

Localizing MDGs for Poverty Reduction in Viet Nam:

# Reducing Vulnerability and Providing Social Protection

**June 2002**

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## FOREWORD BY THE POVERTY TASK FORCE \*

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This series of papers on the Vietnam Development Goals (VDGs) reflects a collective effort by the Poverty Task Force to propose a set of goals and intermediate indicators, which represent both the core developmental vision of Vietnam as well as the Government's efforts to meet international goals. This analytical work was carried out during 2001 and early 2002 as the Government of Vietnam drafted a Comprehensive Poverty Reduction and Growth Strategy (CPRGS) and was trying to establish a clear accountability framework for monitoring future progress. This process involved looking across the many goals and targets incorporated in key strategy documents (especially the Ten Year Socio-Economic Development Strategy and the ten-year sectoral strategies) to select a small number of goals that could reflect the strong national strategic emphasis on economic growth, poverty reduction and social equity. Although national strategies were used as a starting point, the CPRGS drafting team was also aware that international commitment to achieving important poverty and social outcomes across the globe had intensified – an effort expressed in the Millennium Development Goals (MDGs). The MDGs are a set of goals embodied in the Millennium Declaration, which has been adopted by 189 countries including Vietnam. A report on progress made in Viet Nam towards achieving the goals was prepared by the UN Country Team in July 2001.

The Government wanted to ensure that the CPRGS reflected their commitment to the international targets. For a number of reasons, however, it was important to adapt the MDGs to fit local circumstances rather than adopting them in their original form. First, Vietnam has reached, or nearly reached some of the MDGs. Poverty, for example, has already halved between 1990 and 2000. It makes sense, then, for Vietnam to define a new localized version of the poverty goal in order to motivate policy formulation over the coming years. Secondly, though Vietnam performs well on some of the access targets – for example in basic education – there are urgent challenges associated with improving the quality of those services to international levels. While it is clearly still important to strive for universal primary education, for example, it is also important to make sure that the children in school are attaining standards that are similar to other countries. Thirdly, Vietnam has its own strategic planning cycle with different start and endpoints from the MDGs. It is helpful to align the 25-year cycle of the MDGs with the five and ten year cycles of the Vietnamese planning horizons so that measures and actions can be tailored to outcome targets for 2005 and 2010 which are, in turn, consistent with targets for 2015. Fourthly, there is a call for establishing subnational targets to capture, for example, issues related to ethnic minority development or inequality. Finally, there are areas which are particularly challenging for Vietnam at its current stage of development but which are not covered by the MDGs. As an example, although Vietnam has performed well in delivering basic social services, it has lagged behind in initiating necessary governance reforms which will be crucial to attaining some of the other outcome targets proposed in the national strategies.

This series of papers was prepared to contribute to the Government's thinking on target-setting and monitoring in eight thematic areas:

- Eradicating poverty and hunger;
- Reducing vulnerability and providing social protection;
- Providing quality basic education for all;
- Improving health status and reducing inequalities;
- Ensuring environmental sustainability;
- Promoting ethnic minority development;
- Enhancing access to basic infrastructure ; and,
- Ensuring good governance for poverty reduction.

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\* The Government-donor-NGO Poverty Task Force has been working collaboratively on poverty analysis (World Bank et al, 1999) and strategic planning since 1999. While the CPRSG was being drafted, the PTF comprises 16 Government ministries, 6 donors, 4 international NGOs and 4 local NGOs.

## FOREWORD BY THE POVERTY TASK FORCE

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No separate paper was produced on promoting gender equity for two reasons. First, it was considered important that gender issues were mainstreamed across these eight areas. Secondly important issues outside these eight areas were already being addressed as the Government formulated its Second Plan of Action for the Advancement of Women.

Early versions of these draft papers were discussed at a 3-day workshop held in September 2001 attended by nearly 100 policymakers and practitioners. Government agencies, NGOs and donors have all participated in the working groups established to oversee the production of these documents. Further consultations on the drafts took place with sectoral ministries and agencies over the early part of 2002, the most intensive drafting period of the CPRGS. The CPRGS has been approved by the Prime Minister in May 2002 and outlines a set of goals and indicators which clearly reflect the analytical work and debates that have taken place over the last year. A slightly shortened, summarized table of VDGs (as articulated in the CPRGS) is included at the end of this paper.

Now that these papers are finalized, we hope that they will serve as a useful input for the implementation of the CPRGS, including the preparation of annual action plans.

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## ABBREVIATIONS

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ADB	Asian Development Bank
AusAID	Australian International Development Agency
CEMMA	Committee for Ethnic Minorities and Mountainous Affairs
CHC	Commune Health Clinic
CIE	Centre for International Economics (Sydney)
CPR	Common Property Resources
CPRGS	Comprehensive Poverty reduction and Growth Strategy
CRP	Centre for Rural Progress
DMU	Disaster Management Unit
GoV	Government of Vietnam
GSO	General Statistical Office
HEPR	Hunger Eradication and Poverty Reduction
HIV / AIDS	Human Immuno-deficiency Virus / Acquired Immuno-Deficiency Syndrome
ICP	Inter-Commune Polyclinic (health clinic)
IDS	Institute of Development Studies (Sussex)
IDTs	International Development Targets
ILO	International Labour Office
I-PRSP	Interim Poverty Reduction Strategy Paper
JV	Joint Venture
MARD	Ministry of Agriculture and Rural Development
MDG	Millennium Development Goals
MOET	Ministry of Education and Training
MOF	Ministry of Finance
MOH	Ministry of Health
MOLISA	Ministry for Labour, Invalids and Social Affairs
MOT	Ministry of Trade
MPHS	Multi-Purpose Household Survey
MPI	Ministry of Planning and Investment
NFEP	National Fund for Employment Promotion
NGO	Non-Governmental Organisation
ODI	Overseas Development Institute (London)
p.a.	per annum
p.c.	per capita
PPA	Participatory Poverty Appraisal
PPP	Purchasing Power Parity
PRSP	Poverty Reduction Strategy Paper
PWG	Poverty Working Group
ROSCA	Rotating Savings and Credit Association
SBV	State Bank of Vietnam
SCF	Save the Children Fund
Sida	Swedish International Development Agency
SOE	State-Owned Enterprise
SRV	Socialist Republic of Vietnam
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
VBARD	Vietnam Bank for Agriculture and Rural Development
VBP	Vietnam Bank for the Poor
VCL	Vietnam Confederation of Labour
VDG	Vietnam Development Goals
VDTs	Vietnam Development Targets
VHI / VHIA	Vietnam Health Insurance / Vietnam Health Insurance Authority
VLSS	Vietnam Living Standards Survey
VND	Vietnamese dong

## EXECUTIVE SUMMARY

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In Vietnam in 2001 one third of people live in poverty. Most of those who are not poor live close to the poverty line. A review of literature and data suggests that poor and near-poor households are vulnerable to a range of risks – affecting individuals, households or whole communities – which can have a devastating affect on livelihoods and wellbeing. Achieving Government of Vietnam targets for poverty and hunger eradication therefore implies two important and connected challenges: *promoting* those currently living with unacceptable levels of deprivation out of poverty and *protecting* people from suffering declines in wellbeing, which reverse former gains.

The main objective of this paper is to suggest a framework for addressing and monitoring vulnerability over the coming decade in order to reduce extreme poverty and to improve the objective and subjective experience of security. Government action should be oriented not only towards improving the robustness of gains in economic growth and poverty reduction: it should also aim to alleviate the burden of living with the constant fear of future impoverishment, reducing the degree to which people feel themselves to be passive, exposed, dependent upon factors outside one's control – and increasing their capability to feel able to control one's life, and not at the mercy of external forces. This expands the current, popular definition of vulnerability in Vietnam beyond the identification of disadvantaged groups who require social assistance to include those who are exposed to the more general insecurity of current or future deprivation – and who require other forms of help.

Vulnerability defies easy measurement and national development strategies do not provide any statements on *quantitative* outcome targets regarding the reduction of vulnerability. For future monitoring, this paper proposes that vulnerability at the national level is tracked through a analysis of:

- Vulnerability to falling into poverty measured by distance from the poverty line; and,
- Vulnerability measured as consumption volatility observed from panel data.

Data will be available every two years from household expenditure surveys to follow progress in reducing vulnerability according to these measures. These surveys will have large enough samples to provide estimates broken down for different sub-groups of the population. There will be a need to supplement this quantitative data on vulnerability to material poverty with qualitative analysis which can illustrate other forms of vulnerability and risk (social and physical, for example) and which can examine intra-household vulnerabilities more reliably.

Mechanisms for managing risks and coping with shocks are largely informal reflecting the limited outreach and poor targeting of formal social protection measures. A number of policy measures and public actions are proposed to strengthen social protection measures within a context of promoting inclusive economic growth which builds the assets of vulnerable households.

## Contextual background and scope of the paper

Recent development research, in Vietnam and internationally, has emphasized the need to address vulnerability and risk in order to achieve sustainable poverty reduction for all. This is reflected in Government of Vietnam (GoV) documents: the policy matrices in the Interim Poverty Reduction Strategy Paper (IPRSP) include measures to address vulnerability, and the 2001–2010 draft Hunger Eradication and Poverty Reduction (HEPR) Strategy describes targeted interventions to assist poor and disadvantaged groups escape poverty<sup>1</sup>. Most recently, the Comprehensive Poverty Reduction and Growth Strategy<sup>2</sup> (CPRGS), approved by the Prime Minister in May 2002, has announced an expanded range of public actions to reduce risk and vulnerability.

The main objective of this paper is to suggest a framework for addressing and monitoring vulnerability over the coming decade. The nature of vulnerability in Viet Nam calls for analysis which looks beyond formal sector social security measures. Following a general structure proposed for eight studies, this paper takes as its starting point targets set out in GoV strategies and plans and explores the links between these and the Millennium Development Goals (MDGs) to which the GoV is committed. This work is commissioned to assist the Government a core set of Vietnam Development Goals as an accountability framework for their CPRGS. The context of the thematic study series requires that issues be treated in a preliminary and exploratory manner: further work is needed to validate analysis and refine recommendations. Given these limitations, the paper addresses four sets of questions:

- How can vulnerability be described and measured in Viet Nam? What risks are most prevalent and are these likely to change in the foreseeable future?
- What readily-available indicators might best capture progress in reducing vulnerability and how will they be measured and tracked?
- How do vulnerable people and households manage

risk? What instruments and policies exist to help people manage social risk? Are these measures sufficient to allow Viet Nam to meet its targets?

- What policy measures and reforms might contribute to reducing overall vulnerability and improving risk management?

## Conceptual background

### *Defining vulnerability and social protection*

The concept of vulnerability describes, *ex ante*, the probability that an individual or household will assume a certain (negative) status at a given point in the future. For the purposes of development planning, the key concern is vulnerability to poverty. Although poverty is a multidimensional phenomenon, this paper focuses primarily upon poverty defined in consumption terms (VND p.c. p.a. expenditure). This is partly because this is the most useful single dimension of poverty, with which most other dimensions are most closely correlated most of the time, and partly because panel data measurements are available for tracking this dimension of poverty. There is no intrinsic reason why vulnerability to other dimensions of well- or ill-being (physical or psychological health, nutrition, etc.) should not also be quantified and used as national development targets<sup>3</sup>. Some of the other papers in the series, of which this is one, examine other dimensions of vulnerability.

By focusing upon a future state, a concern with vulnerability draws attention to both i) the dynamics of well-being status and the potential for well-being to change in a negative direction (vulnerability to falling from non-poverty into poverty) *as well as* ii) the potential for no change in a negative status (starting and remaining in poverty over the period in question)<sup>4</sup>. Most definitions of social protection reflect these two dimensions of vulnerability. Although they vary, most definitions of social protection involve two main types of actions. The first are intended to support the livelihoods of the poorest, who in the absence of transfers would face absolute destitution; the second are intended to reduce

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<sup>1</sup>SRV 2001 pp. 91-92; MOLISA 2001 p. 19.

<sup>2</sup>SRV 2002 pp. 40-41 and 136.

<sup>3</sup>This conceptual background draws in particular on Coudouel et al 2001; World Bank 2000; and Dercon 2001.

<sup>4</sup>Numerous studies over the last decade show that household well-being in poor countries is highly dynamic: many households see their standard of living vary considerably from year to year. Only a small proportion of households are poor every year (chronic poor), whereas a large proportion are poor in only one or two years (transient poor).

vulnerability. While useful, the conceptual distinction between i) lifting people out of destitution or poverty (promotion) and ii) protecting people from declines due to gradual or sudden erosion of their livelihoods (protection) tends to blur in practice.

### ***Relating vulnerability to the achievement of development goals in Viet Nam***

While the MDGs do not relate specifically to vulnerability or the provision of social protection, Vietnamese national strategic planning documents do, albeit rather briefly. The *Poverty Alleviation Strategy 2001-2010* lists social security policy as one of eleven “Direct methods to support the poor, poor households and poor communes”, noting the need to “focus to help the poor, limit risks and danger of falling back into poverty; [and] formulate methods of effective social assistance for the poor”; the IPRSP contains a longer list of intentions regarding safety nets for the poor and for victims of natural disasters. (See Appendix 1 for key references in these documents). However, neither document provides any specific, quantifiable targets in these fields, either in terms of outputs (e.g. coverage or level of benefits), or in terms of vulnerability reduction or risk management outcomes<sup>5</sup>. This section therefore explores the logical connections between reducing vulnerability and achieving some of the key development targets.

The GoV has already met and exceeded the MDG of halving poverty by 2015. It is now committed to eliminating hunger and “hard-core” poverty by 2010. To succeed, and to ensure that poverty reduction gains are sustainable and not subsequently reversed, Viet Nam needs to address vulnerability to poverty: both by assisting currently-poor households to escape poverty, and by protecting households from trends and risks which could force them below the poverty line (or, if already living below the poverty line, deeper into poverty). Broad-based economic growth that lifts the incomes and expenditures of both the poor and near-poor and increases the margin of safety above the poverty line is, in the long term, key to reducing vulnerability, giving

people more buffers (savings and assets) with which to deal with crises. However, to focus resources into growth alone is not an efficient way of achieving sustainable poverty reduction.

First, an exclusive focus on growth tends to benefit the rich more than the poor: it is necessary to ensure that growth builds the assets of the poor. And if efforts are not taken to buttress achievements made in poverty reduction, an increasing prevalence of household-level risk, a large-scale flood or economic crisis could quickly push large numbers back into poverty. As Viet Nam continues to modernize, its economy will become increasingly integrated with that of the region and the world. This can be expected to provide considerable benefits (export-led economic growth and poverty reduction). However, it will also increase the degree to which Vietnamese are exposed to global macroeconomic shocks<sup>6</sup>. If the country is to reap the benefits of globalization, it must also take adequate steps to mitigate the impact of global crises.

Secondly, reducing vulnerability may contribute *actively* to economic growth. If exposure to risks is high and the consequences are very serious, people are inclined to adopt safety-first strategies which guarantee a minimum, subsistence income, but which do not build assets so readily and which reduce the chances of escaping from poverty. If a reliable safety net, exists, people may be more willing to engage in riskier, high return activities, resulting in be faster, broad-based and more sustainable economic growth<sup>7</sup>. Public investments that reduce the probability and mitigate the consequences of common risks are therefore a necessary complement to general promotional policies.

Finally, public policies that progressively improve the welfare of those currently living below the poverty line help to limit inequalities. Some groups in society can not benefit directly from economic growth and need special policies to keep them out of destitution.

To contribute to poverty reduction through these channels, social protection policies need to be based

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<sup>5</sup>This paper – along with the others in the series - was written originally to provide background analysis for the GOV team responsible for drafting the CPRGS. The final CPRGS has now absorbed some of the proposals contained in this paper and now becomes the first GoV strategy that the authors are aware of that contains explicit targets for reducing vulnerability. Since the CPRGS has been released in its final version only after this paper was finalized it has not been possible to reflect in detail the analysis of poverty-vulnerability linkages contained in the Strategy document.

<sup>6</sup>see Vu 1999 on the socio-economic impact of the crisis on Viet Nam.

<sup>7</sup> World Bank 2000.

upon a good understanding of risks, constraints and opportunities faced by the poor, and of the return to different types of public actions. Many elements of a comprehensive definition of vulnerability are present in the GoV policy framework, but they are not pulled together in a conceptually unified way. Nor do they explicitly recognize that social protection which improves the capability of the poor to participate in the market economy will also contribute both to overall growth rates and to the distributional (poverty-reducing) nature of this growth.

***Defining vulnerability in Viet Nam: vulnerable groups and household dynamics***

There is no precise official *definition* of vulnerability in GoV policy documents. A working definition from a 1998 MOLISA survey described vulnerability as “inability of an individual, to exploit opportunities presented by society for their self-betterment”. The survey identified economically active and economically inactive or marginal vulnerable groups (see Box 1).

**Box 1 MOLISA classification of vulnerable groups in Viet Nam**

***Group 1: those of working age and capable of working***

- Invalids capable of work
- Female labourers who have not yet completed primary school
- Young labourers (15 to 24 years old) who have not yet completed secondary school

***Group 2: those under or over the working age, or of working age but incapable of work***

- Invalids incapable of work
- “Lonely elderly” i.e. the old without relatives
- Orphans and helpless children

(Source: MOLISA / ADUKY 1998 p. 5)

Other GoV documents contain alternative implicit or explicit definitions of vulnerable groups. An expanded list of vulnerable groups might include the following<sup>8</sup>.

**Box 2 Vulnerable groups identified in MOLISA-facilitated consultation with GoV staff**

- Women
- Children
- Elderly without relatives
- Ethnic minorities
- Those with low education, or who are illiterate
- The poor and hungry; and those above but near to the poverty line
- The disabled; those who are ill or have suffered an accident
- People suffering from underemployment
- Families with many children; especially when do not have enough labour
- Those who have suffered from a natural disaster
- Those in remote areas the poverty line

While the identification of vulnerable groups is undoubtedly useful, the first priority for a national policy framework intended to reduce vulnerability should be to identify and address those forms of risk which are most common and serious, and which are correlated with, cause or serve as a proxy for other forms of risk, rather than start with an inventory of particular vulnerable groups. Thus while MOLISA has already identified specific groups characterized as vulnerable, there is a lack of policies designed to address the general vulnerability of much of the population to a fall in their income and consumption (and, by extension, their vulnerability to all the other risks – decreased food consumption, inability to spend on health care, withdrawal of girls from school and so on – that are associated with a fall into poverty). The focus of this paper will therefore be on reducing household-level vulnerability to poverty, as measured primarily by p.c. consumption levels and recorded through national sample surveys<sup>9</sup>.

<sup>8</sup>Staff from the GTZ-MOLISA Self-Help-oriented Poverty Alleviation Project facilitated a meeting of Hanoi-based staff from MOLISA, MPI, the Women’s Union, MoH, MARD, the Farmers’ Union and the VBARD / VBP to discuss issues of vulnerability and social protection. Amongst other topics, they identified the vulnerable groups listed in Box 3. See also MOLISA 2001 p. 19; SRV 2001 p. 77.

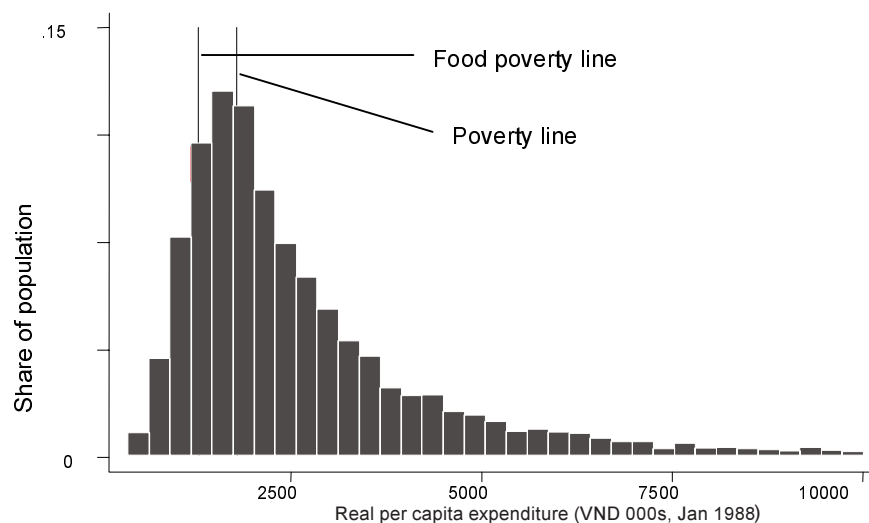
<sup>9</sup> While the poor are typically the most vulnerable to a further decline in well-being, the relatively compressed nature of the distribution of p.c. consumption combined with the observed volatility of consumption between 1993 and 1998 means that even the relatively rich are not immune from dramatic reversals in well-being.

However, while this paper argues that measures of variability in p.c. consumption are central to monitoring trends in poverty and vulnerability, it also acknowledges that they have limitations. Firstly, they assume that resources are distributed within the household in accordance to need. Intra-household inequalities (often gender- or age-based) may thus be obscured. Secondly, certain aspects of well-being (domestic violence or abuse, for example) are not amenable to study through household expenditure surveys. It is therefore essential to complement core vulnerability monitoring (using analysis of consumption data) with qualitative studies which address some of these intra-household and non-consumption aspects of vulnerability. The GoV has indicated its commitment to building measures of non-material vulnerability into the monitoring framework of the CPRGS (for example in reducing domestic violence). This will need further elaboration if it is going to be effective. Current monitoring arrangements within GoV are inadequate to assess whether public actions are effective in reducing these non-material dimensions of vulnerability.

### ***Risks and vulnerability to poverty in Viet Nam***

In Viet Nam, the distribution of well-being – as measured by per capita (p.c.) expenditure – illustrates the importance of social protection. A large proportion of individuals are clustered around the poverty line (Fig. 1), so that it would take only a small reduction in p.c. consumption to force those now living just above the poverty line back below it. Helping people to manage risk and avoid falling into poverty (protection strategies) is thus an important part of any overall poverty reduction strategy, complementing measures to help those already

**Figure 1 Distribution of household well-being relative to poverty line in Viet Nam**



in poverty (promotion strategies). If “the vulnerable” are defined as the currently poor plus those who are near-poor (within a line 10 percent above the poverty line), then fully 45 percent of the population should be considered vulnerable<sup>10</sup>.

### ***Forms of risk***

The forms of risk to which people are exposed may be classified by the domain through which they affect livelihoods (e.g. health) and by the scale at which it operates. *Idiosyncratic* risk affects individuals and households *as* individuals or households: the probability of one household being affected is largely independent of whether other individuals or households are affected (e.g. house fire, work injury, girls being withdrawn from school). *Covariant* risk is risk which affects many people at the same time (e.g. natural disasters).

### ***Components of risk management***

Risk can be managed by a variety of actors: individuals and households, communities and other groupings in civil society, private providers, and state institutions (local,

<sup>10</sup>PWG 1999 p. 17.

regional and national)<sup>11</sup>. Three main groups of risk management approaches can be distinguished:

- Risk reduction (or risk prevention) covers actions taken in advance of a shock to reduce the chance that it occurs at all.
- Risk mitigation activities are actions taken in advance of a shock which are intended to reduce the seriousness of the impact of a shock.
- Coping strategies are actions taken once a shock has occurred, by which individuals, households,

communities and the state attempt to reduce the impact of the shock upon well-being.

The essence of a good social protection strategy is in part establishing an appropriate and complementary balance between social assistance to the destitute and social risk management for the vulnerable. It is also in part about getting the “portfolio” of risk management instruments right, establishing mutually supportive roles for individuals, households, market actors and the state in reducing, mitigating and coping with risk (see Appendix 2).

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<sup>11</sup>See ADB 2001 pp. 4-5 for an approach to the classification of risks and responses by type of actor.

### Background

This section will draw heavily on the chapter on vulnerability in the *Vietnam Development Report 2000: Attacking poverty*, which was based on quantitative data obtained from the Vietnam Living Standards Surveys (VLSS) in 1993 and 1998 and the more qualitative and contextual insights obtained from the four participatory poverty assessments (PPAs) carried out in 1999. Other sources include the recent community-level consultations on the draft CPRGS, which sought feedback from poor communities on Government's proposed measures to reduce vulnerability and risk<sup>12</sup>.

The four PPAs and the community-level consultations on the draft CPRGS illustrate the degree to which many households remain vulnerable to a range of risks which prevent, slow down or reverse progress out of poverty and towards livelihood security. Several factors emerge as critical in explaining vulnerability, most notably dependence on a narrow range of activities and sources of income. Rural households heavily dependent upon a small range of on-farm activities were seen as vulnerable; landless households dependent upon the low and seasonal demand for day labor were particularly exposed. Similarly, studies of how people in Quang Tri and Thua Thien Hue were affected by the floods of November 1999 found that lowland rice farmers, while in normal years wealthier than upland farmers, were vulnerable because their efforts were concentrated upon the rice crop, with few other sources of income or food if this crop was destroyed<sup>13</sup>. Physical isolation also creates vulnerability, in part because the difficulty of access to markets limits the possibility of income diversification. In urban settings, households relying heavily upon informal work such as portering or rickshaw-driving were more vulnerable than those with a regular, dependable source of income. The following pages describe the most common forms of risk faced by households in Viet Nam.

### *Idiosyncratic (household- and individual-level) risks in Viet Nam*

*Illness.* A serious or long-term illness or accident, particularly of an economically active member of the

household, is one of the most common and devastating shocks facing a household. The Ha Tinh PPA found that 57 percent of households whose standard of living declined reported ill health as the cause. Newly formed households are particularly vulnerable, as there are fewer economically active household members to absorb the loss of income and cover the cost of treatment. Medical costs are high, especially if it is necessary to go to the District or further afield in order to get treatment. For those in the poorest quintile of the population, a single curative treatment in a hospital costs equivalent to 22 percent of annual non-food expenditure; for the richest quintile, such a visit represents only 5 percent of annual non-food expenditure. Annually, those in the poorest quintile spend on average 33 percent of non-food expenditure on health care. Those in the poorest quintile lose more in terms of household production and income lost due to illness compared to those in the richest quintile (average of 25 percent of 6.5 percent of p.c. annual expenditure).

*Life cycle events* Weddings or funerals can affect current well-being and vulnerability, imposing costs which may require a family to sell assets and/or take out loans and leave the household vulnerable for long afterwards. Increased expenditure is often exacerbated by reduced household labor supply (most notably when an economically active member of the household dies, but also when marriage and the formation of a new household leaves the parents' household with reduced access to labor). The ability of newly-divided and single female-headed households to cope with shocks is much lower, and depends heavily upon their stock of social capital (relatives, friends and neighbors living nearby who can help out with loans and labor). Migrant households without strong local connections are particularly vulnerable.

*Alcoholism, drug addiction or gambling* Addiction to alcohol (seen in much of the country) or other drugs (seen mainly in urban areas) emerged as an important theme in all four PPAs. When a household member drinks heavily or uses drugs, expenditure on these forms of consumption reduces the money available for essential household goods and services and eats into savings. Compulsive gambling increases expenditure and indebtedness in a similar way. Heavy consumption

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<sup>12</sup> Shanks and Turk 2002.

<sup>13</sup> Beckman and Le 2000a.

of alcohol or drugs also reduces the supply of household labor, may increase health costs, and particularly in the case of drug use is associated with criminality, fines and jail. Alcohol abuse is also associated with an increase in within-family vulnerability to domestic violence and the possibility of family disintegration. These problems appear to be on the rise, though this may be due to more widespread reporting<sup>14</sup>.

*Domestic violence* In Vietnamese society as in many others, women are vulnerable within the household to abuse (verbal, emotional or physical) from their husbands. Reducing domestic violence is therefore an important priority for social policy. Reducing poverty and the sense of vulnerability to poverty may help, as domestic abuse is perceived to be more common when families are under stress about money; reducing alcohol or drug abuse and compulsive gambling may also play a role. However, there is also a need for public actions specifically targeted at reducing the vulnerability to domestic abuse directly. This will involve reducing the risk of abuse through generating attitudinal change, through education and promoting the legal rights of women, and mitigating the consequences by better training of court and other institutions (local Women's Unions, Resident's Units and Reconciliation Groups) and expanded provision of temporary refuges<sup>15</sup>.

*Loss of physical assets* The poor are obviously less well placed to absorb the loss of the few assets they have managed to acquire. Theft is generally more of a problem in towns, where the poor are often particularly at risk. Probably the greatest risk to the property of rural households is the loss of livestock, which often occurs as a result of local-level epidemics (see below). Other risks to property – particularly to housing, which for most households is the most valuable physical capital they own – include house fires, which occur in both urban and rural settings. Finally, a number of households lose land through sales or default on loans for which the land was collateral. Due to land distribution under socialism, Viet Nam is at present remarkably egalitarian in terms of land ownership: the entrenched distinction between landless poor and landed rich is not a feature of Viet Nam in the way it is in south Asia or southern America (or as it was in Viet Nam in the past).

However, the creation of private rights to land, essential to the economic reform process, will over time result in the emergence of landless poor. This process is starting from a low base, may be slow, and may only be significant in a few regions (e.g. the Mekong Delta), but it will need to be monitored.

*Failure of household enterprise* The failure of household investments in a business affects well-being directly through the loss of income, which often forces families to take out a loan to meet consumption needs. The problem is exacerbated if the failed enterprise was itself backed by a loan, which must then be repaid. In this situation a family may be forced to sell assets (thereby decreasing its ability to generate income) or enter an unsustainable spiral of debt. Many of the business options available to poor rural households (livestock, new crops, pond-raised fish) appear to carry a high risk of failure. The PPA in Ha Tinh found that failed investment accounted for 14 percent of households that had experienced a decline in well-being. A recent phenomenon has been the failure of large numbers of entrepreneurial farmers who invested in the production of cash crops for exports over the 1990s, only to see the world prices of these crops fall dramatically in recent years.

This is where the links between social protection and economic growth are clearest. The high cost of failure deters many households from attempting to start a new business, leaving them trapped in lower risk activities which also provide low returns, forced to accept a trade-off in which they remain in poverty but reduce their vulnerability to a further fall in well-being. If the downside risk were mitigated through appropriate measures, it would encourage more start-ups and contribute to economic growth. Part of the problem is that risk-reducing measures (e.g. livestock vaccinations) are available but beyond the financial reach of poor households.

*Unemployment* Viet Nam's economy is still largely informal, with most people self-employed in agriculture or small-scale, family-based production or service enterprises. In this context open unemployment (as opposed to underemployment or lack of demand for

<sup>14</sup> UNICEF 2000 p. 32.

<sup>15</sup> Vu Manh Loi et al 1999.

household products) is a risk faced by only a relatively small proportion of households, which (being involved in the formal economy) also tend to have incomes and expenditures above the national average. As Viet Nam continues to urbanize and industrialize, the risk of unemployment is going to become more significant and the government will need to have appropriate labor market and other policies to facilitate full employment and help households cope with periods of unemployment. One particular area of concern is with regard to the employees of state-owned enterprises (SOEs) during the equitization process<sup>16</sup>.

### *Covariant risks*

*Macroeconomic shocks and trade-related forms of vulnerability* As the Vietnamese economy becomes increasingly integrated with world markets, producers and consumers alike face both new opportunities and new forms of risk. This has not been a major factor to date: in the three rural PPAs completed in 1999, poor households reported few if any negative consequences arising from the Asian crisis. In the urban HCMC PPA, however, poorer households reported suffering from increased competition for unskilled work due to cutbacks by local enterprises and a growing reserve pool of rural migrant labor.

*Natural disasters* Natural disasters tend to result in multiple shocks to household well-being (see Box 3). Weather-related natural disasters are particularly common and severe in certain regions of the country. The central coast is especially vulnerable to natural disasters, as climate and topography combine to create quick-onset floods. Heavy rainfall (often from typhoon systems) on mountains which lie as little as 70km from the coast cause rivers to rise rapidly as rainwater flows over the steep slopes down to the sea. Floods also affect the Mekong Delta, although here there is generally more warning as river waters rise upstream in Laos and Cambodia before reaching Viet Nam. Steep slopes and heavy rainfall in mountainous regions result in landslides, which claim lives and destroy houses, cropland and infrastructure. In all regions the risk of extreme floods has been exacerbated by anthropogenic environmental change (notably deforestation on hillsides). Droughts also occur throughout the country

and pose a challenge to farmers; in any given year it is possible for a community to suffer both drought and severe floods.

### **Box 3 Shocks associated with natural disasters**

Natural disasters tend to result in multiple direct shocks to household well-being:

- Injury and loss of life, including of economically active adults;
- Illness after floods, due to water-borne disease, reduced food supply, lack of access to health care;
- Loss of property and assets, including the family house (generally the single largest item of value) and food stores. Boats and nets are also heavily damaged in coastal areas;
- Loss of crops, affecting on-farm consumption food security and income prospects;
- Loss of livestock, both in floods and to disease which spreads as the floods recede.

In addition to these effects on individual households, shocks are experienced at the collective level:

- Destruction of transport, communication and electricity distribution infrastructure;
- Damage to water control infrastructure (flood control and irrigation);
- Damage to schools and health facilities

*Livestock epidemics* The death of livestock, especially buffalo or pigs, is a major blow to rural households. In the PPAs, livestock death was reported to be one of the main factors contributing to poverty in the three rural sites. Villagers reported that it could take five years for a household to recover from the death of a buffalo. These deaths may be idiosyncratic, affecting one or a few households in a village at any one time, but can and often do occur as local epidemics. Animal vaccination rates are low due to underdeveloped veterinary services and lack of money to pay for vaccinations, with the result that the introduction into a village of one diseased animal can put the whole village

<sup>16</sup> see Rama et al 1998 on attempts to provide a safety net for displaced workers during equitisation of SOEs.

at risk. The risk of infection and spread of disease are exacerbated by poor animal husbandry (also reflecting low-quality veterinary services). Ethnic minority groups with limited command of Vietnamese are particularly isolated from information that might improve livestock survival rates.

**Future risks and vulnerabilities, 2001-2010**

Table 1 summarizes the risks described in the previous pages. The relative importance of each of the risks listed in the table can be expected to change as the natural environment and socio-economic structure of Vietnam changes. Furthermore, a number of new risks can be expected to become significant (in terms of the numbers affected and the severity of the effect) over the next ten years.

Without corrective action, the number of people exposed to natural disasters and the severity of the effects of those shocks will both tend to increase. There is some debate as to whether the increasing frequency and severity of floods in recent years reflects long-term climate change. It certainly reflects increased population

and environmental changes resulting from human activity. Deforestation and infrastructure construction on floodplains has changed the way in which a given amount of rainfall results in runoff and flooding, while increasing population density in disaster-vulnerable zones has increased the numbers affected<sup>17</sup>. Although the rate of change may slow, it is likely that human activity will continue to degrade the environment in ways that exacerbate the magnitude and impact of flooding and landslides.

New forms of health risk will become increasingly significant, with implications for household coping strategies. The level and rate of increase in HIV/AIDS appears to be at a point at which it could either be contained, or could result in a major pandemic within a decade or so. In countries in which AIDS has affected a major proportion of the sexually- and economically-active population, coping strategies rooted in robust family and community solidarity have eventually broken down, resulting in child- or grandparent-headed households. Such households are extremely vulnerable to other shocks. At a national level, the result is a slowdown and reversal of gains in human development

**Table 1 Summary of most common risks faced by households in Viet Nam**

Type of crisis	Forms and causes	Effects
Human crisis	Illness or accident	High indirect and direct treatment costs; Loss of income through reduced labour
	Death of a labourer	High cost of funeral expenses; Loss of income through reduced labour
	Alcoholism, drug addiction and gambling	High, non-productive expenditure; Reduced income from lost labour
Material crisis	Theft	Loss of assets; Reduced income.
	Damage to housing (flood, typhoon, fire)	High, unexpected expenditure
Non-crop economic Shock	Failure of investment	Reduced income; Inability to repay debts
	Unemployment	Reduced income
	Life cycle events (wedding, funeral)	Increased expenditure; Reduced labour supply.
Crop failure	Death of animals (individual or epidemic)	Reduced income; Reduced assets and security
	Rats, mice or other pests	Reduced income
	Landslide	Reduced income
	Weather (floods, drought, typhoon etc.)	Reduced income

Source: based on PWG 2000 p. 103

<sup>17</sup> IFRCRCS 2001 pp. 104-107.

and economic growth. In order to achieve the MDG of halting and reversing HIV/AIDS prevalence, it is important that GoV policy reflects recognition of the scale of the problem and the identification of appropriate policies and programmes<sup>18</sup>. As more households come to be dependent upon employment in the formal sector, an appropriate regulatory and enforcement framework for occupational health and safety will become more important.

As the structure of the economy shifts from one dominated by informal sector, largely rural household-based livelihoods, towards one in which urban, industrial and service-sector formal employment is increasingly important, a growing number of households will face the risk of unemployment. Viet Nam will need to develop appropriate policies to ensure that the poor can benefit from developing labor markets (concentrating as much upon active labor market policies as upon compensatory unemployment policies), while simultaneously improving the effectiveness of policies to protect the informal sector, which will still account for the majority of the nation's poor for the next decade at least, and which is currently poorly served by GoV social protection instruments. SOE equitization is a particular case, calling for special policies and programmes. Community consultations on the CPRGS held in Ho Chi Minh City suggested that issues concerning the nature of the labor contract were becoming more problematic for some poor groups. Feedback from these groups suggested that a national development strategy that seeks to reduce poverty through generating wage employment should be supported by measures which enable workers to uphold their rights at work. This would include, for example, a strengthened role for trade unions.

Over time, vulnerability related to supply and demand in the global economy will become more pronounced and will spread from urban to rural areas. In recent

years, areas investing heavily in certain export crops have experienced crises due to the fall of world commodity prices. The boom in coffee production in the Central Highlands was driven by high international prices: the collapse of prices in 1999-2000 affected even rich farmers, many of whom have fallen back into poverty due to the debts they incurred in investing in coffee production. This problem was echoed in all rural sites covered by the recent community consultations on the draft CPRGS – albeit with regard to different crops. Policies that encourage investment in apparent growth markets, with inadequate consideration of the risks of household dependence upon changing world prices, exacerbates this kind of vulnerability. Viet Nam is still learning to deal with open and volatile markets: GoV policies should ensure that balanced information is provided, and efforts to promote investment in new markets are complemented by efforts to develop risk management strategies for these sectors.

Other vulnerabilities related to reforms of macroeconomic, fiscal, SOE and banking sector policy can be expected to grow in importance. It is important that analysis is carried out prior to implementation in order to identify who and how many will be affected and the severity of the shock at a household level, and to identify options to ameliorate this impact. An important reform which might improve the ability of households to manage vulnerability would be to relax the ceiling on interest rates charged to borrowers, which improves the terms of their loans for those who can obtain access to subsidized credit, but makes it impossible for microfinance institutions to offer a worthwhile interest rate to savers. Though the GoV has announced its intention to lift interest rate ceilings, there is as yet no clear timeframe for doing so. This is unfortunate, given that small scale, interest-bearing instant access cash savings can provide households with an important means of smoothing consumption in the face of shocks and seasonalities.

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<sup>18</sup> ADB and WHO (2001). Policies which criminalise prostitution and drug abuse as a social evil have not been effective solutions in other countries in halting the spread of HIV / AIDS. pp. 20

## PART II. MEASURING VULNERABILITY, SETTING TARGETS AND ESTABLISHING BASELINE LEVELS OF VULNERABILITY

This part of the paper reviews the possibility for a quantifiable measure of vulnerability that would provide the basis for setting a target and monitoring progress towards it. As such it discusses the technical strengths and weaknesses of different measures, and the degree to which they capture, in a practical manner, the various facets of the complex concept of vulnerability. In the process, however, it is important not to lose sight of the ultimate goal of any GoV target relating to the reduction of vulnerability.

The overarching objective of social protection policy should be reduce extreme poverty and to improve the objective and subjective experience of security. Government action should be oriented not only towards improving the robustness of gains in economic growth and poverty reduction: it should also aim to alleviate the burden of living with the constant fear of future impoverishment, reducing the degree to which people feel themselves to be *bi dong* – passive, exposed, dependent upon factors outside one’s control – and increasing their capability to feel *chu dong* – able to control one’s life, and not at the mercy of external forces<sup>19</sup>.

### Selecting a suitable measure of vulnerability

As neither the international nor the national development goals provide any statements on *quantitative* targets regarding the reduction of vulnerability, this section will concentrate upon i) identifying one or more measures of vulnerability which can be tracked over time; ii) suggesting possible targets based upon these measures; and iii) attempting to establish baseline measures for vulnerability to poverty, in order to provide a foundation for target-setting and a discussion of possible policy measures and public actions in Part IV.

Vulnerability is hard to measure. This section proposes that vulnerability at the national level is monitored through a combination of two measures. Other approaches and

targets will have value in specific sectors, or as intermediate indicators<sup>20</sup>. The following paragraphs identify the main options available.

### *Vulnerability to falling into poverty measured by distance from the poverty line*

The importance of addressing vulnerability was illustrated in Figure 1 above, which demonstrates that for many households, the near-poor, even a small decline in p.c. consumption will force them below the poverty line. One aggregate measure of vulnerability is thus the distance between mean p.c. expenditure and the poverty line. As incomes and expenditures rise and the distance between household expenditure and poverty-line expenditure increases, it may be assumed that households are becoming less vulnerable to poverty.

This measure has the advantage of simplicity and of being easy to measure. As a stand-alone measure of vulnerability, however, it is probably a little too simple. While the poor are generally most vulnerable, there are also rich groups that are vulnerable, and poor groups that are not particularly vulnerable. It is thus possible for both living standards (measured by average distance above the poverty line) *and* vulnerability to increase over the same period. (The case of coffee producers over the last few years is a good example.) It is thus necessary to combine a measure of average consumption relative to the poverty line with some measure of income mobility.

### *Vulnerability measured as consumption volatility observed from panel data*

An alternative method of measuring vulnerability relies upon analysis of household panel data. By comparing the consumption status of a set of households at two points of time, it is possible to identify what percentage declined in well-being between these two dates, and to use this as a measure of the probability that households *currently* face the risk of this kind of consumption decline. Analysis can be disaggregated to draw out differences in the vulnerability of non-poor households

<sup>19</sup> Beckman et al 2002 p. 13; PWG 1999 p. 99-100.

<sup>20</sup> See Chaudhuri and Datt 2001, Suryahadi and Sumarton 2001 for a method of estimating vulnerability from a single survey. This is not particularly attractive if panel data is available, but may be useful in estimating vulnerability with regard to specific aspects of well-being for which only cross-sectional data is available.

with different characteristics (e.g. ethnicity, rural or urban residence, and region or province).

There are two possible approaches to the technical definition and measurement of vulnerability that might be used with respect to panel data:

**Option 1:** Vulnerability is defined as the observed frequency of a downward movement in consumption by a set amount (e.g. the percentage of individuals who experienced a decline in the ranking of p.c. consumption by two or more quintiles<sup>21</sup>).

**Option 2:** Vulnerability is defined as a decline in p.c. consumption below a certain threshold (most obviously, the poverty line), and measured as the percentage of households that were non-poor in the first survey but poor in the second<sup>22</sup>.

Intuitively, the second option is preferable for the purpose of monitoring progress, as the most meaningful definition of vulnerability describes exposure to a change in absolute rather than relative status<sup>23</sup>. It also relates most clearly and directly to the existing national and international goals relating to the reduction of poverty.

Unfortunately, there are also a number of problems involved in measuring vulnerability as the rate at which the non-poor fall into poverty<sup>24</sup>. It may thus be more attractive to use a measure of overall downward mobility, such as the percentage of households changing position downward by two or more income quintiles. This captures both any increase in the proportion of the non-poor falling into “near poverty” (an increase in vulnerability short of actually falling into poverty) and the vulnerability of the already-poor to further declines in well-being. It is proposed here that two measures of volatility are used. The first – the percentage of households which experience a decline by two or more quintiles between survey dates - provides an overall indicator of downward mobility, which corresponds well to a description of the odds that the non-poor will become poor, or will be moved into near-poverty. The second

measure – concentrating upon the frequency with which the poor will move into food poverty – attempts to capture the vulnerabilities of those below the poverty line to a further weakening in their consumption status. Baselines for these measures are elaborated below.

### Setting targets and assessing baselines

The overarching goal of social protection policy should be to reduce extreme poverty and to improve the objective and subjective experience of security, alleviating the burden of living with the constant fear of future impoverishment. The following selection of quantitative targets are a necessarily crude attempt to capture this goal in terms that are amenable to outcome-oriented monitoring.

#### *Relating reductions in vulnerability to MDGs and VDGs in poverty reduction*

This section proposes GoV targets in vulnerability reduction which will contribute to the achievement of stated national and international development goals regarding poverty reduction. It is possible to identify logical causal connections between reducing vulnerability and the achievement of many of the targets (e.g. schooling, life expectancy, infant and child mortality, and access to clean water). For the purpose of this paper, however, we will confine the discussion to setting vulnerability targets which contribute to the poverty reduction targets, as these constitute the single most important measure of overall welfare, and because other sectoral papers address security of access to (for example) health care, education, etc.

Between 1993 and 1998 poverty in Viet Nam (as defined by GSO and the World Bank) fell by 36 percent of its 1993 value (from 58 percent to 37 percent of the population). Current base case projections suggest that the poverty headcount will fall to 24 percent in 2005 and 19 percent in 2010. This compares with the GoV

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<sup>21</sup> This is the approach used in Annex 5 of PWG 1999, pp. 173-4 and by Haughton et al 2001.

<sup>22</sup> PWG 1999 (pp. 100-101) also uses this approach.

<sup>23</sup> If Viet Nam were to suffer an economic crisis which moved the majority of the population down into poverty, this could occur without a major change in the relative position of households.

<sup>24</sup> The baseline (the rate at which non-poor households became poor between 1993 and 1998) is, at 4.8%, too low to provide a suitable target, as measurement error will become significant. Secondly, the purportedly absolute level of the poverty line is somewhat illusory: in reality the level at which a poverty line is set is always a best guess. These and other problems are described in more detail in Appendix 3.

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target for poverty reduction which, in the terms of the GSO poverty line, equates to a poverty rate of 15 percent in 2010<sup>25</sup>.

The following targets for vulnerability reduction take observed relationships between achievements in poverty reduction and achievements in vulnerability reduction over the 1993-1998 period, and attempt to apply these to the baseline and target poverty reduction projections for 2005 and 2010. There are a great many assumptions involved, and several of the pieces of data required to extract a value from the chain of reasoning are simply not known. Each measure has its own limitations, and captures only a part of the total meaning of vulnerability. As a result, these targets are the best possible estimates of what is required in terms of reducing vulnerability in order to achieve stated goals in reducing poverty, *given the limited data available and the time constraints which have made it impossible to explore the possibility of more definitive analysis.*

***Vulnerability target 1: Increase in distance between average and poverty-line consumption levels***

Using the VLSS data and the GSO/World Bank poverty lines, it is possible to calculate the degree to which mean p.c. consumption exceeds poverty line p.c. consumption in a given year. This provides a feel for the distance which non-poor households have to fall in order to fall into poverty (table 2).

The value of mean expenditure as a percentage of poverty line expenditure could and should be calculated separately to obtain baseline figures for regions, ethnic groups and urban or rural location<sup>26</sup>.

Mean p.c. expenditure as a percentage of poverty line p.c. expenditure was 154 percent in 1998. Assuming that the relationship between the rate of poverty reduction and the rate of increase in mean consumption relative to poverty line expenditure is roughly constant<sup>27</sup>, this would yield the following target<sup>28</sup>.

**Table 2 : Average consumption relative to the poverty line, 1993 and 1998**

		Year	
		1993	1998
Poverty line	VND p.c. p.a.	1,160,000	1,790,000
Food poverty line	VND p.c. p.a.	750,000	1,287,000
Mean expenditure (all Vietnam)	VND p.c. p.a.	1,386,000	2,764,000
	As percent of poverty line	119%	154%
	As percent of food poverty line	185%	215%

Source: 1998 mean expenditure data from Houghton 2001 p. 15; 1993 mean expenditure calculated from Dollar and Glewwe 1998 pp. 32, 35.

<sup>25</sup> Based upon the baseline incidence of poverty derived from VLSS 1998, base case projections assume i) real GDP growth of 5% p.a. until 2010; ii) rural and urban areas in the seven regions grow at different rates, assumed to be the same as historical relative growth rates (see PWG 1999 Table 4.4); iii) population grows at 1.5% p.a. and iv) real expenditure grows in line with growth in real p.c. GDP. The projected real p.c. expenditure is compared with the relevant poverty line to produce an estimate of the projected poverty rate (Beard 2001 p. 7). The analysis of poverty and poverty reduction in Viet Nam is complicated somewhat by the existence of several alternative poverty lines.

<sup>26</sup> For 1993 VLSS findings on p.c. expenditure disaggregated by groups such as those mentioned here, see Dollar and Glewwe 1998 p. 35; for 1993 urban and rural poverty lines by region, see p. 47.

<sup>27</sup> There are a number of inter-related assumptions embedded in this choice of figures: notably, that the shape of the distribution of p.c. expenditure remains largely unchanged over the next ten years, and that the relationship between a 1% reduction in the poverty rate and a 1% increase in the mean expenditure as a function of poverty line expenditure also remains similar to that observed between 1993 and 1998. There is also a logical awkwardness in terms of stating a vulnerability target required to meet a poverty reduction target when vulnerability is defined in this case in terms of relationship between mean and poverty-line consumption: the reduction of poverty becomes endogenous to the reduction of vulnerability. This is perhaps inevitable given the difficulty of extricating the concepts of poverty and vulnerability.

<sup>28</sup> More nuanced statistical measures could also be derived to describe the distribution of p.c. consumption around the mean and in relation to the poverty line.

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**Target 1:** consumption security must increase so that mean p.c. expenditure is 202 percent of the poverty line in 2005, and 239 percent in 2010.

### *Vulnerability target 2: Stabilization of rate of downward consumption volatility*

Although between 1993 and 1998 there was a net upwards movement of household welfare, there were also households and individuals whose status declined over this period. The following table describes the degree of movement in relative well-being, as defined by p.c. expenditure, in the panel survey component of VLSS 1993 and 1998 (Table 3). The dark-shaded cells relate to households which did not change their quintile position; the light-shaded cells depict households which changed position by just one quintile. Households in the remainder of the table changed position by two or more quintiles<sup>29</sup>.

In total, some 40 percent of households did not change quintile position between 1993 and 1998. Those which changed position by just one quintile (either upwards or downwards) accounted for approximately another 40 percent. This leaves some 20 percent of households which changed position (upwards or downwards) by two or more quintiles: 10 percent rose by two or more quintiles, while 9.9 percent fell by two or more quintiles. It is this final figure of 9.9 percent (encompassing all

those households that fall in the cells bounded by a heavy black line on Table 3) that we will take as our baseline figure of dynamic vulnerability for the period 1993-1998. Among this group, p.c. expenditure fell by 34 percent between 1993 and 1998. This figure too might provide a baseline upon which vulnerability-reduction targets might be based.

Intuitively, it seems likely that consumption volatility will increase in a more liberalized economy, but that with rising mean incomes and consumption levels this will not necessarily equate to a point-for-point increase in the poverty rate. As it is not possible to assume a direct or constant relationship between the level of consumption volatility and poverty reduction, the level of the following target (for consumption volatility) is set as a matter of judgement rather than calculation

**Target 2:** consumption volatility must be stabilized so that no more than 10 percent of households experience a decline by two or more quintiles between any two survey dates.

It would be necessary to disaggregate this overall figure of all households moving downward by two quintiles. Initial and final quintile position, ethnicity, urban or rural location, and region or province would be obvious axes for disaggregation: other categories could also be added.

**Table 3 Quintile transition matrix, 1993-1998: percentage of households**

Expenditure quintile 1993		Expenditure quintile 1998					Total
		1 Poorest	2	3	4	5 Richest	
5	Richest	0.4%	0.9%	2.0%	4.3%	12.4%	20.0%
4		1.1%	2.9%	5.0%	6.6%	4.5%	20.0%
3		2.6%	4.8%	5.1%	5.3%	2.2%	20.0%
2		5.5%	6.0%	5.0%	2.7%	0.8%	20.0%
1	Poorest	10.4%	5.3%	2.9%	1.2%	0.2%	20.0%
<b>Total</b>		<b>20.0%</b>	<b>20.0%</b>	<b>20.0%</b>	<b>20.0%</b>	<b>20.0%</b>	

Source : PWG 1999 p. 174

<sup>29</sup> A similar transition table can be calculated based on the numbers of individuals rather than households; and by using different criteria for excluding those households which do not qualify as the "same" household in 1998 as in 1993: Glewwe and Phong 2001 Tables 2 and A1; Haughton et al 2001 p. 3.

***Vulnerability target 3: Stabilization and improvement in consumption of the poor***

The two targets discussed above capture what is often seen as the core of the definition of vulnerability in practical policy terms, namely the vulnerability of the non-poor to falling into poverty. However, there is a need to look also at the vulnerability of the currently poor to either remaining in poverty, or to a decline of consumption status into yet deeper poverty. There are problems with these measures, most importantly, because the numbers involved are small (and will hopefully decline as further poverty reduction occurs). Furthermore inaccuracies in the calculation of p.c. expenditure may be more than normally pronounced with extremely poor households leading to greater problems with measurement errors. However, there is a need for some measure that captures the trajectories of households already below the poverty line.

The following table describe the frequency of movements between the categories of non-poor, poor, and food poor (or very poor) between 1993 and 1998. While two-thirds of the households classified as “very poor” in 1998 had already been in this category in 1993, one-third of the households in this category had been in better circumstances in 1993 but had fallen into extreme poverty over the five year period. Similarly, nearly one in five of the households classified as poor in 1998 had been non-poor in 1993. Overall, 8.3 percent of the households observed in VLSS’98 had suffered a decline

in living standards since 1993 which took them into a different poverty status in 1998 (Table 4).

The purpose of this target is to ensure that gains in increasing security are enjoyed by poor as well as middle and rich groups. As such, the target measures chosen are i) the percentage of poor households falling into extreme (food) poverty and ii) the percentage of food poor households escaping food poverty into the categories of poor or non-poor. To make them more amenable as targets, these figures are expressed as percentages of households in the category in the first time period, rather than as percentages of all households. Thus the baseline figure for downward mobility of poor households is that 10.5 percent of households in the category “poor” which declined into “food poor” over the period 1993 to 1998. The baseline for households escaping food poverty is that 64.4 percent of the households classified as food poor in 1993 which had escaped this category in 1998 (31.1 percent into non-poor status, and 33.3 percent into poor-but-not-food-poor status).

**Target 3:** consumption volatility of the poor must be stabilized so that no more than 10 percent of households in poverty at one survey date experience a decline into food poverty by the next survey date; and at least 70 percent of those in food poverty move into a different class (poor or non-poor) by the next survey period.

**Table 4 Summary of household dynamics by direction of change, 1993-1998**

Change in household status, 1993-1998		As a percent of	
Direction of change	Details	All households	Households in class in 1993
Improved	35.0% From poor to non-poor	20.3%	61.0%
	From very poor to non-poor	7.1%	31.1%
	From very poor to poor	7.6%	33.3%
No change	56.8% Remained non-poor	39.2%	89.3%
	Remained poor	9.4%	28.2%
	Remained very poor	8.2%	36.0%
Declined	8.3% From non-poor to poor	4.0%	9.1%
	From non-poor to very poor	0.8%	1.8%
	From poor to very poor	3.5%	10.5%
<b>Total</b>		<b>100.0%</b>	

Source: derived from Table 5.1 in PWG 1999, p. 101.

## PART III. EXISTING RISK MANAGEMENT AND SOCIAL PROTECTION ARRANGEMENTS IN VIET NAM

This section assesses the adequacy of existing arrangements for managing risk and vulnerability in Viet Nam (described in Part I above). This review covers both the practices adopted by individuals, households and communities to reduce, mitigate and cope with risk, and the policies and programmes of the Government that should help in this process.

### Individual, household and community risk management arrangements in Viet Nam

Most households receive little in the way of state assistance in managing risk. Household decisions are therefore of critical importance in determining their ability to avoid, mitigate or cope with shocks and life cycle events<sup>30</sup>. In most developing countries savings and private transfers are central to managing risk and avoiding destitution. In Viet Nam data show that private transfers between households are very significant and progressive in distribution. Savings, however, are low, reflecting the fact that there is a lack of institutions (social, market or state) offering savings facilities.

It is important not to romanticize the resilience of households, or to rely upon this resilience as a substitute for effective state policies. Many of the strategies adopted by households to reduce, mitigate and cope with risk entail serious costs. Protecting savings and assets by reducing consumption entails long-term disinvestment in health and education – the basic human capital required to move households, and ultimately the nation, out of poverty. Alternative household strategies (detailed below) increase household vulnerability in other ways, and reduce the return to household activities, trapping families in long-term poverty. One key objective of GoV social protection policy should therefore be to reduce the burden that households must bear in protecting themselves from risk, by providing collective, potentially more cost-effective, protection through policy and programme instruments.

Understanding household coping strategies is fundamental to identifying i) aspects of risk management imposing an unfeasibly heavy cost on poor households, trapping them in poverty, and which would be *a priori* areas in which the government should assume the responsibility for risk management; and ii)

aspects of risk management in which households are relatively efficient, and which GoV assistance should facilitate and complement rather than displace.

### Risk mitigation

*Diversification.* The role of economic diversification in mitigating risk is complex and is relevant at both household or community levels. For households, having several different livelihood activities (dependent upon several different forms of productive assets and/or producing income at several different points in the year) spreads the risk that change in relative prices or loss of a particular productive asset or seasonal income will result in a dramatic drop in household income (see Box 4).

#### Box 4 Diversification and risk-spreading in flood-prone areas

In flood-prone areas in the central coast, households stressed the value of livelihoods that are not dependent upon land: while it may be possible to save other productive assets and forms of savings from a natural disaster (e.g. by strengthening the house, or by moving livestock to high ground), crops will always be destroyed. Within the agricultural component of the household economy, some households expressed a desire to obtain hill land which is less productive but can be planted with secondary crops (cassava, maize) either proactively, to mitigate the risk that the valley-bed paddy crop is destroyed by flooding (i.e. planting in advance of floods), or as a coping strategy, planting in the aftermath of such destruction. Households who have their income concentrated at just a few points in the year (e.g. are heavily reliant upon one or two major harvests) find it harder to smooth income and consumption, and so are more vulnerable than those who receive small sums of income throughout the year.

*Source:* Beckman and Le 2002

A more radical form of risk mitigation through diversification involves migration to seek opportunities which are lacking locally. Migration is both an individual and a household risk management strategy, as remittances may provide important security to rural households exposed to production risk in the agricultural economy.

<sup>30</sup> PWG 1999 p. 112; van de Walle 1998 p. 9.

Diversification also functions at the community level by reducing the scope of covariant shocks. If every household in a village is dependent upon one crop, a dramatic drop in the yield or price of that crop will leave all households similarly exposed. If however half the households in the village have alternative sources of income, there will still be some potential for inter-household transfers within the village economy. A diversified local economy also increases the potential for insurance-based social protection, as it decreases the vulnerability of the pooled funds to a sudden run of claims.

*Membership of savings clubs and rotating savings and credit associations (ROSCAs).* Formal savings schemes are very limited: some of the demand for a cash savings facility is met through small-scale savings clubs and neighborhood *hui* (ROSCAs).

*Insurance.* Insurance - buying protection against risks that are common and/or have serious consequences – constitutes one of the major sub-sets of risk mitigation strategies. The problem is that for poor households the disposable income required to pay premiums is limited (and often seasonal): the poor may find alternative, more flexible strategies – savings of various kinds – more suited to their circumstances. There may also be a reluctance to trust money to state institutions which may be perceived as inefficient or possibly corrupt: poor households cannot afford to waste money investing in schemes which collapse or prove unable to pay out adequately in the event of a claim. As insurance schemes of the types relevant to the poor are to date only supplied by state and para-statal agencies, the details of the schemes offered will be described under the discussion of state-provided social protection below.

### ***Coping with shocks***

*Borrowing rice or money from relatives, friends, neighbors or moneylenders.* Interest may be zero (typically for small amounts from relatives or friends) or very high (from moneylenders, but sometimes also from neighbors, friends or even relatives). Alternatively, households may purchase goods on credit. Larger sums may be obtained as a mortgage on assets (e.g. land): obviously, this coping strategy entails a risk that the household will lose the asset if they are unable to repay the loan.

*Increasing household labor inputs.* One response to crisis is to increase the hours worked by existing laborers, and/or put more members of the household to work (e.g. by withdrawing children from school). Households which previously focused upon subsistence production may seek wage labor in order to meet needs for increased expenditure: demand for this labor is low in many parts of rural Vietnam, and reflected in low day rates. Desperation may force poor and marginal individuals to undertake activities that are illegal or socially sanctioned, which provide an income but expose them to other forms of risk.

*Reducing consumption expenditure.* In a crisis, children are withdrawn from school to save on fees. People learn to live with illness, or use low-cost traditional cures, rather than seek medical treatment. The amount and quality of food is cut back. All of these coping strategies impose a heavy cost upon long-term human development.

*Selling assets.* In order to raise cash, especially if it is needed urgently for a large outlay (e.g. on medical treatment), a household may sell off assets such as livestock, land or (mainly in urban areas) housing. Coping with a shock in this way often traps a family in poverty for many years.

*Migration and household division.* In areas lacking land or other opportunities, seasonal or long-term migration may be a coping strategy in times of crisis. In some areas sending children to live with and work for another household for a period of two to three years is an accepted coping strategy. This work is generally in the household economy (tending livestock or looking after young children): in return, the child is fed and the parents may receive payment in the form of young livestock<sup>31</sup>.

*Increased use of common property resources.* In rural areas, crop failure may lead the poor to intensify their use of common property resources (such as timber and non-timber forest products). When household crises are common, this use of common property may reach unsustainable levels that threaten the long-term availability of the resource.

*Receipt of gifts.* Private transfers between households are common and a significant source of income for many households: private transfers are twice as important as public transfers. They appear to be progressive in nature,

<sup>31</sup> PWG 1999 pp. 118-9; Edmonds and Turk 2001 pp. 4, 18-19.

with donor households in better economic shape than recipient households. Unlike loans, almost all gift transfers flow between relatives. In particular, inflows of cash gifts from children are a major part of the total income of the elderly. VLSS data shows that receipts of private transfers increased for households experiencing a decline in pre-transfer income, suggesting that they are responsive to changes (crises, increases in health expenditures, life-cycle events and shifts in household demographic) and as such help to cushion recipient households from poverty. While most flows are within the immediate locale, many cross regional boundaries and a small but significant fraction is received from abroad. Transfers also respond to covariant shocks: inflows increased for households in the southern provinces affected by Typhoon Linda in late 1997<sup>32</sup>.

*Social Capital.* Communities often contribute to risk management and the alleviation of destitution by providing assistance to community members who fall into hardship (see Box 5). The “social capital” underlying collective self-help may be particularly strong in remote areas.

**Box 5 Community contributions to social protection**

- Community contributions to wedding and funeral expenses.
- Community-organised transfers of money or food for the very sick or elderly.
- Moral support or social sanctions (e.g. coming to help a wife who is being beaten by her husband).
- Sharing work or contracts.
- Inter-household loans of labour (helping with agricultural work, or looking after children while parents work) or productive assets (e.g. draft animals)

As with household-level risk management strategies, it is important to be realistic about the role of the community in social protection. First, community

assistance in poor communities is limited by a simple lack of resources. For the poor to rely upon their poor neighbors for help in times of crisis not only reinforces inequalities within Viet Nam, it also increases the vulnerability of all involved to the point where mutual help mechanisms may break down in the face of a covariate shock in the future. Secondly, the social solidarity that underpins mutual aid reflects traditional values (shaped by strong social relations arising from a lack of mobility and a common dependence upon agriculture) overlaid by socialist values of equality and sacrifice for a collective good. As the transition to a market economy results in greater population mobility, diversification of economic activities and widening inequalities, it will become increasingly risky to rely upon the community to provide assistance to the poor.

**Social protection policies and programmes of the Government**

Formal social protection in Viet Nam comprises of two main elements (social insurance and social relief), each with a number of sub-components<sup>33</sup>. This section reviews state interventions intended to serve specific social protection ends (reducing vulnerability or helping the destitute) as well as more general poverty-focused or growth-promoting interventions that may contribute to social protection by building the assets of the poor. The CPRGS recently approved by the Government indicates a broader view than previously articulated of the range of measures needed to reduce risk and vulnerability over the medium term. This strategy explicitly links actions such as improved agricultural extension and the introduction of a wider range of financial service products to objectives to reduce vulnerability.

*Social insurance*

The state social insurance programme dates back to 1947, and currently offers both short term benefits (maternity, sickness and employment injury) and long-term (old-age pensions, disability and survivors’ benefits), but not unemployment insurance. The value of benefits

<sup>32</sup> Cox 2001. So far, private transfers have not declined with economic growth and increasing prosperity.

<sup>33</sup> The description of social insurance and social relief is derived largely from Prescott 1997 pp. 28-32 and MOLISA 1999 pp. 17-19. For a history of the evolution of statutory social protection in Viet Nam, see Dzung 2001 pp. 201-205.

is related to salary, and so is greater for higher-income groups. The scheme covers public sector workers, military personnel, employees of SOEs, and (since 1995) formal sector employees of businesses employing over 10 people. The number of workers participating in the scheme stood at 5.8 million (13.8 percent of the workforce) in 1999. Coverage is almost universal for civil servants and around 90 percent for SOE employees. However, less than one-third of eligible private sector employees are covered<sup>34</sup>. Poor compliance in the private sector is partly due to the inability of understaffed labor inspection departments to hold companies to their obligations. It also reflects the tacit or active collaboration of many workers in the avoidance of social insurance, implying a low level of confidence in the system. This is partly because pensions are not adjusted for inflation and therefore provide an ineffective replacement wage in real terms. In part, workers are simply not convinced of the benefits of social insurance, especially when contributions represent a significant slice of wages, which are generally low.

The contribution rate is 20 percent of salary, with the employee contributing 5 percent and the employer 15 percent. Additional voluntary contributions are not possible under the scheme, nor is it possible to opt out. In theory, the social insurance fund is independent of the state budget: of the 15 percent employers' contribution, 5 percent is retained by the Vietnam Confederation of Labor (VCL) to finance the short-term benefits that it administers, while 10 percent is allocated to MoF to pay for the long-term benefits (old-age pension, disability and survivor's benefits) administered by MOLISA. In practice, however, weak revenue collection from SOEs resulted in an effective contribution rate to MoF of only 5 percent of the eligible payroll (against an estimated 13 percent contribution rate required to fund existing pension obligations). The shortfall to the public pension programme (more than half the total) was made up from general revenues, from taxes levied on the whole population, the vast majority of whom are not covered by social insurance. Government Decision No. 43 (June 1993), aimed to gradually shift social security financing from the state budget to a new and independent institution, the Vietnam

Social Security Organization. However, the state budget was still the largest source of social insurance financing in 1999.

### *Social relief*

The social relief programme (sometimes referred to in GoV documents as the social protection programme) provides social assistance transfers to those not protected by the formal sector social insurance scheme. It is comprised of three main elements:

*Regular or recurrent relief is delivered through two Social Guarantee Funds, one for Regular Relief (for the lonely elderly, orphans and the disabled poor) and one for Veterans and War Invalids. Local authorities identify those eligible for benefits using targeting criteria laid out in Decree 167 (1994). Numbers of beneficiaries are constrained by local budgets. Minimum benefits are set<sup>35</sup>, but localities are encouraged to provide benefits above these levels if they have the resources to do so. While nearly 1 million individuals qualify, only 20 percent of these actually receive social assistance. 2 percent of all 1 million eligible individuals are in institutional care. The target groups for recurrent relief may also (or instead) receive assistance from non-state sources. It is not clear how far this compensates those who should but do not receive recurrent relief.*

*Emergency relief targeted at victims of natural disasters. In 1993, 2 million people received benefits from this source. From 1994 Provinces were required to establish emergency relief funds, with budgets in that year ranging from 2-5bn VND. The main types of emergency relief are: 25-30,000 VND p.c./month hunger relief, for one to three months; 1m VND/household to repair or rebuild houses; 1m VND for funeral fees; and 200-500,000 VND p.c. injury relief.*

*Starvation relief. Relying again upon lists drawn up by local authorities to central guidelines, this programme provides temporary support to the very poor who suffer extreme hunger between harvest. In 1997 this was estimated to affect 3-5m people each year.*

<sup>34</sup>Mac Arthur 2000 p. 3. Belser 2000 cites different figures: a total of 4m members, of whom only 380,000 are private sector employees.

<sup>35</sup> Mandated minimum levels of benefits are set at 36,000 VND (or 12kg of rice) per month for those living in communities; 84,000 VND for those living in social institutions; and 96,000 VND for the mentally disabled living in social institutions. For the severely disabled, this allowance increases to 45,000 if living in communities, 100,000 for those living in institutions, and 115,000 for the severely mentally disabled.

Several other GoV policies and programmes serve a social protection function, even though not officially conceived as part of the social security system.

### *National development programmes / HEPR*

In the early 1990s, starting in Ho Chi Minh City, certain provincial governments attempted to integrate anti-poverty programmes within an overall Hunger Eradication and Poverty Reduction (HEPR) framework. This effort at integration was adopted as national policy in 1996, and the first national HEPR programme (1998-2000) was initiated two years later. This framework brought together nine component programmes, most of which had existed in some form previously. Box 6 lists these components and the government institution accorded lead responsibility for each. In terms of total funds, infrastructure development and subsidized credit emerge as the most important elements of the national HEPR programme. Appendix 3 provides a more detailed list of HEPR-related policy initiatives.

Assessments (including assessments by the intended beneficiaries provided during exercises such as PPAs) suggest that there are a number of problems with HEPR arrangements which limit their value to the poor and vulnerable<sup>36</sup>. In particular, there is a need to make the HEPR truly broad in scope: at present, although there are many components, the majority of total HEPR funds are spent on credit and infrastructure development. Unfortunately, there is little in the way of analysis of HEPR programme effectiveness by which to reach definitive conclusions regarding what elements are successful, and should be expanded and replicated, and which are not succeeding, and should be substantially adjusted. A case in point is the National Fund for Employment Promotion (NFEP). The basis on which claims for the success of this programme are often made – the assumption that loans create jobs – is too simplistic. A significant part of the budget is spent on the NFEP (VND1,165bn between 1992 and 1999) and it is important that it should be periodically evaluated in order to test the cost-effectiveness of its achievements<sup>37</sup>. The GoV has recently made a commitment to undertake such evaluations<sup>38</sup>.

### **Box 6 Components of the National Target Programme for Hunger Eradication and Poverty Reduction**

- Sedentarisation, resettlement and New Economic Zones (MARD)
- Infrastructure development in poor communes and resettlement (CEMMA)
- Promotion of agriculture and off-farm production (MARD)
- Extension services for agriculture, forestry and fisheries (MARD) and for income generation (MOLISA)
- Training for HEPR staff (MOLISA and CEMMA)
- Assistance to ethnic minority households facing extreme difficulties (CEMMA)
- Credit and savings for the poor (SBV)
- Education for the poor (MOET)
- Health for the poor (MOH)

### *Microfinance*

Microfinance is not necessarily an instrument of social protection: when, as generally happens, lending for productive investment is emphasized and the major beneficiaries are the middle-poor rather than the absolute poor, its role is more promotion (growth oriented) than protection. If badly designed and managed, or if the country is hit by an economic shock, being indebted to a microfinance scheme can actually be a form of vulnerability in its own right. Nonetheless, microfinance can be argued to serve a social protection function. There is a reasonably large amount of microfinance available in Viet Nam, and the number of borrowers has expanded rapidly during the 1990s as the Vietnam Bank for Rural Development (VBARD) and other government schemes have provided loans at subsidized interest rates<sup>39</sup>. Despite achieving some positive impact, there are aspects to the structure and management of the sector that are problematic. As demand for cheap loans outstrips supply, credit is rationed, and as such rarely available to the poor, who must still rely upon

<sup>36</sup> E.g. Nguyen and Nguyen 1999; PWG pp. 120-124; van de Walle 1998 pp. 18-22.

<sup>37</sup> n.a. 1999.

<sup>38</sup> SRV 2002 p. 136.

<sup>39</sup> For a detailed review of microfinance in Viet Nam see McCarty 2001.

high-interest loans within the informal sector. Most importantly, there is a notable lack of a cash savings facility, which could provide a valuable social protection function. This is in large part because subsidizing interest rates on loans makes it hard for a bank to offer an attractive interest rate on deposits. Some recent commitments made by the Government suggest that the environment for microfinance might improve in the medium term<sup>40</sup>.

### *Disaster prevention, mitigation and response*

Particularly in those areas, such as the central coast and Mekong delta, where natural disasters are common, prevention measures and the public response to disaster (in terms of local state action and in terms of collective self-help by flood-affected communities and assistance from neighboring communities) are relatively well developed. In this case, it is generally the case that risk reduction (flood control infrastructure) and risk coping (mobilization of state and mass organizations to assist those affected, and the provision of massive quantities of public credit to re-establish production) are relatively effective. Risk mitigation (measures implemented in advance to reduce the impact of a disaster which cannot be prevented) is somewhat less developed. More has however been achieved in this area in recent years (e.g. in the construction of flood- and typhoon-proofed houses).

### *Crop insurance*

Crop insurance, offered by the Vietnam Insurance Corporation (Bao Viet) from 1993, is one obvious area with potential. Three options are available for the collection of premiums, each with its own advantages and disadvantages. Payment as a voluntary option through the tax system has the advantage that tax departments already have information on acreage and land use; but as a task additional to their core role it strains the capacity of the tax staff, and bundling voluntary insurance contributions together with tax collection discourages farmers from paying. Payment through banks is relatively easy, but is largely restricted to those areas (notably the Mekong Delta) where the

majority of farmers have taken bank loans. Direct payment facilitated by insurance agents has high costs and low efficiency, and Bao Viet has yet to train enough qualified staff to take on this proactive role. Communities discussing risk management in the context of rural livelihoods expressed a strong demand for insurance instruments that could help them cope with crop failure better. Uptake of the Bao Viet insurance has so far been limited however: in 2000, only 315,200 farming households and 206,000 ha. (3.4 percent) of the 6 million hectares of land cultivated in Viet Nam were covered by insurance. Inaccurate valuations and poor cooperation between Bao Viet and local authorities contribute to inefficiencies<sup>41</sup>.

### *Labor market regulations (including child labor)*

Viet Nam has established ambitious targets for industrial growth. In pursuing these goals, it will also be necessary to ensure that future industrial growth is more intensive-intensive (and thus poverty- and vulnerability-reducing) than it has been to date. Labor market regulation needs to strike a balance between protecting workers from low-wage poverty traps and workplace risks on the one hand, and raising prices to uncompetitive levels, resulting in lower employment, on the other. Three areas of regulation are particularly significant: minimum wages, the non-wage compensation of social insurance (discussed above), and employment termination and dispute settlement. Occupational health and safety and the control of child labor are also important aspects of social protection. Overall, Viet Nam's regime of labor rights protection is judged to be quite good on paper, and, even allowing for imperfect enforcement, better than that prevailing in China<sup>42</sup>.

Minimum wages vary by sector (state and domestic companies as opposed to foreign-owned companies) and, within the foreign-invested sector, by region. Minimum wages in the domestic sector are set very low, and probably have little effect on wages, which average well above the minimum even for low-skilled workers. Levels for foreign companies are much higher, at between 78 percent and 89 percent of average wages in the private sector. Enforcement is not watertight,

<sup>40</sup> SRV 2002 p. 72.

<sup>41</sup> over the past five years the costs of crop insurance (14.4 bn VND) exceeded revenue (13.05 bn VND): Silver 2001.

<sup>42</sup> Manyin et al 2001.

but most foreign-owned companies surveyed do appear to comply with the regulations. In theory these requirements could negatively affect Viet Nam's competitive advantage and employment. In practice, a study in 2000 concluded that "Few investors, however, seem to complain about labor costs... [which] are only part of what defines competitiveness. There seems to be much scope in Vietnam for cost-saving reforms other than those that reduce the purchasing power of workers... labor costs in Vietnam remain very low and attractive by international standards."<sup>43</sup> The regulations in the foreign-invested sector thus seem to provide an effective floor to real wages (although some violations occur), without harming employment prospects.

There are proposals to raise the current minimum wage, certainly for the public sector and probably also (by a smaller amount) in the domestic private sector. If the rate for domestic private sector businesses is increased by the same amount proposed for the state sector (approximately doubling the current level), it may have an effect on total employment. It will be necessary to conduct careful economic analysis to assess whether the losses (in terms of reduced employment) would be outweighed by the benefits (in terms of higher disposable income among employees) if this increase in private sector minimum wage is large.

Excessively stringent provisions for terminating employment will reduce the flexibility of companies to adjust the size and composition of their workforce in response to changing market conditions; this may increase unemployment by discouraging employers from taking on new employees. Labor mobility is particularly important during the process of SOE equitization, but also influences the willingness of foreign investors to invest in joint ventures (JVs) with state enterprises. The 1995 Labor Code allows for termination with payment of one month's salary per year of service in the case of "business restructuring" or "change of technology"; and with a half month's payment per year of service in the case of "natural disaster" or the closure of the business. Mass layoffs by a going concern require discussion and approval from the local trade union. Disputes over termination between unions and employers require a complex arbitration procedure; the mandated procedure

for disputes between an individual and his/her employer are much simpler. In practice, most private sector companies avoid restrictions on their flexibility by hiring most workers on short (six to twelve month) contracts. Thus the only case in which it appears that the labor code does constrain employment decisions is that of foreign companies entering into JVs with SOEs: here, experience interpreting the Code is still limited, and ambiguous, with the possibility that it may deter some foreign investment in JVs<sup>44</sup>.

In the future, working conditions may emerge as an issue for labor protection legislation. Legal requirements are established but small-scale studies suggest that conditions in private enterprises may often fall well short of these requirements. More effective enforcement would however require increased numbers of inspection staff and measures that enable workers to insist on their rights at work, including better and wider information dissemination about the labor regulations and a stronger role for trade unions.

Viet Nam was an early signatory of the Convention on the Rights of the Child, and legislation generally reflects a sensible balance between protecting children and recognizing the importance of children's work to the livelihoods of poor households (mainly within the domestic sphere but also in some cases in wage employment). Child labor declined rapidly in line with reduction in poverty in Viet Nam during the 1990s. However, the issue has not disappeared: girls, ethnic minority children and the children of migrants are disproportionately likely to be working, either in or outside the home, for more hours than are commensurate with welfare and developmental needs<sup>45</sup>.

#### ***Protecting access to health care: health insurance and user fee exemptions***

Ill-health is one of the most common risks faced by the Vietnamese population. Mechanisms to meet the costs of medical care for poor and vulnerable groups are potentially among the most important of social protection instruments. Two approaches to this problem have been attempted: exemption from user charges and health insurance. Certain groups (the handicapped, orphans,

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<sup>43</sup> Belser 2000 pp. 18-22.

<sup>44</sup> Belser 2000 pp. 23-26.

<sup>45</sup> Edmonds and Turk 2002; SCF 1997.

patients suffering from TB or leprosy, and the poor) are supposed to be exempted from the fees for health care introduced in the early 1990s. It is not clear that the poor do indeed receive these exemptions, particularly for drug costs, and the exemption rate varies markedly between facilities. Perhaps in recognition of this, a new approach has been adopted since 2000, working through the Vietnam Health Insurance Authority (VHIA) system (see Box 7). The provision of free VHIA cards to the

poor, introduced in 2000, is potentially a good way of improving access to health care. However, there are problems. Only 4m individuals have received these cards (c.f. GSO/World Bank estimates of 28m poor, including 11m “extremely poor”). Those attempting to claim health services using VHIA membership, particularly in under-resourced Communes, are often treated after people who are paying cash, and it is still necessary for them to pay a number of charges (formal or informal) at the point of service.

### **Box 7 Viet Nam Health Insurance: coverage and contributions**

Health insurance coverage expanded rapidly in the first five years since the VHIA was established in 1993, but has since leveled off. The VHIA scheme has two components: i) a compulsory scheme aimed at current and retired public sector workers and large private enterprises (those employing more than 10 staff); and ii) a voluntary scheme for the remainder of the population, which offers two packages (a low-priced package covering only in-patient care and a higher-priced package covering outpatient care and some drugs costs). In 1998 the compulsory scheme covered 77 percent of its target group, while the voluntary scheme covered only 5 percent of its potential membership. Over 90 percent of those enrolled in the voluntary scheme are school students, as local authorities pressure schools to enroll their pupils. The scheme has so far had only limited success in enrolling other groups, particularly the rural poor: in 1998 coverage among the top quintile stood at 28.7 percent, while coverage of the bottom quintile of the rural population was only 5.8 percent. Coverage also varies dramatically (from 3.7 percent to 38 percent) between provinces. Contributions to the compulsory scheme are 3 percent of basic salary (1 percent from the employee and 2 percent from the employer). Voluntary scheme members pay annual premiums which vary from 10,000 to 50,000 VND p.a.. Health facilities at the level of the inter-commune health polyclinics (ICPs) and above are reimbursed by VHIA on a fee-for-service basis: a flat fee for accommodation and standardized fees for tests and treatments.

There is a pressing need to reevaluate how best to ensure access of the poor to the health care they need. Financial constraints limit the ability of the government to provide free cards to all, and in the absence of other sources of funds the commune clinics (at which most of the poor seek treatment) will continue to compromise user fee exemptions and equal treatment of VHIA card-holders. Part of the problem is that for administrative reasons the health insurance system deals only with institutions above the level of the commune health clinics (CHCs) and therefore does not reimburse commune-level health services. Health financing arrangements need to be modified in order to reimburse CHCs for services provided to the poor: since it may be administratively cumbersome to do this on a fee-for-service basis, it may be best for the GoV to channel part of the premium to CHCs on a capitation basis<sup>46</sup>.

### *Agricultural extension*

Agricultural extension has great potential to reduce the production vulnerability faced by rural groups. Importantly, effective and affordable vaccination and treatment of livestock could greatly reduce the risk of losing livestock which represents both productive assets (draft power) and savings. The underfunded extension services are currently unresponsive to the needs of the rural majority (much less the rural poor) and not co-ordinated with other services such as microfinance (see Box 8). Rural communities consulted on the Government’s draft CPRGS voiced strong views that vigorous promotion through the extension services of particular cash crops deemed suitable for their region (and for which output targets had been set centrally) had left farmers over-exposed to falls in commodity

<sup>46</sup> Sources for this section include ADB and WHO (2001). Localising IDTs for Poverty Reduction in Vietnam: Improving health status and reducing inequalities. Strategies for achieving the Vietnam Development Targets. Consultation draft, esp. pp. 36; and World Bank et al 2001, esp. pp. 154-160.

prices. Very often, the only funding available at the District level is tied to the promotion of one or two particular crops. There have been successes in recent years, as extension services in some provinces have adopted more participatory and demand-led approaches. Lessons of best practice should be extended in a systematic way throughout the country.

**Box 8 Extension methods do not reach the poor: findings from the Tra Vinh PPA**

Although shrimp-farming dominates income generation for households in Duyen Hai, poor farmers said they were rarely invited to attend the courses provided by the District aquaculture extension centre. Aquacultural extension officers were often seen in the village at the beginning of the shrimp-raising season, but it did not seem that HEPR loans were coordinated with seasonal schedules, or that extension officers were available for loan recipients. Only 7 households interviewed in Duyen Hai who had borrowed to invest in shrimp farming had been invited to attend classes on the topic, and only 2 of these households were poor. Those invited found the shrimp farming courses offered by the District were generally designed for commercial farmers rather than small farmers with limited education and landholdings. Instruction materials were complex, full of scientific jargon, and required literacy in the Kinh language. Lack of access to adequate extension also affected livelihoods in raising livestock (namely pigs, ducks and poultry) and growing fruit trees. A poor farmer who had attended courses complained that “they haven’t taught us anything about technology: we have to find out for ourselves from the newspaper or radio, from friends or by watching other people who work effectively.” This lack of extension can have serious economic impacts on marginal households.

**Who benefits from state social protection?**

It is not possible to produce a comprehensive analysis of the distribution of state-provided social protection and poverty reduction benefits, though a partial analysis is possible using VLSS data on benefits from selected GoV and NGO social programmes (Table 5). To summarize, among the programmes for which data is available, the most significant source of social income is from the social insurance fund, which pays more on average and to a larger proportion of households in the top quintiles. The number benefiting and the benefit per household declines markedly in the lower quintiles. Social subsidies – that is, social relief transfers of various kinds (regular, emergency and starvation relief) is slightly less regressive, with less difference between quintiles in p.c. benefits and the greatest benefits going to the median quintile. But here too the poorest quintile receives the lowest average benefits per capita. The benefits of poverty alleviation programmes and NGO assistance by contrast *are* weighted towards the poorest quintiles – but are so small as to be largely insignificant<sup>47</sup>. Overall, the conclusion is that the formal core social protection system in Viet Nam – the social insurance and social transfer schemes – do not provide effective social protection to the majority of the poor.

There is a strong geographical component to the variation in per capita allocation of resources aimed at reducing poverty and vulnerability. This is an outcome of Viet Nam’s decentralized administrative system. While the center is responsible for issuing guidance on targeting and benefit levels, the Provinces and sub-Provincial units have considerable discretionary power to adjust spending to reflect total resource availability. The resulting picture is complex. The contribution of central funds to anti-poverty programmes has a progressive distribution in favor of poor provinces. However, the way in which Provincial administrations allocate these funds to Districts, and Districts allocate funds to Communes, is *not* necessarily pro-poor.

<sup>47</sup> PWG 1999; van de Walle 2001.

**Table 5 Average benefits from social protection / poverty reduction programmes, by consumption quintile**

Consumption quintiles	Social insurance		Social subsidies		Education scholarships		Poverty alleviation programmes		NGO assistance	
	Incidence	Average level of benefit	Incidence	Average level of benefit	Incidence	Average level of benefit	Incidence	Average level of benefit	Incidence	Average level of benefit
5 Richest	13.9%	1,010,353	7.3%	251,192	5.6%	141,286	0.2%	327,000	0.1%	443,000
4	12.1%	903,628	10.0%	175,030	2.7%	103,926	0.9%	92,111	0.2%	143,000
3	11.6%	849,509	9.6%	182,875	1.9%	97,684	1.3%	46,692	0.3%	112,667
2	9.1%	745,967	9.4%	181,074	0.8%	96,500	2.1%	76,190	1.2%	42,333
1 Poorest	9.5%	731,642	11.6%	196,422	1.1%	105,273	6.4%	41,438	0.5%	206,000
Average, all quintiles	11.2%	867,366	9.6%	194,156	2.4%	120,875	2.2%	57,636	0.5%	104,200

Notes:

1. Given the objective of examining the targeting of public transfers, an effort was made to first classify households and thus individuals on the basis of their consumption in the absence of these transfers. Van de Walle 2001 calculates “net p.c. household consumption” as total household p.c. consumption recorded in VLSS 1998, minus half the total value of public transfers received by that household. This acknowledges that, in the absence of receipt of public transfers, individuals and households would have partially compensated by drawing on savings, increased labour, inter-household transfers, etc. The composition of the net-of-public transfer p.c. p.a. consumption quintiles was then achieved by ranking individuals by these newly derived household p.c. consumption values. The composition of the quintiles and the calculation of benefit incidence and levels on the basis of these quintiles thus differs from those in PWG 2000 p. 125, which ranks individuals into quintiles on the basis of total consumption (i.e. including the public benefits).
2. “Incidence” is the percentage of individuals in each quintile reporting receipt of the public transfer in question.
3. “Average level of benefit” is the average level of receipt (VND p.c. p.a.) per recipient. As such, these sums are different from (larger than) those provided in van de Walle 2001 Table 1, which are average benefit values p.c. in the quintiles across recipients and non-recipients.
4. Social insurance refers to pensions and disability benefits. Social subsidies consist of transfers to families of war martyrs, disabled veterans, and from social organisations or production facilities. These come from the Social Guarantee Fund for Veterans and War Invalids and the Social Guarantee Fund for Regular Relief. The poverty alleviation income represents all funds received from programmes associated with the GoV poverty alleviation policy. NGO income is assistance received from national and international NGOs.

Furthermore, central funds are often of secondary importance to funds raised at local levels. Prosperous Provinces and Districts can raise more than poor Provinces and Districts. The net result is that it is much better to be poor in a rich District than it is to be poor in a poor District<sup>48</sup>.

The third major factor in any reckoning of who gains from state programmes relates to the position of migrants. Voluntary migrants to the cities find it very hard to obtain a residency permit, without which they do not qualify for local social services (free schooling for their children, health care, etc.). In 1996, there were estimated to be one million unregistered residents of Ho Chi Minh City alone<sup>49</sup>. Apart from creating a group of unprotected citizens with particularly precarious livelihoods, this arrangement may also create spatial poverty traps which act as a brake on national economic development, if the loss of community and state safety net benefits deter all but rich households from moving to follow new economic opportunities. In the CPRGS, the Government has made a commitment to review the existing registration system. This could enable wider access to basic social services for this group.

### **Are GoV programmes effective in reducing poverty and vulnerability?**

As mentioned above, social protection instruments may be classified into those in which the primary aim is to protect individuals and households from a decline in well-being and those in which the primary objective is to lift up individuals and households falling below certain socially acceptable standards. In reality, many instruments fulfill both roles, depending upon the position of the household in question. Nonetheless, the distinction

between promotion and protection may provide the basis for a useful framework for the analysis of social protection programmes.

Van de Walle tested the hypothesis that the level of p.c. social benefits received by households reflects not the level of poverty but the occurrence of shocks, implying that social protection programmes should not be criticized for poor targeting simply on the basis that the main beneficiaries are non-poor, as they may have responded effectively to shocks and prevented non-poor households from falling onto poverty. On the basis of the data available, however, she concludes that “neither starting out poor, *nor* experiencing negative shocks, appear to have elicited a response from social welfare programs.” Looking at the problem from another perspective (asking what part of the impressive reduction in poverty between 1993 and 1998 can be attributed to social transfers), she finds “transfers have negligible impact on poverty”. Statistically speaking, impact at this level is not statistically different from zero<sup>50</sup>.

### **Summary: risk management and social protection arrangements**

Table 6 summarizes the most common proximate causes of risk and the groups they affect, and provides a list of potential approaches (for households, communities, the market and the state at various levels) to reducing, mitigating and coping with the risk in question. This listing of approaches is intended to be inclusive: it includes potential strategies and instruments which have not yet been tried in Viet Nam, but are worth considering. This is the basis for the subsequent discussion of what is required in order to achieve targets in reducing vulnerability and, by extension, poverty.

<sup>48</sup> van de Walle 1998.

<sup>49</sup> van de Walle 1998 p. 26.

<sup>50</sup> these payments helped approximately 1% of the population to escape poverty, and protected 1% of the population from falling into poverty: van de Walle 2001 pp. 23-5.

**Table 6 Summary of risks and potential risk management strategies in Viet Nam**

<b>Risk</b>	<b>Groups affected</b>	<b>Prevention / reduction</b>	<b>Mitigation</b>	<b>Coping</b>
Harvest failure due to drought, flooding or pests	<ul style="list-style-type: none"> <li>▪ Farmers, particularly in Central coast (typhoons and floods), Mekong Delta (floods) and mountains (localized floods, landslides)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Flood control / irrigation infrastructure</li> <li>▪ Access to fertilizer and pesticides</li> <li>▪ Quality extension services</li> <li>▪ Reforestation / household tree planting / forest management</li> <li>▪ Floodplain planning and management (zoning, transport infrastructure which does not capture runoff)</li> <li>▪ Planting bamboo along river banks</li> </ul>	<ul style="list-style-type: none"> <li>▪ Construction of stronger (flood- and typhoon-proof) houses: government provision for poor families, training and loans for others</li> <li>▪ Construction of stronger community structure (schools, clinics) in disaster-prone areas</li> <li>▪ Disaster preparedness education in schools</li> <li>▪ Improved early warning systems</li> <li>▪ Disaster insurance schemes</li> <li>▪ Diversification: agricultural (hill slope as well as paddy land) and non-agricultural</li> </ul>	<ul style="list-style-type: none"> <li>▪ Access to fast-growing variety seeds (replanting after floods)</li> <li>▪ Relief: distribution of food and basic necessities</li> <li>▪ Loans (consumption, resuming production)</li> <li>▪ Private transfers</li> </ul>
Illness or death of livestock	<ul style="list-style-type: none"> <li>▪ Rural households, especially those for whom livestock is central to livelihood</li> </ul>	<ul style="list-style-type: none"> <li>▪ Quality extension services (livestock health)</li> <li>▪ Quality veterinary services (prevention)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Quality veterinary services (treatment)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Loans</li> <li>▪ Reduced consumption</li> <li>▪ Private transfers</li> </ul>
Ill-health due to illness, accident or violence; especially of economically active family member	<ul style="list-style-type: none"> <li>▪ All households</li> </ul>	<ul style="list-style-type: none"> <li>▪ Preventative health services &amp; health education</li> <li>▪ Clean water supply and sanitation</li> <li>▪ Public health &amp; safety campaigns (e.g. road safety, anti-smoking)</li> <li>▪ Prevention of domestic violence</li> <li>▪ Occupational safety (esp. in industry and mining)</li> <li>▪ Maintenance of law and order</li> </ul>	<ul style="list-style-type: none"> <li>▪ High-quality curative health services</li> <li>▪ Health insurance</li> <li>▪ Exemption from fees for poor households</li> </ul>	<ul style="list-style-type: none"> <li>▪ Borrow money or food from relatives, moneylenders or bank</li> <li>▪ Remove children from school to earn income</li> <li>▪ Reduce consumption</li> <li>▪ Private transfers</li> </ul>
Death of economically active household member (loss of income / labor, plus funeral costs)	<ul style="list-style-type: none"> <li>▪ All economically active households</li> </ul>	<ul style="list-style-type: none"> <li>▪ Preventative health services &amp; health education</li> <li>▪ Clean water supply and sanitation</li> <li>▪ Safety campaigns (e.g. road safety)</li> <li>▪ Maintenance of law &amp; order</li> </ul>	<ul style="list-style-type: none"> <li>▪ Survivor's benefits</li> <li>▪ Life insurance</li> <li>▪ Savings</li> <li>▪ Funeral insurance</li> </ul>	<ul style="list-style-type: none"> <li>▪ Borrow money or food from relatives, moneylenders or bank</li> <li>▪ Remove children from school to earn income</li> <li>▪ Reduce consumption</li> </ul>
Loss of property due to fire, theft or natural disasters (flood, drought, landslide)	<ul style="list-style-type: none"> <li>▪ All households to some degree; but esp. those in flood-prone areas</li> </ul>	<ul style="list-style-type: none"> <li>▪ Flood control / irrigation infrastructure</li> <li>▪ Accident prevention campaigns (e.g. fire prevention)</li> <li>▪ Maintenance of law &amp; order</li> </ul>	<ul style="list-style-type: none"> <li>▪ Insurance</li> <li>▪ Savings</li> <li>▪ Diversification of income streams</li> </ul>	<ul style="list-style-type: none"> <li>▪ Borrow money or food from relatives, moneylenders or bank</li> <li>▪ Remove children from school to earn income</li> <li>▪ Reduce consumption</li> <li>▪ Private transfers</li> </ul>

**Table 6: Summary of risks and potential risk management strategies in Viet Nam (continued)**

<b>Risk</b>	<b>Groups affected</b>	<b>Prevention / reduction</b>	<b>Mitigation</b>	<b>Coping</b>
Failure of business venture	<ul style="list-style-type: none"> <li>All economically active households</li> </ul>	<ul style="list-style-type: none"> <li>Access to market information (over long term, includes ethnic minority education and literacy in Vietnamese)</li> <li>Advice on business management</li> </ul>	<ul style="list-style-type: none"> <li>Savings</li> <li>Insurance</li> <li>Diversification of income streams</li> </ul>	<ul style="list-style-type: none"> <li>Borrow money or food from relatives, moneylenders or bank</li> <li>Remove children from school to earn income</li> <li>Reduce consumption</li> <li>Private transfers</li> </ul>
Change in relative prices of inputs and products (e.g. coffee, sugar)	<ul style="list-style-type: none"> <li>all households involved in production or services for market, but esp. those without subsistence options (i.e. non-food crop producers) and those producing for international markets</li> </ul>	<ul style="list-style-type: none"> <li>Dissemination of accurate and realistic market information (current and projected)</li> </ul>	<ul style="list-style-type: none"> <li>Livelihood diversification</li> <li>Savings</li> <li>Insurance</li> <li>Price stabilization policies?</li> </ul>	<ul style="list-style-type: none"> <li>Borrow money or food from relatives, moneylenders or bank</li> <li>Remove children from school to earn income</li> <li>Reduce consumption</li> <li>Private transfers</li> </ul>
Life-cycle events: funeral or marriage costs	<ul style="list-style-type: none"> <li>All households with more than one member</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>	<ul style="list-style-type: none"> <li>Savings</li> <li>Funeral insurance</li> </ul>	<ul style="list-style-type: none"> <li>Borrow money or food from relatives, moneylenders or bank</li> <li>Private transfers</li> </ul>
Domestic violence or abuse	<ul style="list-style-type: none"> <li>Potentially all household members, but particularly women and children</li> </ul>	<ul style="list-style-type: none"> <li>Education and promoting understanding of the rights of women</li> <li>Improved and conspicuous law enforcement</li> <li>Health education (re: alcohol and drugs)</li> <li>Drug control</li> </ul>	<ul style="list-style-type: none"> <li>Counseling services</li> <li>Training police, courts, Women's Unions and reconciliation service staff</li> <li>Provision of temporary refuges</li> </ul>	<ul style="list-style-type: none"> <li>Social support from friends and neighbors</li> <li>Staying with relatives, friends or neighbors</li> <li>Staying in temporary refuges</li> <li>Separation or divorce</li> </ul>
Addiction of household member to alcohol, drugs or gambling (especially if economically active household member)	<ul style="list-style-type: none"> <li>All households, but esp. those in large cities (and former opium-producing areas?)</li> </ul>	<ul style="list-style-type: none"> <li>Education</li> <li>Health education</li> <li>Drug control</li> </ul>	<ul style="list-style-type: none"> <li>Treatment / rehabilitation services</li> </ul>	<ul style="list-style-type: none"> <li>Borrow money or food from relatives, moneylenders or bank</li> <li>Remove children from school to earn income</li> <li>Reduce consumption</li> <li>Private transfers</li> </ul>
Unemployment	<ul style="list-style-type: none"> <li>Formal, generally urban sector (e.g. SOE employees)</li> </ul>	<ul style="list-style-type: none"> <li>Maintenance of macro-economic stability</li> <li>Effective management of SOE equitisation</li> </ul>	<ul style="list-style-type: none"> <li>Flexible labor markets (requiring, for example, easing of residency restrictions)</li> <li>Unemployment benefits</li> <li>Savings</li> <li>Education and vocational training</li> <li>Loans for small business start-up / strengthening (e.g. NFEP)</li> </ul>	<ul style="list-style-type: none"> <li>Borrow money or food from relatives, moneylenders or bank</li> <li>Remove children from school to earn income</li> <li>Reduce consumption</li> <li>Private transfers</li> </ul>
Old age	<ul style="list-style-type: none"> <li>All</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>	<ul style="list-style-type: none"> <li>Savings</li> <li>Pensions</li> </ul>	<ul style="list-style-type: none"> <li>Support from kin or neighbors</li> <li>Private transfers</li> <li>Borrow money or food from relatives, moneylenders or bank</li> <li>Reduce consumption</li> </ul>

### **Recommendations for GoV policies to address vulnerability**

The following section identifies some key policy and programme changes which will contribute to the reduction of vulnerability and effective support to the chronically poor. Underpinning all these suggestions are two main goals:

- First, to increase the protection component of GoV social protection/anti-poverty programmes, particularly with regard to protection against idiosyncratic risk (while improvements are possible, there is a reasonably effective set of institutional arrangements between government line structures, mass organizations and communities for dealing with the covariant risk of natural disaster); and,
- Secondly, to change the focus of the core social protection system gradually, (the social insurance and social transfer schemes that account for the largest part of total protection) expenditure, so that it delivers a larger proportion of total benefits to the poor and middle-income groups, rather than the upper quintiles. This latter task will be politically sensitive<sup>51</sup>.

More generally, it is important to position vulnerability more centrally on the policy agenda. This could involve requiring that any proposal for policy change must include a vulnerability analysis, to focus attention on those who are likely to be negatively affected by the reform in question, and to help identify measures to reduce and compensate for these shocks.

### ***Adjust budgeting so as to standardize eligibility and benefit levels throughout the country***

It is hard to make conclusive statements concerning the effectiveness of GoV social protection instruments given the lack of detailed information. However, those studies which have been carried out (e.g. the GoV-donor Public Expenditure Review in 2000) identify a number of problems with the equity and efficiency of

the current system of revenue generation, service financing and targeted social protection and poverty reduction programmes, which do not provide equal benefits to all of Viet Nam's poor<sup>52</sup>. National criteria for benefit eligibility are adapted to reflect local resource availability and the concept of relative poverty: wealthier areas (e.g. Ho Chi Minh City) establish higher and more inclusive criteria for the identification of programme beneficiaries. The poor in rich Communes and Districts thus receive much more in terms of net benefits than the poor in poor areas. In the interests of equality, there would seem to be a case for central government "to establish and enforce a national minimum standard below which none is allowed to fall"<sup>53</sup>. Needs identification on this basis would determine the flow of central funds to local governments so that central funding is effectively targeted to poor Communes where it is most needed.

There are reasons why the current system, in which a large proportion of total programme funds are raised locally and eligibility criteria are adjusted to meet resource availability, has come into existence. This decentralized system, based upon local-level targeting, was suited to a society in which geographical inequalities were low, most people stayed in the same place over the course of their life, and local officials were accordingly well-informed about the poverty and vulnerability of their constituents. As mobility increases in the market economy, this system will become increasingly ineffective in identifying the poor and vulnerable, particularly in areas of in-migration (mainly urban)<sup>54</sup>. There is also a danger that, by deterring people from moving to follow economic opportunities, the current system of targeting will start to retard economic growth.

One way to ensure more equal treatment under different local governments would be to insert a requirement that vulnerability receives explicit attention in Commune, District or Provincial poverty reduction plans, and to provide guidance on how to carry out this vulnerability analysis. An opportunity arises to do this as the CPRGS is rolled out to sub-national levels of government. An

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<sup>51</sup> van de Walle 1998 pp. 32-4.

<sup>52</sup> GoV-DWG PER 2000; van de Walle 2001.

<sup>53</sup> Van de Walle 1998 p. 24.

<sup>54</sup> PWG 1999 p. 126; van de Walle 1998.

important complementary measure in reducing inequalities in benefits would be to emphasize the importance of informing citizens of their rights and entitlements. Many of those currently receiving benefits do not know why they are receiving them or whether they are receiving the correct amount. Obviously, most of those who should but do not receive benefits are not aware of their entitlements. Lack of awareness is particularly pronounced for ethnic minority groups who do not speak or read Vietnamese. Provision of information – perhaps posted on the walls of Commune centers, or over radio or TV, and in the relevant language(s) where non-Kinh groups are significant – would help to reduce the proportion of unclaimed benefits.

***Develop holistic approaches to disaster prevention and mitigation***

Given that serious natural disasters appear to be increasingly common, the Government needs to develop integrated, regionally-defined plans for reducing the probability of disasters and mitigating the consequences when disasters do occur. This will need to include:

- Non-structural measures: disaster preparedness and response systems; integrated catchment planning; review of building codes; advice and subsidies to encourage the construction of buildings strengthened against wind and flood damage; insurance against disasters, including crop insurance; and agricultural research and extension oriented towards flood and drought resistant and quick-growing post disaster crop varieties.
- Structural changes: reforestation, construction, maintenance and management of flood control and irrigation infrastructure; dredging and river erosion control; etc.
- A Disaster Rehabilitation Fund, available on a responsive basis, to finance reconstruction of public infrastructure and income support and employment to assist in recovery<sup>55</sup>.

This integrated approach to disaster prevention, mitigation and response requires effective coordination of numerous institutions (e.g. MARD, MOT, MPI, etc.).

Considerable success has been achieved in donor-government coordination in central Viet Nam<sup>56</sup>: there is good potential for building on and replicating this approach elsewhere (e.g. the Mekong Delta).

***Increase the accessibility and quality of health services and education***

Ensuring affordable access to curative healthcare for poor households is central to reducing vulnerability. An immediate Government commitment to ensuring this – perhaps starting in the defined “poorest communes” would have a significant impact on the ability of poor households to cope with one of the most frequent and debilitating risks they face. Eliminating costs to poor patients (through effective exemptions policies, perhaps involving an approach other than that attempted with free VHIA cards) is part of the solution. Restructuring health financing so that VHIA reimbursements flow to commune health clinics, probably on a straightforward capitation basis, would support health services at the level at which most of the poor seek health services, and ensure that VHIA card-holders obtain services which equal those obtained by people paying cash. Experiments with more complex co-financing of health insurance may also be rewarding: in urban China, considerable success has been achieved in extending the coverage and sustainability of health insurance by using a combination of individual savings accounts, an employer-financed pooled fund, and underwriting by a health insurance policy, with defined cut-offs for the amount to be paid from each under given circumstances (see Box 9).

Raising the overall standard of care through investment in material and training is also critical. It may be easier to improve access to quality health care and education through transport infrastructure which reduces remoteness, rather than by building local health centers or schools. Targeted human development programmes – such as the PROGRESA programme in Mexico - can also help to reduce the need for poor and vulnerable households to trade off income generation, assets and savings against investment in schooling and health care.

<sup>55</sup> World Bank et al 2000 pp. 88-9; IFRCRCS 2001.

<sup>56</sup> NDM Partnership 2001.

**Box 9 Health insurance financing in China**

In China, pay-as-you-go premiums for statutory health insurance schemes in urban areas have now reached the relatively high level of 8-9 percent of the total payroll. As an experiment in making these funds more effective, two cities introduced a system in which the workers' half of the contributions is paid into individual savings accounts, while the employers' half is paid into a pooled fund. When an employee falls ill, medical expenses are paid firstly from their individual account, and from other personal savings. However, if expenses in any given year exceed the amount in the individual account plus 5 percent of the employee's total wage, the excess is paid mainly by the (employer-financed) pooled fund. If medical costs then exceed a further ceiling (five times the employee's annual wage), they are covered by a supplementary medical insurance policy. While complex, this system seems to have succeeded in heightening employers' and employees' awareness of medical costs and to have prompted hospitals to rationalize diagnosis and treatment procedures. The system is now to be extended to another 57 cities.

(Source: Xiaoyi et al 1999 pp. 71-4 ; van Ginneken 1999 pp. 18-19.)

***Simplify registration of urban migrants.***

The most obvious manifestation of the increased mobility of the population is the large number of unregistered residents of large cities resulting from migration. The Government has a target to increase the urban share of the national population to over 40 percent over coming decades. If this is to occur, it is essential that migrants to urban centers are provided with the right to access social services (education, health, and social protection / HEPR). In the CPRGS, the Government has announced that it will "create access to basic social services for all urban people, including unregistered migrants [and] develop measures to help poor people find jobs in urban areas". In addition, the Government will "review labour migration policy and household registration policy to make it easy for people to move to better-paying jobs"<sup>57</sup>. This is an important decision: it

will entail an increase in the level of demand for urban social services, and place a strain on the budgets of urban governments. It is however necessary, both to provide the mobile and flexible labor market Viet Nam needs to develop, and to provide migrants to urban centers with the same rights and securities as other citizens (Box 10).

**Box 10 Migration, residency and labour market operation in China**

China, like Viet Nam, has used residence permits to administer social security and manage population movements and labor supply. As in Viet Nam, this now results in two problems. Firstly, those who have migrated to the towns face particular vulnerabilities, as they cannot officially work without a residence permit, and face restricted access to social services. Secondly, rural residents deterred by these problems from moving contribute to the oversupply of labor in the countryside. As a result, the PRC has recently announced its intention to abolish some of the residence permit system in order to free up the labor market and help tens of millions of rural Chinese find jobs. China is also going to establish an "employment registration system" under which people would be able to claim benefits on the basis of newly-issued social security numbers. The changes will however be gradual. Restrictions will remain in place longer in major cities such as Shanghai and Beijing which are already under strain brought on by rapid growth and large size. And non-natives are only able to apply for permanent residence if they already have a legal home and a stable source of income.

(Source: Viet Nam News Thursday 30<sup>th</sup> August 2001)

***Modify microfinance schemes in order to make them more effective as instruments of poverty reduction and risk management.***

There is room for microfinance to play a much more active role in the reduction of poverty and vulnerability in Viet Nam. One of the key issues is the need of poor households for a safe and profitable method of making cash savings. At present most government microfinance

<sup>57</sup> SRV 2002 p. 132

schemes offer subsidized loans but no convenient deposit facilities<sup>58</sup>. Savings schemes must be secure (guaranteeing the safety of deposits), convenient (with locations and processes that make it easy to deposit and withdraw savings), liquid (providing depositors with the facility to withdraw cash at short notice) and anonymous. Deposits must be protected against inflation and against institutional collapse (demanding sound management, effective regulation, a clear and publicized statement of savers' rights and obligations, and some system of deposit insurance)<sup>59</sup>. Such a scheme would provide a very attractive alternative to the strategies for savings that the poor use for lack of alternatives: for example, buying livestock or gold.

The continued provision of loans at below-market rates through VBARD, VBP and various special programmes is strongly supported in much of the Government. However, many studies have pointed to the drawbacks of such a policy, and to the need to rethink loan interest rates as a necessary precursor to the provision of savings facilities. Savings are crucial: the fact that the Government has signaled its desire to provide savings services for the poor (for example, through the post offices, as proposed in the CPRGS) is a very positive move<sup>60</sup>. The development of an effective and self-sustaining microfinance sector will need to be linked to wider banking sector reform, to active and imaginative approaches to improving outreach of services, and to the development of a suitable legal framework for microfinance institutions and operations.

***Develop affordable and effective insurance instruments.***

For some groups and some forms of risk, insurance schemes provide an effective form of protection from the risk of reduced income or increased expenditure<sup>61</sup>. As average incomes rise, GoV will need to persuade more households to invest in insurance-based risk

management. Health insurance and crop insurance are priorities, reflecting the importance of illness and crop loss (including disaster-induced crop loss) as factors which push non-poor households into poverty. Over the longer term, there will be a role for ensuring better enforcement of obligations for private sector employers and employees to make social insurance contributions. At a still later stage, there may be scope for adding a voluntary component to both the social insurance scheme and the forthcoming unemployment insurance scheme, enabling smaller firms that wish to join to do so.

For this to be possible, the operation of these schemes will have to be much improved: the level and format of contributions has to be more flexible and adapted to the contributory capacity of poor and middle income groups, perhaps involving an individual savings account component, to which individuals could contribute as and when they had disposable income (Box 11).

The new draft social security law proposes to introduce unemployment benefit for the first time. While this will be of limited relevance to the informal sector majority of the Vietnamese labor force, it is worth putting in the effort to get this right at the outset: experience suggests that it is politically hard to reform established employment benefit schemes. Achieving an appropriate design will require considerable thought<sup>62</sup>. The contribution must be such that it can be afforded both by the employee and by the employer (i.e. will not increase labor costs to the point where it increases the unemployment rate). The benefit level must provide an effective replacement income, enabling redundant workers to cope with periods of unemployment without selling assets or disinvesting in nutrition, education and health care; but it must not be so high as to reduce the incentive to return to work as soon as possible. Linking benefit payments to active labor market policies will be part of the solution.

<sup>58</sup> Some savings facilities are offered (e.g. by the Post Office and by the Women's Union) but these are fairly small in scale.

<sup>59</sup> PWG 1999 p. 114; McCarty 2001.

<sup>60</sup> MOLISA 2001 p. 17.

<sup>61</sup> Haughton et al 2001 p. 15.

<sup>62</sup> Howell 2001.

### **Box 11 Health insurance: NGO and CBO experience**

There are basically three reasons why informal sector workers prefer group schemes to individual spending and financing. Firstly, regular contributions reduce the problem of indebtedness brought about by high medical bills. Secondly, the financial power of the group may enable administrators to negotiate better quality or better value for money from private service providers. Finally, the group may be willing to spend on preventive health care so as to keep down the cost of curative services. There is a basic distinction between Type I schemes (which provide cover against high-cost, low-frequency events e.g. hospitalization) and Type II schemes (which covers against low-cost, high-frequency services, i.e. primary health care). In most countries most workers - including those under the poverty line – are willing and able to spend a significant proportion of household expenditure on health services, and often do so through point-of-services fees. Collective health insurance schemes are therefore theoretically viable, offering efficiencies to both provider and patient. Typically these take the form of “micro-insurance” - small, local, independently-managed schemes (because people are unwilling to trust larger and more anonymous schemes) linked into a confederation of such schemes (which enhances the insurance function and governance structures). Most schemes provide Type II coverage, being less suited to meeting the most important health-related social protection needs, that of unpredictable large expenses. Combining coverage against these kinds of health risks in a diverse portfolio of insurance functions may provide a solution. The Indian NGO SEWA (Self Employed Women’s Association), for example, provide hospital cost coverage as part of a scheme that also provides cover against death, disablement, maternity, as well as loss of working tools, house and property.

(Source: Van Ginneken 1999 p. 24, Jain 1999 pp. 55-6)

### ***Conduct detailed analysis of the social security system and evaluate the HEPR***

GoV spending on social protection and targeted poverty reduction is relatively high, especially by south-east Asian standards. While the picture of how much is spent is relatively clear, and VLSS data provides insights into the coverage and level of key transfers, it is still true that very little is known about outcomes - what does and does not work. Rigorous assessments would help to identify best practice and generate lessons to convey for policies and programme formulation: the Government has said that these will be carried out. Redirecting funds to effective schemes and reforming ineffective schemes could result in a large positive impact on poverty and vulnerability.

### ***Develop programmes to target particularly vulnerable groups within households***

Most official programmes and policies focus on the household (school fee exemptions is a notable exception)<sup>63</sup>. It may be useful to develop targeted programmes (e.g. school-based nutrition or health care) which reach groups whose particular needs might be obscured within households with adequate p.c. consumption expenditure.

### ***Reduce production risk by improving coverage and quality of extension services***

There is considerable potential for the reduction and mitigation of agricultural production risk through the provision of suitable advice (and to a lesser degree inputs), tailored to local needs. This will require a fundamental shift in the role of the extension services, which currently are funded to promote centrally-driven plans to increase production of particular crops. Advice on varieties and techniques can not only stabilize and improve yields but also increase the cash and dietary value of those yields. Information on markets – both domestic and international – will help farmers to improve the competitiveness of their products and to increase the profit margins of their activities (through, for example, increases in product quality). Improved veterinary services and access to affordable animal vaccination services would significantly reduce the risk of livestock

<sup>63</sup> van de Walle 1998 p. 32.

death, which constitutes a significant shock to poor households.

***Consider the possibilities of public works schemes as instruments of social protection and focus of poverty-reducing infrastructure provision***

Given the topography of Viet Nam and the observed close correlation of physical isolation with poverty and vulnerability, it is not surprising that the Government has invested heavily in the provision of infrastructure as a means of poverty reduction<sup>64</sup>. In general, however, the approach to infrastructure provision has tended to be fairly capital intensive. There is scope for using labor-intensive infrastructure development as a way to provide employment and incomes to poor groups, particularly during the agricultural slack season. These schemes are designed so as to be self-targeting, by setting the wage rate at a level which is only attractive to the poor who lack alternative, more profitable opportunities. These schemes do require careful design and management if they are to deliver both security-enhancing wage labor *and* good quality infrastructure, and need to be complemented with other policies to help the poor who cannot work or are poor-poor. However, there are many examples from other countries of programmes which have achieved this balance (Box 12), and Viet Nam should carefully consider the benefits of adopting this approach to infrastructure creation<sup>65</sup>.

The systematic introduction of labor-intensive public works is complicated in Viet Nam by the requirement that able-bodied adults contribute 10 days per year of labor to road maintenance or other small-scale infrastructure work. This amounts to a regressive tax on the poor: while the sums the rich pay to exempt themselves from this obligation are relatively affordable in terms of their income levels, the poor cannot afford to pay and must contribute their ten days each year, a significant burden in terms of household labor<sup>66</sup>. One option is to experiment with self-targeted public works as an instrument of social protection in the “poorest communes”, *introducing payments for (and abolishing obligations to)* this established system of local labor mobilization.

**Box 12 The Maharashtra Employment Guarantee Scheme (MEGS)**

The Maharashtra EGS is famous for its scale (providing some 148 million person-days of work to some 500,000 people in 1993), longevity (27 years), and rights-based approach to social protection (since being placed on a statutory basis in 1977, the EGS has provided a legally-based guarantee of employment to any applicant aged over eighteen). As such, it is an interesting model for other governments seeking a sustainable public works-based approach to social protection.

It is important to see the EGS as part of a package of social protection and poverty reduction instruments. While it has not brought many over the poverty line, it has reduced the depth of poverty, raising and stabilising incomes of poor households. Women have benefited, as have low-caste groups. It also appears relatively cost-efficient and well-targeted: as with most public works programmes, the wage rate is set low so that the scheme is self-targeting, attracting only those without other opportunities. This seems to work, with 90 percent of beneficiaries classified as poor. However, as an employment-based scheme the EGS is unable to provide social protection to some groups: other measures are needed to reach the elderly, the ill, and the disabled.

Second-order effects are complex but seem to have had a net positive impact. The guarantee of EGS wages has exerted upward pressure on agricultural wages, although the size of this effect varies between localities. Although the sustainability of the infrastructure is an issue (as in many public works schemes), the assets created by the EGS seem to benefit both rich and poor. The construction of rural roads improves the poor’s access to markets and services, while irrigation and soil conservation measures benefit land-owning farmers but also (through impacts on demand for labour and agricultural wage rates) indirectly benefit the landless poor.

<sup>64</sup> JBIC 2001.

<sup>65</sup> World Bank 1995 p. 78.

<sup>66</sup> Van de Walle 2001 pp. 18-19.

This section identifies the implications of the recommendations made above for the financing of GoV social protection mechanisms, concentrating on shifts in the relative importance attached to funding of different components of social protection. It is easiest to provide cost estimates for extending existing programmes, when current costs can be scaled up to take account of an increase in coverage; there is less confidence in the cost estimates of proposals for new instruments.

### Summary of current financing of social protection

The first point to reiterate with regard to the funding of vulnerability-reducing measures is that i) the majority of the cost of risk management is paid for by households and communities and ii) analysis of the distribution of formal state-provided benefits suggests that the main beneficiaries are the relatively well-off rather than the relatively poor.

Expenditure on social safety protection services and programmes increased over the 1990s, reaching VND10.3bn in 1998. Social protection as a share of total state spending rose to almost 14 percent in 1997. Over 90 percent of state spending in this sector is provided from the central budget, and 9 percent from local budgets. In contrast to patterns in health and education, less than 2 percent of social protection sector expenditure is on capital investment, reflecting the fact that the majority of spending in this sector is in the form of cash and in-kind benefits targeted at categories of individual and household, with very little spent on providing services at fixed facilities<sup>67</sup>.

Amongst the core social protection programmes and services, the relative importance of different components as measured by share of total expenditure can be summarized as follows:

- Spending allocated to disaster relief is minimal (typically around half of one percent)
- Services and support to those who contributed to the war of unification (families of martyrs, disabled veterans, hero-mothers, etc.) accounts for around 40 percent;
- Assistance to the poor has accounted for around 22 percent from 1997 to 2000;

- Programmes to support the disabled, orphans and street children, drug addicts and prostitutes, and the elderly constituted 1 percent of expenditure;
- Spending on other programmes (primarily civil service pensions) account for a large proportion of the total (about 40 percent)<sup>68</sup>

There are also several areas of GoV spending outside the official MOLISA social protection budget which serve important social protection functions, and which must be incorporated into an analysis of the financing of social protection. The financing of basic health care (including in particular user fee policies, health insurance provided through VHIA, and the arrangements for the funding of Commune-level services) needs to be considered in any comprehensive reckoning of resource implications of improved social protection, as does the crop insurance offered by Bao Viet, and arrangements to ensure access to basic education for children of poor households. The broad range of state institutions which play some role in social protection makes it hard to produce an accurate analysis of the total resources needed.

### Costs of the recommended policies and programmes

The focus of further analysis should be on developing the principles which will guide decision-makers in making trade-offs between the alternative social protection schemes open to them. These principles include:

- A focus upon the priority needs of the poorest;
- Equity in receipt of benefits according to standardized eligibility criteria, particularly horizontal equity between provinces, Districts and Communes;
- Attention to fiscal sustainability;
- An innovative but flexible approach to the design of contributory schemes. In many countries it has been found that even the very poor have some capacity for savings or insurance contributions at some points in the year, and are willing to allocate money to these risk-spreading investments providing they have confidence in the administration of these schemes. GoV schemes should not rule out the

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<sup>67</sup> UN and MOLISA 1999 pp. 40-1.

<sup>68</sup> UN and MOLISA 1999 pp. 42-3.

possibility of mobilizing resources for social protection from those who are to be protected, and should think creatively about how collection of these contributions can be adapted to the contributory capacity of the poor;

- Complementarity between interventions;
- Flexibility – the capacity to modify the working of schemes as circumstances change. “Simmering” public works or social funds, which operate at a low but steady level during normal conditions but

which can productively absorb major injections of funds when they need to be scaled up in response to a disaster or economic shock, are good examples of flexible social protection instruments.

To conduct this kind of analysis will require more, and better, information about the budgets and expenditure of the various component elements of the social security and HEPR packages. It will also require studies of programme impact and cost-effectiveness, which are largely lacking at present.

To monitor progress towards the overarching objective of social protection policy - the reduction of extreme poverty and improvement in the objective and subjective experience of security – requires attention to a number of intermediate indicators of progress in addition to the three key targets discussed in Part II. This final section proposes some candidates for consideration.

### **Selected intermediate indicators**

A variety of input, process and output indicators of vulnerability and social protection provision can be derived to complement the overall measure of vulnerability defined in terms of the probability of household falling into lower consumption expenditure status groups (i.e. from non-poor into poor or food poor, or from poor into food poor). Given the methodological problems in deriving a meaningful definition of poverty (described in Part I above), these intermediate indicators are perhaps particularly important in this paper (Box 13).

#### *Qualitative information on risk and vulnerability*

It will be necessary to complement measures of incidence and simple quantitative measures of severity of shock with more subtle, contextual insights into the causes of vulnerability and how households are managing these vulnerabilities, with or without assistance from the community or the Government. Qualitative or micro-scale quantitative studies will be required for these ends: if possible, these should be designed purposively, to complement the findings derived from the panel survey data. There are several ways to approach this integration of methods: for example, contextual studies may be implemented to follow up questions raised by panel data analysis, and/or to identify issues or refine the format of questions to be included in the sample surveys. Another idea would be to build on the work that has been carried out in the PPAs and the community-level consultations on the draft CPRGS. These two exercises have been carried out in the same communities, first discussing causes and dimensions of poverty and then returning to analyze whether the proposed GoV solutions would – in the views of poor communities and the officials who deliver services to them – address the poverty the communities had

### **Box 13 Preliminary list of intermediate indicators of vulnerability**

- Indicators of natural disaster risk: annual numbers of families displaced, areas of farmland and value of crop damaged, estimates of houses destroyed or total property damage, etc.
- Underemployment rate (urban and rural)
- Commodity price movements for key goods, especially those produced by the poor or near-poor: absolute and measure of volatility
- Days lost due to ill health
- Number of decent formal sector jobs created (this could be derived from the MOLISA annual labour force survey as well as from the two-yearly MPHS)
- Percentage of agricultural households dependent on one activity for 75 percent or more of total income
- Indicators of social protection coverage and effectiveness
- Percentage of population covered by health insurance, broken down by ethnicity and location
- Percentage covered by social insurance: as percentage of total working age population and as percentage of total eligible population (public employees and employees of businesses with over 10 employees).
- Percentage covered by unemployment insurance (if and when this proposed instrument is introduced)
- Number of formal sector cash savings accounts and household savings rate: disaggregated by p.c. consumption quintile if possible.

previously described. This continuity would provide a helpful analytical basis for further qualitative research.

Contextual studies will also be useful in responding flexibly to emerging issues of vulnerability in certain locations or amongst certain groups: for example, in undertaking studies such as those conducted by the NGO Center for Rural Progress with regard to the relatively rapid onset of greatly increased vulnerability amongst coffee cultivators.

## Existing data sources and gaps

### *Information base for monitoring change in vulnerability to consumption poverty*

The new GSO survey strategy lays out plans to conduct national sample surveys every two years from 2002 to 2010. These, like the VLSS, will have a panel survey component allowing for longitudinal tracking of the consumption status of households. These surveys will have several advantages over the VLSS. The interval between surveys is shorter (two years instead of five) and the sample size is some five times larger than that used for VLSS 1998, allowing more disaggregation (by province, occupation group or ownership of certain assets) and more detail and confidence in analyzing the links between household variables and change in well-being. This will allow the quantitative testing of the causes and consequences of vulnerability.

However, there are also two problems with the new approach. Because the new system does not incorporate the VLSS panel, it will not be possible to trace changes in household status between 1998 and 2002: the period 1998-2002 becomes a blind spot in

terms of observing household dynamics, and 2002 becomes the new baseline. Secondly, the panel from one pair of surveys is not carried over into the next, so that these surveys will provide a series of two-year panel studies rather than a long-term panel study<sup>69</sup>.

### *Information base for construction of intermediate indicators*

Much of the information on natural disasters (area and value of crop destroyed, total property damaged, individuals and households displaced) may be collected already by the Disasters Management Unit (DMU), and should thus be relatively easy to monitor. Similarly, it is comparatively easy to collect and calculate unemployment rates, and disaggregate them by age and sex and for key cities, economic sectors, and so, on using data collected routinely by GoV. Other indicators either are or could be collected using periodic surveys.

Data on the coverage provided by various GoV insurance schemes (VHIA, social insurance, crop insurance and unemployment insurance if and when this is introduced) should also be possible to collect through the schemes' administrative recording systems.

<sup>69</sup> To clarify: 15,000 of the 30,000 households surveyed in 2004 will be drawn from the 2002 sample; but it is the 15,000 households that were added to the sample in 2004, not the 15,000 that were first surveyed in 2002 and then resurveyed in 2004, which will be revisited in 2006. It will therefore only be possible to track any given set of 15,000 households over a 2-year period, i.e. between two surveys.

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# APPENDIX 1: GOV STATEMENTS ON SOCIAL PROTECTION AND REDUCING VULNERABILITY, 2001 - 2010

## 1. Statement regarding social security in the Poverty Alleviation Strategy 2001-2010 (MOLISA, May 2001)

### Part II, Section IV (Strategic approaches)

#### 5. Policy on social security

- Together with the above policies [on credit; on health care, population and family planning; on education and vocational training; and on ethnic minorities in difficult circumstances], it is necessary to build up and gradually complete a system of policies on the social security network for the poor, the unfortunate, especially poor women and children.
- Issue some supplementary policies on emergency assistance: the poor people and households which have bad luck (natural calamity, fire, bad harvest...) shall get a subsidy (material assistance for hunger relief, funeral expenses, expenses of disease treatment, reconstruction of collapsed house, arrangement of a new house...); successfully implement the program of prevention of natural calamities; focus to help the poor, limit risks and danger of falling back into poverty; formulate methods of effective social assistance for the poor; prepare equipment for timely assistance to limit human and material losses when a natural calamity happens; help the poor overcome consequences of natural calamities and come back to normal life and production activities.
- Enforce the social protection and social security network through funds; reform the fund establishment mechanism and regulate the emergency assistance fund; give regular humanitarian assistance to the poor; implement activities of these funds in a public, transparent and effective way in the villages and communes.

## 2. Statement regarding safety nets and reducing vulnerability in the Interim Poverty Reduction Strategy Paper (SRV, July 2001)

### Part II Growth and poverty reduction objectives

Provide a social allowance in various forms to those who live under especially difficult circumstances, are unable to work to earn income, and have no one to support them.

## Part IV Sectoral policies & resolutions to create opportunities, reduce vulnerability and support the poor

### 2. *Develop social safety nets for the poor and for victims of natural disasters*

2.1 add policies on providing emergency and regular support to complete the system of state support for the poor, the disabled and vulnerable groups so that they can create jobs on their own or work for other people on a contract basis, with the aim that they will be able to earn enough to feed themselves, to actively participate in the community and in social activities, and to be able to reap more of the benefits of economic reform.

...

2.3 Establish a priority system to help disadvantaged groups benefit from national targeted programs on social development. Establish a preferential regime for poor and vulnerable people to reduce contributions, fees and costs related to their social transactions and their access to basic social services, and in cultural and educational activities to elevate the people's intellectual level.

2.4 Expand the social protection and safety net through different funds. Provide humanitarian support on a regular basis for the poor and hungry, especially those unable to work and having no one to rely on; organize and carry out the activities of these funds in communities and villages where the poor and vulnerable are concentrated. In that context, special attention should be given to provide assistance in kind (such as rice, foodstuffs, clothes and so on) to people in rural and selected urban areas who fall into very difficult circumstances.

2.5 Develop solutions to effectively address emergency social relief for poor and vulnerable people who are hurt by natural disasters, accidents, and other negative social shocks; improve this policy based on adopting emergency relief measures, including:

- Reform the mechanism to develop and coordinate Emergency Relief Fund
- Help the poor to take preventative measures against and fight effectively natural disasters such as storms, flood, drought, pests etc. by organizing

training, and transferring knowledge and practical experiences about managing natural disasters. Provide a share of the needed material support (if necessary) to help them create physical conditions for preventing and overcoming disasters by upgrading the floors in their homes, making floating rafts for temporary living, and in building small warehouses to protect their food and foodstuffs from flooding, etc.

- Organise and prepare aid facilities to respond rapidly and in a timely fashion to limit the negative effects of natural disasters.
- Organise assistance to help the poor recover from natural disasters so they can quickly resume normal

life and production; for example, provide them with necessary factors of production (such as seeds, trees, livestock, tools for cultivation); solve environmental problems after the natural disaster has struck. Build local medicine storage to cure in time and effectively diseases caused by natural disasters. Build facilities to store foods, foodstuffs, and clothes in each community where natural disasters are frequent so they can be distributed quickly to disaster victims.

2.6 Expand the participation and enhance the role of domestic social organizations and non-governmental organizations in the process of building and implementing the social safety net.

## Appendix 2: Mechanisms for managing risk and roles for actors

Objective	Informal mechanisms		Formal mechanisms	
	Individual and household	Group-based	Market-based	Publicly provided
<b>Reducing risk</b>	<ul style="list-style-type: none"> <li>▪ Preventive health practices</li> <li>▪ Migration</li> <li>▪ More secure income sources</li> </ul>	<ul style="list-style-type: none"> <li>▪ Collective action for infrastructure, dikes, terraces</li> <li>▪ Common property resource management</li> </ul>		<ul style="list-style-type: none"> <li>▪ Sound macroeconomic policy</li> <li>▪ Environmental policy</li> <li>▪ Education and training policy</li> <li>▪ Public health policy</li> <li>▪ Infrastructure (dams, roads)</li> <li>▪ Active labor market policy</li> </ul>
<b>Mitigating risk</b>				
<i>Diversification</i>	<ul style="list-style-type: none"> <li>▪ Crop and plot diversification</li> <li>▪ Income source diversification</li> <li>▪ Investment in physical and human capital</li> </ul>	<ul style="list-style-type: none"> <li>▪ Occupational associations</li> <li>▪ Rotating saving and credit associations</li> </ul>	<ul style="list-style-type: none"> <li>▪ Saving accounts in financial institutions</li> <li>▪ Microfinance</li> </ul>	<ul style="list-style-type: none"> <li>▪ Agricultural extension</li> <li>▪ Liberalized trade</li> <li>▪ Protection of property rights</li> </ul>
<i>Insurance</i>	<ul style="list-style-type: none"> <li>▪ Marriage and extended family</li> <li>▪ Sharecropper tenancy</li> <li>▪ Buffer crops</li> </ul>	<ul style="list-style-type: none"> <li>▪ Investment in social capital (ritual, reciprocal gift giving)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Old age annuities</li> <li>▪ Accident, disability and other insurance</li> </ul>	<ul style="list-style-type: none"> <li>▪ Pension systems</li> <li>▪ Mandate</li> <li>▪ Insurance for unemployment,</li> <li>▪ Illness, disability and other risks</li> </ul>
<b>Coping with shocks</b>	<ul style="list-style-type: none"> <li>▪ Sale of assets</li> <li>▪ Loans from money-lenders</li> <li>▪ Child labour</li> <li>▪ Reduced food consumption</li> <li>▪ Seasonal or temporary migration</li> </ul>	<ul style="list-style-type: none"> <li>▪ Transfers from networks of mutual support</li> </ul>	<ul style="list-style-type: none"> <li>▪ Sales of financial assets</li> <li>▪ Loans from financial institutions</li> </ul>	<ul style="list-style-type: none"> <li>▪ Social assistance</li> <li>▪ Workfare</li> <li>▪ Subsidies</li> <li>▪ Social funds</li> <li>▪ Cash transfers</li> </ul>

Source: World Bank 2000 p. 141.

## APPENDIX 3: GOV POLICY INITIATIVES TARGETED TOWARDS POVERTY REDUCTION

**Land Allocation.** The policy of allocation of agricultural and forestland to farmers is considered by the government as a long-term basis for hunger eradication, poverty reduction and equitable development in rural areas.

**Provision of Credit to the Poor.** This is widely used to support productive activities of poor households. There are numerous schemes which can be classified into two major groups: those which can be financially sustainable (such as the Vietnam Bank for Agriculture and Rural Development's and some Women Union schemes) and those that can not (such as the Vietnam Bank for the Poor's).

**Building Rural Infrastructure.** This is also an important policy of the Government. Irrigation, especially for rice production, rural roads, commune schools and health care centers, and rural clean water supply have been given particular attention.

**Agricultural Services.** A program on production-supporting services, such as agricultural, forestry and fishery extension, supply of material inputs, and transfer of technology, has been put in place since the early 1990s to meet farmers' demands for inputs for production.

**Employment Promotion.** Established in 1992, the National Program for Employment Generation largely functioned as a safety net, aiming to alleviate the negative impacts of the restructuring of the state-owned sector. It aims to directly promote employment opportunities through providing severance payments, subsidized credit, and training of new skills.

**Sedentarization of Nomadic Ethnic People.** The programs for sedentarization, resettlement, and

development of New Economic Zones have been undertaken by MARD and local authorities in order to improve the living standards of the poor through mobilization of potential land resources for agricultural production.

**Re-greening of Barren Hills.** This program aimed to re-green barren land and to develop agriculture, forestry and fishery in the whole of the country. Its objectives were gradually narrowed in 1993-96 to develop the protected and specialized forests in the mountainous areas.

**Education.** Targeted activities include: ensuring that all communes have good primary schools by the year 2000; strengthening informal education for children who do not go to school, and for illiterate people; and improving vocational education to meet market requirements.

**Health Care.** This encompasses two kinds of activities: vertical programs (such as for malaria, goiter, vaccinations, mother's and children's healthcare); and local initiatives (such as granting of free-of-charge medical cards, setting up of facilities for free-of-charge services for the poor).

**Social Security and Safety Net.** There are 3 main funds: (i) Social Guarantee Fund for Veterans and War Invalids; (ii) Social Guarantee Fund for Regular Relief provides assistance to the disabled, orphans and the elderly; (iii) Contingency Fund for Pre-Harvest Starvation and Natural Disasters.

**Prevention and Control over Drug Abuse.** This was established in 1993 and primarily targets poor ethnic minority people in mountainous areas.

*Source:* reproduced from PWG 1999 p. 122.

## APPENDIX 4: LIMITATIONS ON THE VALUE OF OBSERVED MOVEMENTS INTO POVERTY AS A MEASURE OF VULNERABILITY

Vulnerability in this case is observed vulnerability over a set period in the recent past (the five years between 1993 and 1998). This may or may not be a good guide to trends in vulnerability and the probability of downward movements of the same magnitude over the next five years. (This problem is however true of other methods.)

The measure is based on comparing two points in time: in the case of the measures for vulnerability derived from the comparison of the VLSS, this time period was five years, while under the new GoV survey strategy the interval between surveys will be two years. It is impossible to tell from this data whether a household which was non-poor in both VLSS surveys actually dipped into and then emerged again from poverty between the two dates. For many rural households, vulnerability will have a strong seasonal component: while it may be non-poor for a year as a whole, it may dip into poverty for several months prior to the main harvest.

This measure is limited in that the size of the national survey sample is not large enough to provide a geographically disaggregated vulnerability measure. The VLSS data allows disaggregation to the level of region; the two-yearly surveys which GSO will run from 2000 to 2010, with a much larger sample size, will allow provincial-level estimates. However, this is still not much use for District or Commune level officials, should they attempt to target certain forms of assistance to the vulnerable (as opposed to the more common efforts to target assistance to the currently poor).

The issue of measurement error throws some doubt on the validity of measures of change in consumption data between two points<sup>70</sup>.

If the prevalence of downward movement is to be used as the measure of vulnerability, the prevalence of downward movements between 1993 and 1998 would provide the basis for the vulnerability targets. This is problematic, because these numbers are so small. Only 4.8 percent of all households moved from non-poverty into poverty (overall poverty or food poverty) between 1993 and 1998: only 3.5 percent moved from poverty

into food poverty. Assuming that the strength of the linkage between vulnerability and poverty reduction is assumed to remain constant (which is itself problematic: see next point), then a target might be specified in the following form: that in order to achieve a 21 percent reduction of the poverty rate between 2000 and 2005 (the rate of poverty reduction observed between 1993 and 1998), the rate at which non-poor households fell into poverty would have to be held at or below 4.8 percent (the prevalence of this decline observed between 1993 and 1998). At a level as low as 4.8 percent, there is quite a high probability that observed change reflects measurement error rather than actual change.

Assuming that the number of households which fall into poverty has a relationship of a fixed strength with a given target in terms of poverty reduction, rests upon a number of questionable assumptions. Three hypotheses suggest that the assumption of a constant elasticity is simplistic. Two of the hypotheses suggest that the contribution of reducing vulnerability to reducing poverty will become less important, while one suggests that it will become more important, leaving us with no clear basis for revising the elasticity upwards or downwards.

The first hypothesis suggests that as Viet Nam approaches the eradication of poverty (or at least the eradication of food poverty), an increasing proportion of those remaining poor will be chronically poor. In other words, at the margin of poverty reduction the transient poor – those who may be non-poor in terms of long-term average consumption standards but for some periods are reduced to poverty through vulnerability to shocks – will become increasingly small as a proportion of the total poor. It appears, for example, that the chronic poor (typically socially marginalized groups such as the long-term unemployed, ethnic minorities subject to discrimination, and so on) account for a much larger proportion of the total number of poor in developed countries with low levels of total poverty. This suggests that if vulnerability is held constant, and no more than 4.8 percent of households start the period non-poor but end it in poverty, poverty will not reduce at the expected rate of 24.7 percent over five years.

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<sup>70</sup> Glewwe and Phong 2001 have developed methods to correct for measurement error in the production of single-number expressions of total income or consumption mobility (e.g. correlation coefficients). There is not yet a method to correct transition matrices, which are the basis for the vulnerability measure proposed in this paper. See also Haughton et al 2001 p. 15 for comments on the significance of measurement error for analysis of mobility.

The second consideration has to do with the changing macro context of vulnerability. Viet Nam is moving away from an economic model in which a significant proportion of the population (e.g. SOE employees) is protected from vulnerability, and towards a model in which economic integration brings both opportunities and greater vulnerability. This basic observation implies that the consumption volatility – of which vulnerability is a function - will increase, and that the achievement of fixed poverty reduction goals may require more, not less, reduction in vulnerability.

The third, countervailing hypothesis is that reducing vulnerability will become less important for poverty reduction as average incomes rise. As the distance between average household living standards and the poverty line living standard increase, it requires a larger shock to push the average household down into poverty. While vulnerability as defined and measured in terms of the likelihood of a decline in consumption by a given amount (e.g. by two quintiles) may remain the same or even increase somewhat, vulnerability as defined for the purposes of this paper – that is, as the likelihood of a decline which takes a household below the poverty line threshold – will decrease, assuming all other aspects

of vulnerability (e.g. the average size of the fall in consumption) remain equal.

A measure based upon downward transition into poverty (overall or food poverty) does not capture downward movements within these classes. Thus a household that fell within the category “poor” in 1993 might suffer a serious decline in p.c. consumption relative to the poverty lines by 1998, but one which does not cross the threshold into food poverty, and is therefore not recorded in the measurement of vulnerability. Issues of this kind are inevitable if the measurement of change is based upon crossing certain boundary values: the simplicity of the approach probably does compensate for the uncertainty about the significance of vulnerability to within-category movements.

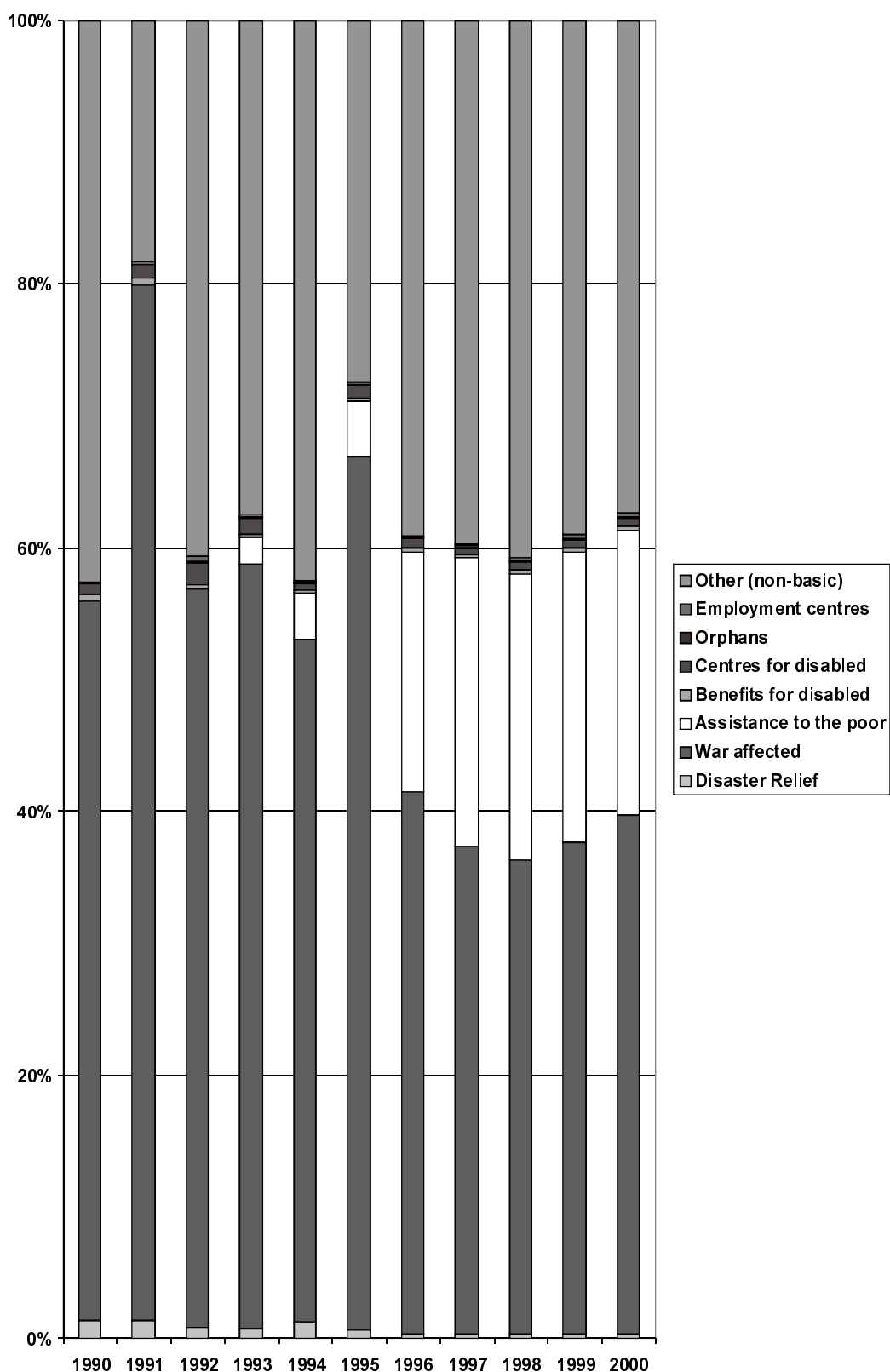
Finally, panel survey data in practice takes considerable time to process and analyze. It is only now that detailed analyses of the 1998 data, and comparison of VLSS 1993 and VLSS 1998, are starting to emerge as published studies. This delay between collection of data and its availability in analysed form is a problem when it is needed to monitor progress towards targets.

## APPENDIX 5: ALTERNATIVE DEFINITIONS OF THE POVERTY LINE IN VIETNAM

Year	Definition of poverty lines (all figures p.c.p.a)					
	IDTs	GSO / World Bank	World Bank	MOLISA		
	Extreme poverty	Food poverty	Overall poverty	Poverty (rural upland)	Poverty (rural lowland)	Poverty (urban)
1990	\$365 (PPP)					
1993		750,000 VND (\$54)	1,160,000 VND (\$83)			
1998		1,287,000 VND (\$92)	1,790,000 VND (\$128)			
2000				960,000 VND (\$69)	1,200,000 VND (\$86)	1,800,000 VND (\$129)

Source: PWG 1999 p. 5; World Bank (2001a) p. 6.

# APPENDIX 6: COMPOSITION OF SOCIAL SECURITY AND SAFETY NET EXPENDITURES



Source: UN and MOLISA 1999 p. 37.

# Millennium Development Goals (MDGs)

Goals and Targets	Indicators
<b>Goal 1: Eradicate poverty and hunger</b>	
<b>Target 1:</b> Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day	1. Proportion of population below \$1 per day 2. Poverty gap ratio [incidence x depth of poverty] 3. Share of poorest quintile in national consumption
<b>Target 2:</b> Halve, between 1990 and 2015, the proportion of people who suffer from hunger	4. Prevalence of underweight children (under-five years of age) 5. Proportion of population below minimum level of dietary energy consumption
<b>Goal 2: Achieve universal primary education</b>	
<b>Target 3:</b> Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling	6. Net enrolment ratio in primary education 7. Proportion of pupils starting grade 1 who reach grade 5 8. Literacy rate of 15-24 year olds
<b>Goal 3: Reach gender equality and empower women</b>	
<b>Target 4:</b> Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015	9. Ratio of girls to boys in primary, secondary and tertiary education 10. Ratio of literate females to males of 15-24 year olds 11. Share of women in wage employment in the non-agricultural sector 12. Proportion of seats held by women in national parliament
<b>Goal 4: Reduce child mortality</b>	
<b>Target 5:</b> Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate	13. Under-five mortality rate 14. Infant mortality rate 15. Proportion of 1 year old children immunised against measles
<b>Goal 5: Improve maternal health</b>	
<b>Target 6:</b> Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio	16. Maternal mortality ratio 17. Proportion of births attended by skilled health personnel
<b>Goal 6: Combat HIV/AIDS, malaria and other diseases</b>	
<b>Target 7:</b> Have halted by 2015, and begun to reverse, the spread of HIV/AIDS	18. HIV prevalence among 15-24 year old pregnant women 19. Contraceptive prevalence rate 20. Number of children orphaned by HIV/AIDS
<b>Target 8:</b> Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases	21. Prevalence and death rates associated with malaria 22. Proportion of population in malaria risk areas using effective malaria prevention and treatment measures 23. Prevalence and death rates associated with tuberculosis 24. Proportion of TB cases detected and cured under DOTS (Directly Observed Treatment Short Course)
<b>Goal 7: Ensure environmental sustainability</b>	
<b>Target 9:</b> Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources	25. Proportion of land area covered by forest 26. Land area protected to maintain biodiversity 27. GDP per unit of energy use (as proxy for energy efficiency) 28. Carbon dioxide emissions (per capita)
<b>Target 10:</b> Halve, by 2015, the proportion of people without sustainable access to safe drinking water	29. Proportion of population with sustainable access to improved water sources
<b>Target 11:</b> By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.	30. Proportion of people with access to basic sanitation 31. Proportion of people with access to secure tenure [Urban/rural disaggregation of several of the above indicators will be relevant for monitoring improvement in the lives of slum dwellers]

# Vietnam Development Goals\* (VDGs)

## Vietnam Development Goals directly based on the MDGs

### Goal 1: Reduce the percentage of poor and hungry households

**Target 1:** Reduce by 40% the proportion of people living below the international poverty line between 2001 and 2010

**Target 2:** Reduce by 75% the number of people living under the international food poverty line by 2010

### Goal 2: Universalize education and improve education quality

**Target 1:** Increase net enrolment in primary school to 97% by 2005 and to 99% by 2010

**Target 2:** Increase net enrolment rate in junior secondary school to 80% by 2005 and 90% by 2010

**Target 3:** Eliminate the gender gap in primary and secondary education by 2005, and the gap with ethnic minorities by 2010

**Target 4:** Increase literacy to 95% of under-40-year-old women by 2005 and 100% by 2010

**Target 5:** By 2010 have improved the quality of education and increase full-day schooling at primary level (exact target depends on funding)

### Goal 3: Ensure gender equality and women empowerment

**Target 1:** Increase the number of women in elective bodies at all levels

**Target 2:** Increase the participation of women in agencies and sectors [includes ministries, central agencies and enterprises] at all levels by 3-5% in the next 10 years

**Target 3:** Ensure that the names of both husband and wife appears on the land-use right certificates by 2005

**Target 4:** Reduce the vulnerability of women to domestic violence

### Goal 4: Reduce child mortality, child malnutrition and reduce the birth rate

**Target 1:** Reduce the infant mortality rate to 30 per 1000 live births by 2005 and 25 by 2010 and at a more rapid rate in disadvantaged regions (see below)

**Target 2:** Reduce the under-5 mortality rate to 36 per 1000 live births by 2005 and 32 by 2010

**Target 3:** Reduce under five malnutrition to 25% by 2005 and 20% by 2010

### Goal 5: Improve maternal health

**Target 1:** Reduce the maternal mortality rate to 80 per 100,000 live births by 2005 and 70 by 2010 with particular attention to disadvantaged areas

### Goal 6: Reduce HIV/AIDS infection and eradicate other major diseases

**Target 1:** Slow the increase in the spread of HIV/AIDs by 2005 and halve the rate of increase by 2010

### Goal 7: Ensure environmental sustainability

**Target 1:** Extend forest cover to 43% by 2010 (from 33% in 1999)

**Target 2:** Ensure that 60% of the rural population has access to clean and safe water by 2005 and 85% by 2010. This should be the case for 80% of urban people by 2005.

**Target 3:** Ensure there are no slums and temporary houses in all towns and cities by 2010

**Target 4:** Ensure that all waste-water in towns and cities is treated by 2010

**Target 5:** Ensure that all solid waste is collected and disposed of safely in all towns and cities by 2010

**Target 6:** Air and water pollution must attain national standards by 2005

## Vietnam Development Goals and Targets *not* directly based on MDGs

### Goal 8: Reducing vulnerability

**Target 1:** By 2005, increase the average income of the lowest expenditure quintile to 140% of that in 2000 and to 190% of that by 2010

**Target 2:** Reduce by half the rate of poor people falling back into poverty due to natural disasters and other risks by 2010

### Goal 9: Improving governance for poverty reduction

**Target 1:** Effectively implement grass-roots democracy

**Target 2:** Ensure budget transparency

**Target 3:** Implement legal reform agenda

### Goal 10: Reducing ethnic inequality

**Target 1:** Preserve and develop the reading and writing ability of ethnic languages

**Target 2:** Ensure entitlement of individual and collective land-use rights in ethnic minority and mountainous areas

**Target 3:** Increase the proportion of ethnic minority people in authority bodies at various levels

### Goal 11: Ensuring pro-poor infrastructure development

**Target 1:** Provide basic infrastructure to 80% of poor communes by 2005 and 100% by 2010

**Target 2:** Expand the national transmission grid to 900 poor commune centres by 2005

\*Note: This is a summary of a fuller set of VDGs outlined in the CPRGS. The VDG papers have more targets and indicators. Source: Govt of Vietnam (2002). *Comprehensive Poverty Reduction & Growth Strategy*.