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SOCIAL ASSISTANCE IN VIET NAM: REVIEW AND PROPOSALS FOR REFORM

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SOCIAL ASSISTANCE IN VIET NAM:
A REVIEW AND PROPOSALS FOR REFORM

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FOREWORD

There are few more significant reforms for a growing Middle Income Country (MIC) than the development of a modern and inclusive system of social protection. For Viet Nam, which is undergoing very rapid change and has large number of people in informal employment, publically-funded social assistance is a vital part of this agenda. Evidence from around the world has shown that these programmes, which focus on the poor and vulnerable, contribute to a host of objectives - ranging from reduced poverty and inequality to improved family nutrition, and better health and education outcomes.

Viet Nam's social assistance system has struggled to keep pace with the speed of development following the *Doi Moi* reforms of the late 1980s and faces many challenges. Foremost, social assistance programmes are too limited and tend to neglect a major part of the working population on low incomes, and provide incomplete protection for key stages of vulnerable people's lives. The level of coverage, the value of cash transfers, and the quality of social care are not sufficient for a country at Viet Nam's stage of development. New thinking is required on the current approach and the longer term direction. Secondly, administrative, operational and logistical weaknesses need to be addressed in each of the system's three pillars – cash transfers, emergency assistance and social care.

The Government has recognized these challenges and commissioned the Master Plan for Social Assistance Reform and Development (MPSARD) to provide a blue print for the next 15 years. This report – as one deliverable of UNDP-sponsored social assistance project (SAP), has supported development of the MPSAR. It summarizes findings from 17 studies, of which 4 were authored by a team of leading international consultants to reflect global best practice, 12 nationally compiled reviews of systems and operations carried by the Institute of the Labour Science and Social Affairs (ILSSA) and a UNICEF-sponsored report on reviewing the social care system.

This report proposes expansion in regular cash transfers around three stages of the human life cycle – childhood, disability and old age - and delivery of a "*social protection floor*" for all Vietnamese. It also recommends more focused delivery of emergency assistance, to build resilience and early recovery to disasters and major shocks. For social care, while recognizing the need for further research, the report recommends improved supply of quality services, and greater opportunities for involving the private sector and NGOs in providing services..

The report adopts a cautious line on resourcing and recommends a gradual expansion, initially supported by savings from other social protection programmes. It also employs economic analysis to make clear the wider socioeconomic benefits – including higher levels of economic growth from investment in social assistance. These gains and the well-established welfare case, underline the importance of social assistance to Viet Nam's longer term development, and that it represents a high value investment in the future.

We thank the report's authors and the research teams of the supporting studies, and we commend the findings for consideration by the MPSAR Drafting Team. In providing a comprehensive analysis of the current system and recommendations for the future, this report offers a major resource for researchers and policymakers.

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ACRONYMS

DFID	British Department of International Development
DOLISA	(Provincial) Department of Labour - Invalids and Social Affairs
ECD	Early Child Development
GDP	Gross Domestic Product
GOVN	Government of Viet Nam
GSO	General Statistics Office
ILO	International Labour Organisation
ILSSA	Institute of Labour Science and Social Affairs
MIS	Management Information System
MDRI	Mental Disability Rights International
MoET	Ministry of Education and Training
MOLISA	Ministry of Labour - Invalids and Social Affairs
BOLISA	(District) Bureau of Labour – Invalids and Social Affairs
MPSAR	Master Plan for Social Assistance Reform
PPVT	Peabody Picture Vocabulary Test
RTCCD	Research and Training Centre for Community Development
SA	Social Assistance
SAM	Social Accounting Matrix
SASSP	Social Assistance Systems Strengthening Programme
VHLSS	Viet Nam Household Living Standards Survey
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations Children Fund
VNAS	Viet Nam National Ageing Survey
VND	Viet Nam Dong
VSS	Vietnam Social Security
WB	World Bank

EXECUTIVE SUMMARY

Challenges facing Viet Nam

Since independence, Viet Nam has made remarkable strides in developing a viable and vibrant economy and improving the lives of its citizens. Yet, as a middle-income country, Viet Nam is now facing new challenges. Since the global economic crisis of 2008, economic growth fell from around 8% per year to 5.5% and is unlikely to increase, partly as a result of stagnating worker productivity and weak demand in the economy. Although poverty rates have fallen significantly during the past 30 years, a high proportion of the population is still vulnerable to falling into poverty or experiencing income insecurity: for example, around 35% of those that were in the poorest quintile in 2010 had moved into a more affluent quintile by 2012, with a similar amount falling into the poorest quintile. In 2012, around 80% of the population still lived on less than VND 86,000 per day and 40% on less than VND 43,000. There are also significant disparities between urban/rural areas, regions, and ethnic groups in Viet Nam. Around 49.4% of the rural population was either living in or vulnerable to poverty in 2012, while, in urban areas, the rate was only 17.5%. Nowadays, poverty is concentrated among ethnic minority groups, who experience a poverty rate of 59.2%, compared to the majority Kinh and Hoa among whom the poverty rate is only 9.9%.

The insecurity faced by families is, to a large extent, derived from vulnerabilities and risks faced by individuals and families across the lifecycle. Around 22% of children below 5 years of age are stunted. These children are unlikely to reach their full potential, with the result that their future earnings will be reduced, hindering the nation's economic development. While enrolment in primary school is high, it falls among children of secondary school age: in 2012, while around 90% of boys attended school at age 12 years, by age 16 years it had fallen to only 67%, Attending school is expensive and can impact on family wellbeing: in 2012, average monthly expenditure on education for households was around VND 350,000. Families on low and middle incomes also find it more difficult to provide their children with private tuition, which is necessary to compete in school. Around 1.2 million young people enter the labour market each year but most into "vulnerable employment" in the informal economy, with no access to social security.

Working age people face a range of challenges when engaging in the labour market. Many still experience low productivity and incomes, with around 47% of the labour force in agriculture. The majority of middle-income workers continue to engage in agriculture and construction, as manual workers, indicating that they cannot be regarded as a more secure "middle class." Indeed, around 62% of the population was in vulnerable employment in 2013 with internal migrants in a particularly precarious situation, especially when they are classified as temporary residents. Caring for people with disabilities in the absence of effective old age pension and disability benefit systems is placing a burden on working age families, which reduces their investment in their own children.

Indeed, Viet Nam is an ageing society: while there are currently just over 10% of the population aged over-60 years, by 2030 it will have increased to 18% and over 30% by 2050. Many older people experience poverty and poverty rates are higher among older women, who comprise 60% of those aged over 60 years. Many older people need to work to care for themselves: between the ages of 60 and 64 years, around 70% of older people are engaged in some form of employment, falling to around 40% at age 70-74 years and around 20% at ages 80-84 years.

Disability is a significant challenge in Viet Nam and affects a relatively high proportion of the population. In 2006, around 7% of the population had a disability and 3.4% a severe disability. However, disability affects a much higher proportion of the population, since 22% of households have a disabled member while 12.5% include someone with a severe disability. The poverty rate of households with a disabled member is 20% higher than households without one, while, for severely disabled household members, the poverty rate is 30% higher. Around 52% of children with disabilities are unable to access education while those of working age face significant challenges also, in particular because of the higher costs they face due to their disability: it has been estimated that disability increases the cost of living by around 10%. Many people with disabilities are unable to work while others have significant care costs. However, rates of disability are highest among older people: 54.6% of those aged over-70 years have a disability and 27.8% a severe disability.

Inequality is an issue of growing concern in Viet Nam. A majority of the population is worried about disparities in living standards, with the greatest discontent found in urban areas where inequality is recognised as a challenge by 76% of residents. Viet Nam's income Gini coefficient was 39.4 in 2012: while this places Viet Nam in the middle of the global Gini distribution – and is lower than China, Indonesia and Thailand – it is higher than the Gini co-efficient in countries such as the United States of America and the United Kingdom, where inequality is recognised as a significant challenge.

Another key challenge facing Viet Nam is significant exposure to natural weather-related shocks, in particular storms and flooding. It is estimated that the value of the total damage was VND2,830 billion in 2014. While natural disasters affect the whole country, coastal areas experience more frequent and harmful disasters.

Overview of the national social assistance system

Viet Nam's system of social assistance comprises three pillars: social assistance transfers, social care and emergency assistance. However, social assistance transfers are also part of a broader social security system, which includes social insurance transfers and Merits payments. The 2013 Constitution stipulates – in Article 34 – that: "Citizens are guaranteed the right to social security**".**

The national social security system itself has evolved as a lifecycle system, addressing risks related to old age, disability, childhood and unemployment. Viet Nam's overall investment in social security from general government revenues was around 2.6% of GDP in 2013. However, **investment in social assistance has been relatively limited: in 2013, MOLISA invested 0.21% of GDP in nine categorical social assistance transfers** (although, following the 50% rise in the value of some transfers in January 2015, the total value may have increased to around 0.31% of GDP). The largest schemes are transfers for over-80s and people with disabilities (each totalling for around 0.09% of GDP in 2013). There is a MOLISA administered electricity subsidy that cost 0.02% of GDP in 2013. Equally, MOET provides education stipends for ethnic minority and poor children and these accounted for 0.08% of GDP (again in 2013)[1]**.**

The social care system can be conceptualised as comprising two components. There is a growing social work service that is provided through Social Work Centres within Provinces. There are currently 30 Social Care Centres and plans for a further 33. There is also a nationwide network of Social Protection Centres, which provide residential accommodation for vulnerable categories of the population. In total, there are 393 units, of which 213 are publicly run and 180 are managed by non-state entities. The third pillar of the social assistance system – emergency assistance – cost 0.16% of GDP in 2013.

Description and assessment of the national social assistance system

Social assistance transfers in Viet Nam have minimal impact, reducing the national poverty rate by only 1.9% on the base. This is a result of low expenditure which, in turn, is due to low coverage and low values of transfers. Overall, Viet Nam's expenditure on social assistance transfers is well behind some other middle-income countries, such as South Africa and Brazil which both invest around 3% of GDP in social transfers, while Georgia invests more than 6% of GDP. In fact, Viet Nam's expenditure is also behind some low-income countries in Asia, such as Nepal and Bangladesh. While Viet Nam's over-80s social allowance is its largest single social assistance transfer scheme[2], its overall

[1] This excludes school fee exemptions (for the poor) which are now remitted to recipients, which totalled 0.15% of GDP in 2015. Other accounts include these, UNDP (2016) for example, estimates total MOET SA at 0.23% of GDP.

[2] Viet Nam's three disability schemes in total account for 0.09% of GDP and have fewer beneficiaries.

expenditure of 0.09% of GDP is well below that of many other developing countries, many of which invest more than 1% of GDP.

Coverage of the population by social assistance transfers is low. Only around 2.7 million individuals receive one of MOLISA's categorical Social Assistance Allowances and it is estimated that around 2 million households receive the electricity subsidy. Recipients of educational transfers total around 2 million pupils and students. According to VHLSS 2012, around 10.2% of households access some form of social assistance transfer. However, over 70% of households in the poorest decile and over 80% in the second poorest decile received no social assistance transfer at all in 2012. Furthermore, among those that could be considered as living in and vulnerable to poverty, coverage is minimal. While there are 1.03 million people aged between 20 and 65 years with a severe disability, only around 730,000 people receive the disability transfer from MOLISA, and many of these are over 65 years. Few children are able to access social transfers, though larger numbers do receive fee exemptions (which are strictly outside international definitions of social assistance).

The value of social assistance transfers is low. Since January 2015, MOLISA's categorical schemes have been set at VND270,000 per month, although some transfers for specific categories of beneficiaries are paid at a higher rate, due to the use of multipliers. Some Provinces – in particular those with budget surpluses – pay a higher value of benefit, financing the increase out of provincial resources. The base value of social assistance transfers in 2012 was around 45% of the per capita rural poverty line and 36% of the urban poverty line. The value of the over-80s allowance is one of the lowest social pensions in developing countries, at 6.7% of GDP per capita, with many countries paying at above 15% of GDP per capita. Merits payments were almost 5 times the value of social assistance transfers in 2012. The value of the education stipends are also low, at less than 2% of GDP per capita, with countries such as Mongolia, Nepal and South Africa paying child grants at double this rate.

Viet Nam has a range of approaches to selecting beneficiaries and their effectiveness varies. The Over-80s Allowance offers universal coverage through "pension-testing": everyone without another form of pension is eligible to receive it (although a surprisingly high proportion of over-80s do not access the allowance). Viet Nam also identifies households for a Poor List annually and, in 2012, around 11.8% of the population was identified as "poor." However, the Poor List experiences similar challenges to other poverty-targeting mechanisms in developing countries and almost half of households in the poorest decile of the population in 2012 were excluded from the list. Nonetheless, this is still one of the best performing poverty targeting mechanisms in developing countries. A popular alternative mechanism – the Proxy Means Test – is unlikely to perform any better, due to its high in-built design errors. A selection option that could be used in Viet Nam for some programmes is "affluence testing," which is likely to be easier to design than poverty targeting: it involves screening out the most affluent, rather than identifying the poorest.

Common to all social transfer schemes should be the need to ensure that the right people are paid the right amount of money, regularly, reliably and accessibly. However, the operations and implementation of Viet Nam's social transfers face a number of challenges: Commune staff have significant work burdens which impacts on their ability to do their jobs well: communications about schemes rely on local officials, who may not be able to reach everyone who is eligible; applicants for schemes have to provide a significant number of documents, which may be challenging for the most vulnerable to obtain; grievance and complaints mechanisms are weak; payments are made by local officials which increases work burdens and can be a source of fiduciary risk; and, management information systems (MIS) are very simplistic and do not make use of new technologies. The disability benefit schemes face the additional challenge of weak mechanisms for assessing disability.

In summary, therefore, the current social assistance transfer system is not fit for purpose for a middle-income country. The level of investment is low, a combination of low coverage and low value of transfers. There are large life cycle gaps in coverage, including older people, people with disabilities and children, all of which are prioritised by other countries. Indeed, coverage is low even among those living in poverty. The value of transfers is minimal when compared to other middle-income countries, thereby reducing the potential impact of the transfers on both family wellbeing and economic growth.

Delivery systems are also undeveloped and limited use has been made of new technologies to improve implementation.

Within the national government, the leadership of most aspects of social assistance is under the Ministry of Labour, Invalids and Social Assistance (MOLISA), including proposing policy, determining regulations for the delivery of social assistance schemes and providing oversight of the implementation of the overall system. However, other Ministries are able to determine policy on specific aspects of social assistance. Responsibility for delivery of schemes rests with Provincial governments: MOLISA sets minimum standards, which must be respected by all lower levels of government, but Provincial governments can offer a higher standard of service delivery.

Given the large number of people in Viet Nam in need of social care, the provision of services is inadequate. There are insufficient professional social workers working for government and many of those that have been trained as social workers are DOLISA staff that have only received short-term on-the-job training. Although the national social work plan aims to establish Social Care Centres in each District, at present – due to a lack of resources – they are only being established at Provincial level. The legal framework for social work is growing, but is still not comprehensive. There are also too few Social Protection Centres and many provinces are unable to offer institutional care to specific vulnerable categories of the population. Most assistance is focused on institutional care rather than providing people with support to remain in their communities and homes. Social Protection Centres often offer low quality services, in part due to inadequate levels of funding, in particular in poorer Provinces. The limited financing of centres also translates into low salaries, meaning it is challenging to recruit good staff. There is very limited formal support for vulnerable individuals living in the community and most of the burden of care is still placed on family members, relatives or neighbours, which inhibits their ability to work and can generate high levels of stress. The focus of much social care is on treatment rather than on prevention: more needs to be done to enable social workers to identify problems at an early stage and put in place measures that prevent situations deteriorating.

Despite the significant demands resulting from natural disasters, the national budget for emergency assistance is inadequate. When local governments do not have sufficient resources, they have to apply to central government for additional resources, which can take time, meaning that often people do not receive an adequate level of support. Furthermore, the level of support provided to those affected by emergencies varies significantly between and within provinces, and there is no clear guidance to follow. The expectation at present in Viet Nam is that government should be the provider of assistance in emergencies, rather than individuals taking out insurance to manage their own risks.

Options for reform of the national social assistance system

There are good reasons for Viet Nam expanding its social assistance system. Internationally, there is a growing understanding that social assistance transfers should be understood as an ***investment*** by the state in its citizens. They can make a significant difference to the lives of the majority of citizens, providing them with greater security, resilience and dignity, while strengthening child development and securing the nation's future as a competitive labour market. They can offer protection to people across the lifecycle, building their confidence and skills and enabling them to more actively participate in the labour market and invest in their futures. A key medium term economic benefit of social assistance transfers is their ability to stimulate economic activity by increasing spending – and, therefore, demand – in the economy. As many countries have shown, social assistance transfers should be regarded as a critical component of broader economic and social policy.

Given that an effective social assistance system is an essential component of a well-functioning market economy, the MPSAR should set out a path for the expansion and modernisation of the national social assistance system, so that it can contribute to economic growth and social cohesion.

A potential ***long-term goal*** of the MPSAR could be:

- *Establish a high quality and comprehensive national social assistance system that contributes to economic growth, strengthens social cohesion and the national social contract, offers income security to all citizens across the lifecycle, protects the most vulnerable members of society and ensures a rapid recovery from natural disasters.*

The ***five-year goal*** of the MSPAR – up to 2020 – could be:

- *Ensure a minimum level of income security for older persons, people with disability and young children, strengthen the provision of social care, develop a more effective system of emergency assistance and reform the governance and implementation of the national social assistance system.*

The MPSAR could propose a rebranding of MOLISA by changing its name to, for example, the ***Ministry of Labour and Social Development*** (MoLSD). This would send a strong message that the social assistance system is being reformed. The reforms could cover the three areas of social transfers, social care and emergency assistance.

Reforms to the social transfer system

By 2025, a *goal* for Vietnam will be to have a social transfer system which, in coordination with the social insurance system, will offer a minimum guaranteed income for all older people aged over 65 years, all working age people with severe disabilities and children with disabilities, and all children aged 0-12 years, in line with international standards. However, this goal would need to be reached in stages. Therefore, by 2020, the MPSAR could have the following targets:

- Everyone aged 65 years and over would be able to access a minimum pension equivalent to a value of 8% of GDP per capita, either as a social transfer or as part of the social insurance system;
- All working age people with a severe disability would be able to access a Disability Benefit equivalent to a value of 8% of GDP per capita, either as a social transfer or as part of the social insurance system;
- All children aged 0-12 years would be able to access a Child Benefit, equivalent to a value of 2.5% of GDP per capita;
- All children with a disability would be able to access a Child Disability Benefit equivalent to a value of 8% of GDP per capita.

Therefore, as a priority, Viet Nam could consider building on its current lifecycle system of social assistance transfers by investing further in older people, people with disabilities and children, as set out in Table ES.1. The main changes to the current system would be to reduce the age of eligibility of the old age pension, to offer universal coverage – in combination with social insurance and Merits payments – from age 65 years; expand the coverage of disability benefits to children and offer all people of working age with severe disabilities, and provide comprehensive coverage to young children, including during pregnancy.

Table ES.1: Basic design parameters and costs of proposed schemes

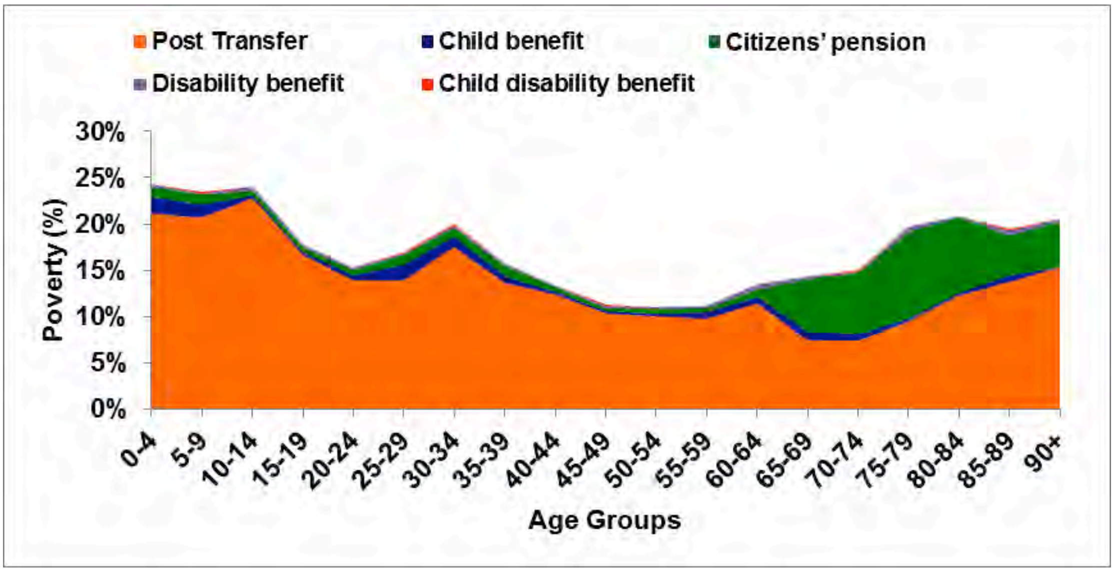
Scheme	Category (age in years)	Coverage	Value of benefit (VND)	Value of benefit (% of GDP per capita)
Pregnant women	15-49	70%	120,000	2.68
Child benefit	0-7	70%	120,000	2.68
Citizens' pension	65+	82.2%	360,000	8.04
Disability benefit	18-64	2.4%	360,000	8.04
Child disability benefit	0-17	0.9%	360,000	8.04

The proposed schemes would establish a sound basis for an effective lifecycle social assistance transfer system. As entitlements for all citizens, they would not only protect those individuals and households living in poverty by increasing their incomes, but would help prevent those vulnerable to poverty from falling into poverty. A significant advantage of multiple lifecycle schemes is that they provide additional support to the most vulnerable families, on other words those with higher numbers of older people, people with disabilities and children.

The overall cost of the proposed schemes would be 0.85% of GDP in 2016, which is similar to the level of investment by low-income countries such as Nepal and Bangladesh. However, given at least around 0.2% of GDP is already being invested in the proposed schemes so the additional expenditure required for full implementation in 2016 would be 0.55% of GDP[3]. The government could choose to phase in the schemes over a period of five years: this could imply an additional 0.26% of GDP in 2016, with additional annual revenue over 4 years of no more than 0.1% of GDP in any year. One option for financing an expansion in social assistance transfers would be to use savings from the subsidy paid by government to the VSS to cover the pensions of civil servants retiring prior to 1995, as this will reduce in cost over the next ten years. However, there is sufficient fiscal space for the expansion of social assistance transfers, even without savings from pre-95 pensioners.

The proposed schemes would have significant impacts. They would reduce the national poverty rate by 13.4% and the poverty gap by 17.8%. Figure ES.1 indicates the potential reductions in the poverty rate across age groups, indicating that the greatest impacts would be among older people. However, the overall impacts are significantly greater than those of the current social assistance transfer system. The impacts on beneficiaries themselves by the individual schemes would be significantly higher and would be greatest on the wellbeing of older people and people with disabilities, among whom the poverty rate would fall by 38% and 47% respectively. Simulations indicate that the investment in the proposed social assistance transfers would generate annual GDP growth of 2.05% compared to the 1.91% that would be generated by investing a similar amount in infrastructure.

Figure ES.1: Impacts of the proposed lifecycle social assistance transfer schemes on poverty rates across age groups



Overall, 57.5% of citizens would be able to access a social assistance transfer scheme. The vast majority of those in the poorest decile would be incorporated into the social assistance transfer system, compared to the current situation in which most miss out. Furthermore, the majority of those that are vulnerable to falling into poverty or do not have insecurity of incomes would also benefit. The majority of those in the most affluent deciles in receipt of a benefit would be older people and people with severe disabilities. This level of provision would significantly increase social cohesion and generate a favourable opinion of government among citizens.

[3] Assumes the existing matching schemes include: Elderly (0.09% of GDP), and Disability schemes including mental health (0.09% of GDP), plus small additions from other programmes. Noting that this neglects the uplift in costs due to the January 2015 increases in transfers, and therefore total existing related expenditure would be over 0.3% on the basis of less conservative assumptions.

The implementation of schemes also needs to be reformed. The first step would be to undertake a comprehensive review of the current systems, to make proposals for a fundamental re-engineering of the systems. The re-engineering should incorporate recommendations to: improve communications; streamline and strengthen the key administrative processes within the operational cycle such as registration, enrolment, case management and grievances; develop a management information system using new technologies that enables data entry at local levels and access to comprehensive information on beneficiaries within provincial DOLISA's and MOLISA; and, the introduction of an alternative payment system that removes the responsibility for payments from commune officials.

Reforms to the social care system

There is a need to increase resources invested in the national social care system since current provision only scratches the surface in terms of addressing the scale of needs. While it is important to increase opportunities for the private sector and non-governmental organisations to engage in the sector, it needs to be recognised that the main funder of these services should be government.

Overall, three levels of social/care worker should be recognised. The first is the professional social worker, with a minimum of a bachelors degree; the second is care workers, who offer care both in communities and in institutions; and the third are carers themselves, many of whom are family members who have had to give up work to care for their relatives, yet currently receive minimal support. The number of professional social workers needs to expand, perhaps reaching one per every 10,000 citizens by 2025. Care workers also need to expand significantly in number, both to provide care to vulnerable people so that they can remain in their homes – such as providing food, bathing, clothing, shopping, etc – and also to have a higher standard of care worker in social protection centres. The provision of care workers could be regarded as an employment programme that, in effect, helps address unemployment by providing hundreds of thousands of people with work. The government should establish a system of support for the millions of people who act as carers for their relatives, so that they do not feel isolated and under pressure, enabling them to receive assistance such as financial support, respite care, training and counselling.

Social Work Centres should continue to be established and, by 2025, they should be located in all Districts, with appropriate teams of social workers and ancillary staff. The social work and social care system should be divided between Children's and Adult services, since each group faces different challenges. And, the government should ensure that the social work system is underpinned by a comprehensive legal framework.

With regard to care services, priority should be given to enabling vulnerable people to live in a safe and secure home environment, with institutional care as a last resort. Institutional care, however, needs to expand, as it is still insufficient and some provinces are particularly poorly served. The quality of this care should also improve, with well-qualified staff in place and regulations established on standards of provision. The private sector and non-governmental organisations should be encouraged to provide services, but these will need to be adequately funded by government which should also provide a regulatory framework and oversight; there needs to be a significant expansion in the number of professional social workers.

In effect, there needs to be a paradigmatic shift in how social care services are provided in Viet Nam, based on a large increase in investment. Ultimately, however, this investment may save money for the state by ensuring that problems are addressed early and do not deteriorate.

Reforms to the national system of emergency assistance

A review should be commissioned to determine an appropriate level of national budget for emergency assistance although, given the unpredictability of natural events, expenditure will vary year by year. Regulations for the distribution of assistance need to be established and training provided to staff on how to implement the regulations. Although Communes and Districts can support the provision of assistance, specialist teams should be established within Provinces and national government to oversee all emergency assistance and provide advice to local teams. However, emergency assistance should not only be provided by government: a major role can also be played by private insurance, with people taking measures to protect themselves.

Reforms to the governance of the national social assistance system

The current governance arrangements for social assistance appear relatively effective, given the decentralised nature of the Viet Nam's system of government. However, if the social assistance sector were to expand, potential reforms to the system should be considered. MOLISA should take on responsibility for all social assistance transfers. And, as the three components of social assistance expand, it may make sense to differentiate further between them, creating distinct departments and/or officers at each level of government. As in many other countries, the integration between social assistance transfers, Merits payments and social insurance could be strengthened, under a new sector to be known as "Social Security," which would reflect the "right to social security" outlined in the Constitution. Similarly, Social Care services could be substantially strengthened, creating a new Social Care Department in MOLISA that sets policy and guidance, with responsibility for delivery devolved to Provinces and Districts. A revised structure for emergency assistance should also be developed, with a department – or Ministry – responsible for not only providing assistance during emergencies but also developing policies on disaster mitigation and climate change.

CONTENTS

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1 INTRODUCTION

Since independence, Viet Nam has made remarkable strides in developing a viable and vibrant economy and improving the lives of its citizens. The nation emerged from decades of armed struggle to build a strong social and economic base for its future development. Following the Doi Moi reforms of 1986, the country has undergone a rapid transition combined with strong economic growth, reaching middle-income status in 2010. Much of the growth has been the result of a significant increase in labour productivity, caused by improved agricultural efficiency and a shift of much of the labour force from low productivity agriculture into higher productivity non-farm employment, facilitated by significant improvements in educational attainment (World Bank 2013a).

As a result, economic output – or Gross Domestic Product (GDP) per employed person – more than doubled between 1990 and 2010, resulting in significant improvements in the standard of living of the vast majority of the population. The national poverty rate fell from 58% in the early 1990s to 14% in 2010[4] (although a new poverty line has adjusted the poverty rate to 20. 2 in 2012 and 17.2% in 2012), with poverty mainly concentrated among ethnic minority groups and in more remote areas.

However, as a middle-income country, Viet Nam is now facing new challenges. In recent years, economic growth has decelerated and was initially accompanied by high inflation. While the GDP growth rate remained above 7% per year between 2002 and 2007, it has fallen since the global crisis of 2008 and has remained at only a little over 5% between 2009 and 2013 (ILSSA 2013). No imminent increase in the rate of economic growth is foreseen and, in 2014, per capita GDP growth in GDP was estimated by the IMF to be 5.5%.[5] Viet Nam needs to rethink its economic and social policies if it is to return to a high growth trajectory.

Furthermore, despite the fall in poverty rates, a high proportion of the population still experiences insecure incomes and, if hit by a shock or crisis, are in danger of significant falls in their standards of living. The proportion of the population that could be regarded as middle class is small and, while it is important to continue to tackle poverty, a middle-income country should also focus on expanding the size of its middle class, thereby fulfilling the aspirations of many of its citizens and offering economic security to a higher proportion of the population.

While economic growth will continue to play a significant role in further improving living standards, it will, by itself, be insufficient and needs to be complemented by continuing public investment in comprehensive and high quality public services. Active social policy and redistribution will be required if Viet Nam is to avoid the trap of increasing levels of inequality, which could threaten social stability and economic growth. Certainly, there are growing perceptions and fears among citizens that inequality is increasing.

There is an international consensus that investment in social security (see Box 1 for an explanation of the term) – including tax-financed social assistance transfers – is a core component of an effective and efficient market economy. Indeed, much of the economic success of developed countries has been based on significant investments in social security, which currently average around 14% of GDP. Furthermore, experience in developed – and increasingly middle-income countries – indicates that investments in social care services are an essential complement to social security, if the needs of the most vulnerable members of society are to be addressed effectively. In countries affected by natural shocks – which are increasing due to climate change – it is also essential to establish effective response systems during times of emergency.

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[4] Source: http://www.worldbank.org/en/results/2013/04/12/vietnam-achieving-success-as-a-middle-income-country; World Bank (2012: 2013b)

[5] Source: IMF's World Economic Database for October 2014 at: http://www.imf.org/external/ns/cs.aspx?id=28

Box 1: Definition of social security

The term "social security" is commonly used in international social policy to refer to national systems of income transfers. It encompasses different forms of financing of income transfers, all of which are closely linked conceptually and have similar general objectives of providing income security and enabling consumption smoothing.[6] International social policy often defines social security as encompassing three forms of income transfer:

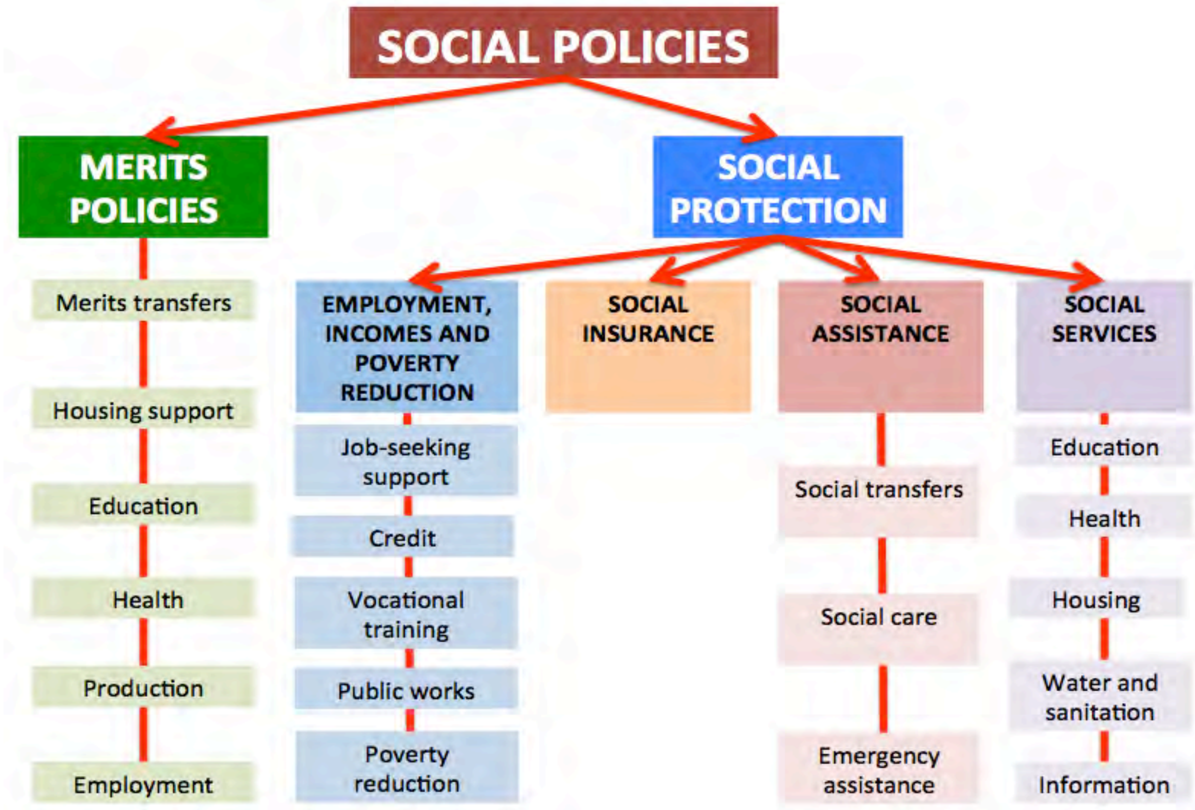
- Tax financed benefits – which are often referred to as social transfers – usually aim to provide individuals or families with some form of minimum income. They can either be provided as entitlements – in which they are made available to everyone of a particular category (such as children, elderly people or people with disabilities) – or directed to the poor, as a form of welfare payment.
- Social insurance mechanisms are financed by deductions from the salaries of employees – although, nominally, part of the deduction is referred to as an employers' contribution[7] – and focus on enabling people to smooth their consumption over their lifetimes: they save in a fund and, when a particular contingency happens – such as old age, disability, sickness or unemployment – they are eligible to receive regular and predictable payments for as long as the contingency lasts.
- Government can mandate employers to finance social protection by, for example, establishing a minimum wage and specifying statutory maternity payments, pay during leave or minimum notice periods.

In recent decades, a growing number of middle-income countries have begun to model their economic and social policy strategies on developed countries, significantly increasing their investments in social security and social assistance. They are also reaping the benefits of this investment, with social security playing a key role in redistributing wealth to the most vulnerable members of society, building human capital, enabling families to engage more effectively in the labour market, supporting economic growth by generating greater consumption in the economy, and reducing inequality and generating greater social cohesion. Investments in social care in middle-income countries are also growing while countries are giving increasing priority to establishing systems of emergency assistance.

Viet Nam's concept of social policies encompasses the public services of social security – including tax-financed social assistance transfers – social care and emergency assistance, and are set out in Resolution 15/2012. As Figure 1.1 indicates, Social Policies are divided into two main areas: 1) Policies for people with merits, which include Merit Transfers as well as other support (such as for housing, employment, health and education); and, 2) Social Protection. Social protection itself is divided into four further constituent elements: 1) Employment, income and poverty reduction; 2) Social Insurance; 3) Social Assistance; and 4) Social Services.

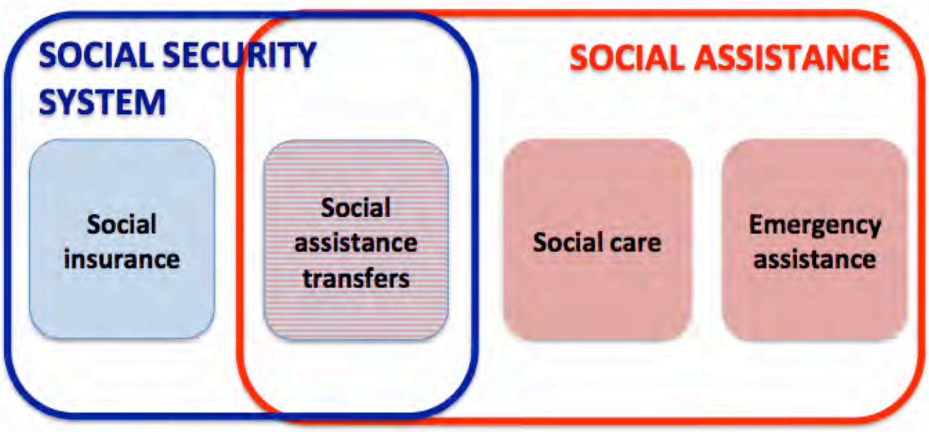
[6] For example, contributory schemes can receive tax subsidies, making them a mix of contributions and tax.
[7] An employer's contribution can be regarded as finance from employees in that, if the employer did not pay the contribution, it is likely that wages would be higher. Employers' contributions tend to suppress wages.

Figure 1.1: Social policies as outlined in Resolution 15/2012



However, within the broader definition of Resolution 15/2012 – and in line with the Constitution's guarantee of the right to social security – it is useful to distinguish between the two key, but overlapping, social policy areas of social security and social assistance. As Figure 1.2 indicates, social security and social assistance can both be conceptualised within Vietnam as comprising three pillars reach. The three pillars of social assistance are social assistance transfers, social care and emergency assistance.[8] Social security overlaps with social assistance by including social assistance transfers, as well as social insurance transfers. In this scenario, Merits payments have been classified as outside the social security and social assistance systems.

Figure 1.2: Overlap between pillars of social security and social assistance systems



[8] Social care refers to Viet Nam's system of institutional care, with Provinces and Districts providing homes for particularly vulnerable categories of the population, such as orphans, people with disabilities (including those with mental illness) and older people. Emergency assistance refers to *ad hoc* and short-term support to those hit by crises and it is not restricted to the provision of cash but could encompass a wide range of in-kind benefits, including support for housing.

Viet Nam's investment in social assistance remains at a relatively low level, well below what would be expected of a dynamic middle-income country. Furthermore, while investment in social security is higher, it is strongly biased towards the more affluent members of society. The development of comprehensive social security and social assistance systems will be essential during Viet Nam's continuing transition towards a market economy with a socialist orientation.

However, it is evident that the national social assistance system – and, by implication, the social security system – faces significant challenges. The coverage and impacts of the system of tax-financed social assistance transfers are minimal due to the high proportion of families living in poverty and insecurity who are excluded from the system, while the value of transfers are low. Delivery systems are also relatively weak. Social care services reach very few people while the delivery of emergency assistance is inconsistent and, often, insufficient. The social insurance system is actuarially unsound and in danger of becoming a financial millstone that weighs down on government as the population ages rapidly.

The government recognises these challenges and, as a result, has decided to develop a Master Plan for Social Assistance Reform (MPSAR). The plan will consider both the long and short-term future of the social assistance system in Viet Nam, encompassing the three components of social assistance transfers, social care and emergency assistance. This paper is part a series of outputs from programme of support from UNDP to the government of Viet Nam as it develops the MPSAR and considers reforms to the national social assistance system in the context of wider social protection reforms[9]. The support provides the analysis underpinning the MPSAR and has been undertaken by the Institute of Labour Science and Social Affairs (ILSSA) and Development Pathways. ILSSA has carried out a range of studies including: a qualitative impact study of the social assistance transfer system; an assessment of the operational effectiveness of current schemes; reviews of the current governance and monitoring and evaluation systems; a review of social assistance policies; an analysis of financing options for expanding the social transfer system; and a review of emergency assistance in Viet Nam.[10] Development Pathways has used the outputs from ILSSA – complemented by its own analysis of the 2012 Viet Nam Household Living Standards Survey (VHLSS), consultations and a review of the literature – to produce a set of summary papers on: a) an initial overview of the need for and evidence on social security in Vietnam; b) the impacts of social assistance transfers; c) the governance, targeting, operations and monitoring and evaluation of the social assistance transfer system; and, d) the financing of the social assistance transfer system.[11]

This paper provides an overview and summary of all the studies, including a comprehensive analysis of the social assistance system. It begins in Chapter 2 with a description of the national social assistance system, which includes a brief discussion on the national social security system, given the close links between the two. Chapter 3 outlines the challenges currently faced by Viet Nam, which could be addressed by further investments in social assistance, while Chapter 4 provides an assessment of the national social assistance system, examining the three components. Chapter 5 outlines a range of options for reforming and expanding the social assistance system, with Chapter 6 bringing together the main messages of the paper in a short conclusion.

2 OVERVIEW OF THE SOCIAL SECURITY AND SOCIAL ASSISTANCE SYSTEMS

Viet Nam's 2013 Constitution stipulates – in Article 34 – that: "Citizens are guaranteed the right to social security."[12] This is in line with a range of core international human rights conventions which have taken, as their point of departure, the declaration in Article 22 of the Universal Declaration of Human Rights' that "everyone, as a member of society, has the right to social security" as their point of departure.

[9] As per the Terms of Reference issued by UNDP and agreed by MOLISA, it is import ant to note while the study focuses on SA it is tasked with examining the issues in a systems setting, with links drawn to other parts of the social protection system.
[10] The papers produced by ILSSA are listed in the bibliography, under ILSSA (2015a-g).
[11] In addition, UNICEF is undertaking a study on social care.
[12] This is taken from the Government of Vietnam's official translation, although at times social security may be interpreted as social protection. However, within an international human rights context, the main focus is on the right to social security.

Furthermore, Article 59 of the national Constitution sets out that: "The State shall create equal opportunities for citizens to enjoy social welfare, develop a system of social security, and provide a policy assisting the elderly, the disabled, the poor, and people with other difficult circumstances," and that: "the State and society shall honour, commend, reward and exercise a priority policy for people who offer meritorious service to the nation." The Constitution, therefore, provides a powerful justification for the government to invest in both social security and social assistance.

This chapter will describe Viet Nam's current social security and social assistance systems. As noted earlier in Figure 1.2, the two systems, together, comprise five components – with social assistance transfers a component of both systems – which are outlined below:[13]

- ***Social insurance*** mechanisms are set out in the Social Insurance Law and financed by deductions from the salaries of employees – although, nominally, part of the deduction is referred to as an employers' contribution[14] – and aim to enable people smooth their consumption over their lifetimes: in effect, by paying contributions, people insure themselves against particular contingencies – such as old age, disability, sickness or unemployment – and, if and when they occur, they are eligible to receive regular and predictable payments for as long as the contingency lasts.
- ***Social assistance transfers*** are financed from general government revenues and aim to offer individuals or families with some form of minimum income. They can either be provided as entitlements – in which they are made available to everyone of a particular category (such as children, elderly people or people with disabilities) – or directed to people living in poverty, as a form of welfare payment.[15]
- ***Social care services*** provide additional support to vulnerable categories of the population who are unable to care for themselves, either by offering them assistance in their homes or in an institutional context. The support complements social assistance transfers, which enable vulnerable people to pay for their living costs. Social care services also include the social work system addressing a wide range of issues experienced by vulnerable families and help people engage with other programmes (including therapeutic, psychological, rehabilitation and return to work support).
- ***Emergency assistance*** offers short-term support to those hit by natural shocks and crises. It is not restricted to the provision of cash but could encompass a wide range of in-kind benefits, including support for housing.

The chapter will begin by briefly examining international experience with social security before moving on to describing the five components of Vietnam's social security and social assistance systems.

2.1 International experience with social security

Investments in social security have been key factors in the economic success of all developed countries and, increasingly, many middle-income countries. Many developed countries first established formal social security systems in the 19th Century and, today, the average state investment in social security across developed countries is 14% of GDP.[16] Investment in social security underpinned and made possible the economic and social transitions that took place in developed countries. It played a key role in the redistribution of economic growth, thereby generating greater social cohesion, while offering those most affected by these transitions with protection to escape poverty and destitution. Investment in social security also complemented investments in other core public services – such as health and

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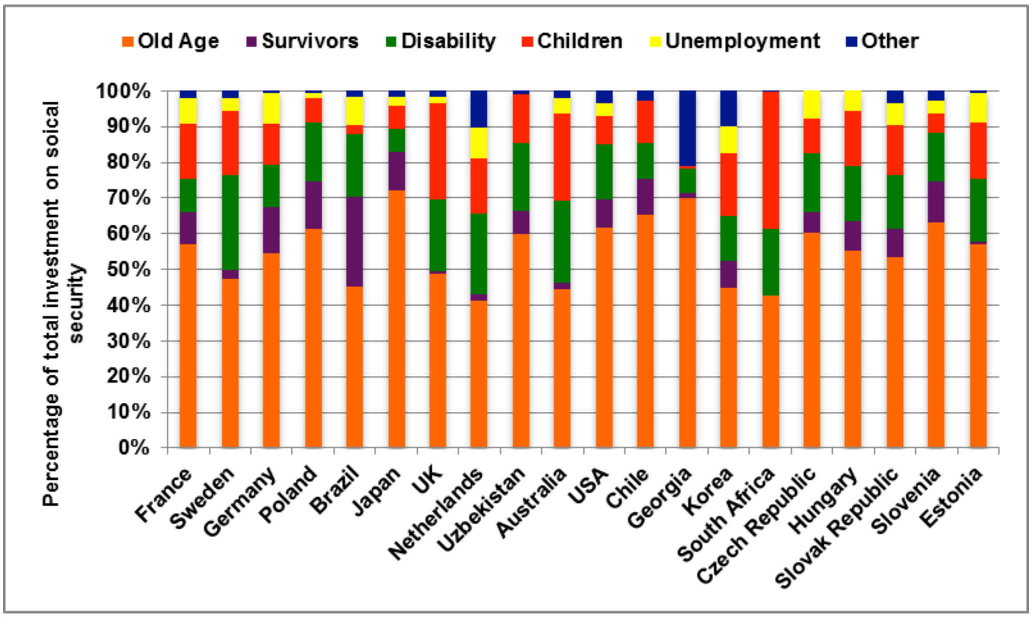
[13] Merits payments have many of the characteristics of regular and predictable payments. They are financed from general government revenues and provided to a range of categories of people based on their and their families' dedication to the nation during the revolution and wars. Within this category, regular payments can be made to older people, people with disabilities and the children and spouses of martyrs.
[14] An employer's contribution can be regarded as finance from employees in that, if the employer did not pay the contribution, it is likely that wages would be higher. Employers' contributions tend to suppress wages.
[15] Of course, some social assistance transfers are a combination of entitlements and welfare, as they may be directed at particular categories of the population, but only given to those living in poverty.
[16] Expenditure figures include both spending from social insurance schemes and general taxation. If private expenditure were included, the figure would be even higher.

education – to strengthen human development, offering children the opportunity to build their capabilities and become productive members of society. It has also enabled people to engage more effectively in the labour force, increasing their productivity while generating greater consumption and spending, providing a significant stimulus to the economy and a boost to entrepreneurs who have access to larger domestic markets.

In recent decades, a growing number of middle-income countries have also made significant investments in social security, from which they have derived large benefits. Middle income countries as diverse as Argentina, Brazil, South Africa, Mauritius, Georgia and Uzbekistan have invested between 3% and 12% of GDP in national social security systems, complementing, in most cases, strong economic growth while ensuring much greater social cohesion and stability. Indeed, even the poorest country in Asia – Nepal – is investing almost 1% of GDP in social assistance transfers for older people, children, single women and people with disabilities.

Social security systems in developed countries – and many middle-income countries – have evolved to address lifecycle contingencies, mainly those linked to childhood, disability, widow(er)hood, old age and unemployment. Figure 2.1 demonstrates the relative proportions of investment by a range of developed and middle-income countries in lifecycle schemes. Often, lifecycle schemes are supplemented by small Poor Relief schemes for those continuing to live in poverty or who fall through the gaps, but investment in them is usually very limited.

Figure 2.1: Relative proportion of investment by developed and middle-income countries in lifecycle schemes[17]



A lifecycle social security system is designed to address key *causes* of poverty linked to lifecycle contingencies. Lifecycle social security schemes are both preventive and protective: they can stop people falling into poverty if they face a particular contingency, such as disability, unemployment or old age, while they also increase the incomes of those living in poverty. They are also promotive since recipients frequently use their transfers to invest in small businesses and other forms of income generation. Since lifecycle schemes are individual entitlements, households are able to receive multiple transfers, meaning that the overall value of transfers received by a household is related to their demographic composition, labour capacity and capabilities.

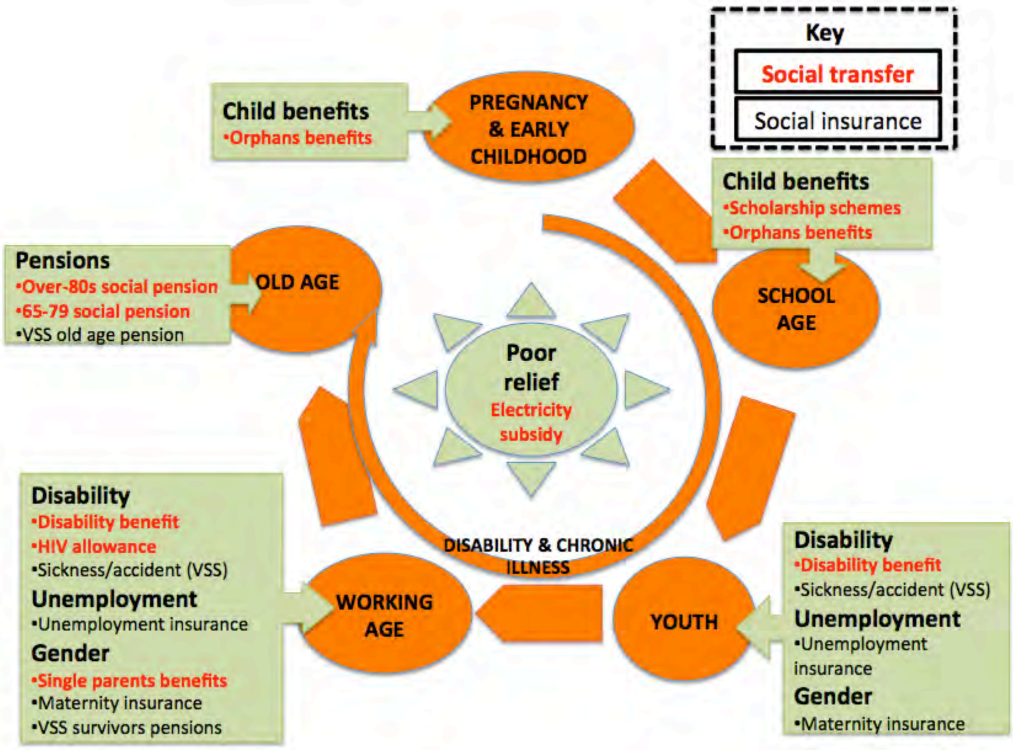
[17] Source: Kidd (2014); Kidd et al 2014; Baum et al (2015); Kidd and Huda (2013); and OECD Statistical Database at: http://stats.oecd.org.

2.2 Viet Nam's national social security system

Viet Nam's social security system has developed over a number of decades. Merits Payments were established to compensate those who had suffered during the nation's armed conflicts, in particular those who had experienced a disability or children and spouses who had lost a breadwinner. The social insurance system commenced in 1995 – replacing a system of pensions for public servants, which had begun in 1961 – and its main focus is on providing public servants and formal sector workers with old age pensions. Social assistance transfers began in 2004 and are focused on categories of the population that are understood to be particularly vulnerable, such as those over-80 years, people with severe disabilities, people with HIV and AIDs, and children in single-parent families. Educational stipends have also been established for ethnic minority children and other children living in poverty.

The national social security system itself has evolved as a lifecycle system. Figure 2.2 maps the main social security schemes across the lifecycle, differentiating between social insurance, social transfers and merits payments. Almost all schemes address some contingency across the lifecycle, except for an electricity cash subsidy, which is effectively a household-based poor relief scheme. However, caution needs to be exercised in interpreting this diagram: while coverage of contingencies appears, superficially, to be relatively comprehensive, as the analysis of the system will indicate in Chapter 4, there are very significant gaps across all areas. There are currently debates in Viet Nam on whether to move backwards from a lifecycle system to a system of poor relief, similar to that used in many developed countries in the 19th Century, before they transitioned to a more modern lifecycle approach that is more suited to a market economy (see Box 2). There are some developing countries that have adopted a Poor Relief approach – such as Pakistan, the Philippines and Indonesia – but their schemes have not been particularly effective in addressing the challenges faced by these countries.

Figure 2.2: Viet Nam's social security schemes mapped against the lifecycle and categories of social transfers, social insurance, and merits payments



Box 2: Social Assistance Systems Strengthening Programme (SASSP) and the structure of the social transfer system

A project to strengthen the national social assistance transfer system is being piloted across four provinces, financed by a loan from the World Bank and technical assistance from UNICEF. The project has a range of positive initiatives to strengthen the operations and delivery of social transfers. However, one of its objectives is to consolidate all social transfers into one household benefit. So, for example, if a household receives multiple benefits, they will – in the pilot – be paid to one recipient in the household. While this may make sense for transfers aimed at children and the household in general (such as the electricity subsidy payment) – given that they are likely to be received by the same person anyway – it is questionable whether the same practice should be followed for other individual entitlements, such as social pensions and disability benefits. In other countries, these type of benefits are paid directly to the beneficiary and it is difficult to understand why Viet Nam would change this common practice, denying people the right to receive and use their transfer and increasing their dependency.

In a sense, therefore, the SASSP project is attempting to move from a lifecycle to poor relief system, the opposite of the path followed by developed countries (see Kidd *et al* 2015). There are dangers that this could cause perverse incentives, for example by encouraging older people and people with disabilities to move into separate households so as to continue to receive their transfer independently. As in other countries, it would not be difficult to maintain the principles of individual entitlements and a lifecycle system, while still consolidating systems of delivery.

Viet Nam's overall investment in social security from general government revenues was around 2.6% of GDP in 2013, with Merits payments included (see Figure 2.3).[18] The main areas of expenditure were old age pensions for government employees who retired prior to 1995 and Merits Payments, both of which cost above 1% of GDP.[19] MOLISA invested 0.21% of GDP in nine categorical social assistance transfers, although, following a 50% increase in the value of transfers in January 2015, it may have increased to 0.31% of GDP.[20] A further 0.02% of GDP was invested in a small household poor relief transfer, called an electricity subsidy. Education stipends paid to poor and ethnic minority households comprised 0.08% of GDP.[21] In addition, government contributed 0.10% of GDP to the national unemployment insurance programme. Furthermore, although it is not included in the budgets for 2013 since it is not financed from general government revenues, Vietnam Social Security (VSS) made annual pension payments equivalent to 2.16% of GDP per year in 2013, in addition to those made to the pre-95 pensioners.[22] If all these pensions from the VSS were included in the national social security budget, then the total social security budget in 2013 would have been 4.8% of GDP[23].

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[18] The figure here does not include health insurance, which, in Vietnam, is not regarded as part of social assistance. It is also logical to include government investment in health insurance as part of broader – but more direct – government investment in health. It also does not include expenditure on emergency assistance which, as explained in Section 2.4, reached 0.16% of GDP.

[19] The budget for Merits payments covers a range of areas, not only social transfers. So, it is likely that the actual level of investment in social transfers for those with merits is lower than the figures indicated here.

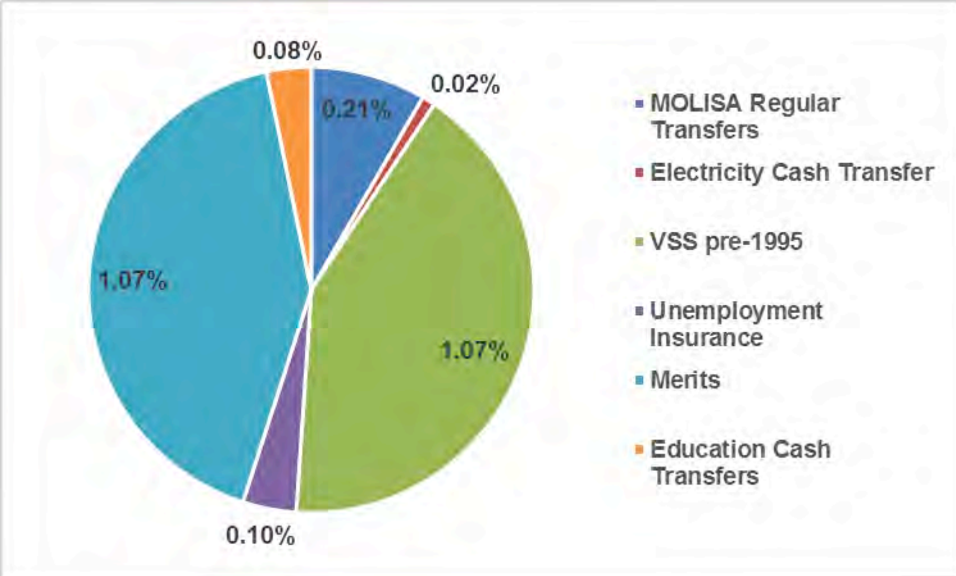
[20] A number of figures are given for the cost of MOLISA's categorical social assistance transfers. Older ILSSA figures cited by Khondker (2015) give 0.17% of GDP and the Ministry of Finance gives a higher consolidated budget for 2013 of 0.31% of GDP. The figure of 0.21% of GDP used above is a revised figure notified by ILSSA.

[21] The figure for MOLISA's nine categorical social assistance transfers is an estimate for 2015, based on the increase in value of transfers that took place in January 2015. It is likely that the figure for education transfers should be a little lower as some of them will not be paid as cash. Additionally, some estimates include school fee reimbursements (which are excluded here). UNDP (2016) for example, quotes these at 0.15% of GDP and the total level of MOET funded SA therefore at 0.23% of GDP.

[22] This is equivalent to VND77, 447 billion. This is predicted to rise to 2.41% of GDP by 2015. Source: information provided by VSS.

[23] All transfers - not to be confused with total public SP investments.

Figure 2.3: National budgets on social security – social insurance, social assistance transfers and merits payments – for 2013, financed from general government revenues[24]



The following sections, therefore, examine briefly the main social security transfers, looking at social insurance and social assistance transfers. They will be followed by a brief description of the other areas of social assistance: social care services and emergency assistance.

2.2.1 Social insurance system

Viet Nam's social insurance system commenced in 1995 and is currently shaped by the Vietnamese Social Insurance Law of 2006. It is managed by the Viet Nam Social Security (VSS) under the oversight of MOLISA. It has three components (Meissner 2014):

- Compulsory social insurance covers the contingencies of old age, survivorship, illness, maternity leave, and work accidents (including occupational disease) and is for those in formal employment. Members of the system include employees with contracts of at least three months, government officials and civil servants, as well as members of the military and public security. The level of contributions is 22% of salary paid by the employer and 8% paid by the employee. Members of the social insurance system are eligible for old age pensions at age 60 for men and 55 for women, as long as they have 20 years of contributions.[25]
- Voluntary insurance covers only old age and survivorship and is aimed at those in the informal sector. Contributions are paid by the member only. To access an old age pension, the minimum duration of contributions is 20 years.
- Unemployment insurance is provided to those with a labour contract of indefinite length or who have a contract of 12 to 36 months and are in a business employing at least 10 workers. Contributions are shared between employees, employers and government, who each pay the equivalent of 1% of salary.

Not all beneficiaries of VSS receive benefits based on their contributions. Government employees who retired before 1995 – when the VSS commenced – and could not pay contributions are provided with old age pensions, which are funded from general taxation. Therefore, these pensions have the

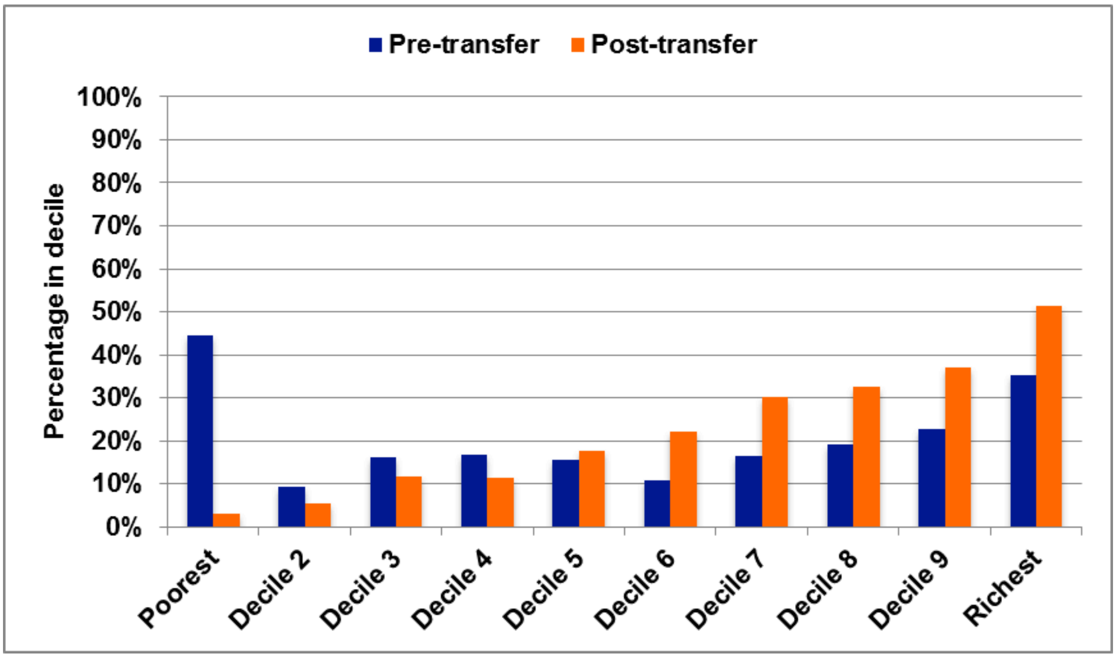
[24] Source: ILSSA in September 2015
[25] The pension is paid at an earlier age to people in specific professions.

characteristics of a social assistance transfer, though paid at a high level and restricted to a specific population group that previously worked in the formal sector.[26]

The coverage of the labour force by social insurance is relatively low, and mainly focused on the formal sector. In 2012, only 10.4 million workers – or 19.5% of the total workforce – were enrolled in compulsory social insurance.[27] In fact, around 45% of workers in private firms do not have social insurance (ILO and UNFPA 2014). Only 60,000 people - or around 0.1% of the labour force - contribute voluntarily to the national social insurance scheme (Long and Wesumperuma 2012).

Around 9.95% of over-50s are in receipt of a social insurance pension (ILO and UNFPA 2014). The proportion is highest among those aged 60-79 years, at 14.4%, and falls to 7.5% among those over-80 years (and 5.6% of those aged 50-59 years). The system is strongly biased towards men: around 12.1% of men receive a social insurance pension and only 7.4% of women. Coverage is very low among ethnic minorities – at 2.4% - and strongly favours those with higher levels of education. Social insurance pensions also tend to benefit those from wealthier backgrounds and higher levels of education. Figure 2.4 shows the distribution of those aged over 60 years in receipt of a social insurance pension across consumption deciles, both pre-transfer and post-transfer. Most recipients of a VSS pension are in the top half of the consumption distribution.

Figure 2.4: Comparison of distribution of beneficiaries of VSS pensions received by over-60s across wealth deciles, pre- and post-transfer (as a percentage of over-60s)



In 2015, it is estimated that around 3.44% of GDP will be paid in pensions by the VSS.[28] Around 1% of this is expected to be paid to pre-95 pensioners while the other 2.4% will be financed from the VSS itself.[29] However, the social insurance system is actuarially unsound. The ILO (2012) has estimated that the fund will become insolvent unless action is taken to reform it. Contributions from current employees are only sufficient to cover around 10 years of pensions for each individual although the average life expectancy on retirement is around 20 years.[30] To address the fiscal unsustainability of the

[26] The pre-95 pensions could be characterised as "deferred wages:" in effect, this means that government agrees to pay civil servants lower salaries to civil servants during their working lives in return for an old age pension. Current civil servants are members of the VSS and government pays contributions for them equivalent to around 1.1% of GDP (Castel 2015).
[27] The VHLSS 2012 indicates that 16% of people of working age contributed to social insurance (ILO and UNFPA 2014).
[28] Source: estimated expenditure information was provided by the VSS.
[29] The government also pays the equivalent of a further 1.1% of GDP into the VSS, but this covers the contributions of current public servants and should be regarded as a component of the salaries of public servants.
[30] Source: personal communication with officials from MOLISA.

social insurance system, contributions by employees and employers have been increasing in recent years but, if this continues, it may well cause labour market distortions and discourage employers from entering into the social insurance system. A recently passed social insurance law introduced some reforms into the system, including reducing the benefits to be received by future participants. However, reforms will need to be much more fundamental if the system is not to become a fiscal time-bomb that will require the State to bail it out while squeezing investment in other public services.

2.2.2 Social assistance transfers

The third – and smallest – component of the national social security system are social assistance transfers. Table 2.1 outlines the transfers in more detail and indicates how they are designed to align to deal with contingencies across the lifecycle, with a particular focus on old age and disability. There are three types of social assistance transfer: a series of schemes for vulnerable categories of the population, which are listed under Decree 136/2013; an electricity subsidy for households living in poverty; and education stipends provided by the Ministry of Education and Training.

Table 2.1: Social transfer schemes in Viet Nam[31]

Scheme	Responsible Ministry	Selection criteria	Number of recipients[32]	Value of transfer (VND per month)[33]	Expenditure (VND billion)[34]
CHILDHOOD					
Orphan and abandoned children, children losing nurturing resource	MOLISA	Without parental support[35] and a) under 16 years; or b) aged 16-22 and in education	49,236	675,000 (<4 yrs) 405,000 (4+ yrs)	126
Families adopting orphans	MOLISA	Household has adopted homeless or abandoned children	18,615	540,000-810,000	76[36]
Single persons taking care of small children	MOLISA	Household on poor list	125,062	270,000 – one child 540,000 – two children plus	246
School stipends	Ministry of Education	Children at school and on poor list	2,000,000[37]	70,000[38]	2,960[39]
Secondary school stipend (Decree 12)	Ministry of Education	Ethnic minority and poor Kinh children in secondary education		460,000[40]	
Boarding school stipend	Ministry of Education	Ethnic minority and poor Kinh children in secondary education		115,000[41]	
WORKING AGE					
Electricity subsidy	MOLISA	Household on poor list	2,000,000[42]	49,000	872
Allowance for HIV and AIDS	MOLISA	Unable to work, not receiving other transfer and on poor list	3,979	625,000	11
DISABILITY					
Disability benefit	MOLISA	Disabled without capacity to work	745,265	270,000	2,204
Serious mental illness benefit	MOLISA	Diagnosed as having a serious mental illness	174,254	270,000[43]	785
Family with two or more people	MOLISA	Disabled, without capacity to work	22,939	540,000	443[44]

[31] Sources: information from ILSSA and Long and Cuong (2014), World Bank (2013c), Castel et al (2014), Toan (2014), Khondker (2015), Resolution 136/2013 and personal communication from Pham Thi Lien Phuong of UNDP.
[32] Recipient numbers provided to the mission by ILSSA. Numbers correspond to 2014, whereas budget data is for 2013 and was later updated by new ILSSA data, recipient numbers were least as before save for MOET transfers as a scheme by scheme breakdown of beneficiary numbers was not provided with the new data.
[33] The information was provided by ILSSA for 2014. These are values for national programmes. As explained in this Section, some provinces with budget surpluses provide higher values of transfer while some individuals and families can receive higher multipliers.
[34] Source: ILSSA (September 2013) and other information from data provided by the Ministry of Finance. The majority of the expenditures correspond to 2013.
[35] The categories of children without care are set out in Decree 136/2013.
[36] Excluded from some other accounts as regarded as social care.
[37] ILSSA, later updated by ILSSA (September 2015) – 2,000,000 approximately for stipends only.
[38] Stipends values quoted, paid for 9 months per year (World Bank 2013c).
[39] Budget also includes fees, now remitted as cash for students.
[40] Paid for 9 months per year (World Bank 2013c).
[41] Paid for 9 months per year (World Bank 2013c).
[42] This is an estimate provided by Pham Thi Lien Phuong of UNDP, personal communication.
[43] This category is not mentioned in Decree 136/2013 so it is assumed that the transfer value is the same as for people with disabilities.
[44] Excluded in some accounts as regarded as social care.

with serious disabilities					
OLD AGE					
Over-80 allowance	MOLISA	All over-80s without access to another pension	1,350,226	270,000[45]	3,355
Allowance for older people without support	MOLISA	On poor list and without family support	207,421	405,000	

[45] Payments are higher for older people in specific categories, such as over-80s without support that are cared for by a “willing person” in a poor household but would otherwise be eligible to live in a Social Protection Centre.

Categorical social assistance transfers under Decree 136/2013

The nine categories of beneficiaries supported by MOLISA – in line with Decree 136/2013 – appear, superficially, to be within separate schemes but, in reality, the schemes are managed within an integrated system employing a range of eligibility criteria, while offering different transfer values. They are provided to categories of the population regarded as vulnerable and, overall, there are around 2.7 million recipients (and are referred to in this report as "MOLISA's categorical social assistance transfers). The main scheme is a social pension for over-80s, which was initially introduced for over-90s in 2004.[46] It is offered to those with no other source of regular income – which, in practice, means a VSS pension or Merit payment – and currently reaches around 1.4 million people. It is complemented by a small allowance for 207,000 people aged between 60 and 79 years, who live in poverty, with no family support. The social assistance transfer for people with severe disabilities reaches around 745,000 individuals – with an additional 23,000 households with two or more people with disabilities benefiting – and a further 174,000 people with severe mental illness are also in receipt of a transfer. The numbers in other categories of the population benefitting from MOLISA's social assistance transfers – such as orphans, people with HIV and AIDS and single parents – are around 200,000.

The values of social assistance transfers are based on a minimum value of VND270,000 per month, with multipliers – known as coefficients – used to calculate the transfers for each category of beneficiaries (as outlined in Decree 136/2013). Higher coefficients are applied when the recipient experiences a double disadvantage – such as old age and disability – has HIV /AIDS, or is an orphan (Toan 2014). However, since most benefits for older people and people with disabilities have a co-efficient of 1, the majority of benefits are paid at the value of VND270,000 per month. Expenditure on MOLISA's *core* categorical social assistance transfers (for old age and disability) was around 0.18% of GDP in 2013, this sum is likely to have increased in January 2015 to around 0.26% of GDP.

A feature of Viet Nam's categorical social assistance transfers is the freedom that Provincial governments have to vary key design issues. While the national government outlines the minimum standards parameters for each transfer, they have been modified by a number of Provincial governments, mainly those that are net contributors to the national budget. Most commonly, Provincial governments have varied the base value of the transfer, the age of eligibility for the over-80s social pension – with Ho Chi Minh City, for example, reducing the age to 70 years and Ha Noi to 75 years – as well as the poverty line used in determining the Poor List.[47] Some Provincial governments have also increased the value of the transfers.

Electricity transfer

MOLISA provides a small transfer to households living in poverty to subsidise their electricity costs. In theory, these transfers should reach all those on the Poor List, comprising around 11% of the national population. Furthermore, they should be accessible to other "social policy target groups" which comprise: households with members receiving monthly social assistance and with electricity consumption not exceeding 50 KWh in areas connected to the grid; households with members receiving social assistance in areas without access to the grid; and, ethnic minority households in areas not connected to the grid. It is estimated that around 2 million households should apply for the transfer.[48] It offers households VND49,000 per month. The budget for the transfer in 2013 was 0.02% of GDP and is estimated to have increased to 0.03% by 2015. However, the main government support for electricity costs is provided by an indirect subsidy, which reduces the cost of electricity for around 70% of households in the country, reaching 1.83% of GDP in 2012 (see Annex 2 for further information).

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[46] The social pension replaced a previous tradition of offering silk robes to the elderly.

[47] It is possible that there are other aspects of schemes that vary by Province – such as the multipliers used in calculating the value of transfers (see Section 4.1.4) – but more information is required.

[48] Source: Personal communication, Pham Thi Lien Phuong of UNDP.

Education stipends

The Ministry of Education and Training (MoET) provides scholarships for ethnic minority children and children living in poverty who attend primary and secondary schools and universities. However, in many areas these scholarships are not offered as social assistance transfers to families, but indirectly, as in-kind support through schools. Stipends were estimated to have been made to around 2 million pupils and students in 2014.[49] School stipends are paid at VND70,000 per month (for 9 months per year), rising to VND470,000 for some children in secondary school.

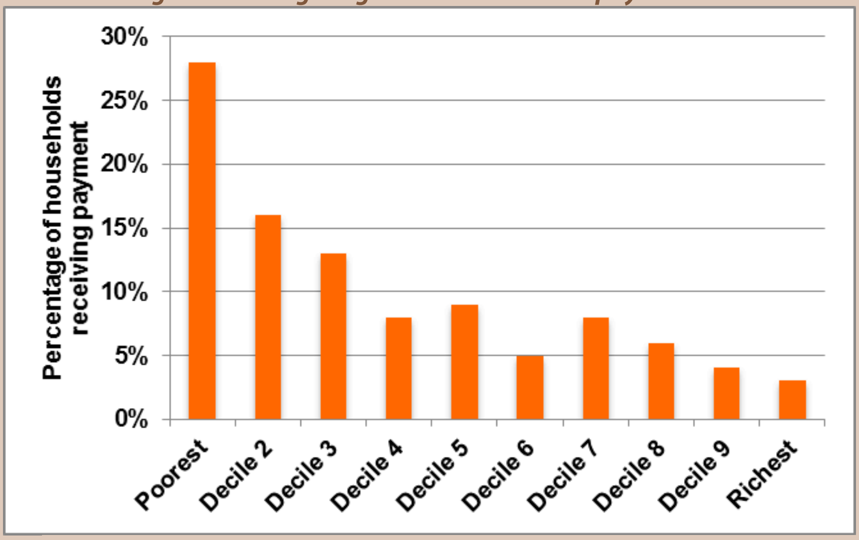
Box 3: Merits payments

Merits Payments offer regular and predictable payments, reward those – and their families – who have given service to the State during the revolution and wars. They provide benefits across the lifecycle, including to older people, people with disabilities, survivors and children. Merits payments are part of a broader system of social policy support, which encompasses health, education, employment and housing, among other areas.

As indicated in Section 2.2, Viet Nam invested around 1.1% of GDP in Merits payments, funded by general government revenues. While many payments are regular and predictable transfers – and, therefore, similar in nature to social assistance transfers – other support to meritorious persons is more *ad hoc*. There are around 1 million recipients of regular Merits payments but the numbers in specific categories of support is not known (Castell *et al* 2014). According to VHLSS 2012, 8.3% of people aged over-60 years benefit from Merit payments – which would be around 800,000 people – suggesting that most recipients of Merits payments are older people, probably with disabilities.[50] The regular and predictable Merits payments were paid at an average value of VND870,000 per month in 2012 (although there was a wide range of value of payments, depending on the type of beneficiary).

Merits payments are progressively "targeted," as indicated by Figure 2.5 which shows the targeting incidence of the transfers – in other words, the proportion of all beneficiaries in each consumption decile – based on the pre-transfer distribution of all recipients, not just older people. It indicates that 57% of recipients would be in the poorest 30% of the population, which is as effective as many programmes targeted at those living in poverty in other developing countries.

Figure 2.5: Targeting incidence of Merits payments[51]



[49] Source: ILSSA, later amended to include full number, note some accounts include reimbursed school fees which increases the level of support and the number benefiting to 0.23% of GDP and 7.5 million people respectively.
[50] Source: VHLSS (2012). Information on Merit payments in the VHLSS data is included as a household income rather than an individual income source. Accordingly, differentiating between direct and indirect beneficiaries is not possible.
[51] Source: VHLSS (2012).

2.3 Social care services[52]

Social care services are an important component of a nation's broader social policy, but are often not given sufficient priority in developing countries. The aim of social care services is to provide additional services, care and protection to particularly vulnerable individuals and families. So, while it is important to guarantee everyone in society a minimum income – which can be achieved through social assistance transfers – it is also necessary to identify those who need additional support, in particular those who cannot care for themselves or face threats to their wellbeing. Additional support could include accommodation, personal care, assistive devices, advice, counselling and protection from abuse.

Viet Nam's social care system has traditionally been based around a nationwide network of social protection centres, which provide residential accommodation for vulnerable categories of the population. In total, there are 393 units, of which 213 are publicly run and 180 are managed by non-state entities.[53] Overall the social protection centres serve around 41,500 people, including the following categories of the population:

- 156 units for children;
- 134 mixed units for a range of vulnerable categories of the population;
- 27 units for people with disabilities;
- 26 units for people with mental health issues;
- 13 units for older people; and,
- 37 general social work centres.

The public social protection centres are financed directly by government while the non-state units are also financed largely by government through a system of tariffs paid to the non-state provider, based on the services delivered. The minimum level of expenditure on social protection centres is VND700,000 per person, per month, which suggests a minimum national annual expenditure of VND350 billion.

However, in recent years, Viet Nam has also been developing a system of social work which should underpin the delivery of all social care services, moving beyond a focus on institutional care for vulnerable categories of the population. So, in 2010 the Prime Minister issued Decision 32/2010/QĐ-TTg to begin the process of creating a professional social work within the broader national social protection system. A National Plan was established, with the goal that, by 2020, social work would be recognised as a profession in Vietnam and that a system for delivering social work services would be created at provincial, district and commune levels.

As MOLISA and UNICEF (2014) note, social work is defined in Viet Nam as "a highly developed practice based on special principles and methods with the purpose to support individuals, groups and communities in dealing with their social affairs – thereby, social work is mandated for the sake of people's happiness and social well-being."[54]

By the end of 2013, the National Plan's implementation had resulted in the development of Social Work Services Centres in 30 provinces with a further 33 having approved plans (MOLISA and UNICEF 2014). The Social Work Centres offer a range of services to citizens including access to information and advice, identification of needs, the provision of professional support including psychotherapy, as well as support to link people in need to other services. They are staffed by between 4 and 20 people, depending on the level of finance from Provinces. There is also an initiative to test community based social work units, which comprise one or two para-professional "social work collaborators," who receive training via a short course. However, this is mainly happening in richer Provinces, which are able to fund the positions (which enjoy salaries of around VND1,000,000 per month).

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[52] Much of the information provided in this section is taken from MOLISA (2014; 2015).

[53] Government figures on the number of social assistance centres are not consistent. The figures in the text are taken from MOLISA (2015) while MOLISA (2014) states that there are 432 social assistance units, 169 publicly run and 233 run by non-state providers.

[54] The international definition of social protection – as defined by the International Federation of Social Workers. The social work profession promotes social change, problem solving in human relationships and the International Association of Schools of Social Work in 2001 – is "the empowerment and liberation of people to enhance well-being". Utilizing theories of human behaviour and social systems, social work intervenes at the points where people interact with their environments. Principles of human rights and social justice are foundational to social work." (MOLISA and UNICEF 2014).

2.4 Emergency social assistance

As Section 3.5 will describe, Viet Nam experiences regular natural disasters and these are likely to increase in frequency and severity as a result of climate change. It is, therefore, important to have a system that can provide emergency assistance to people who have experienced a disaster and suffered harm or damage to property.

In 2013, Viet Nam spent VND 5,666 billion – or 0.16% of GDP – on emergency assistance, with the budget provided by central government although the funds are often supplemented by additional resources from local governments and private donations.[55] The funds are used to provide immediate support to those experiencing a natural disaster, for example to replace housing and assets, the provision of cash, food and other essentials immediately following the disaster, and deductions and exemptions from health insurance contributions and tuition fees (ILSSA 2015g). Support is managed by Districts and Communes.

2.5 Summary

The level of investment in social security in Viet Nam – if the VSS pensions are included – is relatively generous for a middle-income country but it is strongly biased towards non-poor members of society. As will be discussed in Section 4.1.3, while the more affluent benefit from social insurance and many of the social assistance transfers are directed to those living in poverty, there is a significant group in the population aged up to 80 years that, by design, is unable to access social security and can be referred to as the "missing middle." Many of these households are in the informal economy and have insecure incomes, being vulnerable to shocks and crises. If they were able to access social security, the resilience and security of these households could be significantly enhanced.

In fact, as Section 4.1.2 will discuss, the level of investment by Viet Nam in social assistance transfers is well behind many low-income countries in Asia, such as Nepal, Bangladesh and Pakistan. Furthermore, investment in social care and emergency assistance is also minimal. Indeed, the social security and social assistance systems are no longer appropriate for a middle-income country. While the national economy has progressed significantly, the social security and social assistance systems have not kept pace and are no longer able to deal with many of the challenges faced by Viet Nam. Indeed, if both systems – in particular social assistance – are not strengthened, Viet Nam's progress may be undermined. As discussed earlier, a key element in the success of developed countries has been their significant levels of investment in social security and social assistance and, in the absence of further national investment, Viet Nam may be unable to replicate this trajectory.

Indeed, although the national Constitution states that access to social security is an entitlement, the current social assistance pillar of the national social security system is unable to fulfil the Constitution's mandate. The only programmes that are established as entitlements are the allowances for those aged over-80s and people with disabilities, yet – as Chapter 4 will describe – the programmes suffer from significant weaknesses and many more older people and people with disabilities are in need of similar programmes. Indeed, middle income countries such as Thailand, Georgia, Brazil, Argentina, Bolivia, South Africa and Namibia provide access to old age pensions to the majority of people aged over 60 years, while some are also investing in disability benefits and child grants: South Africa and Argentina provide child benefits to over 70% of children while Mongolia is leading the way in Asia by offering a child benefit to all children.

The next chapter will examine some of the challenges faced by Viet Nam that could be addressed by further investments in social security and social assistance. It will be followed by a review of the strengths and weaknesses of the current social assistance system before proposals are made to strengthen the system.

[55] Source: Khondker (2015).

3 CHALLENGES FACING VIET NAM AND THE RATIONALE FOR INVESTING IN SOCIAL ASSISTANCE

As Viet Nam progresses as a middle-income country, it continues to face a range of challenges, many of which could be addressed, in part, by further investment in social assistance. This Chapter, therefore, highlights the key challenges focusing on stagnating economic growth, the high proportion of the population that remains vulnerable to falling into poverty, ethnic and geographic disparities, perceptions on inequality and threats to social cohesion and natural shocks.

3.1 Stagnating economic growth

As discussed in the introduction, Viet Nam's per capita economic growth has fallen from 7% to 8% per year to around 5.5%. There are a number of reasons. Labour productivity is no longer the key driver of economic growth and has been replaced by capital investment (World Bank 2013a). Some commentators have linked the slowdown in productivity improvement to the emergence of a middle-income trap, arguing that Viet Nam is stuck in a low growth trajectory and unable to transition from extensive to intensive economic growth.[56] While the presence of such a trap is the subject of debate, the stagnation in worker productivity is beyond doubt and is a key concern for the Government and a priority to be addressed in coming years. As the World Bank (2013a) argues, investing in capital does not offer sustainable economic growth and Viet Nam needs to refocus on increasing the returns to labour through a more highly skilled workforce.

Furthermore, domestic demand in Viet Nam is weak (World Bank 2013b). Viet Nam's low investment in social assistance transfers means that it does not effectively redistribute wealth and spending power into the hands of less affluent members of society as a means of stimulating consumption. Developed countries use investments in social security to generate demand in the economy and a range of middle-income countries have followed the same example. Uzbekistan, China and Thailand, for example, expanded their social assistance transfers during the global recession to stimulate demand, the latter two putting in place almost universal old age pension coverage.[57]

By increasing investment in social assistance transfers, Viet Nam could generate economic growth in a number of ways. By increasing the incomes of working age families and reducing the impact of risks, they will be able to invest in their children to strengthen their development, thereby becoming a more productive future labour force. The guarantee of a regular income that ensures families can, at a minimum, feed their children generates more confidence and a greater willingness and ability to invest in business and seek employment. Indeed, the receipt of a regular and predictable transfer can enable families to recover more quickly from a shock and return to higher productivity. And, by redistributing wealth to less affluent members of society, Viet Nam can increase the demand for goods and services, many of which will be produced locally. This spending can both boost local and national economies, creating more vibrant markets that benefit wealth-creators. Furthermore, if Viet Nam had a more extensive system of social assistance transfers, the government could rapidly increase the volume of transfers as a means of kick-starting the economy.

3.2 Continuing vulnerability to poverty and insecurity of incomes

In recent years, there has been a growing realisation in international development that household incomes are not static but are dynamic. This section will, therefore, examine income and consumption dynamics in Viet Nam and discuss how a high proportion of the population is still vulnerable to poverty

[56] See VN News on Viet Nam's trap: http://vietnamnews.vn/opinion/in-the-spotlight/253608/jury-out-on-vns-middle-income-trap-status.html ; Aiyar et al (2013), provides a more complete discussion of the issues faced by MICs – see: https://www.imf.org/external/pubs/ft/wp/2013/wp1371.pdf.

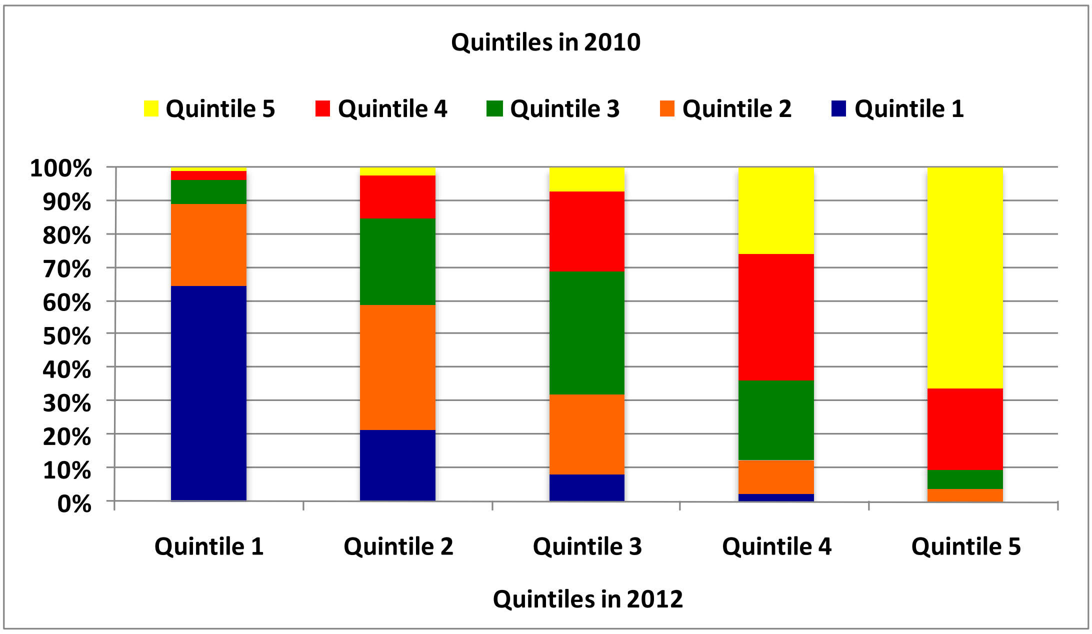
[57] Lu (2012); HelpAge International (2013), Kidd (2014).

or experiencing income insecurity. It will also explain how the risks and challenges that households face across the lifecycle contribute to these changes.

3.2.1 Income dynamics

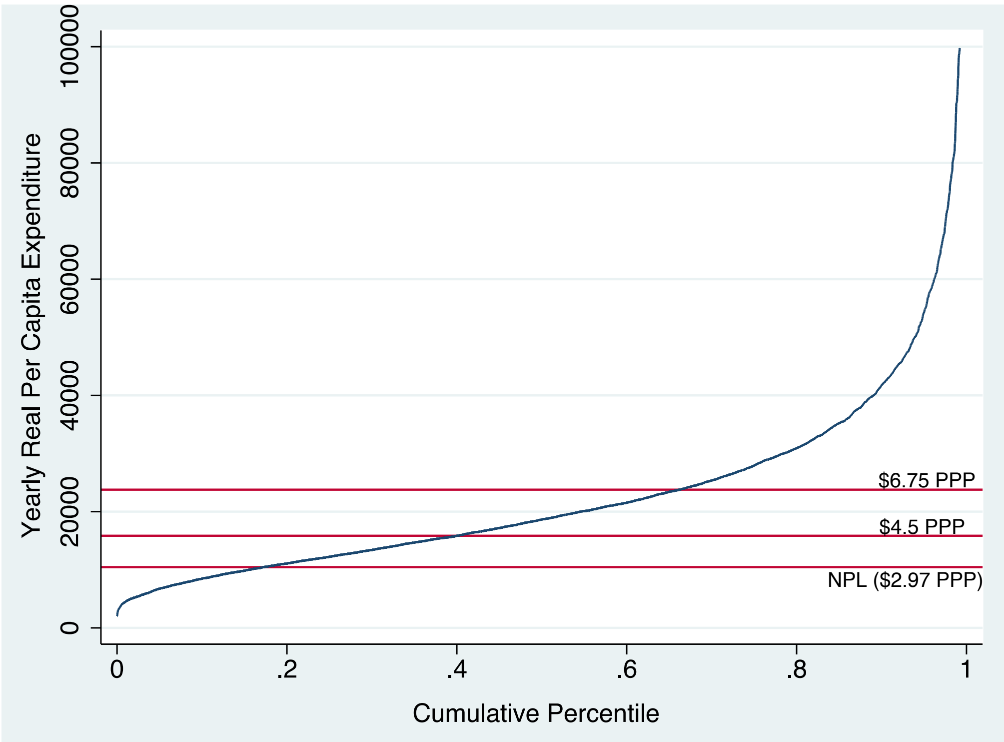
While poverty rates offer a static snapshot in time, they do not take into account that there is always significant churning around poverty lines, with people moving in and out of poverty. Individual and household incomes are dynamic and rise and fall as people succumb to shocks – such as illness, disability or unemployment – or respond to opportunities. Figure 3.1 shows how household wellbeing in Viet Nam changed between 2010 and 2012, indicating the expenditure quintile where households were located in 2010 and where they had moved to by 2012. Around 35% of those that were in the poorest quintile in 2010 had moved into a more affluent quintile by 2012, with a similar amount falling into the poorest quintile. Furthermore, almost a third – 29.5% - of households living in poverty in 2012 had not been in poverty in 2010.

Figure 3.1: Movement across expenditure quintiles between 2010 and 2012



One reason for the extensive movement in and out of poverty – which would be even higher if more frequent surveys were undertaken – is that differences in consumption for the majority of households are not great. Figure 3.2 shows the cumulative expenditure of households ranked from poorest to richest and, among most households, the differences are relatively small. In fact, to illustrate the sensitivity of the distribution to changes in income (due say to a shock), if the GSO/WB poverty line is increased by a mere 20%, the poverty rate would rise by 52% (to 26.1%).

Figure 3.2: Cumulative expenditure among households and different poverty lines

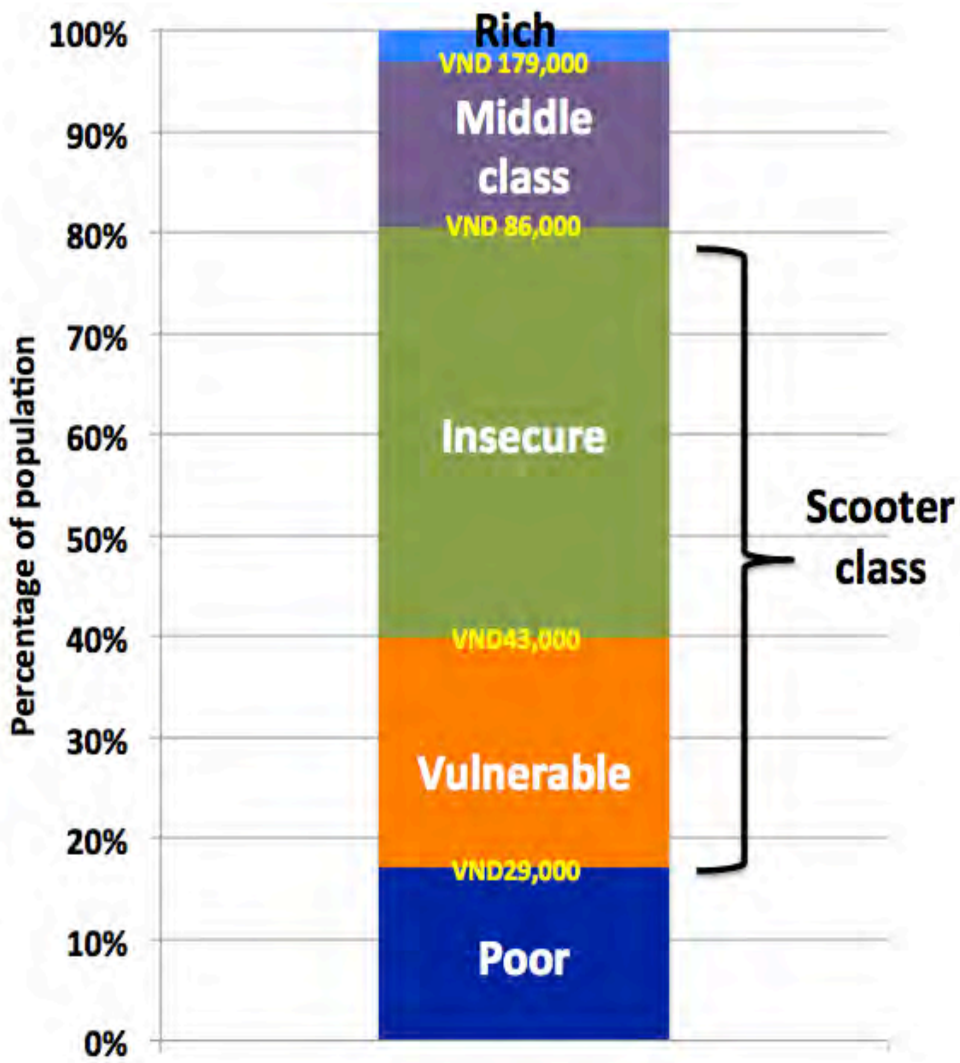


Furthermore, while not living in poverty, a high proportion of the population do not yet have levels of consumption that could be regarded as secure, providing them with the ability to fully invest in their children or, indeed, save for the future. As Viet Nam becomes increasingly prosperous, it needs to address the concerns and needs of those in the lower middle of the income distribution that still feel insecure. As Figure 3.1 indicates, there is significant volatility in consumption among those between the 20th and 80th percentiles of the consumption distribution in 2012: for example, only 37.1% of households in Quintile 3 in 2010, remained in Quintile 3 in 2012. Around 8% of them had, in fact, fallen into the poorest quintile. Shocks and crises could, at any time, have a significant impact on the incomes of around 80% of the population, potentially throwing them into poverty.

3.2.2 Economic classes in Viet Nam

Figure 3.3 attempts to build this understanding of insecurity and income dynamics into a broader classification of the population of Viet Nam in 2012 into different economic categories and suggests that the middle class – defined as those with per capita expenditures above VND86,000 per day – is only a small proportion of the population. Combined with those who could be regarded as rich, both categories comprise only 19.4% of the population. Around 41% of the population – with expenditures per capita between VND43,000 and VND86,000 per day – could be considered as insecure, leaving around 40% either living in or vulnerable to poverty. And, as argued above, movement between these categories is likely to be considerable.

Figure 3.3: Distribution of economic categories (by daily income) in Viet Nam (2012)[58]

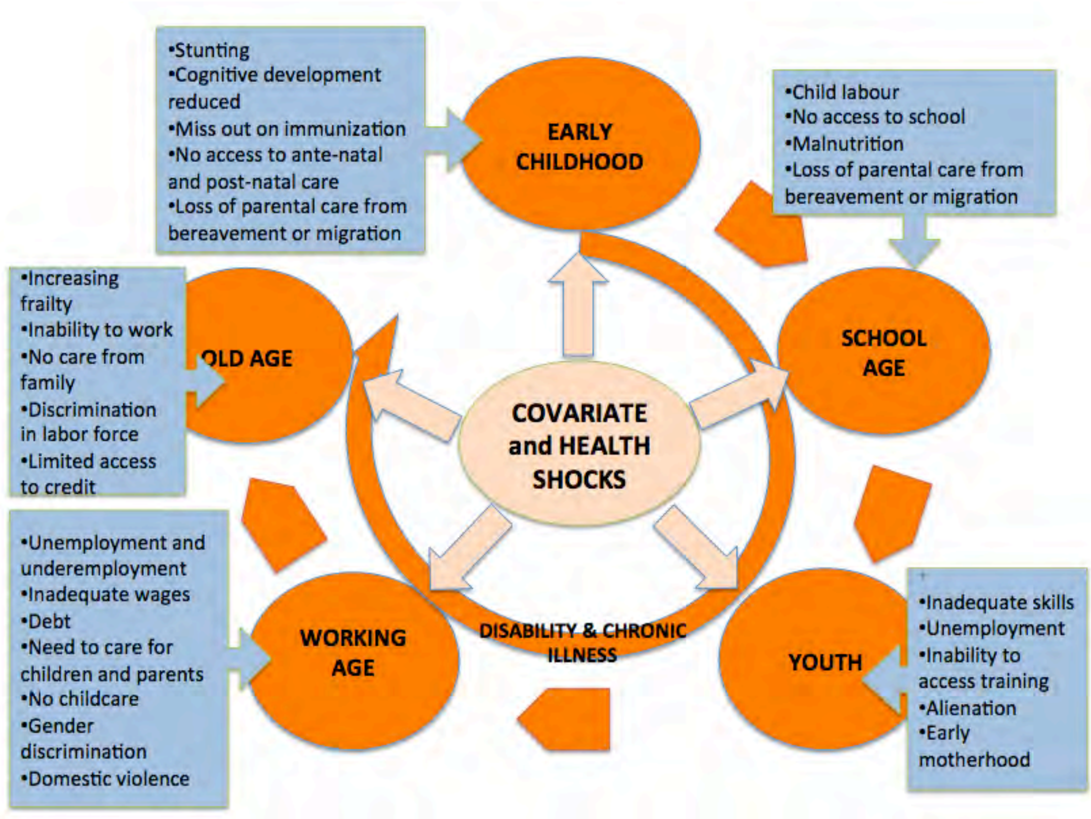


3.2.3 Challenges faced by people across the lifecycle

Many of the crises and shocks faced by people are related to their stage of the lifecycle. The nature of potential challenges vary across the lifecycle and Figure 3.4 provides a brief summary of some of the key challenges, from early childhood to old age. It also indicates that health and covariate shocks can affect people at any time of their life, although the nature of a health crisis is likely to vary according to age. The following sections describe some of the challenges experienced across the lifecycle in Viet Nam. Disability – a key lifecycle challenge – will be dealt with separately.

[58] Source: VHLSS 2012.

Figure 3.4: Key challenges across the lifecycle that can be addressed – at least in part – by social assistance transfers



Early childhood

Early childhood is the most critical period in the development of any individual, since setbacks in physical and cognitive development can never be recovered (DFID 2010). Furthermore, a caring and supportive home environment and access to Early Child Development (ECD) centres can prepare children for primary school and promote improved educational performance.

Despite Viet Nam's positive record in tackling poverty, around 50% of children continue to live in or be vulnerable to poverty.[59] Indeed, having a child is likely to cause increased poverty and stresses on families since carers are less able to work – leading to reduced incomes – while, at the same time, costs rise in response to needs of the new member of the family. Furthermore, undernutrition remains as a significant challenge: in 2011, 22% of children below 5 years of age were stunted, with the proportion reaching 28.5 % between 24 and 35 months (General Statistics Office 2011). A significant proportion of children are still unable to attend Early Childhood Development Centres, with 38% of children aged 3 years missing out, although the proportion falls to 18% by age four years. Indeed, there is good evidence that economic status in Viet Nam is associated with higher cognitive ability. The Young Lives study in Viet Nam indicates that scores in the Peabody Picture Vocabulary Test (PPVT) – a widely used tool for measuring cognitive ability among five year olds – are higher among children from wealthier households than those living in poverty (World Bank 2013a). Young children experiencing stunting or unable to gain the benefits of early childhood education are unlikely to reach their full potential and their future earnings will be reduced, hindering the nation's economic development.

A child grant could make a major contribution to improving the wellbeing of young children, increasing family incomes and providing them with cash that could be invested in their children, offering them an improved home life. There is strong international evidence is good evidence of child grants improving

[59] Source VHLSS 2012.

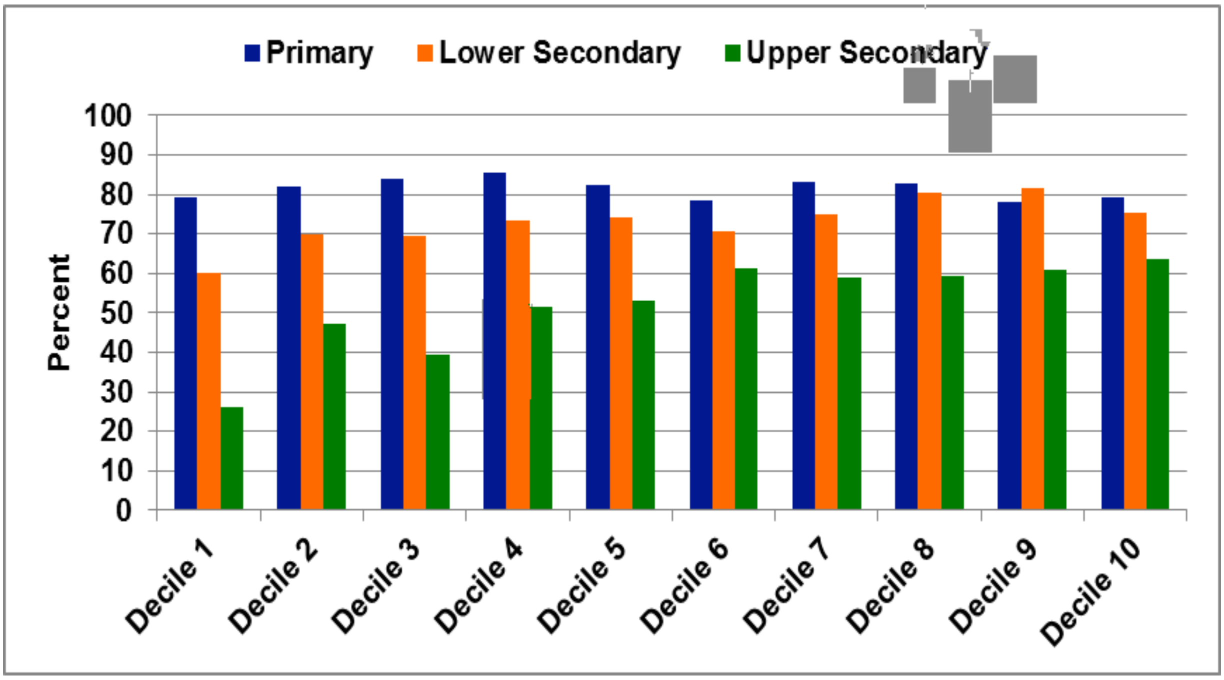
nutritional outcomes which should translate into improved cognitive outcomes. If families are under less financial stress, they may be able to invest more time in stimulating their children and could use the cash to help their children access ECD centres.

School age children

Increasing the productivity of the labour force depends, to a large extent, on ensuring that children can obtain the best education possible. In fact the education level of children is a strong determinant of future income. Upper secondary school graduates in Viet Nam can expect to earn 30% more than primary school graduates (World Bank 2013a). This is not only the result of higher skills: there is also strong evidence that higher education levels are associated with greater conscientiousness among workers (World Bank 2013a). Families with inadequate incomes are likely to find it challenging to ensure a good education for their children, including offering an appropriate home environment for study. In fact, around half of all school age children in Viet Nam either live in or are vulnerable to poverty, while many others live in families with insecure and inadequate incomes.[60]

Viet Nam has made good progress in increasing school participation in recent years, across both primary and secondary education (World Bank 2013a). Around 97.9% of children of primary school age are at school, with minimal difference between girls and boys[61] (GSO 2011). It is among children of secondary school age that enrolment begins to fall and increases as children grow older: in 2012, while around 90% of boys attended school at age 12 years, by age 16 years it had fallen to only 67%, with girls doing slightly better.[62] As Figure 3.5 indicates, lower secondary school enrolment is associated with household economic status, with poorer children less likely to be in school.

Figure 3.5: Net enrolment in primary, lower secondary and upper secondary school by consumption deciles[63]

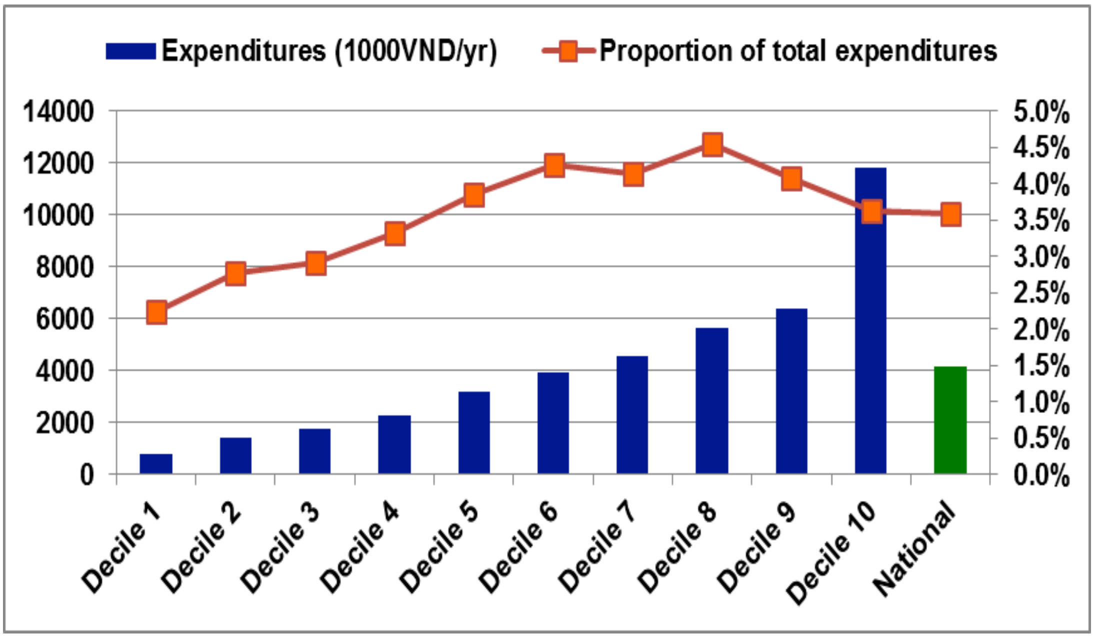


Attending school is expensive. In 2012, average monthly expenditure on education for households was around VND350,000, which is well above the value of most education stipends, at VND70,000 per month.[64] However, as Figure 3.6 indicates, families in the middle of the consumption distribution are struggling to compete with affluent families in terms of expenditure. In fact, when assessed as a

[60] Source: VHLSS 2012.
[61] A small proportion of these children are in secondary school.
[62] Source: VHLSS 2012.
[63] Source: VHLSS (2012).
[64] Source: VHLSS 2012.

proportion of overall household expenditures, the highest spending is by those in deciles five to nine. Families on low and middle incomes also find it more difficult to provide their children with private tuition (Kidd and Abu-el-Haj 2015). Children unable to receive private tuition are likely to fall behind their peers and be less able to compete in the labour market. Families struggling to provide financially for their children are less likely to create a home environment for their children that is conducive for study (World Bank 2013a). Low incomes and high education costs probably also contribute to children – mainly boys – entering the labour market: just over 10% of children aged 10-14 years are employed, with the proportion reaching 40% at 15-19 years (GSO 2011).

Figure 3.6: Private expenditure on education (2012)[65]



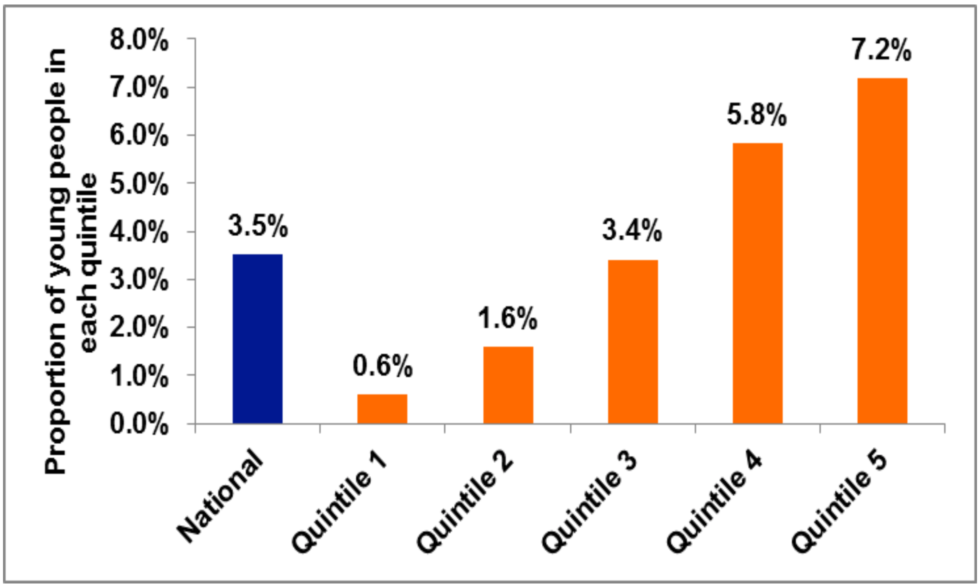
The financial challenges faced by families when providing education for their children could be partially addressed by offering them access to social assistance transfers, such as a child grant. But, as the World Bank (2013a) argues, this would need to be supplemented by further investment in the education system itself, to reduce fees and improve quality.[66]

Young people

Many young people in Viet Nam face challenges in entering the labour market, especially given the inadequate preparation they receive in secondary schools. Surveys have indicated that employers are concerned about the skill levels of young people, with insufficient young people with the skills required for more productive employment[67] (Centre for Labour Market Studies 2010; World Bank 2013a). Some young people are able to continue into higher education – further enhancing their prospects – but this is closely linked to their families' wealth. As Figure 3.7 indicates, while 7.2% of young people aged 18-24 years among middle class and rich families – those in the richest quintile – are in education, the proportion drops significantly among those in less affluent quintiles.

[65]Source: VHLSS 2012. The values in the graph are across all households rather than only those undertaking education expenditures.
[66] Although Vietnamese schools are doing a good job of imparting basic literacy and numeracy, there needs to be increased investment that enables enhanced stimulation of children's creative and critical thinking abilities (World Bank 2013a).
[67]See also Centre for Labour Market Studies (2010).

Figure 3.7: Proportion of 18-24 year olds in higher education by wealth quintile



There is no robust data on youth employment, but unemployment among young people is regarded as high (Centre for Labour Market Studies 2010). The government believes that it is triple the rate among the general working age population and is particularly high in urban areas.[68] Around 1.2 million young people enter the labour market each year and the ILO estimates that around 53% of young people under the age of 25 years have obtained "vulnerable employment" in the informal economy, with no access to social security.[69]

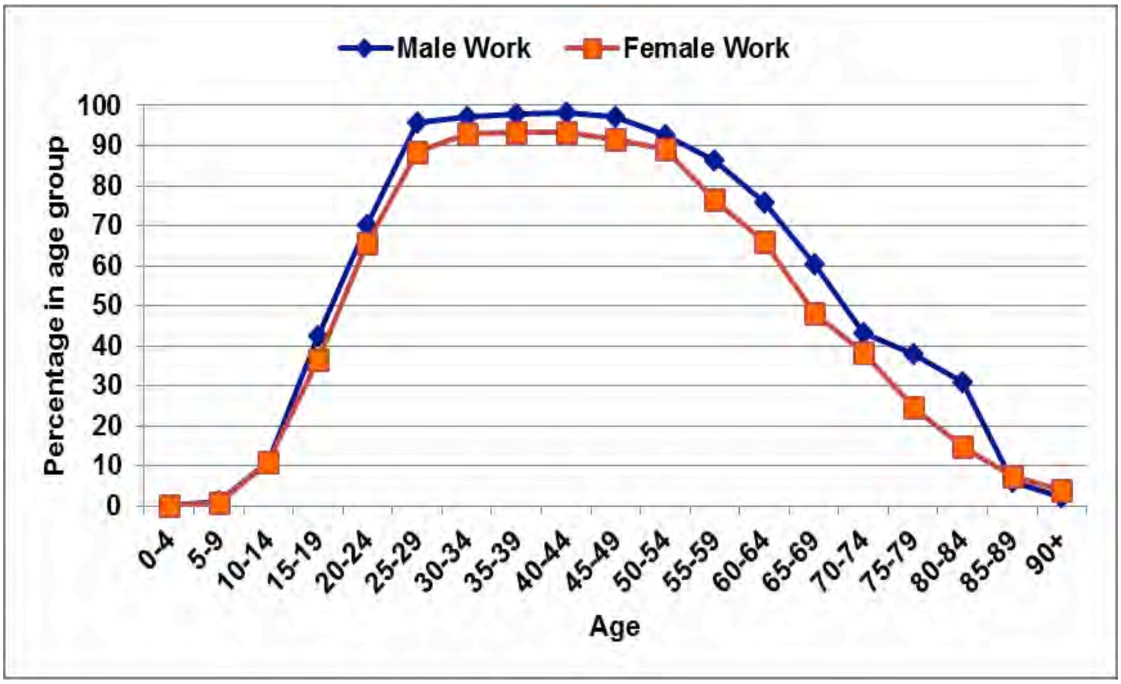
Therefore, the key need of many young people is to strengthen their skills and obtain productive work. To a large extent, this should be addressed at secondary school. However, a social assistance transfer is probably a much lower priority for young people, compared to accessing vocational training and employment opportunities. The state should consider examining its system of public works and determining whether they can be made more labour intensive, thereby offering more opportunities to young people, potentially alongside training. Initiatives should also be put in place to help young people seek labour market opportunities.

Working age population

Labour force participation in Viet Nam is high and compares well with regional competitors such as Thailand, Indonesia and the Philippines. As Figure 3.8 indicates, between the ages of 25 and 55 most men are in the labour force although alternative data sources suggest male labour force participation at just over 80% (Pierre 2012). Labour force participation among women is around 9% below that of men[70] (Pierre 2012). VHLSS 2012 suggests that one of the highest gaps between men and women is around the age of 25-29 years, which may indicate challenges faced by some women in re-entering the labour force following the birth of children, since there are limited childcare facilities in Viet Nam.

[68] http://english.cntv.cn/20140122/103437.shtml
[69] See: http://www.thanhniennews.com/society/vietnam-youth-suffering-high-unemployment-rate-ilo-2567.html
[70] VHLSS 2012 indicates that the labour force gender gap may be a little lower.

Figure 3.8: Male and female labour force participation in Viet Nam[71]



The main challenge faced by working age people in the labour market is low productivity and incomes, with around 47% of the labour force still in agriculture.[72] The low productivity of agricultural employment is indicated by the fact that 73% of those in the poorest quintile are in agriculture. Higher levels of economic wellbeing are associated with employment in public administration and the service sector. The majority of those in the middle of the income spectrum continue to engage in agriculture and construction, as manual workers, indicating that they can still not be regarded as a "middle class." The precarious nature of much of this employment explains the insecurity of incomes and the significant income dynamics described in Section 3.2.1. However, employment in the public administration and the service sector is no guarantee of escaping poverty. Women experience lower incomes than men, with their wages still only 75% those of men (World Bank 2014a).

The majority of the labour force – around 86% - is in the informal economy and there is a correlation between lower incomes and informal economy employment.[73] In 2013, "vulnerable employment" – which is defined as low wages and insecure employment – was 62%.[74] Yet, even among the richest decile, over 60% of the population is in the informal economy. Lower levels of education are associated with lower consumption and less productive self-employment, often in agriculture. Poorly educated workers were earning much less in 2010 than in 2007, suggesting a decline in demand for workers with primary school education or less (World Bank 2013a). Internal migrants are a group that is particularly vulnerable (see Box 4).

Box 4: Internal migrants in Viet Nam

Internal migrants are a group that can be particularly vulnerable, especially when classified as temporary residents. Migration is a significant phenomenon, with the 2009 census showed that 7.7% of the population aged over 5 years were migrants (Duong *et al* 2011). A survey in 2008 demonstrated that around 94% of employed migrants were in the informal sector and only 5% of migrants had a written job contract. Incomes are low – at around US$83 per month in 2008 – and few were able to save: only one migrant in a survey of 287 people had savings above US$62.50. Many were in dangerous jobs, with 33% exposed to toxic substances. During the financial crisis,

[71]Source: VHLSS 2012.
[72] Source: VHLSS 2012.
[73] Source: VHLSS 2012.
[74] http://english.cntv.cn/20140122/103437.shtml

many were asked to stay at home and were only called up when work was available, substantially reducing their incomes. The vast majority of migrants lived in poor housing conditions, with 76% having no piped water. Only 2% of employed migrants had social insurance. Other legal rights, such as annual and sick leave, are often ignored by employers. And, since migrants are not in their home regions, they are unable to access social assistance transfers, including those with vulnerable children.

There are indications that caring for people with disabilities – many of whom are elderly – in the absence of effective old age pension and disability benefit systems is placing a burden on working age families. In 2006, around 12.5% of households included a person with a severe disability, indicating that the care challenge is potentially a widespread issue, increasing the likelihood of families living in poverty. The challenge of caring for frail older people is indicated by the fact that, in 2012, 37.1% of nuclear families with children lived in or were vulnerable to poverty, while the rate among three-generation families was 45.9%. This increased burden could be regarded as a *de facto* tax that the state places on working age families, disadvantaging those taking on responsibilities for caring for older people and people with severe disabilities. It also means that such families are likely to be less able to invest in their own children.

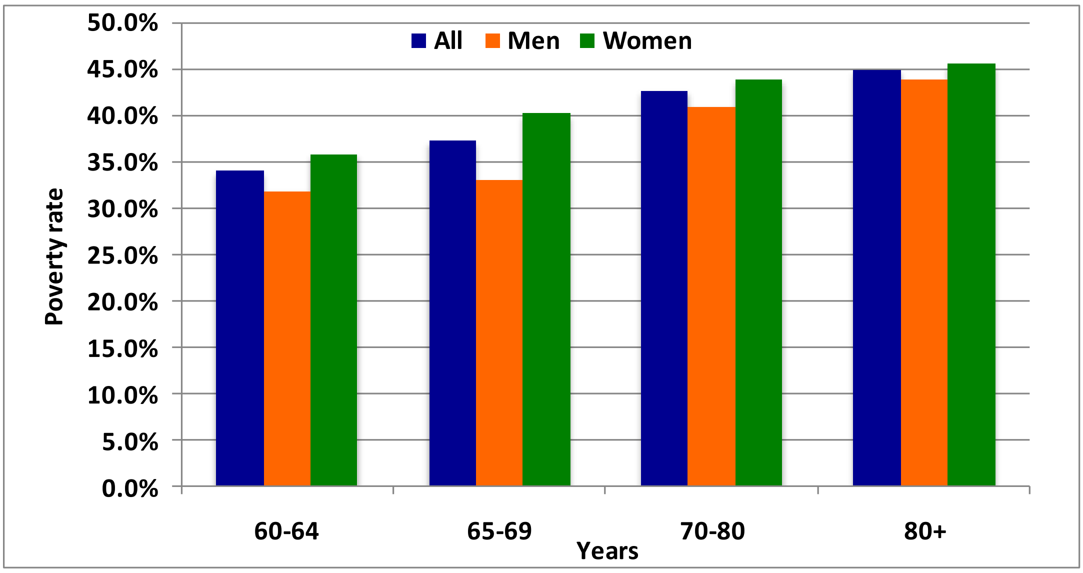
In summary, therefore, low incomes from employment are the key challenge faced by working age families, inhibiting their ability to fully invest in their children. Regular and predictable support from social assistance transfer instruments such as child grants could offer families greater income security, which would not only help them increase their investments in their children but encourage them to take greater risks that may further increase their incomes or facilitate their access to more productive employment. Furthermore, mothers of young children would benefit from access to childcare services, which could increase family incomes, while increasing national income by expanding labour force participation. In addition, the provision of disability benefits and old age pensions would take a significant burden off working age families, further enhancing their ability to invest in their own children and in income-generating activities.

Older people

Viet Nam is an ageing society, with the proportion of older people in the population rising rapidly. While there are currently just over 10% of the population aged over-60 years, by 2030 it will have increased to 18% and to over 30% by 2050.[75] Furthermore, the proportion of the oldest old – those aged over 80 years – will also grow and, by 2050, will comprise over 6% of the population. The proportion of older people living in or vulnerable to poverty increases along with age (see Figure 3.9). The highest rates of poverty and vulnerability are among the over-80s, even though they are in receipt of a social pension (see Chapter 4 for further information). Furthermore, older women appear to experience higher exposure to poverty and vulnerability than older men.[76]

[75] Source: World Population Database at: http://esa.un.org/unpd/wpp/unpp/panel_indicators.htm
[76] The poverty rates among older women and men are based on an assumption of equal consumption in households among all household members.

Figure 3.9: Proportion of older people living in or vulnerable to poverty[77]



The higher poverty rates among older women are of particular policy interest given that most older people are female. Overall, among those aged over 60 years, 39.7% of the population is male and 60.3% is female.[78] The difference in the ratio of men to women increases as they become older. Therefore, old age poverty should be regarded as a gender issue, since it mainly affects women. Indeed, women face challenges in old age that may contribute to their higher exposure to poverty: for example, older women are around four times more likely than men to live alone, while they are also more likely to be living only with an unmarried child, which suggests that they may be taking on significant care responsibilities.[79]

The majority of older people do not have access to the security of an old age pension. Therefore, many have to continue in work, at least while they are physically capable. As Figure 3.10 indicates, between the ages of 60 and 64 years, around 70% of older people are engaged in some form of employment, falling to around 40% at age 70-74 years and around 20% at ages 80-84 years. Older women are less likely to be in employment than men, although this may suggest that they are more involved in providing childcare for their grandchildren.

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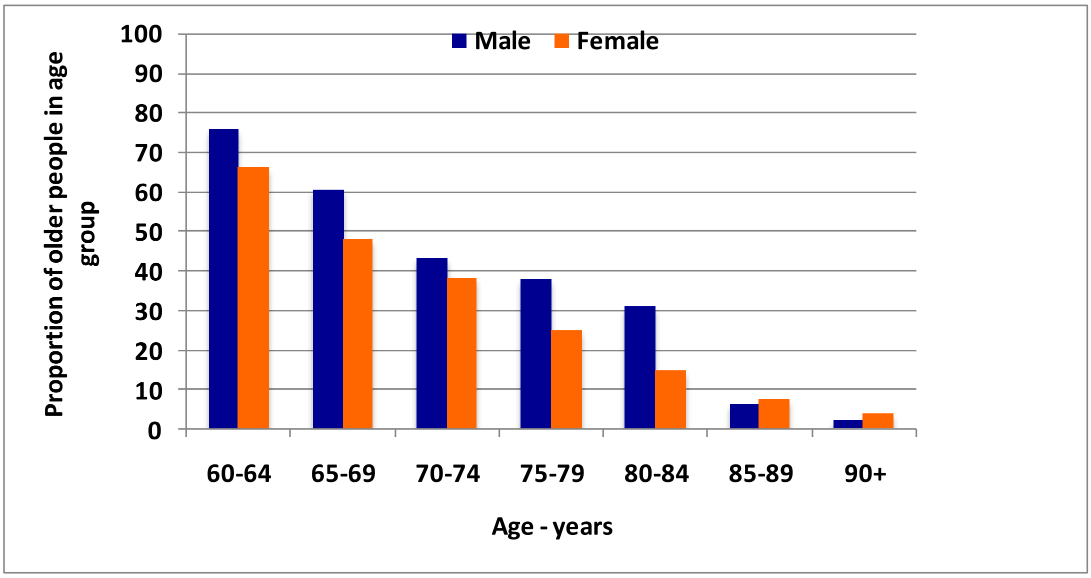
[77] Source: VHLSS 2012, based on assumption of equal distribution of incomes and consumption within households. The data are not gender disaggregated.

[78] Source: World Population Database at: http://esa.un.org/unpd/wpp/unpp/p2k0data.asp.

[79] 12.2% of older women live alone, compared to 3.5% of older men; and, 33.9% of women live with an unmarried child only, while the figure is 24.1% for men.

Figure 3.10: Proportion of older men and women in employment, by age group[80]



As older people age and become increasingly frail, they are less able to provide for themselves. There is a strong tradition in Viet Nam of children taking care of their elderly parents but, as suggested earlier, the relatively high proportion of older people living in households without children indicates that this informal system of care may be breaking down. Around 45.4% of men and 43.6% of women aged 65 years and over live in households receiving remittances, indicating support from their non-resident families.[81] The average value of remittances received was around VND81,000 per month in 2012, which has an insignificant impact on the wellbeing of older people. Indeed, the poorest older people received much less than the more affluent.[82]

Therefore, in summary, the majority of Viet Nam's working age population do not have an old age pension to look forward to and, as a result, face the prospect of income insecurity in old age. A high proportion are obliged to continue working in old age but, often, in insecure employment with low wages. For those who are too frail to work, they would traditionally expect to be cared for by their children but there is evidence that this system of informal care support is beginning to weaken, in part due to migration, urbanisation and their children having low incomes. Old age is also a key gender issue since the majority of older people are female.

The solution to the challenge of old age income security would be for Viet Nam to expand its current pension system, using a social pension as the main means of providing access for those in the informal and subsistence economies, but complemented by social insurance pensions and Merits payments. As will be discussed in Chapter 5 the age of eligibility for the current social pension should be reduced and the value of the transfer should be increased.

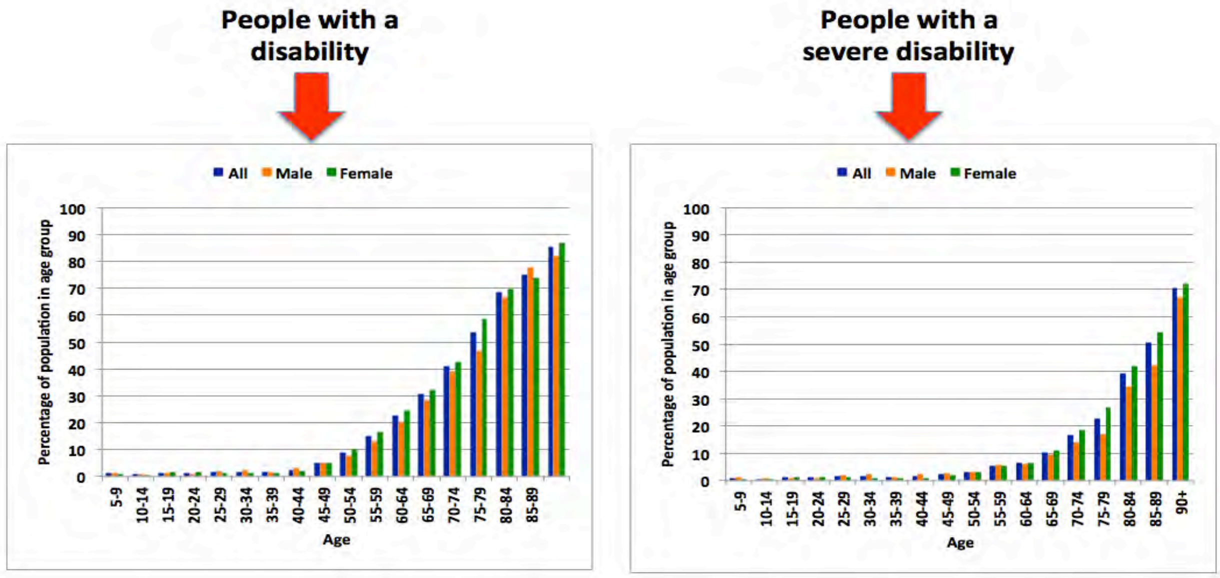
Disability

The effectiveness of a country in dealing with disability not only makes a huge difference to the wellbeing of people with disabilities, but impacts also on productivity and economic growth. The productivity of people with disabilities can be significantly reduced if they are unable to access a good education or do not receive support to access the labour market on an equal basis with everyone else. Furthermore, if the state does not step in to provide assistance to those in need of care, the care burden is likely to be placed on working age families – or older people – who will, themselves, find it more difficult to engage in the labour market.

[80] Source: VHLSS 2012.
[81] Source: VHLSS 2012.
[82] Source: VHLSS 2012.

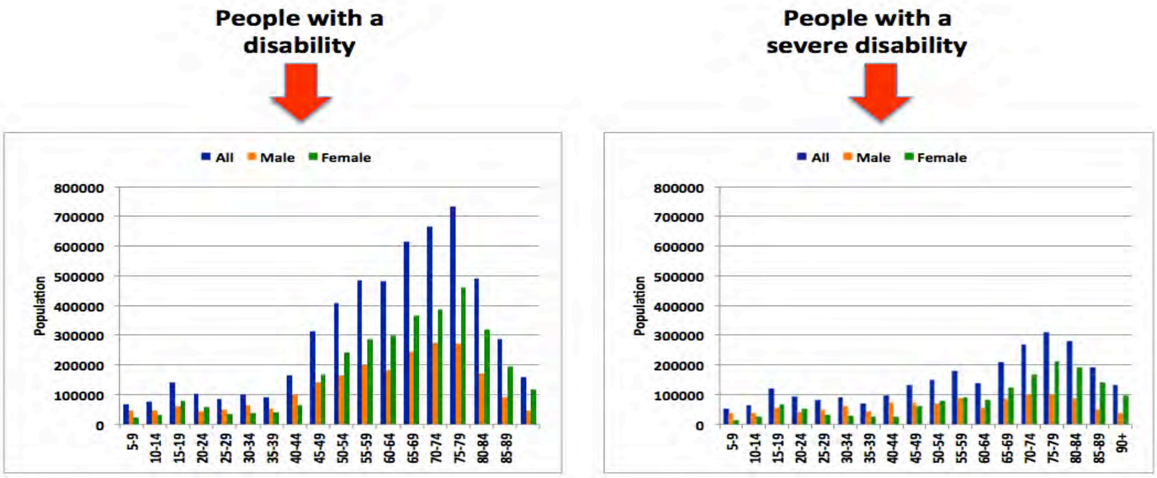
In 2006, around 7% of the population had a disability, of which 3.4% a severe disability.[83] However, as indicated earlier, disability directly affects a much higher proportion of the population, since 22% of households have a disabled member while 12.5% include someone with a severe disability. Figure 3.11 shows the proportion of people with disabilities and severe disabilities across each age group. Disability prevalence begins to increase at around 45 years of age and, by 65 years of age, affects 30% of the population, increasing to around 70% by 80 years of age. Disability also affects women more than men across most age groups. Severe disability follows a similar pattern, although the proportion of the population affected is lower.

Figure 3.11: Proportion of the population with a disability and severe disability across age groups



However, the pattern of disability is different when absolute numbers are considered. As Figure 3.12 indicates, the age groups with the highest numbers of people with disabilities and severe disabilities are between 50 and 85 years of age, peaking at between 75 and 79 years of age. Furthermore, when absolute numbers are considered, the differences between males and females among older age groups are much wider, reflecting the fact that women comprise the majority of older people.

Figure 3.12: Numbers of people with disabilities and severe disabilities in Viet Nam, by age group



[83] Source: VHLSS 2006. The VHLSS 2006 included the Washington Group Set of Questions on Disability. Disability has been defined as having a little difficulty in at least two of the six functional domains, or a lot of difficulty or unable to do at least one of the domains; severe disability has been defined as having considerable difficulty (a lot of difficulty and unable to do) in at least one of the six functional domains.

The challenges faced by people with disabilities translate into higher poverty rates for people with disabilities. There is a clear relationship between poverty and disability across Viet Nam. Table 3.1 indicates that the poverty rate of households with a disabled member is 20% higher than households without a disabled member, while, for severely disabled household members, the poverty rate is 30% higher.

Table 3.1: Poverty and poverty and vulnerability rates for households including people with disabilities (2006)[84]

	Disability			Severe disability		
	With	Without	Difference	With	Without	Difference
Poverty	15.6%	13.0%	20%	17.0%	13.1%	30%
Living in or vulnerable to poverty	38.1%	34.2%	11.4%	39.2%	34.5%	13.6%

As with the general population, the challenges people with disabilities face vary over the lifecycle. Children with disabilities are more likely to live in poverty than non-disabled children: for example, at age 10-14 years, the poverty rate among children with disabilities is 74% higher than among non-disabled children.[85] This may well reflect the fact that their carers are less able to work, thereby reducing family incomes. They also face challenges with schooling. It has been estimated that only around 52% of children with disabilities have access to education, although other studies place the proportion as low as 20% (Rosenthal and MDRI 2009). Furthermore, around 33% of children with disabilities are illiterate. The difficulties children face in accessing schools could be due to a range of reasons, including discrimination, a lack of appropriate facilities and trained teachers, insufficient social care services to support children at home, but also the additional costs faced by families in sending their disabled children to school.[86] This is likely to affect most those on low incomes but even those with higher but still insecure incomes may well struggle.

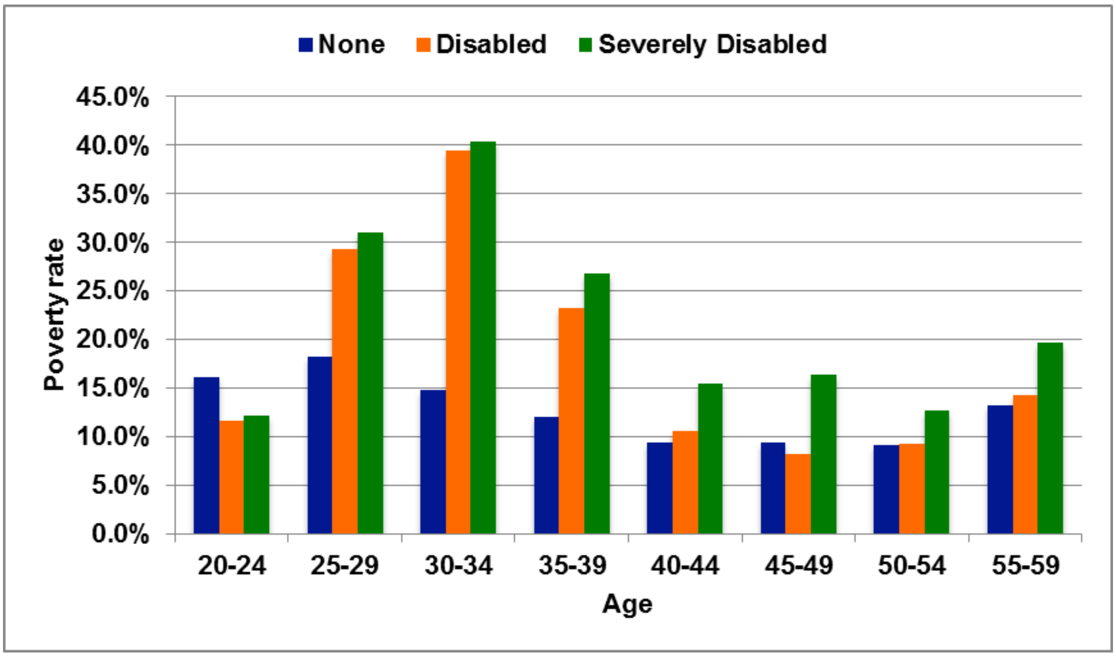
The number of people with disabilities aged 20-64 years was 2.23 million in 2006 while 1.03 million had a severe disability.[87] People with disabilities of working age face significant challenges. They have additional costs, such as medical expenses, assistive devices and special transportation needs and it has been estimated that disability increases the cost of living by around 10% (Mont and Nguyen 2013). Many are unable to work, due to the additional costs they face in accessing employment, while others have significant care costs, which are often placed on their families. The impact of disability on wellbeing depends, in part, on when the onset of disability happens. Those who become disabled as adults have had more years of education, training, employment and asset building than those disabled as children so have greater protection against poverty.

Nonetheless, among working age adults, poverty rates are higher for people with disabilities. As Figure 3.13 indicates, this is particularly marked for those aged 25 to 39 years and may reflect the greater challenges faced by disabled parents of young children; for example, children with parents with disabilities are significantly less likely to attend school (Mont and Nguyen 2013). In fact, in this age group, the poverty rates for disabled women are around double those for disabled men. People with severe disabilities, between the ages of 40 and 59 years, continue to be more likely to live in poverty than non-disabled people: many of these will have become severely disabled on reaching this age group, and it is likely to reflect their inability to continue to engage productively in the labour market. The challenges faced by people with disabilities in participating in the economy vary by region, since

[84]Source: VHLSS 2006.
[85] Source: VHLSS 2006. The poverty rates of children with disabilities were 23.7% and for non-disabled children, the rate was 13.6%.
[86] Even when children with disabilities are able to access schools, the quality of education received is compromised (Rosenthal and MDRI 2009). Special needs education is underdeveloped and children are often placed in separate classrooms. Furthermore, teachers are not adequately trained to deal with the challenges they may face when teaching children with disabilities, which, of course, vary widely depending on the type of disability.
[87] Source: VHLSS 2006.

they face greater challenges in areas with poorer infrastructure (Mont and Nguyen 2013). Many carers are also likely to find it challenging to both care for their severely disabled household member and continue in employment.

Figure 3.13: Poverty rates for people with disabilities and severe disabilities



Rates of disability, however, are highest among older people: 54.6% of those aged over-70 years have a disability and 27.8% a severe disability.[88] As frailty increases, people are less able to engage in the labour market, resulting in significant limitations in securing an adequate income. As a result, the poverty rate for older people with a disability is higher than among those without, in particular among those aged over 80 years (Kidd and Abu-el-Haj 2015).

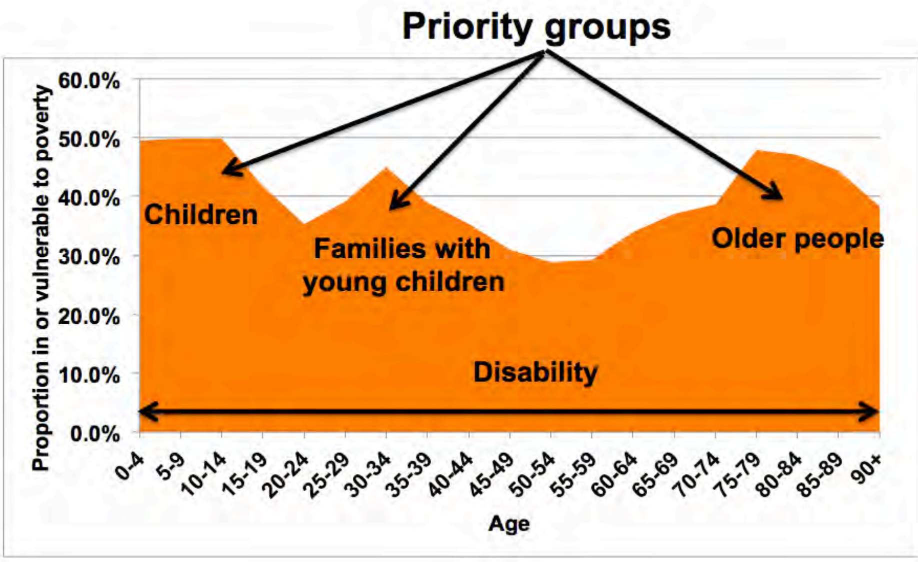
Although Vietnam has a disability benefit system, it is unclear what proportion of people with severe disabilities actually receive a benefit. It is evident, though, that many miss out and it is possible that some of those receiving the benefit have less severe disabilities. A comprehensive and robust disability benefit system would help alleviate many of the challenges faced by people with disabilities. A child disability benefit would support families in ensuring their children attend school, while also contributing to additional care costs. Among those of working age, a disability benefit would compensate for some of the additional costs of obtaining employment as well as the costs of care. And, to a large extent, an old age pension could be regarded as a disability benefit. However, people with disabilities – including the elderly – also require improved social care services and assistive devices, in particular to enable them to remain at home.

Summary of lifecycle challenges

An indication of how lifecycle challenges impact on wellbeing is demonstrated by Figure 3.14, which shows the proportion of the population that are either in or vulnerable to poverty, across age groups. The challenges faced by families with young children and older people are evident while disability contributes to higher poverty rates across all age groups. It is also important to bear in mind that the challenges faced by an individual can impact on the wellbeing of others. So, for example, the presence of an older person in need of care could impact on their adult children – whether they are in the same household or another – reducing their ability to work. In turn, this would have implications for the grandchildren. Similarly, the provision of a social assistance transfer to an individual can have positive knock-on impacts for others: in the case of an older person, it may enable them to care for their grandchildren, enabling the mother to return to work.

[88]Source: VHLSS (2006).

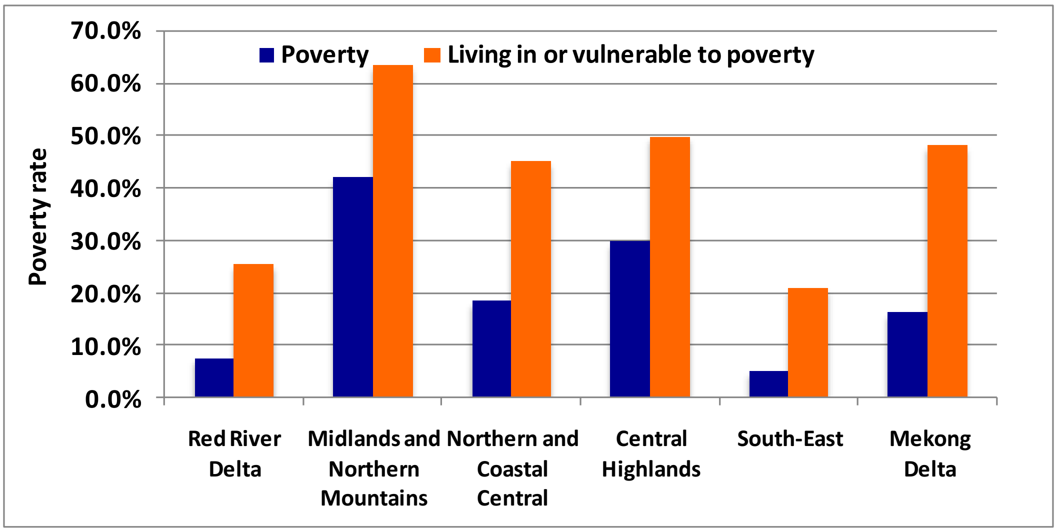
Figure 3.14: Proportion of population in different age groups that are in or vulnerable to poverty



3.3. Ethnic and geographic disparities

There are significant disparities between urban/rural areas, regions, and ethnic groups in Viet Nam. Around 49.4% of the rural population was either living in or vulnerable to poverty line 2012, while, in urban areas, the rate was only 17.5%. Poverty rates also vary between regions of the country, as indicated by Figure 3.15. The lowest poverty rates are found in the more developed and industrialised Red River Delta and South-East regions, while the highest poverty rate – at more than 40% (with over 60% living in or vulnerable to poverty) – is in the Midlands and Northern Mountains region.

Figure 3.15: Proportion of the population living in or vulnerable to poverty, in different regions of Viet Nam[89]

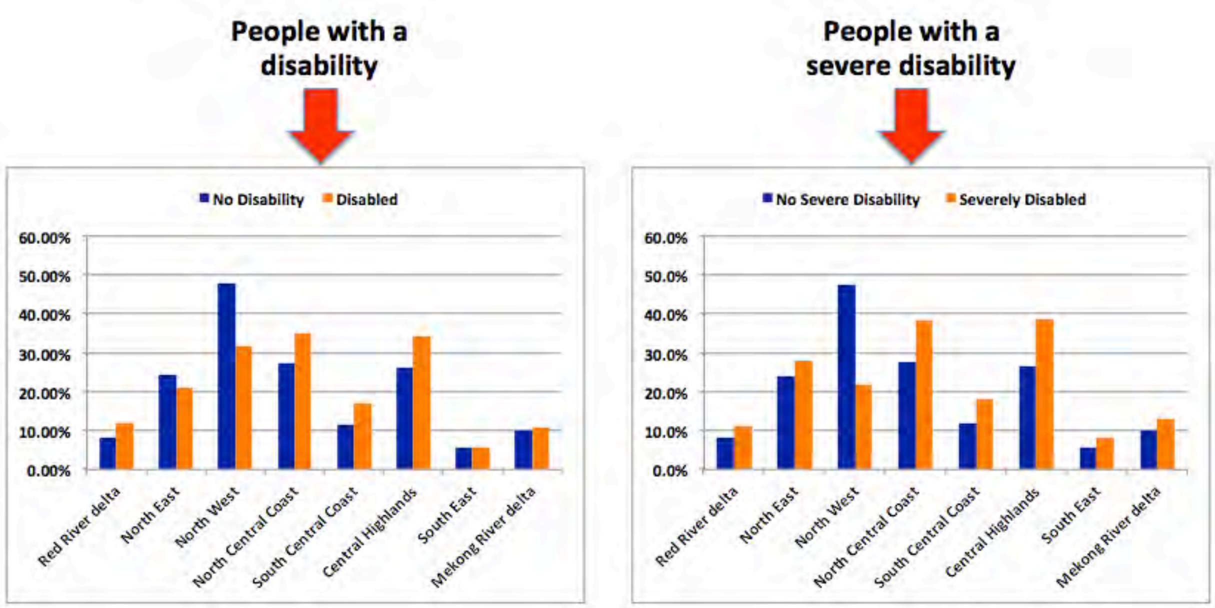


There are also differences in the poverty rates of people with disabilities between regions. Figure 3.16 indicates that poverty rates are highest in the North West, North Central Cost and Central Highland regions for both people with a disability and those without a disability. However, in the North West region, the poverty rate of people with disabilities is significantly lower than that of the non-disabled.

[89]Source: VHLSS 2012.

While this may be positive, it may, instead, indicate that people with disabilities living in poverty are more likely to die young in the North West, the region with the highest level of poverty. Therefore, those people with disabilities who survive are more likely to be in more affluent households.

Figure 3.16: Poverty rates of people with disabilities across regions (2006)[90]



Poverty is also concentrated among ethnic minority groups, who experience a poverty rate of 59.2%, compared to the majority Kinh and Hoa among whom the poverty rate is only 9.9%.[91] The government has a range of policies in place to provide additional support and services to ethnic minority groups although it is evident that much more needs to be done.

Social transfers can help address disparities, but not necessarily by providing higher transfers to those in a disadvantaged position. Indeed, since their incomes are lower, equal values of transfers would, in proportionate terms, benefit those who are more disadvantaged. However, paradoxically – as Section 2.2.3 mentioned – in Viet Nam, higher transfers are often provided to those in more affluent regions of the country, due to decisions taken by richer Provinces.

3.4. High levels and perceptions of inequality

Linked to the challenge of poverty and insecurity of income in Viet Nam is inequality. High levels of inequality not only reduce the impact of economic growth on poverty reduction, but can also hinder economic growth itself.[92] Furthermore, countries with high levels of inequality are at a greater risk of unrest and instability. Inequality not only affects the poorest members of society; those in the middle deciles can also find that they fall behind the most affluent. Given their greater capacity, it is often those in the middle deciles – who, as argued above, still experience insecurity of incomes in Viet Nam – who may be most active in expressing their opposition to inequality. Indeed, in recent years, the main social unrest and opposition in many middle-income countries has come from those in the middle of the income spectrum.

Viet Nam's income Gini coefficient was 39.4 in 2012 (World Bank 2014a). While this places Viet Nam in the middle of the global Gini distribution – and is lower than China, Indonesia and Thailand – it is higher than the Gini co-efficient in countries such as the United States of America and the United Kingdom,

[90]Source: VHLSS 2006.
[91] Source: VHLSS (2012).
[92]See, for example: Cingano (2014), Ostry et al (2014) and Oxfam (2014).

where inequality is recognised as a significant challenge.[93] Nonetheless, despite this relatively high level of inequality, Viet Nam has not, in the past two decades, experienced rising inequality: between 1993 and 2012, incomes of the bottom 40% of the population grew by 8.9% annually while those of the richest 60% grew by 7%. This has been the result of continuing growth in the agriculture sector, the fact that growth has not been restricted to the largest cities, the movement of unskilled labour into manufacturing jobs which has provided a boost to those in the middle of the income distribution, and the practice of remittances being sent from migrants in urban areas to their areas of origin (World Bank 2014a).

However, in recent years, the very poorest members of society have fallen further behind (World Bank 2014a). The fastest growth has been among those in the middle, in other words those in the 30th to the 80th percentile, although income dynamics will have resulted in many of these individual households falling behind. Furthermore, the highest absolute gains have been among those in the wealthiest 20%.[94]

According to the World Bank (2014a), a majority of the population is concerned about disparities in living standards, with the greatest discontent found in urban areas where inequality is recognised as a challenge by 76% of residents. Furthermore, younger people – who are likely to have the greatest aspirations – are the age group most worried about inequality.

While Viet Nam may not yet experience the levels of inequality found in Latin America, Southern Africa and some other parts of Asia, the threat of increasing inequality makes it a significant issue, as it is across many middle-income countries. As the country continues to progress and develops, it will be important to ensure that the growth model reduces disparities in income and wealth. International experience indicates that investment in social transfers can play a key role in ensuring the re-distribution of the fruits of economic growth and is a visible expression of a government's commitment to its citizens, thereby generating greater social cohesion.

3.5. Natural shocks and climate change

Viet Nam experiences significant exposure to natural weather-related shocks, in particular storms and flooding. These shocks can cause significant damage in particular localities, damaging both personal wellbeing and the economy. In 2014, 133 people were killed or disappeared as a result of natural disasters; 1,985 houses collapsed or were swept away; 42,758 houses were flooded and/or damaged; 230,086 hectares of paddies and crops were damaged; and a million cubic metres of transportation and irrigation facilities were damaged and buried and so on (ILSSA 2015g). It is estimated that the value of the total damage was VND2,830 billion. While natural disasters affect the whole country, as Table 3.2 indicates, coastal areas experience more frequent and harmful disasters. On average, coastal disasters are 2-3 times more damaging than those elsewhere and impacts on output and the number of people affected can be significant (Noy and Vu 2009). The frequency and impact of natural disasters is likely to increase as climate change becomes more acute.

Table 3.2: Impacts of weather-related disasters in Viet Nam[95]

Region	Observations[96a]	Killed[97b]	Affected[98c]	Damage[99d]	Annual obs.[100e]
Red River Delta	63	0.11	44.25	3.08	1.34

[93]It should be noted that the UK and USA use a different methodology to measure inequality, as it is based on income rather than consumption. So, they are not necessarily strictly comparable with Viet Nam.
[94]There are always questions, of course with the reliability of data. It is likely that the very richest households in Viet Nam have not been included in the VHLSS. On the other hand, some of the very poorest may have been missed.
[95] Source: Noy and Vu (2009).
[96]Number of disaster observations per region.
[97]Number of people killed (mean per 10,000).
[98]Number of people affected (mean per 1,000).
[99]Damage (mean % of output).
[100]Number of events per year (mean).

Northeast	76	0.15	49.21	4.33	1.43
Northwest	56	0.13	45.32	5.13	1.62
North-Central Coast	125	0.29	127.54	11.85	2.21
South-Central Coast	108	0.28	114.73	10.04	3.65
Central Highlands	78	0.16	116.43	9.52	3.15
Southeast	78	0.21	98.34	8.68	2.06
Mekong Delta	68	0.19	84.86	7.54	1.87
TOTAL	**732**	**0.20**	**75.52**	**5.58**	

Viet Nam's propensity to experience natural disasters requires a range of approaches, including a strong system of emergency assistance. However, if a comprehensive social transfer system were in place – with a high proportion of households including members in receipt of a regular and predictable transfers – the government could, in the event of a disaster, provide these households with an increase in the value of their transfers, to help them overcome the financial losses they face. Furthermore, the very fact that these households are in receipt of a regular transfer will provide them with greater resilience, especially if other sources of income are lost.

4 REVIEW OF THE NATIONAL SOCIAL ASSISTANCE SYSTEM

While Viet Nam has developed a lifecycle-based national social assistance system in recent years, it is still relatively small in scope and has a range of weaknesses. One of the aims of the MPSAR is to set out a strategic direction for the strengthening of the social assistance system. This chapter will review the current system, identifying the strengths and weaknesses of the three components: social assistance transfers, social care and emergency assistance. Based on this analysis, the following chapter will make proposals for reforming the system.

4.1 Social assistance transfers

In recent decades social assistance transfers have been increasingly recognised in middle-income countries as an important tool in addressing the social and economic policy challenges they face. The types of challenges faced by Viet Nam – as described in the previous sections – could be addressed, at least in part, by greater investment in social assistance transfers. Social assistance transfers can play a key role in tackling poverty, vulnerability and insecurity, strengthening child development, reducing inequality and strengthening stability, enhancing participation in the labour force, increasing productivity and, more broadly, boosting economic growth.

This section will, therefore, undertake an analysis of Viet Nam's social assistance transfer system. However, since, Viet Nam's social assistance transfers are one component of a broader three-pillar social security system any analysis of Viet Nam's social transfer system also needs to examine, where appropriate, linkages to the other two pillars of the system: social insurance and merits payments. The following areas will be examined: levels of investment, the coverage of the system, the value of transfers, the efficacy of current selection mechanisms, and the governance of the system and an analysis of the current system for delivery of social transfers. However, the section will begin by examining the impacts of the system.

4.1.1 Impacts of social security transfers

Despite an overall investment of 2.6% of GDP in social security – and 4.8 % if all employment-based transfers are included – the overall impacts of the system are relatively modest[101]. Table 4.1 indicates the impacts of the schemes on the national poverty rate as well as on the proportion of households living in and/or vulnerable to poverty. Overall, the system reduces the national poverty rate by 12.7% (on the base value): so, without all social security, the poverty rate would have been 19.7% compared to the actual poverty rate of 17.2%.

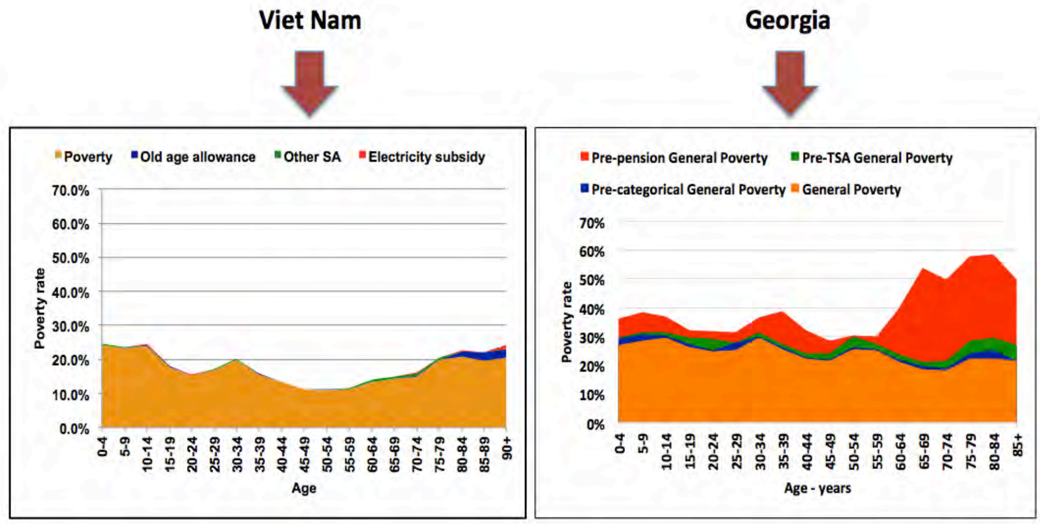
Table 4.1: Impacts on poverty and vulnerability rates of social security schemes (2012)[102]

Scheme	Poverty rate		Poverty and vulnerability	
	Rate	Percentage fall	Rate	Percentage fall
Baseline	17.20%	n/a	39.99%	n/a
80+ social pension	17.32%	0.7%	40.10%	0.3%
Other S.A.	17.37%	1.0%	40.19%	0.5%
Electricity subsidy	17.25%	0.3%	40.00%	0.04%
Total S.A. transfers	17.54%	1.9%	40.32%	0.8%
Merit payments	17.68%	2.7%	40.38%	1%
VSS	18.89%	8.9%	41.99%	4.8%
Overall	**19.71%**	**12.7%**	**42.71%**	**6.4%**

However, as Table 4.1 indicates, the main impacts of the system are from social insurance transfers and Merits payments, which is unsurprising given the high value of their transfers. In total social assistance transfers only reduce the national poverty rate by 1.9% on the base, due to the low coverage of the system and the low value of transfers (discussed further below). Figure 4.1 compares the impacts of Viet Nam's social assistance transfers with those of Georgia, which invests over 6% of GDP in social transfers and, despite a less favourable economic environment, is generating the same level of economic growth as Viet Nam. The impacts of Georgia's system are very significant, in particular from a universal social pension for women over 60 years and men over 65 years, in which Georgia invested 4.3% of GDP in 2013 (Baum *et al* 2015): for example, it reduced the national poverty rate by 23% (on the base). The impacts are likely to increase further, since Georgia, in 2015, has introduced a child benefit for 35% of the nation's children while the value of the pension has increased. In Viet Nam, the impacts are minimal and are mainly focused on those aged over 80 years. Children and working age families, for example, receive few benefits.

Figure 4.1: Impacts on the poverty rate of social assistance transfers across age groups in Viet Nam (2012) and Georgia (2013)[103]

[101] Author's calculations: value of SA plus all SI (VSS) transfers (public and private).
[102]Source: VHLSS 2012.
[103] Source: VHLSS 2012 and Baum *et al* 2015.



The low impacts of Viet Nam's social assistance transfers are reflected in a qualitative study undertaken by ILSSA.[104] While the beneficiaries of the transfers were grateful for the support from government, many noted that it does not contribute much to their wellbeing. Recipients of the social allowance for the elderly commonly referred to it as '*breakfast money*' or '*enough for a snack*', or '*daily coffee*'. A recipient of the disability allowance stated: *"The allowance is only enough for breakfast. It is not much, so how can it affect poverty reduction?"* Others observed that they could not use the cash for home improvements: *"The supporting money we enjoy from the social assistance programme is not enough for housing renovation, just enough for paying the monthly electricity bill..."* One recipient stated: *"...As my children provide for my daily expenses, the benefit is just my pocket money."* Indeed, some expressed feelings of inferiority because they were living in poverty and the allowance was insufficient to feed even themselves, thus forcing them to rely on their children. This is in sharp contrast to reports from other countries with pensions, in which the greater autonomy provided by social pensions builds self-respect and pride among older people, enabling them to pass their final days in dignity (Kidd 2015).

Nonetheless, some older people who were living in deep poverty found that the social allowance made more of a difference to their lives, including improving their nutrition. Parents of children with disabilities used the money for food, health and hygiene products such as diapers. For some people in desperate situations, the allowances are their only income (see Box 5). Older people also found that it enabled them to be less reliant on their children. One beneficiary explained: *"I don't want to be dependent on others."* Others found that they could help out their children occasionally, which enhanced their sense of worth: *"At this age," stated* one beneficiary, *"We can still help our children a little bit, and I am happy about that."* The allowance has also helped some older people to participate more in social networks, such as associations for the elderly. Importantly, the older persons' allowance contributed to a sense of being cared for by the government and the Party, offering "moral" support that enhanced their overall happiness. As one beneficiary of the older persons' allowance stated: *"I am very proud that the Government is concerned for me at my age."* Similarly, a recipient of a social allowance for children noted: "*Without the support, my family would struggle with daily expense as we have many children and one of them is disabled. Our life has become less difficult now and we appreciate Government and authorities at different level for this concern."*

[104] See Watson (2015) for further information.

Box 5: Experience of a 70 year old woman in Da Nang, who cares for her adult daughter aged 40 years

"I am too old to work and I have to take care of my adult daughter who is disabled. We have no other regular source of income but her monthly social assistance. I have one other son, but he has to take care of his own family and just sends me a little money occasionally. We two therefore rely on this amount to live - there is no other way. We even try to spend as little as possible, because we have to save money for health care and for her care when I die…"

The impacts of social assistance transfers on inequality are minimal, reducing the Gini coefficient from 0.359 to 0.357, a 0.5% reduction. This is in major contrast to those countries that have much more significant investments in social assistance transfers. For example, in 2007, Georgia's social assistance transfers reduced inequality by 11.2%, mainly through its old age pension (World Bank 2009).

The low impacts of Viet Nam's social assistance transfers are the result of its low level of investment which, in turn, derive from low coverage and low value of transfers. These issues will be examined in greater detail in the following sections.

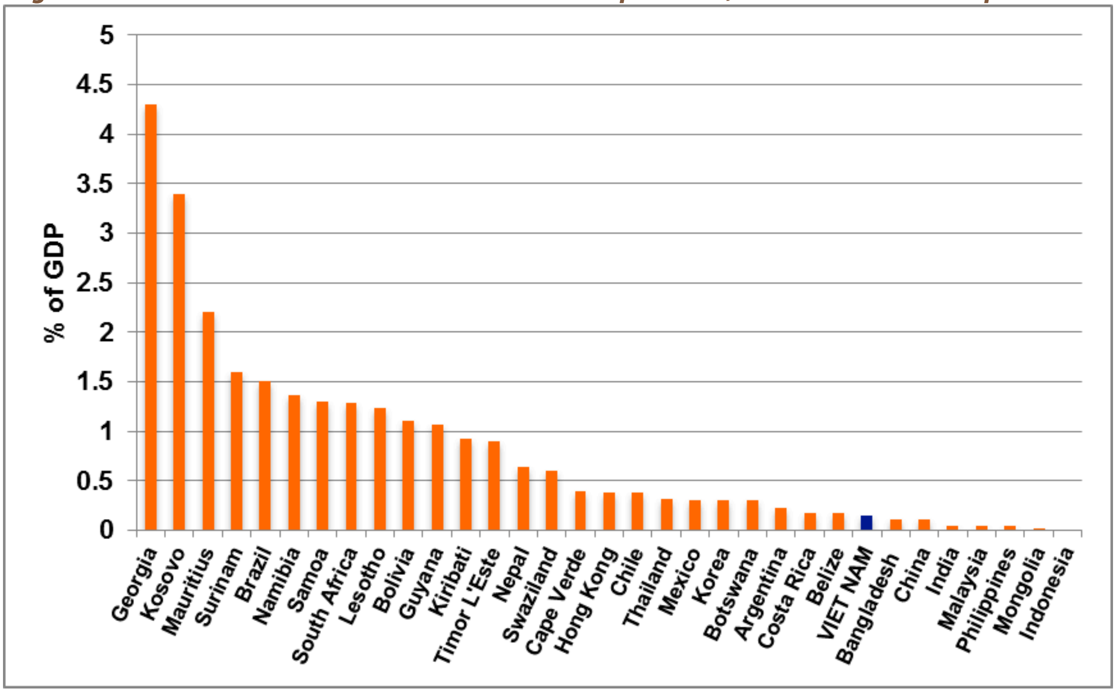
4.1.2 Budgets and expenditure

As indicated in Chapter 2, the investment by government on social assistance transfers is well below its investment in subsidies to the social insurance system and Merits transfers. This suggests minimal political commitment to offering social assistance transfers to the majority of the population, including those living in and vulnerable to poverty. Instead, the government has prioritised support to those that, potentially, have greater political influence, in particular government civil servants and other employees, formal sector employees and those recognised for their direct involvement in the revolution and military struggles.

Viet Nam's expenditure on social assistance transfers is also well behind a number of other middle-income countries. So, for example, South Africa and Brazil both invest around 3% of GDP in social transfers, while Georgia invests more than 6% of GDP.[105] In fact, Viet Nam's expenditure is also behind some low-income countries in Asia, such as Nepal and Bangladesh, which invest between 0.6% and 0.8% of GDP in social transfers.[106] Of course, there are countries in the Asia region investing less than Viet Nam, however, these countries are recognised as having a minimal commitment to social assistance transfers.

Viet Nam's investment in its largest schemes – its social pensions (both the social allowances for over-80s and those aged 60-79 years) – is also low in international comparisons, due to the low value of the transfers and the focus on supporting mainly the oldest old. Figure 4.2 compares Viet Nam's investment in its social pensions with other developing countries. While many developing countries invest more than 1% of GDP in social pensions, Viet Nam's current investment is around 0.14% of GDP (2013 base of 0.09% uplifted for recent increases).[107] Of those countries offering social pensions, Viet Nam's expenditure is one of the lowest levels of investment in the world and is well behind even Nepal, one of the poorest countries in Asia (although it needs to borne in mind that there are a number of middle income countries providing no social pension at all).

Figure 4.2: Level of investment in Viet Nam's social pensions, in international comparison[108]



[105]Source: Kidd *et al.* (2014) and Baum *et al* (2015). Brazil, in fact, invests more than 14% of GDP in social security.
[106]Kidd and Wylde (2011); Kidd and Khondker (2014).
[107] The figure of 0.14% of GDP is based on expenditure of 0.09% in 2013 – according UNDP staff estimates (also see UNDP/ VASS, 2016) – and multiplied by 1.5, to take into account the increase in transfer values in 2015.
[108]Source: Baum et al (2015), Kidd and Damerau (2015) and Pension Watch Social Pension Database at: http://www.pension-watch.net/about-social-pensions/about-social-pensions/social-pensions-database.

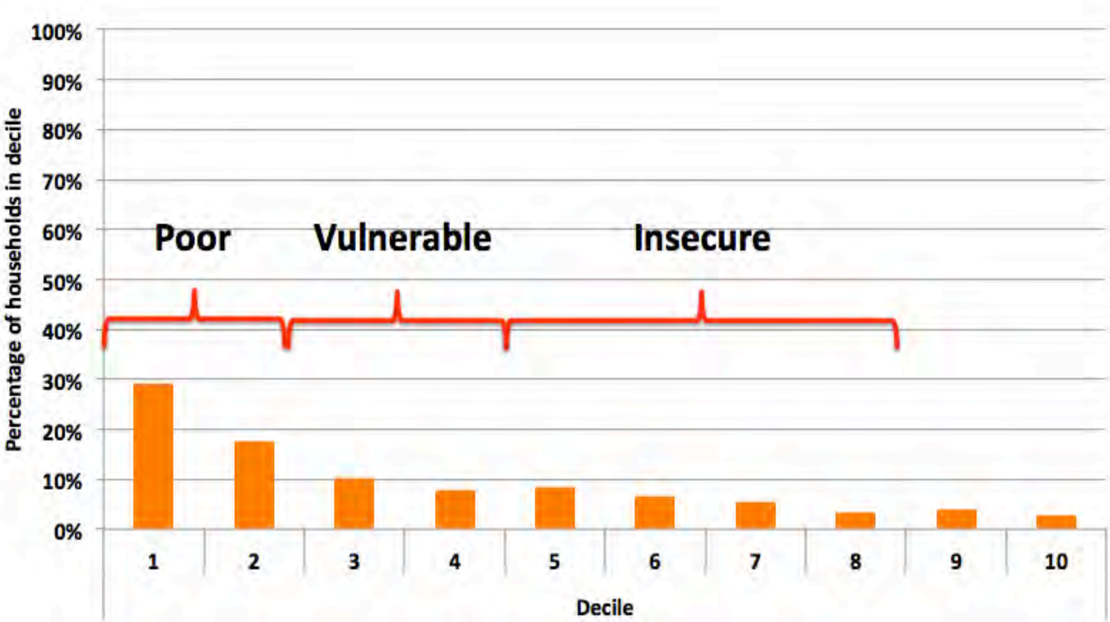
Viet Nam should, therefore, evaluate whether to increase its level of investment in social assistance transfers to bring it in line with, initially, some of the low income countries in the Asia region and, subsequently, more progressive middle-income countries. Chapter 5 suggests that moving towards a level of investment of 0.8% of GDP – which would be similar to the low income countries of Nepal and Bangladesh – is feasible over the next 5 years. But, as a middle-income country, Viet Nam should be more ambitious and move to the type of social assistance transfer system that addresses key lifecycle contingencies and characterises the economies of many middle-income countries, while reaping the benefits. However, the direction of change is, to a large extent, dependent on decisions on coverage and the value of transfers, which are dealt with in the next two sections.

4.1.3 Coverage of social transfers

Both the budgets and impacts of social assistance transfers depend, to a large extent, on the proportion of the population reached by schemes. While many developed and some middle income countries provide transfers to a high proportion of the population – and, in countries such as Brazil, Georgia and South Africa, the majority of households receive at least one social transfer – in Viet Nam, coverage is relatively low.

Around 2.7 million individuals receive one of the Social Assistance Allowances from MOLISA and it is estimated that around 2 million households receive the electricity transfer (although some households will receive both). It is unclear exactly how many children receive cash education stipends, but recipients were estimated at 2 million pupils and students for 2014[109]. According to VHLSS 2012, around 10.2% of households access some form of social assistance transfer. Figure 4.3 indicates the coverage of social assistance transfers among households across wealth deciles. Over 70% of households in the poorest decile and over 80% in the second poorest decile received no social assistance transfer at all in 2012. Furthermore, among those that could be considered as living in and vulnerable to poverty coverage is minimal.

Figure 4.3: Coverage of wealth deciles by social assistance transfers[110]

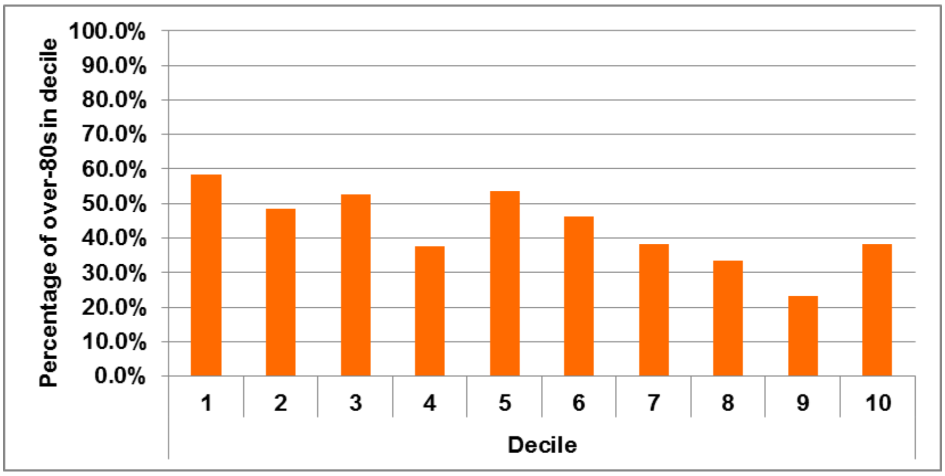


As discussed earlier, Viet Nam has built a basic lifecycle system of social transfers, with the main focus on providing support to the elderly, in particular those over 80 years of age. Therefore, the category of the population likely to be best covered is older people. However, many over-80s do not access the social allowance: the VNAS 2011 dataset suggests coverage of 64% while the VHLSS 2012 indicates even lower coverage of around 45% of over-80s. As Figure 4.4 indicates, coverage is higher among those living in greater poverty, with coverage declining among those in the richest 40% of the population,

[109] Source: New data from ILSSA (2014) number excludes recipients of fee re-imbursements.
[110] Source: VHLSS 2012

indicating that they receive another form of pension. Some, however, may have self-excluded, perhaps because the value of the transfer is too low. However, many over-80s living in poverty do not access the social allowance.

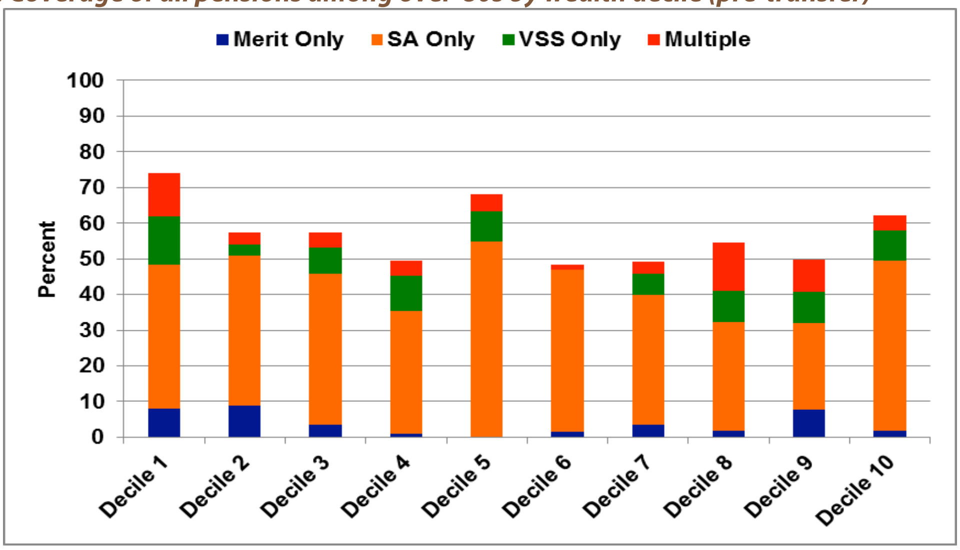
Figure 4.4: Coverage of over-80s allowance among over-80s, across wealth deciles (pre-transfer)[111]



The coverage of schemes also varies according to location. For the Over-80s Social Allowance, urban areas – excluding Ha Noi and Ho Chi Minh City – have the highest proportion of over-80s receiving the scheme, at 88.3%, while rural areas have 78.3% and Ha Noi and Ho Chi Minh City have only 63%[112] (IL0 and UNFPA 2014). There are also significant differences between regions, with around 90% of over-80s receiving the allowance in the Mekong River Delta and Central Highlands, while coverage is below 50% in the Northern Mountains.

However, the over-80s social allowance is pension-tested and those receiving VSS pensions or Merits payments are ineligible. Figure 4.5 indicates coverage of all pensions among those aged over-80 years, according to VHLSS 2012. Around 60% of over-80s received at least one pension in 2012, with coverage among the poorest decile (pre-transfer) at over 70%. However, given that coverage among over-80s should be universal, it is noteworthy that around 40% of the target group are excluded from any form of pension.

Figure 4.5: Coverage of all pensions among over-80s by wealth decile (pre-transfer)[113]



[111]Source: VHLSS (2012)
[112]Source of data used by the ILO and UNFPA (2014) was the VNAS 2011.
[113]Source: VHLSS 2012. Multiple transfers refer to a household receiving more than one transfer, rather than an individual.

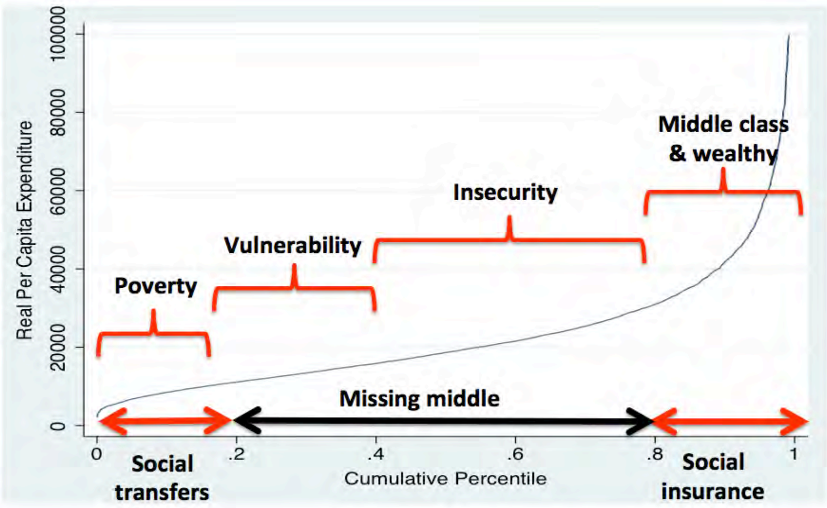
Apart from older people, the other category of the population prioritised by Viet Nam is people with disabilities. While there are 1.03 million people aged between 20 and 65 years with a severe disability, only around 730,000 million people receive the disability transfer from MOLISA. Indeed, many of these recipients are likely to be over 65 years of age. Furthermore, many recipients may be disabled, but may not have a severe disability. Therefore, coverage of working age people with severe disabilities is likely to be limited.[114] Yet, as argued in Section 3.2.3, people with severe disabilities are more likely to live in poverty while the absence of disability benefits almost certainly reduces the ability of people with disabilities to obtain productive employment, given the extra costs they face in accessing work.

Very few children are able to access social transfers. Ethnic minority and the poorest children are able to access education stipends, but coverage is likely to be no more than 10% of children. Given the reality of income dynamics and the likely inaccuracies of the Poor List – see Section 4.1.5 – the majority of the poorest children are likely to miss out. Furthermore, MOLISA's social assistance transfers reach only around 200,000 children, a tiny proportion of the total number of children in the country, many of whom are particularly vulnerable.

Overall, therefore, although Viet Nam is developing a lifecycle system of social assistance transfers, there are significant gaps. Around half of over-65s are unable to access a pension, coverage of working age people with disabilities is low, while access of children and vulnerable women to the system is minimal. Furthermore, over 70% of the very poorest households are excluded from social transfers (although some may receive education stipends), while coverage of those that are vulnerable to poverty or living in insecurity is negligible.
In fact, with the exception of the very oldest people and Merits payments, the State appears to direct its social security system at two groups in the population: those living in poverty, who receive social assistance transfers (although they only reach a minority), and formal sector employees who are incorporated within the social insurance system. Figure 4.6 depicts this dual focus of the social security system, indicating that the majority of the population – those who are vulnerable to poverty or have insecure and inadequate incomes – are excluded from the social security system. In a sense, they are a "missing middle," with most in the informal economy. Not only are they unable to access benefits as they raise their children, the majority have no prospect of receiving a pension when they reach retirement age or experience a disability. Yet, given their low and uncertain incomes, they – and their families – would benefit from access to regular and predictable transfers across their lifecycle, from childhood to old age. Unfortunately, evidence from around the world suggests that voluntary social insurance is not a solution and the only way of ensuring access to social security benefits is through tax-financed social assistance transfers.

[114]Due to the absence of disability data in VHLSS 2012, it is not possible to provide information of coverage of people with disabilities for 2012.

Figure 4.6: Ideal view of coverage by Viet Nam's social security system, from a policy perspective (except for over-80s and people with disabilities)



Coverage by social assistance transfers is, therefore, very low in Viet Nam across all categories of the population, and well below that of many middle-income countries. Viet Nam, should, therefore consider gradually expanding its social assistance transfer schemes, focusing on addressing priority key lifecycle contingencies. Most countries initially establish effective old age pension and disability benefit systems, before addressing directly the needs of working age families through support for children. Chapter 5 will set out a feasible and affordable path for Viet Nam to achieve this.

4.1.4 Value of transfers

The impact of social assistance transfer schemes on individual and family wellbeing depends, to a large extent, on the value of the transfers provided. They need to be high enough to achieve their objective but not so high – in the case of working age families – to discourage active engagement in the labour force. Yet, Viet Nam's social assistance transfer system appears to be characterised – when compared to other developing countries – by low transfer values. This section begins by describing the value of transfers before making an assessment of their relative value against three parameters: the poverty line; other social security transfers; and, international experience. It will also examine how the real value of transfers has changed in recent years.

The minimum value of MOLISA's social assistance transfers has been VND270,000 per month, since January 2015. The actual value of transfers received by some beneficiaries is, in fact, higher than the minimum value since the government applies multipliers – known as coefficients – to the transfers for some categories of beneficiaries (as outlined in Decree 136/2013). Higher coefficients tend to be applied when the recipient experiences a double disadvantage – such as old age and disability – has HIV and AIDS or is an orphan (Toan 2014). However, since benefits for older people and people with disabilities have a co-efficient of 1, most benefits are paid at the value of VND270,000 per month. Other social transfer schemes have a range of transfer values. For example, the electricity subsidy provides families with VND48,000 per month while education stipends for children on the Poor List are paid at VND70,000 per month (for 9 months per year).

However, as indicated earlier, some provinces – in particular those with budget surpluses – pay a higher level of benefit, financing the increase out of provincial resources. There is, as yet, no reliable information on the value of transfers across Provinces but, in 2014, they were unlikely to exceed VND350,000 per month (with multipliers added, which may also vary by Province).[115]

[115] The value of VND350,000 per month is based on information from 2014, when the minimum value of the social assistance transfers was VND180,000 per month. Therefore, it is possible that values have risen in some Provinces in 2015.

The base social assistance transfer is low when compared to the poverty line. In 2012, VND180,000 per month – the value of the transfers at the time – was 45% of the per capita rural poverty line and 36% of the urban poverty line. It is, therefore, insufficient for an individual's subsistence, especially given that the majority of recipients are either severely disabled and/or over 80 years of age and have considerable needs. Furthermore, in households of more than one person, it offers little and does not enable particularly poor and vulnerable households to escape poverty. There are growing calls for social assistance transfers to be able to help families reach the minimum living standard of VND1,400,000 per person per month. Yet the current old age allowance is only 19% of this value.

The qualitative research undertaken by ILSSA supports the view that social assistance transfers are of low value. As indicated earlier, many beneficiaries complain that they can purchase very little with the transfers. Among older people benefitting from the social allowance, around 94% stated that the value was too low. Comments included: *"The normal breakfast costs me at least VND15,000 per day, while the monthly Government subsidy is only enough for a bowl of noodle and some fish,"* and, *"I am old but the allowance is quite small and I have to feed my school-aged grandchild; therefore I still have to work to cover daily expenses."* Box 6 outlines the viewpoints of a range of caregivers of children who receive social assistance transfers.

Box 6: Comments of caregivers of children on the value of the social assistance transfers received[116]

"The support is not enough for daily food, as everything is expensive now. The amount received can only buy 15kg rice."

"This money can buy 20kg rice per month. It can therefore only partially reduce our difficulties. For the other thing we learn how to manage."

"Whenever I health problems, the VND180,000 is not enough for medicine. We have to borrow from the neighbours."

"My child has a severe illness, -we have to pay for medical treatment every month. The remaining bits of money can only go towards rice and daily food."

"We spend VND5,000-10,000 just on our children's daily breakfast. The remaining money from the allowance is used for purchasing books, pens and other school supplies… however, it's never enough.

"We expect to receive 500,000/month as the price is higher now. With the current support, we can only buy rice."

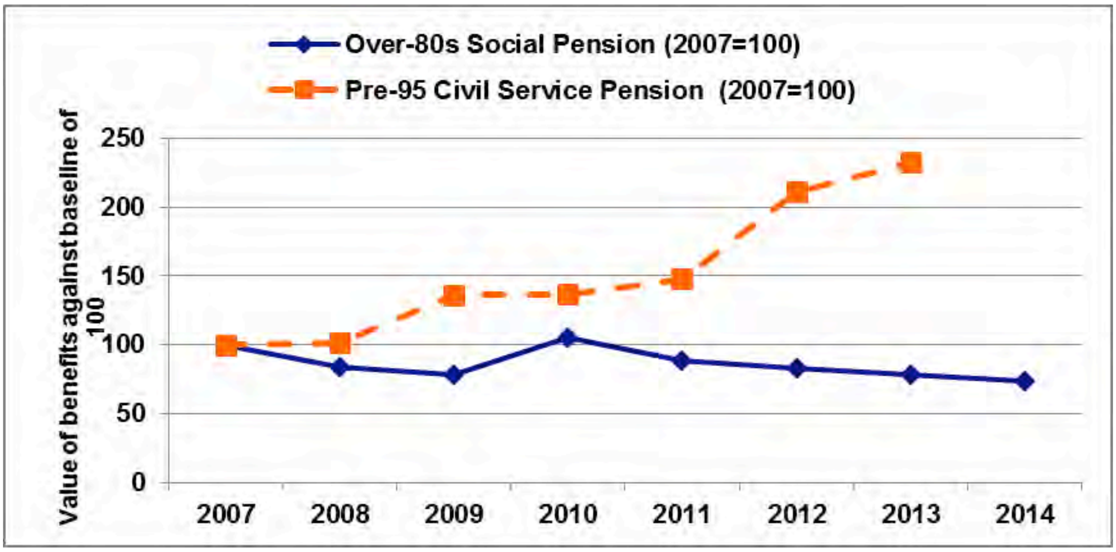
The values of social assistance transfers can also be compared with those of other transfers in Viet Nam, as well as other countries. For example, the values of social assistance old age transfers are only a tiny proportion of social insurance old age pensions. According to administrative data, in 2013, the average monthly pension for a pre-95 retiree was VND3.2 million per month, while other categories of pensioners – in particular ex-military – received significantly more.[117] This is more than ten times the value of the social assistance allowances. Similarly, Merits payments – at VND870,000 per month – were almost 5 times the value of social assistance transfers in 2012. These indicate a significant bias in government policy towards more powerful minority groups in the population, at the expense of the majority of the population.

In fact, in recent years, social insurance transfers have increased in value at a rate that is significantly higher than social assistance transfers. As Figure 4.7 shows, the real value of social insurance pensions

[116] Source: Watson (2015).
[117] Information provided by MOLISA.

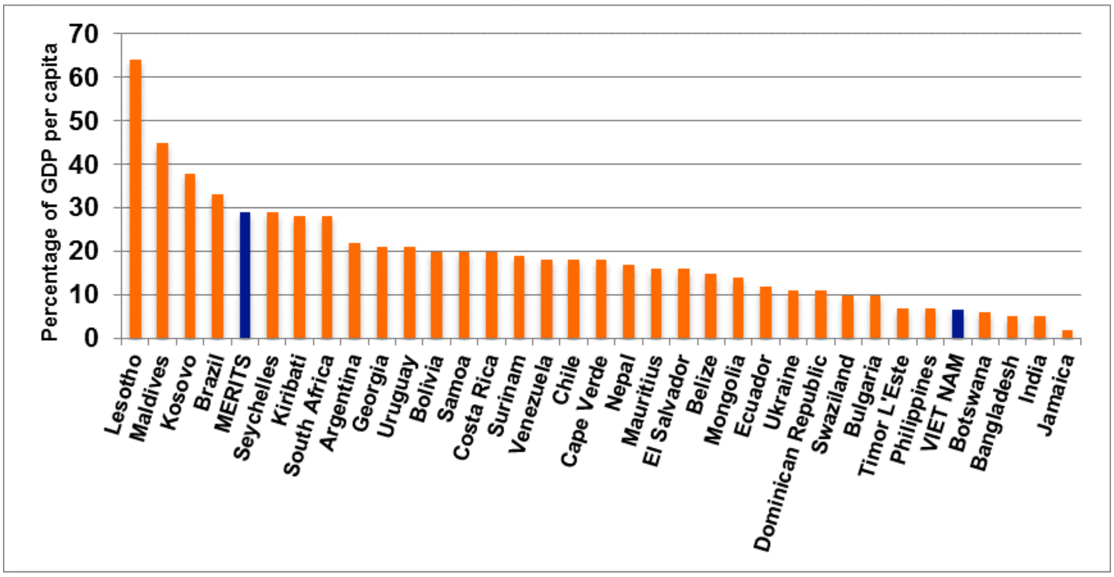
more than doubled between 2007 and 2013, while the value of social assistance transfers fell. Their purchasing power value was only restored to the 2007 value in January 2015, when they were increased to VND270,000 per month. However, if social insurance pensions had increased at only the value of inflation, the savings could have been made to finance a significant growth in the national social assistance transfer system, benefitting many more people and generating significant goodwill for the government among the majority of citizens.

Figure 4.7: Purchasing power of social assistance schemes and contributory pensions over time



When compared to international experience, the base values of social assistance transfers again appear low. Figure 4.8 compares the value of the Over-80s social allowance and Merits payments – as a percentage of GDP per capita – with other social pensions in developing countries. Viet Nam's social pension is one of the lowest in developing countries, and is equivalent to only 6.7% of GDP per capita. In contrast, as noted earlier, the value of Merits payments compares favourably with the social pensions of a number of middle-income countries and, potentially, could be regarded as the target value for a national social pension.

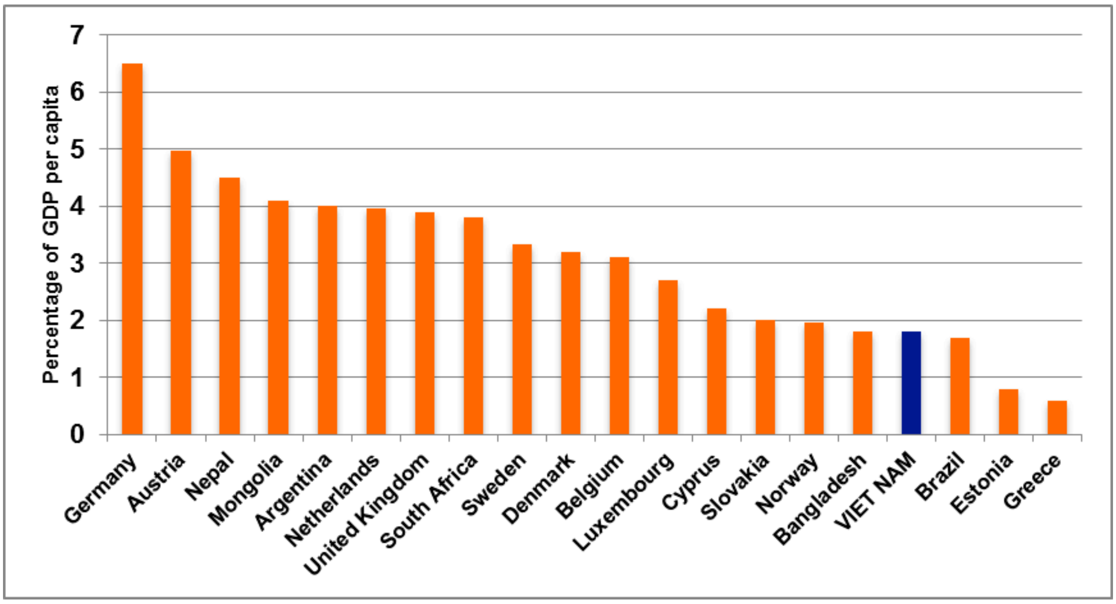
Figure 4.8: Comparison of value of old age social pensions in Viet Nam with other developing countries[118]



[118]Source: Pension Watch database at: http://www.pension-watch.net

Similarly, the value of Viet Nam's disability benefits is also low in international comparison, since disability benefits often align to the value of old age pensions (Kidd and Abu-el-Haj 2015). Viet Nam does not have a conventional child benefit but, as Figure 4.9 shows, the value of its education stipend at VND70,000 per month – which will be used by the SASSP project to provide a child grant in its pilot provinces – is also low when compared to other countries. The value of the transfer is low, at less than 2% of GDP per capita and well below both Mongolia's universal Child Money benefit, Nepal's recently introduced child benefit scheme and South Africa's well-known Child Support Grant.

Figure 4.9: Comparison of value of child benefits in Viet Nam with other countries[119]



There is, therefore, significant scope for Viet Nam to increase the values of its social assistance transfers and bring them more in line with other middle-income countries. An increase in the value of transfers would significantly enhance their impacts on the wellbeing of recipients, while also benefitting the national economy by stimulating consumption and demand. If they are not increased, working age families will have to continue to bear the burden of caring for people with severe disabilities and the elderly, limiting their ability to invest in their own children. Furthermore, a mechanism needs to be put in place to ensure that social assistance transfers increase in value on an annual basis, at least in line with inflation. Chapter 5 explains how Viet Nam could implement modest increases in the value of transfers while also expanding coverage.

4.1.5 Selection of beneficiaries[120]

The efficacy and cost-efficiency of social transfers are reduced if the correct beneficiaries are not selected. Internationally, countries adopt a range of different approaches to selecting recipients of social transfers. Countries where social transfers are viewed as entitlements for citizens are more likely to offer transfers to everyone in a particular category or, at least, to a high proportion of the category. In contrast, countries that do not adopt a rights approach are more likely to target resources at those living in poverty. A key motivation for the choice of approach is cost: social transfers with high coverage will, necessarily, require higher budgets than those selecting only a small group of people living in poverty. Lower costs also mean lower taxation, which is important to some policymakers. However, countries implementing high coverage of transfers tend to recognise the social and economic benefits

[119]Source: Source: Kidd and Huda (2013), SASSA (2012) and author's calculations based on information provided by Hideyuki Tsuruoka, who obtained information from national government websites and the Eurostat database at: http://ec.europa.eu/eurostat/data/database.. The values of many of the European child benefits are for the first child only. For subsequent children, it is common for the value of the benefits to increase, per child.

[120] See Kidd et al (2015) for an in-depth discussion of selection mechanisms in Viet Nam.

of social transfers as well as the political benefits that high coverage can bring to governments, due to their popularity.

As explained earlier, most countries establish life cycle systems of social transfers, in particular as they transition to more modern market economies. In this context, governments may establish a range of approaches to selecting beneficiaries for each scheme, ranging from offering schemes to everyone in a particular category to selecting only those living in extreme poverty. Each country adopts its own mix of approaches, contingent usually on the extent to which social security is viewed as an entitlement. As noted earlier, Viet Nam has recently taken the approach – in its Constitution – of recognising the right of all citizens to access social security. Many middle income and developed countries offer universal coverage to the elderly, while increasing numbers are expanding coverage to people with disabilities and children.

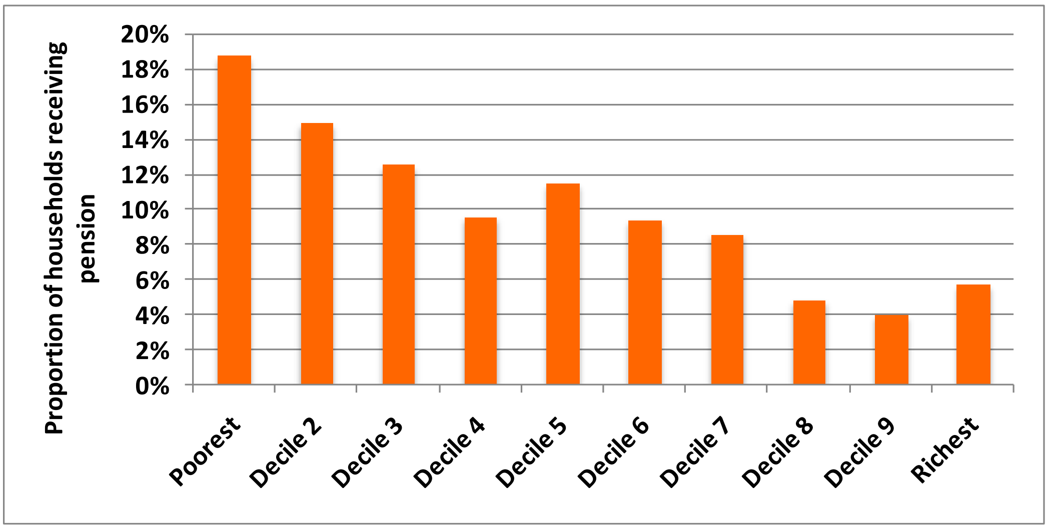
Identifying recipients of universal programmes is relatively simple and exclusion errors are usually minimal. However, no developing country has been able to accurately identify those living in poverty. All mechanisms used to target the "poor" in middle income countries have high errors: for example, the *Bolsa Familia* scheme in Brazil and Mexico's *Oportunidades* programme – both of which are regarded as well-targeted – exclude 49% and 70% respectively of their target populations, with both reaching approximately one-fifth of households nationally (Veras *et al* 2007; Soares *et al* 2010). The reasons are related to the challenges of measuring income among those in the informal or subsistence economies and the dynamic nature of household incomes, which means that "targeting" mechanisms are, in effect, trying to hit a moving targeting.

In fact, "targeting" – which implies accuracy – is a misleading term to use in the context of attempting to identify those living in poverty. In reality, inadequate budgets and coverage mean that the best that can be achieved when selecting those living in poverty is the "rationing" of limited resources to a small group of the population, who are chosen from a much larger group of equally "deserving" people. Rationing necessarily implies that many "deserving" people – often the most disadvantaged – will be excluded from schemes.[121] Of course, a rationing mechanism cannot be an entitlement, since it does not guarantee that all those eligible for a scheme can access it when they require it.

In Viet Nam, a mix of selection approaches is used. The Over-80s Allowance offers universal coverage through "pension-testing": everyone without another form of pension is eligible to receive it. Although it is a very simple mechanism, as Section 4.1.3 indicated, a surprisingly high proportion of over-80s do not receive the allowance. The reasons are unclear, but it is probably due to poor communications about the scheme and deficiencies in the registration process. However, as Figure 4.10 indicates, the scheme itself – despite its universal nature – is relatively progressive, with the majority of recipients within the lower half of the consumption distribution. Furthermore, even older people in higher income households are likely, themselves, to have low incomes, as most are unable to work.

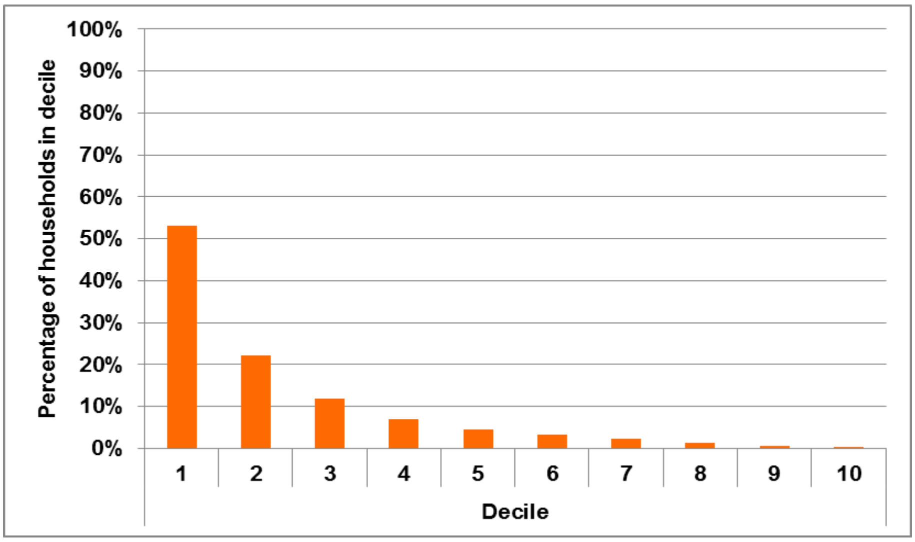
[121]See Kidd and Hossain (2015) for a more detailed discussion.

Figure 4.10: Targeting incidence of the Over-80s Social Allowance (measuring the proportion of all beneficiaries that are in each wealth decile)[122]



Viet Nam also has a system for identifying the "poor" and "near-poor," known as the Poor List. It is re-assessed each year and employs a mix of community selection and an objective assessment of wellbeing (see Kidd *et al* [2015] for more information). Nationally, 11.8% of the population was identified as "poor" in 2012. However, as Figure 4.11 indicates, the Poor List experiences many of the challenges of other poverty-targeting mechanisms in developing countries. Almost half (47%) of all households identified as in the poorest decile of the population in 2012 were excluded from the scheme, with leakage to more affluent households. Nonetheless, this still is one of the best performing poverty targeting mechanisms in developing countries although, in reality, it has many of the characteristics of a rationing mechanism (Kidd *et al* 2015).

Figure 4.11: Coverage within consumption deciles of households selected on to the Poor List (2012)[123]

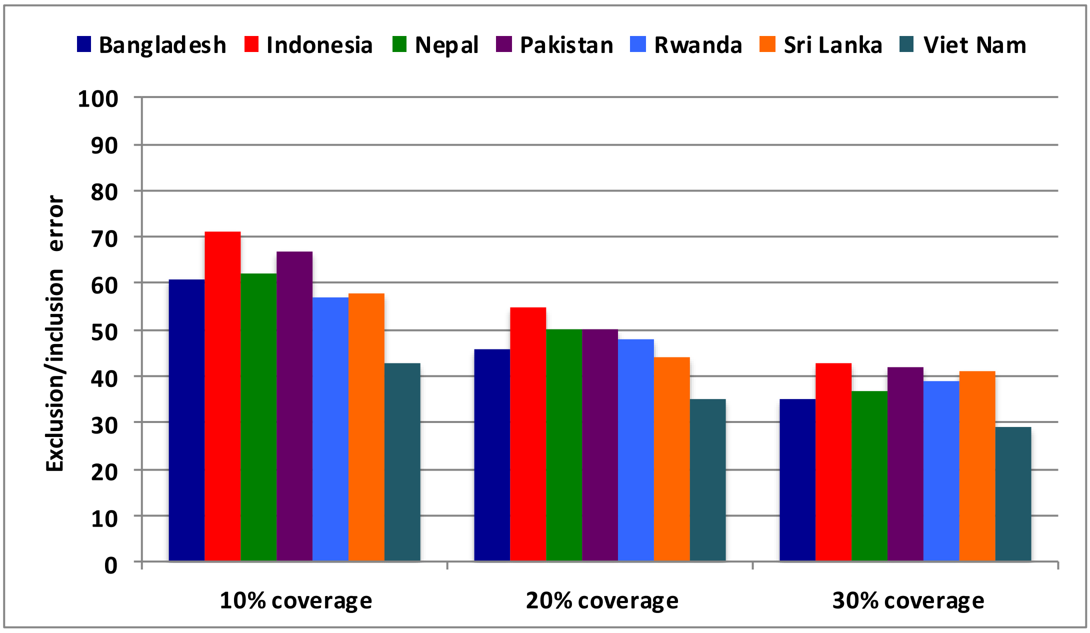


Many developing countries have undertaken initiatives to improve the accuracy of their poverty targeting mechanism, though often with limited success. The proxy means test (PMT) targeting mechanism has become very popular in developing countries yet, despite its popularity, it has

[122]Source VHLSS (2011).
[123]Source: VHLSS 2012

particularly high errors included within its design, usually excluding over 50% of intended recipients even before it is implemented.[124] As Figure 4.12 shows – which compares theoretical exclusion and inclusion errors for a proxy means test in Vietnam and other developing countries – design errors within the proxy means test usually increase significantly following implementation.

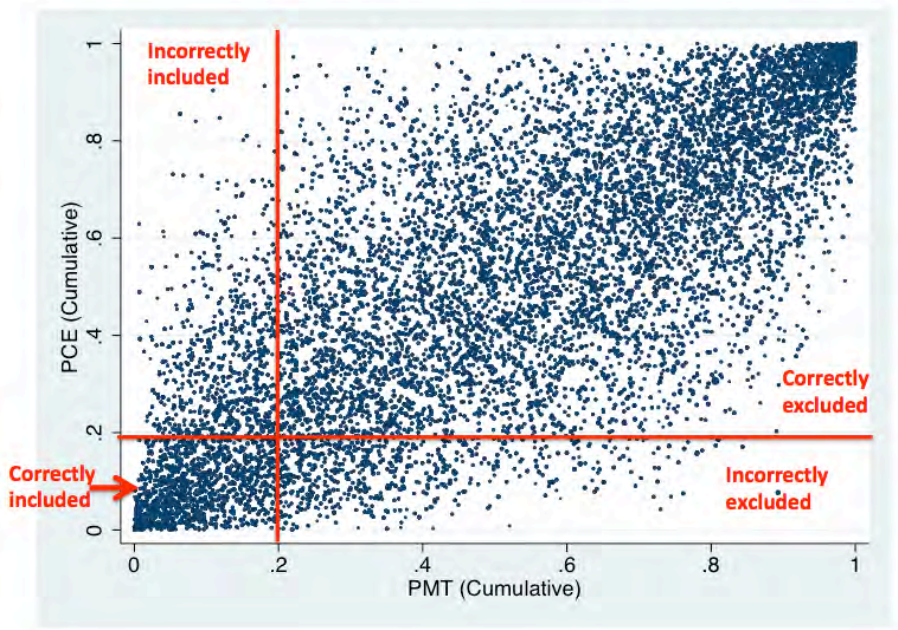
Figure 4.12: Theoretical exclusion and inclusion errors for a proxy means test against various coverage rates[125]



Furthermore, the PMT is a relatively arbitrary selection mechanism. Figure 4.13 sets out a scatter-graph in which each household in the VHLSS 2012 is mapped according to its ranking of income predicted by the PMT and its actual expenditure as recorded in the VHLSS. If the PMT were accurate, all households would be lined up along a line from the bottom left corner to the top right. In reality, there is a significant scatter of households across the graph. In fact, when coverage is set at 20%, the only households that would be accurately selected by the PMT are those in the bottom left quadrant while those in the bottom right quadrant would be households in the poorest 20% of the population that are excluded. The arbitrariness of the PMT selection methodology explains why it is often referred to by community members as a "lottery" and can
provoke social conflict and jealousies (Kidd and Wylde 2011).

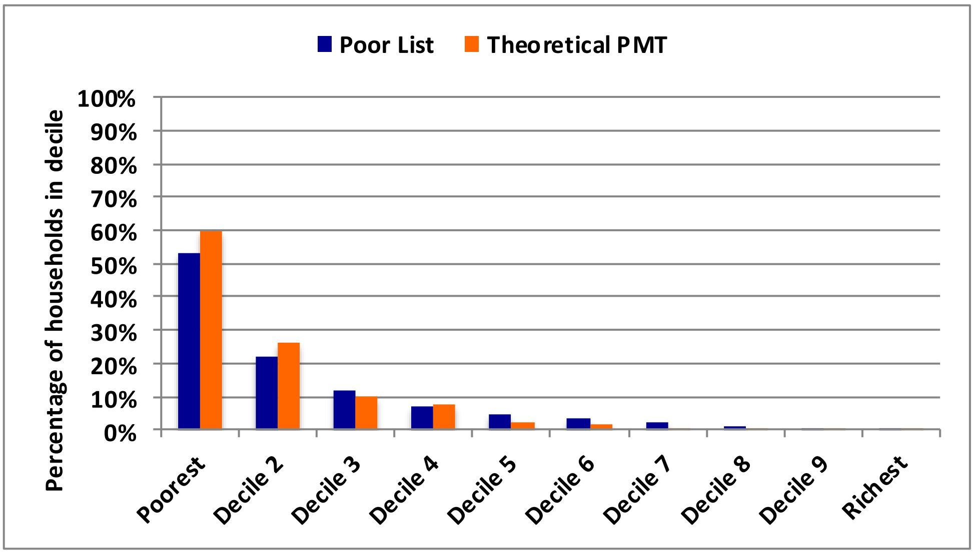
Figure 4.13: Scatter-graph mapping actual and predicted expenditures of households in Viet Nam, and accuracy of targeting with 20% coverage[126]

[124] See Kidd and Wylde (2011) for further information on the proxy means test targeting mechanism.
[125] Source: Kidd and Wylde (2011) and Kidd and Khondker (2013).
[126] Source: the VHLSS 2012 was used to generate these results and analysis was undertaken by Tareq Abu-el-Haj



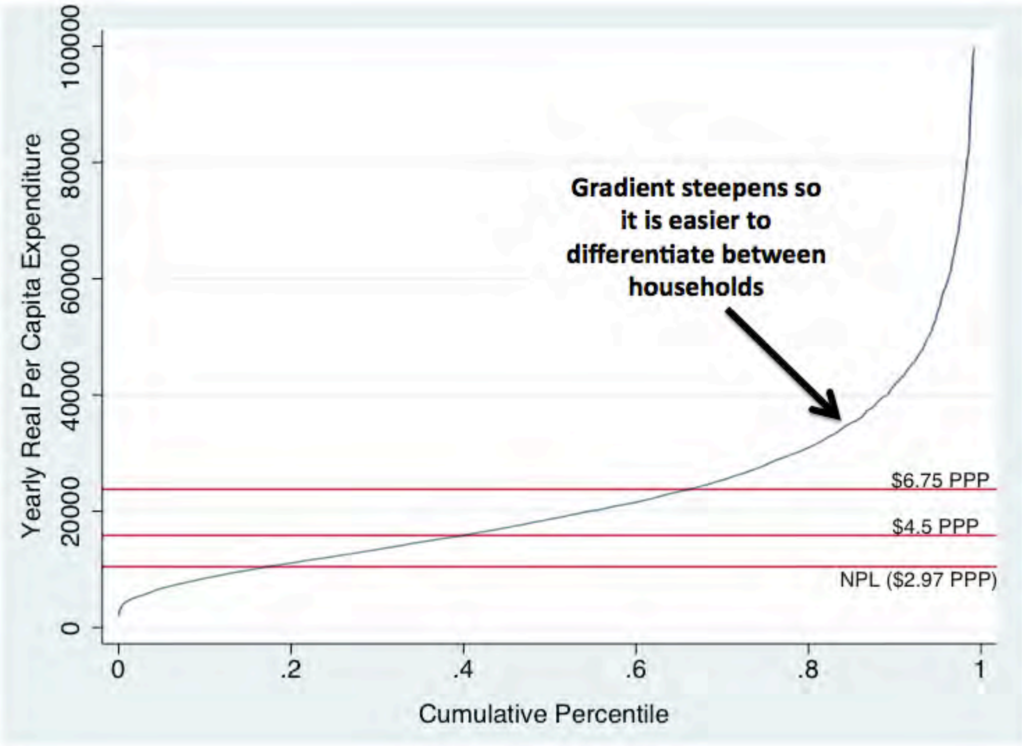
Assuming that Viet Nam continues to identify those living in poverty for some programmes, the government needs to determine whether the PMT is a preferable design to the Poor List methodology. Figure 4.14 compares the effectiveness of a simulated PMT for Viet Nam with the Poor List, in terms of their proportion of each expenditure decile that would be reached. Superficially, it would appear that the PMT methodology performs a little better than the Poor List. However, it needs to be borne in mind that the results on the Poor List incorporate significant implementation errors while the PMT results are entirely theoretical. Once a PMT is implemented, further errors are generated which further reduces its accuracy. As a result, it is unlikely to be an improvement on the existing Poor List.

Figure 4.14: Comparison of the Poor List and theoretical PMT methodology in terms of their coverage of households across each consumption decile



A selection option that could be used in Viet Nam for some programmes is “affluence testing,” which is likely to be easier to design than poverty targeting mechanisms. It implies screening out the most affluent, rather than trying to identify the poorest. As Figure 4.15 shows, the distribution of households in Viet Nam in terms of their relative wealth, from poorest to richest, is relatively flat across the majority of the population, but the gradient steepens as it reaches the most affluent. At this point, it should be easier to differentiate between the most affluent and the rest of the population, using relatively simple criteria. For example, an assessment of eligibility could be made on the basis of VSS contributions and income tax declarations. South Africa uses an affluence test for its social assistance transfer schemes, providing benefits to 70% to 80% of the eligible categories.

Figure 4.15: Distribution of expenditure in Viet Nam, illustrating potential of affluence testing

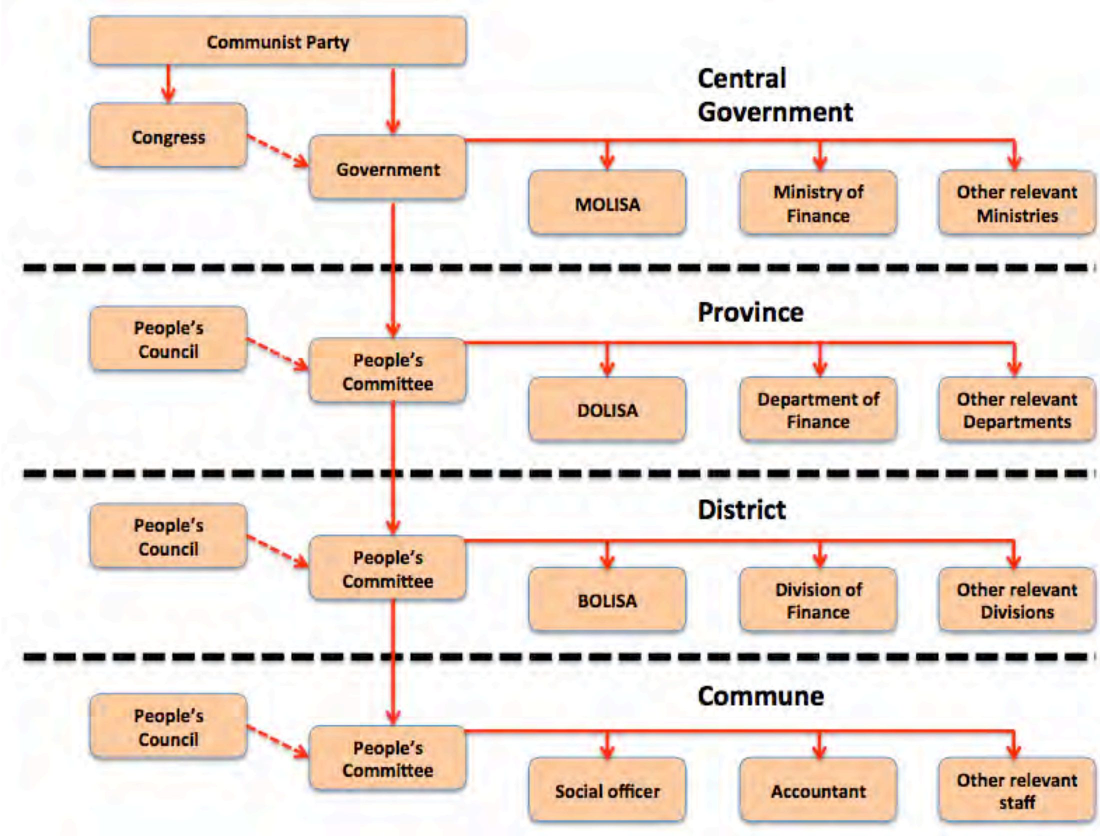


Viet Nam's decisions on selection mechanisms are linked to higher-level policy decisions on the shape of the national social assistance transfer system. If the government moves to a more inclusive lifecycle system, it could focus on either providing universal coverage or affluence testing. Chapter 5 suggests that this would be feasible and affordable, addressing the needs of the elderly, people with disabilities and young children, and it would be very successful in reaching those living in and vulnerable to poverty. And, over time, expansion could focus on modifying the age of eligibility for the old age pension and child benefit, and reducing the disability threshold. However, for programmes that continue to "target the poor," the level of accuracy will remain limited, irrespective of the mechanism chosen.

4.1.6 Governance of the social assistance transfer system

As Figure 4.16 indicates, the governance of Viet Nam's social assistance system is embedded within a decentralised system of government, under the overall leadership of the Communist Party. There are four levels of government: central; provincial; district and commune. There are 63 Provinces, 680 Districts and around 11,000 communes (World Bank 2014b).

Figure 4.16: Governance of Viet Nam's social assistance schemes



At each level of government, there is a distinction between the legislature and the executive. The legislature comprises, at national level, the Congress – or National Assembly – and People's Councils at Provincial, District and Commune level. The National Assembly is responsible for setting laws and resolutions on social assistance, approving national budgets and overseeing and monitoring the executive branch's execution of the national social assistance system. At the Provincial, District and Commune levels, the People's Councils are responsible for overseeing the delivery of social assistance schemes by the People's Committees.

Within the national government, the leadership of most aspects of social assistance is under the Ministry of Labour, Invalids and Social Assistance (MOLISA). MOLISA's key responsibilities include proposing policy, determining regulations for the delivery of social assistance schemes and providing oversight of the implementation of the overall system. However, other Ministries are able to determine policy on specific aspects of social assistance, such as the Ministry of Education and Training (MoET), with regard to the education stipend schemes. At each level of government, the relevant sectoral departments identified with national Ministries are responsible for the delivery of social assistance schemes while the Finance sector is responsible for obtaining and managing financial resources for the social assistance sector.

As noted earlier, when establishing policies, MOLISA's role is to set out minimum standards, which must be respected by all lower levels of government. However, Provincial governments can offer a higher standard of service delivery within their localities, effectively developing Provincial level policies. The thirteen Provinces with budget surpluses are those that are most likely to offer higher standards, since they have greater potential of financing them.

Social Assistance budgets in Viet Nam are developed through a bottom-up process, beginning at the Commune level. The Commune authorities implement the central and provincial level guidance on social assistance transfers and, based on the number of recipients and the relevant transfer values and multipliers, estimate the budget required for the following year.[127] The budget is approved by the Commune People's Council and submitted to the District BOLISA. The BOLISA, in turn, estimates the total social assistance transfer budget for the District, which is presented to the District People's Council for approval and passed on to the Provincial DOLISA. The DOLISA amalgamates budgets from across the Province, which are incorporated into the Province-wide budget and approved by the Provincial People's Council. Finally, Provincial budgets are submitted to the Ministry of Finance and approved by the National Assembly.

Therefore, ultimately, it is not the Ministry of Finance that determines the budget. Rather, it is determined by the policy decisions and guidance that have been approved by the National Assembly and, where relevant, the Provincial People's Council. The role of the Ministry of Finance is to coordinate the national budget and ensure that financial resources are available for those Provinces depending on national subsidies. Within surplus Provinces, it is the Provincial Department of Finance that is responsible for ensuring that financial resources are available.

At present, the responsibilities for developing policy on and delivering social assistance transfers, social care and emergency assistance are undertaken by the same departments and staff at all levels of government. Yet, these three sectors are very different in terms of their characteristics, requiring distinct skill-sets from staff. Since all three sectors are relatively small in size and the delivery of each does not require a high level of skill, it is possible to implement them under the current system of government. However, if the schemes expand and delivery systems improve, then it may be necessary to examine how to reform the system of governance. Options for the reform of governance mechanisms are discussed in Section 5.4.

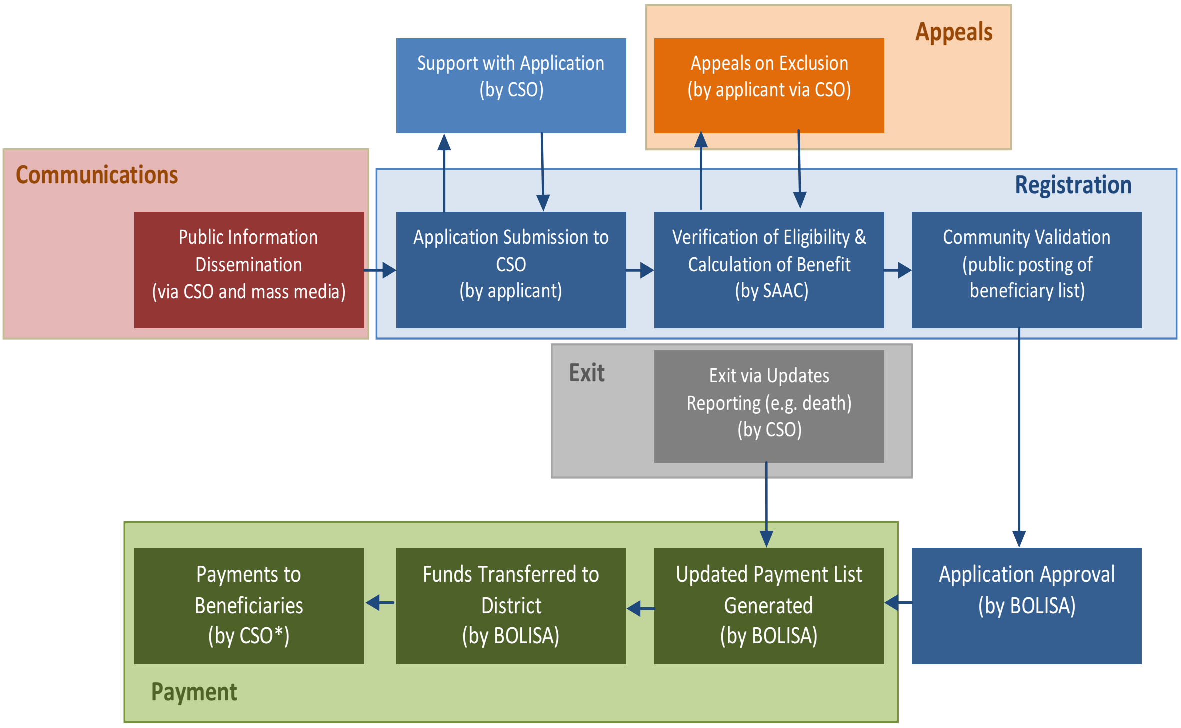
4.1.7 Implementation and delivery of social assistance transfers

Although there are many types of social assistance transfer, common to all schemes should be the need to achieve programme objectives and ensure that the right people are paid the right amount of money, regularly, reliably and accessibly. Furthermore, social assistance transfer schemes need to be efficient if they are to be institutionally and politically sustainable, delivering value for money, maximising administrative efficiency and providing high quality service delivery. This section, therefore, discusses the delivery of Viet Nam's social assistance transfers. It describes and assesses the strengths and weaknesses of the operations of these schemes. More detailed information on the implementation of Viet Nam's transfers can be found in Kidd *et al* (2015).

Viet Nam's social assistance schemes use relatively simple implementation mechanisms, based on an operational cycle set out in Figure 4.17. The operational cycle begins by the Commune local government informing citizens of the availability of the scheme and its eligibility criteria through ***communications***. Potential beneficiaries apply for the scheme through the ***registration*** process during which successful applicants are simultaneously enrolled. Unsuccessful applicants are able to submit appeals through a ***grievance*** process. Each month, the Commune puts together a ***payment list*** for the transfers which is passed to the BOLISA. The BOLISA accesses the cash for transfers from the local Bureau of Finance and arranges for ***payments*** to the beneficiaries through the Commune (or, in some cases, through the Post Office). Regular ***reviews*** are undertaken of beneficiaries to determine whether they are still eligible for the programme. Those no longer eligible for the programme, or who have passed away, are removed from it – which comprises the ***exit*** process – and their names are taken off the payment list. At any time, beneficiaries and community members are to present ***complaints*** about the scheme.

[127] For further information, see Khondker (2015).

Figure 4.17: Basic operational cycle for Viet Nam's social assistance transfer schemes



Given the small scale of the social assistance transfer system, the schemes are relatively successful in delivering the transfers to beneficiaries. However, as Kidd *et al* (2015) point out, there is a range of areas of weakness:

- A very significant burden of work is placed on Commune staff – in particular social officers – which impacts on their ability to do their jobs well, including their other social care responsibilities. Issues that could be addressed are: the high frequency of updating the payment lists – which are currently undertaken each month – yet could be made less frequent (perhaps every 2 to 3 months); the responsibility of social officers and other commune staff to make payments; and, their involvement in grievance processes.
- Communications about the schemes rely on local officials, who may not be able to reach everyone who is eligible. There is also an absence of information leaflets, including in local languages. It may be that exclusion from the Over-80s allowance is due to ineffective communications.
- Applicants for schemes have to provide a significant number of documents, which may be challenging for the most vulnerable to obtain and may result in their exclusion from schemes.
- Grievance and complaints mechanisms are weak and do not separate the function of programme administration and responsibility for managing grievances.
- Payment by local officials not only increases work burdens but can be a source of significant fiduciary risk. The schemes have not taken advantage of using other modalities for making payments, including new technologies through banks and mobile phone companies, although use of the Post Office is being tested in four provinces, through the SASSP project.
- Management information systems are very simplistic and do not make use of new technologies. Information is normally held at local level in hardcopy and no information on individual beneficiaries/households is held above the level of the District. This, therefore, restricts the ability of Provinces and the national government to monitor schemes, demonstrate results and make payments directly to beneficiaries, without passing funds to Districts.

The disability benefit schemes face the additional challenge of weak mechanisms for assessing disability. Assessments are undertaken by a Disability Assessment Committee within the Commune but it is unlikely, in many cases, that those on the committee have adequate skills and training to determine

levels of disability accurately. This is exacerbated by unclear criteria. As a result, many people with severe disabilities may be excluded from schemes.
If Viet Nam continues to expand its social assistance transfer schemes, it will be essential to modernise the delivery systems, since the current mechanisms are functioning beyond their capacity. A re-engineering of the operational delivery processes will be necessary, taking maximum advantage of new technologies, the private sector and the professionalization of staff. Recommendations are discussed in Section 5.1.6.

4.1.8 Summary of review of social assistance schemes

While it is positive that Viet Nam has developed a system of social assistance transfer schemes, it is currently limited in scope, covering few people and offering low value transfers. The national budget allocated for the schemes is minimal, in particular compared with a range of other low and middle-income countries. As a result, the impacts of the schemes are limited and they are unable to deliver transformative social and economic change. Furthermore, operational systems are weak and characteristic of those that may be found in a low-income country, indicating the current lack of political priority given to social assistance transfers.

Nonetheless, there is significant scope for Viet Nam to invest in its national social assistance system, developing a network of efficient and effective lifecycle schemes that are appropriate for an ambitious middle-income country, and which can maximise social and economic benefits. Chapter 5 outlines proposals for an expanded and more effective system, alongside an estimate of costs and potential impacts on poverty, inequality and economic growth.

4.2 Social Care

Given the large number of people in Viet Nam that are in need of social care – including personal social services provided by social workers – the provision and quality of services is currently inadequate. This section will examine challenges facing the broader social work system before looking in more detail at the system of care of vulnerable individuals, in particular those residing in Social Protection Centres.

4.2.1 Social work system[128]

In recent years, Viet Nam has made progress in implementing the National Plan on Social Work by creating new Social Work Centres. The predominant model for developing social work services has been for Provinces to create Social Work Centres by incorporating them within an existing Social Protection Centre, with only a few Provinces developing stand-alone Social Work Centres.[129] However, although the National Plan and Decree 68/2008/ ND-CP specify that Social Work Centres should be within Districts, due to a lack of resources, they have been mainly located within Provincial Centres. Only in a few places have there been additional sub-centres developed at District level, which limits the extent to which Social Work Centres can reach potential clients and provide support to social work collaborators at commune level.

Placing Social Work Centres within Social Protection Centres raises further issues. There are challenges for individuals visiting these Centres since their privacy is compromised. Furthermore, the residents within the Social Protection Centres are likely to be disturbed by frequent visits from outsiders seeking support. The roles of Social Work Centres and Social Protection Centres are very different and they should not be combined into the same premises. Indeed, this does not happen in countries with more developed social work systems.

There have been around 2,000 Bachelor of Social Work graduates since a national curriculum for social work was approved in 2004 by the Ministry of Education and Training (MOET) (MOLISA and UNICEF 2014). In fact, social work is now established nationally as a bachelor degree level subject in 23

[128] The information in this Section is taken mainly from MOLISA and UNICEF (2014).
[129] There are also some social work units in hospitals and schools.

universities and 17 colleges. Box 7 sets out the levels of social work recognized in Viet Nam. However, despite this relatively large number of qualified professionals, there remains a shortage of staff nationally while professionally trained social workers have found it difficult to obtain positions.

Box 7: Levels of social work professionals in Viet Nam

In Decision 32/2010/QD-TTg and the accompanying Circulars 08/2010/TT-BNV and 34/2010/TT-BLDTBXH professional social work is defined as comprising three levels: senior social worker, social worker and associate social worker (social work officer). Linked to these professional positions are the relevant levels of education and training, which respectively are: Masters degree, four-year Bachelors degree, and three-year college degree or higher diploma.

In fact, in some areas of the country there is a reluctance to view a social work degree as a necessary qualification for a professional social worker and the levels of social work – with associate qualifications – set out in Box 7 are often not observed. Across Viet Nam, priority is given to training existing staff using short in-service courses that do not offer the same quality of education as a degree. As MOLISA and UNICEF (2014) note, there is often no clarity on who should be trained and the primary purpose of the training. There seems to be a sense in many DOLISAs that training should be provided for staff whose work was regarded as similar to social work, more as a form of awareness-raising, rather than necessarily developing highly-skilled professional social workers. Indeed, it often appears that a greater priority is given to the volume of people trained, rather than the quality of the training received. In fact, MOLISA and UNICEF (2014) found that many staff viewed "social work" simply as a new term for the work they were already doing. Yet, the limited resources for social work mean that Provinces often have little choice but to prioritise training existing staff, rather than bringing in professionally qualified social workers.

MOLISA and UNICEF (2014) also have concerns about the preparedness of social work graduates to undertake their responsibilities, once in post. Internationally, it is the norm to provide between 800 and 1,000 hours of on-the-job training as part of university social work degrees. Although the exact number of hours of on-the-job training is not specified in international guidance, it is clearly state that "field education should be sufficient in duration and complexity of tasks and learning opportunities to ensure that students are prepared for professional practice."[130] While all universities provide two periods of on-the-job training, it varies between 6 and 13 weeks, so that some graduates can receive twice as much practical education as others. But, in all cases, the amount of on-the-job training provided is insufficient and needs to be increased. Currently, the inadequacy of practical training at university means that supervisors within DOLISAs find that social work professionals do not have sufficient experience to undertake their responsibilities adequately. However, the limited number of properly trained practicing professional social workers means that it is difficult for universities to find opportunities for placements.

Social work should be underpinned by an adequate legal framework, as well as detailed guidance. Since 2011, MOLISA's Legal Department – with the support of UNICEF – has been conducting a review of the framework of law affecting professional social work. Internationally, there are usually two types of legal documents on professional social work: the first are laws and other legal instruments that specify the roles, powers and responsibilities of social work, stating what professional social workers have the authority to do, as well as stating those tasks and activities that social workers must undertake in specific circumstances; the second are those concerning social work as a profession, including laws and other statutory instruments specifying the nature of social work, criteria for membership of the profession and how the profession should be structured.

Box 8 sets out the most common areas of social work practice addressed by laws and other legal documents, internationally. These legal documents either empower or compel social workers to

[130] See: IASSW and IFSW (2004), clause 3.7, in MOLISA and UNICEF (2014).

perform specified tasks or duties. Viet Nam is currently as a stage in the development of professional social work where it may not be necessary to amend or create laws for social work roles and responsibilities in all areas, and some could be addressed by decisions or circulars. But, in general, the legal framework needs to be adequate to cover these areas.

Box 8: Common areas of social work practice addressed by laws and other legal documents[131]

- ***Children:*** Child protection, adoption and out of home care (fostering);
- ***Family and marriage:*** Divorce mediation and domestic violence;
- ***Mental health;***
- ***General and physical health;***
- ***HIV and AIDS;***
- ***Disability;***
- ***Isolated and vulnerable older people;***
- ***Criminal justice:*** juvenile correction, adult community corrections (probation) and prison welfare (including that of prisoners' families); and,
- ***Social security:*** assessment and psycho-social support of beneficiaries with complex individual and family needs.

Circular 09/2013/TTLT-BLDTBXH-BNV provides guidance on the functions and structures of Social Work Centres, such as the role of the director and vice-directors, as well as the departments of administration and general affairs, consultation and support, training, community development and other departments. The circular specifies in detail the areas of need that the Centres should address, broadly matching the international norms that are set out in Box 8. It also outlines 15 types of professional services to be provided, as outlined in Box 9. While there are some laws in place on the roles and responsibilities of the social work profession and others are currently being developed, further work is required to ensure that all areas are covered. However, currently, government does not yet provide sufficient resources for the services outlined in Circular 09 to be provided.

Box 9: Types of professional services to be provided by social workers in social work centres, as outlined in Circular 09[132]

- Providing services for clients in need of immediate protection (intake, assessment, safety plan, and first aid and primary health treatment);
- Providing counselling services and physical care;
- Providing consultation on social policies and programs, cooperating with relevant organisation in making safety plans, referral and accessing appropriate services;
- Developing and implementing intervention plans;
- Providing prevention plans to protect clients;
- Supporting clients' community integration;
- Case management;
- Providing educational and capacity building services;
- Community development (proposing social policies and programs for clients, building the network of community social work collaborators and volunteers, community resource mobilising);
- Organising information sharing and awareness raising;
- Conducting research and surveys concerning social welfare;
- Managing financial resources, public property, and personnel;
- Mobilising and receiving domestic and international financial and in-kind support;

[131] Source: MOLISA and UNICEF (2014).
[132] Source: MOLISA and UNICEF (2014).

- Providing fee-paying services;
- Conducting other activities required by relevant authorities.

The law concerning social work as a profession has not yet been developed. The para-legal documents defining social work are only circulars offering guidance on implementing Decision 32/2010/QD-TTg and, more recently, Decision 2514/2011/QD-BYT. While these have been successful in making a start to the process, there is currently a misunderstanding about what social work is and consequently who should be called a social worker. This lack of clarity contributes to confusion about the education and training that is necessary for social workers and the importance of social workers having particular professional qualifications. It will also be important to strengthen professional structures, such as a professional association, that can generate broader knowledge of the social work profession and improve its standing across society.

Therefore, there is still much to be done if Viet Nam is to establish a comprehensive social work system that addresses priority needs. However, the main challenge is that insufficient financing is made available to develop an effective social work system. Yet, without it, a large number of vulnerable individuals and families will be left without adequate support.

4.2.2 Care of vulnerable individuals

On the specific issue of care of vulnerable individuals, the system is weak and, overall, priority is given to the provision of institutional care, despite international recognition that priority should be given to care in the community. Yet, even institutional care is weak. There are too few social protection centres and many provinces are unable to offer institutional care to particular categories of the population: for example, there are only 16 Provinces with centres to support people with mental health issues (RTCCD-MOLISA 2011).

MOLISA (2015a) has highlighted a range of weaknesses in the public institutional care centres including: insufficient numbers of staff while those employed do not have adequate skills; low standards of accommodation, including poor quality equipment and inadequate sanitation; and an absence of key services such as counselling. Similar problems can be found in those centres run by non-state providers. RTCCD-MOLISA (2011) found that the mental health centres were not designed to provide mental health services, while staff did not have skills to provide healthcare or rehabilitation, so that people could reintegrate into their communities. Their report goes on to say that the centres cannot provide a patient-centred approach that respects the human rights of residents. In fact, none of the mental health centres had any professional guidance to follow.

MOLISA is taking steps to improve the situation in social protection centres but is hindered by inadequate levels of funding, in particular in poorer Provinces. The challenges are greater in non-state centres since they only receive a monthly allowance for each beneficiary, but do not receive additional financial support for medical care and hygiene, which is available to the public centres. The limited finance for centres also translates into low salaries, which means it is challenging to recruit good staff.

There is very limited formal support for those living in the community and most of the burden is still placed on family members, relatives or neighbours, which inhibits their ability to work and can generate high levels of stress. In fact, RTCCD-MOLISA (2011) found that 18% of those with severe mental illness living at home were held caged or chained, after having applications to move into mental health centres turned down, due to the government's limited capacity to offer this support.

Overall, a high proportion of people with care issues and needs are likely to receive inadequate attention. A wide range of mental health issues – such as depression, anxiety, post-traumatic stress, issues related to alcohol or substance abuse and challenges faced by post-natal women – are not addressed, with the system focusing only on psychotic disorders. There is unlikely to be sufficient attention given to issues such as domestic violence and child abuse, while many frail older people and people with disabilities are left to fend for themselves. As the Vietnamese population ages further, issues such as Alzheimer's and Dementia will become increasingly prevalent and will require significant levels of support from social care services.

The quality of care is also problematic. Due to the absence of professional and trained staff in institutional centres, many of those living there do not receive adequate stimulation. They are often left isolated and, as a result, their wellbeing may deteriorate. It is also a concern that very different groups can share institutions, such as children, people with disabilities and older people. The service requirements of these groups are different and they should be provided with specialised care.

Finally, the focus of social care is on treatment rather than on prevention. More needs to be done to enable social workers to identify problems at an early stage and put in place measures that will prevent situations deteriorating so that the costs of treatment do not increase. In particular, inadequate social care services can result in increases in health budgets, if issues are not dealt with at an early stage.

Therefore, there needs to be a significant increase in resources to address social care, ensuring that the system receives adequate investment, delivers a minimum quality of service delivery, is staffed by professionals and prioritises care in the community. Furthermore, it will be important to ensure minimum standards across all Provinces, in particular those that are poorer. Section 5.2 outlines some recommendations.

4.3 Emergency assistance[133]

Despite the significant demands resulting from natural disasters, the national budget of 0.16% (in 2013) of GDP for emergency assistance appears to be inadequate. When local governments do not have sufficient resources, they have to apply to central government for additional resources, which can take time. Often, therefore, people do not receive an adequate level of support. For example, people who have lost houses may receive only a portion of the total cost of replacement, at a time when they are also likely to have lost their livelihoods. In fact, there is no guidance to vary the level of support depending on the level of damage so those facing the greatest recovery costs do not necessarily receive higher transfers. Furthermore, the level of support provided to those affected by emergencies varies significantly both between and within Provinces, and there is no clear guidance to follow. The weak administrative systems in place also offer significant opportunities for fraud, for example by providing beneficiaries with less rice than stipulated in the regulations.

There is often a lack of coordination in the provision of emergency assistance. Different Ministries are responsible for support within their own spheres, which can mean that individuals can access multiple sources of funding. The criteria for eligibility to access emergency assistance are often unclear, so people may miss out on support. BOLISA staff and Social Officers within communes are tasked with coordinating and overseeing support but they are few in number and have a wide range of other responsibilities.

The expectation at present in Viet Nam is that government should be the provider of assistance in emergencies. Yet, in many countries, individuals also put in place insurance mechanisms that offer them a higher level of support if disasters strike. An optimum system of emergency assistance should combine a minimum level of support directly from the state while encouraging those with sufficient incomes to insure themselves against crises. Chapter 5 will examine potential options for improving the national system of emergency assistance.

[133] Much of the information in this section is taken from ILSSA (2015g).

5 OPTIONS FOR THE REFORM OF THE NATIONAL SOCIAL ASSISTANCE SYSTEM

The elaboration of the MPSAR is an appropriate time for Viet Nam to take stock of its progress so far in developing its national social assistance system, with the aim of making it suitable for a middle-income country and ensuring that it contributes effectively to both social and economic development. This chapter, therefore, sets out potential goals for the MPSAR and more detailed proposals for reforms across the three areas of social assistance: transfers, social care and emergency assistance. It also examines potential options for revised governance of the national social assistance system, suggesting that a more modern terminology could be utilised.

5.1 Vision and objectives for the MPSAR

The MPSAR is an opportunity to rethink and rebrand social assistance in Vietnam, both setting out a long-term vision and short-term (5 year) steps to achieve that vision. Given that an effective social assistance system is an essential component of a well-functioning market economy, the MPSAR should set out a path for the expansion and modernisation of the national social assistance system, so that it can contribute to economic growth and social cohesion.

A potential ***long-term goal*** of the MPSAR could be:

- *Establish a high quality and comprehensive national social assistance system that contributes to economic growth, strengthens social cohesion and the national social contract, offers income security to all citizens across the lifecycle, protects the most vulnerable members of society and ensures a rapid recovery from natural disasters.*

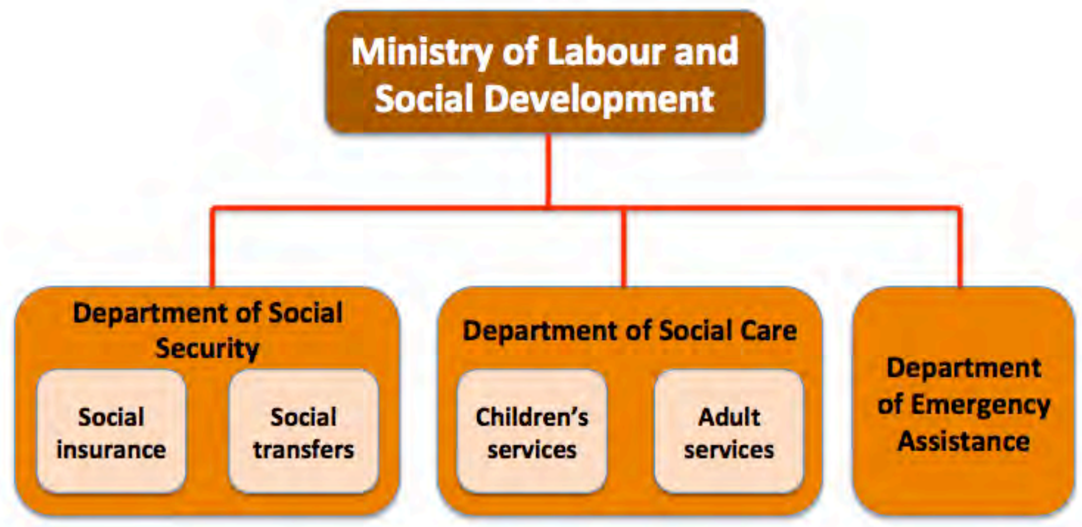
The ***five-year goal*** of the MSPAR – up to 2020 – could be:

- *Ensure a minimum level of income security for older persons, people with disability and young children, strengthen the provision of social care, develop a more effective system of emergency assistance and reform the governance and implementation of the national social assistance system.*

Furthermore, the MPSAR could stress the government's desire to modernise the national social assistance system by proposing a new terminology to describe the system. To a large extent, the concept of social assistance is associated with small-scale poverty reduction and, in many developed countries, the term is rarely used – or refers to residual poor relief schemes – although it is characteristic of how social protection is designed and delivered in low-income countries. Social assistance does not easily fit within an entitlement paradigm in which, for example, access to income security and an adequate standard of living are regarded as basic human rights (as set out in Viet Nam's Constitution and a range of international conventions).

Therefore, the MPSAR could propose a rebranding of MOLISA by changing its name to, for example, the ***Ministry of Labour and Social Development*** (MoLSD). If the ambition in the MPSAR is to expand the three pillars of the national social assistance system, it would be possible to no longer use the term social assistance – alongside its connotations of poor relief – and accept that each pillar is of sufficient value to stand alone. Social assistance transfers could be subsumed into a Department alongside social insurance, and new Departments could be established for Social Care – incorporating children's services alongside a new division of adult services – and Emergency Relief. A similar structure could be cascaded down through Provincial and District levels. The potential new departmental structure could be similar to that set out in Figure 5.1 (recognising that not all departments of a new Ministry of Labour and Social Development are set out here).

Figure 5.1: Potential reform of governance within MOLISA, as it moves to become a Ministry of Labour and Social Development



5.2 Social assistance transfers

As indicated in previous Chapters, Viet Nam still faces significant challenges that could be addressed, at least in part, by expanding and improving its system of social assistance transfers. The citizens of Viet Nam face a range of potential risks across their lifecycles against which they still do not have adequate protection. These risks are exacerbated by the fact that 40% of the population either lives in or is vulnerable to poverty, while a further 40% have inadequate and insecure incomes, meaning that they cannot invest sufficiently in their own families, in particular their children. Yet, the vast majority of people are excluded from the national social security system, despite the Constitution's guarantee that every citizen should be able to access social security.

The current social assistance transfer system is not fit for purpose for a middle-income country. The level of investment is low, a combination of low coverage and low value of transfers. There are large life cycle gaps in coverage, including older people, people with disabilities and children, all of which are prioritised by other countries. Indeed, coverage is low even among those living in poverty. The value of transfers is minimal when compared to other middle-income countries, thereby reducing the potential impact of the transfers on both family wellbeing and economic growth. Delivery systems are also undeveloped and limited use has been made of new technologies to improve implementation.

The social assistance system is part of a broader national social security system and, therefore, reforms need to take into account potential reforms in social insurance. However, international evidence clearly indicates that, while strengthening social insurance systems is important, they are unable to provide effective coverage to those in the informal and subsistence economies. Given the high proportion of the population in Viet Nam that is outside the formal economy, the only option for offering access to social security is through social assistance transfers financed from general taxation. Of course, government should make efforts to incorporate the informal economy labour force in the social insurance system, but any initiatives are likely to have only very limited success. Indeed, many of those in the formal economy are still not integrated effectively into the social insurance system and, in the next few years, the expansion of social insurance within the formal economy should be the main focus of reforms to social insurance as well as ensuring its actuarial sustainability, so that it does not become a burden on the national economy.

This Section will, therefore, begin by providing a brief rationale for further investment by Viet Nam in its national social assistance system. It will then set out one feasible option for expanding investment in priority lifecycle schemes, and will examine the costs of investment, the coverage of the proposed system, and potential impacts on poverty, inequality and economic growth. The following sub-section will examine potential financing options and demonstrate that it the proposals are affordable. The final two sub-sections will outline briefly potential governance and operational reforms.

5.2.1 Rationale for further investment in social assistance transfers

While sceptics of social assistance transfers often regard expenditure on them as a cost to the state with no benefits apart from poverty alleviation, there is a growing international consensus that social assistance transfers should be understood as an ***investment*** by the state in its citizens. They can make a significant difference to the lives of the majority of citizens, providing them with greater security, resilience and dignity, while strengthening child development and securing the nation's future as a competitive labour market. They can offer protection to people across their lifecycles, building their confidence and skills and enabling them to more actively participate in the labour market and to invest in their futures. As many countries have shown, social assistance transfers should be regarded as a critical component of broader economic and social policy.

A key medium term economic benefit of social assistance transfers is their ability to stimulate economic activity by increasing spending – and, therefore, demand – in the economy. Greater spending provides entrepreneurs with opportunities to sell their products and services and is an important generator of economic growth. The increase in demand as a result of higher investment in social assistance transfers is a constant effect, generating increased consumption on a continuous basis. Furthermore, once comprehensive systems of social transfers are in place, during economic recessions governments can kick-start economies by increasing their investment in transfers and, therefore, spending, in particular among poorer and more vulnerable members of society, who are more likely to purchase local goods and services. During the global recession of 2009, Thailand made its old age pension universal while Uzbekistan expanded coverage of its child benefits (Kidd 2014). In the United States, there is evidence that investments in unemployment benefits and the Food Stamp programme during the recent global economic recession had as great an impact on growth as investments in infrastructure (Zandi 2008). In fact, simulations in Bangladesh demonstrate that an old age pension would have the same impacts on agriculture, manufacturing, transport and services as investments in infrastructure and capital goods (Khondker 2014); similar impacts have been found for Viet Nam and are discussed in Section 5.1.5.

The benefits of social assistance transfers as an investment mean, therefore, that while it is often argued that governments should minimise their costs, international experience would suggest that an optimum level of investment is much higher than the current level in Viet Nam. As noted earlier, expenditure on social transfers in Viet Nam is too limited to have a meaningful impact on human development and economic growth. Over the next twenty years, as Viet Nam moves to becoming an upper middle-income country, it should aim to expand its investment in social transfers to around 3-5% of GDP, in line with middle income countries such as South Africa, Brazil, Mauritius, Georgia and Uzbekistan. Indeed, such an expansion could help Viet Nam return to higher levels of economic growth, as spending – and, by implication, entrepreneurs – receive a boost and investment in transfers facilitates greater productivity and labour force participation among women and people with disabilities.

5.2.2 Proposed social assistance transfer schemes in Viet Nam

While the government may decide, as part of its long-term vision, to increase the level of investment in social assistance transfers to 3% of GDP over the next two decades, expansion should be progressive and gradual. Over the period of the MPSAR – the next five years – the level of investment could be more limited, to allow a gradual increase in expenditure as the economy expands. Aiming for an investment in the range of 0.8% of GDP would be prudent and, indeed, would be less than the investment by many middle-income countries in social pension schemes alone (and similar to a poor countries such as Nepal). However, this means that government will need to make hard decisions on its priority areas of investment, as it will not be possible to cover all areas of need.

The MPSAR could set out a longer-term vision for the social transfer system to 2025 and shorter-term targets for 2020. Realistic goals and targets are set out in Box 10 and the justification for each proposal is discussed further in the rest of the section. However, it is feasible for the Government of Viet Nam to establish a modern and comprehensive system of social transfers that will play a key role in generating economic growth and social cohesion. The goals and targets aim towards building an inclusive, lifecycle social security system in Viet Nam.

Box 10: Social transfer goals and targets for the MPSAR

By 2025, a ***goal*** for Vietnam will be to have a social transfer system which, in coordination with the social insurance system, will offer a minimum guaranteed income for all older people aged over 65 years, all working age people with severe disabilities and children with disabilities, and all children aged 0-12 years, in line with international standards. Specifically, this would mean:

- Everyone aged 65 years and over would be able to access a minimum Pension equivalent to a value of 15% of GDP per capita, either as a social transfer or as part of the social insurance system;
- All working age people with a severe disability would be able to access a Disability Benefit equivalent to a value of 15% of GDP per capita, either as a social transfer or as part of the social insurance system;
- All children aged 0-12 years would be able to access a Child Benefit, equivalent to a value of 4% of GDP per capita;
- All children with a disability would be able to access a Child Disability Benefit equivalent to a value of 15% of GDP per capita.

However, this goal would need to be reached in stages. Therefore, by 2020, the MPSAR could have the following targets:

- Everyone aged 65 years and over would be able to access a minimum Pension equivalent to a value of 8% of GDP per capita, either as a social transfer or as part of the social insurance system;
- All working age people with a severe disability would be able to access a Disability Benefit equivalent to a value of 8% of GDP per capita, either as a social transfer or as part of the social insurance system;
- All children aged 0-12 years would be able to access a Child Benefit, equivalent to a value of 2.5% of GDP per capita;
- All children with a disability would be able to access a Child Disability Benefit equivalent to a value of 8% of GDP per capita.

In addition, the delivery systems would be modernised, incorporating new technologies such as an advanced management information system and electronic transfers and would be delivered within the governance and management structures set out in Section 5.5.

The proposed expansion of social assistance schemes is based on continuing with and expanding the current shape of the system, with a focus on old age, disability and children. Therefore, the proposed schemes are not new but, instead, are improved and expanded versions of those currently in place. Table 5.1 sets out the proposed schemes. The main changes to the current system would be to reduce the age of eligibility of the old age pension, to offer universal coverage – in combination with social insurance and Merits payments – from age 65 years, expand the coverage of disability benefits to children and cover all people of working age with severe disabilities, and provide high coverage of young children, including during pregnancy. The following sections describe the proposals in more detail. Box 11 explains the rationale behind the value of transfers and coverage in each scheme.

Table 5.1: Basic design parameters and costs of proposed schemes

Scheme	Category (age in years)	Coverage	Value of benefit (VND)	Value of benefit (% of GDP per capita)
Pregnant women	15-49	70%	120,000	2.68
Child benefit	0-7	70%	120,000	2.68
Citizens' pension	65+	82.2%	360,000	8.04
Disability benefit	18-64	2.4%	360,000	8.04
Child disability benefit	0-17	0.9%	360,000	8.04

Box 11: Rationale for the coverage of the schemes and the value of transfers proposed for 2020

The proposed coverage and value of the proposed schemes are based on a need to gradually grow the schemes and ensure that they are financially viable. ***The rationale for the proposed coverage is:***

- The ***Child Benefit*** is limited initially to 0-7 years, with the aim of increasing the age over time (as happened with South Africa's Child Support Grant, which began at age 0-7 years and now reaches 0-17 years). Indeed, the age of eligibility could be increased by one year each year, reaching, as suggested, to age 12 years by 2025. The coverage is proposed at 70% of children, as this should include the vast majority of those children living in or vulnerable to poverty and would exclude only the affluent and more resilient.
- The age of eligibility for the ***Citizens' Pension*** is proposed at 65 years, rather than 60 years, to reduce the overall cost and prioritise those who are more elderly and more likely to be experiencing a disability. Rather than offering a universal Citizens' Pension, the cost is further reduced by only offering it to those that do not receive an adequate level of social insurance pension. Between the age of 60 and 64 years, older people with a severe disability would be able to access the Disability Benefit
- The ***Disability Benefit for adults*** should be provided to ***all*** people aged 18-64 years with severe disabilities since a high proportion of the recipients are highly unlikely to be able to work – and, therefore, will have zero incomes – or face significant costs in accessing work.
- The ***Disability Benefit for children*** should be provided to ***all*** children with a disability to facilitate their attendance at school and enable families to cover additional costs.

The ***value of the proposed benefits*** is set relatively low, but at a higher level than the current value of benefits. So, while an average value for social pensions and disability benefits in developing countries is around 15% of GDP per capita, it is proposed that the ***Citizens' Pension*** and ***Disability Benefit*** are increased to around 8% of GDP per capita in 2020 and then further increased to 15% of GDP per capita by 2025. The Disability Benefit for children is proposed at a similar level since it is meant to also compensate lost earnings of an adult carer.

The average value of a ***Child Benefit*** in both developed and developed countries is around 4% of GDP per capita. To reduce costs, it is proposed to initially increase the value of the benefit to around 2.5% of GDP per capita by 2020 – a significant increase on the current value used by the World Bank and UNICEF in the SASSP – and then further increase to 4% of GDP per capita by 2025.

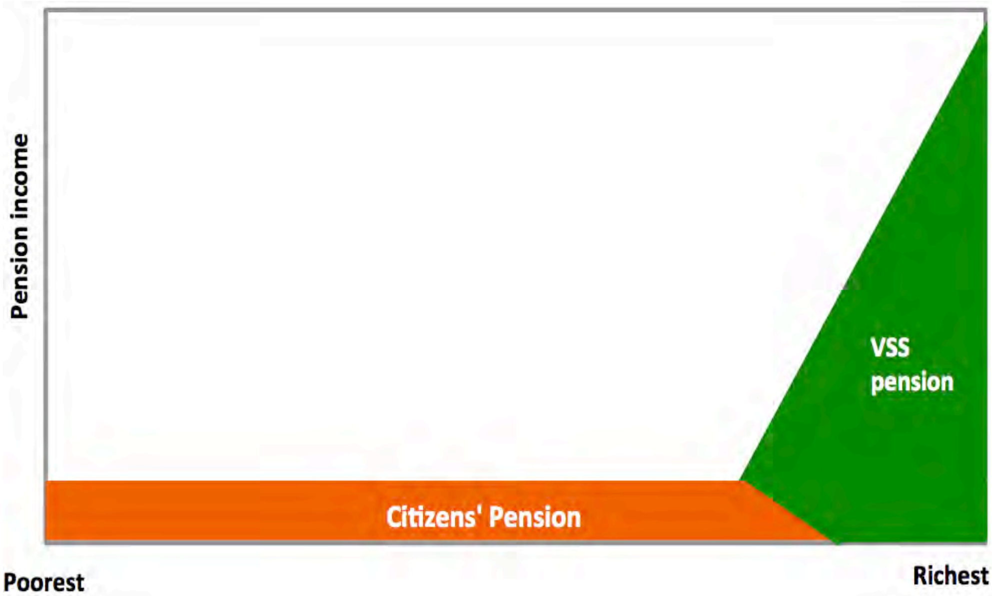
These gradual increases compared to the current situation are prudent and should enable the Government of Viet Nam to expand these schemes without threatening public finances, while introducing significant improvements in the status quo.

Old age: Citizens' pension

The two current old age allowances would be replaced by a Citizens' Pension for those aged 65 years and over. It would be an entitlement offered to all citizens – and qualifying residents – as a result of their lifetime contributions to the nation. In combination with the VSS pension and Merits payments, and using pension testing, it would offer universal coverage to all older people. In 2012, 82.2% of the population of over-65s would have been eligible for the Citizens' Pension.[134]

The proposed pension model for Viet Nam is set out in Figure 5.2 (although Merits payments are not included). The Citizens' pension could be gradually withdrawn from those receiving a VSS pension – and Merits payments – through tapering.[135] So, for example, if a tapering ratio of 5:1 were used, each VND100,000 received from the VSS pension or Merits payment would result in a reduction to the Citizens' pension by VND20,000. The gradual withdrawal of the Citizens' pension from other pensioners would significantly reduce any disincentive for the working age population to contribute to the VSS pension. It is also worth noting that further formalization and hence take up of VSS participation would over time reduce the overall cost of the Citizens' pension.

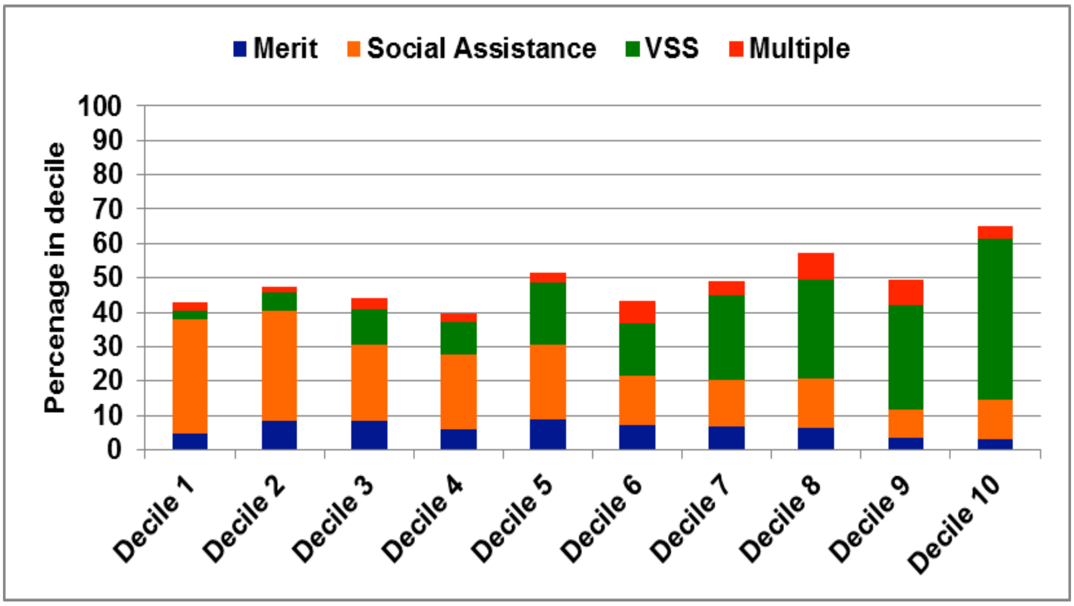
Figure 5.2: Potential old age pension model for over-65s



The proposed value of the Citizens' pension is VND360,000 per month, which is similar to the amount already provided by some Provinces. In reality, it is – at 8% of GDP per capita – still a low value pension by international standards, with many middle-income countries offering more than 20% of GDP per capita (see Figure 4.8). Therefore, there is significant scope for the government to increase the value of the pension and, as a result, enhance its impacts. Furthermore, at present, as Figure 5.3 indicates, around half of people aged over-65 years already receive some form of pension. Therefore, the expansion in coverage would require incorporating only around half the target population, considerably reducing the cost of expansion.

[134]This estimate is taken from VHLSS 2012, since around 17.8% of over-65s already receive the VSS pension or a Merits payment.
[135]If tapering were used, this would potentially increase the cost of the Citizens' pension, but only slightly.

Figure 5.3: Coverage by all pensions of over-65s by consumption decile (post transfer)



Disability benefits

Two disability benefits are proposed: one for all children with a disability and another for adults of working age with a severe disability. The Child Disability Benefit would be offered as an entitlement to all children with a disability, with a value set at VND360,000 per month, reflecting the potentially high costs and additional expenses of children with disabilities. The Disability Benefit for working age adults would be linked to the VSS pension, in much the same way as the old age pensions would complement each other. Initially, it would be provided to everyone of working age with a severe disability, corresponding to around 2.4% of the working age population. Its value would be equivalent to the Citizens' Pension, which, again, is relatively low for an adult Disability Benefit in developing countries and leaves room for future increases in value. At age 65 years, recipients would transfer from the Disability Benefit to the Citizens' Pension.

Child benefit

The Child Benefit would be offered to around 70% of children aged 0-7 years, with priority given to those families with the lowest incomes. In effect, therefore, it would be affluence tested although an alternative would be to offer the Child Benefit to everyone and rely on more affluent families self-excluding from the scheme, as they may find the value too small to attract them. The value of the Child Benefit could be set at VND120,000 per month, which, at just less than 3% of GDP per capita, is below that offered by Mongolia and Nepal (see Figure 4.9).

A key aim of the Child Benefit would be to offer children a good start in life, helping to tackle under nutrition, enhance early childhood education and facilitate a smooth transition to primary school. Experience elsewhere in the world – notably in South Africa – has shown that child benefits can have a dramatic effect on physical and cerebral capacity, building human capital and in turn boosting long term economic performance (see Box 12). It is proposed that support would begin during pregnancy, encouraging pregnant women to access health services, while improving their nutrition and protecting their unborn children. Over time, the government could decide to increase the age of eligibility, as resources become available and the benefits of the scheme are backed up by evidence.

Box 12: Evidence on child benefits

Child benefits are a core component of an inclusive lifecycle social security system and play an important role in helping countries realise the right to social security for all children that is found in the Convention on the Rights of the Child. A number of middle income countries have put in place comprehensive child benefit systems: Mongolia has a child benefit for all children, Argentina has a grant for over 80% of children, South Africa provides a grant for 70% of children, Georgia has recently introduced a grant for 35% of children aged 0-16 years, and even Nepal has recently implemented a grant for children aged 0-4 years. There is evidence that these grants can have an impact on child undernutrition: in South Africa, the Child Support Grant has increased the height of young children by around 3 centimeters, with the improved nutrition almost certainly enhancing children's cognitive development (Aguero et al 2007). In fact, the earlier that children enroll on the Child Support Grant, the higher their test scores in mathematics and reading once they are at school (DSD, SASSA and UNICEF 2012).[4] Positive impacts on early childhood cognitive development have also been observed in Ecuador and Nicaragua (World Bank/IMF 2009). The impacts of improved cognition will translate into higher earnings in later life alongside a higher quality national workforce

Given the high levels of undernutrition among young children in Viet Nam, a Child Benefit for young children would appear to be an important social assistance transfer. In the long-term, through improved wages and taxation, it will begin to pay for itself. There is also evidence from South Africa that families benefiting from the child grant are more likely to be in work or looking for work (Samson 2009).

Overview of the proposed schemes

The proposed schemes would establish a sound basis for an effective lifecycle social assistance transfer system. As entitlements for all citizens, they would not only protect those individuals and households living in poverty by increasing their incomes, but would help prevent those vulnerable to poverty from falling into poverty. A significant advantage of multiple lifecycle schemes is that they provide additional support to the most vulnerable families, on other words those with higher numbers of older people, people with disabilities and children.

The overall cost of the Citizens' Pension would be around 0.49% of GDP in 2015. As Figure 4.2 indicated, this is relatively low cost when compared to other pensions providing universal coverage in developing countries. Although the population will age in future decades, this does not necessarily mean that the costs of the pension would necessarily rise, assuming the value of the pension is indexed to inflation and the per capita economic growth rate is higher than the rate of increase in the elderly pension. Nonetheless, it should be borne in mind that, as countries develop and populations age, it is common for the costs of social pensions to increase to 3-4% of GDP. However, as noted, if the VSS social insurance pension were to expand coverage, as a result of growing formalization of the economy), this would limit the costs of the Citizens' Pension.

5.2.3 Costs and financing of the proposed schemes

The costs of the proposed schemes – if implemented in full from 2016 – are set out in Table 5.2. The largest scheme would be the Citizens' Pension, which, at 0.44% of GDP, would be one of the lowest cost schemes offering universal coverage in middle-income countries. The overall cost in 2016, at 0.85% of GDP, would be similar to the level of investment by low-income countries such as Nepal and Bangladesh, and well below the level investment by a number of countries in southern Africa. However, as around 0.2% of GDP is already being invested in the proposed schemes (on a conservative basis) the additional expenditure required for full implementation in 2016 would be 0.65% of GDP. Furthermore, as Table 5.2 indicates, the required costs for the schemes are estimated to fall over time, even though the older population will increase, due to the rate of growth of GDP outstripping that of the growth in the population of the selected beneficiary categories.

Table 5.2: Basic design parameters and costs of proposed schemes[136]

Scheme	2016		2017		2018		2019		2020	
	VND (bill)	% of GDP	VND (bill)	% of GDP	VND (bill)	% of GDP	VND (bill)	% of GDP	VND (bill)	% of GDP
Pregnant women	1,351	0.25	1,416	0.24	1,482	0.22	1,550	0.21	1,620	0.20
Child Benefit	11,101		11,662		12,217		12,773		13,272	
Citizens' Pension	21,860	0.44	23,619	0.43	25,682	0.42	28,094	0.42	30,802	0.41
Disability Benefit	7,077	0.14	7,476	0.14	7,885	0.13	8,304	0.12	8,732	0.12
Child Disability Benefit	1,046	0.02	1,100	0.02	1,157	0.02	1,215	0.02	1,274	0.02
Total	**42,435**	**0.85**	**45,273**	**0.82**	**48,423**	**0.79**	**51,935**	**0.77**	**55,700**	**0.75**

The government could choose to phase the schemes in over a period of five years. Table 5.3 sets out the annual costs of the schemes if expanded gradually, beginning with 40% of the proposed schemes being implemented in 2016. The costs include additional spending of social assistance of 0.03% of GDP, if the government were to decide to continue with the electricity subsidy transfer: if not, then the cost of schemes would reduce slightly. The figures indicate that the increase in expenditure in 2016 would need to be only 0.26% of GDP and the additional annual expenditure would be no more than 0.1% of GDP in any year. Furthermore, since higher investment in social assistance transfers will generate higher economic growth and, therefore, contribute to increased taxes, any additional expenditure will be further reduced.

Table 5.3: Additional investment required for proposed schemes, if their introduction is phased in gradually

	2015	2016	2017	2018	2019	2020
Rate of expansion of schemes	0%	40%	50%	60%	80%	100%
Total expenditure on social assistance transfers (% of GDP)	0.18	0.49	0.54	0.58	0.68	0.78
Additional investment required (% of GDP)	0	0.26	0.31	0.35	0.45	0.55
Additional investment required annually (% of GDP)	0	0.26	0.05	0.04	0.1	0.1

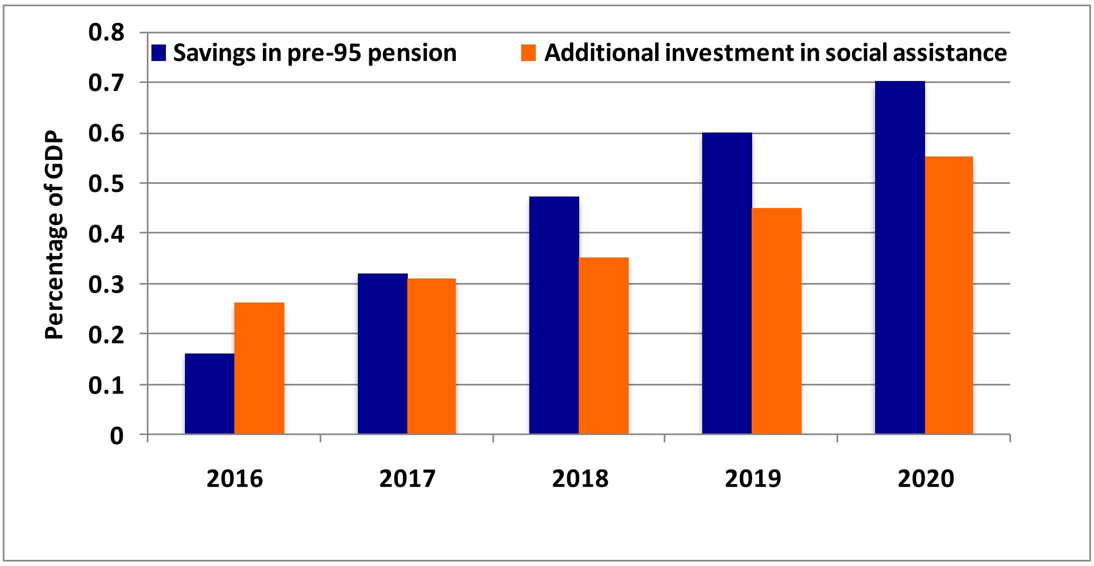
The financial requirements, therefore, for introducing the schemes are relatively limited, especially if introduced gradually over five years. If the political will were there, Viet Nam should be able to finance this expansion. Indeed, as explained below, it is possible for the government to finance the expansion without any increase in the overall cost of social security.

As Khondker (2015) argues, one option for financing an expansion in social assistance transfers would be to use savings from the subsidy paid by government to the VSS to cover the pensions of civil servants retiring prior to 1995. The VSS estimates that the costs of pensions for the pre-95 pensioners will fall from around 1% of GDP in 2015 to 0.03% of GDP by 2025. Figure 5.4 indicates how the savings in

[136] Source: Khondker (2015). The calculations assume that transfer values are indexed to inflation while GDP growth rates are taken from the Economic Intelligence Unit (EIU).

the VSS pension could be used to finance the expansion in social assistance transfers, ensuring that the government does not have to increase its overall social security budget.

Figure 5.4: Savings in pre-95 pension compared to the additional investment required for the proposed social assistance transfers



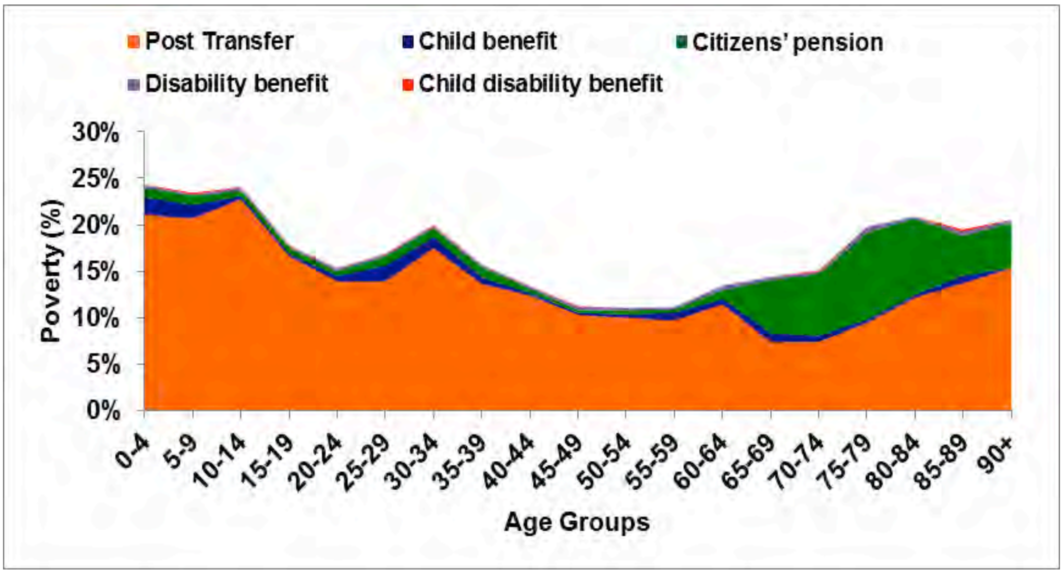
Overall, based on rigorous costing and projection methods, Khondker (2015) concludes that there is sufficient fiscal space for the expansion of social assistance transfers, even without savings from pre-95 pensioners. He has estimated that resources available for general taxation financed social security and other poverty reduction schemes in 2016 would be around 4.08% of GDP, increasing slightly to 4.15% of GDP by 2020. This is more than the required funds for the current social security system and the proposed expansion in social security transfers.

5.2.4 Potential impacts and coverage of schemes

The benefits of expanding social assistance transfers could be significant, even at the limited level of investment proposed here. This section examines the impacts on the national poverty rate, the coverage of the schemes across consumption deciles and potential impacts on economic growth.

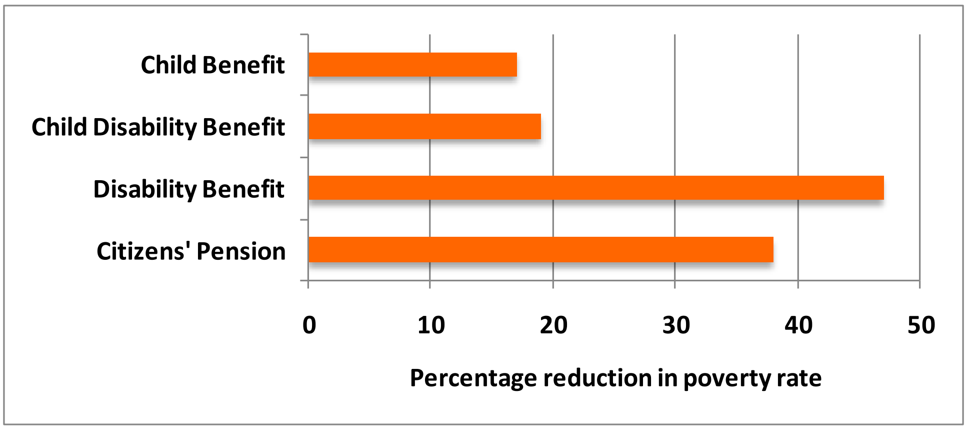
The combination of lifecycle schemes would reduce the national poverty rate by 13.4% and the national poverty gap by 17.8%. Figure 5.5 indicates the potential reductions in the poverty rate across age groups, indicating that the greatest impacts would be among older people. However, the overall impacts are significantly greater than those of the current social assistance transfer system.

Figure 5.5: Impacts of the proposed lifecycle social assistance transfer schemes on poverty rates across age groups



The impacts on beneficiaries themselves by the individual schemes would be significantly higher. Figure 5.6 indicates the reduction in the poverty rates for each beneficiary group. The impacts would be most significant on the wellbeing of older people and people with disabilities living in poverty, among whom the poverty rate would reduce by 38% and 47% respectively.

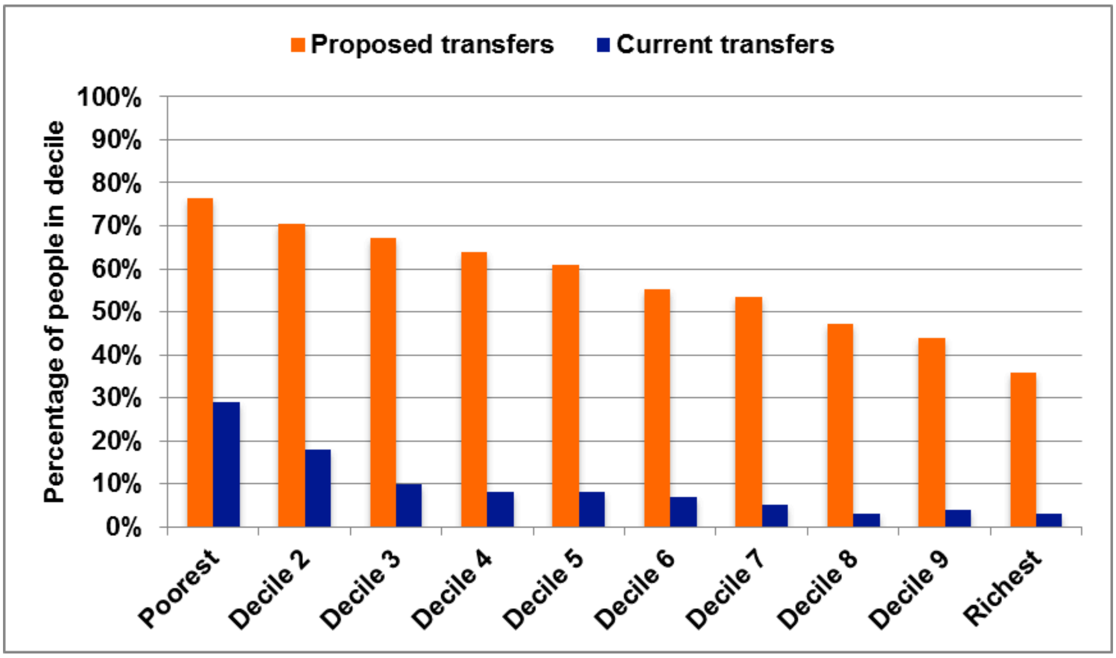
Figure 5.6: Percentage reduction in poverty rate on beneficiaries of schemes, by the individual schemes



Furthermore, the reduction in inequality would be much more significant than that generated by the current national social assistance transfer system. The Gini co-efficient would reduce from 0.357 to 0.348, a fall of 2.5%, which is likely to being about greater social cohesion. Importantly, however, the expansion of social assistance transfers would significantly enhance the social contract, with a high proportion of citizens receiving clear evidence of government support, increasing the popularity of the government. It also offers a means of directly managing further deteriorations in income distribution driven by changes in the economy.

The coverage of schemes across consumption deciles is outlined in Figure 5.7. Overall, 57.5% of citizens would be able to access a social assistance transfer scheme. The vast majority of those in the poorest decile would be incorporated into the social assistance transfer system, compared to the current situation in which most miss out. Furthermore, the majority of those that are vulnerable to falling into poverty or do not have insecurity of incomes would also benefit. The majority of those in the most affluent deciles in receipt of a benefit would be older people and people with severe disabilities.

Figure 5.7: Coverage across deciles of the proposed social assistance transfers and the current transfer system



As discussed earlier, social assistance transfers also impact on economic growth. Khondker (2015) uses a Social Accounting Matrix (SAM) multiplier model to compare the investment by government in the proposed social assistance transfers with a similar level of investment in infrastructure. He finds that investment in social assistance transfers would generate economic growth higher than a similar infrastructural investment. Investment in social assistance transfers of around 0.8% of GDP would generate annual GDP growth of 2.05% compared to the 1.91% that would be generated by investing in construction. The impacts on national output would be similar with both types of investment, at around 2%, although the impact of social assistance transfers on agriculture, industry, transport and services would be higher. Indeed, investment in infrastructure would out-perform social assistance transfers only in the construction sector itself. Finally, the impacts on household consumption would be significantly higher as a result of investing in social assistance transfers compared to construction (4.3% versus 1.7%), underpinning its strong impact on poverty levels and providing families in the "missing middle" with greater income security. If these simulations are correct, then Viet Nam could regard investments in social assistance transfers as contributing significantly to national economic growth.

5.2.5 Reforms to implementation and delivery systems

If Viet Nam's social assistance transfer schemes are to expand, it will be necessary to introduce improvements to their operational systems. The focus of any strengthening should be on improving information management, establishing greater professionalization among staff – in particular those at the frontline of service delivery – and the use of effective and new technologies. Improvements to the programmes' operational systems should be linked to changes in the governance of social assistance, which are discussed in Section 5.4.

The first stage in reforms to the operational systems should be to undertake a comprehensive review of the current systems, with a view to making proposals for a fundamental re-engineering of the systems, in line with regional and international best practice for national social security schemes. The re-engineering should incorporate recommendations to: improve communications; streamline and strengthen the key administrative processes within the operational cycle such as registration, enrolment, case management and grievances; the development of a management information system using new technologies that enables data entry at local levels and access to comprehensive information on beneficiaries within Provincial DOLISA's and MOLISA; and, the introduction of an alternative payment system that removes the responsibility for payments from Commune officials. While the Post Office is being tested as a potential payment service provider by the SASSP project, MOLISA should examine alternatives, such as banks and mobile phone companies. Indeed, it may be possible to use a number of payment service providers.

As the re-engineering moves forward, the government should develop operational manuals for staff at all levels of the delivery system, backed up by comprehensive training materials. There should be significant investment to improve equipment and infrastructure at local levels. And, of particular importance, a cadre of professional staff should be established that focuses on implementing social assistance transfers and the government should ensure that schemes can function at full staff capacity. In addition, MOLISA should develop comprehensive capacity development and communications strategies, while financial management systems should be strengthened.

At present, there is a degree of variation across Provinces in terms of how they manage and deliver programmes. MOLISA should seek to harmonise and standardize systems and procedures across all Provinces. This will enable comprehensive national monitoring and evaluation systems to be established, as well as more consistent quality of service delivery across areas.

The issue of portability of the schemes as people move between Provinces needs to be addressed. The proposed schemes should be regarded as national entitlements, which can be accessed by citizens wherever they reside in Viet Nam. If schemes are harmonised across Provinces with one comprehensive national management information system, it should be possible to enable benefits to follow the recipient, if they move residence. However, the current practice of some Provinces offering a higher level of benefit will need to be examined, since beneficiaries may be encouraged to move to Provinces that provide a higher value of transfer or have more generous eligibility criteria (such as a higher age for accessing a child benefit). If the flexibility of Provinces to modify standards is to be retained, it may be that regulations have to be developed that allow people to receive benefits in line with the regulations of their home Province or they are able to undergo a process that allows them to formally upgrade to the more generous provisions of the Province where they reside.

As the social assistance transfer system expands, Viet Nam should move to establish a high quality delivery system that minimises fiduciary risk and ensure that the right people receive the right amount of money at the right time, at minimum opportunity cost. While this will require investment, over time it will deliver higher value for money and reduce administrative costs over time.

5.2.6 Summary of proposals to expand the system of social assistance transfers

There would be significant benefits for Viet Nam and its citizens if investment in social assistance transfers were increased to around 0.8% of GDP, strengthening the current system of lifecycle transfers. Almost 60% of individuals would benefit from the expansion, which would bring significant political benefits to the government. The impacts on poverty would be considerable, with most families living in poverty able to access a benefit. Similarly, a high proportion of those vulnerable to poverty would be incorporated within the social assistance system, receiving increased income security and resilience to shocks. Indeed, Viet Nam would go a long way towards guaranteeing the constitutional right for everyone to be able to access social security. Furthermore, simulations indicate that there would also be national economic benefits, comparable to or greater than a similar level of investment in construction.

5.3 Social care services

Viet Nam needs to significantly increase the resources it invests in its national social care system since current provision only scratches the surface in terms of addressing the scale of needs. The national social work system needs to be significantly strengthened while a greater focus needs to be given to care in the community, while higher standards of care are provided in an expanded number of institutional care centres. While it is important to increase opportunities for the private sector and non-governmental organisations to engage in the sector, it needs to be recognised that the main funder of these services should be government.

Overall, three levels of social/care worker should be recognised. The first is the professional social worker, with a minimum of a bachelors degree; the second is care workers, who offer care both in communities and in institutions; and the third are carers themselves, many of whom are family members who have had to give up work to care for their relatives, yet currently receive minimal support. Each level of social/care worker is discussed below.

- Viet Nam needs to press forward in expanding the number of ***professional social workers***, placing them in Social Work Centres, as well as other institutions such as hospitals and prisons. In the MPSAR, the government could set out a target for the number of professional social workers to be employed by local government by 2025. To give a comparison of a developed country, England currently has one social worker for every 1,200 people. Viet Nam's target by 2025 could, therefore, be one social worker for every 10,000 people, around 10,000 in total. However, this will require a detailed plan to be developed to expand the system – going beyond the current national plan – and a commitment by government (Central and Provincial) to provide sufficient funding.
- The number of care workers needs to expand significantly, both to provide care to vulnerable people so that they can remain in their homes – such as providing food, bathing, clothing, shopping, etc. – and also to have a higher standard of care worker in social protection centres. While the cost may be high, the provision of care workers could be regarded as an employment programme that, in effect, helps address unemployment by providing hundreds of thousands of people with work. Indeed, it would be a commitment by government to invest in Viet Nam's social infrastructure. Care workers would receive a minimal level of training – and a qualification should be developed – and would be supervised by professional social workers.
- Millions of people currently act as carers for vulnerable family members, often with no support. The government should establish a system of support for these people so that they do not feel isolated and receive assistance such as respite care, training and counselling. Furthermore, day care services for vulnerable individuals could be built in communities, to enable carers to obtain employment, thereby increasing family incomes and more broadly contributing to the economy.

Box 13: Using old age pensions to develop an army of voluntary care workers

Often, it is assumed that older people are relatively helpless and should be taken care of. Yet, the reality is that many older people are still very active and want to continue to contribute to society, even though they may have retired from wage paying work. In many countries, recipients of old age pensions use the financial security on offer to volunteer in the community, often to care for others or to be involved in other community activities. The Citizens' Pension could, therefore, create an army of voluntary care workers who could support more vulnerable community members, visiting them in their homes, providing support in community care centres, etc. Of course, this should not be made compulsory but, if opportunities to volunteer are given to older people, many are likely to take advantage and this could significantly strengthen broader systems of care in the community.

The government should continue to establish Social Work Centres and, by 2025, they should be located in all Districts, with appropriate teams of social workers and ancillary staff. The practice of incorporating Social Work Centres within Social Protection Centres should be discontinued, and Social Work Centres should be established as independent units, within the new governance structure of the social care system.

Furthermore, the social work and social care system should be divided between Children's and Adult services, since each group faces different challenges. Social workers could develop specialised training for each type of service. However, both should remain with a unified social care system.
The government should ensure that the social work system is underpinned by a comprehensive legal framework. Current efforts to strengthen the current legal framework should continue but measures should be taken to fill all gaps within the next two to three years.

The provision of institutional care needs to expand, as it is still insufficient and some Provinces are particularly poorly served. However, the quality of institutional care also needs to improve, with adequate funding put in place, alongside well-qualified staff, regulations on standards of provision and continuous training for staff. Central government should establish minimum standards and should also ensure that an adequate level of supervision is put in place, backed up by sanctions.

Government should encourage the private sector and non-governmental organisations to provide services, but these will need to be adequately funded by government (although non-governmental organisations should also actively raise funds from the public). As with state provided institutional care, a key role of government will be to establish a regulatory framework for non-state providers setting out minimum standards of provision, and Provincial governments should implement an effective regulatory service to encourage service providers to maintain standards.

In addition to offering disability benefits, social care services should offer comprehensive assistive devices to people with disabilities as well as house improvements. This should include older people who have experienced disability as a result of the ageing process.

In effect, there needs to be a paradigmatic shift in how social care services are provided in Viet Nam, based on a massive increase in investment. Ultimately, however, this investment may save money for the state by ensuring that problems are addressed early and do not deteriorate. The government, though, will need to consider the extent to which individuals contribute to their own support, potentially by investing in insurance.

5.4 Emergency assistance[137]

Given the risks associated with climate change, Viet Nam needs to establish an effective system of emergency assistance, including producing a clear definition on the type of events that qualify for support. A review should be commissioned to determine an appropriate level of national budget for emergency assistance although, given the unpredictability of natural events, expenditure will vary year by year. Regulations for the distribution of assistance need to be established and training provided to staff on how to implement the regulations. Although Communes and Districts can support the provision of assistance, specialist teams should be established within Provinces and at national government to oversee all emergency assistance and provide advice to local teams. Effective monitoring systems need to be established to ensure that fraud does not happen.

However, emergency assistance should not only be provided by government. A major role can also be played by private insurance, with people taking measures to protect themselves. The government should, therefore, assess current insurance markets and take initiatives to encourage greater involvement of the private sector – including micro-finance institutions – in offering insurance. However, government may need to step in to underwrite risks, particularly in areas that are particularly prone to natural disasters. Government should also continue to incentivise private citizens to offer support through donations to local non-governmental organisations.

[137] See ILSSA (2015g) for a range of detailed recommendations.

5.5 Reforms to the governance of the social assistance system

The current governance arrangements for social assistance appear relatively effective, given the decentralised nature of the Viet Nam's system of government. However, if the social assistance sector were to expand, potential reforms to the system should be considered. MOLISA should take on responsibility for all social assistance transfers. In addition, at present, the three components of social assistance are managed by the same departments and staff within each level of government, although they have separate divisions. Yet, each component is different in character, requiring distinct policies and skills. Furthermore, there is a need for a higher level of skills, specialisation and professionalization among staff within each component.

Therefore, as the three components expand, it may make sense to differentiate further between them, creating distinct departments and/or officers at each level of government. In MOLISA, for example, it would be possible to create three departments, for social transfers, social care and emergency assistance, each with responsibilities for developing policy and guidance, and for monitoring and supervision. A similar division of responsibilities could be introduced at Provincial and District level. Depending on the design of schemes and sectors, it may be that staff involved in the implementation of the different services could be centralised at District level, rather than being dispersed throughout Communes. For example, social care services could become a District level responsibility, with a cadre of professional social workers installed at District level that would work across all Communes in the District. Similarly, with improvements in design and technology, it may be possible to manage social assistance transfers at District level, again with professional staff working across all Communes in the District.

Therefore, if government decides to expand the systems of social assistance transfer, social care and emergency assistance, it should undertake a detailed re-design of each system, reallocating staff and responsibilities according to the requirements of the new design. A governance system should be developed that could cope with further expansions, as this is likely to happen as Viet Nam grows richer. As investment increases, all three components should become recognised as sectors in themselves, with policies and implementation developed separately, though linked to other public services. Furthermore, the role of the private sector in delivering schemes should be examined in detail, with government, where appropriate, taking on the role of funder, standard setting, and enforcement of standards.

The government should, potentially, reconsider how it organises the social assistance and social security sectors more broadly. As in many other countries, it may make sense to strengthen the integration between social assistance transfers, Merits payments and social insurance, under a new sector to be known as "Social Security," which would reflect the "right to social security" outlined in the Constitution. Similarly, Social Care services could be substantially strengthened, creating a new Social Care Department in MOLISA that sets policy and guidance, with responsibility for delivery devolved to Provinces and Districts. A revised structure for emergency assistance should also be developed, with a department – or Ministry – responsible for not only providing assistance during emergencies but also developing policies on disaster mitigation and climate change.

6 CONCLUSION

The MPSAR is an important opportunity for Viet Nam to develop its social assistance policy. Currently, Viet Nam does not have social assistance and social security systems that are appropriate for a middle-income country: they are reminiscent of the systems found in many low-income countries. Indeed, levels of investment are below those of a number of low-income countries in Asia and significantly inferior to a number of middle-income countries. Yet, effective social assistance and social security systems are a core component of a market economy.

This paper has demonstrated how Viet Nam could take significant strides in increasing its investment in social assistance transfers, following a lifecycle model that is common to many middle-income and most developed countries. Schemes to ensure income security for older people, people with severe disabilities and young children could be implemented and further expanded over time. In the longer-term, Viet Nam could introduce additional schemes addressing risks such as widow(er)hood and unemployment, while establishing comprehensive childcare services for mothers of young children. The expansion of the social assistance system recommended in this paper is affordable: the political will just needs to there. If Viet Nam does expand its provision of social assistance transfers, both recipients and the nation as a whole will reap the benefits.

Expansions in social assistance transfers need to be accompanied by further investment and reforms in social care services and emergency assistance. Both are key public services but are severely underfunded and under-resourced. More comprehensive plans should be developed to outline visions for expanding both systems, to ensure that adequate protection and support is provided to the citizens of Viet Nam.

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ANNEX 1: BUDGETS OF SOCIAL SECURITY SCHEMES, 2013

Table A1.1 shows the budgets of social security schemes in Viet Nam in 2013.

Table A1.1: Budgets of social security schemes in Viet Nam in 2013

Scheme	Budget (VND Billion)	Budget (% of GDP)
Pre-95 pensioners (VSS)	38,562	1.07
Merits payments	38,308	1.07
MOLISA social assistance transfers	7,469	0.21
Unemployment insurance	3.283	0.10
Education scholarships	2,960	0.08
Electricity subsidy	872	0.02
Total	**91,455**	**2.55**

ANNEX 2: ENERGY AND ELECTRICITY SUBSIDIES IN VIET NAM

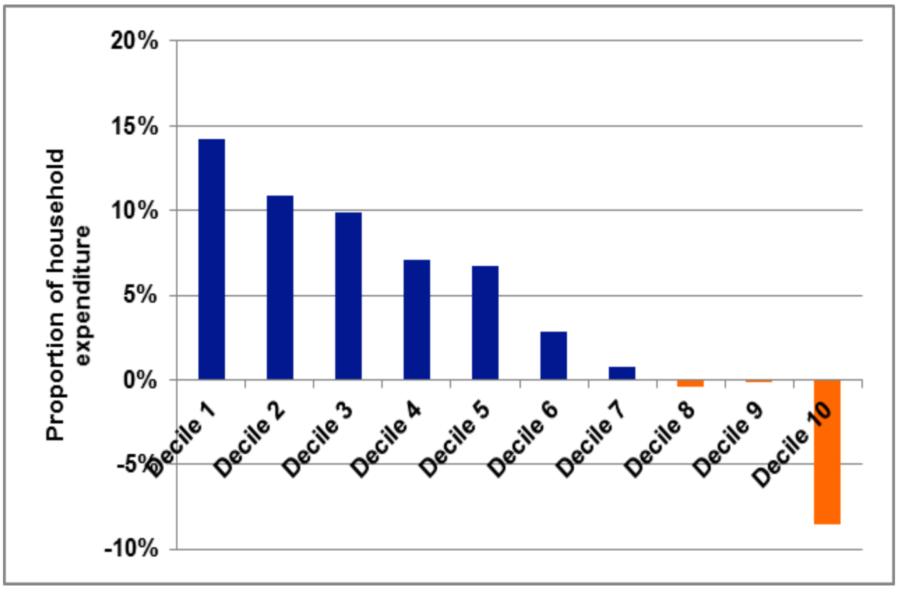
Viet Nam invests in other subsidies that could be regarded as social protection since they lower the costs to households of key consumer items. The main subsidies are for fossil fuels, in particular for electricity. As Table A2.1 indicates, the level of the subsidy varies year on year but, in 2012, it reached US$3.45 billion, with US$2.86 billion spent on the electricity subsidy alone. This is the equivalent of 2.2% of GDP for all fuel subsidies and 1.83% of GDP for the electricity subsidy.

Table A2.1: Investment by government in fossil fuel subsidies (2007-12) in billion US$[138]

Energy source	2007	2008	2009	2010	2011	2012
Oil	0.32	1.09	0	1.09	1.15	0.33
Gas	0.09	0.21	0.13	0.19	0.18	0.23
Coal	0.01	0.01	0.01	0.02	0.02	0.03
Electricity	1.68	2.25	1.06	3.19	2.98	2.86
Total:	**2.1**	**3.56**	**1.2**	**4.49**	**4.33**	**3.45**

Caution needs to be taken in interpreting expenditure on the electricity subsidy since it does not reduce prices for everyone. Instead, electricity prices are based on usage, with lower prices per unit of electricity for those who use less. As a result, and as Figure A2.1 shows, it is poorer households that tend to benefit most from the electricity subsidy while richer households pay more than they would if the subsidy were not in place. Any reforms of the electricity subsidy would have to take this dynamic into account, if it is to minimise popular opposition.

Figure A2.1: Extent to which households across wealth deciles benefit from the electricity subsidy, as a proportion of household expenditure[139]



[138] Source: Neefjes *et al* (2014)
[139] Source: VHLSS 2012.

ANNEX 3: APPROACH FOR THE INCLUSION OF THE DISABILITY GRANT IN THE SIMULATIONS

This Annex describes the methodology used to undertake simulations on a disability benefit.

Given that the 2013 VHLSS questionnaire does not include any reliable indicators on disability, it was necessary to synthesize this variable within the 2013 database to allow for an assessment of the overall impact of the proposed expansion in the social transfer system.

The 2006 VHLSS questionnaire included the Washington group set of questions on disability and was used to estimate the conditional probability of being severely disabled given a number of parameters such as age, sex and income (proxied by consumption expenditure), formally noted as such that the probability of an individual belonging to the x^{th} sex group, y^{th} age group and z^{th} income group to be severely disabled is specified as:

The conditional probabilities estimated from the 2006 data were subsequently used to generate a binary variable for severe disability (0=not severely disabled; 1=severely disabled) where individuals are randomly attributed the value 1 in accordance with the conditional probabilities estimated for the x^{th} sex group, y^{th} age group and z^{th} income group.

In order to avoid bias introduced by the random identification of severely disabled, the process is repeated – in this case 500 times – and the main welfare metrics – Poverty, Poverty Gap and the Gini index – were estimated for each repetition.

The results of the simulations presented in the report represent the average impact of all 500 estimated repetitions. The main welfare metrics estimated for each repetition show very little variance between repetitions, providing assurance that the results can be taken as reflective of true underlying factors influencing the relationship between disability, sex, age and income.

For example, the prevalence of poverty of 15.2% expected following the expansion of social transfers is the average of 500 estimates ranging from 14.99% up to 15.34% and with a standard deviation of 0.00059. The histogram in Figure A3.1 shows the distribution of estimates.

Figure A3.1: Histogram shown distribution of estimated repetitions of simulations