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# **Social Assistance Policy in Vietnam: Issues In Design And Implementation, And Vision For Reforms**

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## **Abstract**

This study aims to outline the vision for the Vietnamese social protection system. It provides discussion of the issues of implementation and performance of the current programme design, especially the issues of budget allocation, implementation and monitoring are explored using qualitative evidence from provincial and local administrators. New analysis based on the data from the Vietnam Household Living Standard Survey (VHLSS) 2010 will be conducted to look at overall performance in targeting and coverage. Finally, it outlines the constraints and opportunities that inform a road map for the future vision of social assistance within an overall system of social protection.

Keywords: Social protection, household welfare, targeting, Vietnam

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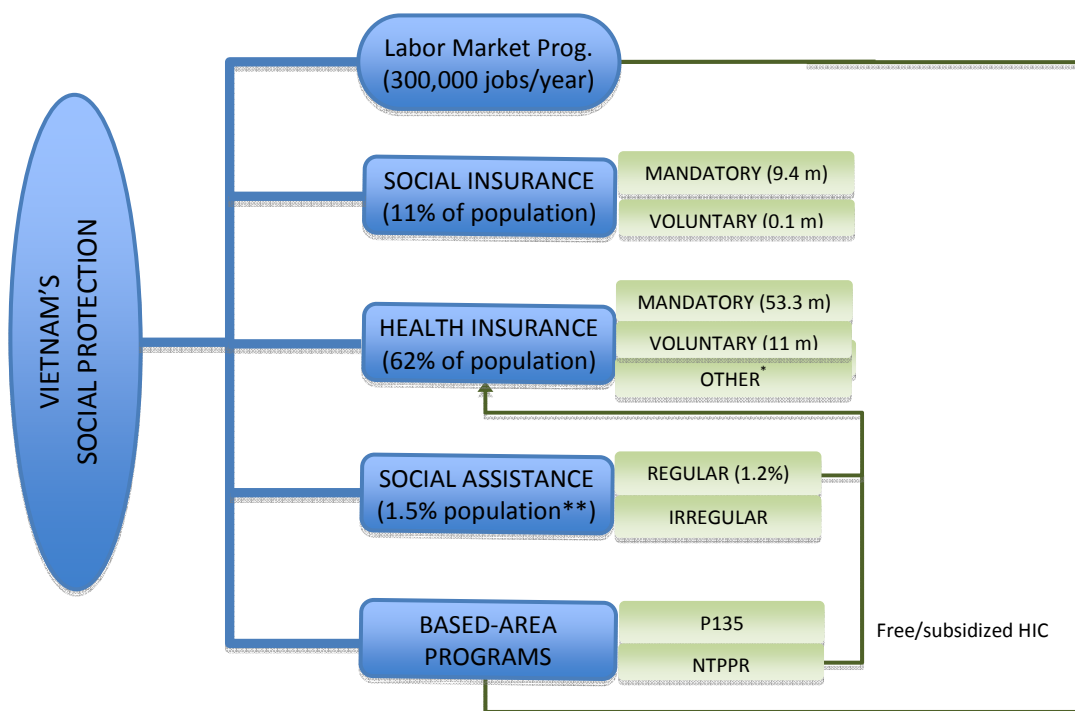
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# Introduction

This report was commissioned by UNDP in Viet Nam to provide a review and analysis of the current situation of social assistance programmes and associated support in Viet Nam and to make recommendations for a smooth transition to a more coherent social assistance framework for the country.

Viet Nam has long-standing programmes of social assistance that have expanded in both coverage and generosity in recent years. Reading the numerous studies and reports available, there is no unanimously agree definition of what constitutes social assistance in Viet Nam. This is partly a problem of terminology, with social assistance programmes labelled as ‘social welfare’ or ‘social protection’ by some. We adopt a definition that extends across all state financed non-contributory cash transfers and that matches both the headings in public expenditure budgeting and Ministerial responsibilities. In addition to these, there has been a long-standing commitment to poverty reduction programmes. However, there is little clarity in theory or practice in the delineation between ‘social assistance’ and ‘poverty reduction’ in Viet Nam, and they rely on different implementation approaches, lines of responsibility, and exist under different targeted national programmes and sector policies. The resulting mix of programmes is both complex and has many grey areas of either overlap or gaps in coverage. What potential is there for better coordinated, consistent and medium to long-term approach to planning to meet population needs and development gains across these sectors?

**Figure 1: Social Protection System in Viet Nam, 2010**



Note: \* those funded/supported by the State budget such as the poor, disadvantaged, children under 6

\*\* equivalent to 1.25 million; estimated to be 1.6 million in 2010

Source: Updated from CAF 2010 (Figure 10) and MOLISA 2010

We replicate a CAF (2010)<sup>1</sup> diagram showing the overall social protection system in Viet Nam and shows social assistance as all non-contributory cash transfer programmes. Data are updated from MOLISA (2010).<sup>2</sup> They are thus distinct and operationally separate from the group of Viet Nam's social insurance programmes which provide income replacement benefits to meet risks of sickness, injury, maternity, retirement and survivorship, and unemployment for those in the formal waged sector. They are also distinct from health insurance and 'area-based' programmes.

Such a map of the legislative and operational boundaries, however, can potentially be misleading. There are necessarily areas where the separate programmes operate together. Cash transfers provide income to individuals and households and, while cash is a necessary component of social protection, is it not sufficient in itself in many instances to ensure social and economic well-being. For instance, access to healthcare through health insurance operates alongside cash benefits to ensure that ill-health and injury are treated as well as the lost income resulting from ill-health replaced. *It is a crucial and often understated principle of a good social protection system that effectiveness relies on an integrated mix of cash transfers and non-cash services.*

Another reason why Figure 1 can potentially mislead or misrepresent the remit of social protection is that there is a whole group of the population that are missed in its assumptions, i.e., *children*. Figure 1's description of social protection to very old assumptions about a social protection system based on the principles that first emerged in 19<sup>th</sup> Century Europe, when industrial workers (mainly men) who were waged employees had benefits designed to replace wages for a certain stipulated set of risks. Having children were not one of these risks, and wages did not reflect family size so that other programmes to recognise the needs of children, irrespective of the wages of their fathers (and mothers), were introduced in the 20<sup>th</sup> Century. These programmes have expanded into the family allowances and child benefits, tax-credits in many high-income OECD countries but have also recently had a huge resurgence in developing countries in the form of transfers for children that are linked to health and education – so called '*conditional cash transfers*' (CCTs). The relatively small proportion of programmes to meet children's needs for income support in the current Vietnamese system will be one of several themes that recur during the remainder of this report.

In addition, the issue of children points to a much larger and important assumption in the design of social protection: an assumption on the role of state-funded income transfers alongside the widespread and long-standing traditional system of familial support and informal transfers, especially filial support of the elderly. The role of such transfers is substantial in Viet Nam: in 2004, familial transfers alone represented 10% of all income of Vietnamese households, over twice that of formal social protection (4%) (Evans et al., 2007).<sup>3</sup>

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<sup>1</sup> CAF (Center for Analysis and Forecasting). 2010. "Employment and Social Protection in Viet Nam: Synthesis Report". Hanoi: CAF.

<sup>2</sup> MOLISA (Ministry of Labour, Invalids, and Social Affairs). 2010. *Vietnam's Social Protection Strategy in the Period 2011-2020*. Hanoi: MOLISA.

<sup>3</sup> Evans, M., I. Gough, S. Harkness, A. McKay, T. H. Dao, and L. T. N. Do. 2007. "How Progressive is Social Security in Viet Nam". United Nations Development Programme (UNDP) Viet Nam Policy Dialogue Paper No. 2007-09. Hanoi: UNDP Viet Nam.

But it is not just familial transfers and remittances which provide support and income protection, because families also share living space and thus pool resources and protect vulnerable and low-income individuals through co-residence. Patterns of inter-generational co-residence are changing across East and South East Asia and the role of social protection, especially social assistance and pensions, has to be carefully weighed alongside the changing patterns of family living arrangements and financial obligations. Viet Nam's legal codes on the Elderly and Disabled People are clear in their continued recognition of the primacy of familial responsibilities, and state support should be carefully designed and implemented to compliment these.

A final important structural assumption in Figure 1 is the dominance of social insurance and a resulting core reliance on formal employment. The assumption of formal employment being the key focus for funding and risk setting for benefits was common in both OECD and State Socialist countries in the 20<sup>th</sup> Century: employers and employees share the contributory burden for risks that are clearly linked to interruptions or ending of waged employment. There are, however, inherent problems in this approach for Viet Nam. A large proportion of economic activity is in the non-waged sector, including agricultural production, family-run and small businesses, and informal trading. Waged employment more than doubled from 16% to 34% of the workforce between 1993 and 2008 (CAF, 2010 p.8) but remains a minority. This is not just the outcome of declining agricultural employment but also of rising informal business activity, "*informal household business makes up approximately 24% of total employment, thus employing almost half of laborers outside agriculture*" (ibid). Voluntary social insurance can help extend coverage and has been encouraged, but it is, apart from healthcare, only attracting small numbers of people and there are considerable problems of adverse selection (those with high risks – the already sick and elderly opting for health insurance- and those with higher incomes coming forward for voluntary pension coverage). Income from informal employment is often from multiple sources and fluctuates greatly- especially so for low earners, and this makes it difficult to transfer the assumptions of formal social insurance across to the group of workers whose income is both lowest and most risk-laden (for instance, see Bales and Castel 2005 for the survey of voluntary social insurance for the informal sector). In Europe, the concept of 'social exclusion' has been used to identify those with high risk of poverty who were not covered by formal social insurance or other such programmes and it is worth reflecting on the 'exclusion' concept in Viet Nam because it more accurately captures the fact that social insurance helps to create and sustain coverage gaps rather than just placidly covering a sector of the working population. Exclusion and selection arises because employers and workers react to the imposition of contributions that are a payroll tax. Employers, especially small and medium-sized Vietnamese businesses, avoid them and remain in the informal sector. Even where contributions are paid in formal employment both employers and employees are encouraged to under-report incomes – especially those in low waged or temporary employment (CAF, 2010). The result is that the boundaries between the contributory and non-contributory roles within a Vietnamese social protection are not fixed in practice, and as such improving the system design alongside better enforcement are essential reforms that will partly dictate the extent of the need for social assistance.

The objectives of this report are three folds:

1. to map and take stock of current social assistance policies and to clarify the underlying strengths and weaknesses of their design and implementation;
2. to analyse the optimality of the current SA policies, schemes/programs, in terms of approaches used in defining and reaching the target vulnerable groups, effectiveness and efficiency in policy design and in implementation, including in service delivery and management, impacts on the life of beneficiaries; and
3. to make recommendations and assist MOLISA in formulating a vision (and based on the vision, facilitate the development of possible roadmap/principles) for improving the optimality, coherence, inclusiveness and impacts (in terms of helping beneficiaries effectively cope with risks and cover their basic needs) of the social assistance policies/schemes/programs within the overall framework of the Social Protection Strategy.

The report is structured as follows:

Part 1 outlines the vision for the Vietnamese social protection system as it is currently laid out in MOLISA strategy documents and in commentary by analysts and advisers. A detailed description of what is in place is then given before Part 1 ends with a discussion of the current design of programmes and the areas of strength and weakness.

Part 2 examines the issues of implementation and performance of the current programme design, especially the issues of budget allocation, implementation and monitoring are explored using qualitative evidence from provincial and local administrators. New analysis based on the data from the Vietnam Household Living Standard Survey (VHLSS) 2010 will be conducted to look at overall performance in targeting and coverage.

Part 3 outlines the constraints and opportunities that inform a road map for the future vision of social assistance within an overall system of social protection.

## PART 1

# The Vision for Social Protection and the Role of Social Assistance

Viet Nam has already been considering issues of the overall design of social protection for some years. MOLISA's most recent strategy document states that, alongside social insurance, health insurance and voluntary contributory approaches, a future social protection system foresees, "*Developing a flexible social assistance system, which can timely deal with risks and events. The beneficiaries of social assistance will be expanded to cover all vulnerable groups.* (our emphasis, MOLISA 2010, p.29). This future vision of social assistance is framed as a comprehensive safety net, in which "*All people with living standards lower than the minimum level of the society will be entitled to social assistance*" (ibid) based on a defined minimum living standard (about 40% of the general minimum living standard level).

At the heart of MOLISA's vision lies the mix of two approaches to regular social assistance:

1. A system that identifies 'vulnerable groups' or what can be termed a 'categorical' approach to social assistance
2. A minimum income safety net that targets those who have less than a stipulated level of resources.

It is important to stress that this vision of future social assistance matches the outline vision of all those who are commentating or assisting the Government of Viet Nam's development of social protection. The International Labour Office (ILO) in pressing for a 'Social Protection Floor' (SPF) emphasises categorical approaches for children and elderly benefits alongside comprehensive service development for health and human development (see, for instance, ILO 2011).<sup>4</sup> The World Bank's appraisal of gaps and coverage has suggested a more harmonised approach of poverty reduction and social protection that uses stronger emphasis on "*household-targeted social safety net interventions in Viet Nam as a complement to geographically-targeted poverty reduction programs and social insurance*" (World Bank 2010, p. 26).<sup>5</sup>

In addition to regular support, the current and future system of social assistance will provide one-off assistance to emergencies/disasters.

### The Current System of Social Assistance

Recent changes since 2009, both in response to periodical review of categorical coverage and in response to cyclical economic changes and inflation, have led to a system of considerable complexity. Table 1 summarises the main design and implementation characteristics of the current social assistance system in Viet Nam.

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<sup>4</sup> ILO (International Labour Organization). 2011. *Social Protection Floor for a Fair and Inclusive Globalization*. Geneva: ILO.

<sup>5</sup> World Bank. 2010. "Viet Nam: Strengthening Social Safety Net to Address Poverty and Vulnerability", draft. Hanoi: World Bank Vietnam.

**Table 1: Summary of Main Design and Implementation of the Current Social Assistance in Viet Nam**

Name and Official Basis		Design of Programme								Benefits - Main Characteristics					Implementation				
Programme	(X/R/H)	Legal Authority	Guidance	Population Group	Entitlement	Population Base (private households/institutions)	Means Tested	Transfer Test	Family support Test	Conditionality	Programme started	Cash/In-Kind	Benefit Level 2011	Period	Duration	Attached Programmes	Up-rating protocol		
		Decree 67/2007/ND-CP																Lead Gov't Department	Local
		Decree 13/2010/ND-CP																	
Decree 67/2007 Programmes of Regular Allowance as amended by Decree 13/2010												<i>For those in private households</i>						MOLISA	
	C1	Article 4:3 Amended by Article 17 of Law of the Elderly		Elderly People	Aged 80 and above	all	no	pension or social insurance allowance	No	-	2007	Cash	180 (360 if unable to care for themselves)	month	unlimited		None	MOLISA	
	C2	Article 4:2		Elderly People	single elderly person poor households	all	MOLISA poor list	-	Yes	-	2007	Cash	under 85-180; under 85 and disabled 270; 85+ 270; 85 and disabled 360	month	unlimited	C15, C16, P1	NONE - C16	MOLISA	



C3	Article 4:2	Elderly People	Elderly people in poor households with no family support	all	MOLISA poor list	-	Yes	-	2007	Cash	under 85s-180; under 85 and disabled 270; 85+ 270; 85 and disabled 360	month	unlimited	C16, P1	16	MOLISA
C4	Article 4:1	Children	abandoned/orphaned/incompetent parents	all	no	no	Only for children of prisoners	16-18 year olds in education/vocational training	2007	Cash	18 months + 180; <18 months 270; <18 months and HIV/AIDS or disabled 360	month	unlimited			MOLISA
C5	Article 4:1	Children	with HIV/AIDS	all	MOLISA poor list	no	no	-	2007	Cash	18 months + 180; <18 months 270; <18 months and HIV/AIDS or disabled 360	month	unlimited	C16, P1	16	MOLISA
C6	Article 4:7	Children	adoptees	households	no	no	no	-	2007	Cash	over 18 months 360; under 18 months 450; under 18 months and HIV/AIDS or disabled 540	month	unlimited			MOLISA
C7	Article 4:9	Single Parents	have children aged 16 or 16-18 in FTE/VT	households	MOLISA poor list	-	no	School/Education enrolment	2007	Cash	Mother-180; child over 18 months 180, child under 18 months: 270, child under 18 months and HIV/AIDS or disables: 360	month	unlimited	C16, P1	16	MOLISA

	C8	Article 4:4	Disabled/III	Serious disability & unable to work in poor households	all	MOLISA poor list	-	no	unable to work	2007	Cash	unable to work 180; unable to self-care 360	month	unlimited				MOLISA
	C9	Article 4:5	Disabled/III	Chronically mentally ill who have not responded to treatment	all	no	no	yes	-	2007	Cash	270	month	unlimited				MOLISA
	C10	Article 4:6	Disabled/III	HIV/AIDS unable to work	all	MOLISA poor list	-	no	unable to work	2007	Cash	270	month	unlimited				MOLISA
	C11	Article 4:8	Disabled/III	households with 2 or more seriously disabled unable to work	households	No	no	no	-	2007	Cash	2 people qualify - 360; 3- 540; 4 or more 720	month	unlimited				MOLISA
	67/2007 - Programmes of One-Off Assistance	C12	Article 6	General	Needs arising from natural disasters/force majeure	all	Yes					Cash and In-kind	Individuals - 15kg rice; Injured away from home VND1.5m pp; burial VND3m; beggars VND15k per diem max 30days	3 months for rice allocation			school fees, HI cards & preferential loans "until escape poverty"	MOLISA
												Households-death/missing person VND4.5m per person; serious injury VND1.5m per person; house destroyed - VND6m per hhld; relocated households VND6m per hhld.	one-off					
Rice Allowance	C14	Resolution 30a/2008/NQ-CP	Circular 08/2009/TT-BNN								In-kind	15kg rice	month			max 84 months		MAR D



		Decision 289/QĐ-TTg on Ethnic Minority Policy	Ethnic Minority Poor															
Scholarships																		
	P2	Prime Minister's Decision 152/2007/QĐ-TTg	Children of War Veterans/survivors															Minimum Wage
School Costs & Meals	P3	Prime Minister's Decision 112/2007/QĐ-TTg & Decision 101/2009/QĐ-TTg	Children of near-poor households;															
			Children who live in remote areas															
			Children: orphans & disabled from poor households															
Household equipment & clothing	P4	Prime Minister's Decision 138/2000/QĐ-TTg;	Inter-agency (CEMA-MOF-MPI) Circular 912/2001/UBNDTMN-BTC-BKHĐT															

Lamp Kerosene	P 5	Prime Minister's Decision 289/QĐ-TTg on Ethnic Minority Policy	Ethnic minority households															
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Source: Authors' compilation from relevant legal codes and documents

## Current Design of Social Assistance: Strengths and Weaknesses

In this section we look at the rules and design of cash transfers under Decree 67/2007 (Government of Viet Nam, 2007)<sup>6</sup> and other programmes to assess how far the main elements of social assistance are designed to assist vulnerable and low-income individuals and households. Are the approaches consistent, comprehensive, and clear?

### 1) Cash and/or Care?

The current system is *multi-purpose* and this is one of its both strengths and weaknesses. The purpose of many of the allowances under Decree 67/2007 and its amended Decree 13/2010 (Government of Viet Nam, 2010)<sup>7</sup> are to provide regular income replacement to those in a range of categorically defined needs. However, among these categorical groups are people for whom the payments ensure institutional or community care where these individuals have high levels of needs for care and oversight. Such allowances are aligned to an assessment that would in other countries be determined by professional social workers. For instance, children who are orphans, mentally ill, or severely disabled people can be supported either in their own familial households or in local community-run institutional care. There is, however, an inherent potential conflict of interest for local cadres in determining what is in these vulnerable peoples' best interests if the revenue needs of local institutional care institutions has to be weighed against their individual best interests. For children, orphans, disabled children and children with HIV/AIDS under Decree 67/2007, the amounts for adoptive families are greater than the standard amounts – providing an incentive for families to come forward to adopt – but at the same rates for placing the children in commune-run communal care establishments. While this may give the right incentives for families to come forward to adopt, it puts a counterbalancing organisational incentive to retain children in institutional care when making decisions under a budget constraint or where there are concerns to maintain revenue levels for communal care institutions. This is a potentially serious obstacle to proper child protection procedures and with compliance with United Nations Convention of Rights for Children.

The general problem of developing distinctive programmes of 'community care' is recognised in the MOLISA's Social Protection Strategy, i.e., "A large number of social protection establishments has been set up. However, private sector and social partners have not actively participated in the implementation of beneficiary's caring. Community-based caring models have not been developed" (op-cit, p. 14). This recognition of the problem is very welcome and is wholeheartedly supported but means there is a number of core tasks for planning the road map for social assistance:

- Developing and professionalising social work approaches to assessment of individual care needs that are independent of cash allowance determinations.

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<sup>6</sup> Government of Viet Nam. 2007. *Decree 67/2007/ND-CP on Support Policies for Social Protection Beneficiaries*. Hanoi: GoV.

<sup>7</sup> Government of Viet Nam. 2010. *Decree 13/2010/ND-CP on amendment, additional terms on Decree 67/2007/ND-CP dated 13 April 2007 on Support Policies for Social Protection Beneficiaries*. Hanoi: GoV.

- Planning budgetary and operational separation of powers and multi-stakeholder involvement in social work and community care provision.

## 2) Multiple and overlapping targeting criteria

Table 1 shows how different approaches are taken to assessing ‘need’ for social assistance help under several criteria which have changed greatly since 2007. However, there is a lack of clarity and transparency on how such criteria are used together or separately in any location/case.

### 2.1. Individual characteristics

At the heart of the ‘categorical approach’ used by Viet Nam is the identification of *individuals* who have certain characteristics to either proxy for need or to identify those who deserve social assistance. We highlight the term ‘individuals’ because it is crucially important that entitlement springs from individuals and NOT family or household circumstances.

There are several approaches to individual entitlements:

**First, individuals are awarded allowances on the basis of merit or status.** These reflect political rewards for war heroes, war injured, and war survivors. Awards, which are based on the American War, are associated with a fixed cohort of the population that will rapidly ‘age-out’ and decline in numbers in the up-coming years.

**Second, individuals, who are not able to work,** are awarded allowances as ‘non-contributory’ equivalent to social insurance. These are disabled people; people with illness (particularly HIV/AIDS); and elderly people (where the age at which entitlement begins has been reduced from 90 to 85 in 2007 under Decree 67/2010; and more recently from 85 to 80 since 2010 under the Law on the Elderly). It is reported that some Vietnamese policy makers would like to see continued expansion of age-related entitlement to social assistance pensions by further reductions in the age thresholds to 75 by 2015, and to 70 by 2020.

However, there is no great clarity in any underlying assumptions of ‘inability to work’ when it comes to the elderly people. While Vietnam Social Security (VSS) contributory pensions are paid at a ‘pension age’ to respond to the risk of ‘retirement’, social assistance allowances are not directly an equivalent for those in the informal waged sector, who tend to have both lower earnings and continue to work even if they are elderly rather than observe any formalised ‘retirement’ behaviour. This means that the potential incentive problems of social assistance pensions are considerable: they can affect saving and work behaviour and directly substitute for informal earnings. Reducing the age of entitlement to social pensions increases the population exposed to such incentive risks because it effects a larger proportion of currently economically active elderly people and alters the time-horizons of younger groups by giving a perceived earlier point of access to a pension.

Additionally, expanding the scope of elderly access to social assistance on the grounds of age alone may affect the promotion of voluntary social insurance for pensions. A considerable effort has already been made to encourage those in the informal sector to voluntarily contribute to a VSS pension with only moderate success. However, if there is an

alternative 'social assistance pension' available for zero contributions in the future for the majority, it is then difficult to see how these two elements of pension policy will work together. This suggests (as we explore this more fully in the final section) that social assistance and non-contributory pensions be part of an overall programme of policy reform for pensions that looks further into the future than the 10 years of the current Social Protection Strategy.

**Third**, 'other vulnerable groups', specifically single parents (mothers) in Decree 67/2007 and children. For these groups, entitlement is purely on demographic characteristics, but is also, for single parents, on the basis that their children are in primary or secondary education – a condition that already echoes the 'conditional cash transfer' approach that is being considered as one element of future policy.

## ***2.2. Family Support***

One crucial factor is how 'familial support' – either through informal transfers or through co-residence – is treated for eligibility for social assistance. With strong traditional familial/filial duties of support still emphasised in statutes on the elderly and disabled, how does such support affect entitlement to social assistance.

Prior to Decree 67/2007, all elderly people, even those aged over 90, had to show that no alternative familial support was available to them to enable entitlement to social assistance. With the incremental reduction in age of entitlement to social assistance for elderly people, from 85 to 80 so far, this restriction has been weakened. Currently, only elderly people aged 60-79 have to show that no familial support is available. However, as with the earlier discussion of work incentives in the previous section, lowering the age threshold enlarges the population of elderly people potentially affected by potential disincentive effects on familial support. Social assistance can substitute for familial support and potentially weaken traditional mechanisms of helping elderly people. Some evidence of such changes in behaviour have been found in qualitative studies undertaken in the field by the authors, but the extent and seriousness of such behaviour will need more comprehensive research.

## ***2.3. Individual Income***

Some of the programmes under Decree 67/2007 (amended Decree 13/2010) adopt the principle of being means-tested to reflect the underlying income and living standards of the individuals and families involved, "*Allowance and support levels will be adjusted when people's minimum living standards change*" (Article 7 both Decree 67/2007, re-emphasised in Decree 13/2010), so that social assistance is given as a 'top up' income to those with resources at levels below the stipulated benefit rates (for example, with an income of 100,000 VND per month and a potential full entitlement of 180,000 VND per month, the recipient would receive 80,000 VND per month). This approach involves identification of and verification of income sources and is administratively costly. This approach also imposes disincentives, as any additional income sources – from family, from work, or from other sources – would reduce entitlement for every Dong of such additional income.



Some programmes, however, are not means-tested. For instance, the War heroes and invalids programme is entirely different and primarily rewards a contribution to national political progress and independence rather than compensating for lost earnings or for lost capacity. Individuals, who are qualified irrespective of their own income as well as their family's and household income, receive an allowance of 870,000 VND per month.

The situation of those aged 80 and over is not exactly clear in the design of social assistance. They face a 'pension test', which means that those people who already have a '*pension or social insurance allowance*' are not entitled to additional social assistance. They face no 'family support' test. The means test that is applied is not a household means test that meets MOLISA poor list levels. A purely 'individual' level means-test would mean that wives (or husbands) of those with a pension who have no pension of their own can benefit from social assistance, irrespective of the value of their spouse's pension. Interpretation of the actual approach to means-testing of the elderly is thus difficult in the face of complex and apparently non-consistent approaches.

The potential complexities and confusion that arise from the treatment of individual level resources and the use of means-testing are many and mean that interpretation and implementation of these allowances is of huge importance in day to day operation of social assistance and its effects on poor and non-poor populations.

#### **2.4. Household Income and Poverty**

Other programmes under Decree 67/2010 are targeted on the basis that the *household* is identified by the commune cadres as 'poor' and registered on the local DOLISA/MOLISA 'list of the poor'. The new MOLISA 2010 poverty line of 400,000 and 500,000 VND per capita per month in rural areas and urban areas, respectively, is too newly in force to understand its consequences for implementation and entitlement. The difference between a household and individual test of resources is enshrined within social assistance approaches and currently means that a consistent approach to addressing poverty and income inequality is missing.

The 'list of the poor' is used for a number of purposes, including territorial distribution of state resources from high to low income districts and provinces and for measuring overall progress in 'anti-poverty' performance. There are thus important fiscal and performance related consequences of poor list profiles and these potentially affect the organisational incentives of local administrators. We discuss these in the later section on implementation. At this point, it is worth emphasising that the operation of the 'list of the poor' using the pre 2010 MOLISA poverty has generally been seen to have few 'inclusion errors', that is, few identified as poor are not poor (when the patterns of registration and receipt are subsequently analysed in VHLSS survey data). We will discuss issues of inclusion and exclusion error in more detailed analysis of coverage later in section 2. The identification of poor households for the list of the poor uses a set of indicators or as a first stage administrative targeting procedure. However, this is followed by a community verification stage where local community leaders agree after consultation at community meetings that inclusion of that household on the list is agreed (see next sub-section).

The allowances under Decree 67/2007 that are determined by the list of the poor entry are those for poor elderly who are aged below 80 (both single people and couples), who must additionally show that they “*have no children or relatives to rely on*” and lone mothers (Term 2, Article 4). In addition, the new programmes for electricity consumption (Decision 268/QĐ-TTg) and to compensate for “*overcoming difficulties*” (Decision 471/QĐ-TTg) arising primarily from food price inflation are also determined by poor-list registrations.

MOLISA poor list registration is also used to allocate service-based anti-poverty programmes for healthcare access (healthcare cards) and education subsidies. Targeted poverty programmes providing services, such as micro-finance and business and agricultural development programmes, are also provided using poor list registration for those who are not covered by specific geographic or ethnic minority targeted provision.

## 2.5. Community Targeting

This approach uses community consultation to identify poor households. In Viet Nam, this approach is used in conjunction with the ‘list of the poor’ registration for those programmes that are delivered through the MOLISA list of the poor. In other words, all **household** level means-tested (or proxy means-tested) allowances under Decree 67/2007 and anti-poverty programmes that provide services where the programmes are not targeted using geographical or ethnic minority status.

In theory, this approach has both advantages and disadvantages. Local communities have grounded local knowledge of families and their circumstances and claimants may be deterred from using false information if they know that their peers will be involved in verification. Improving local capacity and knowledge on poverty programmes and in their administration can also help in their success. However, on the other hand, reviews of their use internationally has observed that, “*community based may lead to, or increase conflict and divisions within the community; it may impose high opportunity costs on community leaders, it may be subverted to serve elite interests, and like any other decentralized welfare program, it may fail to take account of important externalities across communities (such as differential benefits leading to population movements) or could undermine political support for targeted approaches*” (Conning and Kevane 2000, p. 3).<sup>8</sup>

## 2.6. Area (Geographic) Targeting

Geographical targeting of poverty programmes has grown internationally since the 1990s to counter different concentrations of poverty that reflect structural economic differences in development, commonly assumed to revolve around the drivers of ‘climate, distance and access’ (Bigman and Fofack, 2000).<sup>9</sup> Anti-poverty programmes in Viet Nam (HEPR), Programme 135, and 61 Poor Districts adopt geographical targeting for these and to reflect high concentrations of poor and near-poor living in the target areas. Geographical targeting of poverty programmes potentially affects the implementation of social assistance in these areas because social assistance is allocated on the grounds of individual or household

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<sup>8</sup> Conning J., and M. Kevan. 2000. “Community Based Targeting Mechanism for Social Safety Nets”, draft.

<sup>9</sup> Bigman, D., and H. Fofack. 2000. *Geographic Targeting for Poverty Alleviation: Methodology and Applications*. Washington D.C.: World Bank.

resources and characteristics alongside the wider conditions of access to the poverty programme that results from living in a programme area. Additionally, programmes in these areas are also more open to their non-poor peers and there is the potential for 'spill-over' effects, especially where incomes overall are low and the differences between poor and non-poor populations are not great for the majority of the local population.

### **2.7. Ethnic Group Targeting**

The poverty rates for the range of ethnic minority populations living in Viet Nam have remained consistently much higher than that for the Kinh/Hoa (World Bank, 2010). Access to anti-poverty programmes, particularly education and health subsidies, have been widened to non-poor individuals from ethnic minorities. In practice, geographically targeted programmes on remote areas have additionally targeted those ethnic minorities of hill peoples in mountainous and Khmer and other lowland minorities in the Mekong Delta.

The important point that arises from so many different approaches to targeting is that is not particularly effective in terms of coverage. For instance, lower than actual numbers of poor households in geographically targeted areas and in ethnic minorities are registered as MOLISA poor (World Bank, 2007).<sup>10</sup>

A recent review by the World Bank (2010) finds the following groups and areas of need are not covered by social assistance: poor households with low incomes from work and urban poor households. In terms of risk events, social assistance only responds to risks that have left (or are presumed to leave) individuals unable to work. There is no corresponding response from non-contributory benefits to 'socially insurable' risks for income replacement when sick, unemployed, pregnant or unable to work due to age. Annual assessments of income and resources leave the poorest to smooth the income fluctuations from such events from their own resources. The problem of coverage is probably best put in the opposite direction: it is low income that prevents income smoothing to cover the risks that are covered by the socially insured on higher formal incomes.

### **3) Different Approaches to Benefit Levels**

The cash transfer elements of social assistance are subject to different assumptions about their levels and about how they maintain real values over time (i.e., how they are adjusted to keep pace with inflation).

The programmes for War survivors, disabled and national heroes have allowances set according to a range of criteria depending on the type of merit worthy activity (for instance, pre-1945 revolutionary activity, imprisonment, motherhood and war activity, and the degree of incapacity that has arisen from any consequent disability). There is a base rate of 875,000 VND per month (Decree 52/2011/ND-CP) in 2011 which, once in place, are regularly reviewed and up-rated in line with rises in minimum wage levels. One-off payments are also made in cases of lower levels of disability.

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<sup>10</sup> World Bank. 2007. *Vietnam Development Report 2008: Social Protection*. Hanoi: World Bank Vietnam.

The programmes under Decree 67/2007 are set according to a basic set allowance being subject to specified coefficients which increase this lowest rate of allowance according to family size and circumstances. Decree 13/2010 increased the underlying allowance level to 180,000 VND per month from the 120,000 VND per month set in 2007. This level of benefit originally reflected a level of two-thirds of per-capita MOLISA poverty line, on the principle that social assistance is not presumed appropriate to cover all basic needs even for those who are unable to work. Fiscal constraints also influence both the level and frequency of up-rating of the allowances.

There is no 'correct' level of social assistance that can be determined independently of fiscal capacity, and the need to avoid disincentives to work, save and provide familial support. In addition to these economic arguments for efficiency, however, there are clear grounds to look at 'adequacy' if social assistance is designed to provide a minimum standard of living for those, as currently foreseen in Decree 67/2007, who are unable to work and have limited or no alternative sources of financial support. The MOLISA Social Protection Strategy for the period 2011-2020 admits that "*the base level for calculating social allowances is low, equivalent to 32.5% of the poverty line and fails to ensure the needs for assistance of the beneficiary*" (op-cit, p. 14) and puts forward a higher standard level for social assistance in 2011 - 2020 as "*40% of the minimum living standard level*" (ibid, p.29). However, there is no apparent consistent approach to calculating such a minimum standard. The GSO poverty line uses the assumption of consumption costs necessary to purchase the 2100 calories and associated basic non-food items. However, no alternative to the MOLISA poverty line is currently envisaged. However, the different levels of MOLISA poor and GSO poor have become less distinguishable with the use of the term 'near-poor' for healthcard provision to some groups.

The Decree 67/2007 social assistance payments also have different levels of benefits according to a 'coefficient' that has a value of 1 for all individuals who do not qualify for a higher coefficient. The underlying logic of the coefficients appears to be to give higher awards to those with 'higher needs' from severe disability or AIDS/HIV status. Higher needs are also recognised for the presence of infants ages less than 18 months and for adopted children. However, the coefficient is valued the same for whatever size of family being associated in nearly all cases. This means, for instance, that a 'family' headed by a single parent will have the coefficient of 1, and an allowance of 280,000 VND per month irrespective of how many children are present and the same allowance as a single elderly person living alone. The only instances where family or household size are taken into account by the coefficients is where there are more than one severely disabled persons living together. In these instances, the coefficient increases pro-rata for each additional disabled person up to a maximum of 4. While this approach does take household or family size into account, it is rather odd that no allowances for economies of scale are made, because three or more people co-residing will share costs of housing, energy and other household costs.

The coefficients appear to poorly reflect needs arising from family or household size and this further confuses the underlying approach to needs relative to income and resources that were discussed earlier in sections 2.3 and 2.4.

The additional elements of cash social assistance for inflation compensation and electricity costs are only paid to poor *households* and are fixed sums that do not reflect household size or composition. This means that individuals who qualify for regular cash social assistance and who are additionally also in poor households gain the most in per-capita terms – a reward for small household size that is counterintuitive as poverty is most commonly associated with large households.

The additional anti-poverty services of education subsidies and health cards are at the individual level, every poor person in a poor household has their own card. This, in principle, means that there is a clear per-capita consideration of the costs and delivery of such services that can ensure low income families gain access to services through social assistance. However, there are several considerations in designing the levels of such subsidies that should be appreciated. The costs of service access and usage are several:

- formal ‘user fees’ – these are reduced to ‘zero’ for those on social assistance who do not have to pay.
- Informal ‘user fees’ – these are not taken into account but hugely affect up-take of services by low-income people. Free access through the waiver of formal fees does not lead to costless service provision. In healthcare, accessing the service centre will not give rise to user fees but being seen or getting treated often requires informal payments. In schooling, the use of informal fees for private tuition after school, often provided by the class-teacher, is widely prevalent and may affect performance in academic school tests. Thus, poor families, who cannot afford such additional informal fees, get a much lower quality of education, despite having ‘free access’. Moreover, in schools there are often local ‘founders payments’ and other costs that reflect the original capital costs of building or setting up the school that are in addition to the formal school fees that are subject to waiver from social assistance.
- Out of pocket expenses – accessing school and healthcare services involves other costs (such as travel), the subsistence costs of meals and consumable costs (such as writing implements and materials for schooling and bandages, ointments, creams and pharmacy costs for health treatments).
- ‘Opportunity Costs’: time is an expensive commodity for poor households who, in general, have low levels of productivity and thus have to put a lot of time into earning a living. The issue of opportunity costs is clearest in schooling, where the lost income from older children going to school rather than assisting in household earnings and production can be considerable. But opportunity costs also relate to parental time and to household informal work and duties – freeing a parent to work by looking after younger siblings is probably a higher opportunity cost for school children than directly working themselves. The plan to move to ‘full-day’ schooling and the existing commitment to expand compulsory schooling to the lower secondary level increase the opportunity costs of the poor and suggest that the subsidies for poor families for schooling may need reconsideration and adjustment.

The levels and costs of service provision for social assistance recipients should reflect a fuller range of costs in order to be optimally effective. It is not sufficient to base service assumptions on access costs alone. However, changing from an approach based simple on access costs suggests a much deeper reconsideration of the aims of policies for low-income and social assistance households. We return to discuss this point further in the “equality considerations” below.

#### 4) Different Approaches To Up-Rating and Inflation

Inflation is a problem that is most acute for low-income households. Elderly individuals are increasingly reliant on fixed income sources that keep up poorly with inflation (for instance, savings and pensions). Poor households in general have higher proportions of their consumption as food and energy items – and these, alongside housing – have seen the highest levels of price increases since 2008. Regular social assistance benefits should, especially for those groups envisaged by Decree 67 (who are likely to be long-term reliant on allowances because they are unable to work), be regularly up-rated to take into account inflation. Best practice would be to up-rate according to a weighted basket of goods that reflects low income consumption. Historically, however, Decree 67/2007 allowances have not been up-rated regularly, and levels of benefits set in 2007 were only revised by Decree 13/2010. This means that when both the changing caseload and characteristics of beneficiaries are taken alongside inflation, the underlying design of social assistance fails to provide a consistent ‘safety net’ over time.

Table 2 shows the budget and beneficiaries of Decree 67/2007 groups from 2000 to 2008 (more recent figures will be shown in Table 4). The underlying figures for beneficiaries show the potential population and those who claim (the ‘effective population’). Dividing the budget by the population gives the underlying per-capita spent. Dividing the budget by population and reweighting for inflation shows the amount in ‘real terms’ spent on each person receiving social assistance. Table 2 clearly shows that increases in nominal budget did not lead to a consistent level of benefits that match inflation for those in receipt. Overall from 2000-07, while the budget rose by 379%, the underlying rise in effective population also rose by 230%. While in nominal terms this allowed for per-capita expenditure to increase over the period by approximately 45%, once inflation is taken into account the per-capita amount in real terms (in 2000 prices) received by all those beneficiaries **declined by 5%**.

**Table 2: Budget and Per-capita Expenditure 2000-08**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2000-07
Budget (billion)	123	128	174	161	283	422	510	590	2,100	<b>379%</b>
Potential population (000s)	480	489	489	546	843	831	860	1,100	1,150	<b>129%</b>
Effective population (000s)	175	182	223	229	330	416	470	578		<b>230%</b>
Nominal per capita	702	702	780	702	858	1,014	1,085	1,021		<b>45%</b>
effective (per annum)										
<b>Real per capita effective (per annum)</b>	<b>702</b>	<b>697</b>	<b>744</b>	<b>650</b>	<b>726</b>	<b>791</b>	<b>794</b>	<b>664</b>	<b>-</b>	<b>-5%</b>

Source: Authors’ calculations from Pham and Castel (2009), Table 1.<sup>11</sup>

<sup>11</sup> Pham, A. T., and P. Castel. 2009. “Social Assistance: Cash Transfer – Potential Impact of Decree 67”. VASS Social Protection Background Paper No.2. Hanoi: VASS.

The Government of Viet Nam has responded to inflation and social assistance in three ways. First, by periodic revaluation of Decree 67/2007 allowances – the last being in 2010 by Decree 13/2010. Second, by implementing new allowances specifically to reflect inflation needs – these were the Tet allowance in 2009 for all those households on the MOLISA poor list (Decision 81/2009/QD-TTg) and then subsequently the introduction of new regular additional social assistance elements: the ‘electricity subsidy’ and the ‘inflation allowance’ in 2010/2011. Consistent up-rating approaches across social assistance would remove the additional complexities that arise with the implementation and interpretation of new additional components.

## 5) Equity and Equality Considerations

The discussion so far on the design of social assistance has shown a considerable range of inconsistencies in design and an underlying complexity across different groups and approaches in a system that has low coverage of poor and low-income populations. Doing little for few in an inefficient way with questionable effectiveness could be considered an overall summary of the approach. Previous analysis of the overall social protection system has shown how the dominance of social insurance – providing contributory benefits to the higher income waged population – leads to an overall regressive impact (Evans et al., 2007). Currently, there are demands for reforms and differing interpretations of the role and potential of social assistance. Before looking at the implementation of the current scheme and of future options, we now discuss the design of the current scheme in terms of three over-riding considerations:

- horizontal equity: how differences in coverage and treatment combine to make similar people with similar income levels and needs very different entitlements (or no entitlement at all);
- vertical equity: how differences in coverage and treatment mean that the poor and non-poor receive differing entitlements; and
- Equality considerations.

### *Horizontal Equity*

Our discussion includes consideration of the feedback from policy makers and operational staff interviewees on several ‘hypothetical family’ scenarios that were created. These use a number of fixed hypothetical households where the composition, characteristics, and age of the individuals are kept consistent but differing assumptions are made about risks, events, and types of employment. Policy makers and staff were then asked to discuss and outline what social assistance package was available to different iterations of risk and of the hypothetical family.

The risk of disability and illness – where this leads to the inability to work of an individual is clearly a key element of social protection. For those in waged work, the system of sickness benefits and invalidity pensions is clear for income replacement, and access to healthcare is given on an individual basis to the socially insured worker. For those working in the informal sector, the expansion of voluntary health insurance is seen to allow access to

healthcare, but the only alternative to income replacement benefits are very limited social assistance benefits under Decree 67/2007. For those suffering from HIV/AIDS, there is a supplemental test of being in a MOLISA poor household, and for others with a disability they have to show not only that they cannot work but also that they cannot care for themselves.

Including people with HIV/AIDS in the design of social assistance is commendable, but Viet Nam has such very low levels of incidence that it focuses on the policy problem of ignoring the predominant risks of illness and injury for the majority of the workforce who are excluded from social insurance. Road traffic accidents are an obviously more common, if not predominant, source of injury and death (Hayes et al., 2009).<sup>12</sup> This is not to argue that 'road accidents' should be added to the list of conditions that qualify for social assistance, because improved regulation of and insurance of both drivers and vehicles is clearly a more comprehensive approach and a more preventative policy, but to illustrate the clear issue of horizontal inequity where people with exactly the same type of need from injury/terminal illness have different coverage for reasons that are not explained by risk profiling or prevalence. To cover a tiny minority of uncovered risk through social assistance when the majority of the risk of disability remains uncovered by social insurance or more general forms of insurance and regulation seems both inefficient as well as inequitable.

The risk of old age is a potentially large one for social assistance if the role of social assistance is to provide social pensions on the grounds of age rather than on a test of low-income/need. There are several reasons why issues of horizontal equity are hugely important for old age. The first is because 'retirement' is almost wholly endogenous to the socially insured – those who are in the informal sector and who in the main have lower incomes do not retire at a set age linked to their pension age but continue working until they are too old or ill to continue (or until their productivity and income is reduced to very low levels). Secondly, while low income in old age is an individual phenomenon, the current costs of supporting old age are not – they are primarily familial as the majority of old people with low incomes either live with members of their family or receive informal transfers from them. In this respect, determining horizontal equity is thus not simply a comparison of old individuals but a comparison of the needs and resources of the families that assist in their support. There is an inherent inter-generational exchange that exists *both* within social insurance 'pay-as-you-go' (PAYG) approach used in Viet Nam and in the informal familial support system – where today's working adults support their elderly parents and relatives (what can be termed as 'familial PAYG').

The risk of having low income when there are children in the household is, as previously discussed, not one that has been traditionally covered by social insurance. Social insurance provides wage replacement, and the underlying wages do not reflect family composition. Maternity leave and pay is, however, covered by social insurance. The risk of low family income while children are present is common across a wide spectrum of incomes: the arrival of children is at the point in the life cycle where wages have not reached their life-time peak, housing costs are at their highest point due to family size and loan profiles, and maternal

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<sup>12</sup> Hayes, A., Nguyen, D. C., and Vu, M. L. 2009. *Population and Development in Viet Nam: Towards a New Strategy, 2011-2020*. Hanoi: UNFPA Vietnam.



earnings are constrained by the need to care for children while education costs are at their highest and healthcare costs for children are additionally high. In western industrialised countries, the concerns for children are implicitly formed within a two-generation nuclear family and, while this is increasing common in Asia and Viet Nam, the responsibilities of raising children additionally exist alongside filial duties to additionally care for elderly parents. Simple life-time profiles are thus complicated by additional needs for familial support but, at the same time, elderly parents often provide a range of household and childcare tasks that assist in women's labour market participation.

Therefore, there is a good underlying reason to adopt horizontal equity as an approach to treat children as a public good since they will be the next generation of productive workers to ensure economic growth. There is also very good reason for focusing more on poorer children because the lifetime risk of low productivity and adult poverty during adulthood is much higher for poor children. Children without adequate nutrition, a good nurturing environment, good socialisation, and optimal education will be a significant drag on future economic growth. The 'return' on any investment on children is very high and especially so if it is based on early childhood when the foundations of future social, emotional and cognitive development are laid down. The first five years are crucial, and subsequent schooling can build on this formative period but can rarely remedy or compensate for cognitive or other developmental deficits.

Currently, Viet Nam has no programme that provides cash assistance to poor children. There is no horizontal equity, even across the poorest families. Only two programmes exist under Decree 67/2007: for orphans (poor and non-poor), and for children in poor single parent families. This means that similarly poor or poorer families with children who have two parents get no cash assistance! A major factor in the absence of help for children as a 'vulnerable group' is that child poverty is determined by parental income and there is no clear strategy for ensuring vertical equity in social protection.

### *Vertical Equity*

Current social assistance programmes give both to the poor (the majority of non-elderly Decree 67/2007 groups) and the non-poor (the war invalids, veterans, elderly over 80 who live in non-poor households). But the main approach of core social assistance in Decree 67/2007 has stipulated categorical small sub-groups of the poorest. Alternative and separate anti-poverty programmes for the remainder of the poor means that there is no comprehensive ability to address issues of vertical equity within the low-income population; of ensuring that those with lowest incomes have access to both cash support for daily needs alongside assistance in building human capital and productivity. Recently, programmes for the 'near-poor' have also arisen. The combination of these approaches, of providing with no reference to income, of providing to small sub-groups of the poorest and of providing non-cash services to the poor and non-poor makes for poor strategic approaches to vertical equity: there are too many gaps that result, too many considerations to take into account and too many contradictory approaches to reconcile for administrators. The issue of forming a more consistent approach to vertical equity is a pressing one for reform of social assistance

because the MOLISA Social Protection Strategy envisages social assistance developing to provide for “*All people with living standards lower than the minimum level*” (op-cit, p. 29).

Vietnamese policy makers are worried by the potential for widespread cash transfers to low-income households to create disincentives and to promote ‘dependency’. However, the design of programmes internationally has developed to minimise such risks, as discussed in Part 3. At the moment, the recent development of Decree 67/2007 programmes has produced contradictory outcomes because new spending has been spread over poor and non-poor groups. This has stretched the problem of vertical equity in social assistance delivery.

### ***Equality Considerations***

The Vietnamese Government has an impressive commitment to growth without growing inequalities. Gender and ethnic minority issues for equality have consistently been addressed in social and economic policy. However, in social protection and social assistance, there is a need to address equality issues beyond the simple first-order effects of income replacement and the effects on giving cash on the income distribution and income inequality. How does social protection, especially social assistance, address issues of inequality and thus ensure that currently poor populations can leave poverty and have sustainable non-poor livelihoods?

First, cash assistance on its own can have long-term beneficial effects on life-chances (Hanlon, Hulme and Barrientos, 2010).<sup>13</sup> There are several evidence-based reasons for this. First, cash safety nets protect against disinvestment and the loss of productivity when incomes fall to very low levels – cash support minimum living standards to maintain health and prevents the selling of basic productive assets such as livestock, seed stocks, and tools. Similarly, cash assistance supports continued attendance and enrolment in schooling and allows access to healthcare by covering elements of their costs (mainly fees and out-of-pocket expenses). But cash assistance can also promote better and more productive behaviour in low income households where risk aversion is common. Low-income households tend to have irregular and changing income, and this makes borrowing and indebtedness common to smooth periods of very low or no income, but cash transfers can assist in lowering debt burdens and increasing overall productivity by smoothing income and acting as collateral to improve access to better quality lenders. These effects have been observed in Viet Nam in the Oxfam cash transfer programme (Humphries, 2008)<sup>14</sup> as well as in international studies of household budgeting of poor households (Collins et al., 2009).<sup>15</sup> Reducing risk aversion allows individual earners to concentrate on fewer more productive activities and encourages households to use get higher return on any savings – rather than relying on cash liquidity. Put simply, cash transfers can assist in basic ex-ante *economic*

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<sup>13</sup> Hanlon, J., D. Hulme, and A. Barrientos. 2010. *Just Give Money to the Poor: The Development Revolution from the Global South*. Kumarian Press.

<sup>14</sup> Humphries, R. 2008. “Periodical Review of the Cash Transfers for Development Project”, Technical Report, Oxfam Great Britain in Viet Nam.

<sup>15</sup> Collins, D., J. Morduch, S. Rutherford, and O. Ruthven. 2009. *Portfolios of the Poor: How the World’s Poor Live on Two Dollars a Day*. Princeton University Press.

*security* that has a very high marginal value to the poor who are otherwise poorly resourced to deal with risk events when they occur (Dercon, 2006).<sup>16</sup>

Cash transfers also can have potentially adverse effects and act as disincentives to earn and save by substituting for earnings or modifying behaviour to save or earn less. Minimising the risks of disincentives is thus crucial to the design of cash transfers, especially in the level and form of transfers and their targeting approach, *but also means that cash transfers have to be accompanied by a range of services for some groups to ensure that the poverty alleviation effects and equality outcomes are maximised.* At the moment, Vietnamese policy sees two areas of anti-poverty services, i.e., education and healthcare, as supplemental to cash benefits. All other anti-poverty services (such as micro-credit, training, business, and agricultural development services) are viewed as alternatives to cash. *This approach means that the anti-poverty effects of both cash and services are not optimised.* Bringing together cash assistance and service provision into packages of assistance increases the potential for sustainable moves out of poverty and lower the risks of inter-generational and chronic poverty. This combined approach has far clearer links to aims of greater long-term reductions in inequality alongside contemporary reductions in the incidence of monetary poverty

The current sets of services that are linked to social assistance in the Vietnamese approach are subsidies for school education (including fee waivers, travel, and other bursaries) and healthcare (through free health-cards). However, the overall aim of these subsidies is primarily to ensure equality of access. *But equality of access does not ensure equality of treatment or equality of outcome.* For poor households, the differences between these approaches to improving access, treatment, and outcome is fundamental. Equality of access without equality of treatment is clearly one of the characteristics of the current approach: poor people are able to participate, but either opting not to in the face of uncovered costs (in the case of healthcare) or a lower quality of provision (in the case of schooling). Improving equality of outcome in the provision of services, which provide human capital based services, is essential for them to have medium to long-term effects on poverty – so that the children of poor households are not poor themselves when they become adults, for instance.

Service provision as well as access through social assistance has to be designed to meet the specific needs of the population and the overall aim of policy. For instance, if schooling for poor children is designed to promote equality of outcome, then the inputs in the classroom for poor children should be designed to bring them up to the performance of non-poor children, reducing inequalities in outcome through improved levels of provision and treatment.

Further discussion of service costs and funding will be more fully explored in the section on ‘Implementation’ below. But it is clear that the current assumptions should not be seen as meeting a necessary minimum standard for poverty alleviation.

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<sup>16</sup> Dercon, S. 2006. “Risk, Poverty and Growth: What do we know, what do we need to know?”, QEH Working Paper Series – QEHWPS148, University of Oxford.

## PART 2

### Implementation And Performance of Social Assistance

Designing good policy is not enough. Policy makers can make ‘decisions’ to introduce a programme, but the real test of policy is how far that programme is successfully implemented. The previous Table 1 above showed that MOLISA acknowledge that there is a large gap between the ‘potential’ and ‘effective’ populations of beneficiaries of social assistance. Many poor people are theoretically entitled but receive nothing – around half (48 percent) missed out in 2007, the latest figures available.

The design of good future policy also relies on good implementation of existing programmes. It is here that Viet Nam faces very substantial problems in designing better social assistance programmes for the future *because the information from and evaluation of the existing programmes are extremely limited.*

#### 1) Poor Budget and Expenditure Information

While MOLISA is the policy Ministry, implementation and funding of social assistance programmes are devolved to Provincial and District levels and local communes in the end have very significant say on implementation in the field. This means that centrally determined budgets are inputs into lower level decisions on total resources at lower Provincial levels where resources for social assistance are part of a large social budget that includes education and health areas. The result is that it is very difficult to establish out-turn spending figures for social assistance in general and impossible to distinguish spending on elements of social assistance programmes in particular.

The information on ‘budget’ is thus the only form of estimates of expenditure that are available, and even these are not brought together into any comprehensive overview of social assistance by the Vietnamese government. Such combined budgets and expenditure profiles, which could be broken down into clear sub-programme budget and expenditure lines, would be an essential requirement for detailed planning of future social assistance policy.

The most comprehensive data come from commentaries. Castel (2009)<sup>17</sup> provide excellent overviews represent the ‘best practice’ on social protection budget analysis. Here estimated figures on budget for 2009 in Table 3 show that regular transfers under Decree 67/2007 are a very small proportion of all spending on cash transfers – just 8.6 percent and that the majority of social assistance spending is taken by the meritorious groups of war injured and survivors, etc – who accounted for 57.9 percent of all regular cash social assistance payments. The one-off payments for natural disasters under Decree 67/2007 are over double the regular cash allowance spending under the same Decree, perhaps because of high incidence of natural disasters in that year.

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<sup>17</sup> Castel, P. 2009. “Fiscal space implications of the crisis for social policy and social protection in Viet Nam”, Background Paper for Conference on The Impact of the Global Economic Slowdown on Poverty and Sustainable Development in Asia and the Pacific, 28-30 September 2009, Hanoi.

**Table 3: Budget Estimates for Social Assistance, Related Services and Poverty Programmes 2009**

<b>Cash Transfers</b>	
Decree 67	Billion VND
Regular transfers	2,036
One-off transfers for natural disasters	4,879
One-off Tet bonus	1,700
Social Services	1,343
War Invalids/Survivors and National Merit	13,691
<b>Total</b>	<b>23,649</b>
<b>Health Insurance</b>	
For Poor	3,789
For Near Poor	249
Children aged <6	2,013
<b>Total</b>	<b>6,051</b>
<b>Education Subsidies</b>	
<b>Total</b>	<b>1,432</b>
<b>Targeted Poverty Reduction Programmes</b>	
NTPPR & P135	4,564
Poorest 61 Districts	1,525
Housing Support	3,600
<b>Total</b>	<b>9,689</b>

Source: Castel 2009, Table 3.

In total, spending on all these elements comes to around 2.5 percent of GDP but there is a considerable proportion that is spent on non-poor households and individuals alongside explicit poverty targeting – mostly of programmes and services rather than cash support.

The main evidence on what is spent on social assistance comes from budget allocation data, not from expenditure. This is because the central MOLISA budget allocation is given to provincial governments who then put in additional resources and frame the local budgets across social assistance, education, health, and other sectors into a wider definition of ‘social spending’. In this approach, a comprehensive and accurate assessment of what is actually spent on cash social assistance benefits is lost. Local district and commune level administrative bureaus hold more detailed records of allocations, beneficiaries, and spending, but these are kept at the local level in non-consistent ways.

Central budget allocation figures are often presented as giving numbers of ‘beneficiaries’, but it is clear that these populations are assumptions in allocating the budget rather than a report on who receives benefits. Time-series and detailed breakdowns of such allocations for the Decree 67/2007 budget allocation are available from MOLISA (MOLISA, 2010), but are unpublished. Table 4 shows the allocations of budget and ‘beneficiaries’ for the period of 2006 to 2010, overlapping with the period already shown previously in Table 1. The 2006-2010 period covers both the Decree 67/2007 expansion of eligibility and rise in benefit levels in 2007 and then the subsequent up-rating of benefit levels in 2010 under Decree 11/2009.

**Table 4: Budget Allocation for Regular Cash Transfers under Decree 67/2007 (as amended) 2006-2010**

	2006	2007	2008	2009	2010
Beneficiaries (000s)	480	1,016	1,254	1,210	1,439
Budget (billion VND)	431	1,682	2,076	2,003	3,575
Nominal per capita (1,000 VND)*	897	1,656	1,656	1,656	2,484
Basic allowance (1,000 VND per month)	65	120	120	120	180
<i>Per capita budget as multiple of basic allowance*</i>	<b>13.8</b>	<b>13.8</b>	<b>13.8</b>	<b>13.8</b>	<b>13.8</b>

Source: MOLISA 2010; \*Authors' calculations

If the budget is divided by the number of projected 'beneficiaries' to calculate a per-capita allocation figure, it is clear that a consistent central allocation formula appears to be used as such per-capita allocation figures are a constant multiplier of the underlying basic allowance rate in every year: the multiplier is 13.8. This suggests that there is a poor underlying ability to adapt central budgets to changing population based demand. For instance, the reduction of the age of entitlement to regular cash assistance from 90 to 85 in 2001 and from 85 to 80 in 2010 would mean that the composition of the overall caseload for social assistance both grows in number but also changes in characteristics - more potential claimants for the basic 180,000 VND allowance compared to disabled and orphans who qualify for higher levels of allowances. However, a fixed multiplier - apparently 13.8 - would be unable to adapt to changes in the composition of the caseload and central MOLISA is pushing the necessary readjustment of budgets to meet changing caseloads down to provincial and lower levels.

The detailed breakdown of sub-groups of the budget allocation for 2008 and 2009 are also available from MOLISA and are shown in Table 5.

**Table 5: Sub-group Beneficiary Budget Allocations for Decree 67/2007 in 2008-2009**

Beneficiaries	Budget shares		Beneficiary shares		Per-Capita Allocation	
	%		%		(million VND per annum)	
	2008	2009	2008	2009	2008	2009
Orphans (orphanages)	4.5%	4.2%	4.9%	4.5%	1.49	1.49
Elderly	48.1%	52.9%	53.2%	57.9%	1.47	1.45
Disabled & HIV	36.0%	32.4%	31.7%	28.3%	1.85	1.81
Adopted orphans	3.3%	2.9%	1.9%	1.6%	2.91	2.91
2+ disabled person hhlds	1.3%	0.8%	0.7%	0.5%	3.03	2.94
One Parent Family Households	6.8%	6.8%	7.6%	7.3%	1.46	1.47

Source: Authors' calculations from MOLISA (2010)

Table 5 shows that over 85 percent of regular cash social assistance goes to elderly and disabled people. It confirms that elderly shares of the caseload rose from 52.2 to 57.9 percent in only one year between 2008 and 2009 and that the share of the budget for this group rose from 48 to 53 percent of all regular social assistance. This growth in underlying demand from elderly people can be expected given the underlying demographic pressures from a rising elderly population and the decision to expand coverage to a larger cohort. The implicit rising demand, purely from demographic growth and ignoring incomes or needs of the elderly, will continue. Reducing the age threshold from 85 to 80 gives rise to a underlying annual increases of 4 percent in demand.

It is not clear that fiscal resources exist to meet this growth in demand. Indeed, MOF allocations for social assistance in 2011 were not agreed to meet increased demand and there is a clear risk of demand from the elderly squeezing resources from other groups of social assistance – which, given that the means-test for elderly people aged 80 and over is less stringent, could mean a risk of increasing allocation from poor to non-poor groups within the social assistance budget allocation.

With fixed budget constraints, no underlying inflation proofing of the budget and a non-transparent allocation across groups, the outcome in spending (in nominal terms) shows falling nominal per-capita spending for elderly and disabled groups and constant spending for orphans and one parent families between 2008 and 2009, even though these groups represent small budget and caseload shares for social assistance.

The budget and beneficiaries for emergency social assistance payments under Decree 67/2007 are shown in Table 6. Trends in such assistance are, in the main, demand-led from the incidence of natural disasters (such as floods and cyclone damage). Overall, the number of households receiving such emergency assistance has grown over time, 491,000 in 2010 compared to 391,000 in 2006, which was a 25-percent growth.

**Table 6: Budget and Beneficiaries of Emergency Assistance under Decree 67/2007, 2006-2010**

	2006	2007	2008	2009	2010
Number of receiving households	390,977	354,477	347,499	436,919	491,401
Number of receiving people	1,642,059	1,488,776	1,424,139	1,520,298	1,831,484
Total tonnes of rice for emergency supports	12,800	63,515	44,700	58,920	76,066
Budget emergency support (billion VND)	922	717	890	1,009	1,065

Source: MOLISA (2010)

No budget or beneficiary data were made available for this review by Ministry of Health (MoH) or Ministry of Education and Training (MoET) and we are unable to assess trends in education and healthcare subsidies associated with social assistance.

## 2) Local level Operation and Interpretation

Evidence from evaluation of poverty programmes and recent GIZ-MOLISA discussion (Giang et al., 2011)<sup>18</sup> of local implementation of social assistance and poverty programmes suggests that local administrators employ a number of ways to interpret and implement the national rules.

The complexity and (sometimes) contradictory targeting approaches are often set aside to allow local allocation decisions to be based on local level assessments and a sense of fairness in sharing entitlements across households. Sometimes the difference between ‘poor’ and ‘non-poor’ households is not obvious and an allocation approach that tries to spread the benefits widely rather than apply them rigorously is more sustainable and defensible.

<sup>18</sup> Giang, T. L., Nguyen, T. N., and Le, M. G. 2011. “Review of Social Transfer Policy Implementation in Vietnam”. Hanoi: GIZ and MOLISA

Community-level decisions on poor-list registration are reported to be open to local level influences (see, Giang et al., 2011). New approaches and methodologies following the adoption of the 2010 revised poor list has meant that new survey evidence on household circumstances should be informing more recent local poverty assessments. This may address some of the earlier findings in the evaluation of NTPPR where over 40 percent of beneficiaries of those poverty programmes were estimated to be non-poor (Jones et al., 2009).<sup>19</sup>

The budget for social assistance at the local level is reported as having no defined element for administration costs (such as identification, enrolment, assessment, and payment) and local cadres tend to have multiple programmes to implement. This leads to inefficiencies, because staff resources are largely fixed and the number of programmes has increased, especially so since 2009 and the introduction of inflation and electricity subsidies.

Payment systems for social assistance are recognised as being slow and inefficient and both long delays between assessment and payment and irregular payments are often experienced (Schüring et al., 2010).<sup>20</sup>

Recent evidence from Giang et al., (2011) on the operation and implementation of social assistance and poverty programmes found several problematic aspects of local operation.

First, there were many agencies involved with little co-ordination and this gave rise to problems of both effectiveness and efficiency, *“given the absence of a single agency in charge from the central to local level, it has been very difficult to manage their implementation effectively”* (ibid, p.2).

Second, the plethora of programmes within social assistance and across social assistance and poverty reduction programmes makes for complexity and a burdensome administrative overheads. For instance, *“in An Giang, there are as many as 95 different policies related to social protection programs currently implemented within the province by different departments including DOLISA, DOET, DOH, DARD, and CEMA. Many of them are actually just amendments or supplements to previously adopted policies, which makes them very difficult to implement.”* (ibid, p.2)

Third, central policy advice and co-ordination is poor and combined with multiple agencies and complex and administratively burdensome approaches makes administration weak and slow: *“while many decisions have been issued, subsequent circulars providing guidance on how these decisions should be implemented often are introduced very late in the process, which causes delays”* (ibid p.2)

Considering more detailed elements of social assistance, the design of programmes around criteria of prevention rather than income protection, Giang et al., (2011) suggested that in the recent periods of economic crisis or high inflation, there was no structural response to allow scalable countercyclical responses through social assistance, and instead the government

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<sup>19</sup> Jones, R., Tran, T. H., Nguyen, A. P., and Truong, T. T. T. 2009. “A Mapping Exercise Poverty Reduction Programmes and Policies in Viet Nam”. Hanoi: UNDP Vietnam.

<sup>20</sup> Schüring, E., N. Nguyen, and H. Nguyen, H. 2009. “Optimizing the disbursement mechanism of social assistance in Viet Nam”, mimeo. Ha Noi: GTZ and MoLISA.



tended to apply one-off, incremental, and temporary measures rather than comprehensive and sustainable approaches.

On the ground, the beneficiaries of programs/policies were observed to be identified using eligibility criteria in a rather complicated process. In practice, determining eligibility was very problematic as *“there is often a very fine line between beneficiaries and non-beneficiaries, particularly between the poor and non-poor.... even when eligibility criteria are properly applied it is still difficult to avoid inequity between beneficiaries and non-beneficiaries”* (ibid, p.3) The problem of identification of poor households at the local level also faced the problem of over-subscription because households put themselves forward to be included on the MOLISA poor list in order to gain access to benefits. With infrequent updating of the poverty line, the distinction in resources of those on and off the list was unclear. In general, accurate identification of different sources of income in localities also lead to difficulties as informal working and exchange and other aspects that were difficult to measure influenced outcomes. Informal factors and local political influences were also seen to affect performance, *“family and village/commune relationships have a significant influence on the process of identifying and verifying eligible households”* (ibid, p.3).

The extension of social assistance programs was seen not to be matched with changing local budgets and both entitlement and the levels of benefit was not implemented according to the rules because local allocation approaches over-ruled national rules. Even where the national scheme was attempted and local budgets were sufficient, often delays meant that there was a coverage of need that was consistent with the design of social assistance. *“In fact, given budget constraints, target groups are often carefully screened in order to avoid duplication”* – so that local allocation saw it as a priority to achieve some form of allocation based equity where as many households as possible got *something* rather than poor households receiving their correct entitlement. Even so, all people in real and who qualified did need receive assistance. *“For instance, poor households whose houses had been built with assistance under Decision 134/Decision 1592 and has become degraded are not eligible to receive further assistance under Decision 67/2007”* (ibid, p.4).

Payment systems at the local level were seen to be inefficient and perform poorly. *“Since there is not yet in place a payment/service delivery system at the local level, it is very difficult to get the assistance to the eligible people once the policy is adopted and becomes effective. The state management function and the ST service delivery function are found not clearly separated. In most localities, government cadres are in charge of both identifying and updating target groups and getting ST payments to them. This may result in cadres being overloaded or pose the risk of them abusing policies for personal interest or implementing policies ineffectively...”* (ibid, p.4).

Much of the administrative problems in implementation were down to low levels of staff capacity as well as weak systems with weak supervision and reporting. *“The contingent of local cadres remain weak and lacking while there is not an effective and appropriate system in place to monitor and oversee programming budget allocations. Most programs/projects rely on administrative reports from grassroots levels which are often insufficiently accurate and slowly updated. In addition to routine administrative reporting, state management agencies send annual supervisory missions to grassroots levels. However.... they can hardly be covered entirely by these missions”*. With the effects of existing decisions on expanding entitlement the position of implementation was

seen as potentially worsening in the future, “As a result tasks assumed by local cadres become heavier. However, remuneration arrangements for them are not accordingly adjusted or not made in a timely manner in order to motivate their work” (ibid, p.4).

### 3) Performance of Current Social Assistance Programmes

How do the design and implementation characteristics of these programmes affect outcomes? We turn to the VHLSS 2010 to profile and map the incidence of social assistance receipt.

There are several ways of identifying poor and low-income populations. We use two definitions of poverty: (i) *the GSO poverty measure* which calculates a minimum level of consumption needs based on food (2100 calories per person) and other essential items; (ii) *the MOLISA poverty list entry* recorded for those households who respond in the survey<sup>21</sup>. However, these poor populations are a small part of the overall population and additionally, we use the whole population of Viet Nam to provide profiles based on their position in the overall income distribution. Sample sizes mean that we choose profiles by decile groups (each ranked tenth part of the income distribution) where possible but adopt quintiles (ranked fifths of the income distribution) where appropriate.

VHLSS in 2010 allows us to compare the populations served by social assistance according to their underlying poverty profile. MOLISA poor are the group identified by local cadres and placed on the ‘list of the poor’, while GSO poor are the household that the survey records as having resources less than the GSO poverty line (providing 2,100 calories per day and other essential needs).

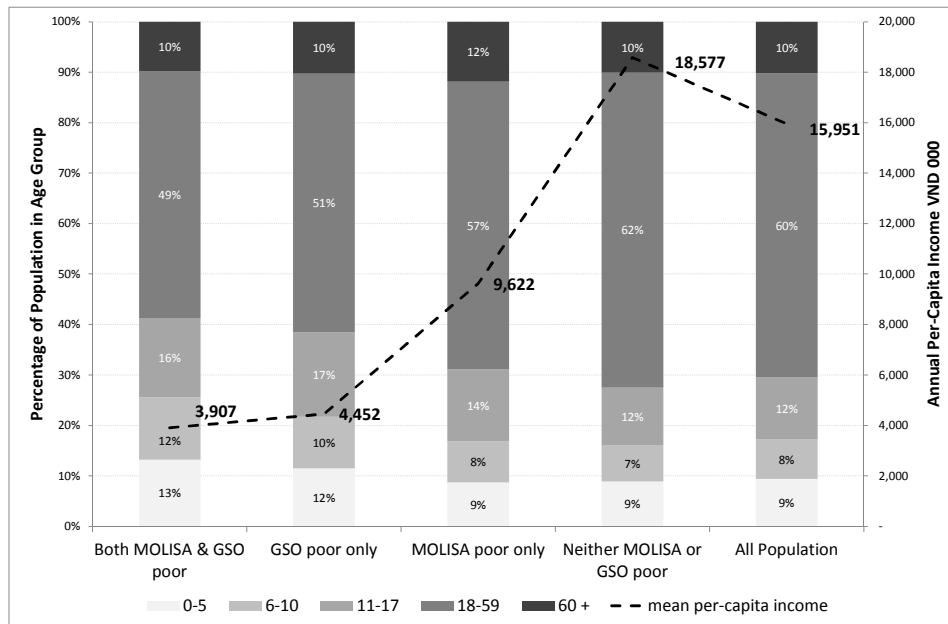
Figure 2 shows the ‘poor’ groups that result from these different approaches to poverty: the group who is both poor by GSO measure and who are listed as MOLISA poor, the group that is purely GSO poor, the group that is solely MOLISA poor and the majority of the population who have neither GSO or MOLISA poor status.

The average per-capita incomes of the poor groups are also presented in Figure 2. The poorest are those who are identified both as GSO and MOLISA poor – with average per-capita annual incomes of 3.9 million VND. Those who are not MOLISA but only GSO poor have slightly higher incomes, nearly 4.5 million VND. But those who are solely identified as MOLISA poor have much higher incomes, 9.6 million VND on average. This confirms some of the problems of implementing the MOLISA poor list discussed earlier in this Section – many are not ‘poor’ in terms of income or resources.

#### Figure 2: Poverty Groups: Income Levels and Demographic Characteristics

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<sup>21</sup> At the time of writing we were unable to use consumption data in the 2010 VHLSS to replicate GSO poverty lines. We have used income data to replicate poverty headcounts that match those using the GSO consumption measure.



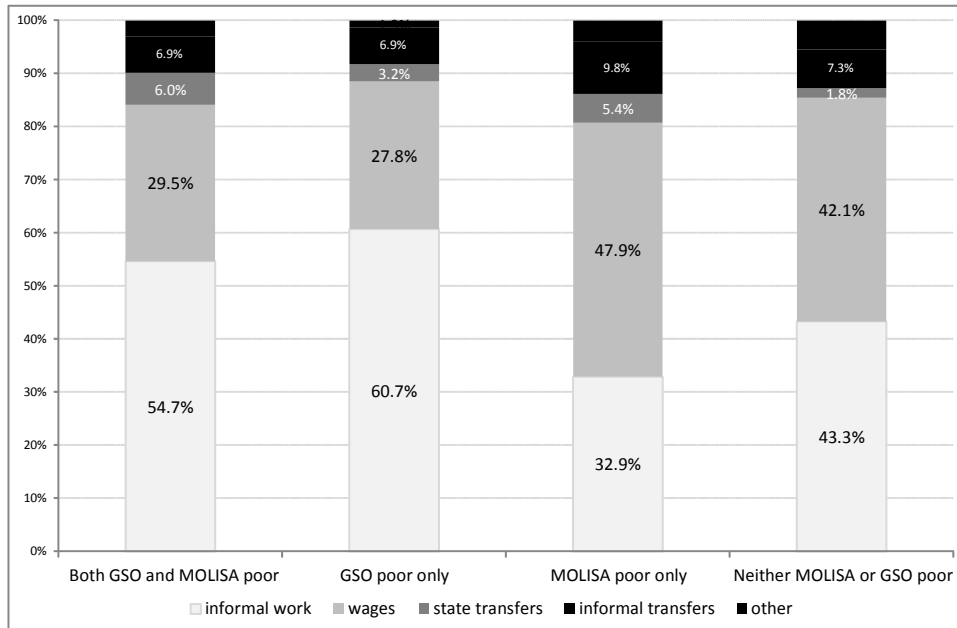
Source: Authors' calculations from VHLSS 2010

The poor have different characteristics. The poorest (both MOLISA and GSO poor) have the largest proportions of children – overall 41 percent of this group are aged under 18, as per-capita income rises across the groups the proportion of children falls. On the other hand, the proportion of poor who are elderly is fairly consistent across poor and non-poor populations (at 10 percent), apart from those who are ascribed solely to MOLISA poor list status where 12 percent are elderly.

Figure 3 shows the income composition across the poor groups. Informal incomes from work (in agriculture, household business and trade or in other non-waged employment) dominate the incomes of the poorest groups – 55 percent of the income of the group who are both GSO and MOLISA poor, and 61 percent of the income of those who are solely defined as GSO poor. On the other hand, it is wages that make the largest source for the MOLISA poor list group who are not also GSO poor, suggesting selection into the MOLISA poor list for those with formal waged employment – a finding that is difficult to explain on rational grounds but that perhaps demonstrates that those with incomes that have difficult standards of proof, have greater difficulty accessing MOLISA poor list status.

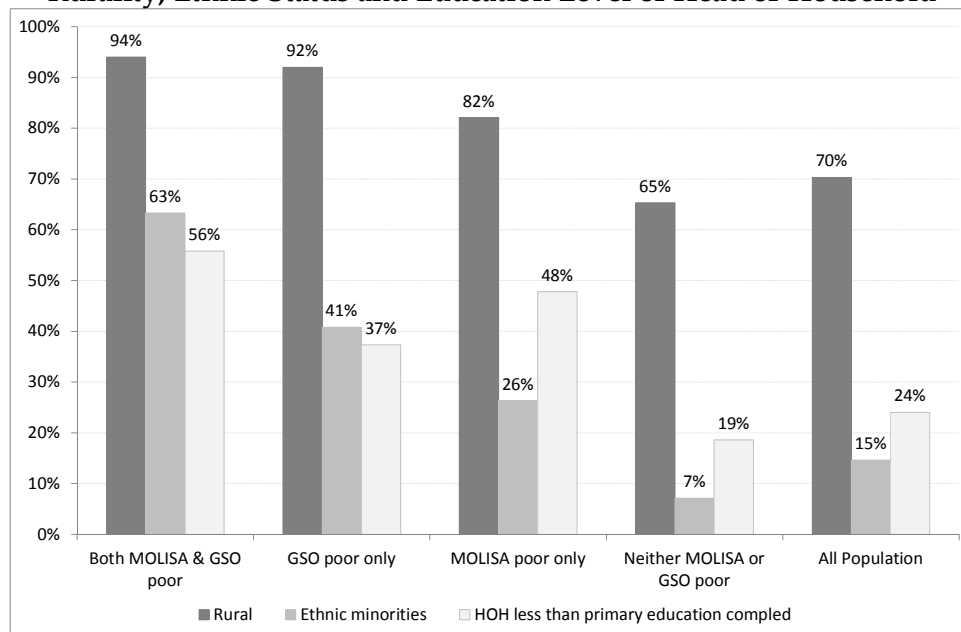
Figure 4 shows some other characteristics of these poor groups: rural location, ethnic minority status (neither Kinh or Chinese), and the head of household having low educational qualifications (less than primary level qualified). Across the poor groupings earlier used in Figure 2, there is monotonic decline in the proportion of poor populations who are rural and ethnic minority from GSO and MOLISA poor (the lowest income poorest group) to GSO poor only to MOLISA poor only as average income increases. MOLISA poor list who are not GSO poor have higher levels of lowly educated heads, and this perhaps reflects in part the higher proportion of elderly (who are a cohort most likely to have not had full school educations), but may also reflect other selection criteria used to compile the MOLISA poor list.

Figure 3: Income Sources of Poor Groups



Source: Authors' calculations from VHLSS 2010

**Figure 4: Characteristics of Poor Populations:  
Rurality, Ethnic Status and Education Level of Head of Household**



Source: Authors' calculations from VHLSS 2010

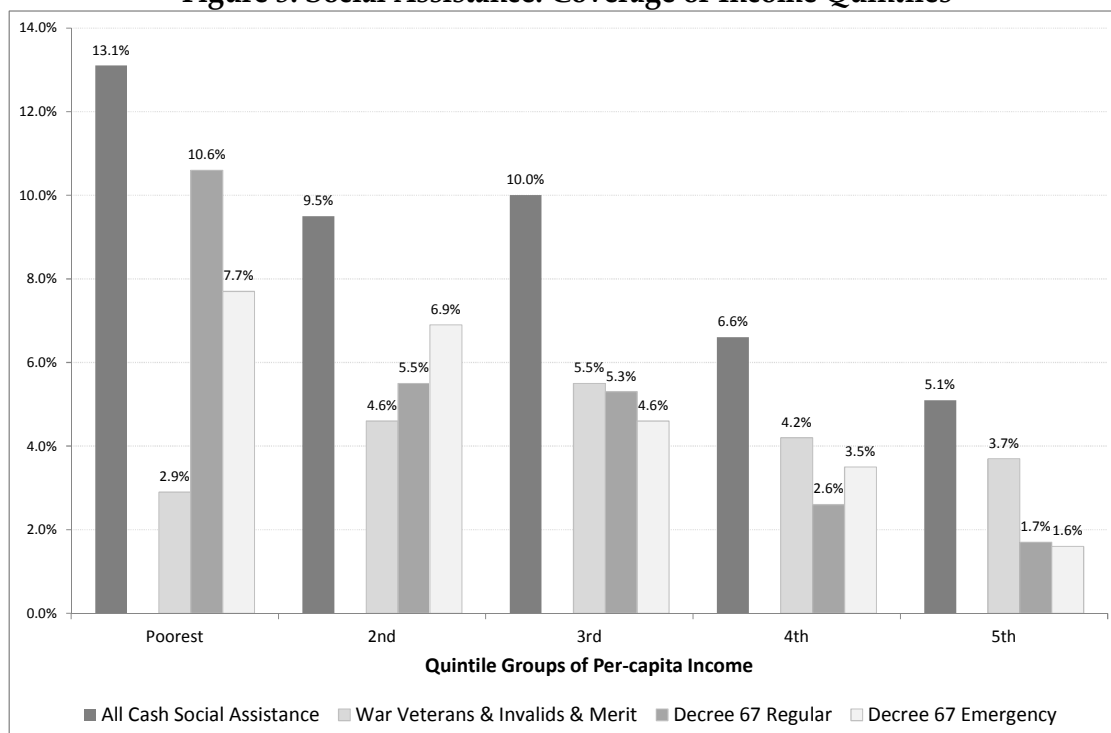
#### 4) Who received Social Assistance in 2010?

Two criticisms of Viet Nam's social assistance system have been repeated in commentaries discussed earlier: first, that it has poor coverage of the poor, and second, that it is poorly targeted. What evidence is there in 2010 of these problems?

Figure 5 shows the coverage of all types of cash social assistance payments across quintile groups of the population. Just 13 percent of the poorest quintile group receive some form of social assistance – this bottom poorest 20% of the population contain the GSO poor (14.8 percent) and a group of near poor. Coverage of this poorest quintile is highest for regular

payments from Decree 67/2007 – but only 11 percent of the quintile receive such payments. A further 8 percent receive emergency payments. Regular awards to war veterans, invalids and national heroes are not means-tested and there is no expectation that they are progressive in nature or cover the poorest – even so almost 3 percent of the poorest quintile receive these kinds of benefits.

**Figure 5: Social Assistance: Coverage of Income Quintiles**



Source: Authors' calculations from VHLSS 2010

We know from earlier comparisons of MOLISA and GSO poor groups that MOLISA poor list households are not perfectly aligned to low income. Therefore, the coverage rates for these two groups of poor populations reflect these underlying differences. Table 7 shows the coverage of the two poor groups. There are no large differences in coverage rates, both GSO and MOLISA poor groups are covered poorly – just 7-8 percent of them receive any cash allowance, of which 3 to 4 percent receive regular payments from Decree 67/2007. It is noticeable that war veterans and national heroes have better coverage than programmes that are designed to cover low income or poor groups.

**Table 7: Coverage Rates of Social Assistance for GSO and MOLISA Poor**

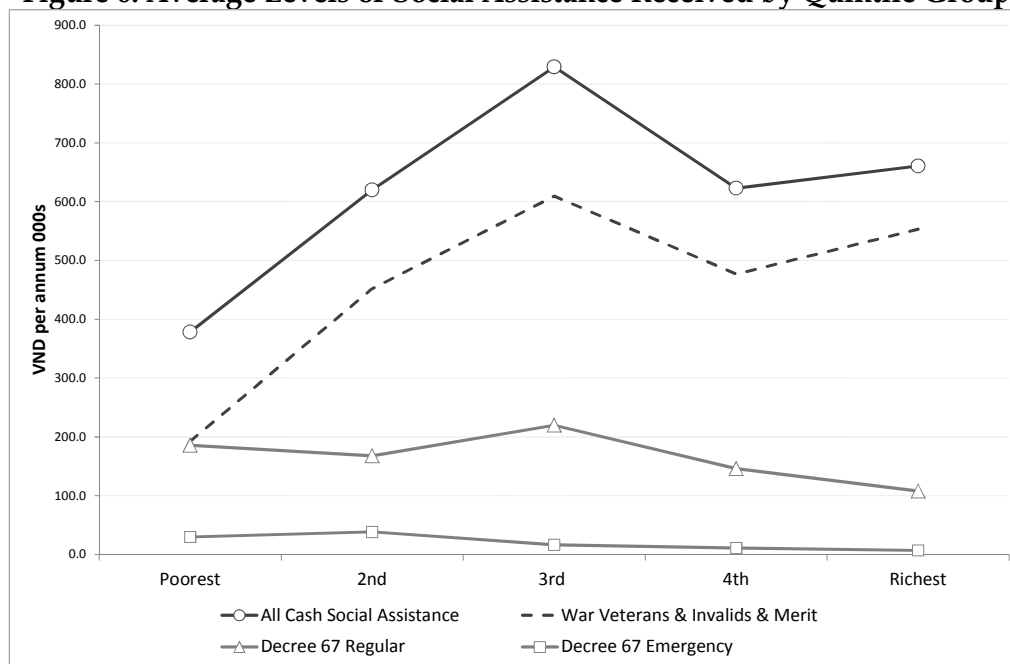
	All Cash Social Assistance	War Veterans & Invalids & Merit	Decree 67 Regular	Decree 67 Emergency
GSO Poor	7.9%	4.5%	3.9%	4.1%
MOLISA Poor	7.2%	4.3%	3.3%	4.4%

Source: Authors' calculations from VHLSS 2010

The amount of social assistance received also differs across the income distribution and between poor and non-poor groups. Figure 6 shows the average levels of social assistance cash payments received across the five income quintile groups. Overall, the combination of all cash social assistance shows much higher levels are paid to the middle quintile group

compared to the poor, but this profile is largely shaped by receipt of war veterans, invalids and national heroes payments that are not means-tested and not designed to respond to low income. The Decree 67 payments are flatter in profile as incomes rise, but regular cash awards appear to be higher in the middle quintile group and then decline in amount for the highest two quintiles: the payments to the richest quintile are approximately ½ the amount paid to the poorest.

**Figure 6: Average Levels of Social Assistance Received by Quintile Group**



Source: Authors' calculations from VHLSS 2010

Table 8 shows similar comparison of average awards by poor and non-poor groups. Overall, Table 8 shows that larger awards go to the poor overall, but that Decree 67 payments, both regular and emergency are paid at higher levels to the non-poor. The driving factor in making social assistance payments larger for the poor is the fact that payments to war invalids and national heroes are much higher levels and thus when paid to poor individuals raise the overall levels of benefits paid to the poor.

**Table 8: Social Assistance Cash Allowance Amounts by Poor and Non-Poor Status**

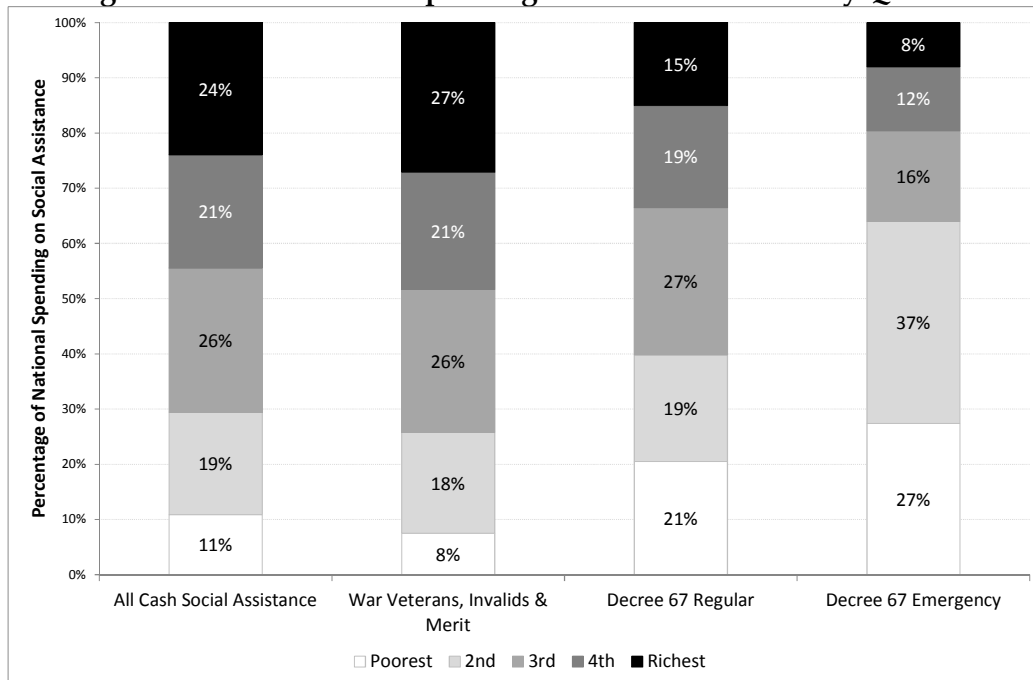
	All Cash Social Assistance	War Veterans, Invalids & Merit	Decree 67 Regular	Decree 67 Emergency
<b>GSO Poor</b>				
poor	673	514	159	17
non-poor	349	161	189	35
<b>MOLISA Poor</b>				
poor	637	491	146	16
non-poor	550	240	310	50

Source: Authors' calculations from VHLSS 2010

Our analysis of coverage has shown that small proportions of the poor are paid social assistance, and considerable proportions of non-poor higher income groups also receive payments. At the same time, the levels of social assistance paid are higher for the higher

income groups. This pattern of coverage will lead to poor targeting of the overall system. In Figure 7, we show the distribution of total spending on social assistance across the income quintiles.

**Figure 7: Distribution of Spending on Social Assistance by Quintile**



Source: Authors' calculations from VHLSS 2010

Figure 7 shows that the majority of spending on social assistance goes to higher income groups. Overall, only 11 percent goes to the poorest quintile group, while this rises for the targeted Decree 67/2007 payments to 21 percent for regular and 27 percent for emergency payments there is little to suggest that the design and implementation of the system combine to ensure that social assistance is mostly spent on non-poor households.

The technical terms, 'leakage' and 'inclusion error' are not easily applied because of the range of targeting approaches discussed in Part 1. We have seen that MOLISA poor list households (those who are not also GSO poor) have much higher incomes and many of the social assistance transfers are designed to be allocated by inclusion on the list. Any misallocation to non-poor households results primarily from the weakness of the underlying 'registry' or poor list. However, other parts of social assistance, such as regular Decree 67/2007 allowances to elderly people aged 80 and over, have a much more ambiguously means-tested approach (if they are means-tested at all other than by using a pension test). Given, the weakness and inconsistency in targeting design, it is difficult to establish how much is poor design and how much is poor implementation and, thus, together how much of the problem is actually unintended 'leakage'.

Using an assumption that the 'targeted' schemes of social assistance are designed to go to poor or 'vulnerable' groups, however, it is easier to report the proportion of the budget from

these schemes that goes to ‘non-poor’ groups. Table 9 gives these figures.<sup>22</sup> There are 84 percent of regular and 75 percent of emergency payments that go to those who are no ‘GSO Poor’. Additionally, but more difficult to interpret because of underlying higher incomes for MOLISA poor list groups, 80 percent of regular and 73 percent of emergency payments go to people who are not ‘MOLISA poor’.

**Table 9: ‘Leakage’ Rates of Spending on Social Assistance to Non-Poor Groups**

	Decree 67 Regular	Decree 67 Emergency
Non GSO Poor	84%	75%
Non MOLISA Poor	80%	73%

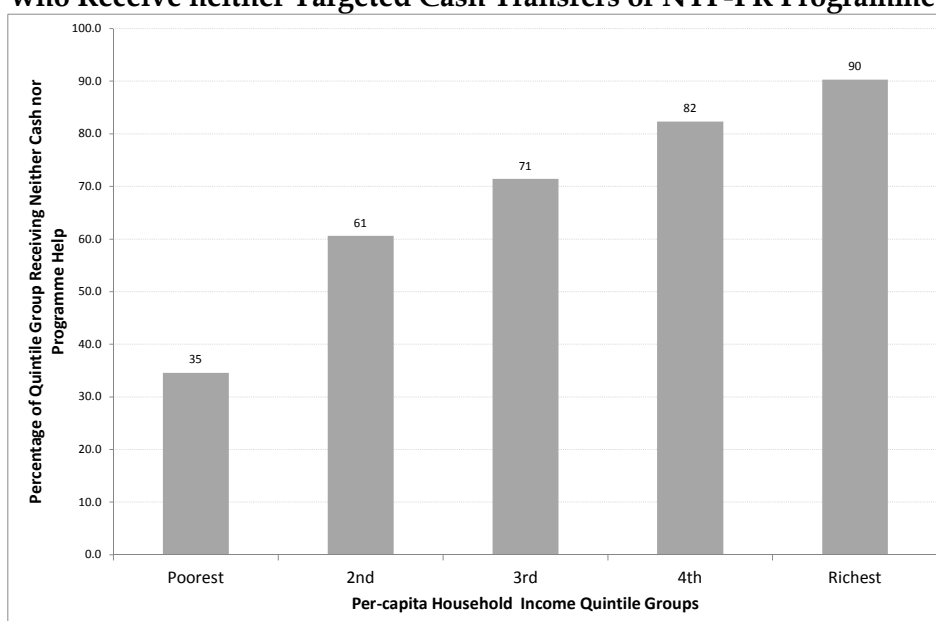
Source: Authors’ calculations from VHLSS 2010

However, one of the fundamental approaches on Vietnamese social policy for the poor is the distinction between cash and services. Cash transfers to the poor are seen as a small part of anti-poverty policy and it may be that the poor who receive no cash allowances are provided with services instead.

### 5) Do Anti-Poverty Programmes alongside Cash Transfers provide a real ‘Safety Net’?

NTP-PR programmes provide loans, business development, training and other services that can improve the productivity of poor and low-income households and help them escape poverty. It is sometimes assumed (incorrectly in most instances) that such an approach is more effective at reducing poverty than provision of cash. Figure 8 shows the combined coverage of anti-poverty and *targeted* social assistance (regular Decree 67/2007 payments) to see how far overall coverage of programmes occurs across the income quintiles.

**Figure 8: Proportion of Income Quintiles who Receive neither Targeted Cash Transfers or NTP-PR Programmes**



Source: Authors’ calculations from VHLSS 2010

<sup>22</sup> We do not include war veterans, invalids and national heroes payments as these are fundamentally not designed or intended to be pro-poor or to vulnerable groups.



Figure 8 shows the percentage who receive neither targeted cash assistance or NTP-PR/HEPPR programmes. In other words, it identifies the limits of any safety net coverage by showing the gap that is not covered. Coverage of the poorest quintile is far better overall when cash and programmes are combined but over one third of the poorest quintile, 35 percent, still receive no assistance. On the other hand programmes continue to extend upwards across the income distribution – 39 percent of the 2<sup>nd</sup> quintile and 29 percent of the middle quintile still receive ‘targeted’ programmes – either cash or services – that are primarily designed for poor and low income vulnerable groups. Readers are reminded that we have removed cash transfers for war invalids, veterans and national heroes and emergency payments to ensure that this analysis focuses more directly on allegedly ‘pro-poor’ programmes.

When we compare the two poverty groups, the GSO poor have 69 percent coverage by the combination of cash social assistance and NTP-PR programmes (i.e., 31 percent have no safety net), but MOLISA poor have 98 percent coverage (i.e., only 2 percent have no ‘safety net’). But MOLISA poor status is part of the allocation process and being labelled MOLISA poor and receiving a programme are completely endogenous and cannot be justified as an independent measure of coverage. Given that we know that MOLISA poor have much higher incomes (if they are not also GSO poor) an independent poverty measure based on income or consumption levels is a more reliable and robust measure of coverage of the poor.

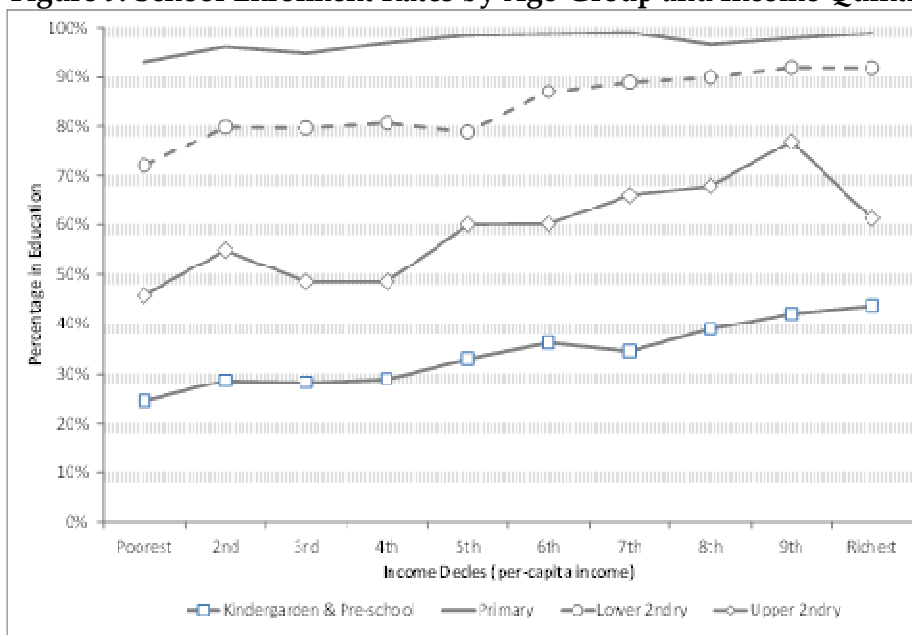
But again, this combination of cash transfers and poverty programme is not the full extent of service provision to low-income and poor groups because alongside cash and anti-poverty programme services are the education and healthcare subsidies that are given to poor and near-poor households. It should also be recognised that these subsidies are mainly in the form of reduced or waived user fees for services. In Part 1, we discussed how such subsidies may not reflect actual costs and may only partially cover incurred costs, and how far poor households may still face considerable problems of equity of treatment and outcome even if such subsidies ensures equality of access. Keeping these caveats in mind, how do such service subsidies provide assistance to low-income and poor groups? In the next two sections, we will discuss them in detail.

## **6) Education Subsidies**

Given that poor households face different opportunity costs in enrolment of their children and their attendance at school, it is best to first outline the overall enrolment rates for the different levels of schooling (using the age of child as a proxy of school level). Figure 9 shows that primary enrolment rates are very high at 90 percent and over, but are lower for the poorest decile. This may represent remote and mountainous areas where school travel is problematic. These factors should be part of the policy considerations in designing subsidies to ensure that poor children participate equally (i.e., subsidies should be specific to needs and include travel, boarding and other relevant considerations). However, of more concern is the large income gradient in enrolment in pre-school education, where only 24 percent of the poorest decile children are enrolled. Early development is crucial for long-term anti-poverty effects and enrolment in pre-school should be widened significantly for poor and near-poor children to ensure optimal developmental outcomes. Figure 9 also shows clear

income gradients in lower and upper-secondary enrolments with poorer children less likely to enrol.

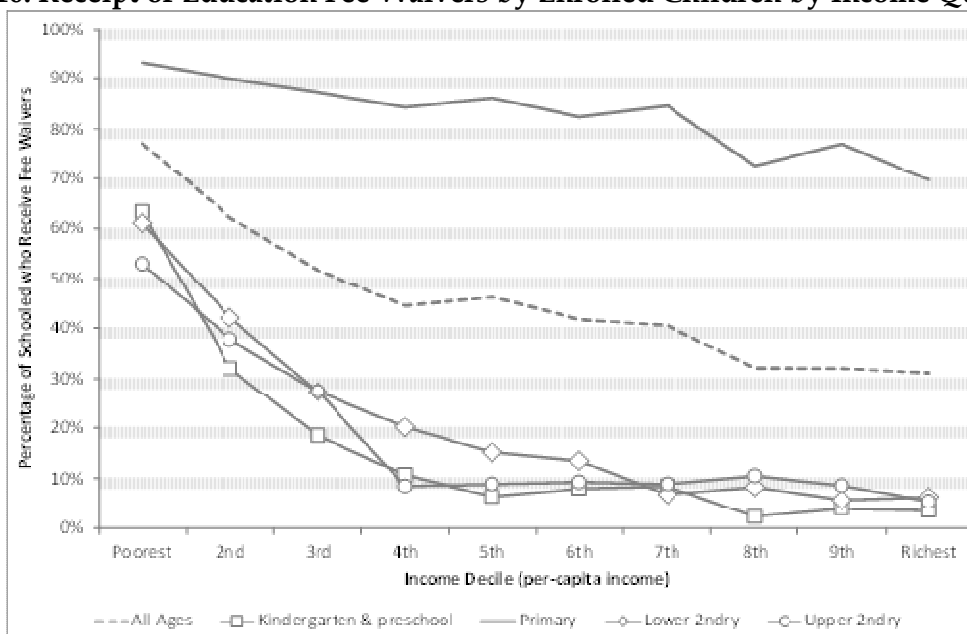
**Figure 9: School Enrolment Rates by Age-Group and Income Quintile**



Source: Authors' calculations from VHLSS 2010

Figure 10 shows the percentage of enrolled children who receive education subsidies (fee-waivers) by income decile.

**Figure 10: Receipt of Education Fee-Waivers by Enrolled Children by Income Quintile**



Source: Authors' calculations from VHLSS 2010

Primary school subsidy rates for the poorest are high, at 93 percent, and remain between 80 to 90 percent until the 8th decile income group. Even the highest income children in primary school report high coverage of fee waivers, at 70 percent. However, when we recall that

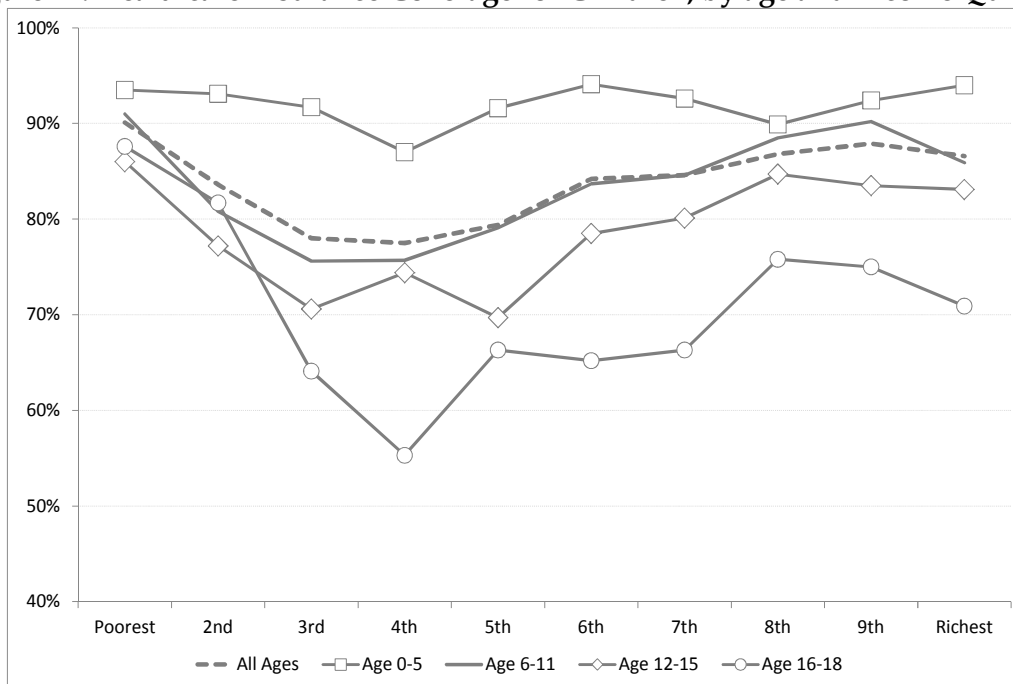
enrolment rates for schooling other than primary education are low, the fall-off in the proportion of those enrolled who receive subsidies if they are poor is worrying. Rates of subsidy for enrolled pre-school low income children are 60 percent for the poorest decile, but fall rapidly to 30 percent for the second poorest decile. Similarly, subsidy rates for lower and secondary schools for the poorest decile are 61 and 53 percent, respectively, but fall quickly as income rises (42 and 38 percent in the second poorest decile group).

These enrolment and subsidy coverage rates suggest that there is considerably more to do to provide access to education for poor children and this should be a priority of social assistance and anti-poverty programmes given the need to ensure that poor children do not grow up to be poor adults and perpetuate poverty across generations. We discuss this further in Part 3.

### 7) Healthcare Subsidies

Figure 11 shows the coverage rate of health insurance (combination of voluntary, mandatory, and poor-related schemes) for children by quintile income group. The 0-5 age group have high levels of coverage across the income distribution, but is noticeably less than 100 percent for the poorest deciles who should be covered both by household status as 'poor' and by the free healthcards for all children aged less than 6 (whether this response error in the survey is not known).

**Figure 11: Healthcare Insurance Coverage for Children, by age and Income Quintile**

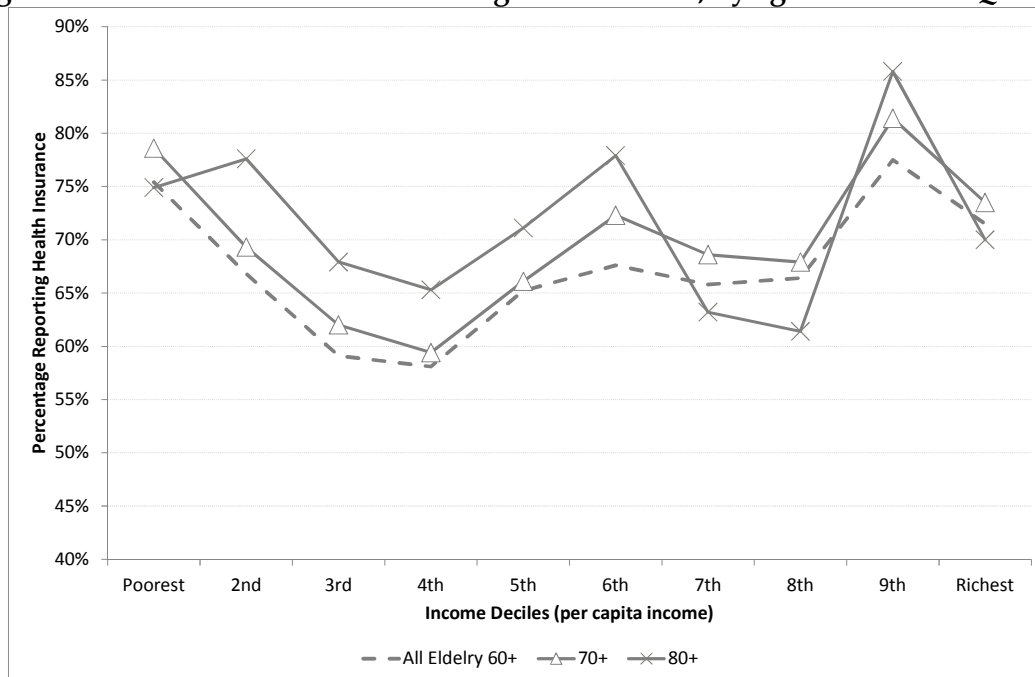


Source: Authors' calculations from VHLSS 2010

The fall off in coverage for older children who are in the second and higher deciles of income is noticeable, and there is a clear need to extend effective coverage given that free health-card subsidies are now designed for the poor and 'near poor'.

Figure 12 shows similar healthcare insurance coverage for elderly people by quintiles and by age-group. Elderly people are more poorly covered, especially the poor – with only 75 to 80 percent of elderly poor covered, and a quick fall-off in coverage in the 2<sup>nd</sup> and 3<sup>rd</sup> decile groups. Coverage for the oldest elderly (aged 80 and over) is noticeably higher in the 2<sup>nd</sup> to 5<sup>th</sup> deciles, and this may reflect a second order effect of cash social assistance being extended to this group – a point that needs further verification through research.

**Figure 12: Healthcare Insurance Coverage for Children, by age and Income Quintile**



Source: Authors' calculations from VHLSS 2010

Our analysis of education and health subsidies shows considerably greater coverage of the poorest, but there have been significant gaps, especially in areas where a more 'universal' approach to subsidies, in primary school subsidies and healthcards for children aged under 6. It is, however, clear that an effective anti-poverty approach that links subsidies to enrolment targets appears to be absent in education and an effective anti-poverty approach to the health needs of low income elderly people and older children also requires significant thought and investment.

## **PART 3**

### **A Road Map for the Future of Social Assistance in Viet Nam**

The fundamental points of principle outlined in MOLISA Social Protection Strategy for the Period 2011-2020 are strong ones and should inform decision making:

1. A system that identifies ‘vulnerable groups’ or what can be termed a ‘categorical’ approach to social assistance; and
2. A minimum income safety net that targets those who have less than a stipulated level of resources.

However, there are clear choices about how to choose between these approaches and balance them within overall budget constraints.

Our first suggestion on developing a road map is to give an important caveat: the development of social assistance should not be viewed as just bringing together a number of policy components from the internationally policy shop. Non-contributory cash transfer programmes offer a wide choice of universal social pensions and child benefits, targeted safety net means-tested assistance and public works programmes and other programmes. Informed choices have to match normative preferences for types of provision (such as for universal via targeted programmes) to a clear evidence-base, operational strategy, fiscal capacity, and a full understanding of the potential effects of the overall approach on both incomes, poverty and behaviours.

This caveat means that our road map does not lead with a discussion of the pros. and cons. of different policy options; rather, with very basic public policy questions about context and capacity. We strongly advise that these are a-priori considerations for the development of social assistance strategy that have to be given sufficient priority and resources in the immediate future for any successful development and implementation of social assistance. To use the analogy of the road map; having a ‘road map’ implies having a car and the capacity to drive it as well as a destination and route. Hence, our first area of advice is to invest in a car that works and to improve driving skills.

#### **1) Context and Capacity**

##### ***1.1. Context of Social Assistance and the Boundaries with Social Insurance***

The implementation of social insurance affects the remit and range of social assistance. Extending social insurance coverage is thus an important factor. Consideration needs to be given to the incentives of employers to opt into the formally waged sector and into social insurance. Analysis by CAF (2010) shows both low enrolment in social insurance and lower contributions by some firms in the formal waged sector as well as the specific exclusions from VSS social insurance for small companies with 10 or fewer employees. Improved incentives to enrol and to fully contribute across a wider selection of firms and employers

are needed along with improved enforcement to protect more workers and lower demand for social assistance.

The current system of voluntary contributions – for VSS pension in the main by those who already have a partial contribution history – should be clearly acknowledged in any plans for social assistance and, in particular for social pensions. There may be little gain to make voluntary contributions if entitlement to a social pension can be assured through making no such contributions.

Considerations of improved regulation and private insurance against some risks, in particular road traffic injury, need to be considered to prevent the costs of high incidence of injury being transferred onto public healthcare and social assistance.

## ***1.2. Public Policy Capacity, Monitoring and Evaluation***

The current systems of basic management information, expenditure profiling and evaluation are too poor to allow high quality policy formulation. Too little is known about who is claiming social assistance, for how long, and at what cost to enable good analysis of current incidence and costs of social assistance or to make firm predictions of future trends and potential.

We recommend the urgent introduction of a standardised reporting frame to be agreed across central, provincial, and district operation across all elements of social assistance. This should begin immediately as a common template to local level computerised reporting (for instance, using consistent spreadsheet templates) and be developed over time into a purpose built operational IT system that reports across all levels of operation, in order to allow comprehensive activity and expenditure reports to be generated.

Development of a longer-term management information system should be linked to assessment and administrative databases. This development should be co-ordinated over time as part of the management and information and evaluation systems that are developed for new programmes as the system of social assistance is developed. A good example of this is the proposed CCT system for low-income children that is under consideration, funded by World Bank loans.

The new 2010 MOLISA poor-list should be adapted and tested to ensure that it can in future operate as a national and local database that accurately captures and ranks household welfare into a core ‘registry’ of households who are beneficiaries, applicants and potential beneficiaries. How far the approach of this database and registry relies directly on means-testing, (verified or other) or on proxy characteristics that accurately capture household resources (through proxy-means testing and allied approaches) needs an investment of research and capacity building to build on the existing approaches and success of the poor-list. Again, policy trials such as the CCT programme would allow approaches and systems to be trialled and tested to find best specifications.

Payment systems for social assistance should also be urgently reviewed. Currently, manual and labour intensive local payment arrangements are too inefficient. Consideration of a

national system based on automated bank transfers (alongside the expansion of pro-poor bank or savings accounts) and ATM and cellular phone technology should be considered.

High quality evaluation should be incrementally introduced along with all activities in systems and policy development and capacity building. System development and policy development should include evaluation from the starting point of their design and implementation. Currently, evaluations that have been undertaken have both illustrated poor administrative capacity and poor appreciation of evaluation and weak approaches to evaluation. Vietnamese public policy capacity in universities, NGOs, and government departments should be enhanced. The number and quality of Vietnamese post graduate economists and social scientists are growing, and specialisation in evaluation should be encouraged and donors and government agencies should increased demands for evaluation – particularly in social assistance development but also across the whole public policy sector.

### *1.3. Clear Analysis of and Strategy for Fiscal Resources for Social Assistance*

The fiscal environment for expansion of social assistance is not currently strong. Ministry of Finance have emphasised that new spending on social assistance is not immediately affordable on any scale. This suggests that, in any plan for the next 10 or more years, the approach to social assistance has to (i) look to a combination of lower cost but effective types of programme, (ii) to look at alternative sources of fiscal resources to fund expansion – especially sources within savings from existing social protection budgets; and (iii) to make strongly argued and research backed arguments for new resources that arise from the gains from economic growth in the medium to longer term.

The types of programme that have lower costs but that are effective tend to be targeted programmes on low income households. The population is smaller than more universal type programmes and the gains for the low income households is greater (100,000 VND has a much higher marginal value to a low-income household than to a richer household). However, with the current Decree 67/2007 programmes identifying small sub-groups in an overall inefficient and poorly effective way we would argue that identifying ‘new vulnerable poor groups’ is a poor option for reform.

There are, however, several options for increasing the efficiency of the current approach:

1. Incorporating the new ‘additional’ electricity and inflation allowances into the existing programmes. This would mean moving to a regular inflation up-rating of either all Decree 67/2007 programmes or those elements of the programme that are paid to ‘poor households’. The second of these options would have lower costs. Inflation up-rating itself can be fiscally costly, but these programmes are small and doing so would ensure that their budget maintains its value in real terms across government expenditure plans and maintains its relative position against other larger programmes within social assistance that are already automatically up-rated (such as programmes for war invalids, survivors, and national merits).
2. Improving administrative efficiency and effectiveness through the system improvements suggested in the earlier discussion.

3. As resources allow, and using the improved MOLISA poor list registry approach move to include more households that are identified as poor into means-tested safety net coverage over time. Table 2 also demonstrated that MOLISA acknowledge significant levels of 'exclusion error' in the difference between potential and effective numbers of beneficiaries, so improving out-reach and coverage within current entitlements should be prioritised.
4. Testing and developing integrated social assistance sites/models that use all cash and poverty related programmes in conjunction. This means that school-based anti-poverty programmes should be cashed out and provided as cash subsidies to poor households who have school aged children (conditional on attendance at school) as well as integrating the provisions of HEPPR/Programme 135/61 Poor Districts programmes with cash social assistance benefits. Listening to policy makers, we understand how reluctant they are to provide 'cash to the poor' for fear of dependency, especially to able-bodied working people or those who are able to work. The fears of disincentives and dependency are understandable but probably exaggerated. By providing the opportunity for local sites to integrate approaches real evidence on what works optimally can be developed as long as the policy experiments are properly evaluated and interpreted.
5. Improving institutional incentives. Improving operational efficiency through administrative reform should also provide better value for money and improve outcomes. For instance, DOLISA and local level operational staff should be given more incentives to administer programmes efficiently and effectively, have accurate poverty lists and real rewards for local poverty reductions (rather than smaller lists alone). Additionally, schools ought to be rewarded for improving educational outcomes - particularly of poor children. Without such incentives there are dangers in purely allocating subsidies on the basis of poverty incidence.
6. Optimising donor loan-financed opportunities to expand coverage and improve the social assistance system.
7. Reconsidering existing plans to expand coverage under a preset timetable. Policy makers informed us of plans (not contained in the MOLISA Social Protection Strategy for the Period 2011-2020) to expand Decree 67/2007 payments to elderly individuals to all those aged 75 and above by 2015 and to 70 and above by 2020. This is a commendable approach to improving coverage, but would have significant short-term fiscal opportunity costs on other areas of social assistance. The longer-term fiscal implications of these incremental expansions of social pension also have to be weighed because the aging population of Viet Nam would make such provisions much more expensive in 2040-2050 if they were not also incorporated into wider pension reforms that widened contributory coverage and pension savings for lower income households in the future. We discuss such choices further later in this section, but *firmly advise that expansion of social pensions through social assistance should be part of an overall wider and more considered process of pension reform* rather than simply extending coverage of social assistance.



What are the potential areas for funding social assistance through lower spending on other programmes? There are two current expenditures of large. Castel (2009) estimates that 2.5 percent of GDP is spent on cash transfers to cohorts of individuals who will mostly 'age out' over the next 10 to 20 years. These are the pensions paid to those who had no contributory entitlement prior to 1995 pension reforms. These so-called 'grandfathered' pensioners will, over time, decline in number. Castel estimates that spending on this group will fall from 1.4 percent of GDP in 2010 to 0.7 percent in 2020 (ibid). Giang (2012, forthcoming),<sup>23</sup> using VHLSS 2008 with micro-simulation techniques, quantifies different scenarios for providing cash to the elderly at different age thresholds, and the results show that the total amount for benefit payments will vary from 0.29 percent to 0.97 percent of GDP in 2008 for universal program varying age from 60 and over to 75 and over, and that transferring cash to rural and female elderly will have influential impacts on poverty reduction.

The other groups are the war invalids and survivors who will also decline through 'aging out' as the majority of entitlements arise from the American War that ended in 1975, despite continued legacy entitlements from dioxin poisoning and other war-related disabilities. Planning to use the offset savings in expenditure from these declining cohorts to fund social assistance would be very wise and would increase the overall progressivity of social assistance and social protection in general. However, any plans for medium to long-term growth in social assistance using these funds is held back by the lack of data and lack of transparency on funding and spending.

## **2) Long-term Structures and Choices for Social Assistance**

If, in the short-term, a road map for social assistance has to be constrained, this does not stop a longer-term vision being sketched out at this stage. But it is equally important that a good evidence base is developed to consider the options and the relationship between various forms of social assistance and potential behavioural effects that may arise if certain choices are preferred. Our long-term vision is framed in terms of choices and trade-offs that develop the shorter-term strategy outlined above. This means, in the first instance (and probably in short-term to medium-term), we discuss how targeted approaches to social assistance could be developed.

### ***2.1. Improving the Safety Net***

We use the term 'safety net' to mean pro-poor targeted social assistance. We anticipate that this is also the approach envisaged by the MOLISA Social Protection Strategy for the Period 2011-2020 when it advocates comprehensive coverage of those below a basic minimum living standard.

One of the problems in targeting subsidies at the poor is that 'poverty status' is a single 1,0 status, i.e., a household is either poor or not. Those who are very poor potentially receive the same as those that are just under the poverty line, and those who are just on the margins of poverty receive nothing. This is not a very rational way of approaching programme

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<sup>23</sup> Giang, T. L. 2012 forthcoming. "Expanding Cash Transfer Program to Tackle Old-age Poverty in Viet Nam: An Ex-ante Evaluation", in Sothea Oum (ed.) *Impacts of Conditional Cash Transfer on Growth, Income Distribution, and Poverty in Selected ASEAN Countries*. Jakarta: Economic Research Institute for ASEAN and East Asia (ERIA).

provision because there are those who need varying degrees of programme assistance and incomes vary over time – poverty is dynamic and many people will move into and out of poverty over a period. The Government of Viet Nam has realised that poverty has gradation by using lower food-based poverty lines to target programmes at the same time as introducing a new group of ‘near poor’ who have access to health subsidies. How can ‘targeted’ programmes work if the target is graduated and/or if the target households are not static?

An approach that has been used in some countries is to use a single calibrated measure of household welfare across a wide selection of households and to allocate a score. If the approach can identify and rank households accurately on a measure of household welfare, then differing ‘scores’ can result in different levels of entitlement to programmes. This is an approach that could unify the currently different and fragmented approaches under Decree 67/2007 programmes and others. Categorical characteristics, currently preferred to income testing for some needs, could all be part of the scoring formula as proxy-means-testing has been used in a number of countries to successfully harmonise and integrate targeting programmes around a single scoring approach – for instance in Georgia and Armenia. Under such an approach, there is an inherent ability to scale up and down programme coverage and generosity according to budget constraint as a centrally-held database of scored households of sufficient size can be used to quickly calculate the costs of different iterations of the programme packages. Under this approach, a low-scoring household in Viet Nam could have cash, in-kind subsidies, and developmental programmes assigned to it, while a ‘higher income – lower-scoring household’ would just be given healthcards, for instance.

The advantages of using such an approach for a ‘comprehensive’ safety net as envisaged by the MOLISA Strategy is that it could be used to allocate all cash and non-cash subsidies – for instance, across MOLISA, MOH, and MOET programmes – on a consistent and efficient basis. However, developing a database and scoring system of sufficient size and quality is a significant up-front investment and would require a significant proportion of the population – around 10 percent or more to be registered as proxy-means-testing works best on a larger range of incomes rather than just the very poorest. However, the MOLISA poor list has the obvious antecedents to be the basis for such a comprehensive approach.

Alternative comprehensive safety net programmes limited to cash transfers tend to be more categorical – usually providing benefits to poor non-working populations rather than low-income poor in general. They also tend to grow into more universal approaches from categorical beginnings – from purely Urban to Rural programmes, for instance, in China in the ‘Dibao’ system.

#### The question is: how can comprehensive social assistance ensure work incentives?

A comprehensive social assistance scheme for all people below a minimum income standard does not imply that all those entitled on a test of resources have the same conditions of entitlement. Indeed, conditions of entitlement to social assistance can be framed to achieve outcomes for those who claim it as well as limit access to those who may wish to take it up.

For able bodied non-working individuals access to social assistance via a public works programme that pays low 'wages' for public employment, usually for a limited period, can be appropriate. Seasonal fluctuations in work and agricultural production have been smoothed using this approach. Significant and in-depth development work would have to be done to make such schemes appropriate for Vietnam and schemes would have to differ by area and locality to ensure optimal performance – for instance, between urban and rural sites. However, the results from the Oxfam cash transfers programme (which was not a public works based approach) that showed that both labour and cash were used to build a cement road to one of the villages as a result of cash transfers and local commune level work and taxation conventions could be used to base work commitments in rural areas.

Public works programmes also have the 'scalability' to respond to economic change and act as countercyclical interventions, primarily in urban areas. The problems of participation in public work schemes for mothers of young children and disabled people found in African, Indian, and other instances could be prevented if public works were part of a comprehensive safety net rather than the main or sole component, allowing access to social assistance without the work commitment for stipulated cases where inability to work was found.

Alternatives to public work schemes are employment registration and job search as conditions of entitlement. However, these approaches work best where information on job vacancies and matching is weak. Lessons from contributory unemployment benefits in Viet Nam suggest that labour market programmes need significant improvement before they could be scaled up to include social assistance populations (Giang and Nguyen, 2011 forthcoming).<sup>24</sup>

But the larger concern for work incentives is that the vast majority of the low-income population in Viet Nam who are able to work do so – the problem is that their work is intermittent, irregular, and low-income fluctuates. Underemployment, low productivity and irregular income are not particularly helped by public works programmes which run the danger of substituting 'regular' public work for irregular private earnings. It is here that the combination of cash and services may fit better with the needs of low-income earners rather than public works. Training, business and agricultural development and assistance with migration and registration elsewhere in growing urban labour markets may be more suited to a larger proportion of poor working households.

## **2.2. Categorical Needs – The Elderly**

Currently Viet Nam places emphasis on the elderly as a 'vulnerable group' in the categorical design of social assistance: around 50 percent of caseload, and spending is allocated to elderly people in the current Decree 67/2007 scheme (see Table 5).

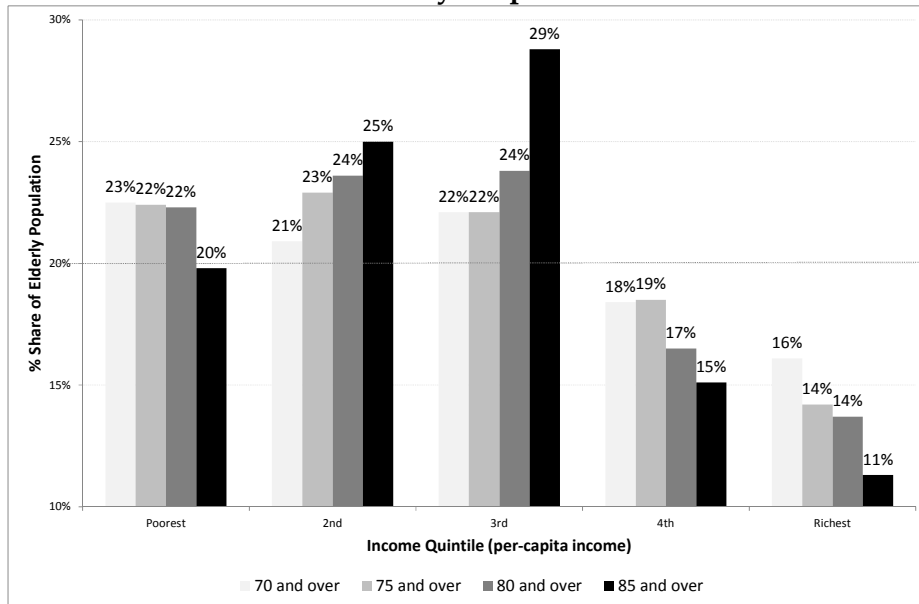
How vulnerable are elderly people to low income? Figure 13 shows the distribution of the elderly population across the income quintiles by different age groups of the elderly, those

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<sup>24</sup> Giang, T. L., and Nguyen, T. X. T. 2012 forthcoming. "Unemployment Insurance in Vietnam: Design, Implementation and Policy Issues". A country paper for the Asia Social Resilience Research Project Report, Tokyo, Japan.

aged 70 and over; 75 and over; 80 and over; and 85 and over. It is noticeable that higher proportions of elderly people live in the 2<sup>nd</sup> and 3<sup>rd</sup> quintiles. Only between 20 and 22 percent live in the bottom quintile, roughly in proportion to the population share, so there is no over-representation of the elderly in the poorest part of the income distribution, even the older elderly aged 80 or over and aged 85 and over.

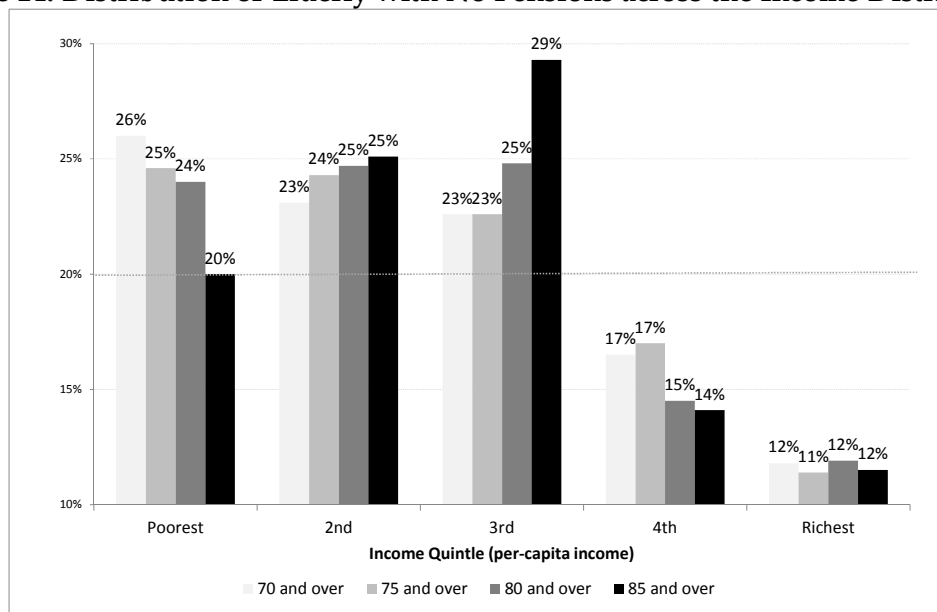
**Figure 13: The Distribution of Elderly People Across The Income Distribution**



Source: Authors' calculations from VHLSS 2010

Of course, the elderly with their own pensions are likely to have higher income, but when we exclude these elderly with pensions from the income distribution in Figure 14, we a slightly greater share in the poorest quintile 26 per cent of the 70 and overs, 24 per cent of the 80 and overs and lower proportions in the highest income quintiles but no overall distribution that would be significantly 'pro-poor' or income vulnerable.

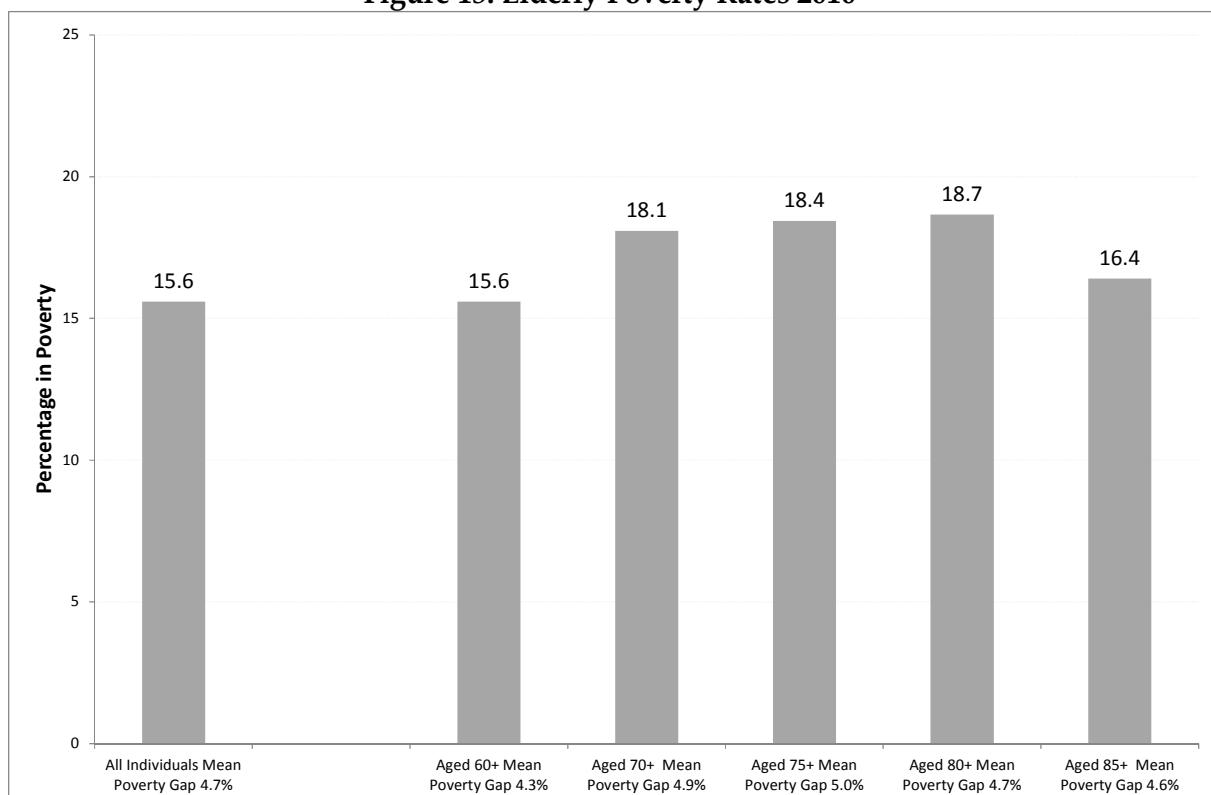
**Figure 14: Distribution of Elderly with No Pensions across the Income Distribution**



Source: Authors' calculations from VHLSS 2010

Figure 15 shows the individual poverty rates for elderly populations (the percentage of elderly people who live in poor households) and shows that poverty risk is lower than average for elderly people. Compared to the whole population rate (15.6 per cent) elderly people aged 60 and over have equal poverty risk. Poverty rates rises to over 18 per cent (2 to 3 percentage points above average) for the over 70s, over 75s and over 80s before falling for the over 85 group to 16 per cent. What protects elderly people from poverty? A full analysis of elderly poverty risks and mitigation is beyond the ambit of this report, but continued work, family transfers, familial co-residence with adult children are likely to be important factors alongside the small incidence of social transfers. A clear question for policy makers to consider is how far the elderly people as a group, rather than poor elderly or the wider poor population, should be the basis for future social assistance programmes?

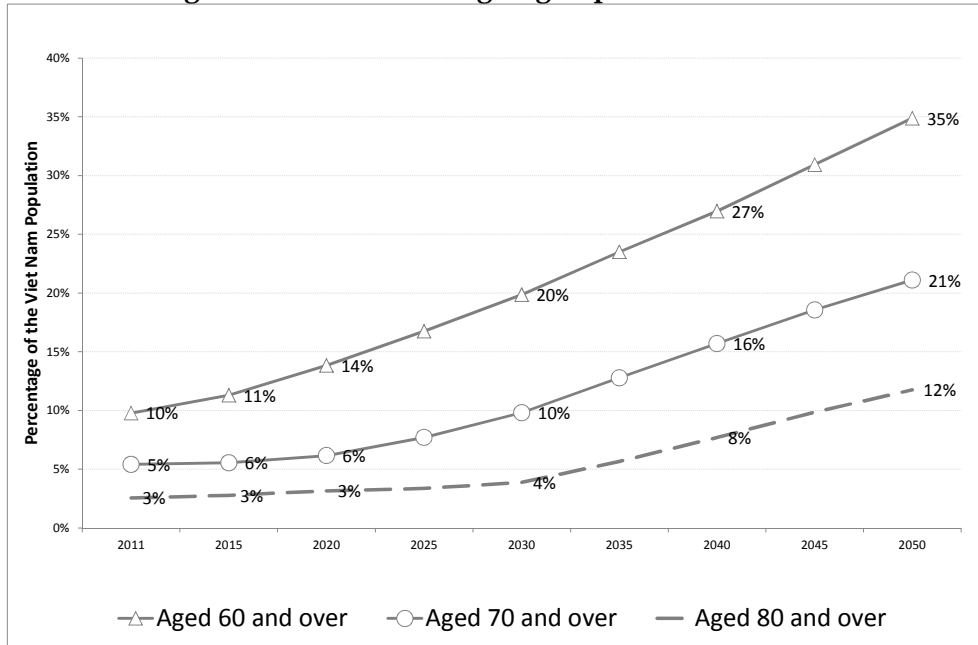
**Figure 15: Elderly Poverty Rates 2010**



Source: Authors' calculations from VHLSS 2010

The future of Viet Nam's population structure is one area of certainty when making plans for the future of social assistance. Viet Nam will become an ageing society over the next 15 to 20 years purely because of the fall in birth rates that have already occurred. There is no avoiding the future demographic demands of ageing even if Viet Nam is now in a position of having just 10 per cent of its population aged 60 and over. Figure 16 shows the growing proportions of the population aged 60 and over, 70 and over and 80 and over between 2011 and 2050. Decisions that are made for the 2011-2020 period will see small increases in the *proportion* of elderly people (there will be large nominal growth – a fact we turn to soon). But decisions to include elderly people in categorical social pensions within social assistance will face great difficulties in 2030 when 10 per cent of the population are aged over 70 – twice the proportion in 2011.

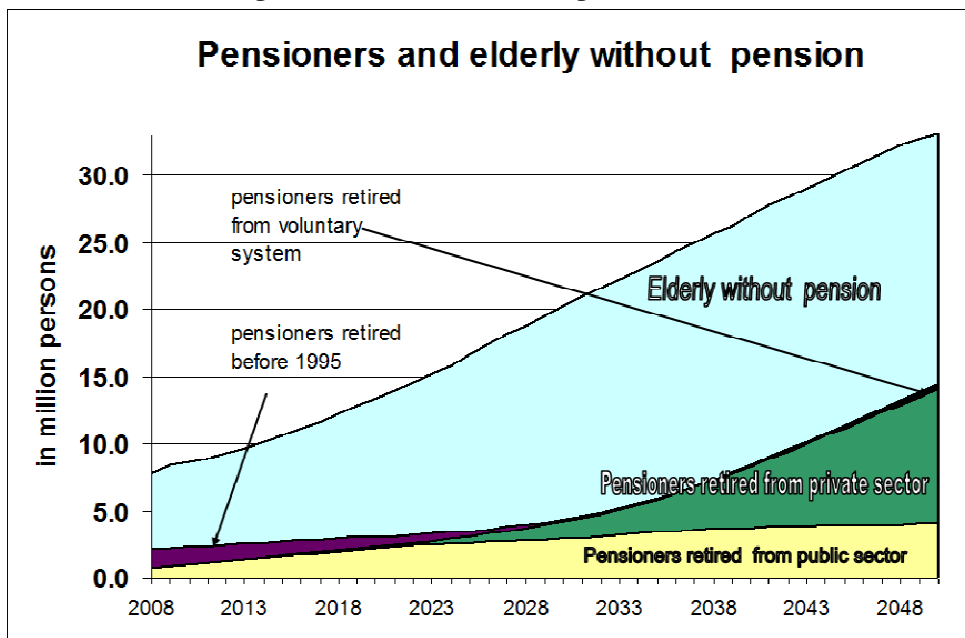
**Figure 16: Viet Nam's Ageing Population 2011-2050**



Source: UN Population Data 2011-2050 (median variant)

More importantly, planning to provide incomes for an ageing population has to start as soon as possible as those alive and working today will be the pensioners of 2040, of 2050 when the ageing of Viet Nam reaches a point where 35 per cent of its population are aged 60 and over and 21 per cent are aged 70 and over.

**Figure 17: Pension Coverage, 2008-2048**



Source: World Bank, 2011 forthcoming

The problem is that currently there is no wider planning for pension reform that can contain or contextualise any expansion of social assistance coverage. Figure 17 shows what happens to existing forms of pension coverage from 2008 to 2048. There is a potentially very large proportion of the elderly population with no pension coverage and expanding social

assistance now to cover today's uncovered will affect the incentives of today's workers to join voluntary pension coverage, to save, to continue working past the age at which they could get a social pension. Put simply, if decisions on social assistance for the elderly are made purely on incremental reductions in the age of entitlement (as currently planned) it will seriously affect overall pension reform options as well as influencing behaviour of the current and future cohorts of pensioners.

These arguments about the future, about sustainable and rational plans for pensions, also have to be put alongside some more immediate concerns: the short term costs of increasing elderly populations on social assistance on a categorical basis and the effect on the distribution of fiscal resources. There are several important points that need to be considered.

First, because the population is 'pyramid shaped', there are increasingly large populations of elderly people for each younger five year age band that is used. This means, for instance, that the decisions taken already to lower the age of entitlement from 90 to 85 in 2007 increased today's entitled population by 3.7 times, and the decision to lower the age of entitlement from 85 to 80 in 2010 meant an overall 19 times increase on what the population would have been if it had remained at the age threshold of 90. These existing decisions mean that demand from elderly people will grow at 4 percent every year ignoring inflation and other demands from other groups. A 4-percent real growth figure every year is far beyond the growth that has been seen in social assistance budget to this date. Ministry of Finance has already refused to allow more resources in 2011 to meet growth in budget for social assistance to meet these decisions on lowering age of entitlement on a categorical basis.

Second, population growth in purely arithmetic terms (rather than in proportion of the population) among the elderly means that increasing the potential numbers entitled to social assistance from the current age limit of 80 make these existing growth numbers look tame. Table 10 shows an 'index' created from population projections that sets the current elderly population eligible for social assistance at the age of 80 and above at 100. The index can then be read across the rows to assess the increase in numbers of entitled populations by age cohorts (extending to over 75 and to over 70s) and can also be read down the columns to see the effects of future population growth. Some simple comparisons are worth point out. Moving to lower the age of entitlement to 75 in 2015 will increase spending 1.6 times today's level. Moving to lower the age of entitlement to 70 in 2020 will increase spending 2.6 times today's level. Without an expansion of considerable pension coverage, the population growth will mean that spending for the lower age threshold of 70 and over will be 4.4 times today's level by 2030. At 2050, spending is over ten times today's level - purely from population growth.

Third, paying for such a growth will become more difficult. Currently, the majority of elderly people receive help from family through informal cash and in-kind assistance. This is 'PAYG' inter-generational approach without state financing of pensions - which also occur on a 'PAYG' basis. However, the ability of the working-age group to pay the pensions of their contemporary elderly (whether family members or beneficiaries from VSS pensions)

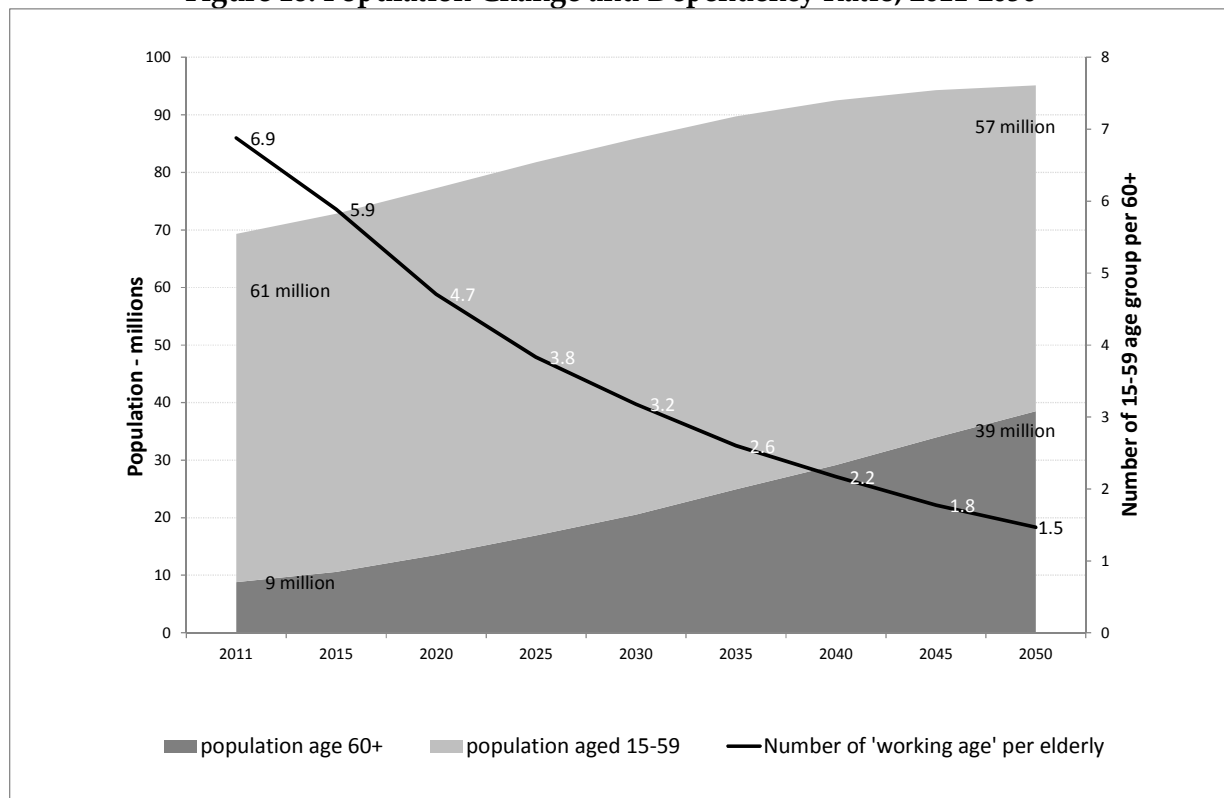
will decline in the future because population dynamics mean that the ratio of working-age to elderly people will decline.

**Table 10: Index of Population Demand for Social Pensions:  
100 set to population aged 80 and over in 2011**

Year	80+	75+	70+
2011	100	151	212
2015	113	163	226
2020	135	187	262
2025	148	212	339
2030	174	283	442
2035	261	398	590
2040	362	528	739
2045	471	654	886
2050	565	768	1,014

Source: Authors' calculations from UN Population Data 2011-2050 (median variant)

**Figure 18: Population Change and Dependency Ratio, 2011-2050**



Source: Authors' calculations from UN Population data 2011-2050

Figure 18 shows the changing population composition (the area graph) alongside the ratio of the number of elderly people (aged 60 and over) to the number of working age people (age 15-59), shown as a line. In 2011, there are almost seven people of working age to every elderly person, this will decline to 3.8 by 2025, and to 1.5 by 2050. Increases in productivity and female participation in the labour market, deferred retirement, and a host of changes can help the financial burden on workers. However, the overall scale of change is probably beyond simple 'PAYG' approaches and more will have to be done to help fund tomorrow's pensions from today's informal and other non VSS covered workers. This is why setting



aside plans of expanding social assistance for elderly people to be considered part of pension reform rather than simple progressive expansions of entitlement is an extremely important element in any plan for social assistance in the 2011-2020 period.

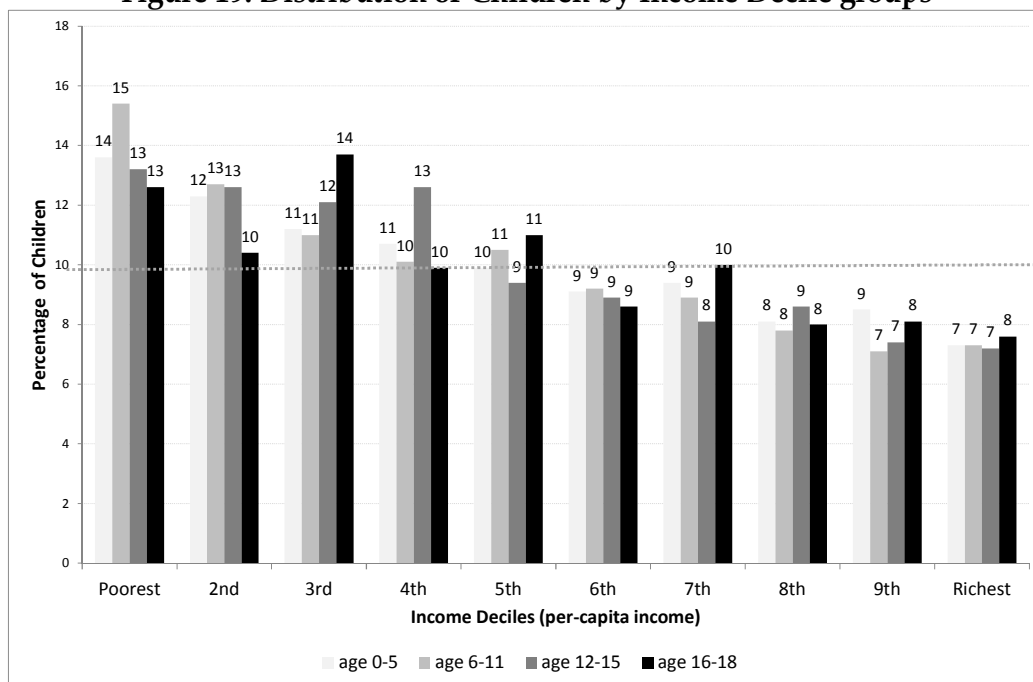
From the short-term to medium-term and prior to comprehensive pension reform decisions, the targeted social assistance system can continue to cater for the elderly people – both groups already defined as eligible on age alone, and poor elderly people. Indeed, any comprehensive safety net approach can weight elderly needs and specify more generous treatment of entitlement conditions for elderly people, while wider reform options are determined.

### 2.3. Categorical Needs - Children

How should children’s needs be represented in non-contributory benefits? How poor are children overall? Or are they a ‘vulnerable group’? Figure 19 shows the distribution of children by age groups across the income distribution.

Figure 19 reconfirms our earlier descriptions of populations of poor households (see Figure 2): there is a larger proportion of children in low-income households, and they have greater overall vulnerability to poverty than the elderly population. The poorest decile has between a half to a third more children than its population share would suggest. Fifteen percent of children aged 6-11 live in the poorest decile, and a further 13 percent live in the 2<sup>nd</sup> poorest.

**Figure 19: Distribution of Children by Income Decile groups**



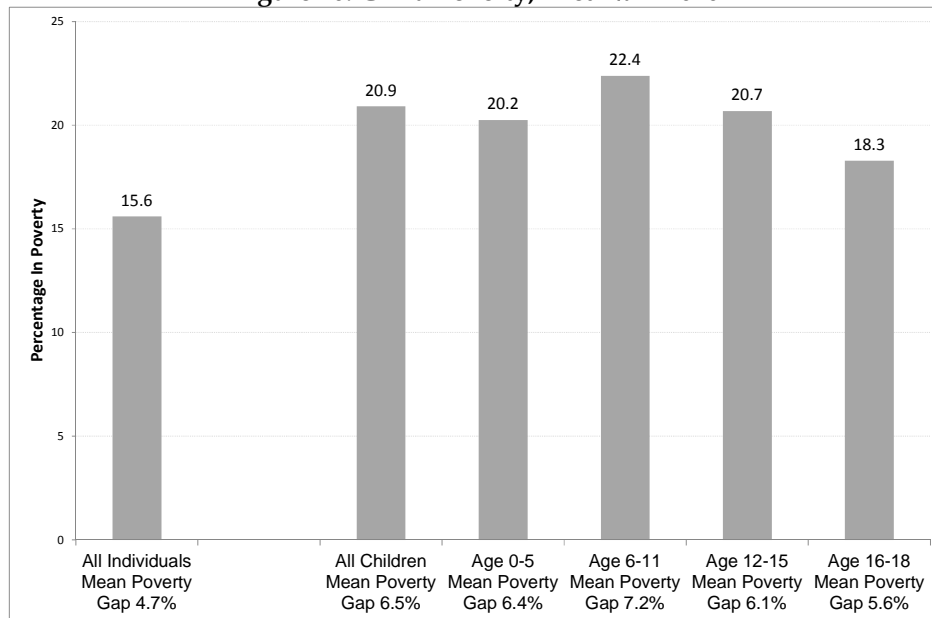
Source: Authors’ calculations from VHLSS 2010

Figure 20 shows child poverty rates (the percentage of all children living in poor households) using the GSO poverty definition. Child poverty is over 5 percentage points higher than average poverty for the whole Vietnamese population (20.9 per cent compared to the average of 15.6 per cent). Poverty rates are highest for the primary school aged group,

at 22.4 per cent (perhaps, because of household size and other children being present – more research is needed to understand differential poverty rates).

At the moment, the design of social assistance is not geared towards children’s needs unless they are orphans, live in a poor one-parent family. However, healthcards and education subsidies are heavily tilted towards children, especially younger children.

**Figure 20: Child Poverty, Viet Nam 2010**



Source: Authors’ calculations from VHLSS 2010

It is very difficult at this stage to argue for wider universal (or selective universal) cash programmes for children. However, there is a clear case for raising the priority given to children in a selective approach to social assistance. Currently, there is no discussion to expand children’s access to cash social assistance in the MOLISA Strategy, but a pilot CCT programme for low-income children in selected areas is being jointly developed by the World Bank, UNICEF, and MOLISA. Given our earlier suggestions on the importance of building the evidence base and capacity of the social assistance system, it is best to leave longer term planning of cash and other forms of social assistance should be considered after results and findings from those pilots have been considered.

As Viet Nam’ economic growth continues, it can reflect on best practice in provision of non-contributory benefits for children in industrialised countries, which is usually found in universal provision or in provision that uses ‘selective universalism’ where greater help is given to low-income families with children within a system that is otherwise universal. However, wider more universal programmes for child benefits or other forms of transfers for children are something to consider in the much longer term. The introduction of wider personal income taxation (PIT) that begins with the implementation of the PIT reforms will also mean that future cash transfers for children, especially to families on median and higher incomes, will need to be carefully considered alongside income taxation.

Child poverty is of course a direct consequence of low parental income – it is necessarily parental poverty, too. As such, designing interventions that give greater weight to low-

income parents by encouraging maternal employment, by subsidising pre-school education and childcare, and by designing and prioritising anti-poverty programmes to include and support child development within familial and school settings are key areas.

Social assistance has a key role, but defining such a role in developing countries in recent years has been CCTs in the main. CCTs have grown in situations where anti-poverty programmes for non-elderly people were minimal and where school attendance and completion rates have been problematic for poor children. Targeting children in low-income households is thus a good way of assisting low-income families in general, and in helping to ensure that the health and education of children is supported.

What role should Vietnamese social assistance take in children's needs? The existing programmes of healthcards for children and education subsidies should be enhanced through improved delivery – including the suggestions for organisational improvements and delivery improvements in schools made earlier. Cash transfers should be developed to expand and build on the CCT trial programme results. Because these results will not begin to appear until 2015 or thereabouts, this is another reason to hold off the incremental expansion of social assistance to elderly people aged 75 and over, planned in outline for that same year. This is the clearest example of the sort of choice and trade-off that Viet Nam's policy makers face: decisions to spend on one will have a huge fiscal opportunity cost on the other, and decisions of that importance should be made on a clear evidence base and in a sound policy planning environment.

#### ***2.4. Categorical Needs – Disability and Incapacity***

There is no ability to profile disabled people in VHLSS 2010, and thus evidence is lacking on contemporary position of disabled people and the households in which they live. Social assistance for disability is changing in developed economies where more emphasis on a 'social' rather than 'medical' approach to disability is evolving. This puts the integration of disabled people and the prevention of their discrimination and exclusion as paramount alongside providing autonomy and independence. Cash assistance for disabled people should be based on supporting their economic inclusion as far as that is possible. Capacity to work issues are a potential double-edged sword if entitlement is taken away if some work is potentially available – the incentives should be framed to encourage and support work and to support carers.

Rehabilitation and retraining services are crucial parts of any social assistance package alongside cash wage replacement. The additional costs of disability – already recognised in Decree 67/2007 – should continue to be recognised. Means-testing should aim to exclude those disabled people with higher incomes and earnings and other income should be 'disregarded' in order to compensate for additional costs associated with any work done and to ensure that incentives to work are maintained.

Is there sufficient reason to have a separate categorical system for disabled people? The argument for separate systems is weak if numbers are small and the central system of targeted benefits is well-enough designed to cater to more individualised approach for disabled people. Cash income support within a home environment to support independent

living should be emphasized over institutional care. Provision and funding of institutional services through social assistance should be discontinued and funding for institutional places separated out and subject to professional social work determination to ensure that the best interests of severely disabled people are served.

## Conclusions and Executive Summary

The current system of Vietnamese social assistance is made up of the following cash transfer programmes:

*Categorical Transfers* which are determined by status and characteristics

- War veterans/disabled and National Merit

*Means-Tested Transfers*

- Regular cash transfers from Decree 67 (2007) to small categorical groups with varying means-tested approaches
- New 'supplementary' Electricity subsidy and Inflation subsidy for those on the MOLISA poor list
- Emergency payments under Decree 67 (2007) for relief after natural disasters

In addition there are a range of services from anti-poverty programmes that accompany cash transfers

- Education subsidies: fee waivers and other subsidies to encourage school enrolment and attendance
- Health insurance cards that allow free or discounted access to healthcare

Additionally there are anti-poverty programmes that are considered separately from cash transfers

- National Targeted Programmes-Poverty Reduction (NTP\_PR) that are many and varied
- Area targeted anti-poverty programmes such as parts of NTP-PR, 61 poorest districts, Northern Mountains Programme and others.
- Programmes targeted on Ethnic Minorities

The social assistance cash programmes are complex and non-consistent in approach to need assessment and targeting.

### Issues in Design

Commentaries point out that there is little coverage for working poor and urban poor in social assistance. Our analysis of social assistance rules show that the system has become too fragmented, with Decree 67/2007 regular assistance going to small categorical sub-groups of poor households and non-poor and poor individuals. Cash transfers are used to pay for 'institutional care' of orphans in orphanages, disabled people in community homes and other non-household care as well as supporting poor households. This makes decisions on what is in the 'best interest' of vulnerable individuals problematic as there are clear

conflicts of interest in maintaining revenue streams for local institutions and promoting optimal care in households through adoption and 'community' based care. New additional cash allowances have been introduced to compensate for electricity and general price inflation, but these add complexity by both overlapping existing cash awards as well as being very small entitlements for those with no underlying cash transfer from Decree 67/2007.

The rules for cash social assistance are too complex. There is different treatment of 'needs' and 'resources' across different groups. For instance, individual incomes are used to assess entitlement for the elderly aged 80 and over but household incomes are used to assess benefits paid via MOLISA poor list enrolment. The presence of family support is assessed for some groups, younger elderly people, for instance, but not for others. Other targeting approaches, such as community targeting and verification and allocation by area and ethnic group cut across social assistance programmes.

There is nothing to promote optimal mix of cash and services. Educational subsidies are distributed primarily through schools and may not reflect family needs. There are marked differences in enrolments of poorest at kindergarten, and secondary schooling. Only 60% and less of poorest attendees at kindergarten and secondary schools receive fee waivers. Overall, services aiming to improve human development, through agricultural extension, training, business support and loans are separated from cash transfers for reasons that may not be empirically justifiable.

Benefit rates are low and this raises questions of adequacy in Decree 67 payments that are designed to be below minimum poverty level but withdrawn as income rises, result in 'poverty trap'. Policy makers tend to be sensitive to accusations that levels are 'too low' but to leave other relevant aspects of design (the steepness of withdrawal and periods of award) that can assist in developing other income sources alongside social assistance unconsidered. Benefit rates for individuals and families are the same: a woman with 3 children get the same as single elderly person aged 80 and over. Additional needs, for instance from disability, are recognised by fixed coefficients that have little justification in empirical additional needs.

Our interviews with informants in designing agencies again confirm that the SA policies are patchy, because they have been formed and designed unsystematically and with no scientific methodology or approach. They have been put on the table for discussion whenever practical needs arise, and adjusted subject to the budget availability.

### **Issues in Implementation**

Central figures on expenditure and caseload are made on a budget allocation model for Decree 67 that are based on fixed assumptions that poorly reflect empirical demand or uptake. Allocation is fixed to a multiplier of assumed populations and the basic allowance with no reflection of changing composition of caseload. There is no in-built up-rating to reflect inflation year to year.

Management and evaluation information is extremely poor. There are no reliable expenditure or beneficiary numbers. The MOLISA strategy for 2011-2020 points out the problems of the lack of separation of assessment & payment, delays and inefficiency, duplication of effort and the lack of plurality in providers. These problems have been verified by local case studies.

The result is that there is a consensus across many commentaries that the system has poor coverage of the poor and poor targeting – so that not only do some of the poor receive no programme but also that large proportion of programmes go to non-poor groups. We undertook new analysis of the VHLSS 2010 to update knowledge on coverage and targeting.

The correspondence between independent GSO measure of poverty based on consumption and MOLISA poor list is poor. Looking at those defined solely as MOLISA poor had three times the income of those who were GSO poor and those who were both GSO and MOLISA poor. The poorest group were those who were both GSO and MOLISA poor and these households had higher proportions of children, informal sources of employment while those who are MOLISA poor only had higher proportions of elderly and of waged workers and lower proportions of rural and ethnic minority people than GSO poor.

Coverage of the poor by cash social assistance was between 7 to 8 per cent overall but 4 per cent was from non-targeted programmes for war invalids, survivors and national heroes, only around 4 per cent of the poor got Decree 67/2007 programmes. Non-poor beneficiaries of social assistance tended to get higher awards than poor recipients. Overall, around 70-80 per cent of expenditure on social assistance went to non-poor (as measured by using GSO poor, MOLISA poor and bottom quintile).

Coverage of the combination of cash transfers and anti-poverty programmes could not be considered a comprehensive ‘safety net’ because while 98 percent of MOLISA poor had such coverage, we know MOLISA poor lists are created to allocate programmes and cannot independently be used to look at coverage of the poor, because many who are on the MOLISA poor list have incomes higher than GSO poverty lines. The combined safety net only covered 69 per cent of the GSO poor and 65 per cent of the poorest income quintile.

Coverage of the poor by education subsidies was high for primary school but low for kindergarten and secondary schools in which enrolment rates for the poor were also much lower. This suggests that more has to be done to lift enrolment and the opportunities of CCTs, currently under consideration, should be seriously considered. Coverage of young poor children by healthcards was high but coverage for older poor children and for elderly people was weak. This suggests that additional efforts need to be made to reach low income households for access to healthcare.

### **Future of Social Assistance**

MOLISA’s strategy for 2011-2020 looks forward to developing i) a flexible social assistance system, which can timely deal with risks and events; ii) social assistance expanded to cover all vulnerable groups, and iii) that all people with living standards lower than the minimum level of the society will be entitled to social assistance. There is widespread agreement with

this outline approach across World Bank, ILO, UNDP, UNICEF, CAF and other agencies. There is less agreement on how the mix of categorical and means-tested approaches should progress and on priorities and funding.

We suggested a short term approach in the first instance to enable better planning and policy development. This included advice to stop further incremental reform that added to complexity and fragmentation and solve the inflation problem for Decree 67/2007 programmes rather than creating new additional benefit elements to respond to inflation.

A great emphasis has to be made to invest progressive steps of administrative reform in order to improve management information, without which it is difficult to understand how and what to reform.

Investment should be made in developing an improved needs assessment and 'Registry' to replace the current approach of the MOLISA poor list. A unified needs assessment should develop to rank households across a larger range of needs rather than identifying single point thresholds (poor or not poor). This approach should be expanded across programmes for education, healthcards, poverty programmes as well as social assistance. Scoring methodology should be developed to enable both budgeting and allocation according to a range of needs rather than use poverty 'thresholds' and to improve central monitoring, allocation and budgeting across provinces. Examples of the Best International Practice in this field are registries in Armenia and Georgia; proxy means testing in Chile and the Philippines.

In the short-term more should be done to minimise the size and nature of the risk profile covered by social assistance. This means improving regulation and reform of social insurance to extend effective coverage across a larger proportion of workers, including the CAF (2010) suggestions on lower contribution rates for small employers and better enforcement. Other areas of high uninsured risks, such as traffic accidents, should be covered through regulation, charges and compulsory third party insurance. Voluntary pension contributions and savings should be encouraged.

We advise using the opportunity of proposed loan finance and donor projects to improve capabilities and to develop systems and the evidence base for longer-term reform. Of particular importance is the CCT World Bank project with UNICEF and MOLISA that can be used to develop approaches to children's needs, assist in the development of the needs assessment registry and underlying methodology and systems.

The CCT project is one example of a wider need to experiment and evaluate in order to build a knowledge base and to improve the effectiveness of cash and service mix for poor and to pilot medium and long-term policy development such as improving organisational Incentives and performance as well as programmes.

We advise that no decision to lower age qualification for social assistance for the elderly be made in the short to medium term. This means delaying or putting to one side the 'outline decision' to expand to Decree 67/2007 payments to those aged 75 and over in 2015 and to those aged 70 and over in 2020. These expansions are costly in the short-term and have large



fiscal 'opportunity cost' that will take resources from other developments. In the longer term they fit poorly with the needs to plan wider and more strategic pension reform to meet Viet Nam's ageing population from 2020 onwards.

In the medium term (5 or more years), we suggest the focus should be on developing the part of the MOLISA Strategy for comprehensive targeted approach to improve coverage of poor and low income groups. This means to expand Decree 67/2007 programme to be more comprehensive in coverage. Fiscal resources to do so can be transferred from declining 'grandfathered' pensions for pre-1995 retirees that are paid from the state budget and from declining cohorts of war injured/survivors.

Expansion of social assistance to low income groups who are 'able to work' means that developing a public-works approach should be considered for use as countercyclical policy as well as 'unemployment'-related needs. These work programmes should be integrated into commune level public work commitments. This is one area among others where the need to develop integrated cash and programme mixes for low income poor should be developed.

Longer term reforms should revolve around a separate and extensive pension reform programme. The needs of elderly low income people should be assessed alongside the roles of second tier pensions and familial support rather than on a simple expansion of first tier social pension. Longer term reforms for children will include a more universal approach to children's development as well as the income needs of families with children. The development of personal income tax as Viet Nam's economy grows will need careful co-ordination with any universal programmes that take cash transfers to those with incomes at and above median income.

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