

Fact Sheet



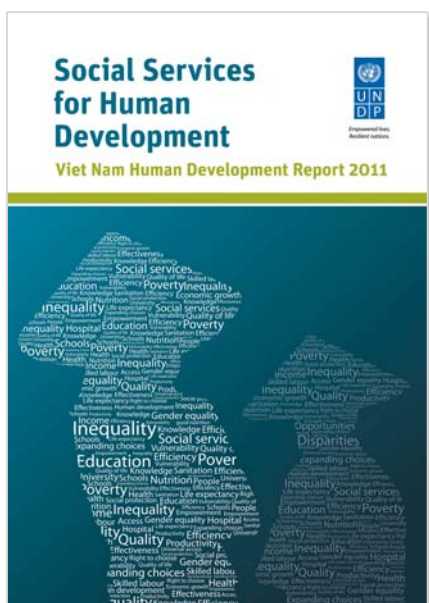
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Social Services for Human Development Viet Nam Human Development Report 2011

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The Human Development Indexes

In order to measure development progress in a way that does not rely on income or GDP growth alone, successive Human Development Report (HDRs) have introduced indexes which aggregate different indicators of human development. Three key indexes which are used as the basis for the analysis in the 2011 Viet Nam HDR are the Human Development Index (HDI), the Gender-related Development Index (GDI) and the Human Poverty Index (HPI). The 2011 national HDR also introduces a new Multi-dimensional Poverty Index (MPI) for Viet Nam.



Viet Nam and the Human Development Index

The Human Development Index (HDI) is a composite measure of health, education and income, designed to assess levels of and progress towards human development more broadly than is possible using income based measures alone. As used in this report and in global HDRs until 2009, it combines four key indicators: life expectancy at birth, the gross enrolment ratio, adult literacy rates and GDP per capita, adjusted for Purchasing Power Parity (PPP).

In the 2011 national HDR, the HDI for Viet Nam is 0.728. This places Viet Nam in the ranks of medium human development countries. Since the previous national HDR in 2001, the HDI rose from 0.651, an increase of 11.8 percent. This is impressive progress and reflects Viet Nam's significant achievements in generating economic growth and improving living standards.

The HDI sub-indexes

The HDI is made up of three sub-indexes: income (GDP per capita PPP), life expectancy, and education (adult literacy rates and gross enrolment rates). In earlier years, from 1992 to 1999, both economic growth and years of life expectancy saw significant gains. However, from 1999 to 2008 economic growth has been the main driver of Viet Nam's progress in the HDI.

From 1999-2008, the income sub-index increased by 29.9 percent, while the life expectancy sub-index increased by 10.1 percent and the education sub-index by 3.4 percent. Another way of looking at this is that the income index contributed 55.7 percent to growth in the HDI between

1999 and 2008, while the life expectancy index contributed 31.8 percent and the education index just 12.6 percent. This suggests that less rapid progress in the education index in particular is now slowing Viet Nam's overall progress in the HDI.

Comparisons with other countries in East and South-east Asia

In the 2009 global HDR, which used the same methodology as this 2011 national HDR, Viet Nam had a higher HDI than Cambodia and Laos but a lower HDI than countries such as China, Malaysia, Indonesia, Thailand and the Philippines. Compared to other countries in the region which have seen steady progress in all the sub-indices, such as Indonesia and South Korea, Viet Nam has seen less progress in the non-income indices over the past decade.

In this sense, Viet Nam's pattern of progress is similar to countries such as China which have also seen rapid economic growth, but slower progress in the non-income dimensions of the HDI over the past ten years.

In the 2011 global HDR, Viet Nam still has a lower HDI than China, Malaysia, Indonesia, Thailand and the Philippines, and still ranks above Cambodia and Laos. According to the 2011 global report, along with China and Thailand, Viet Nam's rank did not change between 2010 and 2011, while Cambodia, Laos, Indonesia, the Philippines and Malaysia all moved up.

Comparing the 2011 global HDR with the 2011 national HDR

The refined HDI and other new indexes used in the 2011 global HDR aim to more accurately reflect attainments in education and other key dimensions of human development. However, the original indexes are more reliable in analyzing trends over time, and for this reason they are used in the 2011 national HDR.

The HDI trends shown in the 2011 global HDR are largely consistent with the HDI trends shown in the 2011 national HDR. According to the 2011 global HDR, Viet Nam saw impressive change in life expectancy at birth from 65.6 years in 1990 to 75.2 years in 2011. GNI per capita rose from \$855 to \$2,805 during this period. Expected years of schooling rose from 7.8 years in 1990 to 10.4 years in 2011, while mean years of schooling rose from 4.0 to 5.5 years.

From 2000 to 2011, GNI per capita rose by 77 percent, and life expectancy rose from 72 years to 75.2 years. However, while mean years of schooling rose from 4.5 to 5.5 years, expected years of schooling saw almost no change, rising from 10.3 to 10.4 years.

In 2011, Viet Nam's performance on education was below that of other countries in the region. East Asia and the Pacific averaged 11.7 expected years of schooling and 7.2 mean years of schooling. Thailand had 12.3 expected years of schooling and 6.6 mean years of schooling, the Philippines had 11.9 expected years of schooling and 8.9 mean years of schooling and Indonesia had 13.2 expected years of schooling and 5.8 mean years of schooling in 2011.

It will be difficult for Viet Nam to compete effectively in an increasingly globalised market, and avoid the middle-income trap, if it is not able to substantially improve education outcomes and skill levels.

The HDI in Viet Nam's provinces

There is considerable variation in the HDI in Viet Nam's provinces. In 2008 the HDI ranged from 0.805 in Ba Ria-Vung Tau to 0.538 in Lai Chau. Wealthier provinces, such as Hanoi, Ho Chi Minh City

and Da Nang have levels of human development comparable to China, Jordan and Belize. On the other hand, Viet Nam's poorest provinces, such as Lai Chau and Ha Giang, have levels of human development comparable to Papua New Guinea and Swaziland.

Some poorer provinces such as Gia Lia and Lao Cai were able to improve their HDI value between 1999 and 2008, in some cases by as much as 20-30 percent, but their overall ranking did not change significantly. Wealthier provinces kept their higher ranking but did not see as much growth in their HDI value: the HDI rose by just 2.4 percent in Ho Chi Minh City, 5.1 percent in Da Nang, and 6 percent in Ba Ria-Vung Tau. Ha Noi, which was combined with Ha Tay for the purposes of this analysis, saw its HDI increase by almost 10 percent.

Poorer provinces saw improvements in the income, life expectancy and education indexes, as they were starting from a very low base in 1999. Wealthier provinces were already at higher levels of human development in 1999 and continued to see significant improvements in income but slower improvements in the life expectancy and education indexes.

Gender inequality

The Gender-related Development Index (GDI) uses the same four indicators as the HDI but measures the gap between male and female attainment of each indicator. Countries are 'penalized' according to the extent to which women lag behind men in attaining health, accessing knowledge and earning an equitable income.

Like the HDI, Viet Nam has seen strong progress in the GDI, reflecting overall gains in gender equality at a national level. The GDI rose from 0.650 in 1999 to 0.728 in 2008, an increase of 12 percent. The gap between the provinces with the highest and lowest values has steadily narrowed from a 65 percent gap in 1999 to a 51 percent gap in 2008.

Viet Nam is a strong performer on gender inequality in the region, but gender disparities persist especially in the household and labour market. The GDI shows that gender education gaps persist in the poorest provinces. Adult literacy rates are 20-30 percent lower for women than for men in some of these provinces. In Lai Chau for example, female literacy rates were 48 percent for women compared to 75.5 percent for men. Similarly, in some provinces there is a gender gap in gross enrolment ratios of 30 percent. Dien Bien had female gross enrolment ratios of 55.3 percent compared to male gross enrolment ratios of 78.5 percent.

On the other hand, provinces with the greatest gender gap in income as measured by GDP per capita PPP were in the South East and the Mekong River Delta regions. In provinces such as Cau Mau and Soc Trang female GDP per capita PPP is 30-40 percent less than male GDP per capital PPP.

Multi-dimensional poverty

This report also introduces for the first time a new Multi-dimensional Poverty Index (MPI) for Viet Nam based on the 2008 Viet Nam Household Living Standards Survey (VHLSS). The MPI measures nine different forms of deprivation in health, education and living standards.

The new MPI builds on earlier work done to measure non-monetary poverty, for example the child poverty rate developed by GSO and MOLISA with UNICEF, and the multi-dimensional poverty index used in the 2010 Urban Poverty Survey. The new MPI is the first national non-monetary poverty index for Viet Nam. As it is based on the VHLSS it can be calculated every two years. The MPI shows a much higher rate of non-monetary poverty (households experiencing three or more

deprivations) at 23.3 percent compared to the 14.5 percent national poverty rate in the 2008 VHLSS. Significantly, the proportion of the population at risk of multi-dimensional poverty (with two deprivations) was 20 percent.

MPI headcount rates were very high in Viet Nam's poorest provinces, at 82.3 percent in Lai Chau, 75 percent in Dien Bien and 73 percent in Ha Giang. Twelve provinces had more than half of their population experiencing non-monetary poverty according to the MPI. While rates of multi-dimensional poverty were much higher than monetary poverty in the poorer provinces, in wealthier provinces rates of non-monetary poverty were comparable to, or even lower than monetary poverty rates, indicating low rates of deprivation in health, living standards and education.

The Human Poverty Index (HPI) measures severe deprivations in relation to health, education and income (living standards) by measuring the proportion of people who are most severely disadvantaged. These include the percentage of people not expected to live to age 40, the adult illiteracy rate, the proportion of the population which does not have access to clean water and the rate of children under five who are malnourished.

In 2008 the HPI was 10.93 percent, lower than the monetary poverty rate of 14.5 percent. All provinces saw a reduction in the HPI between 1999 and 2009, and the HPI fell by 48.3 percent nationally. However the *gap* between the HPI in Viet Nam's wealthiest and poorest provinces has fallen only slightly between 1999 and 2008 and a very persistent gap in living standards is evident between the best and worst off provinces. The most significant and persistent disparity identified in the HPI is access to clean water, while in the MPI deprivations in permanent housing, access to clean water and sanitation are most significant.

Income inequality is also rising, in particular in those regions which have seen rapid poverty reduction, such as the Red River Delta and the South East. The Gini coefficient which measures income inequality rose from 0.420 in 2004 to 0.433 in 2008. The ratio of the income of the richest quintile over the poorest quintile rose from 8.1 in 2002 to 8.9 in 2008.

Governance and human development

There is a strong correlation between elements of good governance and higher levels of human development. The 2011 national HDR explores the relationship between the HDI and the Viet Nam Public Administration Performance Index (PAPI). Of the six dimensions of the PAPI, public service delivery is most strongly correlated with the HDI, followed by transparency, participation at local levels and vertical accountability. Control of corruption is also highly correlated with the HDI. In other words, those provinces that had higher HDI values in 2008 were also those that scored well in PAPI, in particular in relation to public service delivery. These include Hai Phong, Da Nang and Ho Chi Minh City. Provinces such as Lai Chau, Dien Bien and Yen Bai scored most poorly on the correlation between the HDI and public service delivery.

Health and education outcomes

Viet Nam has made significant strides in narrowing health and education gaps. Infant and maternal mortality rates have fallen, most children receive vaccinations and most births are attended by trained health workers. The country has achieved near universal access to primary and lower secondary education, and adult literacy rates were 93 percent nationally in 2008.

These positive gains at a national level mask persistent disparities between regions, income groups and the ethnic minorities and Kinh majority. For example, rates of child stunting and

malnutrition are two to three times higher in rural and mountainous areas. Maternal mortality rates are twice as high in rural as in urban areas. New diseases are emerging together with an increasing incidence of non-communicable diseases. In education, only 40 percent of ethnic minority children attend early childhood education compared to 61 percent of the Kinh majority. In lower secondary education the net enrolment rate is 59 percent for the poorest quintile, compared to 95 percent for the richest quintile. Less than one percent of the poorest quintile attends tertiary education, compared to 26.3 percent of the richest quintile.

Social services expenditure

Public education expenditure in Viet Nam is comparable to most other countries in the East and South East Asian region, while public health expenditure is lower than most countries. The bulk of health and education expenditure comes from private household spending, which is at much higher levels than the 30 percent considered optimal for social equity and human development.

Public expenditure on education was 5.3 percent of GDP in 2008, more than other countries in the region. Education spending accounts for an estimated 20 percent of overall State expenditure. However, Viet Nam's education outcomes are poorer than most neighbouring countries, with lower average and expected years of schooling. Around half of overall education expenditure comes from households, depending on the education level, and rises sharply at higher levels of education. While at primary school level household spending accounts for 17.5 percent of overall expenditure, at tertiary level this rises to 52.2 percent. In real terms, household expenditure on education rose by 44 percent between 2004 and 2008. The steepest increases have been in urban areas, in the richest quintile, and in the South East region. Those in the richest quintile spend 5.4 times as much as those in the poorest quintile do. Education spending represents a significant burden to poor and disadvantaged households, especially at higher levels, where drop-out rates accelerate.

In 2008 Viet Nam spent 7.3 percent of GDP on health or US\$77 per capita, more than Indonesia and the Philippines but less than Thailand, China, Malaysia and South Korea. However, public expenditure was just 2.8 percent of GDP as most health expenditure is from private sources, at 61.5 percent in 2008. The majority of private expenditure is out of pocket spending by households – 56 percent of overall health expenditure. Health expenditure rose by 20 percent between 2004 and 2008, accelerating more sharply in urban areas and among the Kinh/Hoa majority. A total of 8.1 percent of households spend more than 20 percent of their total household expenditure on health and 3.7 percent are impoverished as a direct result of health care spending.

Recommendations of the report

The 2011 Viet Nam Human Development Report suggests that the same level of priority and investment needs to be given to improving human development outcomes as is accorded to growing Viet Nam's economy.

Social services have a key role to play in reducing disparities and lifting people out of poverty, by providing opportunities and developing people's capabilities. If not checked, the significant and persistent inequalities and disparities Viet Nam is currently experiencing may constrain the country's progress to higher levels of human development. Universal access to quality, affordable social services and social protection are the foundation of a prosperous, stable society. A more coherent system of benefits to support universal access to social services is required, and more innovative ways of ensuring access are needed.

In this light, the report recommends that the government reviews the socialization policy and its impact on household health and education spending. A much more equitable distribution of the cost burden of paying for social services is required. It will also be important to ensure a more enabling environment for non-profit, non-state service delivery and engage citizens in social service planning and administration. In addition, while some level of differentiation in the quality of social services is inevitable in any society, there needs to be a much more robust debate about how much differentiation is acceptable and what a minimum standard of services should include.

Improved governance of social services, including oversight and accountability mechanisms, is critical, in particular in light of decentralisation of funding and management of social service delivery. More effective regulation of both public and private sector service delivery is also needed. Finally, Viet Nam will need to accelerate planning for the future social service and social protection needs of a rapidly changing population, in order to continue on the path to higher levels of human development.