

**Participatory Markets
and Livelihood Assessment
in Da Nang City**

February 2005

www.markets4poor.org

Copyright: Asian Development Bank 2005

All rights reserved.

The views expressed in this book are those of the authors and do not necessarily reflect the views and policies of the Asian Development Bank, or its Board of Governors or the Governments they represent.

The Asian Development Bank does not guarantee the accuracy of the data included in this publication and accepts no responsibility for any consequences of their use.

Use of the term “country” does not imply any judgment by the authors or the Asian Development Bank as to the legal or other status of any territorial entity.

Contact:

ASIAN DEVELOPMENT BANK
Viet Nam Resident Mission
Unit 701-706, Sun Red River Building
23 Phan Chu Trinh Str., Ha Noi, Viet Nam
Tel: +(844) 933 1374
Fax: +(844) 933 1373
Website: www.markets4poor.org

Preface

This report – **‘Participatory Markets and Livelihood Assessment’** – summaries the main points covered by the research component of the project **‘Making Market Works Better for the Poor’**, a regional technical assistance project supported by the Asian Development Bank (ADB), undertaken in Da Nang from February to December 2004.

With an underlying rationale that alternative, stable and sustainable income and employment opportunities for rural and urban poor are a critical issue at this stage of socioeconomic development in Viet Nam, well-functioning markets can play a critical role in driving growth and poverty reduction. Participation in markets can bring certain benefits to the actors involved. For the poor, having opportunities to participate in markets means being able to improve their livelihoods and obtain a driver that will assist them to escape from poverty. The report examines the specific linkages between markets and the livelihoods of the poor in Da Nang, utilizing the perspective of the poor, in an attempt to understand the limits in access to markets by the poor and to recommend ways of making markets accessible to them.

The present study incorporates contributions from a wide range of people in varying but equally vital capacities. The research team at the **Institute of Labour Science and Social Affairs (ILSSA)** in Ha Noi had the main responsibility for the implementation of the study. The contribution from the staff of **Da Nang University** and the **Steering Committee for Hunger Eradication and Poverty Reduction of Da Nang City** was also very generous.

Equally important was the valuable technical support provided by Dr Andrew Dorward and Dr Nigel Poole from the **Centre for Development and Poverty Reduction**, Department of Agricultural Sciences, Imperial College, UK and the enthusiastic support of **ADB project members**, Mr Alan Johnson (ADB Project coordinator) and Mr Le Cong Luyen Viet (Project staff).

The team would like to express our sincere thanks to Mr Nguyen Manh Hung, the **Director of the Department of Labour, Invalids and Social Affairs of Da Nang city** as well as all **staff of the People’s Committee from the four surveyed communes and wards** (Hoa Phat, Hoa Vang district; Hoa Hiep, Lien Chieu district; Khue Trung, Hai Chau district; and Hoa Hai, Ngu Hanh Son district). We highly appreciate the active participation **of hundreds of local people from eight villages** in our various discussions and interviews.

The research team comprises:

From Institute for Labour Science and Social Affairs:

Nguyen Thi Lan Huong, Vice Director, Team Leader of the Research

Le Thi Ha, Dr Nguyen Ngoc Khiem; Tran Thi Tuy Hoa; Nguyen Minh Tuan; Dao Ngoc Nga; Le Minh Tan; Duong Tuan Cuong; Vu Thi Hai Ha; Vu Van Dat; Le Ngu Binh; Thai Phuc Thanh and Le Minh Giang.

From Da Nang University:

Duong Mong Ha; Phan Thi Thu Nga; Nguyen Thi Vinh Ha; Ho Cong Lam; Tran Hong Loan; Dao Thi Thanh Nhan; Ho Long Ngoc.

From HEPR steering committee of Da Nang:

Nguyen Thanh Luu; Tran Thi Tuyet; Nguyen Thi Hue.

Table of contents

Part 1: General Introduction to the research methodology	3
1. Background	3
2. Approach and analytical framework.....	4
2.1 Analysis of relationship between livelihood and poverty	4
2.2 Analysis of relationships between livelihood and markets.....	5
3. Project site.....	6
4. Poverty status of Da Nang.....	8
4.1 Poverty is rapid reduction.....	8
4.2. Causes of poverty	9
5. Brief general description of selected districts and communes/wards.....	9
<i>Khue Trung ward was selected as the research site</i>	<i>10</i>
Part 2: Main findings.....	11
1. Poverty and livelihood strategies.....	11
5. Market transactions and the role of markets.....	13
2.1 Labor market	13
2.2 Financial markets	14
2.3 Input-output markets	14
2.4. Accessibility to basic social services	15
6. Urbanization, livelihoods and poverty	15
Part 3. Policy implications and recommendations	16
7. New approaches to supporting the poor.....	16
8. Holistic action	16
2.1 Government measures.....	16
2.2 General measures.....	17
9. Specific recommendations for Da Nang	18
3.1 Supporting poor people to design and develop sustainable livelihoods	18
3.2 Creating more opportunities to access markets	19
10. Making markets work better for the poor	19
4.1 Labor market.....	19
4.2 Financial markets	20
4.3 Input-output markets	20
4.4 Basic social services	21
4.5 Land issues	21

Part 1: General Introduction to the research methodology

1. Background

The project “Making markets work better for the poor” is a regional technical assistance project supported by the Asian Development Bank (ADB) and cofinanced by the United Kingdoms Department for International Development (DFID) and the Tokyo-based ADB Institute. It covers the three Mekong countries of Cambodia, Lao PDR and Viet Nam. The overall objective of the project is ‘to bring the power and efficiency of the market closer to the lives of the poor’. This is achieved by examining potential opportunities to obtain better access to markets for the poor, enhancing market performance, and creating a more dynamic role for markets in sustainable poverty reduction. The underlying rationale for the project is that ‘efficient markets will lower transaction costs and coordination costs in an economy, and may improve resource allocation and linkages between different market players, including the poor’.¹

The purpose of the research in Da Nang was to undertake a livelihood analysis, examining the interaction between livelihoods and markets from the perspective of poor groups and those who participate in markets, and the opportunities created to enable markets to operate in pro-poor and sustainable ways. This process will result in recommendations for supportive solutions to bring more and better opportunities for the poor to participate in markets.

According to the approach of Andrew Dorward and Nigel Poole (2003)², and Shank (2004), livelihood should be analyzed from the perspective of how the poor integrate their assets and services into various economic activities to make products. Those assets, services, and products can be accessed and sold on the market through various forms of transactions. Effectively functioning markets will enable competition and lower transaction costs, thus facilitating trading development and economic growth. The livelihood of the poor directly depends on their capability to participate in different markets, notably labor, commodities, financial services, and land. Markets are critical to livelihood development because when they are successful, they link livelihoods to different markets and to other players in the local economy and beyond. This allows changes in one market or activity to have profound impacts on other markets and activities elsewhere in the economy - a process critical to poverty.

Research Objectives:³

- ◆ To provide an in-depth and holistic understanding of the opportunities and constraints which the poor perceive as important and face in accessing and integrating various markets and services into their livelihood systems.

¹ ADB. “Making Markets Work Better for the Poor”. Proceedings of the Inception Workshop, November 2003: p 1.

² Andrew Dorward and Nigel Poole. “Markets, Risks, Assets and Opportunities: Summarizing the Links Between Markets and the Livelihoods of the Poor”. Proceedings of the Inception Workshop, November 2003.

³ Edwin Shanks. “Viet Nam: Participatory Livelihood and Market Assessment”. Proceedings of the Inception Workshop, November 2003: p 108.

- ◆ To provide a detailed and more systematic analysis of the institutional arrangements through which markets work in Viet Nam, and how these arrangements may benefit or disadvantage the poor in light of the wider institutional context in which they operate.
- ◆ To recommend policy initiatives to promote opportunities for the poor, making markets work better for the poor and enabling the poor to take advantage of opportunities to improve their livelihood.

Major research questions:

1. Who are the poor? What are the principle characteristics of the poor's livelihood activities?
2. Which market activities are the poor involved in? What market related assets do they hold, and what services do they draw on to obtain assets? What are their livelihood strategies for participating in these markets?
3. What are poor people's perceptions of the relative importance of these markets? What are the conditions for the poor to access these factors?
4. Who are the other stakeholders involved in these markets? What are their roles and their interests?
5. What are the terms of contract agreements and transactions between stakeholders? What are the barriers to sustainable market access for the poor, and how could these be removed?
6. What formal and informal institutional and organizational arrangements are currently in place in markets? How could these be developed or modified to improve market access for the poor?

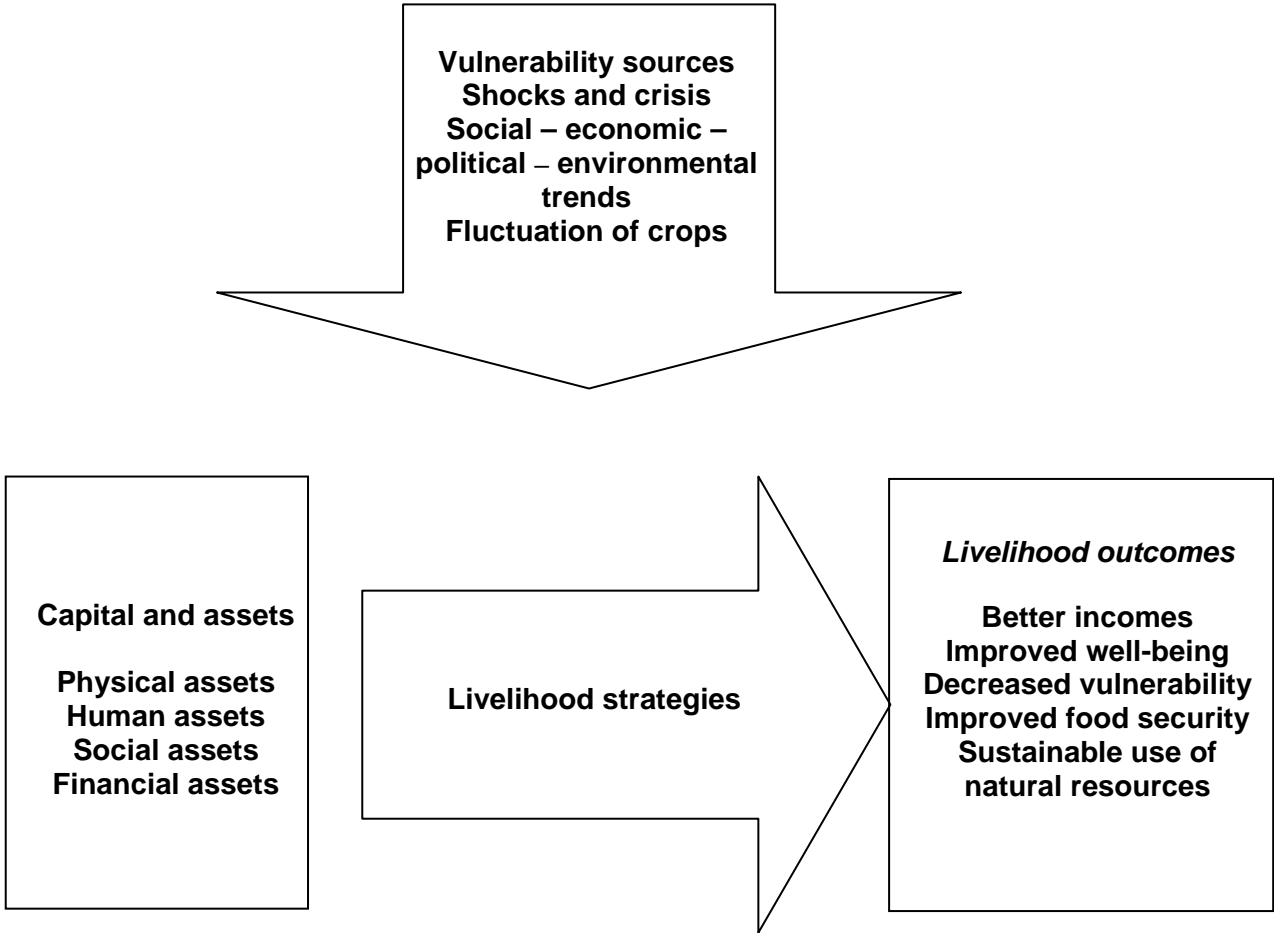
2. Approach and analytical framework

2.1 Analysis of relationship between livelihood and poverty

The research was based on the work of Dorward and Poole, who examined the relationship between livelihoods, markets, and poverty reduction from an initial perspective of livelihood, and identified the role of markets in livelihood and economic development.⁴

⁴Andrew Dorward and Nigel Poole. "Markets, Risks, Assets and Opportunities: Summarizing the Links Between Markets and the Livelihoods of the Poor".

Figure 2.1: Sustainable livelihood analytical framework



2.2 Analysis of relationships between livelihood and markets

Dorward and Poole also proposed an analytical framework for examining the interrelations between livelihood and markets, which focus on relationships between livelihoods and markets through special institutional arrangements.⁵

⁵ Ibid.

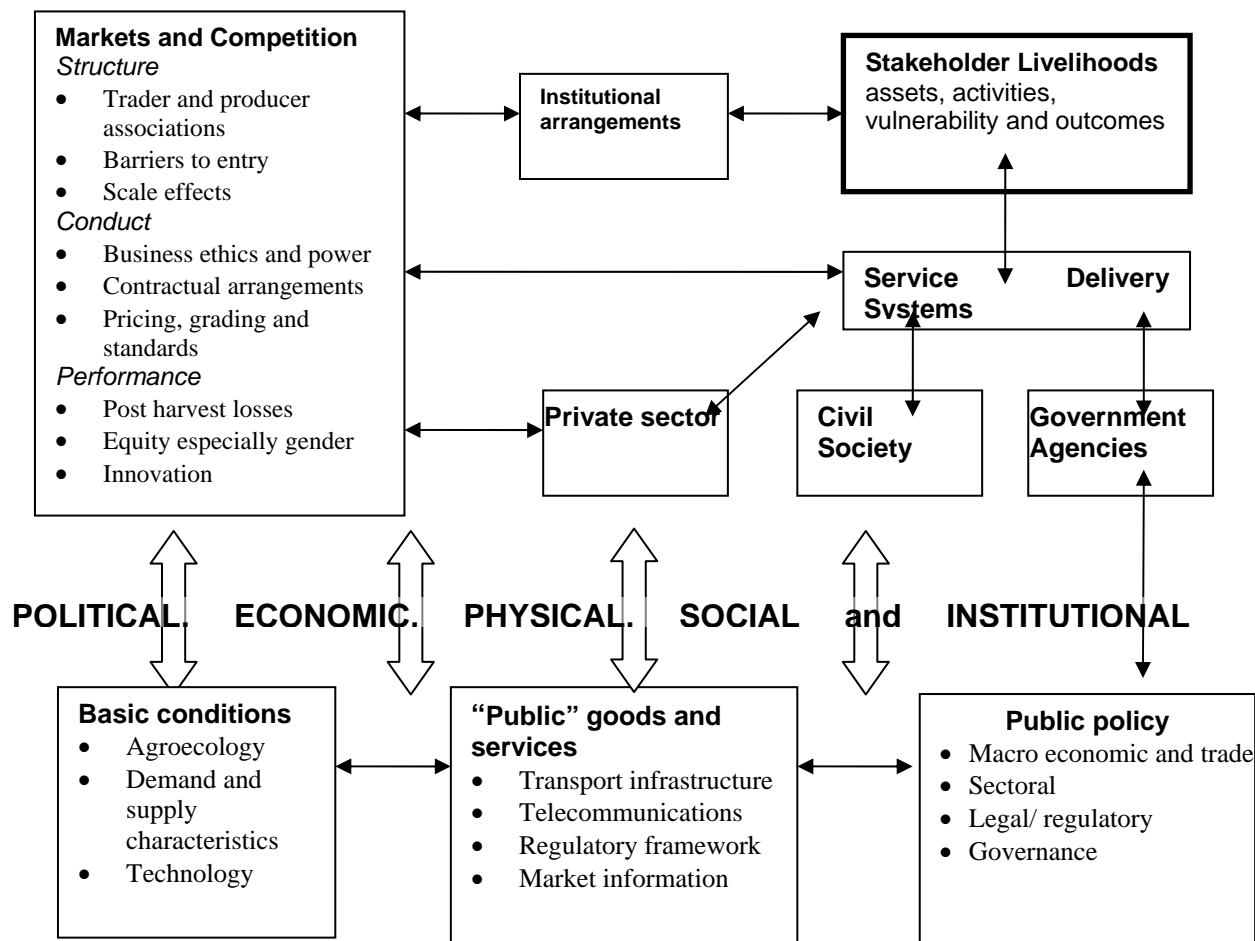


Figure 2.2: Livelihood and market structure

2.3 Target groups of the research

The target group of this research is the poor, who are defined as those have incomes less than that of the poverty line stipulated by the Ministry of Labour, Invalids, and Social Affairs (MOLISA).⁶ However, poverty should be viewed from a broader perspective, covering both deficit of livelihood assets and the scale of opportunity to participate in different markets. This point was emphasized in the in-depth interviews with poor groups, occupational groups, and poor households.

The research team collected information, ideas, and point of views from different target groups at different levels, including household enterprises, large-scale enterprises, and local authorities at different levels.

3. Project site

Da Nang city is located in the central “critical economic zone”, including a category 1A national road and a national railway. The administrative structure of the city comprises five inner city districts, one suburb, and one island district, encompassing 47 communes/wards and 10

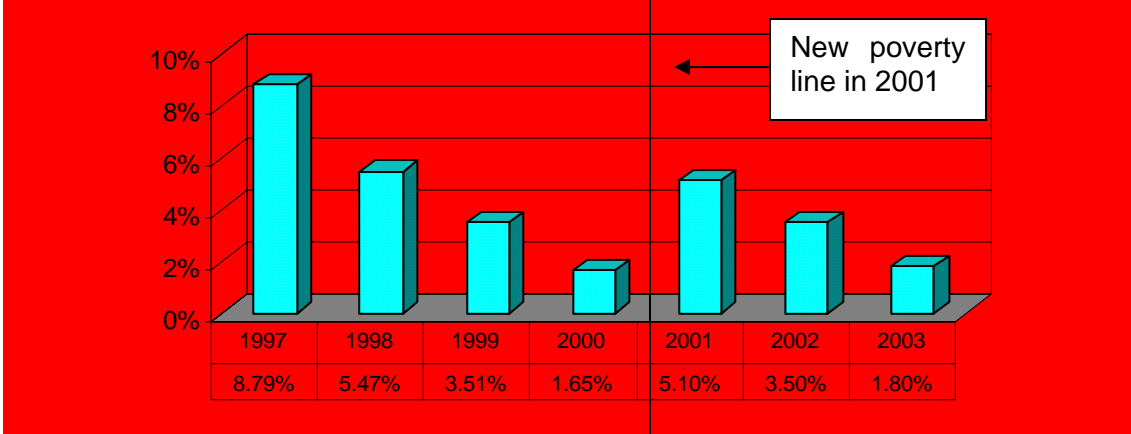
Opportunities	Threats
Viet Nam is a member of Association of Southeast Asian Nations, the most economically dynamic region of Asia Attractive investment environment Great Official Development Assistance Tourist and service potential Economic transformation, industrialization, and modernization, greater competitiveness in the global market	High rate of urbanization High population growth rate Limited resources of the city Competition from other provinces and cities in central Viet Nam (Hue, Quang Nam, Quang Ngai) Complicated evolution of regional and world political and economic affairs

4. Poverty status of Da Nang

4.1 Poverty is rapid reduction

Da Nang has the advantage of being a young city with a high economic growth rate. By applying the feasible, well-designed, and objective oriented policies of the Steering Committee for Hunger and Poverty Reduction, Da Nang has achieved promising results in attacking poverty in the region.

Figure 4.1: Poverty incidence, 1997-2003



Source: Steering Committee for HEPR – Da Nang

*The poverty line was adjusted in 2001⁷

Using the national poverty line to determine the poor household category, at the end of 2003, Da Nang had 2,800 poor households out of a total number of 150,000 households in the whole city, accounting for 1.8%.

⁷ For the period 2001-2005, the national poverty line was defined through the criteria of monthly income per person for different regions: D150,000 for urban areas; D100,000 for rural areas and D80,000 for mountainous and island areas.

Table 4.1: Poor households' incidence in Da Nang city at the end of 2003

	Number of poor households	Percentage of all households
Da Nang city	2.858	1.8
Hai Chau district	239	0.34
Lien Chieu district	197	1.26
Ngu Hanh Son district	588	5.32
Son Tra district	584	2.97
Thanh Khe district	252	0.79
Hoa Vang district	998	2.94
Hoang Sa district		-

Source: Steering committee on HEPR – Da Nang city

4.2. Causes of poverty

The most prevalent reasons for poverty have been identified as having many dependents in households, deficiency of productive capital, and limited available workforce.

Table 4.2: Main causes of poverty

Cause	2001	2004*
Lack of business experience	12.71%	11.19%
Lack of workforce	10.56%	24.32%
Many dependents	30.06%	44.97%
Lack of capital	17.99%	46.40%
Lack of productive land	5.14%	6.37%
Engaged in social evils, too lazy to work	1.01%	0.92%
Risks, accidents	0.88%	1.61%
Having ill, disabled or old-aged member	21.64%	34.62%

*Estimated according to the new poverty line defined by the city

Source: Steering Committee on HEPR – Da Nang city

5. Brief general description of selected districts and communes/wards

a. Hoa Vang district. Hoa Vang is a suburban district of Da Nang, characterized by three topographical areas (mountainous, midland, and low land) with a natural land area of 73.48 km² (of which mountainous areas account for 76.3%). The district has 14 communes, of which four are mountainous. The total number of households is 36,000, with a population of 150,000. The agricultural economic structure has been transformed through reduced cultivation and increased livestock and aquaculture production. As a suburban district, the people of Hoa Vang depend on rural production but are strongly influenced by urbanization.

Hoa Phat commune of Hoa Vang district was selected as the research site

1. Hoa Phat commune has 341 poor households (4.1% of total households). Poor people mainly rely on agricultural production for their subsistence.

2. About 28% of the population has moved from other places to live in communes. Most new inhabitants are poor people who have had to move from their previous houses due to land project clearances. They have come to Hoa Phat to buy land for resettlement. The movement of the poor to the commune complicates their poverty as they mix with “indigenous poor people”.

b. Lien Chieu district: Lien Chieu has recently been recognized as a downtown district, with a land area of 82.36 km² and a population of 69,545. The district has made remarkable success in transforming its economic structure, sharply reducing agricultural production and increasing the growth of the industry sector from 41.1% in 1997 to 65.7% in 2003. The ratio of trading services increased from 20.9% in 1997 to 21% in 2003.

Hoa Hiep ward was selected as the research site

3. Hoa Hiep has a relatively high poverty incidence, compared to other wards in the district, with 398 poor households in 2000, and 1,182 poor households in 2004 (according to the new poverty line criteria).
4. A total of 66 extremely poor households live in the ward. These are mainly headed by women who carry a heavy livelihood burden due to the sickness of household members or dependents, and the presence of people with disabilities.
5. About 14.24% of the entire ward’s households had to move due to development projects.
6. The poor mainly work as hired labor, small traders, street vendors, seasonal workers for construction projects, or firewood collectors.

c. Hai Chau district: Hai Chau is a district located at the center of Da Nang city containing 12 wards. The land area is 24.1 km². This is the most densely populated and crowded district of the city, with a population of 190,700 and population density of 7,923 people per km². People work mainly in industry, craft industries, construction, services, trading, agriculture, and aquaculture.

Khue Trung ward was selected as the research site

7. Khue Trung has 568 poor households according to the 2004 survey.
8. About 80% of the population lives in areas that have been recovered for new projects, therefore the lack of land for production and establishing businesses is the principal characteristic of this ward. Poor people mainly work as hired labor in construction and in restaurants.

d. Ngu Hanh Son district: Ngu Hanh Son was recognized as a downtown district in 1997, together with Lien Chieu district. The land area is 36.55 km² with a population of 43,700; population density is 1,196 people per km². Tourism services have been very well developed. In addition, industries and craftwork have brought high profits to the district. There are many enterprises engaged in the production of stone-art products, which generate a lot of stable jobs for workers. Poor labor mainly work as hired workers for households engaged in the production of stone, art handicrafts, porters, or tourist services.

Hoa Hai ward was selected as the research site

- In 2004, Hoa Hai ward had 503 poor households.
- Poor people in Hoa Hai ward mainly work as hired labor for households engaged in stone-based craft production, or work as porters, street vendors, and vegetable sellers.
- The number of households subject to resettlement was 122, fewer than that in other areas of this study. Resettled households in this ward were similar to the number of households required to move.

Part 2: Main findings

1. Poverty and livelihood strategies

Poor people in Da Nang are vulnerable due to external changes (losing land for urbanization projects) and internal problems of households (poor health, low education, lack of labor and marketing experience, and ineffective social security to help overcome shocks to livelihoods, production, or business).

Incidence and nature of poverty tend to decline in Da Nang. However, there are many people “cannot acquire the minimum conditions” to escape poverty. For many poor people, a deficit of various resources – notably physical, human, social, and natural – becomes the key factor to push them into poverty. The poor are defined as a vulnerable group of people with impoverished assets, who are incapable of protecting themselves from fluctuations, who have weak social networks, and who limit participation in the political mainstream.

The most critical causes for falling into poverty are unemployment, or employment that only provides an impoverished income, uncertainty in the job market, poor business experience, and lack of capital for production development. *Poverty is also seen as the result of market failure in providing opportunities for the poor in accessing basic social services.* Many poor people believe they are almost unable to gain good employment because of they cannot obtain a loan or they do not know legal requirements. In many cases, changes such as resettlement or land use projects have created a shock in their lives.

Urbanization processes created more opportunities for many people, but not for the poor. The poor in Da Nang are different from those in other locations. They face the turbulence and changes created by urbanization, where their productive land may be lost or scaled down, and their livelihoods altered. In many cases, poor people who lost their stable livelihood became engaged in social problems. Residential housing and employment issues have become the most critical concerns of the poor in Da Nang.

The livelihoods of the poor can closely reflect the real status of their human capital and the returns from using this capital. The outcomes of (Participatory Market Assessment - PMA)

discussions and household surveys show that working as 'hired labor' is the most critical job among the jobs in which the poor are mainly engaged, followed by small traders and agricultural economic households. The degree of livelihood sustainability of the poor largely depends on the employment security status, resulting from policies on urbanization and industrialization, and other policies that create opportunities for the poor to rehabilitate livelihoods or start up a new business.

Livelihoods of poor people in Da Nang are characterized by low and unsecured returns, either from engagement in trading or working as hired labor:

2. Work as "hired labour" is the most important source of employment and income for the poor. Two in every three households have members participating in the "labor market". *The labor market is an informal labor market with poor labor safety conditions and loose arrangements.* However, for most of the poor, this seems to be a successful and relevant livelihood strategy because the poor are short of human capital, social capital, and information.
3. Small trading is the most prevalent livelihood for female-headed households in urban areas. They "turn labor into profit". Small trading can bring some income to poor households but minimal and irregular.
4. Other self-employed economic activities, such as crops or husbandry, have become a less important livelihood of the poor.

Most poor people have applied maintenance strategies and retained their current livelihoods. They do not have a long-term livelihood strategy and have no intention to make changes in the future not because the current livelihood brings them satisfaction but because they do not have a long-term vision and sufficient capital.

Poor households to overcome unexpected difficulties ask for a loan as a solution. However, the poor rely on their neighbors, relatives, and friends before accessing formal credit institutions. Most households obtain loans for domestic consumption. Many households obtain loans from pawnbrokers. Seeking external support and selling assets or livestock animals are alternative solutions.

Mass and social organizations play a vital role in improving the accessibility of markets for the poor (particularly to market credit). Various organizations and individuals have significant impacts on the poor, notably charity donors, heads of villages, schools, agriculture cooperatives, People's Committees and the Women's Union. *Banks, credit funds, the resettlement committee, and the People's Committee have not been highly appreciated by the poor.*

Despite many difficulties, the living standard of the poor in Da Nang has improved since 2000 for 59% of poor households. Many people feel "safer" and more secure. Poor households including the poorest are no longer worried about shortages of food.

No poor households reported on a perceived inferior status in the community. More than 40% of households stated that their “voices” were heard and their ideas accepted by the community. However, many poor households were not satisfied with their current livelihood and were more anxious about the shortage of their own resources.

5. Market transactions and the role of markets

Poor people in the study areas engage in a variety of business and trading activities, where the volume and returns from their business appear to be constrained more by limited demand and sales margins in highly competitive markets than by any imperfections in input, finance, or output markets. Access to higher value and higher margin activities is constrained primarily by lack of skills, knowledge, and social capital.

Poor people in the areas studied were unable to take advantage of new market opportunities as a result of a combination of high dependency ratios (especially in female-headed households), low level of education, and limited marketable skills outside farming.

2.1 Labor market

The labour market is the most important market for the poor in Da Nang. Hired labor is the most important “market segment”, mainly situated in a household or in a small or medium scale private enterprise. The ratio of male hired workers is often lower than female hired workers (among the participants attending the discussion and interview). About 77% of the poor have been working for household production establishments or individuals. In areas where the urbanization process has been rapid, poor people are quicker to join the labor market.

The labor market is apparently segmented. In most cases, poor workers occupying a low position and are thus suffering. The labor market – where the majority of the poor work – is informal, with poor labor safety conditions and loose arrangements. The jobs of the poor are unstable and not secured, with unsafe and harmful working conditions: *“the poor cling to the markets rather than participating in the markets”*. The poor often undertake jobs without formal written labor contracts. Employers engage hired workers through verbal agreements only. Except for their daily wage, these workers do not receive any kind of work-related benefits, such as social insurance.

Demand for labor increases, but not for manual work which is the most suitable for the poor. Labor demand in all locations seems to be relatively high, but employers still have difficulties in recruiting labor, particularly the poor, as their ability does not correspond to the requirements of the job in terms of technical skills and qualifications.

Labor demands for female and male workers seem to be remarkably different, depending on the specific occupation. A large differential in average income between male and female workers exists, but there is no gender wage gap for the same type of job.

Poor people usually find a job by themselves, or with information provided by their relatives or friends. Local institutions and mass organizations have not played any significant role in assisting the poor in seeking jobs.

Participation in the labor market has provided employment for the poor, bringing income and opportunities to solve their problems, and gradually to escape poverty. About 79% of poor labor interviewed were satisfied with their current status, reporting that their work was relevant and adequate to their skills and qualifications.

2.2 Financial markets

The credit market has two segments, including a separate segment for the poor. The finance supply system in Da Nang is relatively developed. However, the poor can only access several sources that serve only the poor (funds from the Bank of Social Policies).

The poor can access credit suppliers through two channels of mass organizations or direct transaction with the credit supplier. However, the poor do not have many opportunities for credit because most of them are not members of those organizations and they have insufficient capital usage and management. Many households have demands for capital, but they cannot obtain a loan. The poor who are unable to obtain a loan from the Bank of Social Policies include households that have no labor or no knowledge of production/business, and those which have members engaged in social problems.

Private lenders are also important. Although the poor can obtain loans from the Bank of Social Policies, they still have to borrow from private lenders to cover their costs in emergency cases. In this type of transaction, the poor often suffer heavy losses from very high interest rates. If a clear agreement is not made before the transaction, the loss may be very large. The purpose of loans obtained by the poor is mainly to cover “extra household expenditure”, and not for investment.

2.3 Input-output markets

Good markets are quite diverse in Da Nang with a variety of stakeholders in both supply and demand. This market has a lot of potential due to rapid economic growth, based on the development structure of tourism, services, industries, and agriculture.

About 40% of surveyed households participate in this market; the volume of goods under transaction is not remarkable (in both the supply and demand sides). The poor are mainly involved in small trading, selling usable waste, providing services such as motorbike taxis, or

street vending. Poor people are not pressured by high competition because the market is apparently segmented. Their products can serve only poor people with low incomes.

Although the city has policies to enable production and business by the poor, trading and business is becoming more and more difficult due to product characteristics, new city regulations relating to urbanization and industrialization, and misinformation from policy making processes.

Despite market constraints, the poor can gain returns in participating in markets by earning higher income, though at a very low level.

2. 4. Accessibility to basic social services

Most households have good access to electricity, water supplies, and other basic social services. The best performance can be seen in infrastructure for education, health, and the electricity supply system. However, access to clean water and safe, hygienic environments has experienced negative impacts from the urbanization process.

The state has developed policies on providing educational and health care assistance to the poor. However, these support and assistance have not yet responded to the expectations of the poor; they contribute to only a little reduction in expenditure and release from payable costs.

6. Urbanization, livelihoods and poverty

Urbanization is a dominant process affecting the livelihoods of people in the peri-urban areas studied in Da Nang. For most of these people, the urbanization process has rapidly created a new appearance for the city. As a result, the growth of services, industries, and social advances will improve the physical and spiritual lives of local people.

Experiences from other urbanized areas shows that land price is an issue. The poor cannot live on “compensation” for long periods of time without substitute jobs. Residential housing and employment issues have become the most critical concerns of the poor, compounded by limited education, skills, information, capital, and social relations.

Urbanization increases the vulnerability of such people to shocks, in situations where people have had to move to make way for development (loss of support from neighbors reduces their social capital), where it has led to loss of ability to undertake farming (through loss of farm land), and where it has led to losses of assets (such as uncompensated loss of housing on land scheduled for development).

This effect seems to be greater on women as breadwinners of their family. They always have had fewer opportunities for paid work, are paid lower than men, and usually earn a living by engaging in very small and time-consuming trading that hinders their ability to find better paid jobs. This cycle drives them into poverty.

Part 3. Policy implications and recommendations

7. New approaches to supporting the poor

The research findings have helped define a new approach in hunger eradication and poverty reduction, which incorporate markets into the livelihood of poor. The poor should be supported from a variety of perspectives, from local authorities (by providing assistance) and from markets, which can serve as a “driver” for the poor to escape poverty. Hunger eradication and poverty reduction should actively apply the approach “designing, maintaining and developing a sustainable livelihood”. This is very difficult, but it is more useful for the poor than the current supporting pattern.

Three main questions to be addressed:

1. *How can markets be made to function better for the poor?* What are the reliable solutions to improve the access to and participation of the poor in markets?
2. *How can government support become better and more reliable for the poor?* This can be achieved by agencies of state institutions by shifting from “direct assistance providing agencies” to “service delivering agencies”. The effectiveness of these services should be assessed on market criteria such as cost-benefits, efficiency of return, coverage of policy and the capability to support the poor to develop relevant livelihoods.
3. *Designing and developing a reliable social safety net to support the poor* to overcome the risks caused by urbanization and economic shocks. In addition to policy making, a social safety net is needed that offers various solutions to the poor during the establishment of and change to their livelihoods.

8. Holistic action

To reduce poverty through improved market conditions, the coordination of efforts by central government, local government, and the poor should be given priority.

2.1 Government measures

The Government should continue to further reduce poverty in line with the new requirements of national economic development programs. New programs should address new challenges and issues of livelihood for the poor to enable them to have more and better access to markets which will assist in achieving more sustainable poverty reduction. The policies should focus on:

- (1) reducing the vulnerability of the poor in regard to new emerging issues;
- (2) creating more opportunities and improving the capability of the poor to take advantage of the economic development process; and
- (3) increasing market return and market value by encouraging the participation of the poor to overcome poverty.

2.2 General measures

- Focus on enhancing human capital for the poor. Continue to support the poor with free education, health, and other support through direct government programs for 2006-2010, as well as creating new programs of support.
- Create favorable conditions to develop markets that have direct impacts on poor livelihoods. This study demonstrates that the labor, financial, commodities, and land markets are most important to the poor.
- Take actions to facilitate the poor access to all markets, especially the labor and financial markets; for example, improving the legal framework, and reducing market segmentations and the gap between poor and non-poor. Other actions include the reduction of market transaction costs by providing information, developing a service system that is suitable for the poor, and intensifying the agricultural sector.
- Improve market value and market returns for the poor. Improve working conditions for the poor (employment conditions, salaries, and compensation), market exchange conditions, and terms.
- Encourage the private sector to provide services for the poor and to employ more people. Encourage labor-intensive enterprises, small and medium enterprises in rural areas.
- Focus more on the assessment of the impacts of macro policies on poverty reduction – notably, urbanization, land relocations and pricing policies – and take suitable measures to overcome negative impacts on poor livelihoods and their ability to participate in the market.
- Improve the awareness of the people who are in charge of hunger eradication and poverty reduction programs on “the role of markets for the poor” and their competence to design the policies to facilitate that process.
- Develop and enhance the social protection and social safety nets program to reduce vulnerability of the poor by widening the coverage of the current formal social security systems, introducing unemployment insurance, and increasing voluntary social insurance schemes.

9. Specific recommendations for Da Nang

3.1 Supporting poor people to design and develop sustainable livelihoods

The urbanization process should be undertaken in a more stabilizing and effective manner. All the issues faced by people should be carefully addressed and a master plan developed to overcome any problem areas. *Urbanization planning projects should incorporate a plan on job generation for local people with special attention and more incentives given to groups of low-income and vulnerable groups.* The plan should:

stabilize residential areas for the poor;

provide the poor with employment opportunities that will create stable incomes in the longer run; and

develop effective supportive policies and schemes to successfully transform the livelihood of the poor to meet this new situation and prevent them from falling back into poverty.

Since the majority of poor people are unskilled, with very little experience of markets, it is therefore easy for poor people to be placed in a vulnerable position, without supportive solutions from local authorities. Developing retraining programs to enable an occupational shift for those residing in resettlement areas is imperative. A “disorder and obstructed” labor market has existed recently and will evolve to even more complicated levels due to the urbanization. It may also threaten social stability. Therefore, solutions should focus on improving the qualifications of the poor, improving various capital options and resources for the poor, upgrading their productive conditions and livelihoods, and promoting the role of enterprises in job generation for the poor.

Information delivery to the poor must be improved, especially in the areas of urbanization, with the provision of concrete information relating to legislation, compensation schemes, and timing. In addition, local authorities from various levels should also develop a good two-way information channel to make sure that all information regarding the impact of urbanization on the poor is disseminated, and that the poor have opportunities to reflect their opinions to higher levels. This will contribute to good interventions from the government. Local authorities should obtain information on the livelihood strategies of poor households, delivering appropriate “lessons learned” from those who achieved success in their livelihood to others still living in poverty. Incorporating these lessons into the development of pro-poor action programs will help create solutions for improving the living standards of local people.

Local authorities at all levels have spent a great deal of effort on supporting and assisting the poor. But their performance would be improved if procedures could be streamlined and intermediary agencies reduced. The model of “support assignment contracts”, entered into by local authorities and a service agency, should be piloted. The support pattern may be better than the current way in which local authorities “assign responsibility” to mass organizations at

the grassroots level. The pattern of “assigning responsibility” has many advantages but also reveals many weaknesses, such as fragmented resources and inconsistent management. The poor do not clearly perceive the role of local authorities and mass organizations, but the most important issue is that the returns are not effective.

Markets and local authorities (in terms of support providers) should be considered the two “pillars” that can assist the poor to escape poverty, with markets having a more important role as they create an environment in which the poor can develop. Therefore, staff working in the field of hunger eradication and poverty reduction should improve their awareness of the role of markets to the poor, understanding the mechanisms and functions of the market and the constraints to access by the poor. This will create a more favorable policy environment for those markets.

3.2 Creating more opportunities to access markets

The poor should be aware that they should be more motivated in mobilizing measures to overcome their poverty. They cannot rely on direct assistance from government and other external forces.

To take advantage of economic development, however, they should also be assisted in education and vocational training to meet market requirements and to better control and manage their resources. In addition, they should be given the necessary skills and experience to reshape their livelihoods, when changes resulting from urbanization are required.

They should have a long-term vision about their livelihood, enabling them to develop strategic planning for their future activities.

10. Making markets work better for the poor

4.1 Labor market

Improving working conditions for the poor; developing a system for a job-matching service center and career consultation; promoting more reliable flow of job information to the poor; and promoting vocational training courses for the poor to meet enterprise requirements.

Encouraging enterprises to employ poor people; developing special packages on assisting the poor to resettle, including policies on employment, financing, and training; developing social insurance schemes for the poor; training and encouraging the poor to diversify to other activities aside from farming before they lose access to farmland or agricultural employment; and increasing the poor’s access to more secure and better paid non-farm employment opportunities and increasing non-farm earning opportunities.

4.2 Financial markets

- Providing more access to credit funds for the poor; providing more information on credit sources, interest rates, loan size, criteria for loans and procedures to obtain loans; and providing training on production know-how together with loans.
- Increasing loan size to meet business requirements; and applying diverse interest rates for different poor groups and different loan purposes.
- Diversifying the purposes of loans provided by banks for social policies; and extending the options for loan uses, for example, for improving residential housing, medical treatment or education purposes.
- Giving further consideration to changing regulations on memberships for savings and credit groups to set a minimum of 10 people (obtaining loan from the Bank for Social Policies); and extending the access of the poor to other formal banks.
- Requiring the Bank for Social Policies to accept a high rate of risk and develop more appropriate solutions.

4.3 Input-output markets

- Setting up an information network for the poor with available information on
 - demand for agricultural products on the market; and
 - prices of common goods for production and business, and those in which the poor are often engaged.
- Further refining supportive policies for the poor in participating in markets by
 - arranging stable market places for business;
 - exempting the poor from market fee;
 - exempting the poor households from tax ;
 - providing privileges for the poor in allocating production or business land areas;
 - providing credits and financial capital with low interest rates for trading;and
 - promoting more training on production, business, and trading knowledge that are relevant to the capabilities of the poor.

Mass organizations and trade associations should provide more solutions to help the poor reduce production costs (providing free consultancy services, information and technical extension).

Planning is needed to conduct studies on supply-demand for specific goods on the market. This is very helpful in terms of economic restructuring (which includes the participation of the poor) which responds to market demands.

4.4 Basic social services

- Local authorities should consider further reducing the financial contribution for poor children's education. A credit scheme should be designed specifically for child education, with preferential interest rates and length of loan for poor households.
- Opening free-of-charge vocational training should be provided to the poor to improve their practical knowledge and technical skills, but in the context of delivering suitable trades to ensure a job after graduating.
- The poor should receive more support for medical treatment, so that serious diseases, which a local clinic station is unable to treat, will be treated at a higher-level hospital without worry about payment.

4.5 Land issues

- Urbanization should be proceeding in a synchronized manner with a well-prioritized focus, and a well-organized performance, avoiding projects that are conducted in all areas of the city, which create chaos and huge changes to residential areas.
- A more adequate price frame for compensation should be provided. Increase land prices for land owners. Improve information delivered to the poor about land prices and likely land market development to enable them to take better advantage of rising land prices.
- Compensation on land losses should not be a lump sum compensation. It should also cover occupational transition costs for targeted households. In addition, this work should be assigned to an agency that is responsible for planning and implementing the transition process (including job replacement).
- Develop a support policy to help the poor to access the land market using specific schemes, such as the following.
 - Classify poor people into groups who will become targets of different support schemes; the poorest households should benefit from low-priced apartments in high-rise blocks.
 - Develop a support policy for the poor in land use title registration and the issuance of certificates; and reduce registration tax and other fees.