POVERTY REDUCTION IN COMPARATIVE PERSPECTIVE

Lessons for Viet Nam from international experience

Poverty reduction in comparative perspective: Lessons for Viet Nam from international experience

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Introduction

Viet Nam has achieved an historically rapid reduction of extreme poverty over the past three decades. This impressive result was achieved primarily because of sustained increases in productivity and rapid employment growth in the full range of sectors and industries. Agrarian reforms introduced in the late 1980s, and extended in the following decades, incentivized farmers to intensify and diversify production, leading to sustained growth in rural incomes. Liberalization of trade and inward investment resulted in Viet Nam's rapid integration in East Asian and global production systems, contributing to the rapid growth of exports and job creation in manufacturing. Rising incomes in rural and urban areas drove the development of domestic services including retail, transport and logistics, finance and business services.

Other policies have also contributed to the country's success in reducing poverty. Viet Nam's progress towards universal access to health care, education and basic infrastructure (electricity, water and sanitation and communications) are noteworthy. The Government devised and implemented various National Targeted Programs (NTPs) to raise incomes, provide services and reduce deprivation in remote rural areas and regions inhabited by ethnic minority groups whose incomes and consumption have risen more slowly than other groups.

Viet Nam has led the way for low-income developing countries committed to rapid and sustained poverty reduction. However, Viet Nam has now achieved lower middle-income status, and has ambitions to achieve upper middle-income status before the end of the decade. In this context, it is worth asking if Viet Nam could learn lessons from the experiences of other *middle- and high-income* countries that have combined rapid income growth with low levels of inequality and sustained reductions in absolute and relative poverty.

The aim of this paper is to consider some of these lessons and their relevance to the development context in Viet Nam. The paper is structured as follows. After a brief review of the context of poverty reduction in Viet Nam, the paper summarizes lessons from international experience that could be of interest to policy makers in Viet Nam. The final section offers some policy recommendations and concludes.

The context of poverty reduction in Viet Nam

Viet Nam has achieved a historically rapid reduction in measured poverty. Viet Nam emerged from decades of war and international isolation as one of the poorest countries in the world. The first systematic national expenditure survey conducted in 1992 found that virtually everyone was poor, and nearly half the population suffered from extreme poverty (Figure 1). However, by 2010 extreme poverty had been nearly eliminated and only one-fifth of the population was poor according to the revised national poverty line. The poverty rate was halved again over the following decade. Multidimensional poverty indicators, which look beyond income to include access to basic infrastructure and services, have seen similarly sharp declines. Using the standard adopted in 2015, multidimensional poverty declined from 9.9% in 2016 6o 4.5% in 2020.

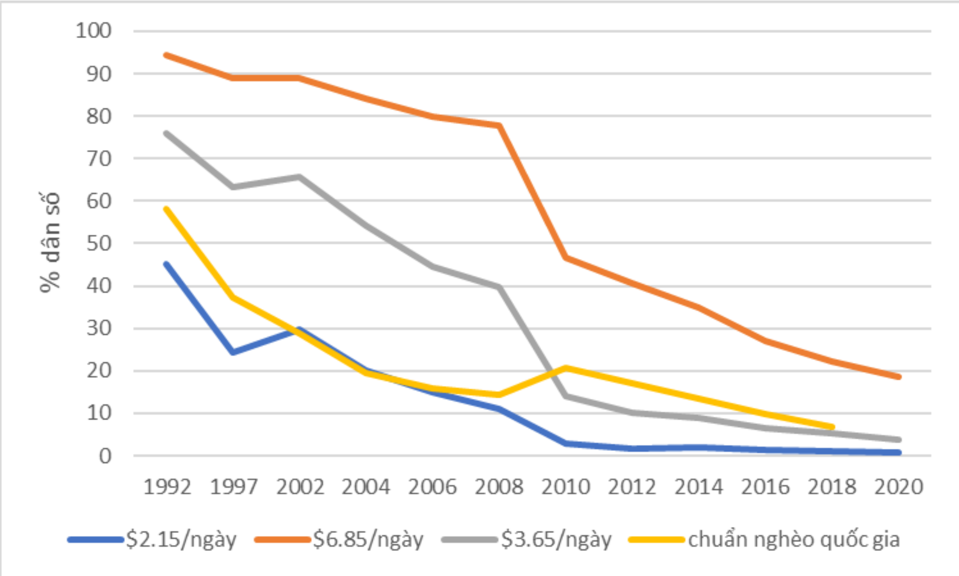

Figure 1. Poverty reduction in Viet Nam (Source: World Development Indicators)

International poverty lines expressed in 2017 PPP international dollars.

The main driver of poverty reduction was rapid and sustained growth of both employment and productivity (output per person per day). Agrarian reform realigned incentives to encourage agricultural production, diversification and investment, including growth of traditional and non-traditional exports of farm products, fish and shellfish. Public investment in irrigation and drainage, transport infrastructure and agricultural research were essential preconditions for growth. Trade liberalization, starting in the 1990s but deepening after 2000, laid the foundations for integration into regional and global supply chains. Exports of manufactured goods grew at the remarkable rate of 20% per annum from 2000 to 2019, creating millions of steady jobs.

Nevertheless, pockets of deprivation remain. Despite these significant achievements, conditions for some groups have lagged behind. Some remote and mountainous areas, where agricultural productivity has grown more slowly and fewer jobs are available outside of agriculture, have experienced slower income growth than most. Ethnic minorities make up 15%

of the total population but accounted for 79% of the poor in 2020. A strict gender division of labor still excludes women from higher paying jobs, which forces women into low-productivity wage work and self-employment. Women-owned small businesses record lower returns than small businesses owned by men, which is evidence of the limited wage-earning opportunities open to women. Migrants, which make up an increasing share of the population, can find it difficult to access basic health and education despite recent reforms to the household registration system. The Covid-19 pandemic revealed gaps in the social protection system, which struggled to reach households suffering from transient poverty, as social distancing measures reduced employment in services and forced many small businesses to cease operations, losing income.

Most households are still vulnerable to transient poverty. Poverty is dynamic. Poverty statistics, which report the incidence of poverty as a percentage of the population, can convey the mistaken impression that the same households are poor all the time. But this is far from the case. Every day, month and year, some people climb out of poverty and others fall into poverty. The study of poverty dynamics sheds light on the most common routes into and out of poverty. Finding a job is the most common exit from poverty, while descents into poverty are frequently caused by loss of employment, indebtedness and poor health or high heath care costs. The costs of taking care of and educating children force many young households below the poverty line, as do the costs associated with caring for elderly or infirm relatives. Women often find that they must reduce their earnings in the labor force to care for children and the elderly. Although the incidence of poverty has fallen sharply in Viet Nam, a majority of households are still vulnerable to poverty in the sense that a sudden change in their conditions can drive household income below the poverty line. Pham and Mukhopadhaya, using the standard deviation of income as a simple measure of vulnerable, find that 60% of Vietnamese households are vulnerable to income poverty, with particularly high rates of vulnerability in the Northern Mountains, Central Highlands and Mekong River Delta regions (Pham et al., 2021).

Viet Nam faces emerging challenges that with increase vulnerability of some households. With its long coast and low-lying deltas, Viet Nam is routinely listed among the countries most vulnerable to climate change. Extreme weather conditions, floods, drought and rising sea level will increase income variability for farmers and render some areas uncultivable. The rural population of the Mekong River Delta is already shrinking at 0.3% per year due to a combination of climate change and urbanization, a rate that is likely to increase over the coming decade (Nguyen & Vu, 2020). The exodus from the Mekong Delta due to climate change could reach 3.5 million by 2030, which would represent migration on a scale larger than the Midwest Dustbowl in the United States in the 1930s. The Covid-19 pandemic was a striking example of the impact of health emergencies on economic security: 73.3% of Vietnamese households have experienced a reduction income during the pandemic, and transient poverty rose significantly. Trade wars, international conflicts and declining support for multilateral trading arrangements could threaten exports, job growth and income stability in Viet Nam.

Demographic change: Viet Nam is currently enjoying a demographic dividend, defined as the period during which the proportion of working age people is 55% or more of the total population. Relatively low dependency ratios are associated with more rapid economic growth because most of the population is economically active. This period is projected to end by 2039 as the share of the population over 65 years of age rises about 15% (General Statistics Office, 2021). Viet Nam will need to strengthen social protection programmes and invest in social and health care for the elderly to avoid a rise in elderly poverty.

Relative vs absolute poverty: Viet Nam has come a long way toward eliminating hunger and absolute poverty in one generation. This is a momentous achievement. Enabling all citizens to meet their basic needs for food, clothing, and shelter is the most important responsibility of government. Beyond physical deprivation, poverty also has a social dimension. Amartya Sen notes that being relatively poor in a rich society can make it impossible for an individual to participate fully in the life of the community, which is in itself a form of poverty (Sen, 2000, p. 71). Poverty does not disappear in rich societies: in a context of widening income and other inequalities, social exclusion remains a serious problem that is deeply corrosive of social, cultural and political solidarity. Measures of relative poverty—for example a poverty line drawn at the level of one-half of median income—will become increasingly important in Viet Nam as per capita incomes rise.

Lessons from international experience

Viet Nam has achieved extraordinary success in nearly eliminating extreme poverty. As a middle-income country, with aspirations to achieve high-income status within a few decades, the focus of the poverty reduction strategy will gradually shift from extreme poverty to other concerns, including vulnerability to poverty, emerging threats to well-being, demographic changes and relative poverty. This section addresses some of the lessons that Viet Nam can learn from international experience in addressing these emerging challenges.

Cash transfers to targeted groups to tackle pockets of extreme poverty. As the proportion of the population suffering from extreme poverty has declined, the cost of closing the gap between their access to income and a minimum standard of living has fallen. Countries around the world have had success with social cash transfer programs. Conditional cash transfer programs like Brazil's *Bolsa Familia* and Mexico's *Prospera* were widely praised as effectively, low-cost mechanisms to increase the incomes of the poorest members of society. Under these programs, cash grants were made conditional on household's fulfillment of specific criteria like routine health checks for women and children and children's school attendance. The programs give households an incentive to invest in health and education, or in some cases job training, which have the potential to provide a long-term path out of poverty. However successful these programs have been at reducing the incidence and depth of poverty, they are politically vulnerable because only a small number of citizens participate in them. The Prospera program in Mexico, despite international acclaim, ended in 2019 after 21 years mainly due to lack of political support, as most voters did not benefit from the program. This is a recurring pattern in means-tested anti-poverty programs: **poor people have limited political resources and influence and cannot defend their access to and the quality of programs designed to lift them out of poverty**. As Amartya Sen famously wrote, "benefits meant exclusively for the poor often end up being poor benefits" (Sen, 1992, p. 14).

Cash top-up and funding crowd-in mechanisms are another approach to tackling pockets of extreme poverty. In cash top-up programs (Bangladesh, Ghana), households receive benefits in addition to cash allowances to help them escape from poverty. Other benefits consist of matching funds or assets such as livestock or equipment. Households receive training both to invest the cash and use the productive assets and in financial and business management. Cash plus projects also include access to financial assets, such as credit. Frequent visits by social workers, technical staff or local government representatives are essential to ensure the cash and assets are used properly.

These benefits are provided for a pre-agreed and limited period of time, after which the households are expected to be self-sufficient or enter the "graduation phase." Not all poor households are suitable for this type of program: for example, older people and people living with disabilities may or may not be able to participate depending on their capabilities and circumstances. However, an evaluation of cash plus and of other pilot programs found that this approach has a positive sustainable impact on participating households, most of which continue to enjoy higher living standards after the benefits cease (Brac, 2022)[1]. The graduation reduces the risk of dependency on government assistance while providing poor households with essential conditions for self-reliance.

Universal cash transfer programs reduce vulnerability to shocks, avoid the costs and errors associated with means-testing and build social solidarity. The section below sets out the benefits of universal cash transfer programs vs targeted programs.

First, Cash benefits that are universal rather than targeted are more likely to reach the very poor.

Targeted programs reduce costs by restricting benefits to the neediest members of society. However, targeting is imprecise, and inevitably leads to errors of exclusion (when people who should be receiving benefits don't get them) and errors of inclusion (when benefits of given to people who do not meet the established criteria. International evidence has shown that targeted cash benefits do not reach the poorest. When means testing is used, people in the middle of the income distribution are much better at securing government support than the very poor, which tend to be underserved by official government support because they live in remote areas or fall out of the system for other reasons.

Secondly, universal programs are cheaper to administer. targeted programs incur large administrative costs. The government needs to hire administrators to collect and check information on a routine (often monthly or annual) basis. Records needs to be kept and updated, and data must be verified. Means testing also takes time, which makes it difficult to deliver targeted benefits when they are needed most. During the Covid-19 pandemic, means-tested programs were too slow to reach people suddenly affected by transient poverty because of the sudden loss of employment. Governments around the world had to improvise to devise ways to move cash immediately to households and individuals who had never been listed among the poor and vulnerable.

[1] Brac, (2022) What 'cash plus' programs teach us about fighting extreme poverty https://bracusa.org/what-cash-plus-programs-teach-us-about-fighting-extreme-poverty/

Universal programs may seem expensive at first glance, but because they are simple to administer, they are extremely efficient. Categorical targeting, for example universal child benefit, benefits for pregnant women and new mothers, universal pensions, and grants to people living with disabilities, combine the best qualities of universal and targeted programs. These programs are guaranteed to reach the most vulnerable members of society, and they are easily scaled up in response to sudden shocks, for example pandemics, natural disasters and financial crises. Unlike means-tested benefits, they attract broad-based political support because everyone is included.

Thirdly, universal benefits help households manage life-cycle effects and therefore reduce vulnerability to poverty associated with raising children, illness and aging. As these are some of the main reasons for descents into poverty, universal grants to women with children and older citizens are an effective tool to reduce vulnerability.

In Nepal, when a study identified families with very young children as the nation's poorest, the government implemented a benefit scheme for households with young children in the country's poorest districts. In this conflict affected country, the high cost of excluding some young children from benefits was found to outweigh the savings from targeting, particularly in terms of social cohesion and solidarity (Samson et al., 2020)[2]. In Bolivia, a universal pension scheme (*Renta Dignidad*) and a child benefit programme (*Bono Juancito Pinto*) contributed to a 15% decline in extreme poverty between 2007 and 2009 despite the global financial crisis (UNDP, 2011). Recent studies by the World Bank and others have identified country conditions that make categorical targeting approaches relatively more effective and efficient in reaching poor households (Samson et al, 2017)[3].

Fourth, universalism is the global trend among many countries. During and after the COVID-19 pandemic, there has been a global trend in social protection programs towards universality including, in many cases, dropping financial need as a criterion. Eliminating means-testing reduces the risk of targeting errors in social protection systems, simplifies administration and provides greater security for the populations concerned. This approach is widespread in upper middle-income countries, where it is seen as one way of reducing inequality and ensuring reasonable economic opportunity for all, particularly in programs whose beneficiaries are children. For example, the universal child allowances, and universal allowances for expectant and new mothers, have been introduced in a number of countries including Argentina and El Salvador—both MICs like Viet Nam. Policy regimes are hardly ever purely universal or purely based on targeting, however; they tend to lie somewhere between the two extremes on a continuum; and are often hybrid. Where they fall on this continuum can be decisive in spelling out individuals' life chances and in characterizing the social order (Mkandawire, 2005[4]).

[2] Samson et all, 2020, How are countries using social protection to benefit the poor?

[3] Devereux, S., Masset, E., Sabates-Wheeler, R., Samson, M., Rivas, A., Lintelo, D. The targeting effectiveness of social transfers (2017)https://www.researchgate.net/publication/316117489_The_targeting_effectiveness_of_social_transfers

[4] Mkandawire, T., (2005). Targeting and Universalism in Poverty Reduction (No. 23; Social Policy and Development Programme Paper). United Nations Research Institute for Social Development.

Universalism does not necessarily imply a complete reliance on tax-based funding. Several programs in Europe that are often classified as universal because they are paid to all citizens or residents — including in Liechtenstein, Malta, Belarus and the Republic of Moldova — are in fact financed from social insurance contributions. At the same time, other countries adopt ***a mixed approach*** to achieve universal coverage, i.e., by combining both financing from the social insurance system (for those participating in it) and tax-based financing for those outside the system (with Belgium, Japan and Switzerland being prime examples). This lesson should be taken into account to expand the social assistance and social insurance systems in Viet Nam.

***Transition from national targeted programs on poverty reduction to regular life-cycle social protection policies*. National Targeted Programs (NTPs)** are target-bound, time-bound and budget- bound, and are designed to address extreme poverty for a certain period of time, then they should be mainstreamed into regular policy system. As a middle-income country, Viet Nam will increasingly rely on an integrated package of social protection instruments to address various types of vulnerabilities at different age-related and other stages of life. These programs address vulnerability across the life cycle and break patterns of intergenerational transmission of poverty (Emma Cain, 2017)[5]. In recent years, the Government of Vietnam has also taken important steps to lay the groundwork for an expansion of social protection coverage eventually covering citizens across the lifecycle. This intention is captured in the Master Plan on Social Assistance Reform and Development (MPSARD) and the Master Plan on Social Insurance Reform (MPSIR) and corresponding action plans to roll out the lifecycle approach social protection system in Vietnam (Joint UN in Vietnam, 2022)[6].

Empowering women and promoting gender equity to erase poverty. Improving girls' access to education is the single most effective antipoverty policy in the world today. The fundamental role of women in reducing poverty is one of the most profound lessons of development experience over the last generation. In most developing countries, women play the major role as producers of food and protectors of the environment and in educating children and nurturing families. They make up a quarter of the work force in industry and a third in services. For many years, women were treated as "invisible" by governments and development institutions. Consequently, the worldwide progress in social and economic development over the last three decades has not translated into proportional gains for women. Investing proportionally more in women now, therefore, is a crucial element of the effort to reduce poverty more effectively.

It has been reported that women's unpaid labor adds up to $10 trillion per year — 13% of the global GDP (UN's High-Level Panel for Women's Economic Empowerment). Women own less than 20% of agricultural land in parts of Africa and Asia, yet make up 60% of the agricultural workforce (FAO, 2016). "Women are the backbone of our work in agriculture. When women have opportunities, the yields on their farms increase – also their income. Natural resources are better managed. Nutrition is improved. And livelihood are more secured" (José Graziano da Silva, 2016[7]).

[5] Cain, E., Social Protection and Vulnerability, Risk and Exclusion Across the Life-Cycle, HelpAge International, 2017.

[6] A Joint UN Synthesis Report – Executive Summary: Strengthening Social Policies in Viet Nam, 2022

[7] https://news.un.org/en/story/2016/12/547942

In Bangladesh, Brazil and South Africa, cash transfers provided to women have a positive impact on school attendance especially for girls. Increasing resources in the hands of women increases child survival rates, nutritional status and school attendance (UNICEF, 2020)[8].. In households where women are key decision-makers, the proportion of resources devoted to children is far greater than in those in which women have a less decisive role. Consequently, who controls cash transfers at household level is crucial in terms of income security, poverty mitigation, child survival and empowerment of both women and children (Nolan, 2019[9]).

For example, the Chars Livelihood Programme (CLP) recognised that women in the Chars are more vulnerable than men. By placing women at the centre of its interventions the CLP reduced their vulnerability in two key ways. *First* the transfer of assets to women built their negotiating power both within the household and in the community. *Second* the programme changed damaging gender attitudes through its social development activities (CLP DFID and DFAT 2018)[10].

UNDP Vietnam tested and replicated the 4M (meet-match-mentor-move) initiative – an economic empowerment of Ethnic Minority women led cooperatives in Bac Kan, Dak Nong, Lao Cai and Son La provinces in 2019-2022. As a result, 169 EM women-led cooperatives in 04 provinces, including 15,442 EM people (of which 78% are EM women) maintained and promoted production and turnover during the COVID-19 pandemic. 95% of cooperatives changed their business management methods from traditional market and management tools to applying information technology and electronic devices in production and trade. The update monitoring report by end 2022, shows that 93% of the EM women-led cooperatives supported by UNDP (2019 – 2022) are still operating and maintaining revenue growth of over 20% per year.

Accurate data covering the entire population is key for poverty reduction policy design and implementation. A common problem in the development of social protection systems is the absence of comprehensive and high-quality data. Information is often fragmented across programs, sectors, regions and communities. This complicates efforts to analyze the impact of programs and changes to programs on citizen well-being. For example, out of pocket health care costs are a major cause of descents into poverty, but the lack of complete information on health spending obscures the interactions between health and household income. In the absence of timely and comprehensive data, it is difficult for policy makers to understand the likely impact of adjustments to programs and policies.

Viet Nam relies heavily on two kinds of data to measure rural poverty: (i) administrative data, collected by local officials; and (ii) the Viet Nam Households Living Standards Survey (VHLSS).

[8] UNICEF, 2020, For every child: https://www.unicef.org.uk/wp-content/uploads/2021/07/UNICEFUK_TrusteesReport2020_finalS.pdf

[9] Heidi Loening-Voysey; Jenny Doubt; Divane Nzima; Yulia Shenderovich; Janina Steinert; Jasmina Byrne; Lucie Cluver, https://www.unicef-irc.org/publications/993-relevance-implementation-impact-sinovuyo-teen-parenting-programme-south-africa.html, Innocenti Research report, 2019

[10] The CHARS livelihoods program – Lessons learnt series https://www.gov.uk/research-for-development-outputs/the-chars-livelihoods-programme-lessons-learnt-series-consolidated-briefs

Administrative data is not collected in a consistent manner from place to place and over time, and therefore is not representative of the population. Moreover, coverage is partial and depends on choices made at the local level, which introduces an element of subjectivity. VHLSS is conducted every other year and is based on a systematic random sample. However, because of the relatively small sample size it is representative at the regional and not the provincial level. Moreover, the sampling method systematically excludes migrants and people who do not have a fixed address or live in substandard housing, which results in the exclusion of many poor and vulnerable people.

Digitalization of registration, administration and payments has improved the efficiency and performance of social protection systems in high income and many upper middle-income countries. Program participants can provide and verify information online, which increases accuracy and reduces administrative costs. Participants feel more connected to the programs and can monitor their benefits and obligations, increasing public support for social protection and engendering a sense of shared rights and obligations in citizenship.

Formalization of employment reduces vulnerability to poverty. Despite falling significantly over the past decade, informal employment in Viet Nam still accounted to almost 70% of total employment in 2019 (ILO, 2021)[11]. The informal labor force includes the self-employed and family workers, but also wage and salary employees who work for enterprises that are not formally registered with the authorities and do not pay tax. Many of these enterprises are small, but some have tens or even hundreds of employees. Informal employees do not have access to the social security system: they do not pay into the public pensions system, and they are not covered by accident insurance. Formalizing employment relations is essential if Viet Nam is to achieve a universal social protection system that reduces vulnerability across the life cycle of the household, and that is financially solvent over the long-term. Formalization is also required to move from paper-based to online systems.

Conclusions: Toward a Modern Social Protection System for Viet Nam

Vietnam is an outstanding example of success in poverty reduction. Viet Nam was also a pioneer country in adopting multidimensional poverty (MDP) measurements since MDP was incorporated into poverty-reduction policy and monitoring in 2015. Vietnam's MDP poverty line for the period 2021-2025 has been adjusted to reflect minimum living standards, meeting the increasing demands of citizens of a middle-income country. The new challenge for Viet Nam is to shift from extreme poverty reduction to *reducing vulnerability* to poverty. This requires moving beyond poverty eradication to address emerging issues, including pockets of poverty in remote areas, gender inequality, and labor force informality. The section below sets out these aspects for Viet Nam.

[11] ILO, 2022, Informal employment in Viet Nam: Trends and determinants, https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-hanoi/documents/publication/wcms_819789.pdf

Vietnam's social protection system will gradually transition from area development to a life-cycle approach, ensuring protection for citizens from childbirth to old age. Poverty is dynamic, meaning that in any given period some people fall into and other people escape poverty., The social protection system must be reformed to reduce the likelihood of poverty descents and increase the likelihood of poverty escapes. For most households, life cycle effects are a major cause of descents. The costs of feeding, clothing and educating children, and of supporting elderly relatives and family members who are in poor health, are the most common causes of vulnerability.

Viet Nam has made rapid progress in expanding access to health insurance. Nearly all citizens are now covered by some form of health insurance. However, out of pocket costs are still high, and prices of medicines and medical equipment are higher in Viet Nam than in neighboring countries. Hospitals and clinics still have an incentive to over-prescribe drugs and other treatments.

Under existing policies, the rate of elderly poverty will rise as the population ages. According to Viet Nam Social Security, 35% of retirees now receive monthly social insurance benefits.[12] The relatively low coverage of the pension system is a result of the high degree of informality in the labor force and a legacy of a previous era when access social protection was largely confined to public sector workers. As most elderly people do not have a pension, elderly poverty is a serious problem, especially in rural areas. Under the draft revised Law on Social Insurance, citizens 80 years of age and older who have no pension and no monthly social insurance allowance will be eligible to receive a noncontributory pension of VND 500,000 per month. Experience from other countries demonstrates that social pensions are an effective, and fiscally efficient mechanism to reduce elderly poverty (Giang, 2014[13]). The current could be expanded at relatively low cost by including all elderly people (not just people without pensions) and gradually reducing the eligibility age from 80 to 65 in stages.

The costs of caring for and educating children are also an important source of vulnerability. Universal child grants are an efficient and highly effective mechanism for reducing child poverty. A study by UNICEF found that in middle-income countries a universal child grant financed by 1% of GDP would reduce aggregate poverty for the whole population by 30% and a reduction of child poverty by 20% or more (UNICEF & ODI, 2020, p. 6[14]). There are several advantages to universal as compared to means-tested child grants. Universal grants are easy and inexpensive to administer since eligibility is determined by age rather than income or location. Universal grants also eliminate inclusion and exclusion errors, which are common in means-tested programs.

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[12] See Old-Age (vss.gov.vn).

[13] Giang, L. T. (2014). Expansion of Pension Coverage to the Informal Sector: International Experiences and Options for Viet Nam; https://doi.org/10.13140/RG.2.1.1955.8243

[14] UNICEF, & ODI., (2020). Briefing Universal child benefits: Policy issues and options. https://www.unicef.org/media/70416/file/Universal-child-benefits-Briefing-2020.pdf#:~:text=Universal%20child%20benefits%20%28UCBs%29%20can%20play%20a%20critical,scaling%20up%20social%20protection%20in%20times%20of%20crisis

Universal child benefit schemes also build a strong sense of citizenship and social solidarity. There is an urgent need in Viet Nam to strengthening social and protection services for girls and boys.

The transition from means-testing and area programs to universalism is consistent with Viet Nam's development progress, the country's political commitment to equality and social progress and the Leave No One Behind principle of the Sustainable Development Goals. The Masterplan for Social Assistance Reform and Development approved in 2017 (MPSARD) calls for continuing expansion of coverage of vulnerable groups including children, pregnant women, people living with disabilities, the elderly people, and ethnic minorities. MPSARD adopts the principle of universalism as an effective and efficient strategy to enable all Vietnamese people to attain minimum standards of living. Viet Nam's spending on social assistance is on a par with Thailand and Mexico (1.6% of GDP), and higher than Malaysia and Indonesia (0.6%).[15] However, about one-third of this amount is spent on fee waivers (for example, for school fees). Moreover, the impact on poverty of existing cash transfer and other social assistance programs is low: a UNDP study found that social assistance transfers in Viet Nam reduce the national poverty rate by 1.9% because of poor coverage and targeting and the low level of benefits (Kidd et al., 2016, p. 6[16]). A transition from the existing patchwork of programs to universalism would reduce costs, improve coverage and increase impact.

The recent experience of Covid-19 revealed serious gaps in the social protection system. Transient poverty increased sharply, and existing social assistance programs struggled to reach people suffering a sudden and catastrophic loss of income, especially informal sector workers and migrants. According to a UNDP study conducted with the Viet Nam Academy of Social Sciences, 8.5% of the non-poor population in 2019 fell into poverty due to the pandemic (UNDP, 2021). The impact of the third wave of infections in August 2021 was even greater (Institute of Labor Science and Social Affairs & UNDP, 2021). Households on existing poverty lists were not necessarily those who were most directly affected, and new programs introduced to support workers and small businesses imposed a heavy administrative burden on recipients and were therefore underutilized. As a result, household consumption collapsed in the third quarter of 2021. Universal child benefit and social pension schemes, if they had been in place, would have provided a more effective means of reaching vulnerable households during this difficult time.

Digitalization of registration, administration and payment of benefits would reduce costs, increase participation and create a greater sense of ownership among program participants. Management of social protection systems in all high-income and most upper middle-income countries have moved online. Use of digital tools saves time, reduces costs and provides public agencies and program participants with easier and more timely access to information. Government can use these data to analyze the coverage and impact of social protection

[15] World Bank ASPIRE database (ASPIRE: THE ATLAS OF SOCIAL PROTECTION - INDICATORS OF RESILIENCE AND EQUITY (worldbank.org)).

[16] 5) Kidd, S., Abu-el-Haj, T., Khondker, B., Watson, C., & Ramkissoon, S. (2016). Social Assistance in Viet Nam A Review and Proposal for Reform. UNDP.

programs. Access to information also increases the sense of program ownership among participants.

Formalization of the labor force supports fiscal sustainability of the social protection system and its impact on poverty and vulnerability to poverty. As the population ages, contributory programs will need to cover a larger share of the population to remain financially viable. Social insurance works by pooling risk, enabling society to manage and distribute the costs of illness, disability, occupational accidents, child-rearing and old age across the entire population. The persistence of labor force informality leaves most workers unprotected and undermines the financial viability of social insurance programs like health insurance and pensions. Now that a majority of Vietnamese workers are wage and salary employees, greater efforts are needed to formalize enterprises, including micro and small businesses.

Given the tremendous diversity of conditions in rural and remote areas, National Targeted Programs should increase space for local innovation to solve locally specific problems and reduce central control over programming. The social protection system should combine simple, universal programs to reduce the incidence of poverty and vulnerability to poverty for all citizens, with locally relevant programs to address the remaining pockets of extreme poverty. NTPs mobilize funding from the central government to design and test innovations at the local level. After careful evaluation, successful innovations can be scaled up, and lessons can be shared with other localities. Successful pilot initiatives at the local levels—for example UNDP's 4M initiative—demonstrate the capacity of local authorities, communities and ethnic minority people to come up with novel, practical approaches to income generation and poverty reduction. The NTPs function best when they tap into this creativity while supporting the efforts of local communities to learn from their successes and failures. This implies a shift from outcome and compliance-based monitoring and evaluation (M&E) to active learning from program and policy experiments. The NTPs can support this transition by facilitating interaction and dialogue among policy makers, local authorities, civil social organizations, business and communities to identify and test innovative solutions. They can also promote sharing and dissemination of knowledge among localities and central government agencies.

To encourage local innovation and ownership, NTPs should make greater use of matching funds and other mechanisms to "crowd in" local support. NTPs are not required if their objective is simply to provide additional resources to achieve socio-economic development plans and strategies. This goal could be achieved more easily and cheaply through government public investment and recurrent budgets. To be effective, NTPs must offer more than just additional funding. One way to stimulate innovation would be to introducing central matching funds to provide top-up or co-funding for local initiatives that are backed by local authorities, businesses and communities. Programs eligible for matching funds would need to meet criteria relating to reporting, accountability and impact assessment, but space would be given to allow local authorities and communities to conduct policy and program experiments relevant to the local situation.

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