

SOUTHMOD

Policy note

An impact evaluation of increased social support for vulnerable groups in Viet Nam

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Findings

- Economic impact estimates of the increase in social protection benefits to vulnerable groups in 2021 point to a high cost for limited impact on poverty reduction among targeted households
- The annual price tag of the benefit increases for children and the elderly were approximately VND 5.5 trillion (USD 235 million) in 2021—a 33% nominal increase
- The benefit hikes reduce the old-age poverty rate by 0.06 percentage points but have no impact on poverty among households with young children without nurture
- Households with disadvantaged children do, however, benefit through a 5% increase (USD 5 per month) in their mean income

Of the approximately 25.9 million children living in Viet Nam, more than 125,000 live without their biological parents, qualifying their households for social assistance. The headcount poverty rate in households with such children is estimated to be 8.7%, which is considerably higher than the national poverty rate of 5%. Average monthly incomes for these households are around VND 2.6 million, substantially lower than the VND 4.1 million in the overall population. The situation in elderly households is less dire, with average incomes close to the national average and a poverty rate of 4.3%.

Viet Nam increased social benefits for disadvantaged groups in 2021

Despite its rapid socio-economic development over the past few decades, Viet Nam is still faced with an array of social problems, including a large number of vulnerable people in need of monetary and non-monetary support. Poor children, especially children without continuous nurture, and the elderly living in poor households, are among the groups most in need of protection.

Viet Nam targets these and other disadvantaged groups with social protection benefits. Since 2013, a monthly benefit of VND 270,000 (about USD 11) is granted to low-income individuals over the age of 60 and children without continuous nurture from parents (children with deceased, missing, or incarcerated parents). Families with young children and families with more than one child receive a larger monthly benefit based on benefit multipliers established in legislation. The policy provides similar increases for other groups such as poor students aged 16 to 22.

In July 2021, Viet Nam increased the monthly base level of social assistance to vulnerable groups from VND 270,000 to 360,000 per month (an increase of around USD 4). Simulations using VNMOD, the tax-benefit microsimulation model for Viet Nam, suggest that before the recent increases, social protection for disadvantaged groups reduced the national poverty rate by around 0.2 percentage points, at a cost of VND 16.5 trillion (USD 700,000). While these benefits push the poverty rate among old-age households down by around 0.6 percentage points, they do little to mitigate poverty among households with disadvantaged children.

Increased levels of social assistance led to a slight reduction in poverty

Addressing this concern, [Decree 20/2021/ND-CP](#), which came into force on 1 July 2021, increased the standard (non-adjusted) monthly benefit amounts by 33% to VND 360,000 (ca. USD 15). This policy note offers the first impact estimates of the decree, focusing on the budgetary and distributional effects of the increased benefits to vulnerable groups described above. Using tax-benefit microsimulation modelling, the different reforms are compared to a baseline scenario that assumes no policy changes—no changes in benefit amounts—in 2021. The results are compiled in Table 1.

Table 1: Estimated effects on government budget, poverty, and disposable incomes, Viet Nam, 2021

	Baseline	Reform #1	Reform #2	Combined effect of reforms #1 and #2
	No changes in benefit amounts	Increase in benefit amounts for children without nurture	Increase in benefits for the poor elderly	
Government budget, VND billions				
Annual government expenditure on child and elderly benefits under Decree 20/2021/ND-CP	16,511	19,769 (+3,258)	18,756 (+2,245)	22,015 (+5,504)
Poverty, %				
Share of poor households (poverty rate)	5.01	5.00 (-0.01 pp.)	4.99 (-0.02 pp.)	4.99 (-0.02 pp.)
Share of poor households among households with children under 16 without biological parents	8.73	8.73 (-0 pp.)	8.73 (-0 pp.)	8.73 (-0 pp.)
Share of poor households among households with individuals under 22 who are living without biological parents	6.43	6.32 (-0.11 pp.)	6.32 (-0.11 pp.)	6.32 (-0.11 pp.)
Share of poor households with elderly members	4.29	4.27 (-0.02 pp.)	4.23 (-0.06 pp.)	4.23 (-0.06 pp.)
Average disposable income, VND per month				
All households (26.7 million households)	4,086,000	4,097,000 (+11,000)	4,096,000 (+10,000)	4,099,000 (+13,000)
Households with children under 16 without biological parents (125,000 households)	2,568,000	2,695,000 (+127,000)	2,666,000 (+98,000)	2,698,000 (+130,000)
Households with individuals under 22 who are living without biological parents (7.35 million households)	3,820,000	3,861,000 (+41,000)	3,850,000 (+30,000)	3,861,000 (+41,000)
Households with elderly members (9.52 million households)	3,821,000	3,828,000 (+7,000)	3,832,000 (+11,000)	3,834,000 (+13,000)

Notes: Changes from baseline are shown in parentheses. Income amounts are in VND per month, rounded to the nearest thousand.

Source: Authors' elaboration of VNMOD simulations and the Viet Nam Household Living Standards Survey (VHLSS), 2020.

As shown in the Table 1, the reform of child benefits in 2021 cost around VND 3,260 billion for the government (USD 140 million). There is no change in the poverty rate of the target population—households with children without parents. The average disposable income per capita in this group does, however, increase from VND 2.57 million to 2.70 million per month, an increase of around VND 127,000 (ca. USD 5). The limited poverty reduction impact may owe in part to a lack of targeting, as households above the poverty line are also entitled to the benefit. It also owes to lower average incomes among such households, which remain below the poverty line with or without the increased benefits. Better targeting of beneficiary households, for instance based on their average tax rates, can improve the poverty reduction outcome.

The increase in elderly benefits costs around VND 2,250 billion for the government (USD 95 million) and reduces the poverty rate among targeted households by .06 percentage points. The increase effectively doubles the poverty reduction impact of this policy post reform. The impact on the disposable income of this group—already close to the population average before the policy change—is in turn limited, around VND 11,000 (USD 0.5).

It is notable that benefits targeted at the poor elderly also considerably increase incomes in households with children (and young people up to age 22) without biological parents. Furthermore, it appears that poverty reduction estimates achieved under both policy changes (the final column) are identical to those achieved with only the hike in benefits for the poor elderly (reform #2). This implies

that many children without biological parents live with their grandparents or perhaps other older relatives, and that such households gain from both dimensions of the policy change.

Reimagining social support for vulnerable groups

In recent years, social assistance policies in Viet Nam have contributed to improving the social welfare of vulnerable population groups, including also disadvantaged children and the elderly. The simulation estimates presented in this policy note suggest that the recent increase in benefit amounts for children without parents and households with elderly poor had mixed poverty reduction effects. The estimated impact was noticeable for the latter group, whereas effectively no households with orphans were raised out of poverty.

While the national social assistance regime has been gradually reformed over time, recent changes mainly affect benefit amounts and minor parameters related to eligibility. A more comprehensive social policy reform is warranted, perhaps with the selective implementation of policy approaches adopted in other countries.

Such a reform should include improvements in identifying the population groups in need of the most support, paying attention to rural areas that are often neglected, and substantially increasing the number of social support beneficiaries. Provincial authorities should also focus on better alignment of benefits, especially as some beneficiaries receive parallel support from both state social relief packages and provincial programmes. Monetary support, at times prone to corruption, should also be complemented with resources for targeted social work and in-kind assistance.

Lastly, due to the lack of electronic information collection methods, the implementation of support packages in localities currently faces many difficulties—such as missing eligible subjects and verifying homeless children—which should be addressed in future reforms. Achieving these goals requires strengthening the leadership and administration of authorities at all levels and building a nationwide staff network of social protection professionals via sufficient education and additional resources for social work.

Policy recommendations

- Targeted monetary support to disadvantaged populations, such as vulnerable children, can be helpful in reducing poverty and increasing the economic welfare of these groups. However, the results indicate that such benefits should be sufficiently large and well-targeted at the poorest households to be cost-effective
- A more comprehensive reform of social policy is needed in Viet Nam to meet the poverty reduction needs of the country. Such a reform should improve the transparency and accountability of support systems, digitalize and modernize social services, and ensure the inclusion and participation of vulnerable groups

This note was produced using [VNMOD](#), the tax-benefit microsimulation model for Viet Nam. The note was initiated at the [VNMOD Retreat](#) in July 2022. The retreat was a capacity development initiative and a part of the activities of the [SOUTHMOD project](#).