Vietnam’s Poverty Eradication: Achievements and Challenges

During the 1990s and the first years of the 21st century, Vietnam has achieved rapid broad-based economic growth, resulting in remarkable progress in reducing poverty in its multiple dimensions. The country has indeed gained impressive achievements in poverty reduction. Broad-based economic growth has improved the well-being of almost everyone in the entire population. The General Statistical Office estimates that the poverty rate fell consistently from 58 percent in 1993 to 37.4 percent in 1998, 28.9 percent in 2002, 16 percent in 2006 and 8.4 percent in 2016. About 30 million people are estimated to be lifted out of poverty over approximately one and a half decades, an achievement widely applauded. People who remain in poverty saw their well-being considerably improved over this period as well. The average poor’s shortfall of consumption from the poverty line, measured by the poverty gap rate, also fell steadily from 18.5 percent in 1993 to as low as 3.5 percent in 2008.

Other non-income indicators such as access of the poor to basic social services and infrastructures (education, health, electricity, road, water and sanitation, etc.) also confirm this very positive trend. Notably, while only less than 37 percent of the poor population had access to electricity in 1993, now over 90 percent have electricity for daily use. The poverty profile also changed rather considerably over this period. The average size of poor households declined from 5.2 people to 4.8 people while the dependency ratio dropped from 55 percent in 1993 to 49.7 percent in 2008, although this ratio had been, as expected, consistently higher than that of non-poor households throughout this period. In terms of education, the percentage of household heads having finished primary school rose, but the percentage of household heads with education higher than primary school declined.

Although rapid poverty reduction was observed for both rural and urban populations, the poverty rate in rural areas (66.4 percent in 1993 and 18.7 percent in 2008) had been considerably higher than that in urban areas (25.1 percent in 1993 and 3.3 percent in 2008). Geographical disparities existed, with the South East and the Red River Delta outperforming all other regions in poverty reduction with single-digit poverty rates of 3.5 percent and 8.1 percent respectively in 2008, down from as high as 40 percent and 61.4 percent respectively in 1993. The slowest progress was observed in the North West region - characterized by a high population share of ethnic minorities and isolation from the national market - with the still high poverty incidence of 45.7 percent in 2008, down from 81 percent in 1993. In between these two ends were the North East, the Central Highlands and the North Central Coast, all of which shared a similar performance, falling slightly short of that of the South Central Coast. Within these groups, disparities were also considerable. Among ethnic minorities, poverty rates was as high as 83.4 percent and 75.2 percent for Hmong and other ethnic minorities respectively in the Central Highlands, but considerably lower for Khmer and Tay at 23.1 percent and 32.1 percent respectively.
Notably, increased availability of media facilities for poor people is noted as one of the main changes today. As a result, the characterization of the poor, particularly of those from ethnic minorities, was gradually shifting from lacking access to information to lacking the ability to absorb and use information to improve their livelihoods and living conditions. Poverty appeared to have become an increasingly ethnic minority phenomenon, which is largely explained by the uneven progress in poverty reduction across different segments of the population. The prevailing poverty of the ethnic minority in the country is of particular concern. Although Vietnam’s 53 ethnic minority groups make up less than 15 percent of the population, they accounted for nearly 50 percent of the poor in 2010. Most minorities continue to reside in more isolated and less productive upland regions of Vietnam.

For ethnic minorities (EM), the chronic poor had the largest EM population share of 39.2 percent; followed by the transient poor (29.4 percent), the permanent escapers (12.8 percent), and the non-poor (as small as 18.6 percent). For the Kinh/Hoa people, the order is almost reversed, with the non-poor sharing in almost 70 percent of the population of this group; followed by the transient poor (12.2 percent), the permanent escapers (11.8 percent) and finally, the chronic poor (6.1 percent). The poverty dynamics analysis also finds that ethnic minorities had a disproportionate share in the chronic poor population, which is estimated at 47.1 percent.

Geographically, the North Central Coast had the largest share in the chronic poor population, followed by the Northern Uplands (24.9 percent), the Central Highlands (21.8 percent) and the Mekong River Delta (10.4 percent) while the share was negligible for the South East (0.8 percent) and small for the Red River Delta (3.8 percent). This group of chronic poor is also characterized by unfavorable initial conditions, notably high dependency ratio (30.7 percent vs. the average rate of 16.3 percent for the whole of Vietnam), abnormally high percentage of household heads without primary education (57.8 percent vs. the average of 31.5 percent), serious lack of access to electricity (36.8 percent vs. the average of 11.9 percent) and xvi lack of access to clean water (87.1 percent vs. the average of 57.2 percent). For the group of permanent escapers, their considerably higher percentage of household heads having finished lower secondary school (37 percent) as compared to that of the chronic poor (11 percent) and the transient poor (27.1 percent) is presumably the most striking characteristic.

Different types of policy interventions are needed for chronic and transitory poverty. To deal with chronic poverty given its largely static nature, social assistance including poverty targeted programs would be appropriate. The focus would then be on how to improve targeting, given the diverse needs and heterogeneity of the poor as mentioned above, in order to reduce leakage, broaden coverage and raise support levels. It is also important to simplify the program design and implementation procedures so as to cut down transaction costs and to reduce dependence culture among the poor. Poverty discussions in Vietnam, particularly among policy makers, have mostly focused on poverty targeted programs. These may not be very effective in
dealing with transitory poverty, however, because the list of poor people is updated only annually, and is sometimes subject to quota on the poverty incidence imposed by higher authorities (often because of resource constraints) while movements in and out of poverty may occur much more frequently.

Without proactive and comprehensive interventions, poverty reduction will be bound to become increasingly resistant to economic growth. Reducing ethnic minority poverty, resistance of poverty reduction to economic growth is presumably clearest among ethnic minorities despite the Government’s fervent attention to this issue, manifested in numerous policies and programs it has introduced over the last two decades. Therefore, to help ethnic minority people to better participate in and benefit from the growth process, interventions should be directed towards raising both their endowments and returns to these endowments. For the former objective, policies should be designed to help ethnic minorities to have better access to basic social services, infrastructures, wage employment, etc. For the latter objective, interventions should be directed towards reducing language barriers, improving the quality of education, overcoming stereotypes, etc. A focus should be placed on reducing the risk of intergenerational poverty transmission among ethnic minorities, particularly for households living in chronic poverty.

Urban poverty is one such form of poverty. Recent data have reported a low rate of poverty, which seems to be accurate as a recent urban poverty survey conducted in the two largest cities, Hanoi and Ho Chi Minh City, at the end of 2009 refutes the hypothesis that estimates of urban poverty rate may be biased downward because migrant workers are not included in the sampling frame. However, looking in the rear-view mirror may not be particularly helpful in predicting what will happen down the road in the new decade because of the multi-faceted nature of poverty with numerous non-income dimensions. These may include pollution, personal safety, working and housing conditions, or exposure to abuses, all of which are becoming increasingly acute for low income migrants who are technically classified as non-poor by both income measure and expenditure measure. If these dimensions are properly captured in the measurement of poverty, the urban poverty picture may change considerably. The importance of non-income dimensions of well-being and poverty in urban areas suggested areas for priority interventions.

Unfinished poverty agenda Vietnam has become a lower middle-income country and has put forth an ambitious objective of becoming a largely industrialized country by 2020 and avoiding the so-called “middle income trap” thereafter. Macro instability, external shocks and inequality have created new challenges. Although the country has been taken off the list of poorest countries, the poverty agenda is still far from finished. What is known from existing evidence is that there is still a long way to go to help many ethnic minority people to escape from poverty for good (which may take generations, given the largely structural nature of poverty of this group) or to revamp social protection such that it is both inclusive and financially sustainable.
(which may take many decades). However, the existing data show little about new forms of poverty that will likely emerge or about which of the existing forms may become increasingly acute in the foreseeable future.

Vietnam has achieved significant economic, social and poverty reduction successes, yet widening inequalities and disparities are emerging. This is another issue that may considerably worsen over the medium- and long-term if appropriate actions are not taken promptly. Commonly used inequality indexes such as Gini coefficient, top quintile over bottom quintile or top decile over bottom decile ratios all indicate that inequality rose modestly in the 1990s and relatively stabilized throughout the 2000s. Inequality in income may potentially translate into inequality in voices and representation in policy-making processes, as shown by international experiences. In Vietnam, this issue is becoming increasingly important as the society is becoming increasingly diverse, resulting in rising conflicts of interests between different groups. Knowledge and skills are among the key factors determining the effective participation of the poor and the disadvantaged in policy-making – both via local and grassroots developments and via mainstreaming poverty and distributional concerns into macro policies at the national level.

There is still long distance to go to make it happen, but poverty-focused grassroots organizations and research institutions have a big role to play in supporting the poor in this process. Finally, climate change, which is one of the central issues in the global agenda at present and has actually started to affect various disaster-prone regions in Vietnam, is bound to come up prominently in the immediate future. Vietnam should therefore proactively engage in this global agenda and seek to understand well the poverty and distributional impacts of climate change to be able to intervene appropriately and promptly. It is critical to make growth more inclusive, by expanding investments in rural areas, in manufacturing and small and medium enterprises.

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