

MULTIDIMENSIONAL POVERTY IN VIET NAM

Reducing poverty in all its dimensions to ensure a good quality life for all



Summary Report

Multidimensional Poverty in Viet Nam: Reducing poverty in all its dimensions to ensure a good quality life for all

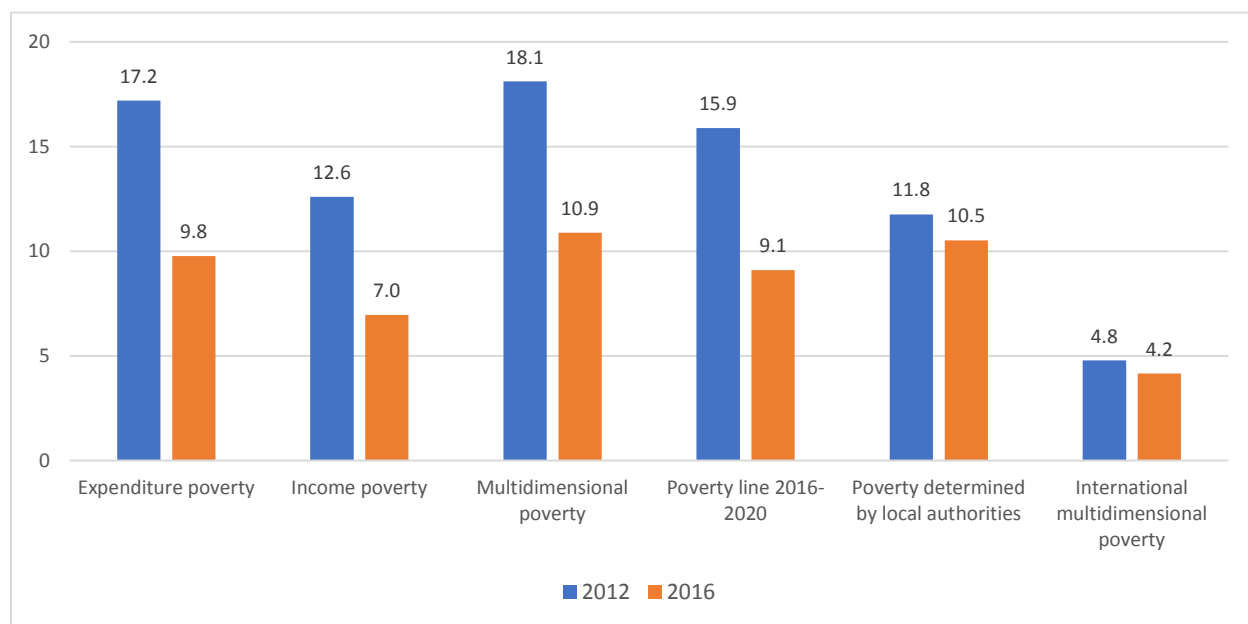
Part 1. Multidimensional poverty in Vietnam: An overview

From unidimensional to multidimensional: improving poverty measurement method

In Vietnam, the Government promulgates national poverty reduction programs for every five-year period and issues accompanying poverty lines to measure the change in poverty in the respective period. Before 2015, Vietnam still used the unidimensional poverty measure of income poverty. Besides, the World Bank and GSO also estimated the poverty rate in line with the average expenditure poverty line. In 2015, the Government of Vietnam adopted the multidimensional approach to poverty measurement. Accordingly, multidimensional poverty is measured by the level of deprivations in access to five basic social services: healthcare; education; housing; water and sanitation; and access to information, which are represented by 10 indicators. A household is considered poor if deprived in a third or more of the ten aforementioned indicators.

Impressive poverty reduction rate regardless of the measure in use

Figure 1. Poverty rate by different poverty measures (%)

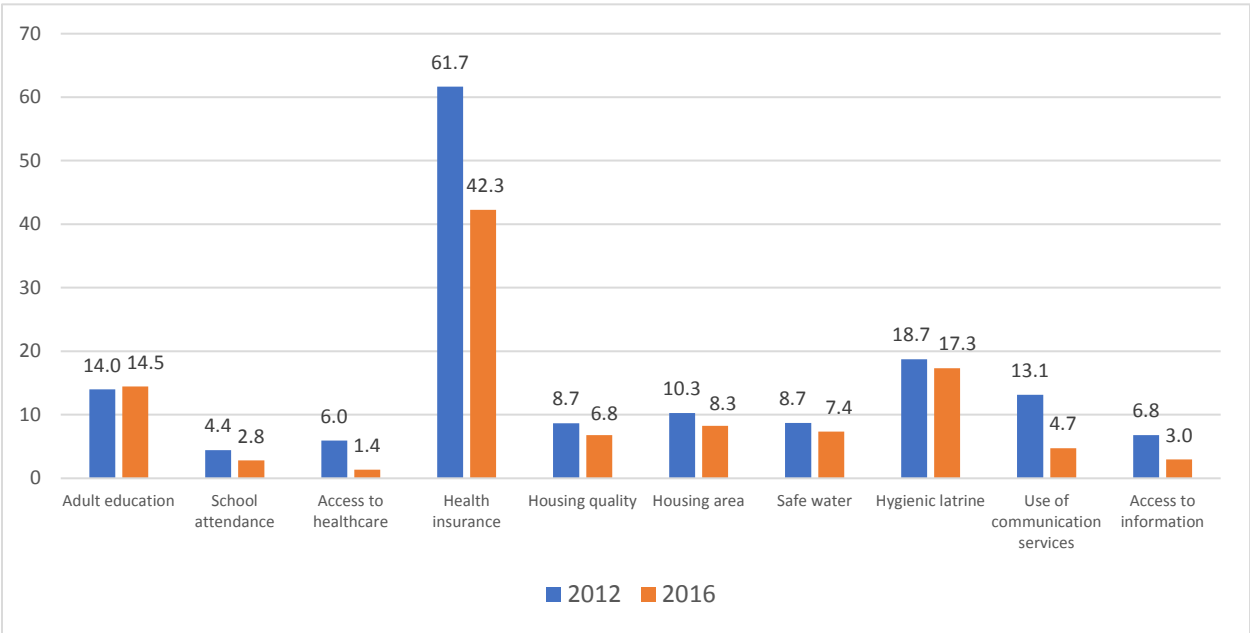


The data analysis results of the Vietnam Household Living Standard Survey shows that the poverty rate, regardless of the measurement method in use, declined over the period 2012-2016 (Figure 1). Expenditure poverty, income poverty as well as multidimensional poverty experienced a strong reduction. The multidimensional poverty rate fell from 8.1% to 10.9% over this period. The expenditure poverty rate and income poverty rate declined from 17.2% to 9.8%, and 12.6% to 7.0%, respectively.

Despite the correlation among the poverty rates measured by different methodologies, there were considerable differences among poverty measures. To illustrate, income and expenditure poverty rates of the Northern midland and mountainous areas were the highest, but the multidimensional poverty rate of this region was lower than those of the Central Highlands and the Mekong Delta region. Many households with multidimensional poverty were neither income poor nor expenditure poor, and vice versa. Approximately 2.7% of the population were poor according to all three measures of income, expenditure and multidimensional poverty.

With the exception of adult education, deprivation rates in all national multidimensional poverty indicators fell over the period 2012-2016 (Figure 2). Access to healthcare indicator improved significantly thanks to the strengthened universal health insurance policy. Deprivation in access to information dramatically dropped thanks to the development of mobile phones and the internet. Housing and sanitation conditions also improved but at a rather slow pace. Currently, the most severe deprivation shows in the indicators for hygienic latrines and adult education.

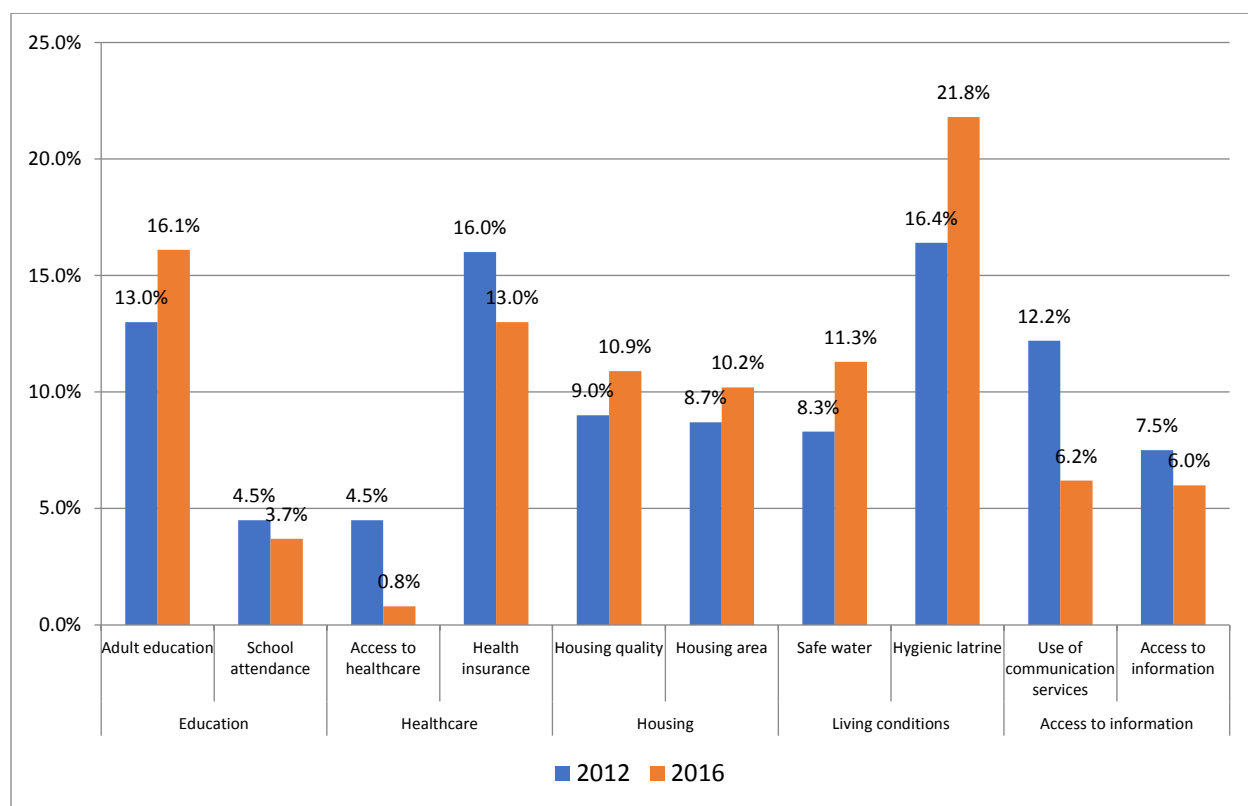
Figure 2. Proportion of the population deprived in the national multidimensional poverty indicators (%)



Considering the entire population, 18% of the population was not deprived in any of the 10 multidimensional poverty indicators in 2012. This proportion grew significantly in 2016, standing at 36.1%. No household had deprivations in eight or more indicators. Only 37.6% of the population suffered from one type of deprivations, and 15.5% of the population faced two types of deprivations in 2016. Severe deprivation is defined as the deprivation in 5-7 indicators, which accounted for 1.3% of the population in 2016.

Changes in the contribution of the indicators to the multidimensional poverty index

Figure 3. Contribution of indicators to multidimensional poverty index

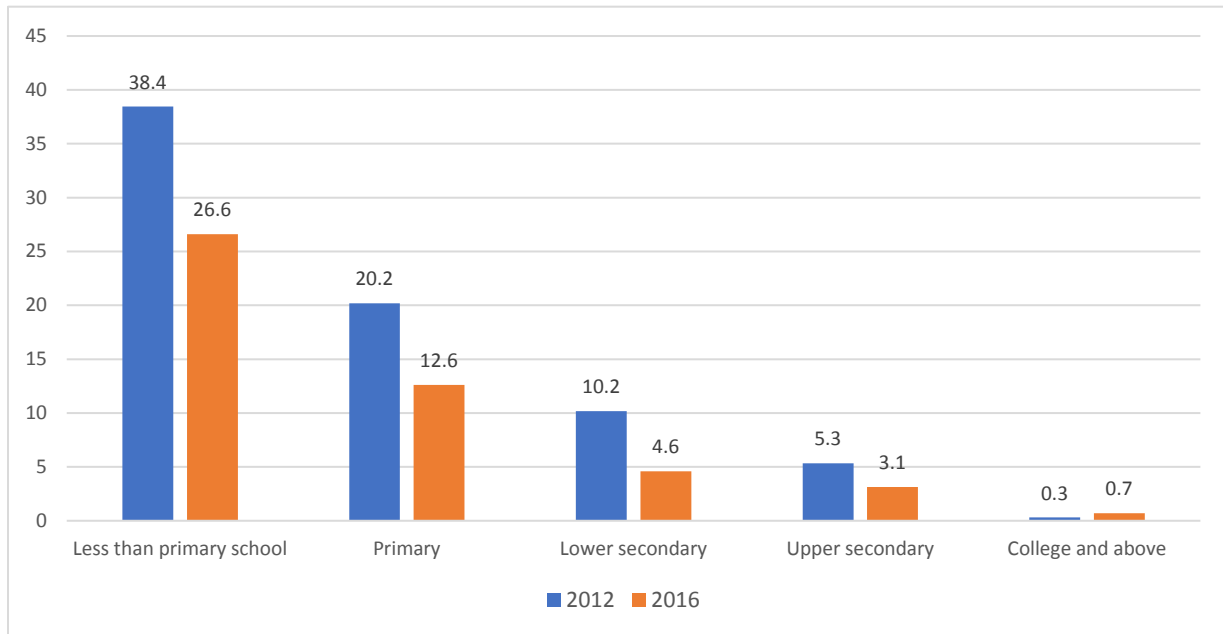


The national multidimensional poverty index (MPI) (calculated using the Alkire-Foster method) fell sharply in the period 2012-2016. The Alkire-Foster method (2011) allows us to analyse how the deprivation intensity of the indicators and components contributes to the overall multidimensional poverty index. This decomposition analysis allows looking into the causes of multidimensional poverty, telling us the improvement of which indicators and dimensions will lead to greater poverty reduction. The indicators on schooling, access to healthcare, communication and information reduced their contribution to overall multidimensional poverty in this period. The other indicators increased their contribution to overall multidimensional poverty. In 2016, the adult education contributed up to 16% to the overall multidimensional poverty index, and access to hygienic latrines made the highest contribution, up to 22% of the overall multidimensional poverty. The dimensions of healthcare service access and school attendance had the lowest level of contribution (Figure 3).

Education and occupation of the household head influence the poverty status

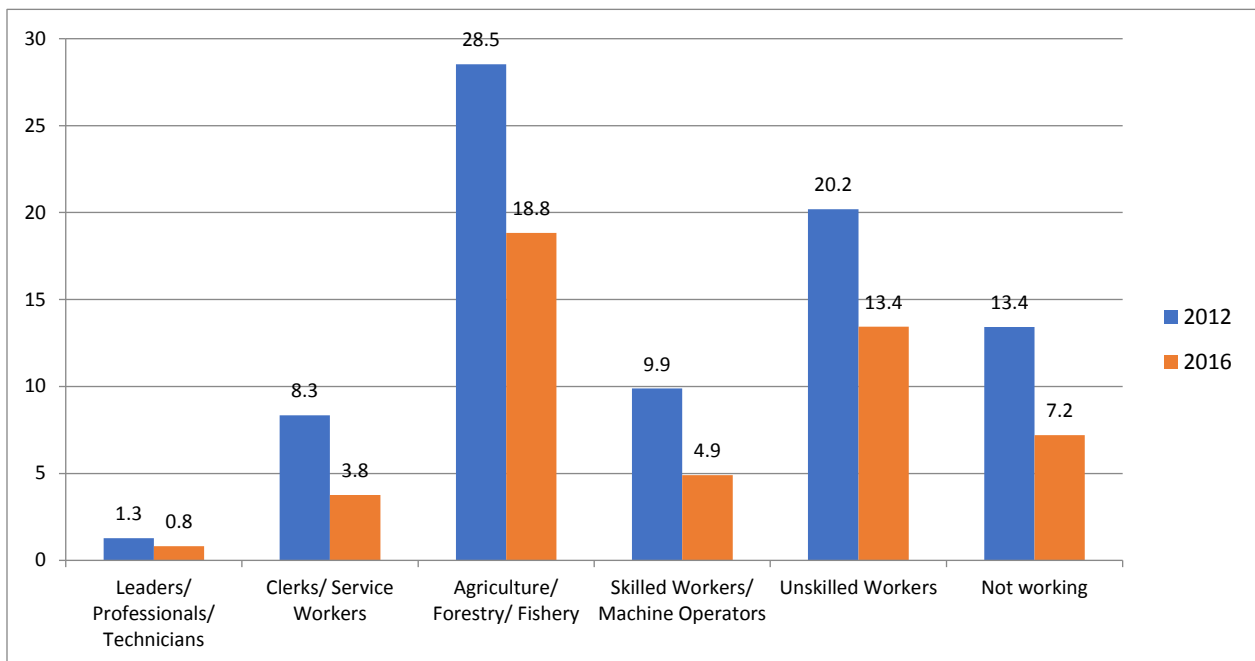
Education and occupation have a direct impact on the employment and income of the household, and thus affect the household's poverty status. The multidimensional poverty rate strongly correlated with the education level of the household head. The multidimensional poverty rate of the households headed by college or university graduates was just under 1%, while those whose heads did not complete primary education was 26.6% by 2016. Over the 2012-2016 period, the poverty rate all fell for households whose heads had different educational levels. For households whose heads graduated from college or university, the multidimensional poverty rate was very low and did not change (Figure 4).

Figure 4. Poverty rate by education level of household head



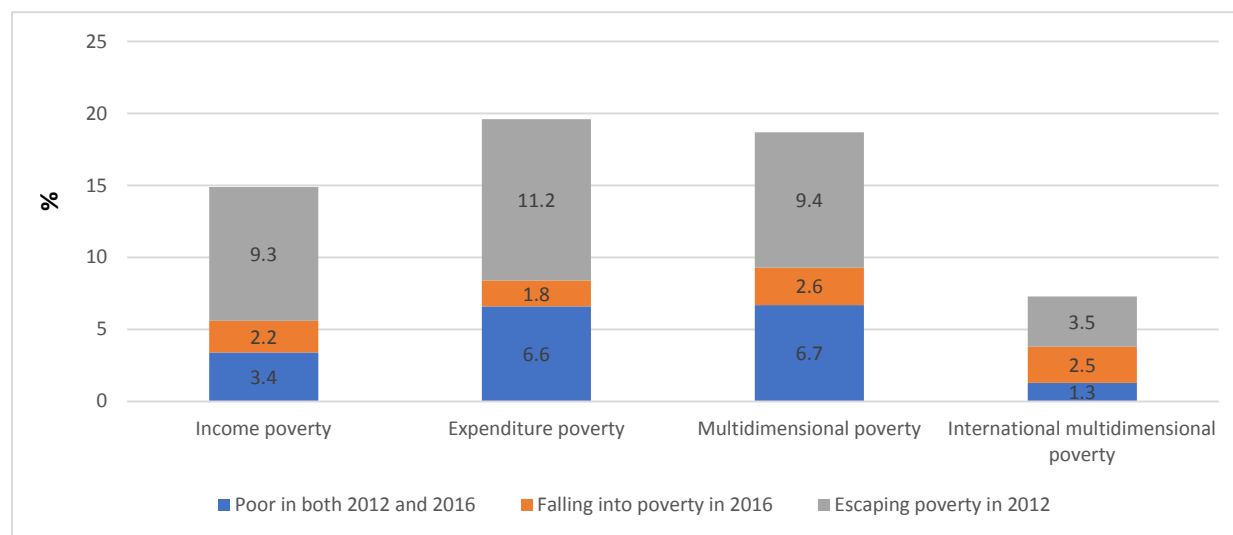
The multidimensional poverty rate fell among the household groups by occupation of household head. The households whose heads worked in agriculture had the highest multidimensional poverty rate, followed by households whose heads were unskilled labor. These groups also achieved poverty reduction in the period 2012-2016, but the rate of poverty reduction is lower than that of other groups. The households whose heads were clerks, office workers, and skilled workers experienced the fastest multidimensional poverty reduction rates (Figure 5).

Figure 5. Poverty rate by occupation of household head



The rate of escaping poverty significantly higher than the rate of falling into poverty

Figure 6. Multidimensional poverty transition 2012-2016



Although the poverty rate declined over the past period, the situation of falling back into poverty or vulnerable households falling into poverty persisted. As per the multidimensional poverty index, over the period 2012-2016, 6.7% of the population was poor in both, 2.6% fell into poverty, and 9.4% escaped poverty in 2016. The remainder were non-poor households in both 2012 and 2016. In other words, the proportion of the population who escaped poverty was considerably greater than that of those falling into poverty, and prolonged poverty rate was low. (Figure 6).

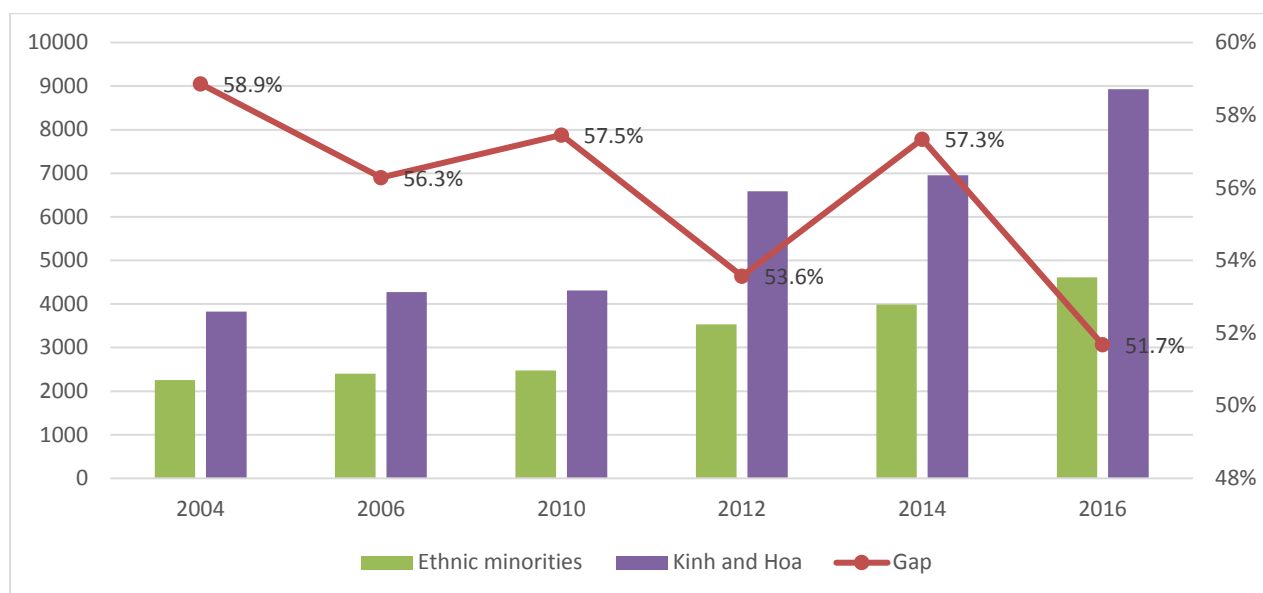
The trends of poverty transition were relatively similar for households in expenditure poverty, national multidimensional poverty and international multidimensional poverty. Relatively, the rate of escaping income poverty was higher than those of escaping expenditure poverty and multidimensional poverty.

Part 2. Disadvantaged groups experienced significant progress, but continue lagging behind

2.1. Poverty and poverty reduction among ethnic minority groups:

Absolute gaps in expenditure and income between the Kinh and ethnic minority groups increased while relative gaps narrowed

Figure 7. Expenditure gap between Kinh and ethnic minority groups



The *absolute expenditure gap* between the Kinh and ethnic minorities tends to increase between 2004 and 2016, but in *relative term* the gap tends to decrease: in 2004, the expenditure of ethnic minorities was 59% of that of Kinh and Hoa, by 2016, this figure stood at only 52% (Figure 7). The income gap also shares a similar trend. While the *absolute income gap increased*, the *relative income gap reduced*: income of the ethnic minority population was equal to 68% of the Kinh population in 2004, this figure fell to only 52% in 2016, or a decrease of 16 %.

The increase in *absolute gaps* is mainly due to the high growth rate of non-farm and wage earning activities (and as the result doubling income) of Kinh/Hoa households, while ethnic minority households could not experience the same level of growth in these activities.

Considerable education gap

The difference in education levels between Kinh/Hoa group and ethnic minority groups was also significant. In 2016, the proportion of people without any qualifications in ethnic minority groups was 43.8%, doubling that of the Kinh and Hoa. The proportion of people with high school education in the ethnic groups was 7.8%, only half that of the Kinh and Hoa.

The gap in access to electricity and safe water was narrowing, but the gap in access to hygienic latrines was widening

Although access to basic social services such as electricity, safe water and hygienic latrines improved significantly for both the Kinh-Hoa and ethnic minority groups, the extents of improvement varied. From 2004 to 2016, the gaps between two groups in access to electricity (which increased from 94.5% to 98.4% for the Kinh-Hoa and from 72.5% to 90% for ethnic minority groups) and clean water (which increased from 84.6% to 94.8% for the Kinh-Hoa and from 51.5% to 70.6%) narrowed, but the gap in access to hygienic latrines increased. The proportion of the population with access to hygienic latrines grew considerably for the Kinh-Hoa by 28 % (from 46.8% to 75.1%) over the period 2004 – 2016, while this figure for the ethnic minorities was only 17 % (from 9.9% to 27.2%).

Relationships among the dimensions

One of the important policy questions related to multidimensional poverty approach concerns the interactions among the dimensions of poverty, i.e., whether improving one deprivation can also improve the other deprivation(s). The analysis shows that people from EM groups with higher education (upper secondary or higher) and at a high expenditure quintile in 2004 considerably narrowed the expenditure gap with the Kinh-Hoa counterparts with similar characteristics. This affirms the important role of education in narrowing the development gap for a part of ethnic minority groups.

Regarding the access to electricity, clean water and hygienic latrines, in the expenditure spectrum for 2004 and 2016, ethnic minorities without access to these public utilities had a higher expenditure gap with the Kinh-Hoa than those with such access.

Factors influencing the living standard gap between ethnic minorities and Kinh-Hoa group

Geographic distance¹ was the biggest barrier to improving the well-being of ethnic minorities to help them catch up with the Kinh and Hoa groups. The magnitude of the effect of geographic distance on incremental spending increased from 3.2% in 2004 to 15% in 2016.

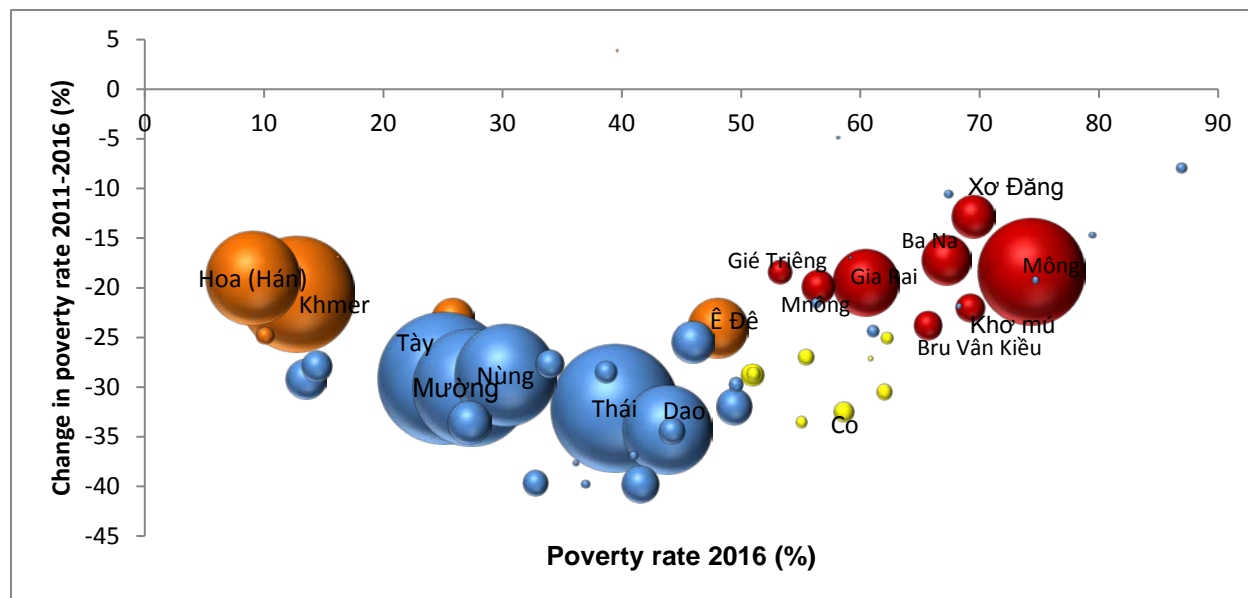
In contrast, infrastructure improvement helped to close the expenditure gap between the Kinh and ethnic minority groups, reducing the gap by 14% in 2004 and 6.4% in 2016. Regarding the other contributing factors explaining the expenditure gap among ethnic groups, household size and educational attainment made the same 12 percent contribution to the increase in the welfare gap in 2004. However, in the period from 2004 to 2016, the impact of education on the gap halved, and household size declined by about a quarter.

¹ Information on whether the commune belonged to the deep and remote areas, as extracted from the data of VHLSS.

Significant differences in poverty rates and poverty reduction rates among ethnic minority (EM) groups

In the period 2009-2015, the multidimensional poverty rate of all ethnic minority groups in Vietnam declined. Nevertheless, the overall reduction rate as well as the dimension-specific reduction rates were very different among the ethnic groups themselves. Specifically, while some EM such as Muong, Tay, and Thai had low poverty rates and fast poverty reduction, other EM like Hmong, Gia Rai, Xo Dang had high poverty rates and slow poverty reduction (Figure 8).

Figure 8. Poverty rates 2016 and poverty rate changes 2011-2016 of EM



Note: the size of circles corresponds to the population size of the EM group

Several influencing factors and explanations for such differences include economic factors as well as factors related to the views and customs of each ethnic group. In general, ethnic minority groups with high poverty rates and sluggish poverty reduction are concentrated in the Central Highlands; with a long distance from home to markets, schools and medical facilities; have high prevalence of consanguineous marriage; high prevalence of child marriage; low number of years of schooling; low proportion of trained workers; and limited reproductive health care for women. In addition, the household income structure was also an important factor in explaining the difference in poverty rates and multidimensional poverty reduction among ethnic groups. Ethnic groups with a large income share from farming and livestock, such as the Hmong people, had higher poverty rates and slower poverty reduction. In contrast, ethnic groups with a large income share from wages or non-farm activities such as Tay and Thai had lower poverty rates and faster poverty reduction than the Kinh majority and the national rate.

2.2. Multidimensional poverty among people with disabilities

Disability affects greatly the quality of life in ways beyond the control of people with disabilities and of the households whose members have disabilities. In addition, difficulties due to lack of

access to basic social services exacerbate the situation of people with disabilities and of households with members with disabilities. Disability and multidimensional poverty are interrelated; disability is both a cause and consequence of multidimensional poverty.

People with disabilities unevenly distributed in multidimensionally poor households

In 2016, Vietnam had 17.8% of people with disabilities living in multidimensionally poor households in accordance with the government's Multidimensional Poverty criteria for the period 2016-2020. For every 10 persons with disabilities: more than four live in multidimensionally poor households if they are ethnic minorities; Similarly, about three persons with disabilities live in multidimensionally poor households if they live in the Northern mountains and Midland, Central Highlands or the Mekong River Delta; two if they live in the countryside.

People with disabilities living in multidimensionally poor households were most concentrated in the Mekong Delta, accounting for nearly one-third of the total number of people with disabilities in the country. For every 10 multidimensionally poor people with disabilities, about four of them were from 65 years old and one of them was from 2-14 years old.

Large gap in access to education between people with disabilities in multidimensionally poor households and people without disabilities

Schooling opportunity for 5-14 year old children with disabilities in the multidimensionally poor households was lower than that for children with disabilities by about 21 %. Only 66.6% of children aged 5-14 with disabilities in multidimensional poverty were attending school.

The proportion of people with disabilities aged 15-30 in multidimensionally poor households who completed lower secondary education or were currently attending school was only 17.2%, 25% less than that of the counterparts without disabilities.

Limited employment opportunities for people with disabilities in multidimensionally poor households

Nationwide, 35.9% of people with disabilities aged 15 and over who live in multidimensionally poor households work to generate income for themselves or their families. This rate was 42 % lower than the employment rate of the population aged 15 and over. In reality, elderly people with disabilities account for a large proportion of people with disabilities. Apart from several limitations in terms of hearing, vision, communication, cognitive and neurological functions, their education is usually also low, which limits their job opportunities.

Varying levels of social support for people with disabilities in multidimensionally poor households

Nationwide, the proportion of people with disabilities in multidimensionally poor households benefiting from at least one social assistance policy in 2016 reached 74.2% and there was a large difference between urban and rural households (23% difference), between Kinh/ Hoa and other ethnic groups (25% difference). This major difference also reflects the fact that the government

has given several priorities and dedicated policies for the rural areas and ethnic minorities in remote areas.

Part 3. Poverty Reduction Programs and Policies in Viet Nam: Assessment and Recommendations

3.1. Assessment of the poverty reduction programs and policies in Vietnam

Although the country only recently changed the poverty measurement method from unidimensional to multidimensional, the system of poverty reduction policies in Vietnam has been assessed to be comprehensive, covering most of the needs and deprivations of the poor. Most of the policies in the period 2016-2020 are not new: they continue from the previous period and have gradually improved over time. Accompanying inclusive growth (UNDP-VASS 2016), these programs and policies have contributed to Vietnam's remarkable achievement in poverty reduction as analysed in Section 1.

However, there exist several shortcomings in poverty reduction policies:

- **Overlaps and fragmentation in policy design and implementation**

In the past, the system of poverty reduction programs and policies was considered to have many overlaps. The lack of linkage and coordination between poverty reduction programs and policies, not connecting to the common poverty reduction goal is the main reason for the overlaps. Currently the system is under review and policy consolidation was adopted in the “Plan to review and integrate poverty reduction policies - period 2017-2018” (Decision No. 1259/QD-TTg, dated 22 August 2017). Nevertheless, the results have been limited.

- **More effective use of multidimensional approach in policy design is needed**

Multidimensional approach to poverty has been formally implemented since 2016 to identify beneficiary households of poverty reduction and social protection policies, as well as to measure and monitor poverty. So far, the list of national socio-economic development indicators includes two indicators related to multidimensional poverty: (1) Multidimensional poverty reduction; (2) Proportion of population participating in health insurance schemes. The local governments have only mentioned the two indicators in their local socio-economic development plans, but they have yet to apply the set of dimensions and indicators of multidimensional poverty.

Thus, when poverty is identified and measured in a multidimensional approach, the development of poverty reduction policies and programs and socio-economic development plans related to component indicators of multidimensional poverty also demands research and innovations to respond to the new approach, in order to improve the effectiveness of poverty reduction and sustainable socio-economic development.

3.2. Policy recommendations

Impressive poverty reduction achievements in recent years have been attributed to the fact that growth and development in Vietnam over the past three decades have been widely regarded as inclusive, i.e. the vast majority of people are involved in the process of growth and benefit from this process. In the coming period, in order to sustain poverty reduction and curb the rise of inequalities, the model of inclusive growth should be constantly strengthened on the basis of three main pillars: (i) job creation to increase productivity for all workers; (ii) expand coverage towards the universalisation of basic social services; and (iii) strengthen the social security system for disadvantaged groups to ensure that no one is left behind.

These orientations should be implemented in the new context, both globally and nationally. In the world, although globalization is still the dominant trend, protectionism in some of the major economies and trade wars are new challenges for the global economy. The Fourth Industrial Revolution, with the digital revolution at the core, is having a powerful and comprehensive impact on the contemporary, posing both new opportunities and challenges. Aging populations in many countries, climate change, non-traditional security types, etc. are major trends that are exhibiting a significant impact on Vietnam's economy in general and on poverty and inequality reduction in particular. The national economy has flourished and macroeconomic stability is guaranteed. However, structural reforms such as the reform of state-owned enterprises, restructuring of the banking system and restructuring of public investment still face many challenges. Other challenges such as high public debt, population passing its golden stage, etc. also create constraints for growth and poverty reduction.

Based on the aforementioned assessment, a policy framework is proposed to promote poverty reduction based on inclusive growth in the coming period as follows:

3.2.1. Promoting productive employment to increase income for all workers

Continuing to strengthen the fundamentals of the economy

Vietnam needs to further strengthen its economic fundamentals by maintaining macroeconomic stability, continuing active international integration and accelerating the currently sluggish structural reforms to ensure that the national resources - human, financial and natural resources - are allocated and used effectively; promoting administrative reforms, increasing transparency and fighting corruption, etc., to have more resources for development in general and for poverty reduction and inequality curbing in particular.

Promoting agricultural development

As agriculture is still the main livelihood of many low-skilled labour and the poor in rural areas, many of whom are ethnic minority people, it should be promoted. Solutions including implementation of the Land Law, taxation policies, agricultural, forestry and fishery extension activities, etc. should be directed towards the restructuring of the agricultural sector to increase productivity through the transition to higher value products and farmer's production better connected with the value chains. At the same time, Vietnam also needs to make the most of digital

technologies whose prices are decreasing rapidly to improve the efficiency of agricultural production. Some examples of specific applications include the use of these technologies to trace the origins of products and input materials, to receive information on agricultural prices, to access digitalized extension services, to receive pest warnings, etc.

Promoting productivity and efficiency of small and medium enterprises and household businesses

Small and medium-sized enterprises and household businesses play a very important role in restructuring, helping to draw labour, many of which have few skills, out of agriculture to work in manufacturing and services industry with higher productivity and income, thereby supporting sustainable poverty reduction and effectively curbing rising inequality. Therefore, it is necessary to promote productivity and efficiency of small and medium enterprises and household businesses. This can be achieved through the effective implementation of the Small and Medium Enterprise Support Law recently approved by the National Assembly in 2017.

It is recommended to facilitate the digitization process for the development of Vietnamese enterprises in general and small and medium enterprises in particular in the digital era. It is also necessary to raise awareness and encourage small and medium enterprises to use cloud-computing services to sharply cut costs, and to use e-commerce platforms to significantly improve the connection to the market. Special assistance should be provided to business households and people in ethnic minority areas to help them strengthen their links with international and domestic markets, particularly in urban areas, through digital technologies and the platforms for e-commerce, tourism, etc... thereby promoting the sale of local products and services with potential.

3.2.2. Expanding the coverage and improving the quality of social services

It is recommended to continue to expand the coverage, accompanied by improved efficiency and quality of social services. A thorough assessment of the impact of social service privatization is needed. While the privatization of social services has been deeply rooted in the system and mobilized substantial resources, its current activity in the context of regulatory pitfalls has raised concerns about equity and efficiency. The privatization of social services has led to under-utilization of services, especially for poor and low-income households.

In the education sector, the impact of school fees on poor households and low-income households should be assessed and the most efficient use of resources should be considered before further expansion of the privatization of social services. In the health sector, the way health care services are financed and managed causes concerns about effectiveness, i.e. the overuse of high-end services and expensive medical technologies. Other issues including an inadequate attention to preventive medicine and primary health care, the price of medicines increasing rapidly in the context of high out-of-pocket payments, ambiguous boundaries between public and private health care services ... also need to be assessed and improved. Regarding sanitation and health, many poor households do not have access to sanitary latrines, which should also be given priority.

In the context of accelerating technological advances, the education sector needs to promote life-long learning and cyber-learning, including the provision of online courses to all. There should be support for ethnic minority groups so that they can participate in these increasingly popular forms of education. In the health sector, it is important to encourage the application of affordable technologies to health care, including the expansion of health check and counselling through online forms, given the constantly improving coverage and speed of Internet access.

3.2.3. Improving the effectiveness of poverty reduction programs and policies

Improving program / policy effectiveness through design and implementation

It is necessary to change ways of thinking and approaches to developing poverty reduction policy and poverty reduction policy system, in which poverty reduction policies should be linked to policies that promote economic growth, applying inclusive growth approach.

There should be emphasis on the design of endogenous capacity-building policies, together with communication approaches to facilitate access of the poor to policies. At the same time, awareness should be raised among the poor to actively work with the state to achieve poverty reduction goals, avoiding the situation of passively benefiting from policies and falling back into poverty without support from the state.

Vietnam should scale up effective poverty reduction models, promote community-based poverty reduction initiatives; implement employment generation associated with infrastructure construction investments in the area; promote cooperation models to link poor households with enterprises in production, product distribution and consumption, attracting poor labour to secured employment in enterprises.

The country should also promote grassroots democracy and grassroots participation in the development, implementation and monitoring of programs / policies. The use of digital technology in the implementation of poverty reduction programs should be promoted to help improve efficiency and transparency, receive feedback quickly from beneficiaries, and stimulate broader public participation.

Extending the coverage of programs/policies in both breadth and depth, focusing on vulnerable groups

Social security should be ensured for all. In the future, the design of policies should be changed, so that the lowest level ensures that all people have minimum essential security regardless of the level of participation.

It is necessary to continue to expand beneficiaries, policies and conditions to implement social protection, giving priority to disadvantaged groups and those affected by natural and social events, as well as poor and ethnic minority areas. There should be a gradual shift from supporting poor households to supporting easily identified vulnerable people, such as children, the elderly, people with disabilities, people living in disadvantaged areas, certain ethnic minorities with high poverty rate and slow poverty reduction.