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Equitability in Access to Rural Public Services in Vietnam:

An Outlook from the Red River Delta

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Abstract: In the transition to a market oriented economy, rural public services in Vietnam are moving towards decentralization. public service users now have to pay for service fees, instead of an existing provision where the services were provided at no cost. This paper attempts to answer the questions of how people in rural areas in Vietnam receive services provided by government institutions with respect to their contributions to the government budget, and, how equitability in benefiting rural public services in different groups of people is explored. This will be done by looking closer at basic public services (i.e., education and healthcare) in the Red River Delta, a dynamic and prioritized economic region in Northern Vietnam. It is considered an area with well-equipped public services compared to other rural areas in Vietnam. The empirical findings from the public services in the Red River Delta are good policy implications for those in other rural areas in Vietnam.
Key words: Rural public services; Accessibility; Equity; Red River Delta; Vietnam

1. INTRODUCTION

Since the 1988 economic renovation in Vietnam, known as *Doi Moi*, Vietnam has been transitioning from a central planning economy to a market oriented economy. This renovation has resulted in moving rural public services towards socialization. Therefore, not only government institutions, but, organizations and individuals are now involved in providing rural public services. Together with the changes, rural people now have to pay directly for each unit of public service utilized. Basic and indispensable rural public services that meet the demand of the majority, such as primary education, preliminary health care, infrastructure, electricity, agricultural extension, irrigation and environment, are mainly delivered by

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government institutions. Rural areas in Vietnam are extensive and undeveloped with a high proportion of the population being poor. Income of people in rural area is commonly low and the poor are often lack of budget to pay for the public services, so their accessibility to those services is very limited. These factors lead to a decreased availability and accessibility to public services in rural areas as compared to urban areas. As the fact, there have many items that all the households have to pay equally for a unit of utilization *i.e.*, fees, taxes and commodity prices.

Rural areas are under the development strategy of the Vietnamese Government. In the transition to a market economy, the government has implemented supportive programs for the poor, such as Program 135 "Socio-economic development in severely difficult areas" and Program 139 "Enhancing healthcare quality for the poor households, elderly and invalid". One of the specific objectives of the programs is to improve basic rural public services, however very few studies have been conducted in this area. Nguyen Thi Hien (2007) discussed real situations and preliminarily suggested policy measures for improving the quality of rural public services in Vietnam. Aksoy and Dikmelik (2007) investigated the role of services in income growth of rural households in Vietnam after major trade liberalization in rice. The authors focused on services that have an impact on transaction costs *i.e.,* roads or quality of roads, public transportation, access to credit, agricultural extension services and communication services. Results show that overall service availability and quality have a positive impact on income growth. The study by Chu Van Thanh (2007) focused on theoretical and empirical aspects of management renovation and provision of public services in Vietnam. The study proposed measures for public service administration and socialization. Adams (2005) showed a macro perspective of the healthcare system in Vietnam. The paper outlined the current structure and effectiveness of the health sector in Vietnam from the perspectives of public finance administration and macroeconomic tradeoffs. World Bank (1996) examined fiscal decentralization and the delivery of rural services in Vietnam. The report focused on issues vital for an equitable market oriented economy and a successful delivery of basic rural services.

Up to now, no studies have been done that show an evaluation of how people in rural areas in Vietnam receive services provided by the government institutions with respect to their contributions to the government budget, and how equitability is accessible to rural public services in different groups of people. Our research attempts to deal with those issues by investigating two basic rural public services provided by the government institutions *i.e*., education and healthcare in the Red River Delta. This is a region located in the center of northern Vietnam, where it is considered the most populated area in Vietnam, with a population density of 932 people/km^2, while the average figure of the whole country is only 260 (General Statistics Office, 2009). Moreover, the Red River Delta and the South East are two dynamic and prioritized economic regions in Vietnam (Table 1), so their rural public services are well-equipped compared to other rural areas in Vietnam.

Table 1: Growths in monthly average income per capital in Vietnam (at current prices)

	1999	2002	2004	2006	2008
Whole country	**295**	**356**	**484**	**636**	**995**
Red River Delta	**282**	**358**	**498**	**666**	**1065**
Northern midlands and mountain	199	237	327	442	657
North Central and Central coastal areas	229	268	361	476	728
Central Highlands	345	244	390	522	795
South East	**571**	**667**	**893**	**1146**	**1773**
Mekong River Delta	342	371	471	628	940

Source: General Statistics Office (GSO), 2009

2. METHODS

We use comparative analysis and inductive methods to identify current accessibility, equitability and challenges in rural public services in the region. The research used both primary and secondary data, information provided by the Vietnam household living standard surveys (VHLSS) and reports from international organizations.

Primary data in 2009 was collected from 270 households in April and May of 2010 in three of eight representative provinces (Hanoi, Bac Ninh and Hai Phong) which are located in the Red River Delta (Figure 1). This is the flat plain formed by the Red River and its distributaries joining in the Thai Binh river in northern Vietnam. The Delta, measuring some 21,063 km^2, is well protected by a network of dikes. Although the area of the Red River Delta equals 6.36% of Vietnam, its population is equivalent to 22.81% of the whole country. It is an agriculturally rich area whereby most of the land is devoted to rice cultivation.

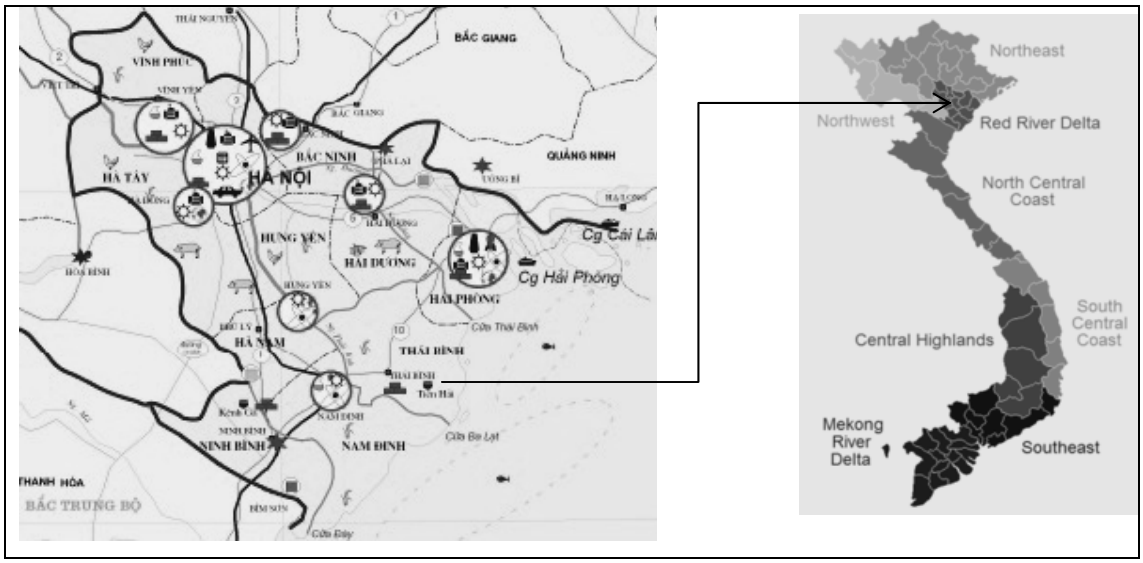

Figure 1: Maps of Vietnam's economic regions and Red River Delta

In each province, we selected two districts; one has superior rural public service systems, located in the peri-urban area, and another has poorer public service systems which is located further from an urban area for the surveys. Specifically, we selected two districts (Tu Son and Gia Binh) in Bac Ninh, two districts (Gia Lam and Hoai Duc) in Hanoi and two districts (An Hai and Tien Lang) in Hai Phong. In each district, we selected 45 households at a representative commune for the survey. Together, with household surveys in the selected province, interviews with local institutions and organizations were conducted regarding involvements in the selected rural public services.

3. RESULTS AND DISCUSSIONS

3.1 Delivery system of basic rural public services in Vietnam

Vietnam's progress in macroeconomic reform has taken rural public service delivery into account as an effort to develop an equitable market economy. Rural public services in Vietnam play an important role in bringing rural transformation, economic growth and poverty reduction. However, rural areas in general are extensive, so quality of basic rural public services alters greatly between regions and between provinces in a region. Much of this variation is due to lack of available financing. The government cannot be assured that basic services are actually reaching all the people (World Bank, 1996).

In the period of 1993-2006, Vietnam had succeeded remarkably in poverty reduction. Poverty rates reduced to 3.9% from 25.1% in urban areas, to 20.4% from 66.4% in rural areas, to 10.3% from 53.9% in ethnic majority group, to 8.8% from 62.7% in the Red River Delta. However, the speed of poverty reduction in ethnic minority groups remains slow (Table 2). In 2009, Vietnam's population reached 85.8 million people, about 80 percent of which are living in rural areas. And, 12.3 % of population is poor and 90% of the poor are living in rural areas. Improvement of rural public services is essential to sustainable economic growth and poverty reduction. Basic rural public services, including primary education and preliminary health care, are vital to a successful and equitable market economy. Public funding for these services is essential to ensuring adequate supplies.

Table 2: Proportion of the poor in Vietnam, 1993-2006 (%)

	1993	1998	2002	2004	2006
Whole country	**58.1**	**37.4**	**28.9**	**19.5**	**16.0**
By areas					
Urban	25.1	9.2	6.6	3.6	3.9
Rural	66.4	45.5	35.6	25.0	20.4
By 6 econ. Regions					
North mountains	81.5	64.2	43.9	35.4	30.2
Red River Delta	***62.7***	***29.3***	***22.4***	***12.1***	***8.8***
North central coast	74.5	48.1	43.9	31.9	29.1
South central coast	47.2	34.5	25.2	19	12.6
Central highland	70	52.4	51.8	33.1	28.6
Southeast	37	12.2	10.6	5.4	5.8
Mekong River Delta	47.1	36.9	23.4	15.9	10.3

Source: General Statistics Office, 2006

Dealing with challenges of broad-based growth and rapid poverty reduction will require not only public investments, but a reduction in household contributions for basic rural services. According to the General Statistics Office (2006), shares of expenditure in total national expenditure are very low in the poorest and near poorest groups (around 20%). These proportions tend to decrease, while it appears to be slightly increased in the richest and near richest groups. For the richest group only, these shares vary from 41.8% to 45.9%. That is equivalent to 5-6 times higher than those of the poorest group (Table 3). This reveals that accessibility to public services of the poor is limited as compared to that of the rich, since part of the household expenditures contributes to the government budget through taxes (value added tax, special consumption tax, *etc*.). It needs to be redistributed among the groups to ensure a more equitable provision and efficiency of these basic services.

Table 3: Share of household expenditures in total national expenditures by 5 income quintile groups (%)

	1993	1998	2002	2004	2006
1th quintile (poor)	8.4	8.2	7.8	7.1	7.2
2nd quintile (near poor)	12.3	11.9	11.2	11.2	11.5
3rd quintile (medium)	16.0	15.5	14.6	15.2	15.8
4th quintile (near rich)	21.5	21.2	20.6	21.8	22.3
5th quintile (rich)	41.8	43.3	45.9	44.7	43.3
Total	100	100	100	100	100
Richest/poorest group	5.0	5.3	5.9	6.3	6.0

Source: General Statistics Office, 2006

The government plays a crucial role in the provision of the basic rural services. These services add to the development of the society as well as individuals. Moreover, rural households are sometimes unable to overcome adverse shocks, so the government plays an important role by providing a safety network to protect households from risks, preventing them from becoming destitute and permitting them to continue to contribute to the country's growth. In Vietnam, the local government's administration units at province, istrict and commune levels are responsible for delivering services and budget administration that develop the human capital and infrastructure necessary for broad-based growth. However, communes are not directly included in the consolidated budget (Figure 2).

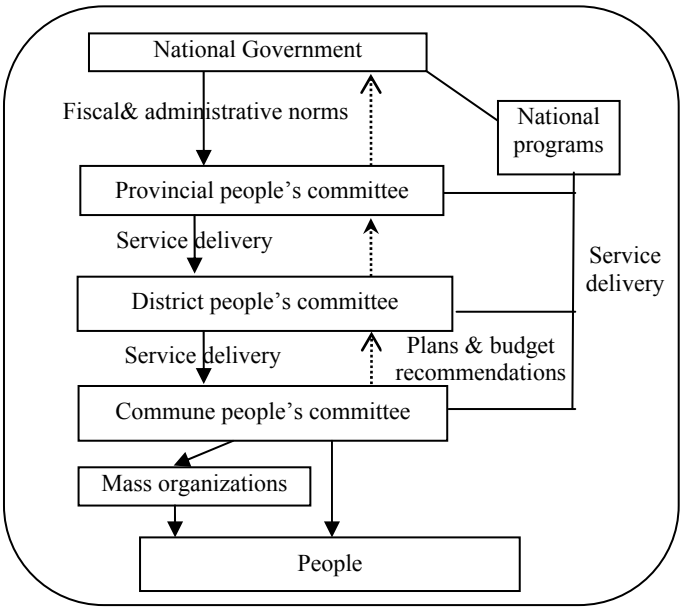

Figure 2: Administrative organization of rural service delivery in Vietnam

3.2 Status of basic public service accessibility in the Red River Delta

In Vietnam, the Red River Delta has a very good background for economic development, so the beneficial rates of the basic public services in prioritized programs for the region are less than those accounted for the country as a whole. Coverage of tuition exemption for primary school pupils in the region increased, while this rate nationwide decreased (Table 4). The main target groups for the exemption and cutting down of tuition and fees of educational service programs are the poor, ethnic minorities, invalids and primary school pupils.

Table 4: Coverage of rural public services in 2006 and 2008 (%)

Programs	Countrywide		Red River Delta	
	2006	2008	2006	2008
1. Exemption of tuition for primary school pupils	50.9	50.2	73.0	73.9
2. Exemption or cutting down of tuition for the poor pupils	49.5	50.6	33.3	33.3
3. Exemption or cutting down of fee for people holding health insurance	80.9	83.8	77.5	82.9

Source: Vietnam household living standard survey, 2008.

The Red River Delta is considered to have very good educational performances, with the highest literacy rate (93%) as compared with other regions in the country. However, the allocation rate of the Government's budget for education in the region is modest (664,000 VND/person/year). As showed in Table 5, the allocation rate for education in the Red River Delta equals 58% of that in the highest allocated regions (border and island regions) of the country and 137% of the lowest allocated regions (urban area). In fact, budget allocations for vocational training, for healthcare and for social security in the Red River Delta, in comparison to the lowest and highest rates, are more or less similar to the budget allocation for education.

Table 5: Allocation rates and criteria for regular expenditures of basic public services

Category	Allocation rates for public service in the RRD* (VND/person/year)	Comparison with (%)	
		Lowest allocated region	Highest allocated region
Education	664,000	117.37	58.04
Vocational training	23,710	111.11	55.52
Healthcare	79,280	135.14	56.34
Social security	12,170	108.58	64.06

*Source: *Vietnamese Government, 2006.*

3.3 Analysis of benefit and contribution of surveyed households to public services in 2009

The Red River Delta is the most populated area in Vietnam. The total land holding per surveyed household is only 2,466 m^2. Land is used mainly for growing annual crops (74.3%), while perennial crop land is very scarce (5.2%). Between the two sub-samples, it can be seen that average land holding per household in rural areas is about 10% higher than that of the peri-urban area (Table 6). Potential crops for agricultural development in the area are paddy rice, vegetables, beans, flowers, ornamental plants, *etc*.

Table 6: Average land holding in the surveyed households in 2009

Land type	Whole sample		Peri-urban h.holds		Rural h.holds	
	Area (m^2)	%	Area (m^2)	%	Area (m^2)	%
1.Residential land	340	13.8	328	13.9	351	13.8
2.Annual crop land	1833	74.3	1841	77.9	1825	71.1
3.Ponds	164	6.7	105	4.4	222	8.7
4.Perennial crop land	129	5.2	89	3.8	169	6.6
Total	2466	100	2363	100	2567	100

Source: Household survey, 2010.

The data in Table 7 shows that, due to limited land holding in the Red River Delta, farm income of the surveyed households accounts for 53.86 % of household income. Non-farm income accounts for 46.14% since local people can earn income outside the farm. This is an important income source for their livelihood as well as for covering public service expenditures. Income of the peri-urban household group is higher than that of the rural household group, especially income from the farm since farm products of these households have better access to the markets and higher prices. Looking at the expenditure aspect in Table 7, we realize that expenditure for living consumption occupies the highest proportion in total expenditure (54.29%), followed by expenditure for agricultural production (35.75%) and for public services (9.96%). In comparison, between the peri-urban and rural household groups, it indicates that expenditures for living consumption and for agricultural production of the peri-urban household group are relatively high as compared with those of the rural household group. However, expenditure for public services of the rural household group is higher than that of the peri-urban household group. Access to public services and quality of public services in peri-urban area is better and more efficient than in rural areas, and people living in peri-urban areas can save on transportation and transaction costs.

Table 7: Income and expenditure of the surveyed households in 2009

	Peri-urban		Rural		Whole sample	
	,000 VND	%	,000 VND	%	,000 VND	%
1. Income	63,038	100	44,661	100	53,510	100
- Farm	36,682	58.19	21,407	47.93	28,822	53.86
- Non-farm	26,355	41.81	23,254	52.07	24,689	46.14
2. Expenditure	50,573	100	39,035	100	44,593	100
- Agri. production	18,824	37.22	13,256	33.96	15,943	35.75
- Living consumption	27,677	54.73	20,952	53.68	24,208	54.29
- Public services	4,072	8.05	4,827	12.37	4,441	9.96

Source: Household survey, 2010.

Analysis of household data indicates that rural services in Vietnam are very important for household economic development. Table 8 shows that the total contribution of the poor household group to the government budget is equal to almost haft of their total income and is equivalent to one-third of their total expenditure. Meanwhile, these proportions of the better-off group are 8.39% and 14.31% respectively. Nevertheless, utilization of rural public services strongly affects household income and access to public services of the poor becomes more costly than other income groups. As the result, these contributions lead to a regressive tax effect. The rich benefit more from public services than the poor, so this leads to a larger inequities between the rich and the poor. Similarly for rural household group, accessibility to public services is a little bit more limited than peri-urban household group.

Table 8: Proportion of contributions in income and expenditure of the surveyed households in 2009

Category		Total contributions (,000 VND)	Comparison with	
			Total income (%)	Total expenditure (%)
	Whole sample	7.609	14,22	17,06
By income	Better-off	9.238	8,39	14,31
	Medium	7.364	16,43	17,01
	Poor	5.408	47,46	32,70
By distance	Peri-urban	8.593	13,63	16,99
	Rural	6.756	15,13	17,31

Source: Household survey, 2010

Table 9 reports the detailed contributions of the surveyed households that provide supplement information for data in Table 8. Two items that contribute to the government budget are the "value added tax (VAT)" in living consumption expenditure and "the direct pays for education service". Generally, wealthier households contribute more to the government budget than poor households. However, contribution of direct pays for healthcare service of peri-urban households to government budget is less than those of the rural households. This also exhibits a disadvantage in accessing this public service for rural areas as people in peri-urban areas benefit more from advanced healthcare service. Based on income criterion, wealthier households have a relatively high contribution rate (1.7 times) as compared to poor households, especially VAT in input costs for animal husbandry has a great difference (19 times) between the two groups.

Table 9: Detail contributions of the surveyed households in 2009 (,000 VND)

Contributions	Overall	Income group			Distance	
		Better-off	Medium	poor	Rural	Peri-urban
VAT in costs of crop production(*)	167	152	198	134	162	174
VAT in costs of animal husbandry (*)	627	1.396	506	73	463	806
VAT in living consumption expenditure (**)	2.412	2.889	2.269	1.666	2.071	2.793
Direct pays for education service	3.177	3.629	3.073	2.397	2.700	3.718
Direct pays for healthcare service	981	923	1.065	908	1.170	799
Other contributions	245	249	252	230	190	303
Total	**7.609**	**9.238**	**7.364**	**5.408**	**6.756**	**8.593**

Note: (*) 5% average tax rate and (**) 11% average tax rate
Source: Household survey, 2010

Among public services provided by government's institutions, education is most important. This is a solid background for hunger alleviation and poverty reduction, national human resource development, and economic growth. Although Vietnam is the 13th most populated country in the world, its economy is ranked 42th, based on GDP (purchasing power parity) and its income per capita is ranked only 167th among 229 countries and territorial regions. Education expenditure of Vietnam is ranked 55th in the world. The literacy rate of Vietnam is 90.3% and is evaluated to be quite high, however the rate of skilled labors is low (CIA-The World Factbook, 2009).

According to the population, labor and job statistics in 2009, Red River Delta is highest in the country with a literacy rate of 97.5% (General Statistics Office, 2009), although the allocation rate of the government budget for education for the region is medium in comparison with other regions. This result is due to great contributions of local people to education. Table 10 shows that expenditure for education of the surveyed households in the household income and expenditure increase according to the number of learners in the households. The rate of education expenditure in total expenditure of the peri-urban households seems to be higher than that of the rural households, since peri-urban areas have better access to education as compared with rural areas.

Table 10: Expenditure for education per a surveyed household, based on number of learners in 2009

	No. of learners	Expenditure for education (000 VND/year)	Comparison with	
			Total income (%)	Total expenditure (%)
Whole sample	1	4,353	11.19	17.40
	2	5,789	14.29	25.41
	≥ 3	14,831	30.31	55.44
Peri-urban	1	4,934	9.17	12.18
	2	8,018	17.93	32.58
	≥ 3	19,047	35.58	60.23
Rural	1	3,470	12.86	19.43
	2	3,657	17.16	21.50
	≥ 3	15,117	29.14	39.48

Source: Household survey, 2010

Beside education, healthcare plays a crucial role for socio-economic development. It provides a background for national human resource development, hunger alleviation, poverty reduction, and economic growth. According to the Development Report of United Nation Development Program (2009), Vietnam ranked 113th of 169 investigated countries on the human development index (HDI), jumping up from 116th in the 2009 ranking. This result is because Vietnam has obtained considerable achievements in economic growth, education and healthcare since 1990. According to the VHLSS, the proportion of patients holding health insurance for free treatment with an examination card increased substantially through the years 2004, 2006 and 2008. However, these proportions in poor, near poor and medium groups of income in the Red River Delta are lower than those in the whole country, while the contradiction appears in the rich and near rich groups (Table 11).

Table 11: Proportion of patients holding health insurance and free treatment& examination card

	Overall	Income groups				
		1th quintile	2nd quintile	3rd quintile	4th quintile	5th quintile
Whole country						
2004	37,4	44,1	32,3	31,7	35,3	43,3
2006	57,4	71,0	52,9	49	53,5	60,9
2008	61,0	72,0	55,7	53	57,4	66,5
Red River Delta						
2006	54,8	55,9	45,8	47,4	57,3	68,6
2008	60,2	60,0	53,6	52,9	61,3	74,2

Source: Vietnam household living standard survey (VHLSS), 2008

Expenditure for healthcare is categorized into two categories: for treatment and for prevention (periodic examine fee and purchasing health insurance, disease tonic medicines, *etc*.). Generally, rates of expenditure for healthcare services in total income and in total expenditure of the surveyed households are small (Table 12).

Table 12: Expenditure for health services per surveyed household in 2009

Based criteria	Category	Expenditure for health service (,000 VND)	Comparison with	
			Total income (%)	Total expenditure (%)
Income	Better-off	923	0.84	1.43
	Medium	1,065	2.38	2.46
	Poor	908	7.97	5.49
Distance	Peri-urban	1,170	1.86	2.31
	Rural	799	1.79	2.05
Whole sample		981	1.83	2.20

Source: Household survey, 2010

3.4 Impact of rural public service accessibility on income distribution

Table 13 shows that Gini coefficients of the subgroups of the surveyed households in peri-urban area vary from 0.43 to 0.50, which is wider than those of other subgroups of the surveyed households in rural area (from 0.44 to 0.49). Gini coefficients of the overall subsample in peri-urban and rural areas in the Red River Delta are 0.53 and 0.50, respectively. This reveals that inequality in income distribution in peri-urban areas is higher than in rural areas, while this figure in the whole country is 0.43 (General Statistics Office, 2008).This is a big challenge for policy makers since inequality in income distribution leads to inequality in benefiting from rural public services, as the rich households tend to consume more public services than the poor households.

Table 13: Income distribution in the selected sites in 2009

Selected peri-urban district	Gini coeff.	Selected rural district	Gini coeff.
Tu Son	0.43	An Lao	0.44
Gia Lam	0.48	Gia Binh	0.47
An Hai	0.50	Hoai Duc	0.49
Whole subsample	0.53	Whole subsample	0.50

Table 14 displays the estimates of linear regression of living consumption expenditure on income of the sample households in the study area, based on the number of the household's school-bound children. Results indicate that all the estimates of living consumption expenditure on income of the whole sample households, and peri-urban and rural subsample households based upon numbers of schooling children (0, 1 and 2), are highly significant. In general, income has a positive impact on living consumption expenditure, meaning that the households expect to increase expenditures for their living consumption if their income is improved. This partly contributes to the government budget for public expenditure. And, coefficients of income indicate that households in rural areas are likely to spend for living consumption more than households in peri-urban areas. This can be explained by a lower income level in rural areas ~~as~~ compared to peri-urban areas. Moreover, the significant estimates of intercepts show minimum levels of living consumption expenditure as the income of households equals zero.

Table 14: Regression of living consumption expenditure on income of the surveyed households in 2009

No. of schooling children	Peri-urban subsample		Rural subsample		Whole sample	
	Intercept	Coef. of income	Intercept	Coef. of income	Intercept	Coef. of income
0	13735.03 (13.7)***	0.1147 (4.3)***	22625.14 (11.9)***	0.0761 (6.8)***	21578.88 (21.87)***	0.0312 (7.04)***
1	24007.79 (11.5)***	0.0603 (3.3)***	18360.91 (10.8)***	0.1157 (4.2)***	20896.46 (16.53)***	0.0748 (5.32)***
2	16620.94 (20.1)***	0.2270 (16.1)***	13467.88 (13.3)***	0.1888 (11.01)***	19556.13 (11.48)***	0.1131 (4.01)***

Note: Figures in parentheses are t-scores
*** denotes the 1% level of significant

4. CONCLUDING REMARKS

The paper brings some insights into rural public services provided by the government institutions in the Red River Delta, Vietnam. Rural public services are being organized for distribution towards an equitable access to beneficiaries. However, due to the extensive area of operation, serving many subjects and limited budget allocation per capita, coverage and quality of rural public services in the Red River Delta are negatively affected.

In order to fully receive rural public services provided by the government institutions, beneficiaries have to pay more money with the same price and the same VAT rates without any differentiation between the rich and the poor. Government budget covers only part of expenditure for rural public service utilization. Contribution of households to the government budget in comparison with their income for benefiting from basic rural public services in different household groups of income (*i.e.*, better-off, medium and poor) is

followed by a regressive tax effect. This leads to an inequality between the rich and the poor that increases more and more.

Prioritized subjects that rural public services target are the poor households and beneficiaries of social welfare in the rural area. However, in the process of implementation, public service delivery hardly reaches the target groups while non-target group receives more. Thus, rural public services seem to be biased.

Generally, basic rural public service does not meet the demand of people. For instance, hospitals do not have enough space and enough medicines for patients, so when patients come to hospitals for examinations and treating diseases, they have to buy medicine outside. Similarly, when children study at schools, their parents have to pay tuition and fees for them, but they also have to register extra classes for their children with a high tuition fee. They should not have to do so if the quality of education service is guaranteed.

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Note: Interbank currency exchange rate in December, 2009 was 17,941 VND/US$.