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Oxfam's unconditional cash transfer project in central Viet Nam

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In early 2007, Oxfam Great Britain in Viet Nam gave a one-off cash payment to around 500 households on or below the official poverty line in all 8 villages of An Loc commune, Can Loc district of Ha Tinh province in Viet Nam. The payment of around US$375 was equivalent to more than half of the average annual income of a poor household in the commune, and was provided with no conditions attached on how the money was to be used. Ha Tinh was selected on the grounds that Oxfam had a track record of working with the provincial authorities (an important consideration in Viet Nam) and that, given the sensitivity and relative uniqueness of the project, an area which Oxfam knew, and were known in, would best facilitate establishment of the research project.

Ha Tinh province is located on Viet Nam's central coast and is particularly disaster prone, with frequent floods and typhoons. The tough climate and poor quality of land make rural livelihoods challenging for farmers, who make up the overwhelming majority of the province's inhabitants. Although a poor province of Viet Nam, Ha Tinh is not considered to be amongst the very poorest, according at least to official poverty measurements. But the poverty landscape of Viet Nam is changing, and inequality gaps in particular appear to be widening. These gaps are appearing between provinces, but also within provinces and districts too. So it is possible to see very poor communities even in districts where the aggregate poverty indicators are not so low. This is the case for Can Loc district where the research project is located, and particularly for An Loc commune, which had a poverty rate of 55% according to People's Committee estimates at the time of project design (against the national poverty rate of 19.5% in 2004). Within the eight villages of the commune, four had poverty rates of above 59%, with the highest rates 84% in one village.

The commune's eight villages had an estimated 3,358 people living in 758 households and according to official poverty date at the time of project design, there were four households that could be considered rich, and 84 that were better-off with incomes of at least VND 4000,000 per person per month(double the official income-poverty line). Oxfam gave VND 6 million (approximately $375) to 400 households below the official poverty line, and VND 3 million to around 100 households above the poverty line. The money was delivered as a one-off cash payment into a savings account, requiring joint signatures of both male and female householders to withdraw cash. Oxfam imposed no conditionality upon the use of the cash, other than it should not be used for illegal purposes, and required only that beneficiaries participate in the monitoring of the use of the money over a three –year period.

By 'just giving cash' to the poor and observing the impact, Oxfam hoped to benchmark, in broad terms, what the net poverty reducing effect of a project would need to be, to outweigh simply giving the poor a lump-sum cash payment. The design of the project was predicated on the assumption (borne out of Oxfam's experience with unconditional cash transfers in emergency contexts) that the poor can use money responsibly when given the chance, and that they themselves are best placed to prioritize investment choices. This is not to say that the only obstacle to people escaping poverty is a lack of cash. The project recognized from the beginning that there are significant structural obstacles facing the poor in Viet Nam ; that the rural poor often have a marginal voice in processes of decision making and an inability to exert influence over how village resources are allocated, and that processes of exclusion extend to perceived 'cultural' norms too; through ascribing secondary roles to women in decision making, for example, or in characterizing ethnic minority groups as 'backward' or 'unmodern' and therefore unable to take advantage of economic opportunities proffered. These obstacles cannot necessarily be overcome through a straightforward injection of cash. Rather, the project sought to understand what role the cash played as a potential catalyst in wider change processes, and what sort of complementary measures were necessary in order to help address some of these underlying 'drivers' of deep seated chronic poverty…

Results: 'One year On'

How the cash was spent

Funds were eventually released to households in late February 2007, after the traditional lunar New year holidays. A follow-up survey of beneficiaries one year on showed that households had used the cash in a variety of different ways. Approximately 34% of funds overall were used for income-generating activities, most notably animal husbandry; 70% of these funds were spent on buying a cow, buffalo, pigs, chickens, or were invested in acquaculture. About 22% was invested in farming to buy fertilizer, seeds, and to hire machines for ploughing, and about 8% was invested for business; either buying farm machines to rent, or buying stock for stalls or other similar small enterprises. Overall, 76% of all project beneficiaries reported spending some money on generating income, and 85% overall reported that the project had a significant impact upon their incomes.

The second most significant area of expenditure overall was in buying assets or repairing houses, in which 19% of project money overall was invested. This is unsurprising given that, from the baseline survey, a third of all houses had no latrine and 14% of houses had an earth floor. 56% of households overall reported using funds for this purpose during the first six months after receiving money, and 73% overall reported that the project had increased their household's inventory of assets. Interestingly, one of the most important areas of expenditure listed by the elderly was the purchase of a coffin; this was important for their security of mind, that they would be buried properly, and also that their funeral would not be a financial burden on their families.

Approximately 19% of the money overall was spent in paying off debts. 60% of beneficiaries reported spending money in this way in the first six months of the project, and reflects the very high levels of indebtedness of households in An Loc commune, which is reflective of poor rural households throughout Viet Nam. Once previous debt burdens were repaid, households were free to borrow money again for a variety of purposes, and relieving debt was considered a significant project impact for 68% of households in the first six months of the project. Project funds were also used to meet immediate household expenses, with nearly half of all households using money for this purpose and 18% of the cash overall spent on consumption. This included meeting food shortfalls, and investing in education and health for the household. Consequently more than half of all beneficiary households reported overcoming food shortages in the first year, and overall expenditure on health care for poor households in the commune doubled on average, on the previous year.

A very small amount of the money (1%) was kept in the bank with only 3% of households reporting that they kept the money to earn interest. This reflects on the one hand the critical urgency to use the money for production and consumption purposes; that they simply couldn't afford to leave the money in the bank to accumulate interest. But it also reflects a high level of uncertainty amongst project beneficiaries over whether they would be able to keep the money at all because the project was subject to a concerted effort by village leaders and the better off to appropriate money and redistribute to everyone, as well as to use the money to fund 'social' projects such as road building, and the construction of village halls. In the event, many households were subject to pressure to surrender some of the money for communal projects, with about 9% of households reporting that the spent some money on 'transfers' and 51% of all households reporting that they spent money on either 'supporting others' or as a 'social contribution'. This also undoubtedly dictated how quickly most of the money was spent, with almost all of the funds gone within the first six months of the project.

Safeguarding access to the cash: Why the poor needed allies in high places

Attempts to pressure beneficiaries and seize the project funds were driven by village elites, both within the commune government structure, and from better off villagers within the commune that had relatively fewer beneficiaries from the project. Cash transfer schemes are particularly vulnerable to this form of pressure for redistribution, as experience from elsewhere in the region shows. For example, in Indonesia, education subsidies intended for the poorest households immediately after the economic crisis on the late 1990s were often appropriated by village heads and redistributed through their own patronage networks. (Mukherjee et al., 2001). And a recent review of the Indonesian Government's unconditional cash transfer programme to the poor to offset the effects of the removal of the national fuel subsidy has highlighted how, in some incidences, communities forcibly redistributed the cash assistance intended for specific poor households to a general subsidy to all villagers, irrespective of their wealth (SMERU, 2006).

Recipients of the cash in the better-off villages of An Loc were particularly prone to pressure to fund communal projects, to repay taxes owed, ot to redistribute the cash to all households in the village. Leaders of this movement at the time cited village traditions of sharing all benefits equally and of having 'looked after' the poor in the past, so they were now due some repayment in recognition of this. There was also a strong narrative constructed which stigmatized the poor as being 'lazy' and always benefiting without working hard, whereas the better off contributed to social projects in the commune and always paid their taxes. Leaders of the better-off villages in the commune were under pressure to secure for 'their' villages a bigger share of the resources available, which they were expected to be able to do as a function of their prominent role in commune politics.

The project therefore challenged the traditional networks of patronage in the commune and caused something of a crisis in identity of village elites and village leaders who were accustomed to being able to manipulate the system of distribution of benefits in the way that they chose. It also highlighted how poor households are seldom in a position to be able to influence the distribution of resources at village level, how this lack of voice is an important dimension in how poverty is experienced, and how it acts as a powerful force in sustaining and reproducing poverty.

The situation was resolved through the intervention of provincial and district level authorities, who sent an investigative team and exerted pressure upon commune officials to fulfil the obligations originally agreed with the project, PPC, the local partner, and Oxfam expended a great deal of time and effort in liaising with higher level authorities in bringing this to pass, and faced determined opposition from commune village leaders and elites who clearly felt that higher authorities would not intervene as the cash had already been distributed and officials were a long way away. Ultimately then, the poor of An Loc commune needed powerful advocacy on their behalf even just to access freely the assistance they had been ascribed. But once this had occurred a positive outcome of the project was a reported increase in voice and confidence amongst beneficiaries, with 96% reporting a sense of 'having more voice in the community'. These figures were unchanged in the second half of the year, when most project funds had been spent, and it will be interesting to see whether this reported increase in voice an confidence is sustained into the future…