than the regular bank rate. One units has been able to develop a revolving fund of as much as 60 million VND. Additional cooperation units are being proposed in several other hamlets of Cu Hue commune.

3.2 Features of Rural Poor's Livelihoods and Consumption, Buying and Selling Patterns

The rural poor at the study sites lack land, quality labour (due to sickness, old age, multiple children, low education levels and lack of knowledge and skills), access to support institutions and processes and so are less able to benefit from development opportunities. Their agricultural output and sales are much lower than those of the non-poor, so have to rely on selling their unskilled labour to supplement their incomes.[21]

3.2.1 Rice Production Patterns

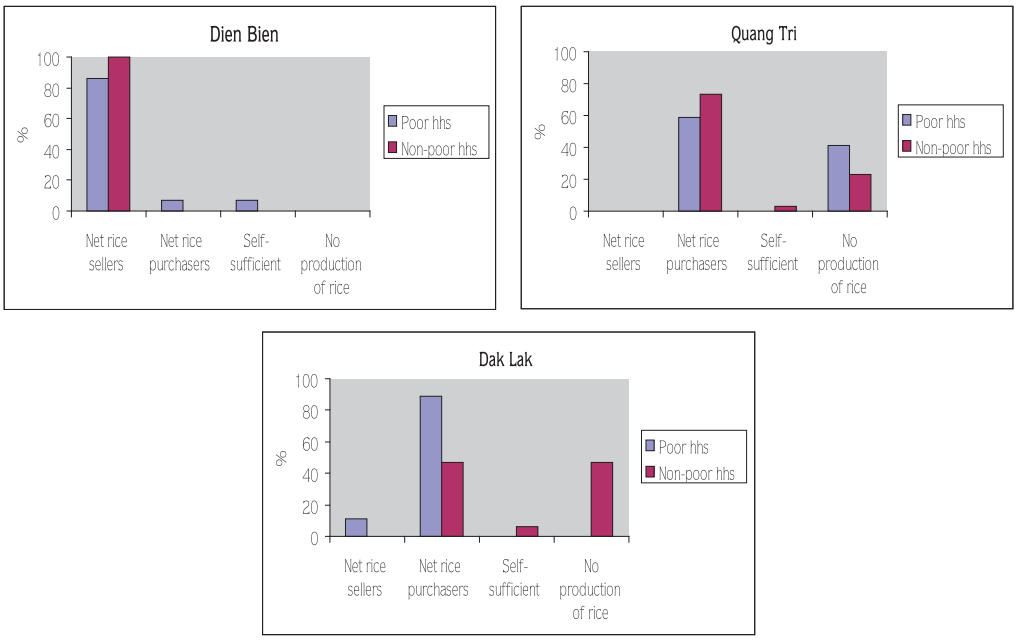
Figure 3.3 shows that household-level rice production patterns are appropriate to the choice of the study sites:

- In Dien Bien most households including poor households are net rice sellers;
- In Dak Lak, most of households are net rice buyers (not producing enough rice or producing no rice at all; selling maize or coffee or trading their labour for rice), except for a number of Êđê households that produce enough wetland rice;
- In Quang Tri all households are net rice buyers (not producing enough rice or producing no rice at all, or selling cassava to buy rice).

It should be noted that in Dien Bien most households grow wetland rice (except for a number of Thai households that still grow upland rice). In Dak Lak most households grow wetland rice and in Quang Tri the Vân Kiều farmers only grow upland rice.

[21] More details about the poverty context of the study sites can be found in the "Participatory Poverty Monitoring of Selected Rural Communities in Viet Nam: Synthesis Report 2007", Oxfam and ActionAid Viet Nam, August 2008.

Figure 3.3: Rice production patterns of the households



Source: Questionnaire survey of 180 households (July-August 2008)

The poor rice farmers in Dien Bien prefer growing the Bat Thom variety which is approximately 1,000 VND per kilo more expensive than the regular IR64 variety. Bat Thom is more vulnerable to pests and has a slightly lower yield. However farmers can sell Bat Thom paddies to buy cheaper rice for their own consumption. Better-off farmers grow both IR64 (for daily meals) and Bát Thơm (for sales): *"this way we don't put all our eggs in one basket"*. Some even buy paddies from other farmers in the hamlet for speculative purpose and only sell when the price rises.

As presented in Table 3.2, in the last 12 months a typical poor household in Dien Bien has sold a net of 167 kg of rice (only 16 percent of the net sale of a non-poor household). In Quang Tri, a typical poor household has purchased a net of 768 kg of rice (92 percent of the net purchase of a non-poor household). In Dak Lak, a typical poor household has purchased a net of 289 kg of rice (or 46 percent of the net purchase of a non-poor household). Poor households in Dak Lak buy less than non-poor households because poor households are mainly of the Êđê group and still largely focus on wetland rice[22]. Non-poor households are mainly of the Kinh group and focus on growing maize and coffee.

Tabble 3.2: Rice Production, Paddy Sale and Rice Purchase by an Average Household

	Dien Bien		Quang Tri		Dak Lak	
	Poor hh	Non-poor hh	Poor hh	Non-poor hh	Poor hh	Non-poor hh
1. Percentage of rice farming HHs (%)	86	96	73	73	100	51
2. Paddy production over the last 12 months (kg)	1585	2,896	265	213	1,118	428
3. Rice production over the last 12 months (kg) (conversion rate: 1kg of paddy=0.7 kg of rice)	1110	2037	186	149	783	300
4. Percentage of paddy selling HHs (%)	71	80	0	0	44	4
5. Paddy sale over the last 12 months (kg)	605	1,580	0	0	344	5
6. Rice sale over the last 12 months (kg) (conversion rate: 1kg of paddy=0.7 kg of rice)	424	1106	0	0	241	3
7. Percentage of rice purchasing HHs (%)	71	24	100	97	89	94
8. Rise purchase over the last 12 months (kg)	257	55	768	833	530	627
9. Net rice sale (+)/purchase (-) over the last 12 months (kg) = 6-8	**+167**	**+1,051**	**-768**	**-833**	**-289**	**-624**

Source: Questionnaire survey of 180 households (July-August 2008)

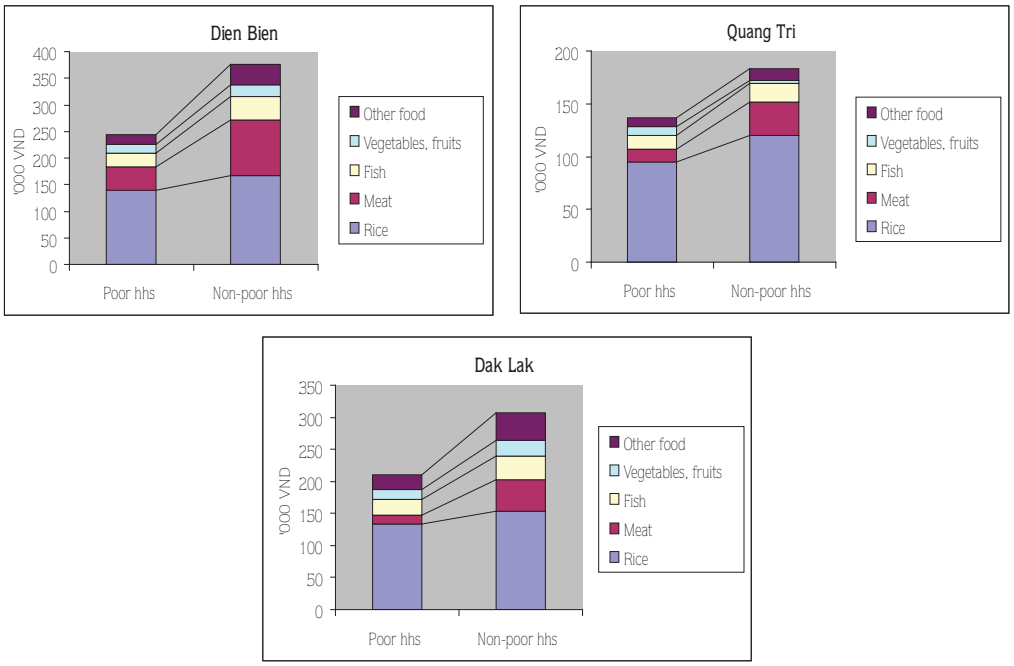
[22] The poor EM households in Dac Lac in particular and in the Central Highlands in general are also entitled to farm land (including wetland and upland) support within the framework of Programmes 132 and 134.

3.2.2 Food Expenditure Patterns

Information from the household questionnaires distributed to the three communes at the study sites shows that there are clear differences in the food expenditure patterns of poor people (Figure 3.4):

- Quang Tri has a low level of food expenditure per head, only about 50-60 percent of that in Dien Bien and Dak Lak.
- Rice constitutes about two thirds of total food expenditure of the poor (57 percent in Dien Bien, 64 percent in Dak Lak and 69 percent in Quang Tri) and only about 50 percent of that of the non-poor (45 percent in Dien Bien, 50 percent in Dak Lak and 66 percent in Quang Tri).
- The poor spends only half or a third as much as the non-poor on meat and fish.
- In difficult areas such as Quang Tri, the level of expenditure by the poor and non-poor on other foods (for example, eggs, cooking oil, fat, MSG, fish sauce, salt and instant noodle) is equally low. In better-off areas like Dien Bien and Dak Lak the poor spends only half as much as the non-poor on these food products.

Figure 3.4: Structure of food expenditure per head at the study sites



3.2.3 Selling and Buying Practices

Between crop harvests poor households in the three selected communes often have to buy rice, fertilizers and other essential products on 3-5 month credit from private agents with unfavorable terms and conditions such as higher prices and interest rates of 3-4 percent/month. However the poorest households in ethnic minority villages can not 'buy on credit' when prices begin to rise. Those from remote villages in Quang Tri with limited road access still have to 'buy expensive and sell cheap' as transport costs are high. There are no market places in ethnic minority communes in Quang Tri so local people have to rely on peddlers who sell expensive and poor quality goods.

Poor households buying rice on credit are worse off in every way

In Dien Bien, when buying rice on credit poor households have to pay a high interest rate. For example they pay for the equivalent of 1.3 kg of rice for each kg of rice bought on credit. One rice mill owner receives Bat Thom rice in return for IR64 rice lent to farmers. In some cases poor households have to borrow red rice from the smaller rice mills and pay back IR64 rice (per kg red rice is 1-2000 VND cheaper than IR64 rice) also at the ratio of 1:1.3.

Table 3.3 shows that poor households do not have much to sell and what they do sell is at a price 10-15 percent lower than non-poor households. They therefore benefit less when farm-gate prices increase. Poor households often have to sell their products to smaller traders/shops/agents at the beginning of the harvest in order to meet their immediate spending needs and can not afford to wait until prices become higher at the end of harvest time (as they need to pay back fertilizer and rice loans and do not have adequate storage or semi-processing faculties to keep the products any longer).

Most of the poor rice farming households also have to sell part of their output immediately after harvest in order to purchase fertilizers, seeds and other items for the family and subsequently forced to sell their own labour, grow vegetables or raise some animals so as to survive until the next harvest.

Table 3.3: Sales of Products by Households In the Last 12 Months

Rice in Dien Bien	Poor households	Non-poor households
Percentage of paddy growing households (%)	86	96
Percentage of paddy selling households (%)	71	80
Average paddy sales/household over the last 12 months	847	1,964
Paddy sales as a percentage of total output (%)	42	41
Average paddy selling price (VND/kg)	4,920	5,680

Cassava in Quang Tri	Poor household	Non-poor households
Percentage of cassava growing households (%)	100	87
Percentage of cassava selling households (%)	100	87
Average (fresh) cassava sales/household over the last 12 months	9,150	9,915
Cassava sales as a percentage of total output (%)	100	100
Average (fresh) cassava selling price (VND/kg)	810	790

Maize in Dak Lak	Poor households	Non-poor households
Percentage of maize growing households (%)	100	84
Percentage of maize selling households (%)	100	84
Average maize sales/household over the last 12 months (fresh grains)	1,569	6,693
Maize sales as a percentage of total output (%)	94	99
Average maize selling price (VND/kg, fresh grains)	2,130	2,280

Coffee in Dak Lak	Poor households	Non-poor households
Percentage of maize growing households (%)	33	71
Percentage of maize selling households (%)	22	71
Average maize sales/household over the last 12 months (dried beans)	104	582
Maize sales as a percentage of total output (%)	100	100
Average maize selling price (VND/kg, dried beans)	29,800	32,600

Note: the average sales data only refer to those households that have products to sell

Source: Questionnaire survey of 180 households (July-August 2008)

When asked how they decide when to sell their products, none of the poor respondents in the three study sites answered that they would wait until "the price gets to a fair level". Most said the decision was first based on when they "needed the money" and second the market price at that moment (Table 3.4).

> Question: *"Do you wait until the price is high before selling?"*
>
> *Answer: "Certainly I would like to do that. However, I need the money to pay off fertilizer and rice loans. Immediately post harvest the village head insists on us paying off fertilizer loans. If we fail to do so, the bank will charge us more. Unless the bank allows us to extend our fertilizer loans until Tet we may not be able to keep some of the crop until Tet."*
>
> (Group discussion with poor Thai men in Pa Dong village, Thanh Xuong commune, Dien Bien)

Table 3.4: Key Selling Price Factors (%)

	Dien Bien		Quang Tri		Dak Lak	
	Poor households	Non-poor households	Poor households	Non-poor households	Poor households	Non-poor households
Timing of sales/when money is neÊđêd	100	54	97	100	100	72
When prices get fairly high	0	33	0	0	0	26
Others	0	13	3	0	0	2

Source: Questionnaire survey of 180 households (July-August 2008)

The sale price of products is often set according to the "village norm" which is understood to be the price at which everyone else in the village will sell at the same point in time. In Dien Bien, the villagers learn about the "village norm" from their neighbors or directly from the buyers. In Dak Lak, the poor households also know how to compare prices with different sources. Certain non-poor households even refer to the daily price list provided on the provincial television channel. In Quang Tri the sale price for cassava is quoted by the processing plant (Table 3.5).

Table 3.5: Main ways of learning about market prices (%)

	Dien Bien		Quang Tri		Dak Lak	
	Poor households	Non-poor households	Poor households	Non-poor households	Non-poor households	Non-poor households
Asking the buyers directly	55	23	3	0	50	24
Asking neighbours and comparing different sources	0	10	0	3	50	43
Watching TV	0	0	0	0	0	29
Quotations by local companies/plants	0	0	93	93	0	0
Others	0	8	0	0	0	4

Source: Questionnaire survey of 180 households (July-August 2008)

Most poor households in Dak Lak sell their products when still fresh (fresh maize grains and fresh coffee beans). A quarter of poor households interviewed sell their products to agents to pay off their fertilizer and rice loans. Because they have taken loans from these agents, they often find themselves in a weak position to negotiate the price that they want to sell. In case of an urgent need for money some poor households even sell their products before harvest at 50 percent of the expected price at harvest time. Better off households (often of Kinh ethnicity) with semi-processing facilities can keep their crops in stock until the price rises. For example, they can dry their coffee beans, stored them in agent's warehouse and only fix the sale price when appropriate.

The better-off Kinh can store their products and wait for better prices

Maize: Many Kinh people in Dong Tam hamlet (Cu Hue commune) observed that "when there are many buyers coming the prices will increase" as this means many orders are made as the trucks come to collect and transport maize to the lowland provinces. Agents will rush to buy maize from the local farmers. Often they initially pay only 3,100 VND/kg. However, if the farmers wait for only one morning the price may go up to 3,200-3,300 VND/kg as the agents are under pressure to fulfill their orders. Conversely "when there are few buyers the prices will fall" as there are no more orders. Only those agents with idle money will purchase at a lower price for speculation.

Coffee: The better-off households do not sell their coffee post-harvest. They often dry the fresh beans before

sending them to "foreign trade warehouses" for storage and only fix the selling price when they feel it has reached a fair level. Many sales take place after Tet. Poor households with outstanding loans usually have to sell off their crops before Tet.

So called "foreign trade warehouses" are run by private agents or import-export enterprises. They offer free storage facilities as a means to collect coffee from the farmers and better manage their stock for export. When the farmers want to fix the selling price the warehouses will often negotiate a price slightly lower than the market price at the time.

Core group discussion and discussion with Kinh men in Dong Tam hamlet,
Cu Hue commune, Eakar, Dak Lak

As for cassava in Quang Tri, the poor and non-poor households have more or less the same level of sales. Cassava crops are sold directly post harvest to the cassava starch processing plant at a price fixed by the plant itself. The plant purchases cassava on a lump sum basis without any prior sorting so there is no differentiation between the poor and non-poor households. Poor households with a very small output which is not enough to fill a truck can sell dried cassava to the local agents/shops. The price of dried cassava is often twice that of fresh cassava. However, the disadvantages are that drying cassava is very labour-intensive and can be affected by humid weather conditions. Drying cassava for sales is considered the last resort of poor households with limited farm land.

3.3 Impacts of Price Hikes on the Life and Livelihoods of the Rural Poor

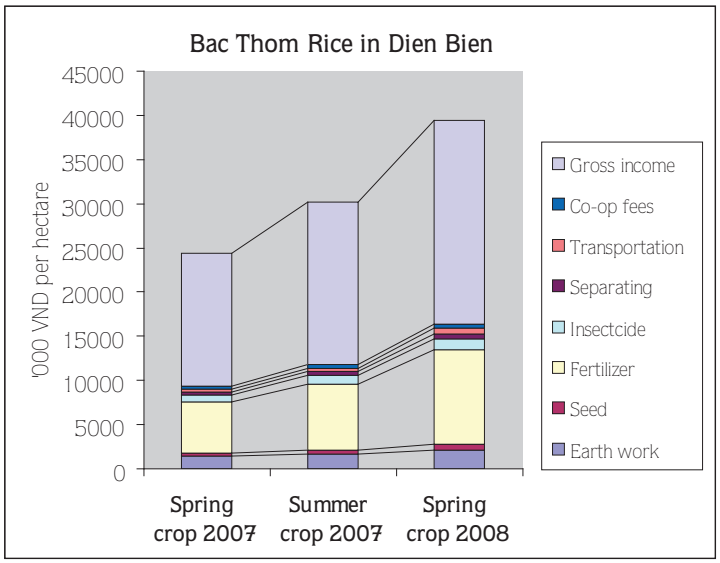
3.3.1 Impact on Productivity

Given the "double-edged prices" effect, incomes from rice farming in 2008 are higher than in 2007 while incomes from maize and coffee are lower and cassava almost the same. However, purchasing power parity (PPP) in all three study sites has fallen sharply.

Dien Bien – Paddy Production. Paddy production accounting data show that the gross income (exclusive of labour cost) at current prices from 1 ha of the Spring crop is 25 percent higher than the Spring crop in 2008 and over 50 percent higher than the Spring crop of 2007. Farmers in Thanh Xuong commune (Dien Bien) have good extensive farming techniques and the soil in the Dien Bien Valley is of good quality. The weather conditions and irrigation services in the last few years have been favorable for annual double-crop farming (except for a small acreage cultivated by the Thai group on the boundary of the valley that is only suitable for single crop farming). These factors have allowed farmers to reap bumper crops with an average yield of more than six tons/ha/crop. Although the cost of fertilizers has risen by 60-80 percent over the last year, the selling price of rice has also increased by 50-60 percent. Thus the gross income from paddy farming in 2008 is higher than 2007 (Figure 3.5).

According to the increased gross income the value of a man-day (gross income divided by the number of working days) has increased by more than 50 percent between the Spring crop of 2007 and the Spring crop of 2008, or from 125,000 VND/man day to 190,000 VND/man day. This indicates fairly labour costs in Dien Bien.

Figure 3.5: Production accounting for Rice in Chan nuoi 2 village, Thanh Xuong commune (Dien Bien)



Source: Data provided by local people and agents in Thanh Xuong (July 2008)

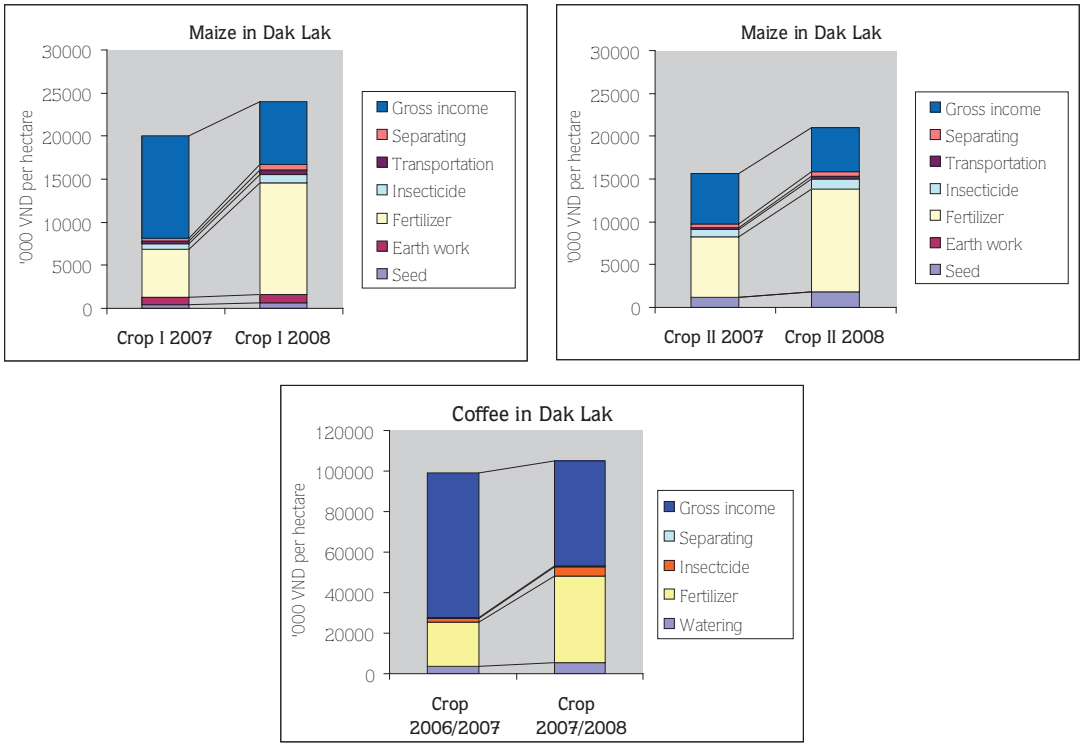
However farmers feel that the PPP has fallen over the last year because the prices of foods and other essential products have increased. According to farmers in Chan Nuoi 2 village, Thanh Xuong commune (Dien Bien), *"This year, our (gross) income from, say, 100 m^2 of paddy land, when converted into weight units of pork, has decreased by more than 10kg"*.

Poor farmers, mainly in the Thai village of Pa Dong, often have to pay a little more for technical services (for example, soil preparation, pesticide spray, husking and transport) than the non-poor who are typically of the Kinh group (in Chan Nuoi 2 village). Poor farmers tend to use single ingredient fertilizers rather than organic fertilizers or blended fertilizers like NPK and Kali. Although in this way they can reduce costs productivity is slightly lower than that of the non-poor so the gross income is found to be more or less the same between the two groups.

Dak Lak – Maize and Coffee Production. Of the three study sites, Dak Lak is the most affected by the "double-edged price" effect (Figure 3.6). At current prices, the gross income (exclusive of labour cost) from 1 ha of maize in the first crop of 2008 declined by nearly 40 percent compared to the first crop in 2007. Similarly the gross income from the 2008 second crop has also fallen by 12 percent compared to 2007 (income from the first crop has declined more because at the time of the first crop, the price of fertilizers increased at a much higher rate than the selling price of maize). The gross income from one ha of coffee in Dak Lak has decreased by nearly 30 percent since between 2007.

The PPP of the maize farmers has fallen even more. As the price of regular rice (IR64) has increased by more than 60 percent (from 5,500 VND/kg in June 2007 to 9,000 VND/kg a year later), the gross income from 1 ha of the first maize crop, when converted into rice weight units, has fallen from more than two tons of rice in 2007 to only 0.8 tons of rice in 2008.

Figure 3.6: Production accounting for Maize and Coffee in Dong Tam village, Cu Hue commune (Eakar, Dak Lak)

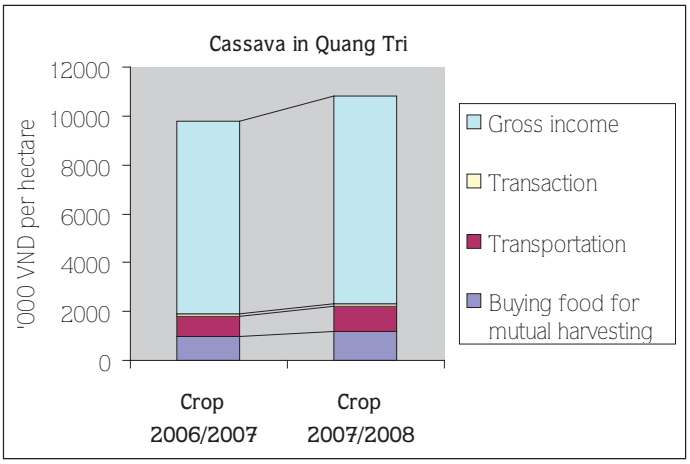


Source: Data provided by local people and agents in Cu Hue (July 2008)

A comparison of the productivity of maize crops grown by the poor farmers – mainly in the Êđê village of M'Hăng - and by non-poor farmers – mainly in the Kinh village of Dong Tam - shows that the poor Êđê farmers use only 60 percent as much fertilizer as the Kinh farmers do, and so produce 75 percent the total output of Kinh farmers. The gross income per ha of Êđê farmers is only 70 percent that of Kinh farmers. However, due to the low investments in fertilizer incomes from the first crop of 2008 are only 20 percent lower than in 2007. In summary, the poor invest less in fertilizer, thus gain less output and income. However, their incomes are less affected by prices increases.

Quang Tri - Cassava Production. As the cassava farmers in Quang Tri do not purchase agricultural inputs (they do not use fertilizers and can produce their own seeds), they feel they have profited by the 45 percent increase in the price of cassava over the last year (Figure 3.7). However, their net income has not risen as much since the Vân Kiều farmers, both poor and non-poor, never use fertilizers and do not apply measures to improve the soil conditions for cassava crops. The quality of soil is therefore deteriorating fast. The productivity of cassava in Xy commune this year (2007/2008 crop) has declined by nearly 30 percent compared with the last year (2006/2007 crop), while the cost of food for labourers at harvest time and transport services have increased

Figure 3.7: Production accounting for Cassava in Xy commune (Huong Hoa, Quang Tri)



Source: Data provided by local people in Xy and processing enterprise (August 2008)

Cassava farmers are worse off when income is converted into rice. In 2007 they could sell the output of one ha of cassava and buy 1.6 tons of regular rice or 1.4 tons of sticky rice. In 2008 they can only buy 0.9 tons of regular rice (down 43 percent) or 1.1 tons of sticky rice (down 19 percent) (Table 3.6).

As output begins to decline farmers react by expanding the total acreage in order to maintain the same level of income. However, available land in new residential areas is limited while they can not return to their former residential area for cultivation because there is no road access for vehicles. In response to soil degradation they use the traditional methods of crop rotation. However, given the growing population and lack of land, such a solution becomes increasingly difficult to implement. It is projected that the output of the next crop 2008/09 will be further reduced. This represents a real challenge to poverty reduction efforts in Xy commune.

Table 3.6: Correlation between cassava sales and rice purchase in Xy commune (Huong Hoa, Quang Tri)

	Crop 2006-2007	Crop 2007-2008	Rise (+) /Fall (-) (percent)
Total cassava acreage of the commune (ha)	199	244	+ 22.6
Fresh cassava output (ton) *	2,800	2,500	- 10.7
Average cassava productivity (ton/ha)	14.07	10.25	- 27.1
Average selling price (VND/kg)	700	1000	+ 42.9
Average value of output (VND)	9,849,000	10,245,900	+ 4.0
Buying price of regular rice (VND/kg)	6,000	11,000	+ 83.3
Buying price of sticky rice (VND/kg)	7,000	9,000	+ 28.6
Cassava output converted to regular rice output (kg)	1,642	931	- 43.3
Cassava output converted to sticky rice output (kg)	1,407	1,138	- 19.1

(*) Fresh cassava output is calculated according to data obtained from the processing plant, exclusive of a small amount of dried cassava
Source: Reports of Xy commune and data of the tapioca processing plant (July-August 2008)

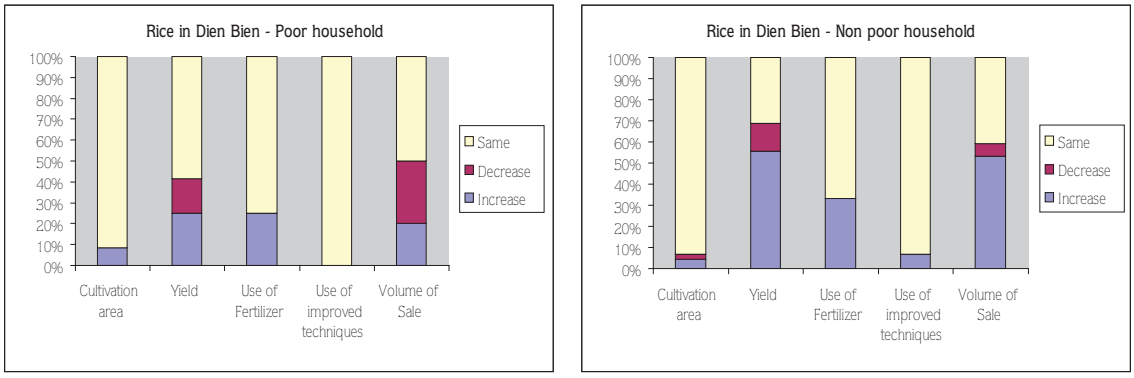
Poor people with small scale production are worse-off. As cash income or income converted into PPP decreases, the effect of economies of scale becomes more apparent at all the study sites. The maize farmers in Dak Lak say "if we can cultivate 2-3 ha then we will be able to save some money. If we do less than one ha then we will not". The poor often have limited access to land and can not expand or hire more land as the non-poor do.

For instance, non-poor farmers growing rice in the Dien Bien valley gain more as the price of rice increases in line with increased prices for inputs and services. ("The boat floats high as the water rises" as they often say). However, poor farmers still earn very low incomes as they have little land. Data collected from household questionnaires show that poor households sell an average net output of 167 kg of rice, while non-poor households sell 1051 kg. Survey data for Thanh Xuong commune also indicate a low land acreage per farmer of 500m^2. The figure per head is even lower: between 250 and 300 m^2 (those who are new residents or were born after the land allocation exercise in the early 1990s do not receive land). Therefore, despite the fairly high cost of each man-day in paddy farming, the average man-days worked by each labourer is only 25-30/year. The non-poor Kinh households who can hire more land (mostly from State-owned plantations for which most have worked) can earn more income. Poor farmers have to grow extra crops such as morning glory (Kinh people) or travel daily to Dien Bien town to find work (Thai people).

3.3.2 Impact on Production Patterns

Dien Bien – Paddy Production. Paddy farming practices in Dien Bien are not adversely affected by increased prices of agricultural inputs and paddy output. None of the households interviewed had to reduce their use of fertilizers over the last year. Only 15 percent mentioned reduced output as a result of outbreaks of diseases and pest attacks (Figure 3.8). Some households (including poor households) managed to rent extra land (owned by those who have left to find jobs elsewhere or do not have enough labour available) for paddy farming.

Figure 3.8: Changes in paddy production patterns in Dien Bien in the last 12 months (% hhs)



Source: Questionnaire survey of 180 households (July-August 2008)

To cope with the price storm in Dien Bien's paddy-producing areas poor farmers tend to focus on growing the more value-added Bat Thom rice variety (which they can then sell to buy cheaper rice for daily consumption). As a result, the Bat Thom variety is now grown on more than 60-70 percent of total paddy land, inducing a higher frequency of disease and reduced productivity.

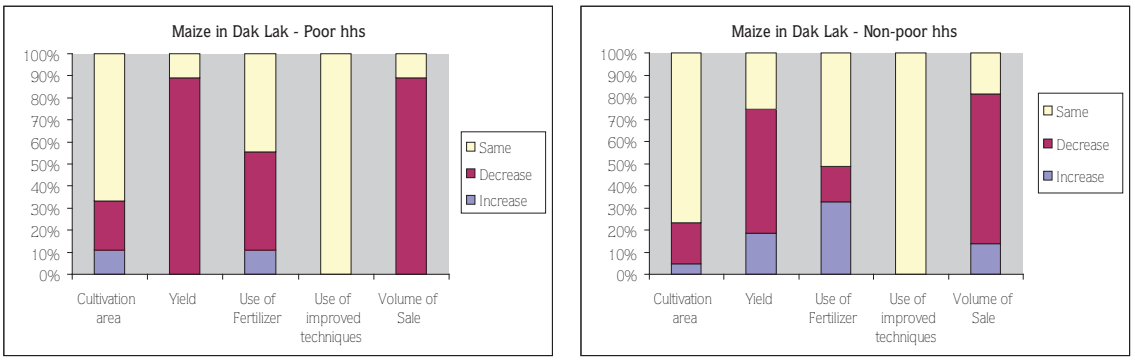
> *"The percentage of acreage of any variety recommended by the district extension authorities is only 40-45 percent maximum in order to avoid pest attacks and diseases. However, farmers in many places attracted by rising prices of Bac Thom have decided to grow this variety in as much as 60-70 percent of the total paddy land. Consequently diseases (for example, brown-backed rice plant hopper and rice grassy stunt virus) are occurring more frequently, productivity is declining and the appearance of the grains is getting worse. It is very difficult to manage production at the moment."*
>
> (A management member of the Dien Bien District ARD Office)

In Chan Nuoi 2 village, Thanh Xuong commune (Dien Bien), the acreage of morning glory crops increased by 50 percent between 2007 and 2008 among Kinh households as the price of morning glory doubled (from 1,000 VND/12 bunches in 2007 to 1,000 VND/6 bunches in 2008). Almost all households have set aside

several hundreds of square meters of paddy land (within the proximity of their houses and irrigation canals) and garden land for morning glory to sell within their home province and in neighboring provinces in the North-West region. Growing morning glory requires intensive labour for collection and bunching at night and transport at dawn to the market to sell to the traders. In return, the income gained from morning glory crops is twice as much as from paddy crops for the same acreage of land.

Dak Lak – maize and coffee production. Only a few households have increased their maize acreage as they shift from peanut and bean crops. The last year has seen a 20-30 percent fall in maize output due to unfavorable weather conditions (droughts at flowering time and excessive rain at harvest time). Almost all the households interviewed mentioned a decline in sales of maize in the last year (Figure 3.9). Both poor and non-poor farmers have not observed any clear changes brought about by the application of advanced techniques (except for the change of seeds, for example from CP888 or G49 in the first crop of 2008 to NK66/67 in the second crop of 2008).

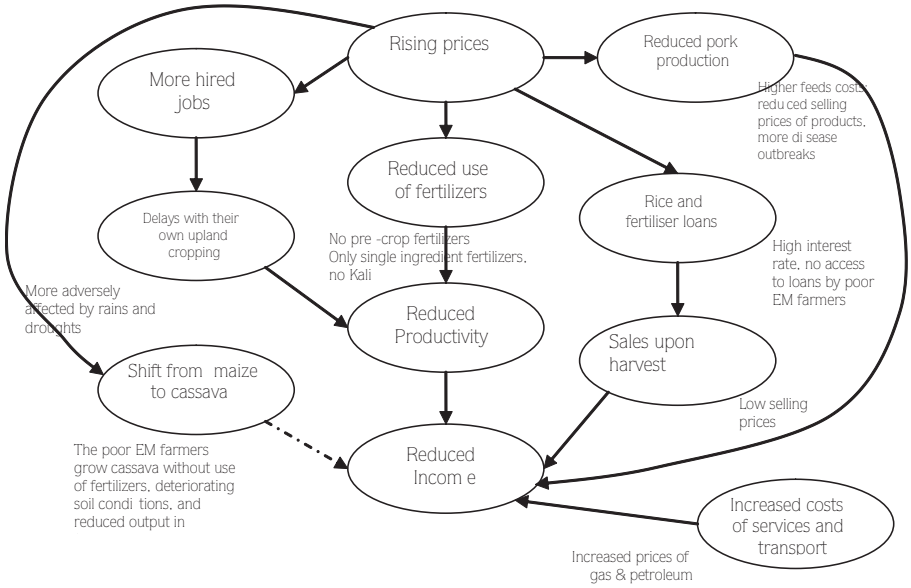
Figure 3.9: Changes in Maize production patterns in Dak Lak in the last 12 months (%hhs)



Source: Questionnaire survey of 180 households (July-August 2008)

Investment by poor EM households in fertilizers has declined as the cost of fertilizers increases and agents provide fewer loans. Forty-five percent of poor households interviewed said they had reduced their use of fertilizers. Many of them are only using drilling fertilizers and shifting from NPK to single ingredient fertilizers excluding Kali (as the price of kali fertilizer is very high) and achieving less output. Nevertheless most better-off Kinh households (particularly those with regular salaries) have managed to maintain their investments in fertilizers and pesticides according to recommended technical procedures.

Figure 3.10: Impact of Rising Prices on the Poor in Cu Hue commune, Dak Lak



A number of the poor Êđê farmers in Dak Lak have decided to shift from maize to cassava as the latter does not require the use of fertilizers and produces seeds. The farmers say a shift from maize to cassava is likely to continue (Figure 3.10). Similarly in Quang Tri, the risk of cassava farming without intensive techniques is the deterioration of soil quality which could result in reduced productivity. The farmers, particularly the poor ones, are typically only interested in short-term benefits rather than in ensuring sustainable soil conditions.

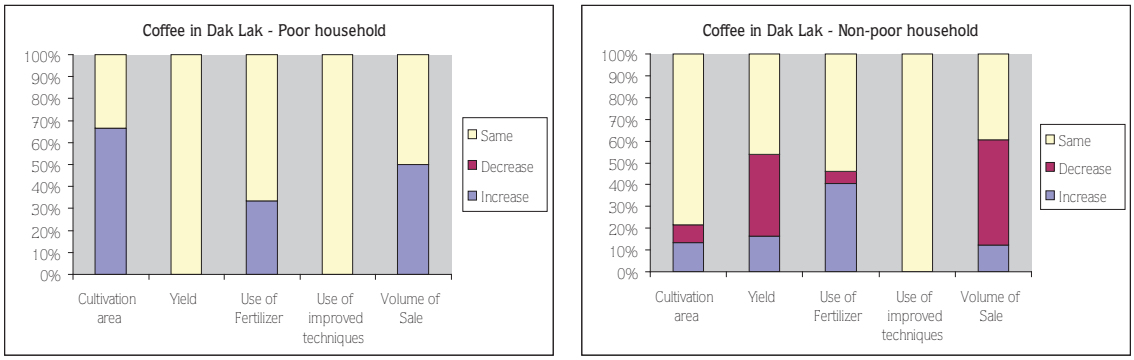
Shifting from maize to cassava: A way for poor Êđê farmers in Dak Lak to cope with increases in fertilizer costs

The Êđê farmers used to grow maize in the upland village of M'Hang, Cu Hue commune (Eakar, Dak Lak) as "the soil was very rich and the maize plants grew very well without any fertilizers at all. Now we have to use fertilizers. No fertilizers, no maize". They often have to borrow fertilizers from agents and pay back maize at harvest time. This year as the prices of fertilizers increase, the farmers have had to reduce their use of fertilizers and agents have stopped providing loans. For these reasons, the farmers are now in a more difficult situation.

Poor households have reacted by setting aside their maize land for cassava cropping. There is a processing plant located in the district (Easô commune) that sends vehicles to collect cassava output according to contracts with the farmers. Cassava farming has an advantage of not requiring the use of pesticides and being less labour-intensive than maize farming (it only requires a one-off weeding compared to 2-3 weeding with maize crops). However, harvesting cassava is more labour intensive. The shift to cassava began in 2007 and has become more popular in 2008 as the price of fertilizers has increased. In the village of M'Hăng, 20-30 percent of the households have now started to grow cassava. Of the seven poor women interviewed, four shifted to cassava with an acreage of 1,000-4,000 m^2 each. The productivity of the first crop was more than 2.2 tons/sào (1,000m^2). At 600 VND per kg of fresh cassava they can earn about 1.3 million VND/sào. "Cassava is more profitable than maize at least for a couple of years while the soil is still good enough".

In Dak Lak since the beginning of 2007 when the price of coffee (dried beans) reached 30,000 VND/kg the local farmers began to cut down cashew and plant a mixed crop of coffee and maize (removed after two years). Two thirds of the poor farmers interviewed (mainly of the EM group) have expanded their coffee acreage over the last year (Figure 3.11). The high price of coffee has provided an incentive for all farmers to invest more in fertilizers. Nearly 50 percent of non-poor households have observed a fall in their coffee sales over the last year due to rains at the time of flowering.

Figure 3.11: Changes in Coffee production patterns in Dak Lak in the last 12 months (% hhs)

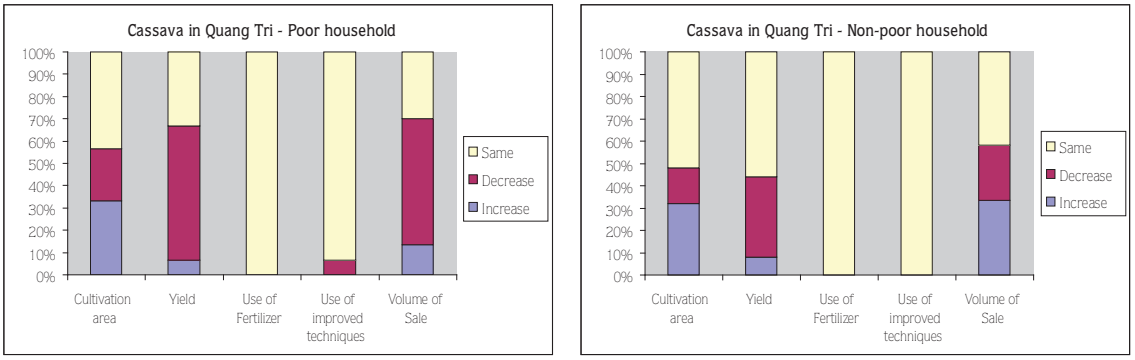


Source: Questionnaire survey of 180 households (July-August 2008)

The fact that most poor households have expanded their coffee acreage may be worth some attention. It is a spontaneous reaction to short-term market signals which could distort planned production patterns and put investments by the poor and soil quality at risk. For example, some time ago when the price of coffee fell to below 10,000 VND/kg many farmers decided to cut down coffee plants in favour of cashew or maize. Now the price of coffee is on the rise again they have started to shift back to coffee, even in upland areas that do not have suitable conditions for coffee farming.

Quang Tri - Cassava Production. As the price of cassava increases, certain households (30 percent of those interviewed, Figure 3.12) are trying to clear more land for cassava cropping while some others (about 20 percent) cannot because of soil degradation. Neither the poor nor non-poor households use fertilizers for their cassava crops. Sixty percent of poor households have seen their cassava output fall resulting in declining sales value.

Figure 3.12: Changes in Cassava production patterns in Quang Tri in the last 12 months (% hhs)



Source: Questionnaire survey of 180 households (July-August 2008)

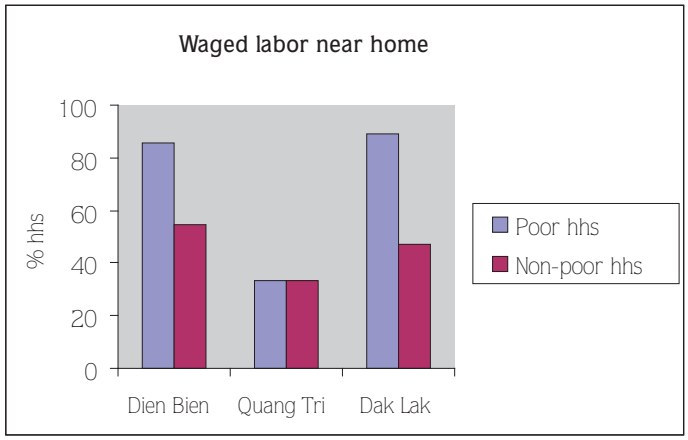
Reduction in pork production by the poor. At all three study sites there has been a "shock" of the local livestock production. In Dien Bien and Dak Lak, most farmers have reduced their pork production as the price of hogs has fluctuated unpredictably while the costs of breeds, feed and veterinary drugs have gone up very high over the last year due to frequent outbreaks of diseases. In Quang Tri, farmers still keep pigs in the extensive way. At the time of the study (August 2008) an outbreak of "blue-eared" disease meant they could not sell any pork because of the ban of transport of hogs/pork out of their village.

> In Dak Lak, the price of hogs in mid-2007 was 20,000 VND/kg, up at Tet to 2008 to 30,000-31,000 VND/kg; and sharply increased to 40,000-42,000 VND/kg in April-May 2008 (as there was no supply of hogs/pork from Northern provinces also due to the disease outbreak). By June-Aug 2008 the price of hogs fell to only 28,000-29,000 VND/kg.

Extensive farming. As the costs of agricultural inputs and the cost of living increases farmers tend to return to extensive farming practices. In Quang Tri poor farmers are returning to their former upland villages to grow more food crops. At the study sites when food prices increase the poor EM people become more dependent on traditional livelihoods such as the collection of wild vegetables, bamboo sprouts and fire wood from the forests (Dien Bien, Quang Tri) and catching fish and crabs from the rivers (Quang Tri). Unfortunately, these resources are becoming more scarce and people have to travel further and spend more time searching for less.

The poor are doing more hired jobs. Getting hired for manual jobs is the last resort for the rural poor during the price storm (Figure 3.13). Wages have increased considerably over the last year. In many places it is difficult to hire local workers as most have left to find jobs elsewhere or to work for manufacturing enterprises. In 2007 in the Thai village of Pa Dong, Thanh Xuong commune, Dien Bien, members of 60 percent of households (including the village head himself) left to find jobs. Men went into town for construction work and the women moved to neighbouring villages/commune for rice and maize harvesting). In Dak Lak, the poor can find jobs locally (for example, coffee/maize tending/harvesting). Workers also come from the Central provinces in search of seasonal jobs such as coffee harvesting prior to Tet holiday. The increased cost of labour has helped improve workers' daily food intake. The disadvantage of doing seasonal jobs, however, is that upland farming work is often delayed, hence the risk of droughts (at time of flowering) or excessive rain (at harvest time).

Figure 3.13: Percentage of households with members doing waged labour near home (%)



Source: Questionnaire survey of 180 households (July-August 2008)

Few people from the study sites in Dien Bien and Quang Tri work permanently in other provinces/cities. Only in Dak Lak do more than ten percent of poor households receive remittances from their family members who work in factories/enterprises in the South.

Higher costs of transport. As the price of gas and petroleum increases the cost of transport vehicles either owned or rented by the farmers becomes higher. In Dak Lak Êđê farmers often use the "cong nong" vehicle to travel to their upland farming sites between ten and 40 km away (the traditional practice by the Êđê farmers is to grow wetland paddy near their houses and upland paddy further away). The cost of a round trip is high - between 100,000-120,000 VND. Some months demand up to ten trips. As a result four or five farmers now share the vehicle. However, the cost per person has increased from 10,000/trip to 20,000 VND/trip this year.

There are a total of 340 such vehicles in Cu Huê commune (Eakar, Dak Lak) concentrated in the six EM villages. No where else do farmers use this "luxurious" means of daily transport to go to work. A round trip to an upland farming site 20-30 km away costs 60,000-80,000 VND in 2007 and is now 100,000-120,000 VND because of increased gas prices. For ten trips per month, the farmers have to pay a total of 200,000 VND just to get to work.

Positive Impacts. Rising prices also have had some positive impacts on farmers including the poor.

The labour exchange is becoming more popular, especially in poor EM areas, which helps reduce labour costs and ensure crop schedules. In Quang Tri, for example, labour-intensive harvesting of cassava crops is with exchanged labour now. Fifteen to twenty workers are required for 1-2 days.

Farmers in more advanced production areas have become more interested in applying techniques and extension messages in response to the price storm. In Dak Lak, many poor farmers have started to used single ingredient fertilizers and cut back on the use of blended NPK (some have even stopped using Kali because of its high cost). In Cu Hue commune in Eaker district the number of extension trainings conducted at the request of local farmers for the first six months of 2008 has increased by 50 percent compared to 2007. The farmers are interested in learning about preparing and using bio-fertilizer (mainly for coffee and pepper crops) as it is cheaper and farmers can utilize agricultural waste (for example, coffee husks, maize cobs and paddy straws) and at the same time improve soil conditions.

Increased use of bio-fertilizer to cut costs

At the beginning of 2008, extension officers were invited to Cu Hue commune to teach local farmers how to prepare bio-fertilizer. Three workshops and one demonstration session were organized for 8-10 representatives from each village in the commune.

Bio-fertilizer is mainly used for coffee crops and materials such as coffee husks, maize cobs and paddy straws are available locally. The advantage of bio-fertilizer is its low cost. It was 500,000 VND/ton at the beginning of the year and as of August 2008 is 700,000 VND/ton, still much cheaper than inorganic fertilizers. The preparation of bio-fertilizer is also less labour-intensive (one worker is required for preparation and the product is ready for use in three months).

It is likely that the use of bio-fertilizer will become more common in 2008 (particularly following the second maize crop harvest in August which will provide maize cobs as material). Perhaps the better-off households will try first and others will follow. However, the practical impact of bio-fertilizer needs to be confirmed.

Farmers are also more conscious of product quality as prices increase. Traders have become more demanding about quality requirements and quality grades (due to pressure from processing and export companies in response to international market signals). In Dak Lak, farmers are now more aware of the benefits of picking ripe coffee beans (a more time consuming process when compared to picking both ripe and young coffee beans in one picking session) and semi-processing/drying of maize crops to add more value to products.

3.3.3 Impacts on Consumption Patterns

Changes to incomes caused by rising prices is the greatest in more advanced production areas with favourable farming conditions such as Dien Bien and Dak Lak because of the use of fertilizers and hired labour (for soil preparation, planting, weeding, harvesting, transport and husking). The purchasing power of farmers has declined overall. However they still have sufficient rice supplies and more poor people can earn extra income from hired jobs.

Conversely, the greatest impact on life is in remote areas with harsh farming conditions as farmers already face risks associated with weather conditions and soil degradation. Upland crop failures in Quang Tri, for example, are considered common. Cassava cropping in degraded soil conditions also often yields low output. The Vân Kiều farmers do not yet rent their labout for extra income. For these reasons, increasing rice prices may lead to famine.

The purchasing power of poor households at all the study sites has been reduced because of rising inflation. This is most evident in the changes to consumption patterns and the quality of daily meals. Specific changes to food consumption patterns are as follows:

Rice. Rice is the priority for all families. The number of households that have had to cut their rice consumption is small. In Dien Bien, most poor households have managed to produce enough rice for consumption or even sale. However, some still have to purchase or borrow rice in between harvests. Several poor households in Dien Bien have had to borrow the red rice variety (which is the cheapest available, even 1,000-2,000 VND cheaper than the regular IR64 variety) and pay back IR64 rice at harvest time.

In Dak Lak, since the poor can sell maize and find short term work, they earn enough to buy rice. Those who have had to cut back on rice are not many (only ten percent of those interviewed have had to cut 20 percent of their normal rice consumption). The most common reaction is to shift to cheaper varieties: *"buy whatever is the cheapest"*.

Households are at risk in Quang Tri where there is no wetland paddy farming, upland paddy farming is limited and frequently fails and farmers cannot get any extra income from transporting logs from Laos this year. A number of households have had to cut their rice consumption by eating porridge and other staple foods such as cassava and maize instead. Household interviews show that more than 20 percent of poor households in Quang Tri have had to cut their rice consumption by about 35 percent. As many as 50 percent of the households in the two villages surveyed in Xy commune are now eating cassava mixed with rice and porridge. Also since sticky rice has become cheaper than regular rice, many poor people in Quang Tri eat sticky rice.

> *"We have been able to sell much less this year; only about 50 percent compared to last year. In 2007, we were able to sell 2-3 million VND worth of rice on certain days. This year, fewer*

people buy rice. Some times we can only sell 1 – 2 million VND worth of rice in the whole week.

This year the profit we can earn per bag is more or less the same as last year. However we had to buy rice at a rather high price. So if we sell in small weight units we can make 15,000 VND per bag (compared to only 10,000 VND last year when the price of gas was lower). If we sell in bags then we can only make 8,000 – 10,000 VND/bag.

Other products also are also selling more slowly than last year. In 2007, we had to stock up every month. Now we only do so every three months. Sometimes we don't even bother about the stock since things get sold slowly.

Our sales of regular rice have declined as people cut down on consumption because of high prices. Sticky rice is now cheaper than regular rice. Seventy percent of our sales this year have been of sticky rice and the remaining 30 percent of regular rice (last year the share was equal between the two types of rice)

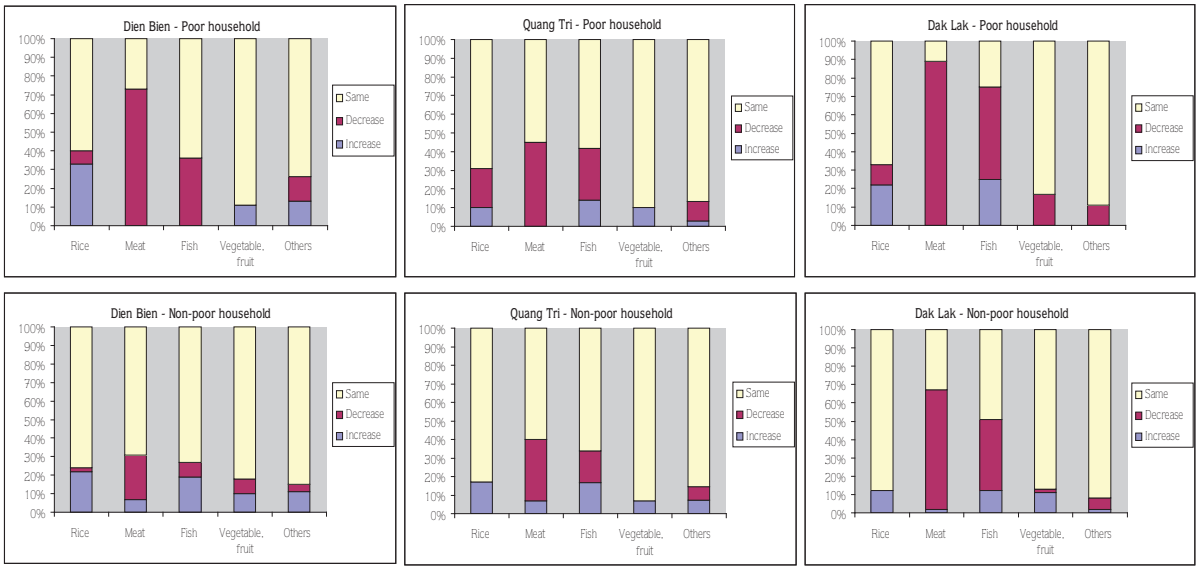
Several households have had to borrow rice and will pay back in dried cassava at harvest time. If they take the loan for as long as 3-4 months then they will be charged interest of 40,000-50,000 VND/bag. We do not normally give loans of other products, except to those that we know well".

(Trader N.T.Th., Xy commune, Huong Hoa, Quang Tri)

In Quang Tri, since the beginning of 2008 people have begun to stockpile rice as they are concerned about rising rice prices. Several households that earned dozens of millions of VND from cassava sales have decided to buy tons of rice (from Tan Long commune by Road No. 9 where the price per kg is 100 VND lower) for consumption until the next cassava harvest. Most are average and poor households and do not have a regular source of income. Those who do have monthly salaries do not need to stockpile rice.

Fish and Pork. ***The fall in fish and pork consumption is the most evident impact of rising prices on the meals of poor people***. Poor people at study sites reduce fish and pork consumption to a minimum (they only eat pork once or twice a month or when they have guests or people come for labour exchanges) and mainly choose cheaper cuts such as pork side and pork fat. Figure 3.14 shows that 45-90 percent of poor households have had to cut their pork consumption over the last year by 30-50 percent. Thirty to 50 percent cut fish/shrimp consumption by 25-50 percent. Butchers at the study sites also noted a 50 percent reduction of their sales from last year. A butcher in Dak Lak said *"last year, I could sell two hogs a day very quickly. This year I struggle to sell just one hog"*.

Figure 3.14: Changes in Consumption patterns of the households compared to one year ago (% hhs)



Source: Questionnaire survey of 180 households (7-8/2008)

Vegetables. Poor people in Dien Bien and Quang Tri, especially those who can grow vegetables themselves or collect vegetables/bamboo sprouts from the forests, have managed to maintain the same level of vegetable consumption. Only in Dak Lak where people have to buy vegetables on a daily basis, have a number of poor households cut their vegetable consumption. Buying fruits to eat in addition to what they can be grown themselves is still considered a luxury by poor people.

Other foods. Poor people now have to minimize consumption of other food products. Most of them have stopped using cooking oil and shifted to pork fat. In Quang Tri the poor have even stopped eating pork fat.

In commodity producing areas such as Dien Bien (paddy) and Dak Lak (maize/coffee) where poor EM people can easily find simple jobs to do, they have shifted to buy certain food products in small packages instead of big packages as they did in 2007 in order to save money. They are now only buying small sachets of MSG, cooking oil and sugar at only 1,000-2,000 VND each for daily use only. This way the cumulative cost is higher. However, they have no choice as they have to depend on their daily income and do not have any savings.

Similarly poor people have had to minimize the purchase of other essential products. In Quang Tri, they have even stopped using toothpaste: *"As the price of toothpaste also increases they [Vân Kiều poor people] no longer use toothpaste. Instead they either use nothing or just salty water"*. (A shopkeeper in Xy commune).

Cut on other expenses. Given limited income, the poor have to prioritize various items of expenditure and expenses related to community relationships. Prioritisation became even more important during the 'price storm' period.

The "priority setting" exercise for household expenditure (exclusive of contingency such as sickness-related expenses) with poor women and men revealed the following common features of the three study sites:

1. The top priority group include rice, payment of seeds/fertilizer loans (if they fail to pay off these loans, they will have to pay high interest and are not likely be able to borrow new loans), cassava harvesting (food for exchanged labourers and transport costs), and electricity (only a few tens of thousand VND).
2. The second priority group included school fees for children, fish sauce, salt, MSG and dried fish. There is a notable difference between the Kinh and the EM people regarding their order of priority within this group. The Kinh people place "school fees" before fish sauce, salt and MSG while the EM people do otherwise. To the poorer households, MSG is considered even more essential since their main daily dish is vegetable soup with salt and MSG. In Quang Tri particularly, chilli and cigarettes are considered as important as fish sauce, salt and MSG.
3. The third priority group consists of fish, pork and social events such as weddings and funerals. Funerals are considered more important to attend than weddings. "You don't need an invitation to attend a funeral". The EM people have a custom of contributing cash and/or rice to support the family having the funeral. Weddings can be optional depending on how close the relationship is. Gift money for weddings has increased by at least 30-50 percent over the last year and become a considerable item of expenditure of the poor. They sometimes even have to take out a loan or sell some rice to afford to attend a wedding.

Wedding gift voucher

In the middle of the 'price storm' the average wedding gift money rose. Many people have to try to get a loan or sell something from the house to get some money as a wedding gift. Some have creative solutions to the problem.

A newly married couple received an envelope of wedding gift money which looked exactly the same as the other envelopes. However on opening it they didn't find money as they had expected. To their surprise it was a note reading *"We and our family would like to give you a wedding gift worth 100 thousand VND. Next month when we harvest our rice crop we will send the money to you"* [signed]

(A story shared in a discussion with the poor households groups in Thanh Xuong, Dien Bien, July 2008)

4. The fourth priority group include clothes and shoes of which clothes for school children is considered more important.

5. The last priority group include "luxurious" items (purchased only when some savings are available) such as furniture, house building, visits to relatives and friends and other social activities. Visiting parents and looking after them when they fall sick is considered the most mandatory activity, even if they have no money and must get a loan to do this.

Most poor households surveyed have to cut items from low priority groups, especially from the third, fourth and fifth groups. They already struggle to maintain the higher priority items as costs have all gone up by at least 50 percent over the last year. As expenditures increase and incomes remain the same people shorten prioritise in the order listed above and as a result are becoming more vulnerable to risks such as accidents, ailments, natural disasters and diseases.

3.3.4 Impacts on women and children

Children

People reported that EM children are increasingly likely to drop out of school, especially those at lower and higher secondary levels. On the priority list, school fees for children are among the top items after essential items such as seeds and fertilizers and before fish/pork and clothes. However, since total spending on food, agricultural inputs and weddings/funerals already constitutes a high proportion, the budget left for all other items including education for children is very small. At the same time school fees are considered a major burden by poor people. Although they could ask to be exempted from paying "school enrolment" fees there are still dozens of other types of "socialized fees" totalling at least 300,000-400,000 VND/year per child in lower secondary school. The feeling of embarrassment as their parents cannot afford to pay these fees is a major reason for children dropping out of school in addition to the fact that many EM children find it impossible to follow the current school curriculum.

Such a situation represents a conflict between short-term and long-term solutions: in the short-term, children of the poor households can stop going to school to work and earn extra income to support their families: *"Since my child stopped going to school, the family has become better supported as we have had extra income*". However, in the long term, the children who have dropped out of school will become poor themselves and will hardly be able to escape from poverty.

Dropping out: Excessively high school fees and inability to follow school curriculum

M'Hang village, Cu Hue commune (Eakar, Dak Lak): Êđê group. According to a local officer the number of drop-outs has increased over the last two years. Prices are rising and there has been a drought this year. There are a total of 131 households in the village. This school year (2007-2008) 15 children from grades 8 and 9 have dropped out. The main reasons include difficulties following the curriculum and high school fees. For example, a child moving from grade 7 to 8 has to pay 350,000 VND school enrolment fees at the beginning of the school year and another 500,000 VND on school uniforms (thre sets). If they fail to achieve admittance to a public school and have to go to a semi-public school the costs are even higher (1.5 million VND at the beginning of the school year) and the school may be as far as nine km away from home.

Pa Dong village, Thanh Xuong commune (Dien Bien): Thai group. Over the last year, eight children have dropped out of primary school and two out of lower secondary school. When interviewed, 49 year old D. V. T., who is the head of a Thai household in Pa Dong village, Thanh Xuong commune said he moved from a different commune of the same district of Dien Bien in 1999 so he did not get allocated any farm land. He, his wife and six children earn their living from hired jobs. They go to the "labour market" in Dien Bien City every morning with shovels in hand and do whatever jobs are available. Mr. T is most concerned about the weather condition. If it rains and they have no jobs then the family will only have porridge to eat. *"The most difficult enemy to fight is poverty… if the weather is good then we will have jobs to do and survive. Otherwise we will not be able to sleep for the whole week"*.

All of his six children (four boys and two girls) have dropped out of school. The highest level of education they achieved is grade 9. The youngest boy who is 16 this year has just stopped going to his grade 6 class and is now working with his father and siblings. Mr. T said "I could not afford to pay for his schooling. When his teacher reminded him of the unpaid fees he felt embarrassed and decided to quit. When he was smaller he was not that sensitive. Schooling is very costly. Every year we have to pay 300,000-400,000 VND. I sent a request to the commune government for exemption of school fees and they have approved a discount of only 30,000 VND for one of my three children. I still have to pay the other fees of more than 300,000 VND. This is a lot of money."

Child malnutrition in remote areas has improved only slowly. In certain places it is actually worse. In the commune of Xy in Huong Hoa, Quang Tri, as prices increase the nutrient intake by Vân Kiều children has fallen (especially between harvests) while the birth rate is high. Pregnant women still have to work very hard. The commune health clinic records show that the malnutrition rate among children under five has increased from 40 percent to 61 percent over the last year. The infant fertility rate is 0.3 percent. All of the eight women participating in a group interview have given birth between six and eight times and the majority have had one or two babies die at birth or at a young age.

Women

The disadvantages and vulnerabilities of EM women at the study sites have become more evident. When prices increase the role of men takes on increased importance as they tend to speak the Kinh language better and are assumed to be more technically knowledgeable and better exposed to the world outside. They therefore have a stronger voice when deciding how to sell products, purchase seeds/fertilizers and plan productive activities as they see fit to the family resources. In the meantime women have to take on more upland farming work and continue to be responsible for cooking and taking care of children on a lower budget. In Dien Bien and Dak Lak, more women get hired jobs. In Dak Lak, for example, the Êđê women are hired to husk cashew nuts at home. In Quang Tri, they go into the forests to collect bamboo sprouts, vegetables and fire wood (two hours from home). The expenditure priority setting exercise revealed that women choose to place the "clothes for women" item at a very low level, well after "clothes for husbands and children" (because "the children go to school and the husbands go to meetings") . Similarly entertainment activities for women are commonly put as a very low priority.

The most common disadvantages of Vân Kiều women in Quang Tri

The husband in a Vân Kiều family manages the money. He (or a son) is directly involved in all selling and buying activities. He is also the family representative at meetings and trainings. Increased prices make his status and voice even more important.

Most Vân Kiều women have never been to school so they cannot read or write in the Kinh language (they know little and are reluctant to speak), calculate and sell or buy things. Instead they do the household chores such as rice pounding, cooking, washing, planting, collecting firewood and weeding. They rarely go to meetings or watch TV. Women often go back to work only 3-4 days after giving birth. Girls also start working when they are still very young.

Women also often have to go into the forest to pick bamboo sprouts to sell to the peddlers or collect vegetables and fire wood for the family. Bamboo sprouts are most plentiful between August and September. During these months many women have to spend up to 10-20 days in the forest: *"We leave home at 7:00 in the morning and come back at 5:00-6:00 in the afternoon. It is far, about two hours*

away…. we go into the forests up there and into the bamboo bushes and get scratched all over by the thorns. Sometimes we even bleed". The men do not often go into the forests. When they do, it's only for hunting.

One thing to note about Vân Kiều people is that both the men and women smoke. However women smoke self rolled cigarettes while men smoke manufactured cigarettes bought in shops. In the expenditure priority setting exercise the men also place "cigarettes" as a rather high priority item (even before fish/pork for the family).

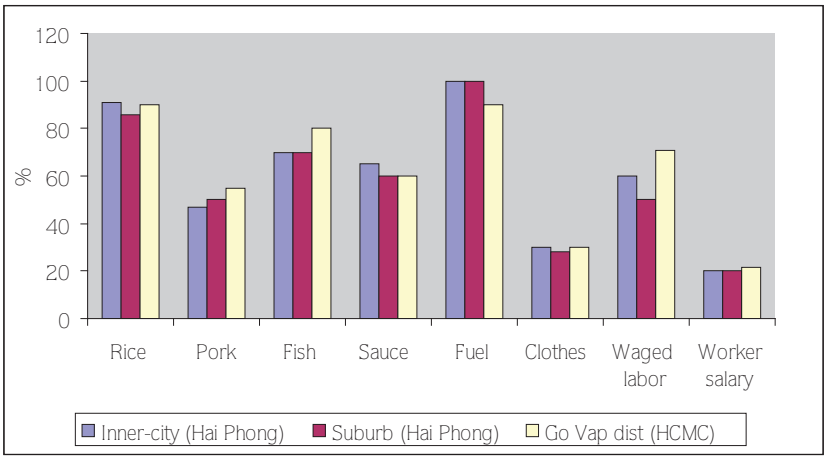
Micro-credit activities run by the Women's Union also have faced challenges as prices rise. In Êđê village in Dak Lak, the local Women's Union has organized credit groups of ten women, including poor women. Each contributes 200,000-500,000 VND per crop to a revolving fund that operates at zero interest. There are currently six such groups. Four have recently been established. However as prices are escalating the running of the credit groups becomes more difficult as *"those who get the loans at later stages are likely to become worse-off. We may have to discuss and start charging an interest on the loans now"*. The Women's Union, as part of a national initiative, is planning to launch a pilot "Women support women in doing business" club with 20-30 members who are mainly from better-off households and can contribute 500,000 VND/year. After 5-6 years they expect to have a revolving fund of 50-60 million VND. However they have not been able to implement this plan given rising inflation. They are considering converting the contribution from club members *"from cash to gold"*.

4. Impacts of Price Hikes on the Life and Livelihoods of the Urban Poor

4.1 Price Hikes at Urban Study Sites

At the two urban study sites of Hai Phong city and Hồ Chí Minh city where people are net food purchasers, between June 2007 and June 2008, the price of regular rice has increased by 80-100 percent, pork (pork rear) by 50 percent while the cost of simple labour has gone up by 50-60 percent and social assistance and wages paid to workers by the private enterprises only by more or less 20 percent (which is equal to the 20 percent top up of the medium salary level offered by State-owned enterprises according to a Government policy from 450,000 VND/month effective as of October 2006 to 540,000 VND/month effective as of January 2008) (Figure 4.1)

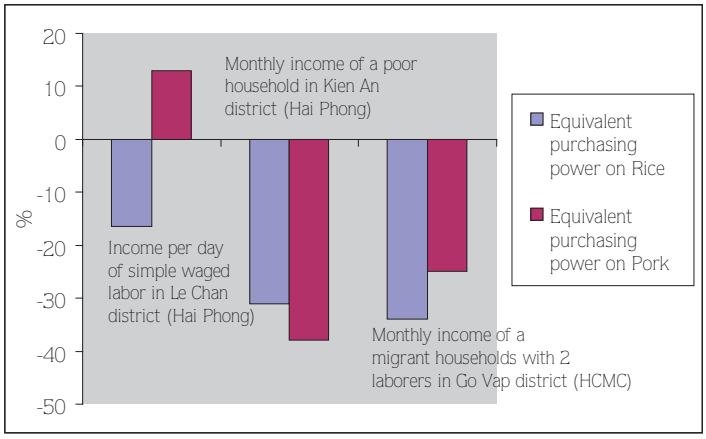
Figure 4.1: Rate of price increase in Hai Phong and HCMC, June 2007 - June 2008



Source: Retail prices provided by agents and local people (June 2008)

The "double-edged" prices have caused a reduction of the purchasing power of the poor regarding food and other essential products. As exhibited in Figure 4.2, when converting the value of a person-day and average monthly income of a local or migrant household into rice or pork rear terms, it is evident that the "double-edged" prices have adversely affected the relative purchasing power between a year ago and now. (Except for Hai Phong where the purchasing power in pork rump terms has increased slightly. However the purchasing power converted into pork side terms has actually declined by 20 percent as pork of lower quality grades has become more expensive than pork of higher quality grades).

Figure 4.2: Changes in comparative purchasing power due to "double-edged" prices, June 2007 – June 2008



Although the cost of labour has increase by 50-60 percent poor people interviewed at the study sites have seen a 30-50 percent reduction in the number of days they get hired to work per month (due to the influx of migrant workers from the country side). Their real total income per month has therefore only increased by 20-25 percent.

Food and food stuff products are sold through a network of stores. Prices change on a daily basis according to notification by wholesalers to agents and retailers. Rice retailers in Hai Phong and HCMC also noted that they did not benefit much from the rise in the rice price (especially during the "virtual hike" of rice prices at the end of April 2008) as, because of limited capital, they could only stock a small volume of rice. They had purchased rice when the price was high and sold it when the price fell. They would like to see prices staying stable so that they could manage their profit better.

4.2 Features of Urban Poor's livelihoods and Consumption, Buying and Selling Patterns

The urban poor people consist of two groups: the permanently registered poor and the migrant poor.

The permanently registered poor (having permanently registered urban residence) are often old-aged, sick, disabled, single or people living with HIV/AIDS who are dependent on their family members for small business jobs or manual work. According to the existing official poverty line, there are very few local poor households in Hai Phong and HCMC (the poverty rate of the surveyed wards in urban and suburban districts is below one percent; except for Ward 6 of Go Vap District where there are no poor households as per the poverty line of 500,000 VND/month applied to HCMC). In addition, there are people who rely on limited monthly pensions or social assistance and whose children have left home. These people do not have alternative sources of income and are often considered near-poor.

In sub-urban districts there are still "poor clusters" located near dykes, cemeteries or remote alleys where infrastructure remains poor and land is cheap. There is no clean water supply or a sewage system in place. Pathways are often flooded and muddy when it rains. The cost of electricity is also 3-4 times higher than the standard rate since there is not yet a system of individual household electrical meters installed. People living in these clusters include locals who have failed to cope with urbanization and a number of migrant workers who earn their living doing simple jobs such as cyclo drivers, construction workers and street vendors. Residential Unit 30, Lam Ha Ward, Kien An District, Hai Phong is a good example.

An 'island village' in the centre of the city

Located right on the side of Niem Nghia bridge, Residential Unit 30, Lam Ha Ward, Kien An District, Hai Phong city is called an "island village" for two reasons: (i) most of the residents are returnees from 'new

economic regions' on such islands as Ngọc Vừng, Kôtô and Tiên Yên and (ii) it is an isolated location, near to the dyke and cemetery. Living conditions are very poor.

Infrastructure facilities in the village are worse than in rural areas. Only the clean water system reaches all the households. The internal pathways are dirt and get muddy except for a 100 meter asphalt portion connecting the village and the main road. A paradox is that despite being located beside a 220 kV transmission station, the households still have to pay a very high cost for electricity. *"The electricity grids are obsolete. They are hanging close to the ground. The poles built in 1997 have turned rusty. We have to contribute our own money to build smaller poles. There is no network of public lights in place. One single electricity meter is shared by 10-15 households altogether. Because of the small size of the grids and high loss rate we have to pay as much as 1,800 VND/unit. In peak seasons, the voltage is very low. It can get so low that sometimes we can not even use the fans"*. In a group discussion with the children, they expressed their dream to *"have an electric light to study at night"*.

The economic well-being of households in the village remains at a low level. On their return from the new economic regions in 1982-1985, each was allocated 1-2 saos of paddy land. At that time their income mainly came from paddy farming and brick production. In 2001, the Government recalled the land to build electricity transmission stations and industrial estates. The compensation funds provided to them by the Government were not sufficient for them to shift to a new profession. Without education and any trained skills they have taken on simple jobs such as cyclo drivers, construction workers and street vendors. Each can earn 30,000-70,000 VND per day on average. However, income is very unstable: *"We may earn some today and nothing tomorrow, just like a gambling game"*. Nearly 70 percent of the households in the village depend on cyclos for transport. In certain households, both the husband and the wife drive cyclos, mainly to transport construction materials.

However their life has become even more difficult since the daytime ban on cyclos operating in the city. The villagers have had to work harder, from dawn to dusk. Many of them now have to go catching crabs and snails along the river in order to gain extra income or supplement food for the family.

As they already are struggling to survive economically they are not able to pay due attention to their children's education. Discussions with core groups in the village show that *"there are various types of fees apart from tuition fees that the poor parents can not afford to pay. Many children in the village have had to drop out of school for this reason."*

The migrant poor (who do not have permanently registered residence and are classified as KT3, KT4[23]) are divided into two groups: migrant workers working in factories and enterprises (often young unmarried men with at least a grade 9 education) and migrants doing informal jobs such as working as street vendors, waste collection, simple construction work and working as shop assistants (typically having low education, married with children who are left in the country side). Migrants are concentrated in newly urbanized suburban wards. For example, migrants account for 50 percent of the population in wards 6 and 17 of Gò Vấp District, HCMC and nearly 30 percent in Lãm Hà, Kiến An District, Hai Phong City. In ward 17, Gò Vấp District in the first quarter of 2008, there were 1,800 arrivals and 2,000 departures (according to temporary residence records of the ward authorities).

In fact the migrants are not considered "poor" according to the existing poverty line. An average migrant worker can earn a minimum of 800,000 VND/month. Others doing informal jobs can also earn at least 40,000-50,000 VND/day (which is still higher that the current poverty line of 260,000 VND/month/person for urban areas and 500,000 VND/month/person for HCMC exclusively). However the net income (exclusive of lodging, electricity and water expenses and remittances) is very small, only between 400,000-600,000 VND/month/person and is to cover food and other essential personal expenditures. In real terms, migrants fall into the "poor" and "near-poor" groups. Yet they are not included in official poverty surveys as they are not permanently registered, and do not have permanent rental contacts.

Migrant workers have observed a 20 percent increase in the minimum nominal wage level since January 2008 under a Government policy. However, the real revision was less than 20 percent (Table 4.1).

[23] KT1, KT2, KT3 and KT4 are the administrative classifications of residence status. KT1: permanently registered residence and actual residence in the same district; KT2: permanently registered residence and actual residence in different districts; KT3: temporary residence for 6-12 months; KT4: temporary residence for under 3 months or unregistered.

Table 4.1: Changes to monthly income of migrant workers between 2007 and 2008 (%)

	Hai Phong	Go Vap district	Average
Unchanged	45.0	40.0	42.5
Less than 10 percent increase	6.7	21.7	14.2
10-20 percent increase	33.3	20.0	26.7
20 – 30 percent increase	10.0	5.0	7.5
Decrease	0	6.7	3.3
Not known	5.0	6.7	5.8

Source: Questionnaire survey of 120 migrant workers in Hai Phong and HCMC (June-July 2008)

Expenditure patterns. There is a notable difference in expenditure priorities between the local urban poor and the migrant poor. The local poor give top priority to children's education. Next on the list are essential items such as rice, electricity, water and weddings/funerals before other food products and domestic supplies.

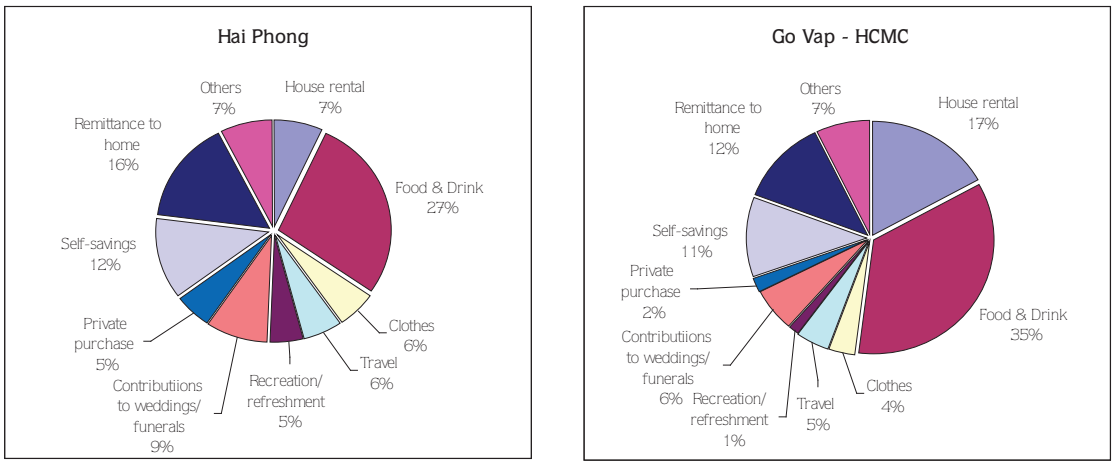
The migrant poor prioritize remittances to send to their families (to pay for their children's education and keep some savings for their return to the country side). Therefore while working in the cities, they accept the temporary hardship and minimize food expenditures to save money. Nevertheless they still have to pay two to four times as much for water and electricity as the local residents (at least 2,000 VND per kWh of electricity and 7,000 VND per m3 of water which are the highest rates on the price list). Lodging charges have also gone up by at least 20-30 percent in the past year.

> Three to five migrant workers often share a lodging of 10 - 15 m^2. Rents in the two cities are different. Hai Phong is cheaper: between 300-500 thousand VND/month with bathroom facilities. In HCMC there are two types of lodging: one with separate bathroom facilities at 600 – 800 thousand VND/month; one with bathroom facilities shared with 3-6 other lodgings at 400-500 thousand VND/month. The poorer workers who have to save money to send back to their families often rent the latter. They also have to pay for electricity at a rather high rate of 2,000 – 3,000 VND/unit.

Figure 4.3 indicates the following expenditure break-down of the gross income of 1.6 - 1.7 million VND/month of a typical migrant worker:

- Food (largest share) 27 percent in Hai Phong and more than 35 percent in HCMC.
- Lodging (inclusive of rental, electricity, water, garbage collection, security service): nearly 7 percent in Hai Phong and 17 percent in HCMC.
- Savings for personal use and remittances: 28 percent in Hai Phong and 23.5 percent in HCMC
- Weddings/Funerals: nearly 9 percent in Hai Phong and 6 percent in HCMC, even more than expenses related to clothing, entertainment and travels.

Figure 4.3: Monthly expenditure structure of migrant workers



Source: Questionnaire survey of 120 migrant workers in Hai Phong and Go Vap - HCMC (june-July 2008)

Selling/Buying Practices. Selling and buying transactions in the urban areas are commonly of the cash-on-delivery nature. In very few cases where they have close relationship with the agents the poor households can buy things on credit or the agents can get a small loans from the wholesaler (for example, they can buy five kg of rice and pay when they next make a purchase).

The habit of stockpiling things no longer exists (it was very common in the northern cities before the introduction of the "doi moi" policy). Although urban residents did stockpile rice during the two-day "virtual hike" of prices in April 2008 because of rumors of shortages. However the hike did not last long thanks clear to communication by the authorities and prompt arrangements for sufficient rice supply for the big cities.

4.3 Impacts of Price Hikes on the Lives and Livelihoods of the Urban Poor

As incomes and social assistance are not rising in line with the prices of foods and services most urban poor and near-poor are in a very difficult situation due to their reduced purchasing power (except for certain suburban areas where crop farming is still possible and the farmers can manage to partly or fully meet their own demand for food).

4.3.1 Impact on the permanently registered urban poor

The permanently registered poor (and near-poor) is facing a great challenge as a result of the 'price storm'. In particular, pensioners and social assistance recipients are struggling as prices of food and other essential products are rising. Although the Government has applied a 20 percent increase in pension payments since the beginning of 2008, it is considered too little to offset the increase in the cost of living in urban areas over the last two years. Those who have resigned from the Government employment with a severance package and are not entitled to pension payments also suffer since they do not have any alternative sources of income. They rely on support of their children or work irregular poorly paid jobs.

> *"Our pension payment as of end of 2007 was 700,000 VND/month for the two of us, an old couple. We had managed to survive the year before. At the end of 2007 when the Government announced a salary increase everything suddenly became so expensive, from food to rice and fuels. In January 2008, we received a 20 percent increase in our pension payment to 840,000 VND/month. We were able to pay for rice, gas, fish sauce, salt and some extra meat. However, as of April, 20 kg of rice cost 300,000 VND. We had only 540,000 VND left to pay for everything else including electricity, gas, medications, fish sauce and salt. Our food intake has been cut to only vegetables and small fish now. Prices keep rising while*

our pension payment stays the same. Not sure how we can survive. However, we are still luckier than the poorer households".

(A pensioner in a group discussion in An Hai, An Lao, Hai Phong, June 2008)

"My wife and I are pensioners. We have three children who have finished university and college and are working and living on their own. The two of them find it very difficult to cope with increasing prices. I receive a pension payment of 1.4 million/month while my wife does not as she received a severance package when she resigned from Government employment. Water and electricity alone already cost 500,000 VND/month. Expenses related to weddings and funerals are also as much as 200,000 VND. We have only 700,000 VND left to pay for everything else. Better-off people may have good meals everyday while we do so only every ten days. There is nothing in the fridge. We just have to live by the old saying, "one who knows how to eat will keep his stomach full. One who knows how to dress will keep warm".

(A pensioner in a discussion with poor men, Unit 34 Niem Nghia ward,
Le Chan District, Hai Phong, June 2008)

The family of Mr. N. T. D., Lan Be Road, Niem Nghia ward, Le Chan District, Hai Phong City. Mr. D. is 56 years old. His wife, Mrs. P. T. T. is 58 years old. There are four in their family. Since the 1990s his household has been identified as "poor" and he has still not been able to escape from poverty. Mr. D used to serve in the army. On his return he took on a mechanical job and resigned in 1984 for health-related reasons. His wife also resigned in 1984 and received a severance package of 500,000 VND. Their 20 m^2 house was built with support of their neighbours in 1999 on a slot of land allocated by the local government. They would not have been able to build the house today as everything now costs 2-3 times as much as back then. Due to Mr. D.'s exposure to Agent Orange during his military service in the war in the South both of his children have mental problems. They rely on monthly assistance of 1.1 million VND for Agent Orange victims. Since the beginning of the year, prices of rice and vegetables have increased and they struggle to feed the family. Mrs. T. has been going to the local "labour market" by the An Duong Bridge to seek daily jobs. In February (around Tet holiday) she was able to earn 20-30 thousand VND a day. Now given that the cost of labour has increased she can make 30-40 thousand VND a day. Although she is already 58 she still tries to do heavy jobs such as carrying sand/plaster or cleaning houses/gardens just to get some extra income. However, even these jobs are not regularly available.

As a poor household, all four members of Mr. D.'s family are entitled to free health insurance. The local Women's Union has suggested providing a loan for them to sell things in the street. However, Mrs. T has refused the loan as she is afraid she will not be able to pay it back in the context of increasing prices. On occasions of traditional holidays the family is visited by representatives of local mass organizations and the children receive presents. People in the community also donate second hand clothes for the children so they can save money for rice and vegetables to feed the children. Mr. D and Mrs. T have to spend 15 thousand VND each day to buy 1.5 kg of rice, another 20 thousand to buy vegetables and small fish and some more on fuel, electricity and water. Mrs. T said *"we have to keep buying rice from the same store all the time so that we can ask them to save the rice of the lowest quality for us as it is cheap. Also in case the monthly assistance payment comes late we can borrow rice from them without any interest charged. This way we can ensure the kids do not have to skip any meals. Maybe because they have mental problems they eat a lot. From time to time we also manage to save enough money to buy them some pork side or bigger fish".*

Being so poor and getting old at the same time, Mr. D and Mrs. T do not have anything worth mentioning to give to their two disabled children except a television set they decided to buy in early 2007 when they received a back-pay of assistance for Agent Orange victims. If the price of rice continues to rise they would have to sell things from the house just to get a few hundred thousand VND. Looking at the two disabled children in such miserable circumstances both of them sigh and find themselves in tears.

(Poor household of Mr. N.T.D, Niem Nghia ward, Le Chan, Hai Phong, June 2008)

As their purchasing power declines the urban poor and near-poor have to save almost all of their income for food and other essential items and so cannot save much. This increases their vulnerability to all kinds of risks, especially those related to their health conditions.

The common response of the urban poor is to take on various jobs in order to earn extra income and at the same time cut back on expenditures. Most urban poor households manage to buy enough rice but have to shift to a variety of lower quality and only buy a small amount each time. They also cut fish/pork consumption or shift to cheaper items, eat out less, shift from gas to coal, utilize second-hand items and stop all entertainment activities outside of the family.

> *"Since Tet holiday, nine out of ten households have started using coal for cooking as gas has become very expensive. Even the price of coal has gone up from 800 VND/piece before Tet 1,500 VND/piece now (June 2008). If we use 2-3 pieces per day then we pay 100 thousand VND per month. This is still much cheaper than gas which costs 200-300 thousand VND/month."*
>
> (Core group discussion, Unit 34, Niem Nghia ward, Le Chan, Hai Phong, June 2008)

The way the poor people buy food from the market has also changed. In order to buy cheaper food they either (i) go to the market very early in the morning when there are more choices or (ii) go to the market very late in the afternoon to buy discounted left-overs.

The urban poor have cut back on weddings and funerals expenditure which takes up a significant share of total income. Survey data shows that many poor people have to borrow loans to cover expenses for weddings which are traditionally considered an "unmissable" social activity.

Poor people - especially the old and weak - would suffer the most if they lost their jobs and income as inflation rises. There is a low chance of finding the same job in a different enterprise and they may have to accept a lower salary.

> In Lam Ha ward, Kien An district, Hai Phong, a large number of bridge construction workers have lost their jobs as the company has increased investments in machinery and mechanical facilities in order to improve competitiveness. The majority of workers are women who have low skills and salaries. They are entitled to either a lump-sum severance package or an average pension payment of 500 – 600 thousand VND/month. Most of them find it impossible to find new jobs. They do not have any land available in their rural home town to go back to.
>
> With the 20 percent increase of pension payment they now receive an extra payment of 100 – 120 thousand VND/month. However the cost of living has doubled. Mrs. Nh. lives on her own. She receives a social benefit of 570 thousand VND/month. She feels lucky as at least she has a grade 4 house given to her by the Government 30 years ago. She tried very hard to cut back on her expenditures by growing vegetables and collecting fire wood. She also goes to the market every morning to find discarded crabs. Mrs. H is a 50 year-old widow. She is sick all the time. Her only son is a drug-user and has been sent to a rehabilitation centre. At one point she considered selling the grade 4 house provided by the construction company she once worked for. However she eventually followed her neighbours' advice and did not sell it. She would not have had an alternative place to live, even back in her home town of An Hai district. Indeed, *"each of us suffers in our own way…As things become more expensive we have no choice but to cut down on everything. There is no way to get any extra income…"*
>
> (Discussion with poor women group in Lam Ha ward, Kien An district, Hai Phong, June/2008)

In the price storm, social protection centres where old-aged people and children in difficult circumstances are looked after are also facing challenges. The assistance level for social assistance recipients according to Decree 67/CP dated April 13, 2007 is no longer realistic as inflation rises. The minimum assistance level

(120 thousand VND/month) is equal to a little more than 20 percent of the minimum wage level currently paid by enterprises (540 thousand VND/month). Information from a survey of "House of Affection" where disadvantaged children are raised and educated shows that the food intake level of the children is very low. The remuneration package for care-takers and teachers is also low.

A home for the disadvantaged children

The Niem Nghia "House of Affection" (Le Chan district, Hai Phong) was established in August 1995 to raise and educate local poor children in special circumstances and a number of street children in Hai Phong between 6-16 years old. The children are divided into two groups: (1) "boarding children" are those who are disabled and do not have any family support. They live and study at the House; (ii) "flexible children" include poor children living in Niem Nghia ward and its neighborhood and a number of street children and children in special circumstances from difficult parts of the city. They come to learn how to read and write and to receive vocational training free of charge.

In ten years of operation the House has received 46 children, graduated and returned 36 to their families, taught primacy curriculum for 562 (including 83 who have now completed primary education), provided embroidery, sewing and broom-making training to 195 children. In 1999, an embroidery workshop was set up at the House creating jobs for 33 children. There are currently seven staff working at the House including the Director, one care-taker and five teachers. There are nine boarding children and 42 day school children.

The House is facing many difficulties. After 2003 the Jichiro organization removed its funding and the House was expected to self-finance its operations. The life of both the teachers and children now depends on the number of orders for embroidered bags from Jichiro, JVC and Michida (5,000-9,000 bags/ year with a profit of 12 thousand VND for each bag).

Since the beginning of 2008, the House management has been able to mobilize support from the EFA organization and raised the meal allowance for each child from 200,000 VND to 250,000 VND/month. *"Everything has become more expensive now. I find it very difficult to ensure the quality of the meals and the health conditions of the children. Last year the price of 1 kg of rice was only 7,000 VND. This year it is 13,000-14,000 VND. We can't cut on rice and vegetables but we have to on other items. Last year, for example, each of the children was given five pieces of meat each meal. This year, it's been cut to three only. We can no longer afford the better quality pork and stick to pork side only"*. (Ms. V.T.V. care-taker)

The remuneration package for people working at the House is also low. *"One needs to have a very good heart to be able to stay on the job here since the salary is very low. As a teacher I get 700,000 VND/month while the care-taker who works 24 hours a day with the children including 10 with mental problems only gets 800,000 VND. I have been working here for 12-13 years now and never had any social and health insurance coverage."* (Ms. L.T.T. – vocational and arts teacher).

4.3.2 Impact on the migrant poor

The migrant poor and near-poor are most affected by rising prices. In addition to pressure from increased prices of food and services they have to pay higher rents and electricity and water costs than the urban poor and, at the same time, save money to send back home (where the cost of the children's education has also risen).

Migrant workers. Wages have increased less than the price of food, other essential items and lodging. The average monthly income has increased by 10-20 percent, less than the 30-50 percent rise of many products. Table 4.2 shows that the prevelant response is to reduce spending on entertainment and even daily food expenditure.

Table 4.2: Reaction of migrant workers to rising cost of living (%)

	Hai Phong	Go Vap District	Average
cut rent	16.7	5.1	9.9
cut personal savings	21.4	28.8	25.7
cut clothing expenditure	78.6	62.7	69.3
cut entertainment expenditure	69.0	72.9	71.3
cut wedding/funeral expenditure	33.3	22.0	26.7
cut daily food expenditure	33.3	64.4	51.5
cut other personal expenses	66.7	30.5	45.5
cut remittances	28.6	21.2	25.0

Source: Questionnaire survey of 120 migrant workers in Hai Phong and HCMC (June-July 2008)

Many migrants now eat food left over from the evening before or instant noodles for breakfast. Some simply skip breakfast. They eat lunch at the workplace and try share dinner with other workers in same lodging.

> *"Even the price of instant noodles has gone up. Last year, it was 1,000 VND. It is now twice as much. That's the cheapest noodle I am talking about. Normally there is only one price increased at the beginning of every year. This year there have been two increases. Electricity rates have also gone up from 2,500 VND/unit to 3,000 VND/unit."*
>
> *"With the same salary we can't afford to the same level of food expenditure. Last year the four of us shared a meal of only 20,000 VND. This year we spend the same but have to cut down on meat. Last year we bought 0.2 kg of meat for each meal. This year we only get 0.1 kg and this is meat of lower quality also. The lunch at the workplace is obviously worse as well in terms of quality".*
>
> (Discussion with migrant workers group in ward 6, Go Vap district, HCMC, July 2008).

A number of migrant workers in HCMC have had to move to new lodgings further from work, located in suburban areas where infrastructure facilities are worse, yet the rental is lower.

> *"Last year, I rented lodging near the company where I worked. However, the rent is now 800,000 VND/month. I can only earn 300 million VND/month (inclusive of overtime payments). Last year I spent only 350,000/month on food. This year, it's 600,000 VND and the food is not as good. I also have to send back home the same amount of money - 500,000 VND/month - in order to pay for my brother's school fees.*
>
> *Three friends of mine and I have had to move here to save some money. The lodging is now three km from the company and it is very small, only 10 m^2. It is very warm inside. The bathroom is not clean. The water smells so we have filter it before drinking it. Thefts are also very common in this area. There are also a lot drinkers living nearby. They drink and shout. Sometimes we cannot sleep because of the noise. It is very unpleasant living here. However we have not been able to find an alternative place rents are very high. We pay only 450,000 VND/month here. Well, we can't do much now".*
>
> (L.T. L. H., 20, migrant worker in ward 17, Go Vap district, HCMC, July 2008)

Their personal savings and remittances have also been greatly affected. A quarter of the workers interviewed have had to reduce both personal savings and remittances.

> *"My monthly salary is 1.4 million VND. In 2007 I was able to save as much as 500,000 VND. This year I cannot. A simple example: last year I could buy sticky rice for 1,000 VND. This year it is 2,000 VND. Everything has become more expensive".*
>
> (Discussion with migrant workers in Niem Nghia ward, Le Chan, Hai Phong, July 2008)

"I have two younger brothers who are in school. My father is sick. I feel I have the responsibility to support them. A few years ago when I was working in a restaurant in Hoi An Town I was able to make 600,000 VND/month (exclusive of lunch and dinner allowance. I slept at the restaurant as well). I was able to send home 450,000 VND/month, and kept 150,000 VND for instant noodles (one pack for breakfast each day) and some miscellaneous things. I moved here two months ago. I am now working as a sewing assistant worker and am paid 800,000 VND/month exclusive of lunch allowance.

Each month I still manage to send home 450,000 VND to pay for my brother's education. Rent, electricity and water costs about 200,000 VND/month. I do not eat breakfast. I eat lunch at work and my dinner is just a 5,000 VND bowl of noodle or a small 4,000 VND cake. My house mates cook dinner but I do not join them. If I do, I will have to pay hundreds of thousand VND each month, not to mention gas and oil costs. Noodle costs only 150,000 VND/month. I want to save as much as possible to send home so my brothers can buy new clothes to go to school".

(H. T. A., 18, migrant worker in ward 17, Go Vap district, HCMC, July 2008)

Life in the cities has become so difficult that certain migrant workers are considering finding other jobs or even returning to the countryside. Survey data show that the number of migrant workers leaving the cities and returning home is increasing. Four out of seven migrant workers participating in a group discussion in ward 6, Go Vap district planned to either go back home or find a different job with higher income after Tet holiday. Similarly, table 4.3 shows that 12 percent of workers were planning to move to new enterprises to earn higher incomes.

"Our salary has only increased by 100-200 thousand VND/month while prices have doubled or even tripled, from rent to food. Our life is getting more and more difficult. I don't think I can stay here long. By the end of this year, if there is no further increase in salary and prices continue to rise then I will have to go back home to the north".

(Discussion with migrant workers in ward 6, Go Vap district, HCMC, July 2008)

"Most of the enterprises located in this district are facing a serious lack of labour as the salaries are too low. Meanwhile newly built export processing zones (EPZs) in rural areas are attracting workers. Eighty to 85 percent of workers currently working in EPZs are migrant workers. In the last one to two years, only thirty percent of workers have returned to work in some enterprises after the Tet holiday.

In the early months of this year, many enterprises had to operate at minimum capacity because they could not attract workers. It is likely that if these enterprises do not improve their salary and benefits packages workers will continue to leave, business will be affected."

(Interview with Trade Union staff, Go Vap district, HCMC, July 2008)

Table 4.3: Plan for future jobs of migrant workers (% respondents)

	Hai Phong	Go Vap	Average
Continue current job for less than 6 months	1.8	10.2	6.1
Continue current job for 6 to 12 months	0	3.4	1.8
Continue current job for 1-3 years	1.8	13.6	7.9
Continue current job for more than 1-3 years	14.5	11.9	13.2
Not sure, continue for now and will see	74.5	44.1	58.8
Intend to move to a new or new enterprise	7.3	16.9	12.3

Source: Questionnaire survey of 120 migrant workers in Hai Phong and HCMC (June-July 2008)

Migrants doing informal jobs accept harsh working conditions in jobs such as motorcycle taxi/cyclo driver, waste collector, assistant construction worker and street vendor in order to earn extra income to send home to support their families and pay for their children's education. The main risk faced by this group is income instability. As prices increase they can lose clients. For example, since the hike in petrol prices at the end of July 2008, the number of motorcycle taxi passengers has fallen. Similarly street vendors are worse off as they have to buy and sell goods at higher prices. An exception is those who sell essential daily items and cheap breakfast snacks. They manage to keep the same number of clients as *"people still have to buy these essential things no matter how much the prices go up"*.

> *"I am a xe om [motorbike taxi] driver. So I move around. I either eat at home or outside depending on where I am. As petrol becomes more expensive everything else is affected. Before Tet, I paid only 8,000 VND for a meal. After Tet it was 10,000 VND. Since yesterday when the price of petrol went up again the same meal (actually a smaller portion now) cost 12,000 VND".*
>
> (Discussion with xe om drivers group in ward 17, Go Vap district, HCMC, July 2008)
>
> *"Before I would buy as much as 35 kg of fruits to sell in the street. Now I only dare buy 12 kg only as the sales are very slow. Everything is so expensive now so people care more about essential things such as rice and vegetables. Less essential things like fruits are often cut. We can sell more on the 1st and 15th days of each lunar month, on weekends or national holidays. On a regular day, we cannot sell much, sometimes only 10-20, 000 VND worth of fruits, which is not enough to cover our expenses".*
>
> (Discussion with street vendors group in Niem Nghia ward, Le Chan, Hai Phong, June/2008)
>
> Mrs. N. T. L., 43, of Vĩnh Phúc province, is renting lodging in Unit 4, ward 6, Go Vap district and selling children's toys in the street. Her husband is also with her. He is a street massage worker. They left their two children (a girl in grade 7 and a boy in grade 9) with their parents. Each month they send home 1 million VND. However since the beginning of this year they have been trying to send 1.5 million VND as *"everything back home has become more expensive now".*
>
> Life is more difficult this year as prices have increased while sales have stayed the same. They have to limit their total daily expenditure to 30,000 VND (compared to 20,000 VND in 2007). The price of food increased the most rapidly. They now only buy the cheapest rice possible and never eat out. Their lodging rent has increased from 500,000 in 2005 when they first arrived to 650,000 VND (a small 4mx4m room they share with a brother). Normally Mrs. L. can make 40,000 VND a day from selling toys. This year toys are more expensive and she cannot sell as much. For example, a plastic ball cost 6,000 VND in 2007 and she was able to sell it at 9,000 VND. This year she has to buy it for 7,000 VND and sell at only 9,500 VND.
>
> Mrs. L. and her husband moved to the city in 1999. When asked why she had travelled so far from home she replied: *"We can make more money here. If we went to Hanoi which is very close to home we would have had to go back every month. Then we would not have been able to save any money. As we are here, each year we only go back at Tet holiday."* Also, in Hanoi, the ban on street vendors is more strictly enforced. One year she went back to the north for Tet and tried to sell toys in Hanoi. However she could not do much as she was "scared away". *"Over here, it is a suburban area so it's easier to move around. District 1 also has banned street vendors. However, It is still ok in Go Vap district. Maybe in a few years I will have to find a new job, such as collecting waste or selling sticky rice cakes."*
>
> Mrs. L. and her husband have some land to lease in their home village. They also built a four room house with tiled roof in 2001. Their plan is to *"continue to work here. The longer the better. Only when our parents fall sick will we have to go back to look after them".*
>
> (Interview with Mrs. N.T. L., migrant street vendor in Unit 4, ward 6, Go Vap district, July 2008)

Their food patterns have also changed. They eat cheaper items and less meat. However the situation is still very difficult to manage. Their savings have reduced significantly. Most migrants doing informal jobs have

increased the number of working hours in order to offset the higher cost of living. For example, motorcycle taxi drivers now work fewer hours during the day (as their clients have to travel by bus to save money) and more hours after 9:00 pm when there are no bus services. Street vendors in Hai Phong share lodging with 20-30 other people at only 4,000 – 5,000 VND/night/person.

> *"I come from Ha Bac. I moved to work here as a street vendor two years ago. I have two small children, one in grade 4 and the other in kindergarten. I left them with my husband and my parents-in-law. I want to earn some extra income here and save money to send my children to school. I work in the street all day so I only rent a place to sleep at night near the railway station. The place is only 20m^2 and I share it with 16-17 other women. The place is small and there are only 3-4 fans so it can get very warm in summer time. Sometimes I cannot sleep well. However, I have no choice as it is cheap - only 4,500 VND/night. I need to save money to be able to go home a few times each month. I also go home at harvest time so if I rent lodging on a monthly basis it will cost a lot more".*
>
> (Street vendor in Hai Phong Mrs. N.T. H, 34 from Ha Bac province)

Increased linkages between rural and urban areas. Inflation has actually strengthened linkages between rural and urban areas. People migrating from rural to urban areas to find jobs and earn extra income to send home now have to depend more on the families in their home villages. Data from a survey in Hai Phong show that many migrants return home for rice, vegetables and eggs as they are more expensive in the cities. Some have also sent their children home to stay with their grandparents. *"The urban poor is becoming more and more reliant on the rural poor and vice versa".*

> Mrs. N.T.M. in Unit 34, Niem Nghia ward, Le Chan district, Hai Phong City. Mrs. M. came from Thuy Nguyen district. Her household is recognized as "near-poor". She has two sons. The youngest is 25 years old and studying in the south. Every month she has to send him 400,000 VND. The older son is 30 years old and was electrocuted when he was in grade five so he has mental problems. He has to stay in the house. The family lives in a single-storey grade 4 house which is in disrepair. Medication for the disabled son costs two million VND/year. Mrs. M. has to stay at home to look after her son. Fortunately her husband has a pension and does some work with a Buddhist temple nearby so he can earn 1-2 million each month.
>
> Since Tet holiday, prices have risen. Mrs. M feels they are worse-off. *"The fridge is empty. We in fact no longer use the fridge". She spends 50,000 VND each day now and has to "to buy enough food. Before we had meat every day. Now we do only every 2-3 days. Before Tet we went out for breakfast (10,000 VND for each of us). Now I have to cook at home".*
>
> Also since the Tet holiday, Ms. M has been going to her parents' place in Thuy Nguyen district more often. *"Before Tet I went every 15-30 days. Now I go every 2-3 days for vegetables, chicken and eggs for the family's daily meals. We would not have survived without the support of my parents. What they give us every month must be worth several hundreds of thousand VND".*
>
> (Interview with Mrs. N.T. M., Unit 34, Niem Nghia ward, Le Chan district, Hai Phong, June 2008)
>
> Mrs. N. T. B, 41, of a poor household in Unit 6, Niem Nghia ward, Le Chan district, Hai Phong. When asked about her family, she burst into tears. Her husband had a car accident and was seriously injured. It took him two years to receive treatment without any success. He passed away two months ago leaving behind a loan of more than 100 million VND that had been used for his treatment. She and her two children are living in a grade 4 flat of only 42 m^2. Two years ago, Mrs. B had to quit her job to look after her husband. She finds it impossible to find a new job.
>
> Both of her children are at school. Since the price of rice doubled after the Tet holiday, Mrs. B feels even more miserable. She has had to send her children to the countryside to stay with her parents. She thinks that except for rice, everything else is easier to find in the country. She says *"I never thought that my parents in the countryside who are very poor and never have*

anything to sell would become our saviors. When I brought my children to them they said: "The snail can hardly carry its own shell and is now taking on moss".

(Interview with Mrs. N.T. B, Unit 6, Niem Nghia ward, Le Chan district, Hai Phong, June 2008)

Correlative impacts of rising prices. As prices increase the urban poor, near-poor, enterprises and providers of goods and services to the poor and near-poor all share related challenges.

The jobs and incomes of migrant workers are not secured partly because enterprises themselves are facing difficulties. The costs of materials, fuel and rent have surged while competitive pressures prevent enterprises from increasing prices of their products and services. Their rate of return is declining, stretching the funds available for workers' salaries and benefits.

Enterprises are experiencing three main trends:

i. Those that face serious difficulties have had to reduce the number of workers or number of working hours. This has led to a fall in output, employment and income;

ii. Enterprises that need to recruit more workers to meet orders struggle as the salaries they can offer are not attractive enough. Many workers have returned to their home villages or moved to other jobs;

iii. Others have tried to save costs by making arrangements with satellite enterprises to move labour-intensive jobs to the countryside. The disadvantage is that many do not provide social insurance and other social services to the workers according to the law. The policies of Hai Phong and HCMC to encourage the reallocation of labour intensive industries to suburban areas or neighboring provinces supports this trend.

As the enterprise faces difficulties the workers also suffer

The VT company located in Lam Ha ward (Kien An district, Hai Phong) is contracted by another enterprise to paint helmets, motorbikes and automobile frames. As the prices of materials have risen by 20 – 25 percent and products are more costly and less competitive, the company has had downsize operations. As a result they have also had to reduce the number of workers. Even workers who remain have to turns to go on leave. The number of permanent staff has been reduced from 50 in June 2007 to 30 in June 2008 while the average salary has increased from 45,000 VND/day in 2007 to 50,000 VND/day this year and the lunch allowance from 4,000 VND/meal to 7,000 VND/meal in order to ensure the same quality of food as before.

Workers from other provinces account for about 30 percent of the total labour force. Most live in lodgings. The company does not have a clear policy for these workers other than offer them more jobs to do so they can maintain their earnings of 1.2 -1.5 million VND/month. The Director of the company noted "Increased prices have impacted on the income of the workers. The poor workers need to have stable jobs in order to maintain their incomes (even if it is not as much as desired) so as to support themselves and their families. If the enterprise survives that would be the basis for their sustainable livelihoods. The performance of the enterprise therefore is partly correlated to the life of the poor".

Village-based enterprises provide income to the workers but no yet social benefits

TH, a shoe making enterprise located in An Thai commune, An Lao district, Hai Phong is the satellite enterprise of a large shoe company in Hai Phong. The development of satellite enterprises located in rural villages minimizes costs. Workers of the TH enterprise are not currently covered by any social insurance schemes. The female workers on maternity leave are only paid for six working days at the minimum salary level (800,000 VND/22 days x 6 = 218,000 VND). They work 12 hours a day and earn an average of 1.1 -1.4 million VND/month.

The 200 workers of the enterprise, including more than 110 from within the commune and another 90 from outside try keep their jobs as *"at least they have a stable income of more or less 1 million VND each month. If two members of the same family continue to work in the company then their household is recognized as an 'average' household"* (Director of TH enterprise).

Low salary – Enterprises are short of labour

Enterprise having "insufficient labour at the start of year and sufficient labour at the end of the year" is a common phenomenon in Go Vap district, HCMC. Enterprises regularly seek to recruit labour through much of the year and are able to reach the highest rate of labour around the third and fourth quarters. After the Tet holiday only 75-80 percent of workers return to work as the salary is low and the working conditions inappropriate. Some enterprises withhold salaries in January and defer the thirteenth month bonus payment. However, they still cannot keep the workers because of escalating costs of living in HCMC. A good example is a shoe making enterprise located in ward 17. The enterprise regularly announces vacancies with a monthly salary of 1.5 million VND/month. After seven months (as of July) they still haven't recruited the 50 workers they need.

As the urban poor become worse-off the providers of goods and services (low-end food sellers, tailors, street vendors and shop-keepers) also suffer as their sales fall and profits decline. They have to offer "competitive prices" in order to keep their clients.

Tailors lose migrant worker clients and are not able to find other jobs

Mrs. M. is a tailor in Niem Nghia ward, Le Chan district, Hai Phong. The house was given to her by her parents in 2002. Her main clients are workers from shoe making enterprises located in the same ward. She charges them half as much as tailors in the main streets do for the same service. She has observed a fall in the number of clients *"as their salary is too low compared to last year while the cost of living has gone up. They have cut down on clothing expenditure. The number of orders I receive now are only one tenth of before"*.

She now sells mobile SIM cards *"which are still trivial"*. Her husband hires a booth in the park and works as a photographer. However his income is *"unstable and depends on weather conditions. Also very few people want to take photos now"*. Mrs. M has tried selling grilled sausages in front of the kindergarten which brings her a few tens of thousand VND per day. However she is afraid of being arrested by the police because the city has banned street food sellers. She says *"I have tried this job for the last two months and I have been arrested twice. Each time I had to pay a fine of 100,000 VND. I still have to continue despite of the fear of being arrested again"*.

Low-end restaurants under price pressure

Mrs. P.T.H., Nguyen Van Linh road, Niem Nghia ward, Le Chan district, Hai Phong. Mrs. H is 45 years old. Her husband divorced her in 2000 and left her with the three small children. Her only source of income is from the low-end restaurant she runs with her sister in law. Since 2000 the two women have managed a good business. Many clients are construction and electricity workers. The restaurant has a reputation for reasonable prices, good services and good sanitation.

Since the Tet holiday the price of rice, meat and vegetable has risen. Mrs. H noted *"Before Tet we cooked 8-9 kgs of rice a day for more or less 50 clients. After Tet as the price of everything increased many of the workers started to bring their own lunch (basically rice and vegetables) to work in order to save money. Some even arranged to prepare group lunches to minimize costs. We now only cook five kgs of rice a day. Although prices of rice, meat and vegetables have all doubled we can not charge them as much because if we do I am afraid they will stop coming and prepare their own meals instead. We manage to maintain the same standard of meals and only charge an extra of 1,000 VND (from 5,000 VND to 6,000 VND now), yet the number of clients has decreased by a third. The workers themselves come from poor families. Their salaries are very low and their jobs are sometimes seasonal so as prices increase they have to try to save even more. Recently we have seen a group of female workers coming and ordering food together. They order rice, tofu, fish and vegetable soup to share and each of them only pays 5,000 VND"*.

Mrs. H also has to work harder in order to cut down on costs "the two of us have to go to three markets altogether and pick things wherever we find cheaper. For example, we buy vegetables from An Duong

market, tofu, fish and spices from Đôn market and pork side/pork fat from Đông Biên market. As you can tell, we have to compete even without clients to keep the business alive. However, I am very concerned that if prices continue to rise then it's likely that in six months time we will lose all the clients and we will become even poorer."

4.3.3 Impact on the sub-urban poor

Sub-urban districts of the big cities are still considered "rural" in practical terms although their infrastructure facilities and livelihoods are becoming more urban. At the study site in An Hai commune, An Lao district, Hai Phong City, the residents are mainly farmers, craftsmen (making rattan and bamboo items), enterprise workers and labourers. The "double-edged price" effect is similar to rice producing areas in Dien Bien. However there are also differences.

Farmers tend to "leave their land" and lease it out. The acreage they are entitled to is very small (several hundred square meters per head). Those who were born or arrived after the land reallocation exercise do not receive land). The income from farm work is low compared to local handicraft jobs or jobs elsewhere. The acreage of cash crops and winter paddy crop has also declined. Farmers left their land either because there is no longer sufficient labour available or because of weather-related risks and the increased prices of agricultural inputs.

At the surveyed commune in Hai Phong, more than 20 percent of households rented out their land in order to maintain legal access to the land (the rent is barely enough to pay tax to the local government). Those who rent the land consider this as a way to make small savings and to produce "clean paddies" of their own. Both local government officers and farmers believe such a trend is likely to continue. It is also associated with attempts to "accumulate land" in order to improve economies of scale.

Lease land or accumulate land?

The main source of income for the people in Tiên Cầm 1 hamlet, An Thái commune, An Lao district, Hai Phong is from making rattan/bamboo frames of fake objects for religious burning practices (the hamlet itself is recognized by the Hai Phong Municipal Government as a handicraft village) and from working in local enterprises. In recent years they have stopped growing vegetable crops. Twenty percent of the households no longer grow rice. They have leased the land out to other people in the same hamlet or neighboring hamlets and only charged 20-40 kgs of paddy per sào (360m^2) which is just enough to pay tax. According to discussions with people in the hamlet, people started leasing out their land as early as 2003-2004. As of 2007, about 15 percent of the households had done this. By 2008 the rate has increased to 20 percent and is likely to reach 25 percent in 2009. Currently *"many more are seeking people to lease their land to"*.

"Paddy farming is no longer profitable. The income from each sao is only 100,000 VND (exclusive of labour cost). It may still worth doing if each household has several mau of land. However land is allocated at the rate of one sao (384m^2) per head. Those who were born or moved into this hamlet after the land reallocation exercise do not get any land at all. When the Nam Trieu industrial cluster becomes operational soon the number of households quitting paddy farming will further increase". Leaders of the An Thai commune noted there was also a land accumulation exercise in 2005. Before that each household had 5-8 different plots of land scattered around. After 2005 they had only 1-3 plots. *"Perhaps we have to it once again to develop the large scaled farms"*.

They also observed the trend of "leaving the land" elsewhere in the district. The cultivation rate is still 100 percent. However this is done by those who rent the land from the original owners who do not have any labour available to do the farm work or who can not afford to do it because of weather-related risks and increased prices of agricultural inputs. Those who rent the land consider this as one of the ways to keep some small savings and to produce "clean paddies" of their own. The total acreage of winter paddy crop and cash crops (e.g. maize, soybean and sweet potato) of the district has fallen from 2,000 ha (or a third of district's 6,000 ha farm land) in 1993-1994 to only 300-400 ha in 2008.

Craftsmen also experience a reduction in real income. A survey in a handicraft village making rattan frames of fake horses in a suburb in Hai Phong shows that income from the business is growing more slowly than food prices. *"We could make the value of a pack of instant noodles from selling one fake horse frame before. Now we sell two frames and still cannot buy one pack of instant noodle".*

> Tiên Cầm 1 hamlet (An Thái commune, An Lao, Hai Phong) is a traditional craft village that was recently officially recognized as such by the municipal government. Each of the 153 households in the hamlet are involved in the craft. Most villagers under years of age have left to find jobs (mostly shoe making and carpentry) elsewhere. Only the elderly and children are left behind to make crafts *"while watching TV"*. Each can make 20-25,000 VND a day. The ratio of material cost to labour cost is 50:50.

There is a new trend (which may become clearer in the next few years) of a slower or even reduced flow of migrants from rural to urban areas due to the high cost of living in the urban areas and the fact that there are now more jobs available in the countryside. Poor migrants may gradually be leaving urban centres putting less pressure on infrastructure and social services. The smaller cities may become a more preferred destination for migrants.

5. Rising Prices, Poverty Reduction and Relevant Policies

5.1 Poverty Reduction

The "double-edged price" effect, unsecured jobs, unfavourable weather conditions, disease and land infertility make the division between the poor and non-poor more fragile. The number of poor households in terms of the ability to meet their basic needs may be increasing at the study sites.

Poverty: rising rather than falling

The poverty rate in Xy commune, Huong Hoa district, Quang Tri, fell from 70 percent at the end of 2006 to 53.4 percent at the end of 2007. According to the commune leaders *"this was because the output of cassava crops increased sharply and people were hired to transport wood from Laos. At the end of 2007 when the price of rice was lower, people in the commune purchased TVs and motorbikes. However, towards the end of this year, 2008, the poverty rate may be increasing rather than falling as there is no more extra land for cassava cropping. There is still some in the former villages. However there is no road access for vehicles. Productivity is also declining because of deteriorating soil conditions and wood exploitation from forests in Laos is no longer allowed"*. Prices continue to rise.

The Thai village of Pa Dong is considered one of the poorest villages in Thanh Xuong commune, Điên Bien. The village head noted *"Paddy land allocated to this village is very limited (only 500 m^2/head on average). Households who failed to repay loans to the Cooperative only got 200-400 m^2/head. During the dry season there is often water supply shortage (even the fish ponds dry up) so we can only grow one single upland paddy crop per year. Only a few households have forest land. There are no crafts available locally so people seek work elsewhere. Drug use is still a problem and meant the village was not recognized as a "cultural village" (two people died of HIV/AIDS in 2007 and five more died in the last six months of 2008). That's not to mention the district town development project that has been pending for the last three years now. In order to survive each household needs at least 700m^2 of farm land. As prices continue to rise I believe the poverty rate will increase rather than fall. The number of poor households in Pa Dong village has actually risen from 27/72 at the end of 2007 to 35/77 as of mid 2008 (including six new poor households and two who have fallen back into poverty)"*.

Of the 2,896 households in Lam Ha ward, Kien An district, Hai Phong only 25 are officially recognized as "poor". However the real figure must be much higher given that most have moved from city centres or other suburban districts in order to move from farm work to small jobs such as construction workers or cyclo drivers and because land in this ward is still rather cheap to buy. According to the ward management, 50 percent of households do not have permanent residence (classified as KT3 and KT4 households). The actual number of poor households at present must be approximately 200-400, including new residents and those whose land has been recalled for industrial development (with compensation of 20-30 million VND for each 4-5 sao).

The existing criteria for identifying poor households appear to be no longer appropriate. At the study sites both the local residents and the grassroots cadres feel the current poverty rate is too low when increases in the cost of living are considered. The nominal reduction of the poverty rate according to the existing poverty line simple indicates which households *"are removed from the list of poor households"* but does not say anything about *"whether their quality of life has been improved or not"*.

At certain identification of poor households is difficult because many "try to look good" and because some villages want to be recognized as a "cultural village" or "cultural unit" (which requires the village/unit have a certain poverty rate). There are also cases where a household is recognized as "poor" although there has been no income survey or consultation with other households or the village/unit head has not been informed.

The rich-poor ga p becomes more evident. The household classification exercise at the study sites shows an increasing gap between the wealthy and the poor and near-poor groups. The latter are struggling to meet their essential needs. It should be noted that data from official income surveys (such as the VHLSS) do not accurately reflect the rich-poor gap as they do not capture "informal incomes", nor the entire incomes of wealthy households that are often under-declared.

5.2 Relevant policies

Government pro-poor policies are facing challenges. However, escalating prices also offer an opportunity to reform the implementation of policies on poverty reduction and social safety nets as well as to formulate new ones.

5.2.1 Revision of the poverty line

How much should the poverty line be revised? The current poverty line announced by the Government in 2005 (200,000 VND/person/month for rural areas and 260,000 VND/person/month for urban areas) is considered low given the rate of inflation over the last two years. MOLISA has proposed to increase the poverty line by 50 percent (to 300,000 VND/person/month for rural areas and 390,000 VND/person/month for urban areas) effective as of 2009. According to grassroots cadres at the study sites, the revision should be 200 percent. When asked the core group in Dong Tam hamlet, Cu Hue commune (Eakar, Dak Lak) noted *"with 200,000 VND/month the household can be considered "hungry. Before we could buy 40-50 kgs of rice with that amount. Now we can only do 20 kgs. So the new poverty line should now be 400,000-500,000 VND".*

The calculation of the current poverty line by MOLISA took into consideration low projections of the inflation rate for the period 2006-2010. The proposed revision captures the projections of the inflation rate over the last two years 2007-2008.

It would be more appropriate if the revision of the poverty line considers projections of actual expenditures on basic food and non-food needs The minimum expenditure can be converted to minimum income to make poverty surveys and reviews easier and more straightforward.[24]

HCMC has applied its own poverty line (500,000 VND/person/month) which is almost twice at much as the national poverty line for urban areas (260,000 VND/person/month) and is planning to gradually increase it to 1,000,000 VND/person/month in line with the high cost of living in the city. Hai Phong is still using the national poverty line without any adjustments. While it may be necessary to consider Hai Phong's budget available for implementation of social policies once the poverty line has been revised, it may be sensible for a grade 1 city like Hai Phong to raise its own poverty line above the national standard in order to better reflect the living conditions of the local poor people. Hai Phong DOLISA management are studying the revised national poverty line proposed by MOLISA and if necessary will propose to the Municipal People's Committee an adjusted poverty line for Hai Phong[25].

Risk of failing to assist the poorest group once the poverty line has been revised. Once the poverty line is revised it will be easier to recognize households that are currently "near-poor". However there are no additional benefits for those who have always been poor. The grassroots cadres at the study sites believe that the number of poor households will double or triple once the poverty line has been increased by 50 percent. There may be a risk that policies fail to focus on the poorest group who are still able to work but are not receiving social benefits. Most very poor households in urban areas and some very poor households in rural areas have no access to concessional credit and little access to agricultural extension information.

[24] This requires identifying the « bottom » group's expenditure on foods and other essential goods and services. The increase of the poverty line can then be calculated according to the increase of prices of each of the selected groups of foods and essential goods and services. It should be noted that the price index for foods increased by almost 75 percent between June 2007 and June 2008. Since 2007, MOLISA has included household income estimates derived from easily identifiable factors (on basis of regressional analysis of VHLSS data) in its annual poverty surveys and reviews. The same approach of using easily identifiable factors can be applied to develop household expenditure estimates.

[25] Ha Noi currently applies its own poverty rate of 270,000 VND/person/month for rural areas and 350,000 VND/person/month for urban areas. Given the recent merger with Ha Tay, there are now two different poverty lines (the former Ha Tay is still using the national poverty line of 200,000 VND/person/month for rural areas and 260,000 VND/person/month for urban areas). The new DOLISA of Ha Noi has proposed a new poverty line of 330,000 VND/person/month for rural areas and 500,000 VND/person/month for urban areas) (Source : www.Viet Namnet.vn).

Therefore it is necessary to change the way social benefits are delivered to the really poor.

> Of the 153 households in Tiên Cầm 1 hamlet, An Thái commune, An Lao district, Hai Phong, 18 are poor. Forty percent of these poor households are of the "202" group[26] including single, elderly, disabled and sick people who are not able to work. The remaining 60 percent of households can still work, although they rely on unstable incomes. Grassroots cadres suggest two different approaches to these two groups. The "202" group need national assistance (as resources are not available at the village/commune level). The second group requires capital and jobs in line with their own circumstances.

Once the poverty line has been revised, in addition to overall pro-poor and social security policies there need to be policies dedicated to the poorest group to help sustain their livelihoods. Current economic difficulties provides an opportunity to review the classification of poor households in order to develop policies appropriate to each of the different groups. Those who are still able to work should be supported with credit, knowledge and jobs. Those who are not should receive assistance from grassroots mass organizations and governments (community-based assistance) as well as social benefits provided by the national government.

5.2.2 Social protection policies

The minimum wage paid by domestic enterprises and agencies is considered low (600,000 VND/month in Hanoi and HCMC, 580,000 VND/month in developed cities, districts and townships and 540,000 VND/month in other places) given increasing prices, although the minimum wage was last revised in early 2008. The minimum wage serves as the basis to adjust salaries, pensions, severance payments and other social benefits. The Government has committed to revise the assistance level for health insurance for the poor and near-poor in accordance with adjustments to the minimum wage level. Revision of the domestic minimum wage in line with foreign enterprises and institutions working in Viet Nam is in the spirit of the Enterprise Law and WTO commitments.

The current level of social benefits for target groups (orphans, people over 85, disabled people, people with mental problems or HIV/AIDS, single parents with small children) as per Decree 67/CP dated April 13, 2007 is very low (only 120 thousand VND/month). According to Article 7 of Decree 67, *"as the minimum living standard of the people changes the norms for social benefits shall be adjusted accordingly"*. It is therefore of great urgency to increase the minimum wage and social benefits to reflect the inflation rate and actual expenditures on basic food and non-food needs of low-income groups and social assistance recipients.

Decree 67 does not cover the near-poor. Once the poverty line has been revised they will be entitled to social benefits provided by the national government. The current minimum assistance level for social assistance recipients (120,000 VND/month) is only equal to a little more than 20 percent of the minimum wage level currently paid by enterprises (540 thousand VND/month). According to grassroots cadres, it should be raised to at least 200,000 VND. In addition, there should be an increase of meal allowances and other benefits for local social protection centres.

> Decree 67/CP dated April 13, 2007 increases the assistance level and scope of social protection and, on the other hand, narrows the coverage by requiring poor household status. This has caused difficulties in implementation as many former social assistance recipients are disqualified because they are not from poor households. Both Hai Phong and HCMC, however, have been flexible in implementing the Decree.

- Hai Phong: According to DOLISA, more than 4,000 (out of a total of 16,000) former social assistance recipients no longer qualify as per Decree 67. In Le Chan district alone 480 of the previous 700 still qualify. DOLISA has proposed to the Municipal People's Committee to provide temporary assistance of 120,000 VND/month until the next survey of poor households at the end of 2008.
- Go Vap district: has also been flexible in implementation of Decree 67 by including an additional 600 recipients who do not have poor household status. In response to the increased cost of living

[26] These social assistance recipients are often refered to as the "202" group as they are recognized under Circular 202-CP on « Policies on elderly people, orphans and disabled people » issued by the Government 40 years ago (on November 26, 1966). Viet Nam's social protection policies have been revised and amended many times. The latest revisions are reflected in Decree 67/CP dated April 13, 2007.

the municipal government has introduced a policy to provide 200,000 VND/month for three months (until June 2008) to poor households with an annual income of less than 4.5 million VND.

What may be even more important than the revision of the poverty line and pension and social benefit payments is the need to establish a mechanism that allows for regular and timely adjustments of standards and norms. The poor/near-poor, low income earners and social assistance recipients are the most to price fluctuations and other risks. They are in need of timely support policies in order to minimize life's "ups and downs".

Hai Phong and HCMC recommend relating the poverty line to the minimum wage level applied annually by enterprises and agencies (which means adjusting the minimum wage level and the poverty line at the same time): *"While the minimum wage level was increased by 20 percent at the beginning of 2008 the poverty line remains unchanged"*. However there may be a lapse between the timing of the revision of the minimum wage level which often takes place at the beginning of the year and the revision of the poverty line which is often at the end of the year when the review of poor households is conducted.

The health insurance policy has been improved with a 50 percent subsidy for purchase of health insurance cards for the poor people. Provisions in relation to voluntary health insurance have been simplified. However, the coverage of voluntary health insurance at all the study sites, both urban and rural, is still limited as people continue to "seek treatment only when falling sick" and the practice of paying for health services out of their own pocket which is common in both urban and suburban areas because of gaps in institutional arrangements for application of health insurance services at hospitals and health care facilities. As the current near-poor group will be classed as poor at the beginning of 2009 when the poverty line is revised, the Government should consider continuing to subsidize the cost of voluntary health insurance cards for the poor (or provide subsidy for all farmers when budget becomes available). If it does then more attention should be paid to the survey and review of both poor and near-poor households in each of the localities at the end of 2008.

Other support policies need to be reviewed in the context of rising prices. A good example is the policy to "remove temporary residence". In An Thái commune, An Lao district, Hai Phong, there are a number of households who are still living in temporary housing and cannot afford to build a solid house even with 4 million VND assistance (which has now been increased to 6-8 million VND) provided by local government and mass organizations. When interviewed the poor households said: *"Both construction materials and labour have become more costly now. So we need at least 10 million VND to be able to just build a small house"*. The local government has had to remove them from the list so the commune can claim that it has completed the "remove temporary residence" programme. Only 134 out of 152 temporary houses have been upgraded to solid houses. The remaining 18 have been removed from the list and these households will commit in writing that they will not request assistance from the local government in the future for house construction.

Sources of budget. A frequently asked question is where the funds comes from to implement social security policies of increasing scope and cost. In addition to existing policies on improving State budget revenues, savings and waste reduction there needs to be consideration of policy choice between universal social assistance and dedicated social assistance to the poor and near-poor groups. A good example is the policy on petrol price subsidy which has cost thousands of billions of VND. The Government has now decided not to continue to finance losses from the petrol business (i.e. to shift to a market-regulated price) and instead invest more in social security schemes. This move should be encouraged.

5.2.3 Review fee reductions to the poor

Recently the Government eliminated a number of mandatory fees such as "public labour contribution", "irrigation fees", "public security and defense fees" and "flood and storm prevention fees" in order to reduce the burden on people in the context of rising prices. However at the study sites there still exist various forms of contributions mobilized by the different "funds" such as the "academic promotion fund", "for the poor fund", "gratitude fund", "local security fund" and others in the rural areas including "internal irrigation fund", "local fund", "remove temporary residence fund" and "socio-cultural fund" (paid in paddy units per farmer head, often according to the timing of harvests).

It is necessary to review and remove or reduce certain fees, both mandatory and voluntary, for the poor and near-poor as prices continue to rise. Although the level of individual fees is low, each household has to pay a combined contribution of more or less 100,000 VND per year there still exist contributions that are "voluntary" in principle but "compulsory" in practice. For example, though the Government removed "public security and defense fees" and "flood and storm prevention fees" as mandatory fees at the beginning of 2008, at the study sites the ward/commune authorities still collect these fees "as usual". When interviewed the village heads also noted it was part of their responsibility to collect the fees so they have to try to reach 100 percent of households regularly resident in the locality (they do not collect from migrant workers, tenants or very poor households).

New policies on discounted school fees are also much desired by the poor. Contributions of various types (collected through the Parents' Associations) are currently a great burden especially for the poor households. There appears to be a conflict between the policy on "socialization" of educational services and the willingness to pay by the poor and near-poor. In principle, officially recognized poor households or those with three children in school at the same time may get certified by the ward/commune people's committee and exempted from paying "tuition fees" and "school construction fees". However these two fees are rather small. Others are much larger. At the beginning of the school year, they have to pay a dozen types of fees, both mandatory and voluntary, required by the school and specifically by the Parents' Association.

Contributions at the beginning of the school year per child

Information from household interviews at the study sites indicates the following contributions that parents are expected to pay for each child in lower secondary school (exclusive of expenses related to clothes, textbooks, stationary and extra classes):

1. School construction (certified poor households and households with three children in school at the same time may be exempted)
2. Tuition fees (certified poor households and households with three children in school at the same time may be exempted)
3. Uniform (one set is compulsory). Parents often buy two sets and an extra set for winter time)
4. Health insurance (voluntary but "recommended")
5. Life insurance (voluntary but "recommended"
6. School Parents Association Fund (negotiable)
7. Class Parents Association Fund (negotiable)
8. Children Pioneers Society Fund (encouraged)
9. Academic Promotion Fund (encouraged)
10. Bike keeping service (as the school has to contract a bike keeper from outside)
11. Drinks (summer time)
12. Computer rent (to recover costs of purchase and operations of computers in "standard" schools)
13. Others (photocopying of handouts etc.)

Together the contributions range from 200-300,000 to 500-600,000 VND, or even 700-800,000 VND in urban areas. The contributions are a burden for the poor and an important reason for poor children dropping out of school as their parents fail to make the payment on time (they often feel "ashamed" or "embarrased" when reminded of the overdue payment).

Another concern of the people is fees related to "socialized" services. A good example is the "garbage collection" service in Go Vap district managed by a private group. People in the surveyed community complained about the inconsistent imposition of service fees.

In the discussion with the core group in Unit 25, ward 6, Go Vap district, there were many comments on the issue of garbage collection fee. The fee has increased to 10-15,000 VND/household from 7-10,000 VND/household at the beginning of 2008. The collection of the fee is not well organized. Receipts are not always provided. Extra fees are even charged on special occasions in July (religous holiday), September (mid-Autumn festival), February (Tet holiday) and in the event of house renovation or plant/tree trimming. The fee is also inconsistent. It may be 10,000 VND in one place and 15,000 VND in another. The garbage collectors are not poor and even subcontract the service to others. There

was one suggestion to let the poor and unemployed from within the community provide the service. According to leaders of ward 17, the private company is a temporary arrangement as the garbage collecting trucks of the Uban Environment Company are not able to reach communities located in small alleys. The issues of increased fees, unavailability of receipts and lack of supervision of the local government have been raised at a number of meetings of the ward and district People's Councils and should be addressed soon.

5.2.4 Support policies for the migrants

Migrants (who do not have registered permanent residence) are still excluded from reviews/surveys of poor households, thus do not benefit from pro-poor policies, programmes and projects such as credit programmes. Policies on primary education have been expanded in order to include all children irrespective of their residence status. However, access to lower and higher secondary education remains a challenge for children of migrants. Infrastructure systems where the migrants are concentrated are still very poor. Migrants must be self-reliant or rely on people coming from the same home village for assistance when needed. There is not yet a "trade union" type of association in place to protect them.

Given the on-going process of industrialization, modernization and urbanization (associated with the accumulation of land for increased agricultural productivity) the influx of migrants to cities is likely to continue. It is necessary to develop a sound policy framework to more effectively support and protect migrant workers and promote various forms of cooperation (linked to informal social networks) as well as communication work to help migrant workers integrate better into urban life.

Go Vap district has paid attention to migrants while challenges remain

HCMC has been pioneering in the design and implementation of pro-poor policies. However, evidence from Go Vap district suggests that the "support for the migrants" puzzle remains unsolved:

- The Government has loosened requirements for the permanent registration of migrants. However, in practice, the requirement to have "a house rental contract certified by the Notary Service" appears to be impossible for migrants to satisfy as even landlords are reluctant to sign the contract.
- In principle households of migrants who have been living in the locality for a long time or even have a house in the locality are eligible to participate in community activities and be included in poor household reviews. However, in reality, almost all the currently recognized poor households are those with locally registered permanent residence. Therefore poor migrant households often are excluded from support programmes funded by the municipal government. As perceived by ward authorities and grassroots cadres, all kinds of "obligations" (i.e. contributions) and "rights/benefits" (i.e. house building assistance or access to credit) are still exclusively associated with the permanent residence status.
- Migrants with certification by the ward Police can buy voluntary health insurance cards. The poor migrants with certification by the ward/district authorities can get some discount for health care-related costs. However migrants are not keen on these benefits. They still pay for the services themselves rather than make an effort to get certification (the certification may be time-consuming and cumbersome).
- Migrants often do jobs that are not "encouraged" because of their impact on the urban landscape and order. For example, waste collectors are not allowed to gather waste near residential areas (because of fire safety and sanitation concerns). Similarly street vendors are banned from many places and cyclo drivers from the city centre during day time.

5.2.5 Concessional loans

It is a paradox that although there are policies to provide the poor with concessional loans many in both rural and urban areas are not been able to access them. There are two main reasons. First, poor households fear

that they may not be able to pay back the loan. Second, local mass organizations have not provided sufficient support to the schemes, nor guided households on how to access the loans and use them effectively.

In Go Vap district, HCMC, the programme was been implemented successfully under the close supervision of local government and poverty reduction officers. Many people obtained loans of 5-10 million VND. However, many "self-run poverty reduction groups" in Go Vap are now operating at a minimum level now or even have terminated operations. Lack of capital is no longer the primary concern. Of more significance is the capacity to use loans effectively, job opportunities and stable income.

The "self-run poverty reduction group" model in Go Vap is no longer appropriate

HCMC developed "self-run poverty reduction groups" as early as 1996. Each group containing ten to fifteen poor households (with registered permanent residence) or a maximum of 20 individual members managed consessional loans provided by the Municipal Poverty Reduction Fund. Members support each other, contribute to a revolving fund, provide training and provide updates on Government policies for poor households. There were 300 such groups in the whole district.

The model appears to be no longer appropriate. Labour, Invalids and Social Affairs leaders in Go Vap district noted *"At the beginning the groups met every month. Since mid- 2006 they have been meeting less often. As prices increase everyone is busy finding ways to survive so very few of them manage to meet regularly. In addition, the Government also has called for a reduction in the number of meetings."*

In ward 17 there used to be eight self-run poverty reduction groups. The ward leaders also believed that *"capital for poor households is no longer an issue. It's more important to ensure the effective use of the capital. Members of the groups have limited knowledge and education so find it difficult to move forward themselves. The ward authorities are now looking to Programme 120 on Employment Creation to involve better educated and better-off households as well support the poor ones."*

The commonly cited reason for the poor migrants not being able to access concessional loans is that they do not have a permanent residence which makes it difficult to manage the use and repayment of the loans. The experience of the Women's Union in Go Vap district in implementing a credit scheme for poor migrant women and women in special circumstances may be worth further consideration and be more widely promoted.

Giving loans to poor migrant women. Why not?

The Women's Union in Go Vap district, HCMC launched a credit programme for poor migrant women in 2003 with financial support from AAV. Since 2004, following a one year pilot phase implemented in wards 5, 7 and 15, the programme was expanded to a total of 14 wards and from 2009 will cover the whole district (16 wards) through a network of 45 credit groups.

When the programme was first introduced many ward cadres did not believe in its feasibility as migrant women typically did not have a permanent residence, which could pose a risk of failure to collect repayments. However, with the consistent efforts and commitment of programme officers from district to ward levels the programme has been progressing successfully.

Thirty three credit groups have been set up following surveys and meetings with migrant women. An initial fund of 450 million VND was provided by AAV. The credit groups have developed their operational regulations including defining loan sizes and repayment modalities. In addition, members of the groups are asked to contribute two types of savings: (i) compulsory savings paid on a weekly basis (5,000 VND/week) and (ii) voluntary savings depending on individual members' capacity (voluntary savings are subject to an interest rate of 0.5 percent). The purpose if the savings is to hold the members more responsible to the group. Each member can also save some money for herself or to support other members if required.

As of August 2008, the balance of the credit fund has reached 596,266,404 VND. 319 loans of 1-1.5 million VND have been disbursed. The duration of the loans is typically six months and the interest rate

is 1.5 percent. Payment is made on a weekly basis which is appropriate for the members. At the end of the fifth year of operation, the repayment rate reached 95 percent. Overdue and bad loans account for five percent.

Many poor migrant women, thanks to the loans provided by the programme, have been able to have a more stable life. A good example is Mrs Phạm Thị H, 32/1, Lê Đức Thọ road, Unit 2, ward 16, who has a family member living with HIV/AIDS. Her husband has died. Two of her children used drugs (one has also died) and two others are in school. She is struggling to feed the family by washing clothes for households in the community. After joining the credit group, she was able to get a loan of two million VND which she used to buy a washing machine to collect more clothes to wash. After having repaid the first loan, she decided to borrow a second loan of three million VND to buy a sewing machine and fabric to make clothes to sell to local stores. She has since taken a fifth loan from the programme of the maximum five million VND to invest in materials and tools. The life of her family has improved considerably. She has managed to buy a fridge, a TV, a gas cooker and pay for her children's education.

The Programme Management Board has had the following observations on the programme:

- The provision of credit to poor migrant women and women in difficult circumstances has assisted the local government in improving the life of the local population in general and of poor women in particular. Women have also benefited from the opportunity to develop themselves and strengthen their status in the family and in the society.
- The programme, with its simple lending procedures and appropriate interest rates and loan duration, has contributed to the reduction of informal loans at high interest rates (10-20 percent) and thus contributed to the control of complicated social problems associated with informal loans.
- Apart from the delivery of loans, the district Women's Union has also introduced acitivities such as communication and exchange of experiences in buidling happy families, health care, business skills and how to use loans effectively, all of which have benefitted participating women.
- The programme has provided an alternative option for those who have difficulty accessing formal (Government) credit sources such as migrant workers, people in difficult circumstances, people involved in social evils, family members of people living with HIV/AIDS. Many women have managed to escape from poverty with loans from the programme and some have voluntarily resigned from the programme in order for poorer women to benefit from the programme.

Despite these successes some ward authorities are reluctant to adopt and expand the programme on the grounds that the risks associated with the target beneficiaries may be high. Therefore in the programme's operational regulations, there needs to be clear provision of the repayment failure rate.

The policy on consessional loans (as per Decision 157/2007/QD-TTg dated September 27, 2007 of the Prime Minister) for poor/near-poor pupils and students and households in difficult circumstances has been welcomed. However, in such urban areas as Go Vap district, there remains a long waiting list of applications as the funds have not yet been made available for disbursement. The policy may need to be expanded to reach upper secondary school students in mountainous and EM comumes.

5.2.6 Vocational training

The Government has introduced a policy of free vocational training for poor households and concessional loans for vocational trainees coming from poor households. However the number of poor/near-poor households benefiting from such a policy is very small. One of the main reasons is that the poor are more interested in short-term needs ("poor people are not able to plan ahead").

Free vocational training for the poor – a difficult puzzle to solve

The Government has introduced a policy of free vocational training for the poor. Children of poor households can borrow concessional loans from the Social Policy Bank to obtain vocational training. Vocational training centres at the district level receives an annual budget from the Government to

organize vocational training for the poor. In Hai Phong, for example, since 2007 DOLISA has an annual budget of 700-800 million VND to organize free vocational trainings for the poor. In additon, there is a budget of 1.5-2 billion VND for vocational training for farmers whose land has been recalled.

In practice, the really poor people do not often participate in these trainings, nor borrow loans for training for their children. One of the main reasons is that they are busy making money to meet short-term needs ("poor people are not able to plan ahead") or they are afraid they will not find a job after training. For example, in Unit 25, ward 6, Go Vap district, no participants turned up for a free vocational training course.

5.2.7 Agricultural extension

At the rural study sites agricultural extension workers have recommended measures to help farmers reduce costs and improve productivity as prices increase such as the "3 reductions, 3 gains" initiative; increased use of bio-fertilizer, inorganic fertilizer and single ingredient fertlizers instead of blended fertilizers; improve product quality (through collecting, semi-processing and sorting).

However, the effectiveness of agricultural extension work is limited. In many places poor people are still not keen on extension messages. The linkages between processing enterprises and the extension system remains loose. The agricultural extension programme needs to be strengthened and the grassroots extension network to be developed in order to meet the needs of different target groups and help the poor better cope with risks.

Agricultural extension is not as easy in the context of rising prices

In the last few years the Dien Bien district, Dien Bien province has been implementing the "3 reductions, 3 gains" (reduce seed rate, reduce fertilizer rate and reduce pesticide spray; and gain productivity, gain quality and gain profit). However the effectiveness of the extension work has not been as desired. The "row seeding" technology using a row seed was introduced two years ago. However, it has only been applied to 100 ha (of the total 6,000 ha of paddy land of the district) as the farmers are not used to the *"widely spaced holess"*. The fertilizer rate has actually been increased rather than reduced. Nearly 25 percent of the poor households and 35 percent of the non-poor households interviewed have increased their fertilizer rate over the last year and none have reduced the rate. The recommended frequency of pesticide spray is only two times per crop while many farmers still spray 3-4 times.

In Huong Hoa district, Quang Tri province, the cassava processing plant has always recommended the use of fertilizers to improve soil quality. However, farmers still tend not to use fertilizers as they have not done so traditionally and assume it is a labour-intensive process. The plant is piloting a new fertilizer rate for cassava crop which costs less than the regularly recommended rate. However it is not easy to change the farming practice of the Vân Kiều group. Leaders of Xy commune believe that they *"may have to wait until the next harvest when the people realize that output has further declined (there has been a 30 percent reduction of output of the last crop) and start paying attention to fertilizers"*. There is also the disadvantage that the plant does not have a close relationship with the local extension system.

5.2.8 Implementation of grassroots democracy

There may be an opportunity to enhance the implementation of grassroots democracy. As prices increase people tend to become more sensitive to the various forms of mandatory contributions and require higher levels of transparency, waste reduction and quality assurance for infrastructure facilities. Grassroots cadres interviewed noted that *"everything that requires contributions from the people has to be implemented thoroughly and supervised closely"*. Transparent information will also allow for the smoother implementation of State managed activities, particularly "socialized" activities at the grassroots level. The experience of Go Vap district in implementing the "ward/commune budget analysis" programme serves as a good example.

Ward/commune budget analysis – a way to promote grassroots democracy

Go Vap district has been involved in the "Ward/commune budget analysis" programme funded by AAV since November 2005. The programme has been implemented through trainings on the Budget Law, authority over budget revenues and spendings at the ward level and discussions on actual expenditure figures with nearly 800 members of the People's Council, mass organizatons and grassroots cadres.

In its three years of operation, the programme has carried out the following key activities:

- Organized 20 budget analysis trainings (basic and advanced) in three wards: 3, 6 and 17 of Go Vap district
- Established ten community development groups (ELBAG) in wards 6 and 17
- Maintained and identified information through the system of residential units in wards 6 and 17 and work with the local community development group to respond
- Communicated budget plans in six constituency meetings
- Organized two budget analysis demonstrations in wards 6 and 17
- Organized roundtables on advantages and disadvantages of budget analysis in ward 17
- Posted programme activities in the bulletine of the ward (distributed to households) and on the website of the district People's Committee
- Integrated family budget analysis in the context of rising inflation, training on the household living standards survey and budget reconciliation

The "Ward/Commune Budget Analysis" Programme has helped:

- Enhance capacities of the participants and their knowledge of their responsibilities and rights in relation to budget analysis as well as raised awareness about the need for transparency and accountability of budget revenues, especially those with contributions from the people.
- Update and respond to information from the people (including complaints)
- Allow the people to keep track of revenue and spending items of the ward budget disclosed in the bulletine

Leaders of ward 17 noted "This is a good experience which has attracted the attention of the people and grassroots cadres. The people have come to better understand the challenges faced by the ward. They would not complain now as they know there is no budget line dedicated to certain items that they have asked for before. The transparency of budget information through the budget analysis exercise will also help facilitate the implementation of the "socialization" policy.

5.2.9 Others

Consideration should be given to an increase in salaries and allowances for grassroots cadres as it is currently far too low given rising prices. The current level of monthly allowance for village and hamlet heads is between 100-200,000 VND, which is *"not enough to buy petrol to travel to meetings"; "before we could buy 20kg. Now it's only enough to buy 10 kg"*. Interviewed grassroots cadres indicated that most were not very keen on working as village or hamlet heads as the job keeps them very busy and they have no time for their families. The monthly allowance provided to commune/ward cadres is also low. The "poverty reduction officer" position is often combined with another position. It is a lot of extra work, yet the allowance is only 50,000 VND/month.

It may also be necessary to top up budgets for projects in support of poor people and poor areas in response to inflation. At the study sites, it was observed that a number of essential construction projects had been delayed or even terminated due to escalating prices of materials, machinery and labour which required multiple budget revisions (for example, small scale irrigation facilities, running water, transport system, farming machinery and tools).

5.2.10 New Support Policies for the Poor and Near-poor Groups

More efforts should be made to formulate and implement new support policies and programmes so as to gradually improve the social assistance system in Viet Nam which is a necessary step towards the objective of becoming a middle-income country by 2010. These are becoming even more essential given the adverse impacts of rising prices on the life of the urban poor and rural poor.

The following policies/programmes could be considered (with reference to international experiences and in relation to the context of Viet Nam):

- "Food security and nutrition" programme: survey and identify hungry households who cannot afford the very minimum level of nutrition; define measures to provide cash or food assistance (for example, in the form of "food coupons"). Emergency relief activities have been organized in disaster-affected areas only on an ad-hoc basis. These need to be developed into a national programme with a complete package including identification of target groups, assistance modality, budget allocation, monitoring and supervision and establishment of management structure at all levels. This programme should be explicitly linked to other programmes aiming at improving food production, such as agricultural extention. The programme would also have to be sensitive to possible creation of dependency.
- "School meals" programme: provide free lunches for full-day schooling children in kindergartens and primary schools especially those in difficult mountainous areas.
- Assistance of poor workers including migrant workers with the engagement of mass organizations and enterprises; formulation of enterprise support policies (for example, access to concessional loans) to encourage quality skills training, recruitment and security of jobs and incomes for both the local poor and migrant workers.

Support for "school meals" will provide students better meals than this

Annex: Brief description of study sites

Province/ City	(Urban/rural) District	Ward/Commune	Residential Unit/Hamlet/Village
Dien Bien: - ***Geographical location:*** high mountain, total area of 9,526.9 km^2 - ***Population and Ethnicity:*** 46,000 people, 21 ethnic groups, mainly Thái, Mông and Kinh - ***Poverty Rate:*** 38,6 percent as per new poverty line as of end of 2006	**Dien Bien District:** - ***Geographical location:*** by the City of Dien Bien, consists of 18 administrative units. Total area of 164,185 ha including 103,476 ha of agricultural land - ***Population and Ethnicity:*** 116,000, 9 ethnic groups including Thái, Kinh, H'Mông - ***Poverty Rate:*** 34,3 percent as of end of 2006	**Thanh Xuong Commune:** - ***Geographical location:*** in a suburban by the City of Dien Bien Phủ. Total area of 1,922 ha. - ***Population and Ethnicity:*** 7,241. Four ethnic groups, mainly Thái and Kinh. - ***Poverty Rate:*** 22.8 percent as of end of 2006 - ***Key features:*** a major paddy producing area; selling rice to many provinces; main sources of income: paddy farming and hired jobs	**Pa Dong Village:** - ***Geographical features:*** low mountain area - ***Population and Ethnicity:*** 77 households with 342 people. Main ethnic groups: Thái (82 percent) and Kinh (18 percent) - ***Distance to Commune:*** 3 km - ***Main sources of income:*** wetland paddy, maize, cassava farming and hired jobs
			Chan Nuoi 2 Village: - ***Geographical features:*** in the centre of a valley - ***Population and Ethnicity:*** 92 households with 361 people Ethnic majority: Kinh (99,6 percent) - ***Distance to Commune*** 1.5 km - ***Main sources of income:*** wetland paddy and vegetables
Hai Phong: - ***Geographical location:*** Red River Delta, total area of 1,520.7 km^2 - ***Population and Ethnicity:*** 1,827.7 thousand	**Le Chan District:** - ***Geographical feature:*** urban district, total area of 12.7 km^2 - ***Population and Ethnicity:*** 188 thousand, mainly of Kinh group	**Niem Nghia Ward:** - ***Geographical feature:*** Total area of 56 ha - ***Population:*** 2,985 households with 11,658 people - ***Poverty Rate:*** 1 percent (32 poor households) as of end of 2007 - ***Other features:*** • concentration of small industrial and handicraft enterprises • net rice purchase	**Residential Unit 1:** - ***Population and Ethnicity:*** 401 households with 1,450 people - ***Poverty Rate:*** 5.9 percent as of end of 2007 - ***Main professions:*** government employees (minority), informal jobs (motorbike taxi drivers, small traders...)
	Kien An District: - ***Geographical location:*** Total area of 29.6 km^2, South West of Hai Phong, 10 km from city centre, meeting point of land, waterway and air routes. - ***Population:*** 23,515 households with 92.715 people - ***Poverty Rate:*** 4.34 percent (898 households) as of August 200	**Lam Ha Ward:** - ***Geographical location:*** Total area of 175.22 ha, adjacent to Le Chan District. - ***Population:*** 2,853 households with 12,968 people - ***Main jobs:*** motorbike taxi drivers, small traders, cyclo drivers	**Residential Unit 1:** - ***Geographical location:*** Total area of 1 ha - ***Population:*** 584 households with 2,78 people - ***Poverty Rate:*** 0,14 percent (8 households) as of end of 2007 - ***Other features:*** • home to a good number of enterprises and plants

Province/ City	(Urban/rural) District	Ward/Commune	Residential Unit/Hamlet/Village
		- ***Poverty Rate:*** 0,93 percent (25 households) as of end of 2007 - ***Other features:*** • Net rice purchase • home to 3 industrial clusters, nearly 80 agencies and enterprises	**Residential Unit 3:** - ***Geographical location:*** Total area of 40 ha - ***Population and Ethnicity:*** 748 households with 2,638 people. - ***Poverty Rate:*** five poor households as of end of 2007 - ***Other features:*** mainly simple jobs such as motorbike taxi drivers, small traders, cyclo drivers; some still grow vegetables and catching fish/prawns along the river sides
	An Lao District: - ***Geographical location:*** 18 km South West of Hai Phong - ***Population:*** 34360 households - ***Poverty Rate***: 8,3 percent (2868 households) as of August 2007 - ***Other features:*** • 1 industrial park (An Tràng) and multiple industrial clusters by National highway 10. • mainly agriculture and handicrafts	**An Thái Commune:** - ***Geographical location:*** at the far end of An Lao District, total area of 575.96 ha - ***Population:*** 1890 households with 7,865 people - ***Poverty Rate:*** 212 poor households as of end of 2007 - ***Main jobs:*** paddy farming, construction, shoe-making and handicrafts	**Tiên Cầm 1 hamlet:** - ***Poverty Rate:*** 18 poor households as of end of 2007 - ***Main sources of income:*** agriculture (wetland paddy, cash crops, cigarette…), rattan frames, shoe-making, construction… **Tiên Cầm 2 hamlet:** - ***Population and Ethnicity:*** 168 households with 542 people - ***Poverty Rate:*** 12,5 percent (21 households) as of end of 2007 - ***Main sources of income:*** agriculture (wetland paddy, cash crops, cigarette …), rattan frames, shoe-making, construction…
Quang Tri: - ***Geographical location:*** North central coastal region, total area of 4,744 km^2 - ***Population and Ethnicity***: 611,000; 3 ethnic groups Vân Kiều, Pa Cô and Kinh. - ***Poverty Rate:*** 25,7 percent as of end of 2006	**Huong Hoa District** - ***Geographical location:*** border mountain district with 22 communes Population and Ethnicity: 13,335 households, mainly of Vân Kiều group (56.9 percent) and Pa Cô (31.8 percent). - ***Poverty Rate:*** l31.2 percent as of end of 2006	**Xy Commune:** - ***Geographical location:*** remote area, one of the poorest communes of Huong Hoa District. Total area of 2,118 ha. - ***Population and Ethnicity:*** 276 households with 1,256 people. Mainly of the Vân Kiều group - ***Poverty Rate:*** very high, 70.1 percent as of end of 2006 - ***Key features:*** mainly subsistence production. Main sources of income: cassava and upland crops.	**Troan Ô hamlet:** - ***Geographical feature:*** low mountain - ***Population and Ethnicity:*** 42 households with 206 people. 97,6 percent of Vân Kiều group - Distance to Commune : 1 km - ***Main sources of income:*** cassava, hired jobs (carpentry, weeding…) **Xi La hamlet:** - ***Geographical feature:*** low mountain - ***Population and Ethnicity:*** 27 households with 136 people. 100 percent of Vân Kiều group - ***Distance to Commune*** 1 km - ***Main sources of income:*** cassava, upland paddy, hired jobs (weeding…)

Province/ City	(Urban/rural) District	Ward/Commune	Residential Unit/Hamlet/Village
Dak Lak: - ***Geographical location:*** on Central Highlands, total area of 1,308,474 ha. - ***Population and Ethnicity:*** 1,314,683 mainly of ethnic groups of Êđê, Bana, Giarai, Tày, Dao, …. - ***Poverty Rate:*** 23.28 percent as of end of 2006	Earka District: - ***Geographical location:*** mountain district, 52 km from the City of Buôn Mê Thuột. Total area of 101,892 ha - ***Population and Ethnicity:*** 142,742 of 16 ethnic groups including Êđê, Tày, Nùng, Thái, Dao,... - ***Poverty Rate:*** 30.23 percent as of end of 2006	Cu Hue Commune: - ***Geographical location:*** mountain commune, 3 km north of the district centre. Total area of 2785 ha; consists of 16 hamlets. - ***Population and Ethnicity:*** 2276 households with 11,545 people. Ethnic groups: mainly Kinh and Êđê - ***Poverty Rate:*** 24.7 percent as of end of 2006 - ***Main sources of income:*** a commodity producing area mainly with maize and coffee crops	Dong Tam hamlet: - ***Geographical feature:*** Central highlands - ***Population and Ethnicity:*** 221 households with 942 people. 95 percent of Kinh group - ***Distance to Commune:*** 6.5 km - ***Main sources of income:*** hybrid maize, coffee. livestock, hired jobs
			M'hăng hamlet: - ***Geographical feature:*** Central highlands - ***Population and Ethnicity:*** 124 households with 676 people. 93 percent of Êde group - ***Distance to Commune:*** 2 km - ***Main sources of income:*** wetland paddy, hybrid maize, coffee, hired jobs
Hồ Chí Minh City: - ***Geographical location:*** South East region, total area of 2,098.7 km^2 - ***Population and Ethnicity:*** 6.347 thousand (2007). Ethnic groups including: Viet, Chinese, Khmer, Chăm,… Poverty Rate: 17.218 poor households (as per 2006 poverty line)	Go Vap district: - ***Geographical location:*** North and North West of HCMC, total area of 19.74 km^2 - ***Population and Ethnicity:*** 496,905 people. 8 ethnic groups: Kinh (98 percent), Chinese (1.8 percent),….. - ***Other features:*** concentration to migrant people.	Ward 6: - ***Geographical location:*** total area of 164.75 ha, bordering Dist 12 to the East, wards 17 to the North and West, wards five and 7 to the South. - ***Population:*** 3,209 households with 22,357 people - ***Key features:*** Simple labour: 99 percent. mainly migrant workers	Unit 25: - ***Geographical feature:*** total area of 10,000m^2 - ***Population:*** 700 people
			Unit 27: - ***Geographical feature:*** total area of 37 ha - ***Population:*** 470 people
		Ward 17: - ***Geographical feature:*** total area of 116.91 ha - ***Population and Ethnicity:*** 6,851 households with 45,669 people - ***Poverty Rate:*** 0.11 percent (8 households) as of end of 2007	Unit 48: - ***Population and Ethnicity:*** 60 households with 229 people - ***Main professions:*** mainly pensioners and simple labour, very few government employees
			Unit 56: - ***Population and Ethnicity:*** 61 households with 266 people - ***Poverty Rate:*** 2.7 percent (16 households) as of end of 2006

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Oxfam Great Britain
7 - 9 floor
16 Mai Hac De Street
Ha Noi
Viet Nam
Tel: (84 4) 3945 4362
Fax: (84 4) 3945 4365
Email: ogb-vietnam@oxfam.org.uk

Oxfam Hong Kong
6 - 7 floor
16 Mai Hac De Street
Ha Noi
Viet Nam
Tel: (84 4) 3945 4406
Fax: (84 4) 3945 4405
Email: oxfamhk@ohk.org.vn

Action Aid Vietnam
5 floor, HEAC building
14 - 16 Ham Long Street
Ha Noi
Viet Nam
Tel: (84 4) 3943 9866
Fax: (84 4) 3943 9872
Email: mail.aav@actionaid.org

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