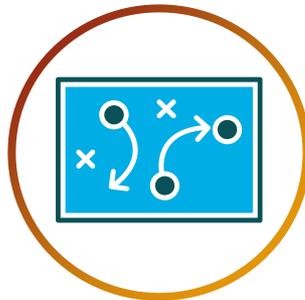




2022 Vietnam Poverty & Equity Assessment From the Last Mile to the Next Mile

FROM THE LAST MILE TO THE NEXT MILE

The poverty and equity agenda is no longer only about raising minimum living standards and tackling chronic poverty; it is also about creating new and sustainable economic pathways for a more aspirational population



Last mile

**Policies to target poverty
where it still exists**



Next mile

**New strategies to help those
already out of poverty to
achieve economic security
and high-quality living
standards**

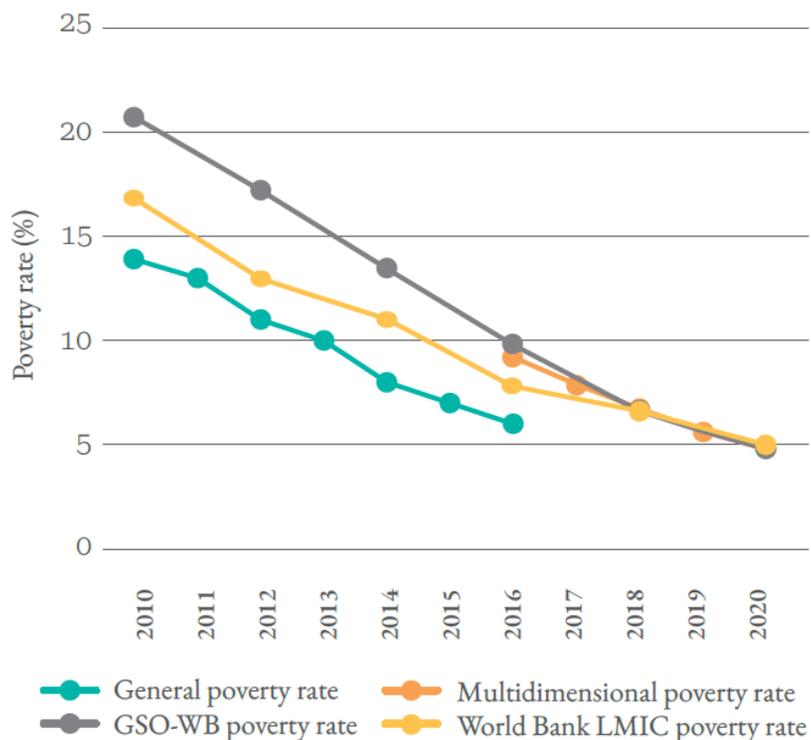
A stylized illustration of a rural landscape. In the foreground, a woman with dark hair is shown in profile, wearing a yellow headscarf and a yellow top, carrying a large, light-colored basket on her head. She is walking on a path. In the background, there are rolling hills in shades of orange and yellow. To the left, two cows are grazing. In the upper right, a simple building with a red roof is visible. The overall color palette is warm, dominated by oranges, yellows, and reds.

Part 1.

A Decade of Significant Progress, but *Last-Mile* Challenges Remain

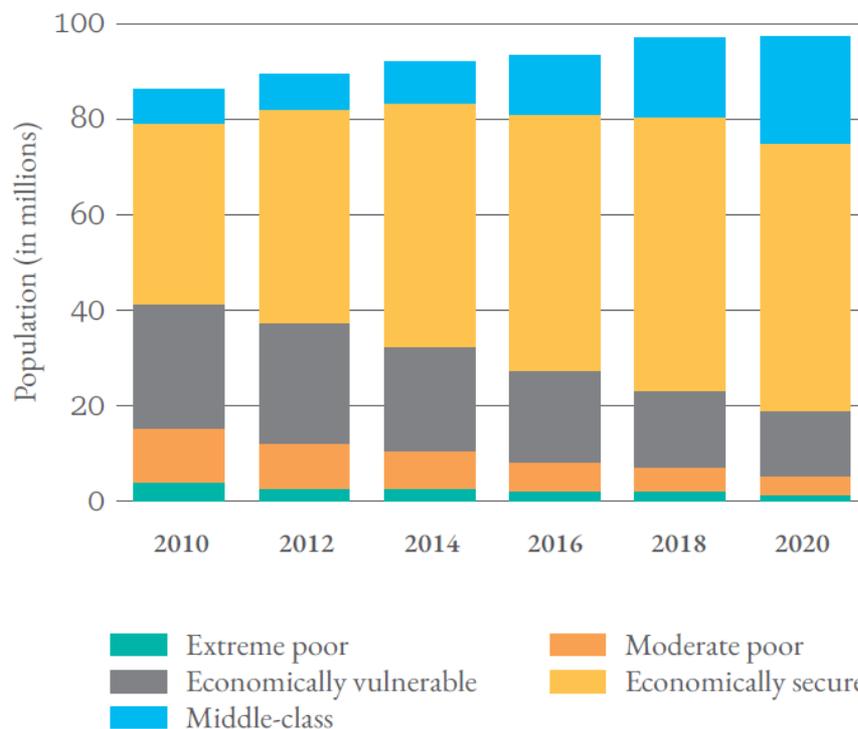
A decade of successful poverty reduction – 2010-2020

Consistent reduction in poverty across different measures



Source: GSO and World Bank.

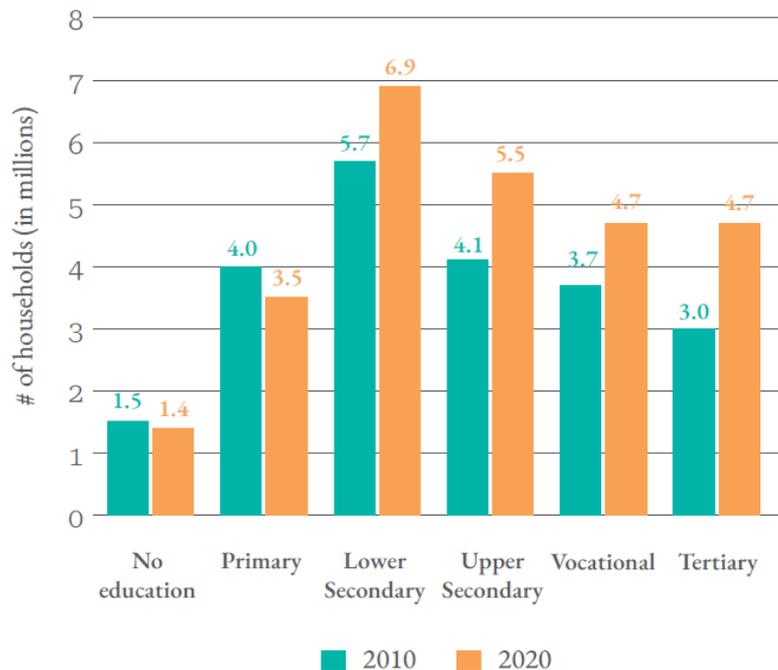
Distribution of economic classes (population in millions)



Source: World Bank staff calculations using VHLSS 2010-2020.

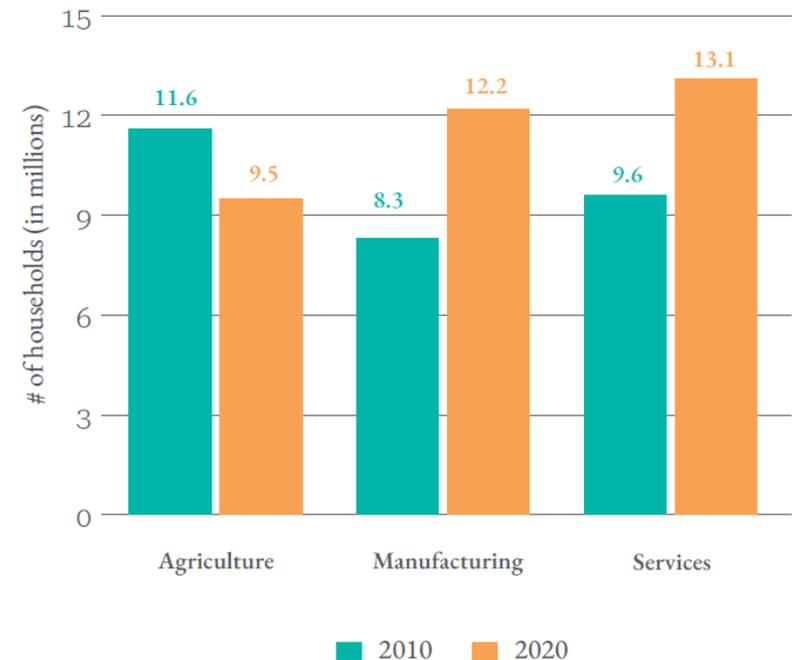
Profile of households transformed

Higher education completion



Source: World Bank staff calculations using VHLSS 2010 and 2020.

More households engaged in the manufacturing or services sectors

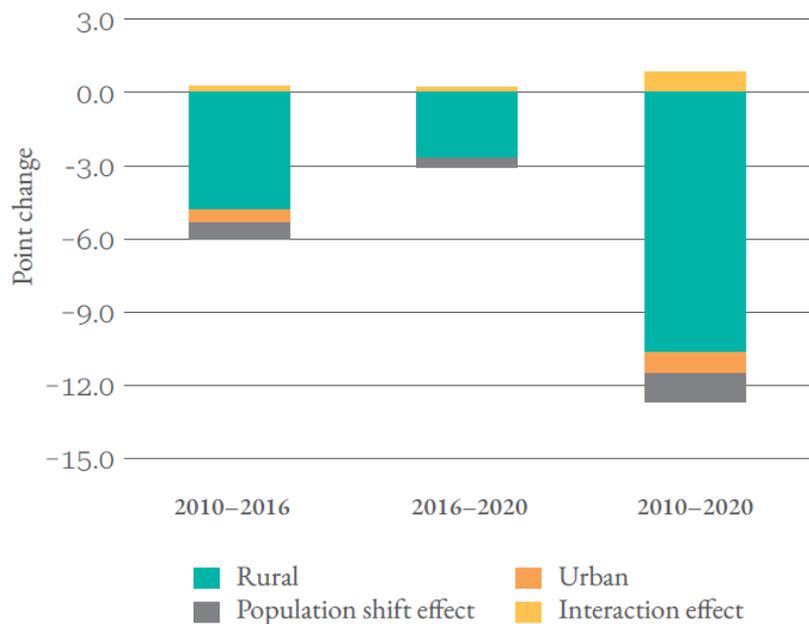


Source: World Bank staff calculations using VHLSS 2010 and 2020.

Drivers of poverty and inequality changes

Source decomposition of poverty

Urban and rural areas

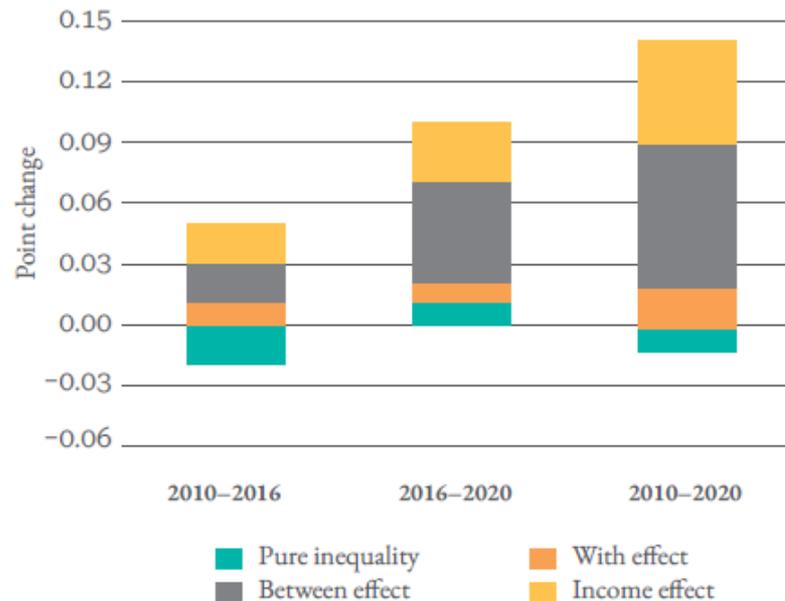


Note: Poverty rate based on the WB LMIC Poverty line (\$3.20/day 2011PPP).

Source: World Bank staff calculations using VHLSS.

Source decomposition of inequality

Urban and rural areas



Note: Inequality as measured by GE(0).

Source: World Bank staff calculations using VHLSS.

Remaining challenges, chronic groups



Remote regions

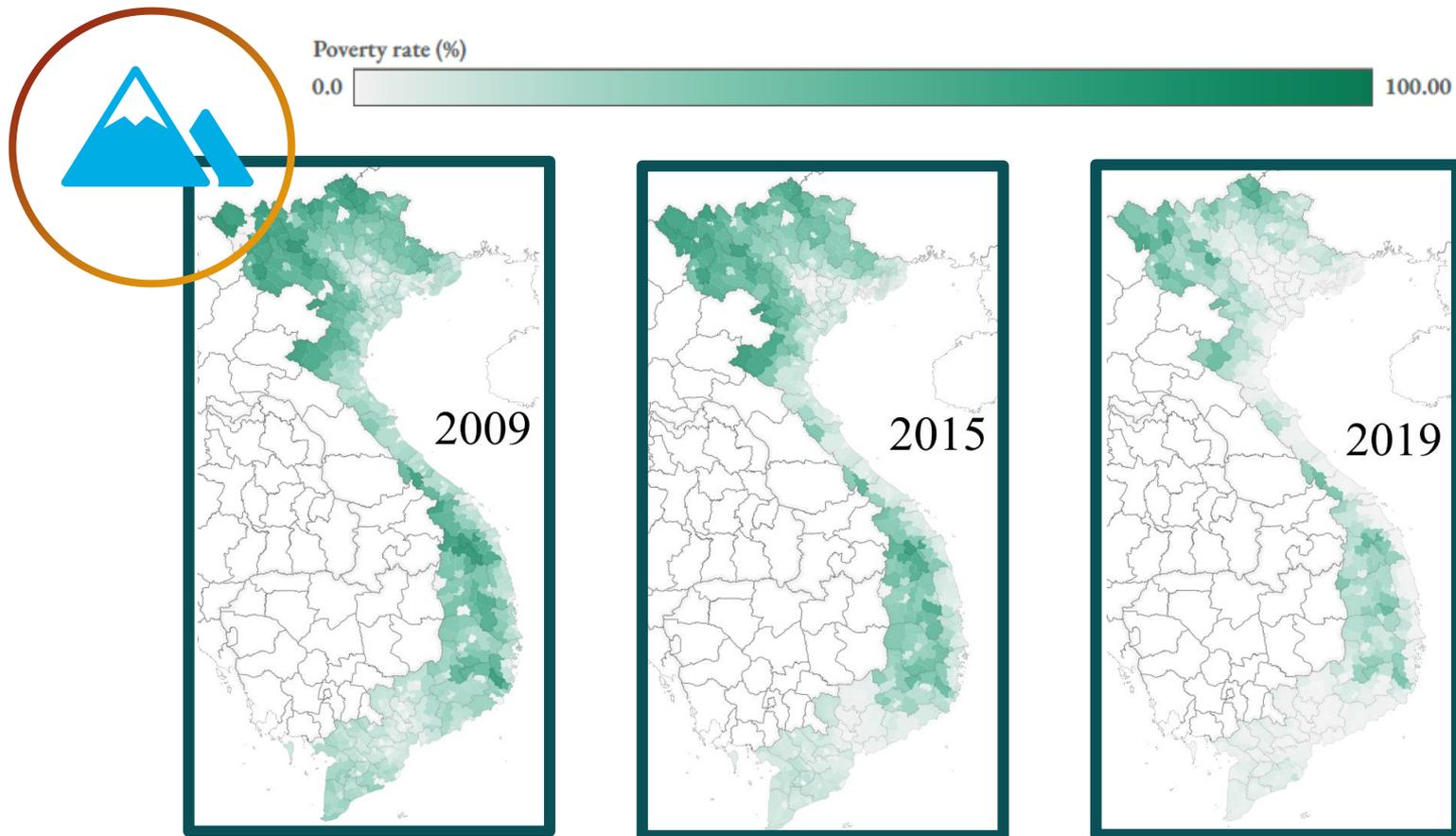


Reliant on low-productivity agriculture



Other vulnerable groups
(disabled, ethnic minority, elderly)

Poverty declined impressively but remains persistent in some areas far from vibrant economic centers



Source: World Bank staff and GSO calculations

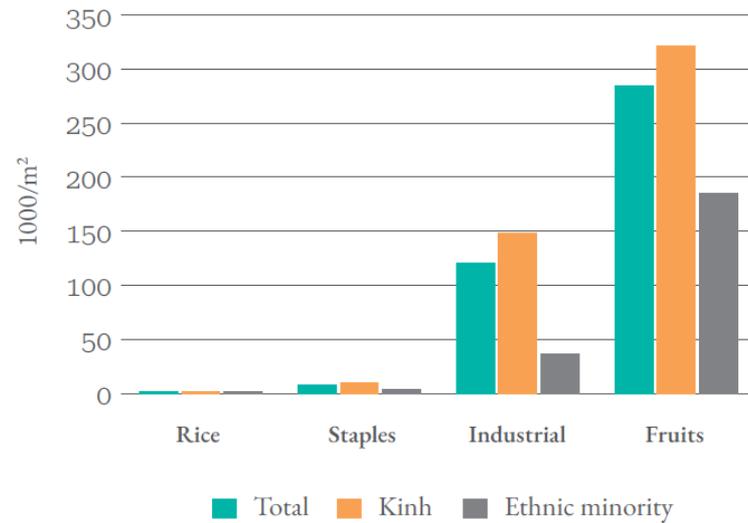
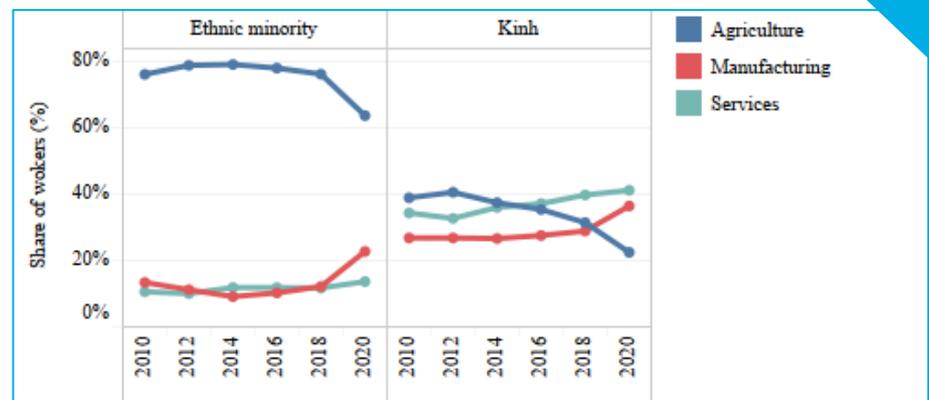


Ethnic minorities are far more likely to work in agriculture...

Ethnic Minorities

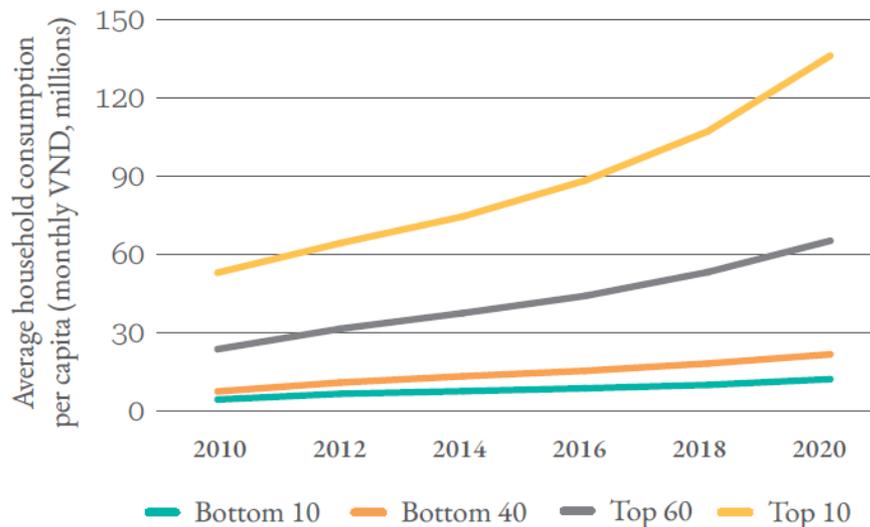
...where they are less productive than Kinh, even for the same crop...

...while earning lower non-agricultural income...



Faster growth at the top of the distribution towards the latter part of the decade

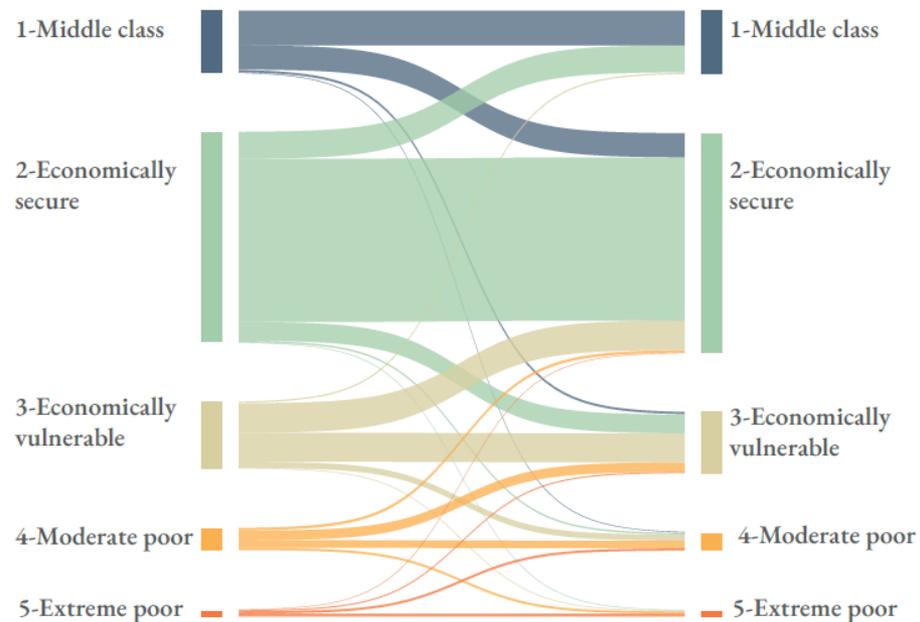
Household consumption growing faster at the top



Note: Measures based on real household consumption per capita.

Source: PovcalNet.

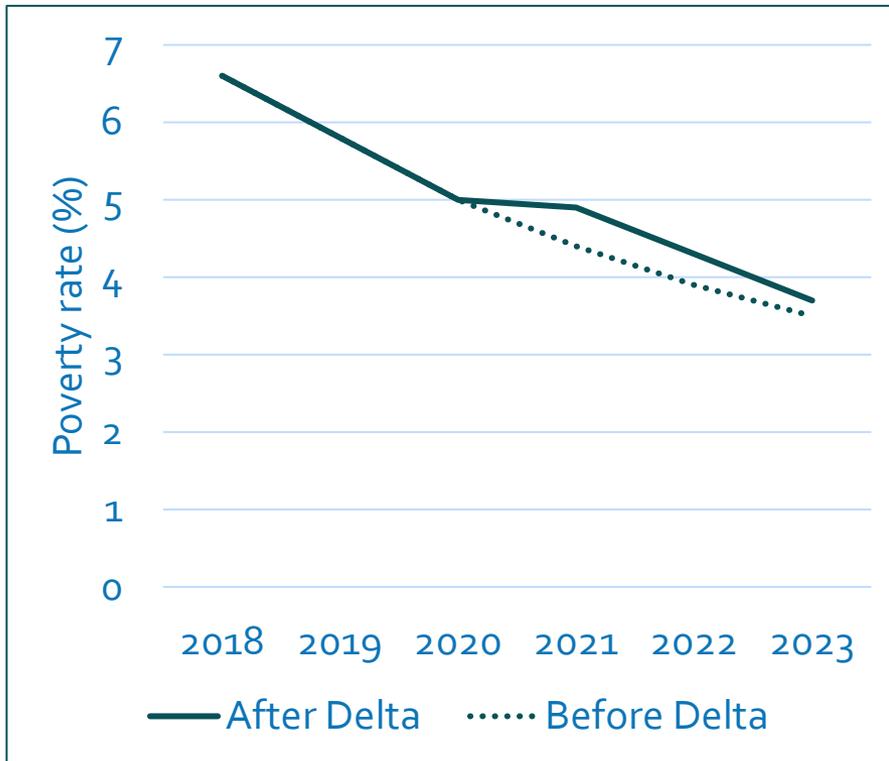
Economic mobility 2016-2018



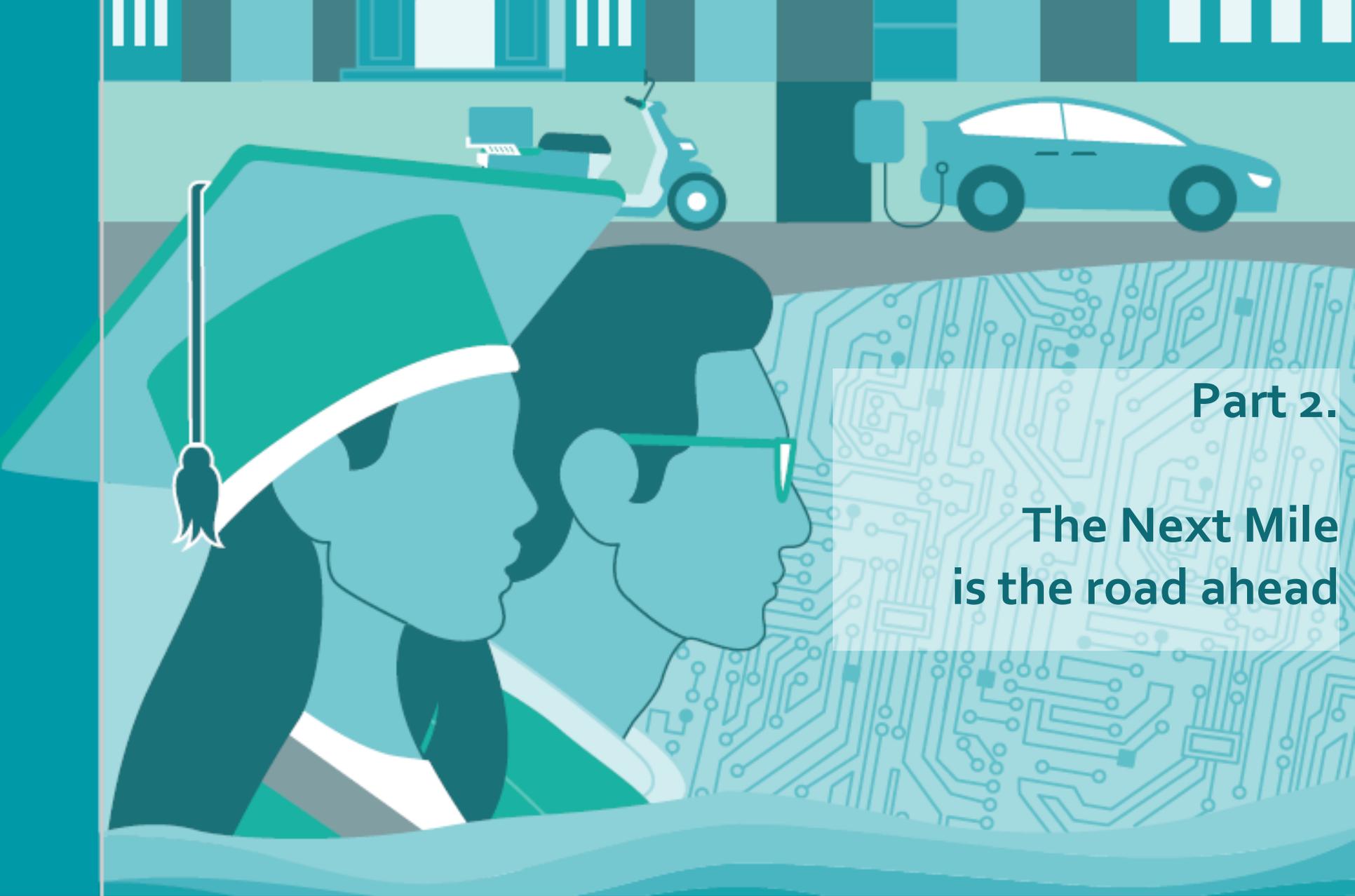
COVID-19: A game changer?

The Delta wave of COVID-19 lowered poverty reduction projections.

COVID-19 also cast light on some other challenges



- Inequality in both monetary and non-monetary dimensions
- Ability to cope and adapt
- Gender differences
- Education continuity gaps
- Digital divide
- Safety nets for informal workers



Part 2.

**The Next Mile
is the road ahead**

Education equity can help break intergenerational poverty traps



Education completion still varies by **family background**



Variation widens at higher levels of education

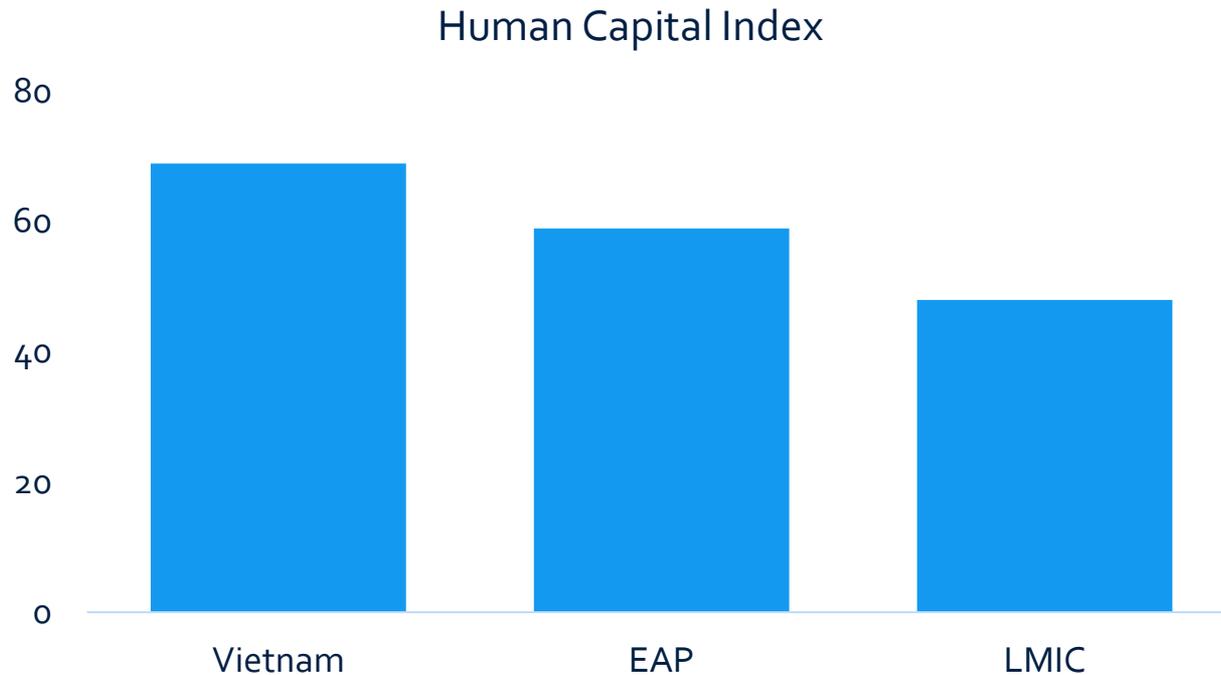


When a child's outcomes are tied to family backgrounds, **intergenerational** outcomes are persistent



There is still room to improve **equity in education completion**

Vietnam outperforms in terms of human capital development...



Source: World Bank HCI (2020).

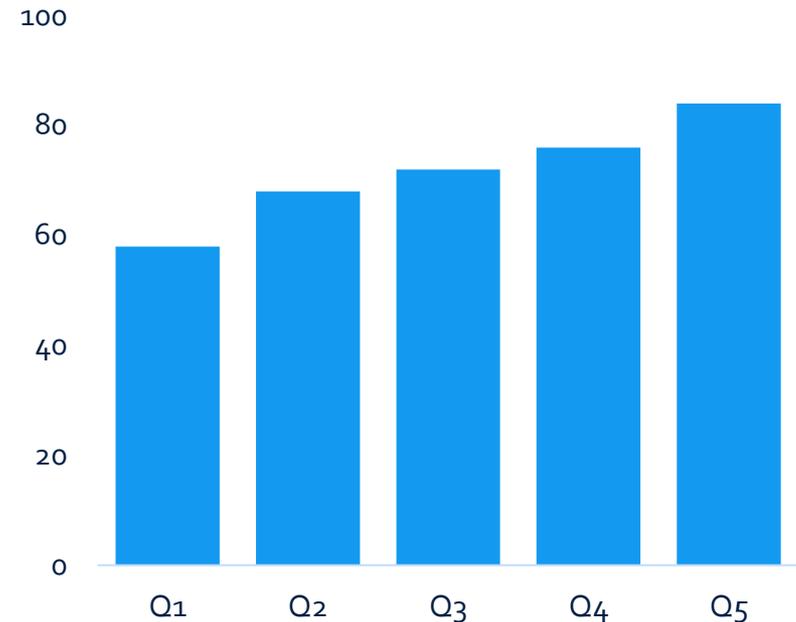
... but achievement is unequal

Ethnic minority children fall out of schooling earlier than other children.



Source: World Bank staff calculations using VHLSS 2020.

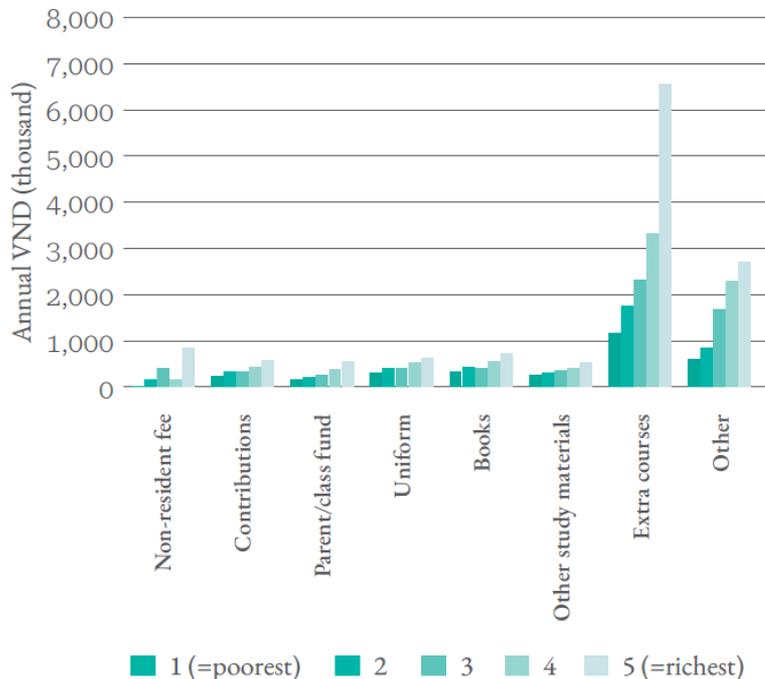
Human Capital Index by quintiles



Source: World Bank SES-HCI (2013).

Private expenditure on education varies

Figure 4.16. Expenditure of wealthier families on compulsory education (primary and lower secondary)

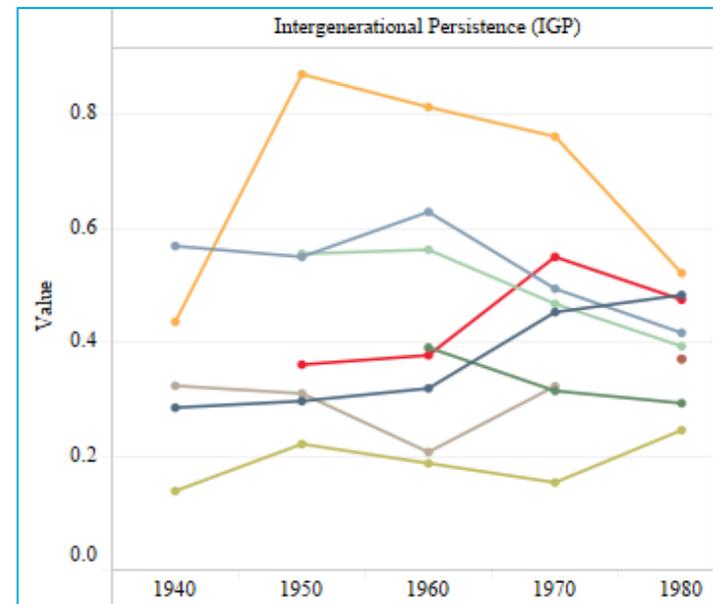


Note: Other study materials include paper, pens, bags, and notebooks.

Source: World Bank staff calculation using VHLSS2020.

Human capital matters not just for economic growth but also individual mobility:

There is evidence that your parents' outcomes determine your own in Vietnam



Sustaining upwards economic mobility



1

Expanding a middle class requires **different strategies** than tackling poverty



2

Vietnam needs a **high-skill and high labor productivity transition**



3

However, some characterizations of the labor market, especially for youth need to be addressed

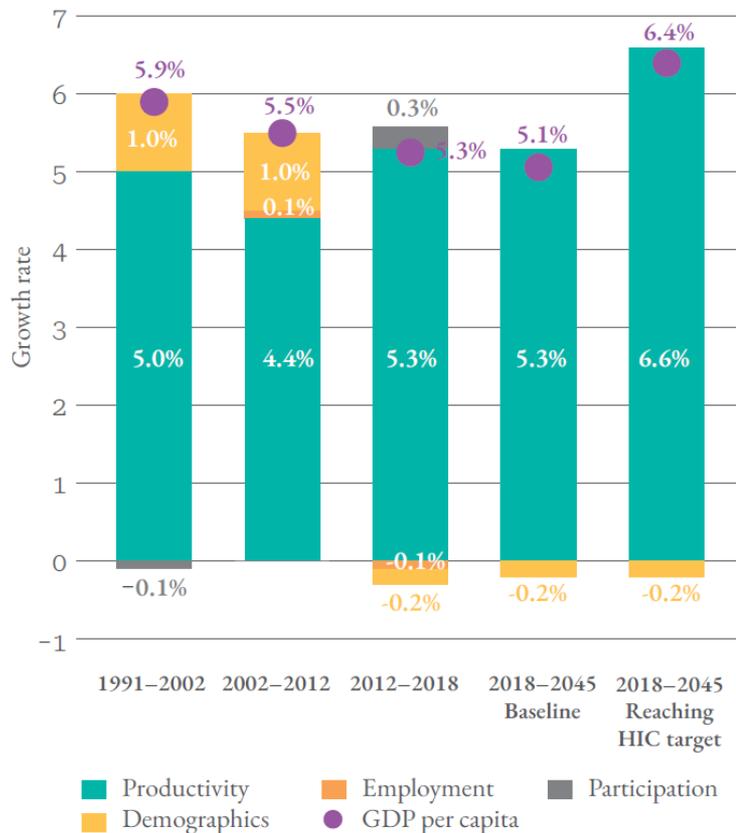


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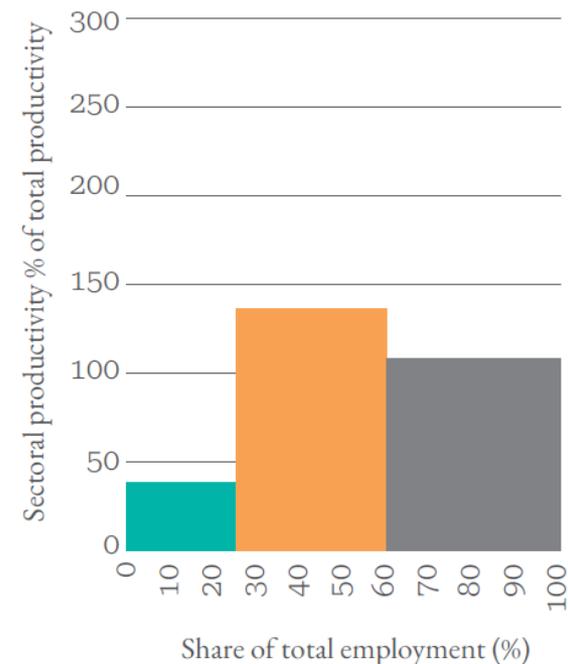
This requires continuing improvements in higher education, digital skills, and private sector innovation and competition

Vietnam needs a productivity-led growth path to reach higher levels of prosperity

Annual productivity growth of nearly 7 percent is required to achieve high-income status by 2045

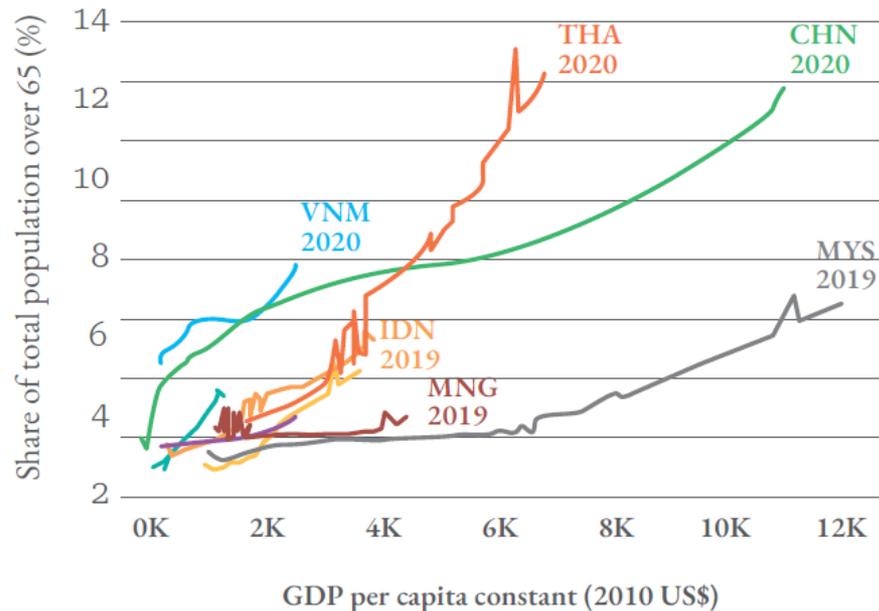


To increase labor productivity, productivity in the services and industry sectors must increase



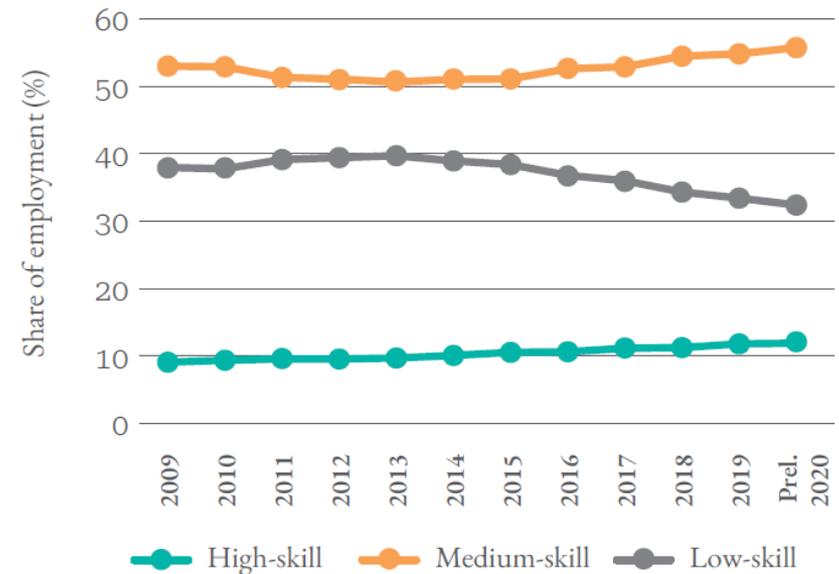
There are some aspects of the labor market that may challenge a high-productivity transition

Aging population



Source: WDI.

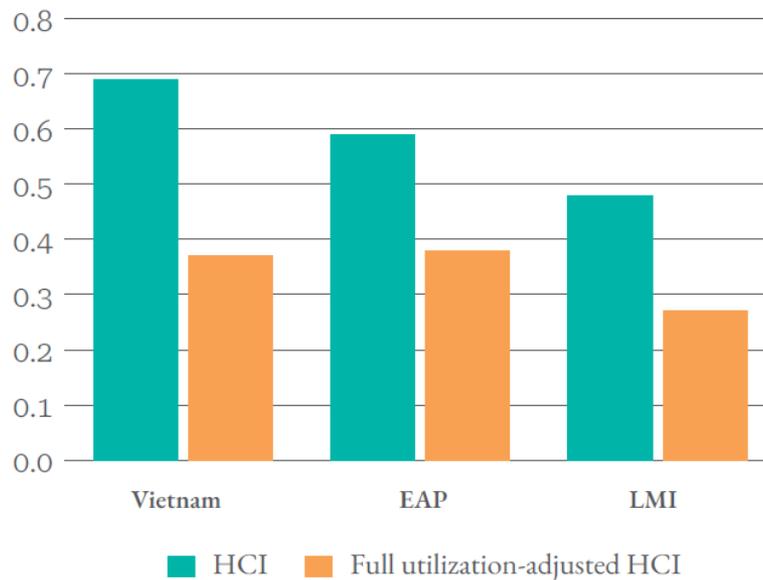
Employment by occupation skill category



Source: World Bank staff calculation using LFS surveys.

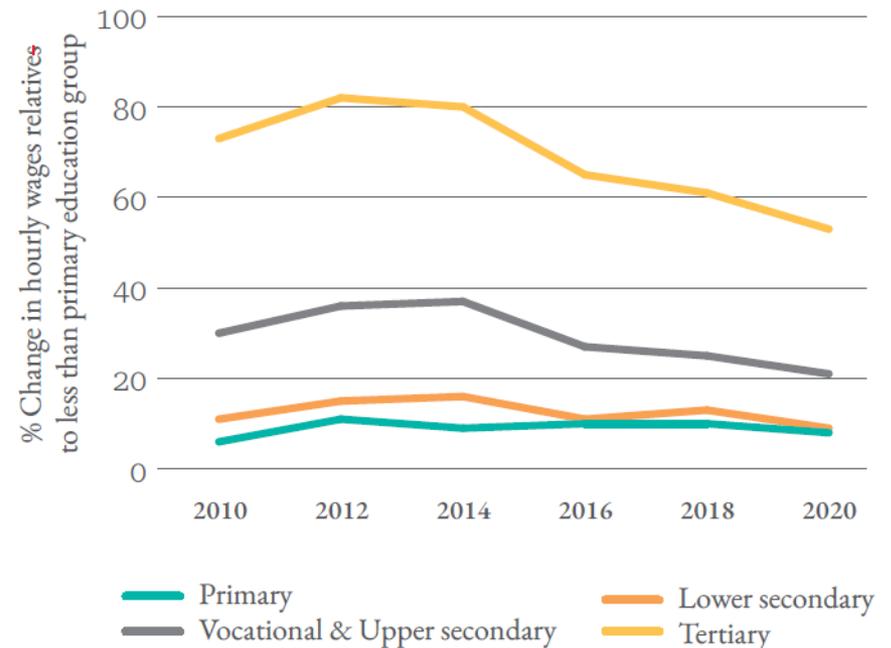
Continuing transformations in education and labor market can ensure youth potential is fully maximized

HCI vs full utilization-adjusted HCI



Source: World Bank HCI and Pennings, 2020.

Education levels (grouped)



Source: World Bank staff calculations using LFS.

Guarding against shocks



Households face risks, and for the poor, this can be poverty traps



About 10 percent of households still self-report worsening conditions

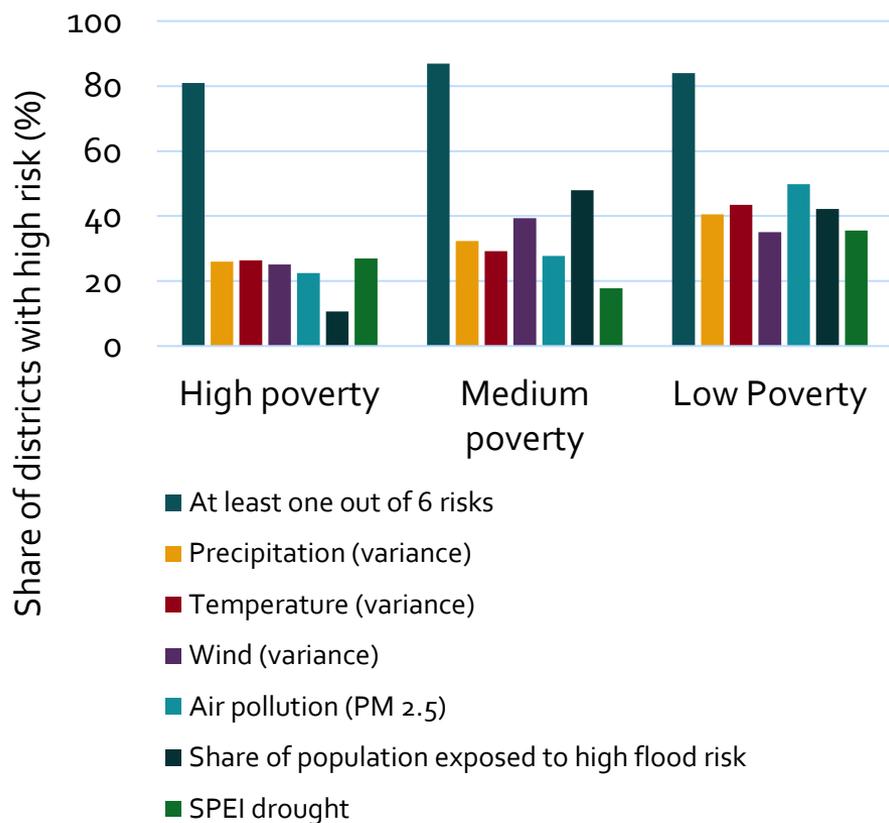


The social protection system can be broadened in coverage and services to **better guard against shocks**

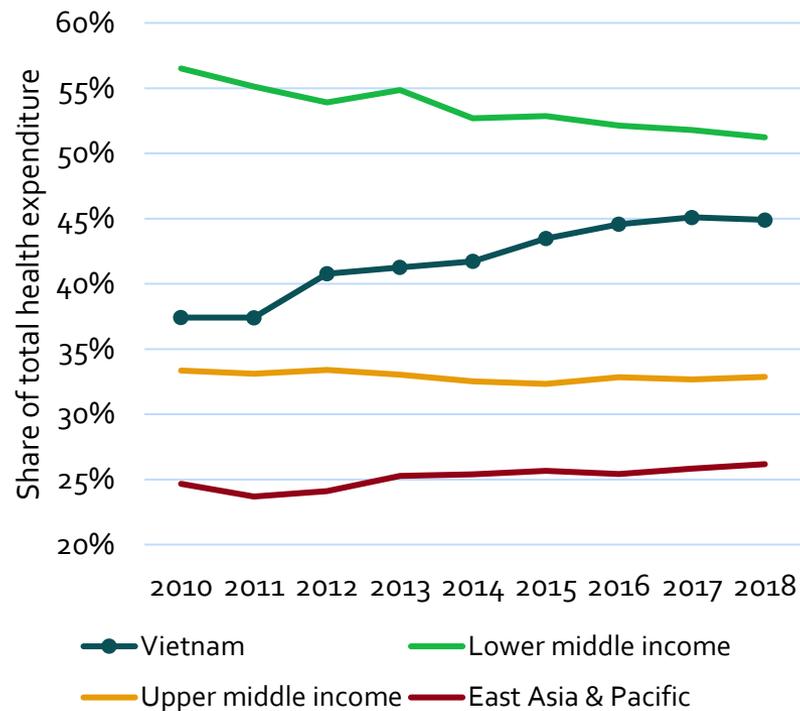
Shocks are varied (health, income, environmental)

For the most vulnerable, they can become poverty traps

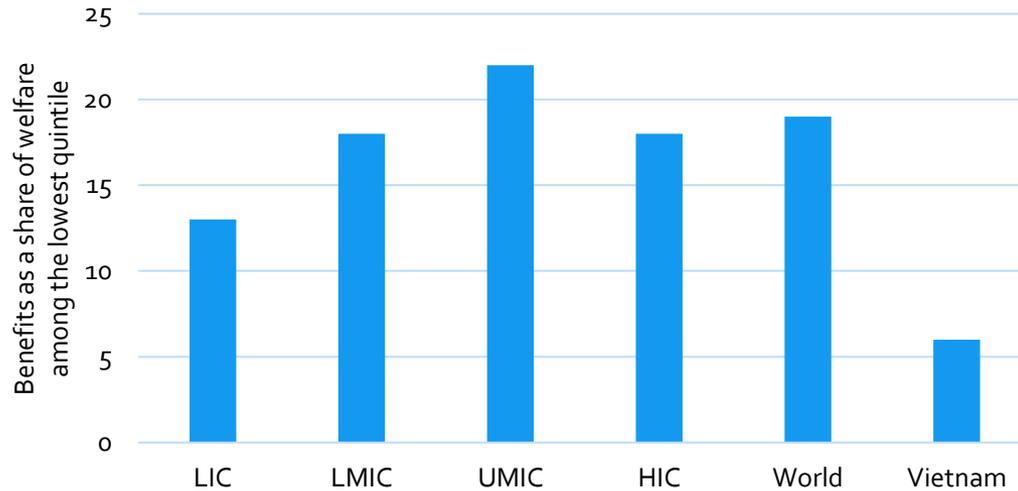
Covariate shocks: affect many more people, such as a natural disaster or an economic shock



Idiosyncratic shocks: affect a single individual or household, such as illness or accident



Modernization of social protection can be considered in several areas



Vietnam's social protection system:

- Underfunded and fragmented
- Implementation issues are an important constraint
- Some risks are addressed, but coverage is limited
- Some risks are not adequately addressed

Following improvements are needed:

- More effective social assistance for poorer households
- Greater coverage of social insurance to protect all households from all risks
- A more flexible and adaptable delivery chain for both social assistance and insurance

Financing for the future



Who benefits from current public spending and who pays taxes?



How can the public investments needed to help Vietnam transition to a high-income country be financed?

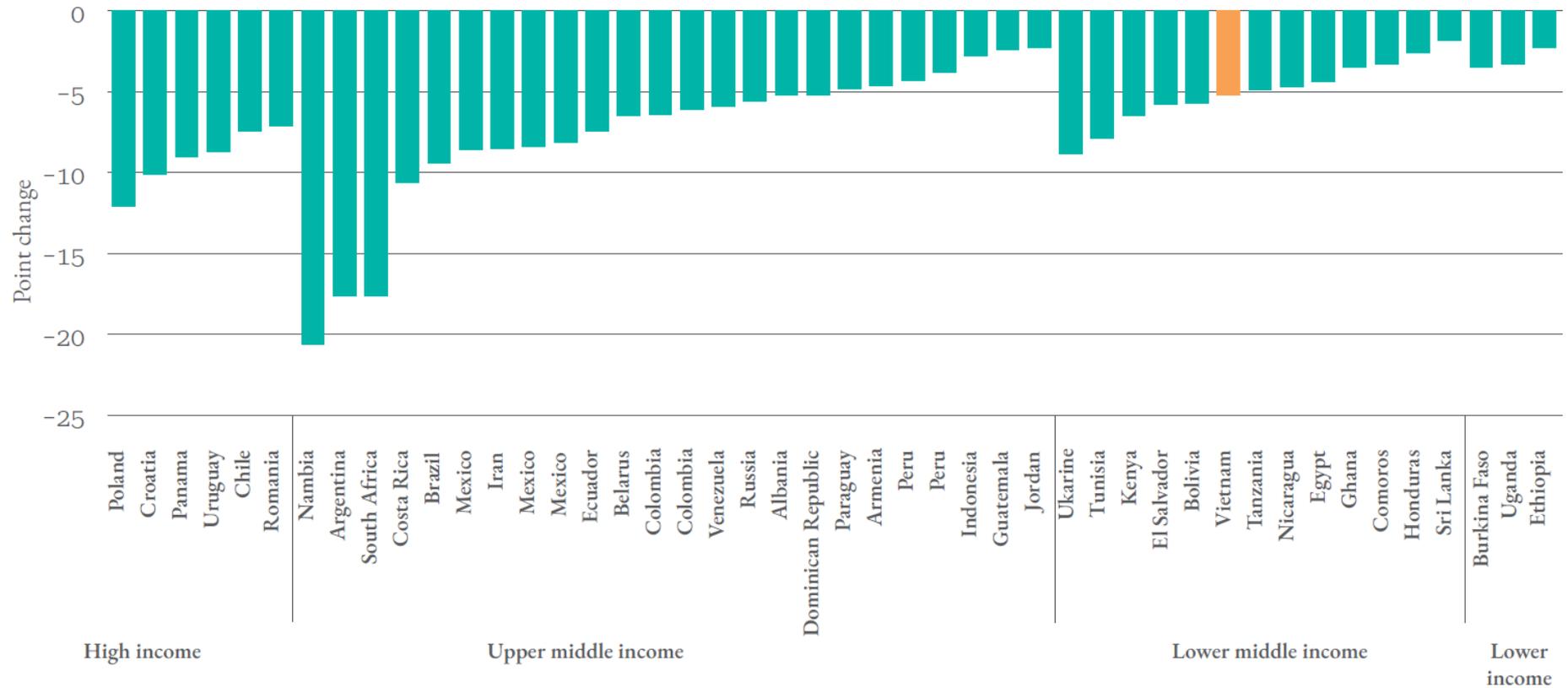


Can this financing be done in an **equitable manner**?



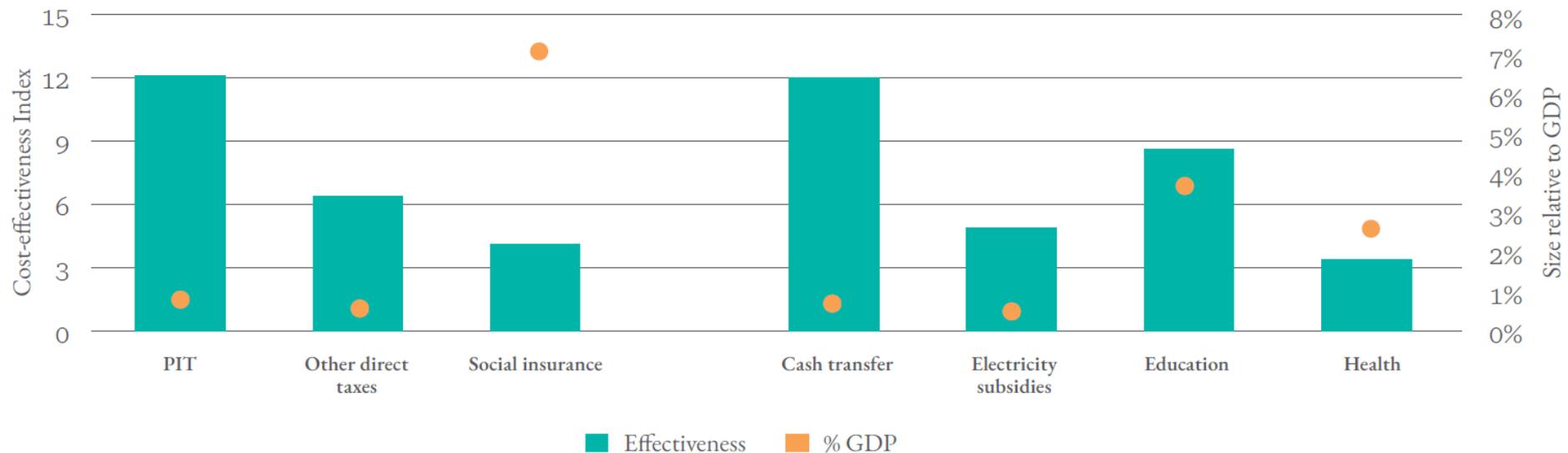
Who will benefit from the new spending?

Fiscal policy reduces household income inequality

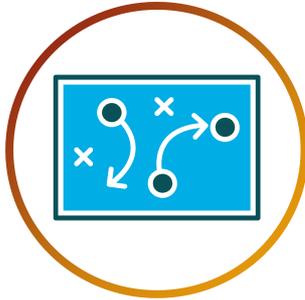


Potential for fiscally neutral reforms that reduce inequality

1. **Increasing direct taxes and reducing social security contributions** can lower inequality, while maintaining the same revenue level.
2. **Broadening income tax base** would lower inequality, while increasing tax revenues.
3. **Direct cash transfers** are more effective at reducing inequality than electricity subsidies, yet almost as much is spent on the subsidies as the transfers.



Policy for the way forward



Last mile

1. Target poverty where it still exists, and target better
2. Use digital infrastructure and tools to reduce economic distance to remote areas
3. Facilitate ethnic minority transition to the off-farm jobs
4. Improve education and technology on agriculture



Next mile

1. Ensure equitable education quality
2. Continue improving higher-education quality and access
3. Address coverage gaps in SP
4. Investments are needed to modernize social protection and tax administration capacity



Thank you