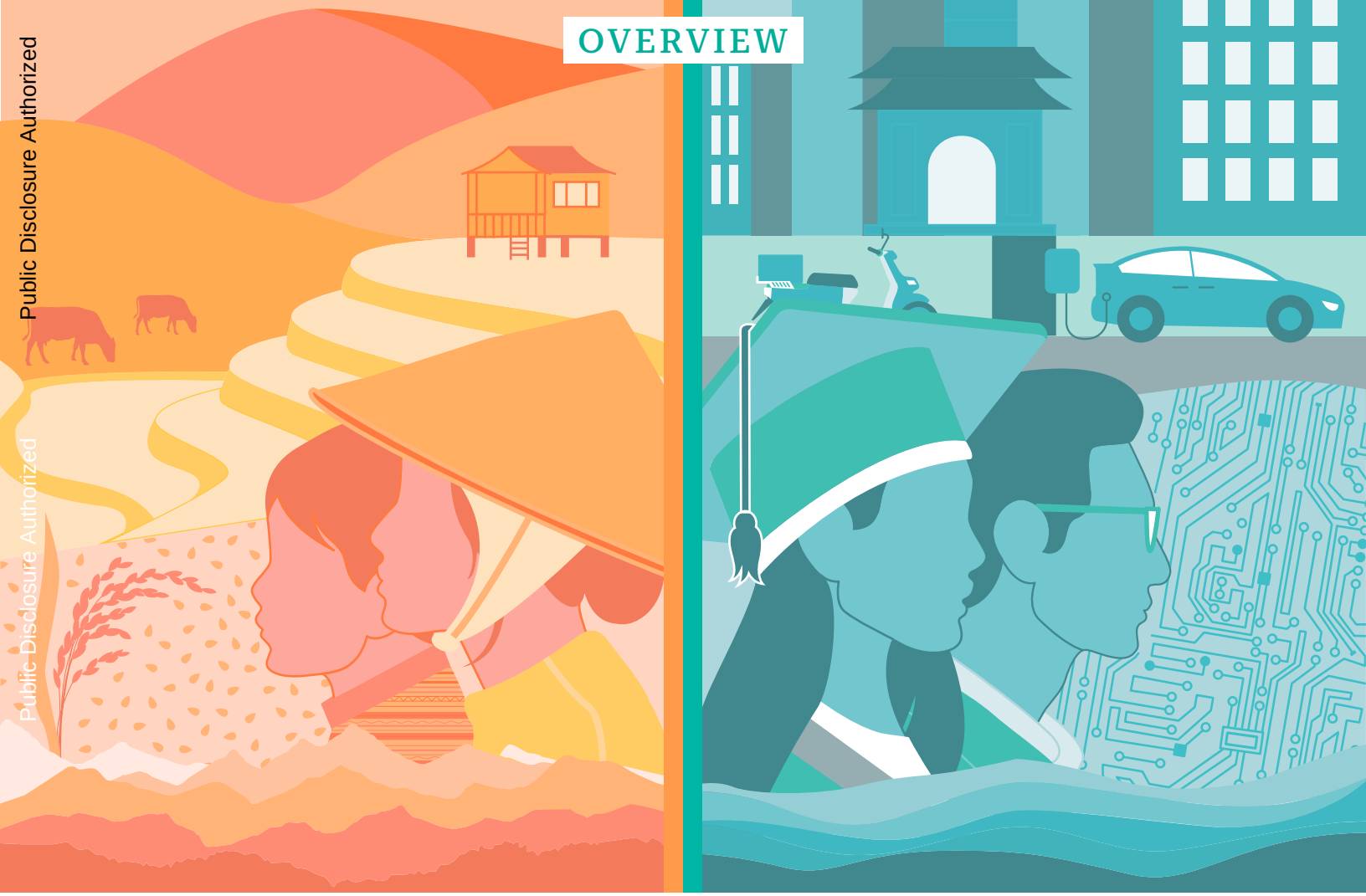
FROM THE LAST MILE TO THE NEXT MILE

2022 VIETNAM POVERTY AND EQUITY ASSESSMENT

OVERVIEW



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Acknowledgements

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In addition to the large team that contributed to the report, the Poverty Assessment builds upon a large foundation of World Bank knowledge products produced over the last decade since the 2012 Poverty Assessment *(Well Begun but Not Yet Done: Progress and Emerging Challenges for Poverty Reduction in Vietnam)*.

First, several influential poverty updates have been published documenting Vietnam's poverty reduction story. Recent reports include "Climbing the Ladder: Poverty Reduction and Shared Prosperity in Vietnam" (2018), "Better Opportunities for All: Vietnam Poverty and Shared Prosperity Update" (2019), and "Shared Gains: How High Growth and Anti-poverty Programs Reduced Poverty in Vietnam" (2021). "Climbing the Ladder" discusses trends and constraints in economic mobility, and profiles those left behind. "Better Opportunities for All" zooms into the development story of rural households and discusses ways to improve their economic opportunities through better market integration. "Shared Gains", updates our understanding of rural poverty using data from 2018. It emphasizes the need to increase off-farm opportunities by reducing distances through investments in physical, digital and human capital; lowering costs of migration; making better use of agricultural land; and increasing women's empowerment. The report also addresses the issue of targeting the poor and assesses the strengths and weaknesses of the National Targeting Programs in Vietnam. Moreover, the conditions and development challenges of ethnic minorities are examined in *a* 2019 World Bank research report, "Drivers of Socio-economic Development among Ethnic Minority Groups in Vietnam."

A series of reports also examine constraints and challenges in relation to labor, skills, and impacts of COVID-19. S*killing Up Vietnam: Preparing the Workforce for a Modern Market Economy* discusses the education and skills challenges to meet labor demands of a modern market economy (Bodewig et al., 2014). The jobs challenge is updated and well discussed in *Vietnam's Future of Jobs* report (Cunningham and Pimhidzai 2018). Although the share of wage jobs has increased dramatically, many of these off-farm jobs tend to be low in productivity, wages, and chances of advancement and will not be sufficient to achieve middle class aspirations. More recently, "A Year Deferred<em dash>Early Experiences and Lessons from COVID-19 in Vietnam" uses data from June 2020 to March 2021 to illustrate the changing economic conditions of households and firms since the beginning of the pandemic (World Bank, 2021a). However, in Vietnam and the Southeast Asia region, COVID-19 quickly escalated in severity in April 2021. These new developments in 2021 will lead to worse outcomes than could have been predicted.

Vietnam 2035: Toward Prosperity, Creativity, Equity, and Democracy (World Bank and MPI, 2016) is a sweeping examination of 2035 development goals and targets. A Systematic Country Diagnostic and an update were also completed within the last decade (World Bank, 2016, 2021b). The latest macroeconomic conditions and developments in Vietnam are discussed regularly in semiannual *Taking Stock* reports as well as monthly Vietnam Macro Monitors.

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Currency Equivalents

Exchange rate, 2020 average
Currency unit = Vietnamese dong (VND)
US$1 = 23,208.37 dong

Abbreviations and Acronyms

ADB	Asian Development Bank
ALMP	Active Labor Market Program
ASEAN	Association of Southeast Asian Nations
ASPIRE	Atlas of Social Protection Indicators of Resilience and Equity
CEQ	Commitment to Equity
CIT	Corporate Income Tax
EAP	East Asia and Pacific
EET	Exempt-Exempt-Taxed
EM	Ethnic Minority
EPT	Environmental Protection Tax
ESC	Employment Service Center
ETS	Emissions Trading System
FDI	Foreign direct investment
FGT	Foster-Greer-Thorbecke
FLFP	Female Labor Force Participation
G2P	Government-to-person
GDP	Gross domestic product
GIC	Growth incidence curve
GNI	Gross national income
GSO	General Statistics Office
HCI	Human Capital Index
HCMC	Ho Chi Minh City
HIV	Human immunodeficiency virus
HOI	Human Opportunity Index
ICT	Information and communication technologies
ILO	International Labor Organization
IO	Input-output
IPL	International poverty line
ISAS	Integrated Social Assistance System
ISCED	International Standard Classification of Education
LCU	Local currency unit
LFS	Labor Force Survey
LIC	Low-income country
LMIC	Lower-middle-income country
LMIS	Logistics Management Information System
LUR	Land use right
MOET	Ministry of Education and Training
MOF	Ministry of Finance
MOH	Ministry of Health
MOLISA	Ministry of Labor, Invalids and Social Affairs
MPI	Multidimensional Poverty Index
MPI	Ministry of Planning and Investment
MPS	Ministry of Public Security
MPSARD	Master Plan for Social Assistance Reform and Development
NDC	Nationally Determined Contribution
NLSA	National Large-Scale Assessment
NRD	New Rural Development
NTP	National Targeting Program
NTPRP	National Target Poverty Reduction Program
OECD	Organisation for Economic Co-operation and Development
O-NET	Occupational Information Network
OOP	Out-of-pocket
OPHI	Oxford Poverty and Human Development Initiative
PAPI	Public Administration Performance Index
PISA	Programme for International Student Assessment
PIT	Personal income tax
PL	Poverty line
PPP	Purchasing power parity
PREM	Poverty Reduction and Economic Management
R&D	Research and development
RISE	Research on Improving Systems of Education
SA	Social assistance
SCOLI	Spatial Cost of Living Index
SDRSP	Sustainable Poverty Reduction Support Program
SEDEMA	Socio-economic Development in Ethnic Minority Areas
SEDP	Socio-Economic Development Plan
SEDS	Social Economic Development Strategy
SES	Socioeconomic status
SME	Small and medium enterprise

SNG	Subnational government
SPR	Sustainable Poverty Reduction
STC	Special Tax Code
STEP	Skills Toward Employment and Productivity
TFP	Total factor productivity
TIMSS	Trends in International Mathematics and Science Study
TTE	Taxed-Taxed-Exempt
TVET	Technical and vocational education and training
U-HCI	Underutilization-Adjusted Human Capital Index
UMIC	Upper-middle-income country
UNDP	United Nations Development Programme
UNESCO	United Nations Education, Scientific and Cultural Organization
USD	United States dollars
VAT	Value-added tax
VHLSS	Vietnam Household Living Standards Survey
VND	Vietnamese dong
VSS	Vietnam Social Security
WB	World Bank
WDI	World Development Indicators
WHO	World Health Organization
WTO	World Trade Organization

Overview

Introduction

Vietnam is a country on the move and in transition. Indicators are pointing in the right direction, with many positive economic and social developments. The amount of progress that Vietnam has achieved in less than half a century since emerging from a war has been nearly without parallel. At the same time, Vietnam is a lower-middle-income country facing a challenging and uncharted road ahead to reaching upper-middle and high-income country levels in a shifting global economic and climatic landscape.

In less than half a century since the end of the Vietnam War and 35 years since the Doi Moi reforms, Vietnam has become a vibrant economy and a sought-after market to the outside world. GDP per capita (2015 US$) grew from $481 in 1986 to $2,655 in 2020. Rapid economic growth was broadly inclusive, and livelihoods in Vietnam improved dramatically. Based on the World Bank's Lower-Middle Income Class ($3.20/day 2011PPP) poverty line, poverty rates declined from 16.8 percent in 2010 to 5.0 percent in 2020 (Figure O.1). According to preliminary General Statistics Office (GSO) estimates for 2019, 5.7 percent of Vietnamese are considered multidimensionally poor.

At the same time, despite remarkable progress, poverty remains a key concern among the population. In a survey of citizens, from 2015 to 2020 poverty/hunger was selected as the main issue that the government must tackle (Figure O.2). When asked why poverty was the main concern, while many people worried about falling back into poverty, even more felt that poverty is an overall drag on the economy and reduces national prestige (based on data from the 2018 UNDP PAPI). Half of those who said that hunger and poverty were their top concern earned more than 8 million VND per month,[1] highlighting concerns over economic security, even among higher-earning individuals.

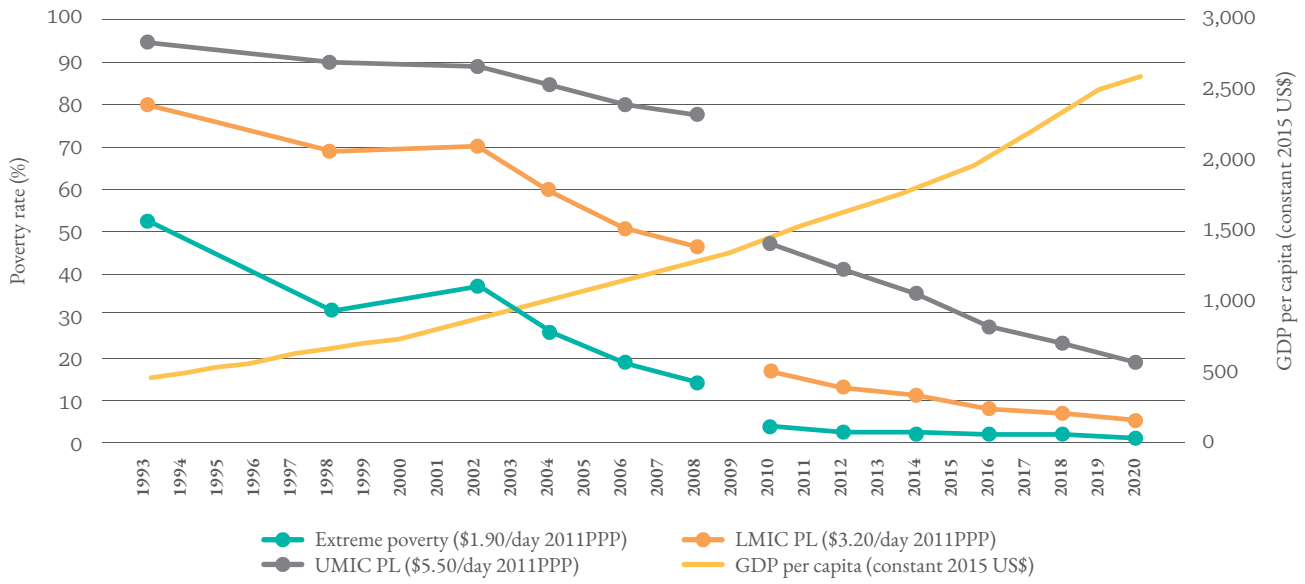
Concerns over poverty amid high economic growth are not inconsistent; together they illustrate an absolute and inclusive rise in living standards, but also a population that seeks economic security and aspires for more. Rapid developmental changes left some behind who did not have the opportunity to join the most dynamic sectors of the economy, and also created a large segment of the population that are no longer poor but not yet rich. About 85 percent of households report that their *living* conditions got better in 2020 compared to 2016 (VHLSS). On the other hand, 63 percent of households felt their *economic* conditions were better in 2018 than what they were five years ago, according to UNDP PAPI data. Thus, household perceptions on changes in economic conditions are slightly more pessimistic than perceptions on changes in living conditions; in both cases the degree of perceived improvement was more minor than major.[2]

These concerns and aspirations reflect the need to simultaneously address *Last Mile* chronic poverty challenges, while ensuring there are sustainable economic mobility pathways to fulfill the country's *Next Mile* upper-middle and high-income aspirations

The Vietnam Poverty and Equity Assessment is organized into two parts motivated by addressing both Last Mile and Next Mile issues**:**

Part I reviews poverty and inequality trends over the last decade, 2010–2020. The decade saw high growth, great success in poverty reduction, and household profiles shifting toward higher levels of education and more people working outside of agriculture (Chapters 1 and 2). Higher wages and the creation of off-farm jobs largely drove improved living standards and provided better economic opportunities for large numbers of youth entering the labor force. But poverty rates are still much higher among rural and ethnic minority families and households primarily engaged in agriculture (Chapter 3). These groups face persistent challenges of lower human capital, lower-quality local public services, longer distances to economic opportunities, and less access to financing and training. Policy is well aligned to tackle Last Mile chronic poverty; three NTPs will be implemented during the 2021–2025 Socioeconomic Development Phase.

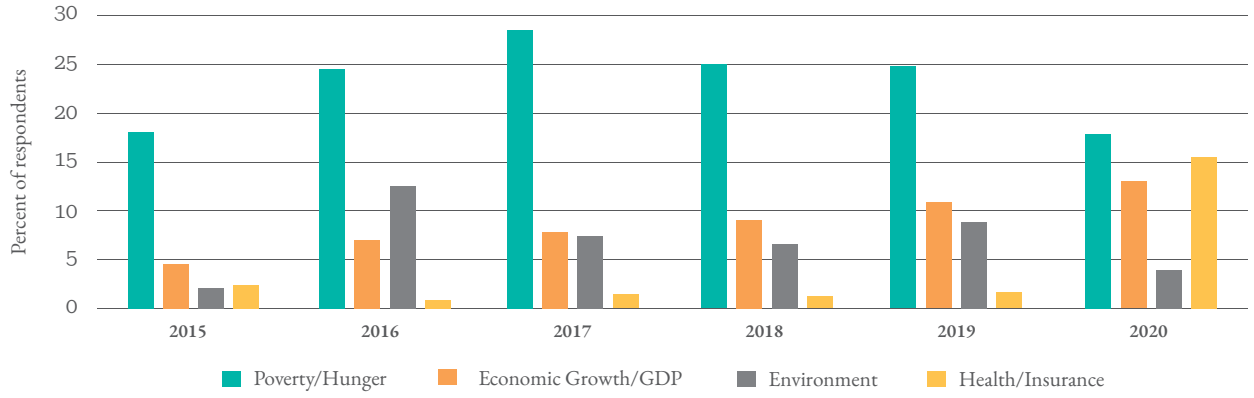
Figure O.1. Economic growth and poverty reduction, 1993–2020



Source: World Bank World Development Indicators, PovcalNet.

Note: Poverty measurement methodology changed in 2010, rendering a break in series comparability. LMIC = lower-middle-income country; PL = poverty line; PPP = purchasing power parity; UMIC = upper-middle-income country.

Figure O.2. Issues of greatest concern, 2015–2020



Source: CECODES et al. 2021.

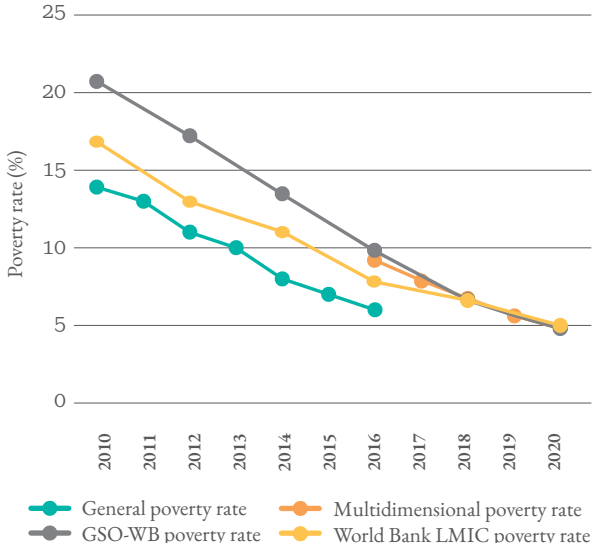
Part II assesses opportunities for and challenges to Vietnam's path to achieving its Next Mile aspirations and creating greater prosperity for households and workers. At the 13th National Congress in 2021, the Communist Party of Vietnam announced its the goal to become a high-income country by 2045. This is an ambitious target befitting a country with a proven track record of inclusive growth, but it requires new approaches and even greater achievements. The *Next Mile* is the road to upper-middle and high-income country standards. What will be needed to sustain the upward economic mobility of the millions who have left poverty and now seek greater economic security in the face of new risks and challenges? Equitable human capital formation is a key ingredient to Asia's economic success. While completion gaps are narrowing, some still remain for the most vulnerable groups (Chapter 4). To achieve high-income status by 2045, real GDP will have to grow by nearly 7 percent per annum. Of those entering the work force, today's youth are better educated, but are they ready to lead a high-skill and high-productivity transition and grow the middle class? Some indicators point to challenges to such a transition without continuing reforms and improvements in higher education and skills (Chapter 5). Moreover, in a world with unpredictable risks and challenges, promotion policies to boost upward economic mobility must be complemented by protection strategies to preserve gains. The current social protection system does not adequately protect all households against all risks and should be modernized (Chapter 6). At the same time, investments in better skills and higher-quality education, as well as a stronger safety net which protects all, will require public investment. How this investment can be financed and how fiscal policy in general can drive prosperity more broadly is the subject of Chapter 7. Lastly, policy recommendations covering both Last Mile and Next Mile agendas are presented in Chapter 8.

Part I. A Decade of Significant Progress, but Last Mile Challenges Remain

A decade of continuous poverty reduction but inequality is rising

Over the last decade, poverty declined impressively. On average, household consumption growth was strong at about 5 percent per year. Based on the World Bank's lower-middle income country (LMIC) poverty line ($3.20/day 2011PPP), poverty declined from 16.8 in 2010 to 5 percent in 2020 (Figure O.3).[3] This equates to ten million people having moved out of poverty, reducing the number of poor to 5 million in

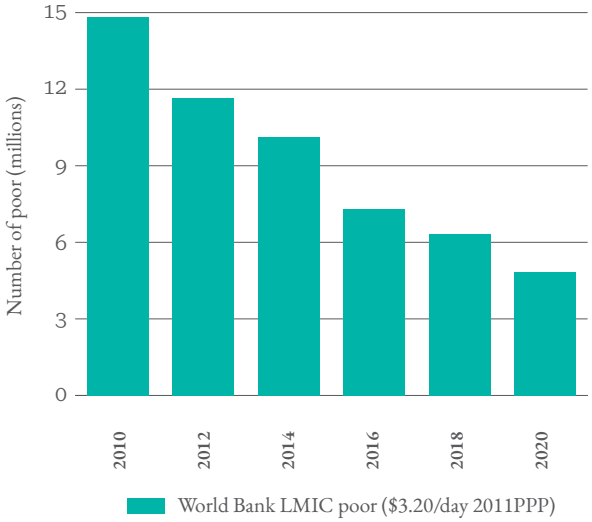
Figure O.3. Poverty rates across different thresholds



Source: GSO and World Bank.

Note: See Chapter 1 for definitions of the various lines.

Figure O.4. The number of poor, 2010–2020



Source: World Bank staff calculations.

Note: LMIC = lower-middle-income country; PPP = purchasing power parity.

2020 (Figure O.4). Growth over the last decade in Vietnam was broadly inclusive, as welfare improved across the entire economic distribution of households. Pathways out of poverty were widespread across most groups, as many families moved out of poverty within a single generation. Some groups had greater chances of climbing up to a higher economic class group as well as lower rates of sliding down; these groups left agriculture completely or gained formal employment over a two-year period.

Inequality, on the other hand, increased marginally in the latter half of the decade. The Gini index was at its highest at the beginning of the decade, coinciding with the global financial crisis, but quickly reverted (Figure O.5). Declining inequality was consistent with households at the lower ends of the welfare distribution experiencing higher-than-average growth rates from 2010 to 2014 (Figure O.6). In the latter half of the decade, however, consumption among richer households grew at faster rates than among poorer ones, resulting in a negative shared prosperity premium[4] and increasing inequality. Since the poorest households are increasingly concentrated in low-income agricultural activities, these groups risk falling further behind and being less connected to the more vibrant sectors of the economy.

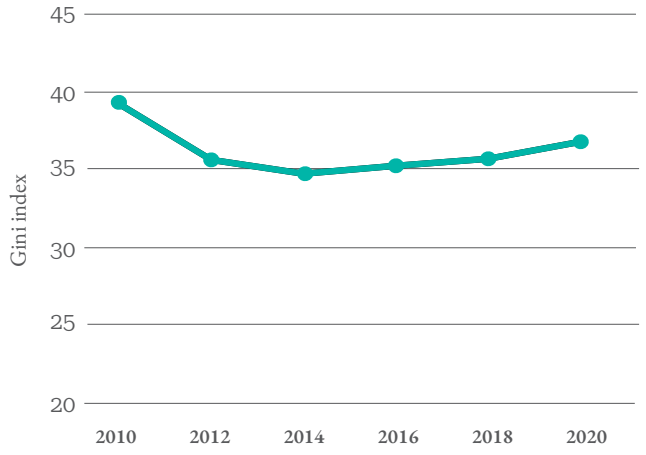
A decade of district-level poverty trends illustrates more progress near economic centers than in remote areas

District-level poverty maps produced over a decade shows overall progress, but pockets of chronic poverty remain. The 2009 poverty map reveals high concentrations of poverty throughout the high mountainous areas in the north and central regions of the country. Over the decade, poverty has declined impressively but has remained in lagging areas in the northwest and central highlands. The region that has achieved the largest absolute poverty reduction is the northeast, which has benefited from expanding industrial activity.

Job creation and rising wage income were the main drivers of poverty reduction, but these channels were interrupted by COVID-19

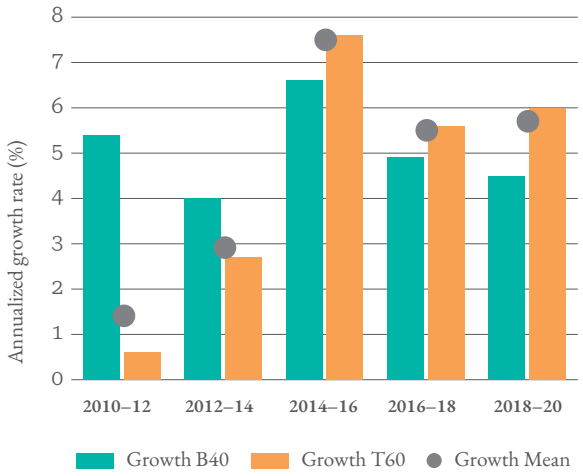
The patterns of poverty reduction over the last decade are strongly linked to economic growth. Rising wages, an increasing share of formal employment, and movement out of low-productivity agriculture raised labor incomes. Due to a demographic dividend—the large young generation entering working age—the labor force expanded by 4.5 million net workers from 2010 to 2020, even accounting for large exits from agriculture. Overall, the manufacturing and

Figure O.5. Household consumption inequality, 2010–2020



Source: World Bank, PovcalNet.

Figure O.6. Growth at the bottom of the distribution



Source: World Bank staff calculations using VHLSS 2010–2020.
Note: B40 = bottom 40 percent of the income distribution; T60 = top 60 percent of the income distribution.

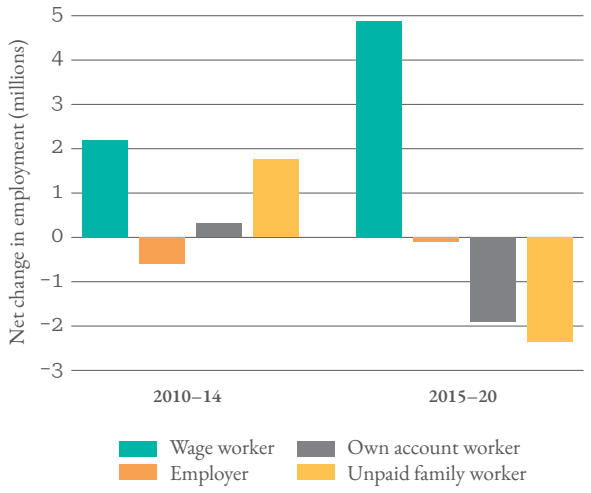
services sectors increased by 5.8 and 4.8 million net workers, respectively. Agricultural employment declined only in the latter half of the decade, with its workforce declining from 24.5 million to 17.7 million workers from 2015 to 2020.

Importantly, the new jobs created were mostly better than those for generations before (Figure O.7). In the first half of the decade, employment grew rapidly in the services sector, but this was largely in unskilled occupations (Figure O.8). Patterns shifted halfway through the decade when more medium-skilled jobs in services and manufacturing were created. Foreign direct investment was important in transforming jobs since most jobs in foreign-owned enterprises are formal with higher wages compared to domestic firms. The services sector was also invigorated, as the number of international visitors increased from 5 million in 2010 to 18 million in 2019, most of them tourists. Wage growth was also faster in the first half of the decade than the second, coinciding with slower poverty reduction in the latter period.

From a gender perspective, job opportunities have been mostly inclusive. The rate of women working in Vietnam is 73 percent, much higher than the regional average and averages of lower-middle, upper-middle, and high-income countries, which has contributed significantly to the sustained growth to date. However, with a much greater share of care responsibilities due to social norms, women have less freedom to pursue more labor-intensive occupations, while family business income for women is lower than for men because of fewer hours worked. The types of jobs available to women differ from those for men, and even where men and women are eligible from both legal and sociocultural standpoints, employers tend to prioritize male candidates in job advertisements.

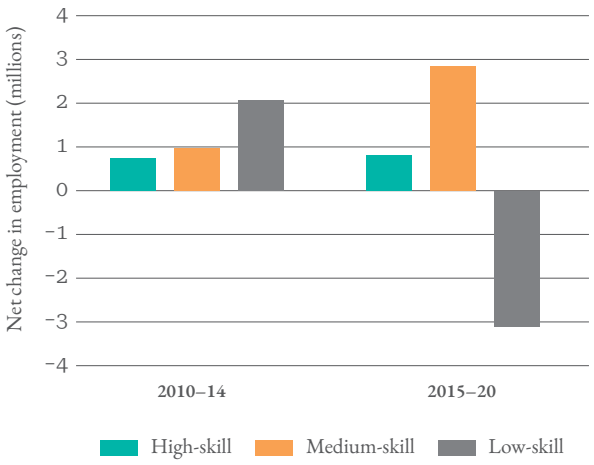
The increase in household wage income was substantial, increasing by nearly 100 million VND in nominal terms, or nearly tripling over the decade. Household wages also tripled in the lowest quintile, but the absolute increase amounted to just over 50 million VND. Incomes from family businesses increased by similar levels, but participation in family businesses was less common among poorer households. For example, 16 percent of households in the bottom quintile earn income from family businesses compared to 73 percent earning wage incomes in 2020. The share of households receiving wage income increased from 64 to 70 percent over the decade. In particular, participation in medium-skilled and non-farm wage employment increased, providing households with more predictable and higher incomes. In the poorest decile, the share of households engaged in manufacturing increased from 26.7 percent in 2010 to 35.8 percent in 2020. There was a comparable increase in households working in services overall (9.4 to 15.2 percent), but less of an increase among poor households.

Figure O.7. Change in number of wage jobs, 2010–2020



Source: GSO, Labor Force Survey.

Figure O.8. Number of jobs by skill level, 2010–2020



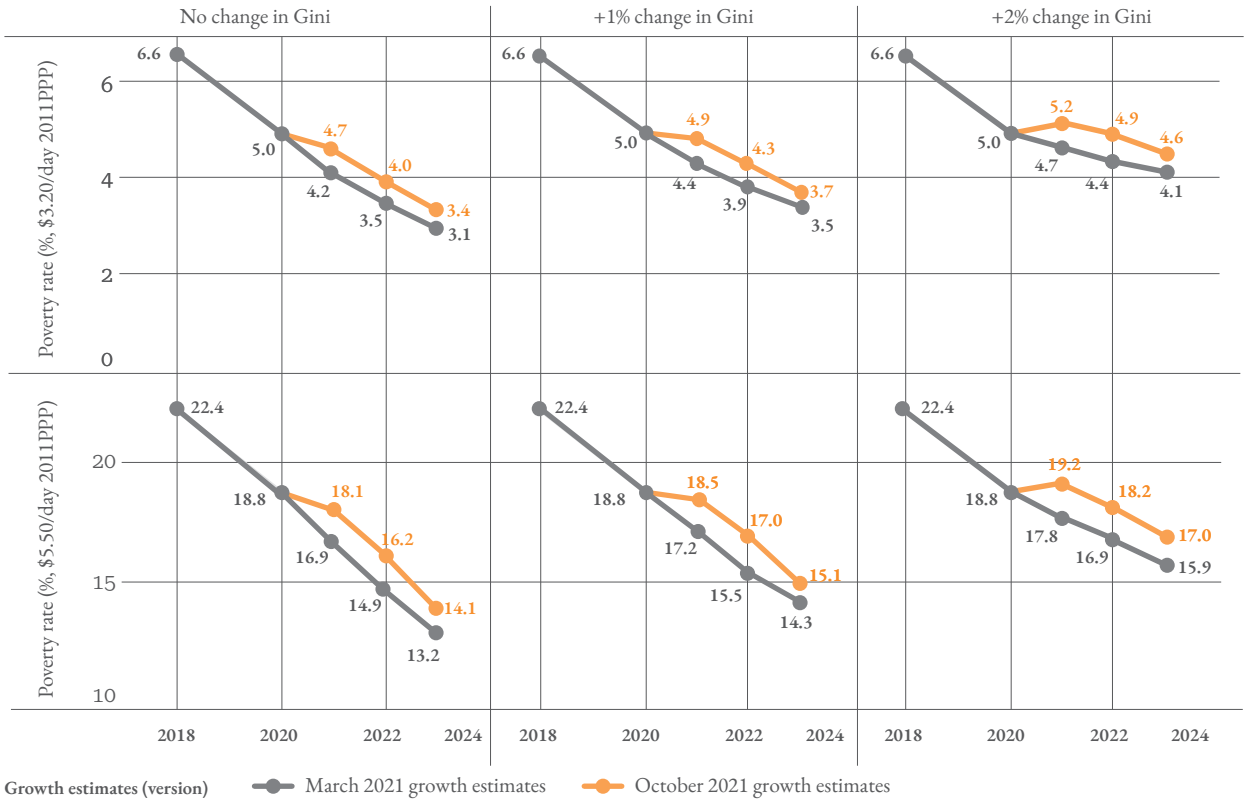
Source: GSO, Labor Force Survey.

The sudden emergence of COVID-19 at the end of the decade halted wage growth and improvements in job quality. By the end of 2020, the spread of COVID-19 was still manageable, but the labor market nonetheless experienced a rise in informality and underemployment.[5] By the fourth quarter of 2020, about 830,000 people were estimated to be underemployed, with the highest rates among those in the agriculture sector, their ranks swollen with returning manufacturing and services workers whose jobs in the cities had disappeared or been put on hold. The informality rate at the end of 2020 was 56.2 percent, an uptick following a continuous decline in informality from 2016 to 2019 (GSO, 2021). Official statistics also reported that 9.1 million workers (12.8 percent of all workers) had either lost their jobs or had reduced wages in the first quarter of 2021, and average labor incomes were 2.3 percent lower compared to the previous year (Ha and Minh, 2021). Unemployment rates also rose, more so for women. COVID-19 has taken an outsize toll on female participants in the labor force, many of whom are in the informal services sector, which was hardest hit by the COVID-related lockdowns. Due to school closures and caregiving responsibilities, women were more likely to experience reduced working hours or to quit their jobs altogether.

COVID-19 will lead to setbacks in poverty reduction and widen inequality across both monetary and non-monetary dimensions

The COVID-19 pandemic has set progress in poverty reduction back. In Vietnam, COVID-19 halted a decade of rapid wage growth, although progress in reducing poverty was sustained in 2020 over a two-year period compared to 2018. This was a better outcome than for most developing countries in the region and globally (World Bank, 2020a). Some impacts were still hard felt, as poverty rates among the Kinh majority and in urban areas increased slightly in 2020 compared to 2018. Furthermore, the emergence of the Delta variant in mid-2021 led to further setbacks. Based on updated 2021 growth forecasts after the arrival of the Delta variant, poverty rates are expected to be about 0.5 percentage points

Figure O.9. Distribution-sensitive poverty projections for Vietnam, 2018–2023



Source: World Bank staff estimations using VHLSS, 2018, 2020.

Note: Poverty rates in 2018 and 2020 are based on survey data. Poverty rates in 2021 and onwards are projections. Simulations of changes in inequality, if any, are assumed to start in 2021. Distributionally sensitive simulations methods are based on Lakner et al. (2020). See Annex 1.3 for details.

higher, and poverty reduction will likely slow in 2021 under a scenario with a 1 percent increase in inequality (Figure O.9).

COVID-19 highlighted pre-existing inequalities and differences in coping and adaptation. Even before the onset of the COVID-19 pandemic, new signs of widening inequality were emerging. The absolute difference in annual per capita consumption between the poorest and richest 10 percent of the populations increased from VND 48.5 million in 2010 to VND 123.8 million in 2020. Over the last half decade, the household consumption growth of the bottom 40 percent of the population was lower than the national average. Education outcomes in Vietnam vary by socioeconomic status,[6] and progress in reducing stunting had also stagnated. Women, those in the informal sector, and households in the bottom 20 percent experienced the slowest recovery in household income between June 2020 and March 2021 (World Bank, 2021a). In terms of coping during COVID-19, poor households were more reliant on external sources such as borrowing, while rich households were better able to cope through their own means such as tapping into savings.

Inequality is expected to increase during COVID-19 for a range of reasons. Women bear a larger share of care responsibilities, and their labor market activities were more adversely impacted than men's. Informal workers have the least access to safety nets and experienced the greatest challenges when seeking government cash support. The continuity of education was uneven during COVID-19, and the pandemic has potentially widened gaps in human capital formation because of the unequal capacity of schools across the country. Jobs of the future will require greater digital skills, but there are gaps in digital use and inclusion. Wealthier households are better able to participate in the digital economy both as sellers and as buyers on digital platforms. In the longer term, COVID-19 has widened inequality and disparities in opportunities, potentially impacting future economic growth while limiting upward mobility for many.

Chronically higher poverty rates among certain groups is a Last Mile challenge –but some positive trends have emerged

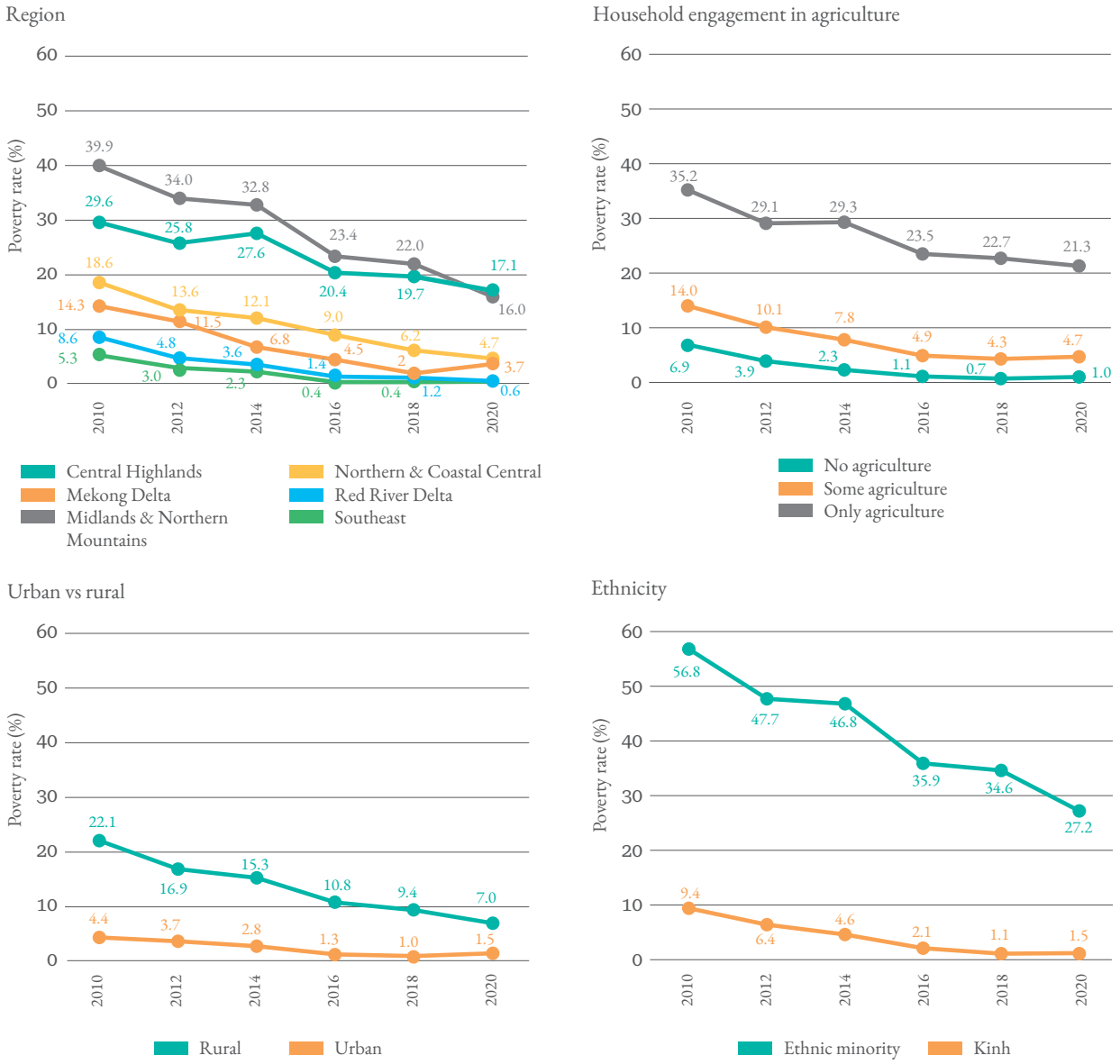
There is a persistent interplay between ethnicity, agriculture, geography, and high rates of poverty in Vietnam. Remote mountainous areas where the poor are concentrated are heavily populated by ethnic minorities, who are also disproportionately more engaged in agriculture than the Kinh majority. These remote areas are located far from economic centers and, partly due to unfavorable topology, agriculture is also less productive there. Among the remaining poor in 2020, these groups are overrepresented; 79 percent are ethnic minorities (just 15 percent in the population), and 66 percent are engaged solely in agriculture (16 percent in the population). The share of the national population in the Central Highlands and Midlands and Northern Mountains regions is 6 and 13 percent, respectively, but these regions are home to 21 and 42 percent of the poor.

At the end of the decade, the poverty rate of ethnic minorities was still higher than those of the Kinh majority at the start of the decade, although the gaps are closing (Figure O.10). Kinh poverty rates were low in 2010 at 9 percent and had fallen to near zero by 2020, while poverty among ethnic minorities was still 27 percent. However, the absolute gap in poverty had narrowed considerably, from 47.4 percentage points in 2010 to 26 percentage points in 2020, as minority poverty rates have declined from 57 percent in 2010.

Despite persistently high poverty rates among some groups, there are new developments and progress for some. Ethnic minority workers are shifting into manufacturing work, with their share in manufacturing increasing to 23 percent by 2020, similar to the rate of Kinh in manufacturing in 2010. However, geographic mobility remains limited, with the distribution of the ethnic minority population across regional and urban divides largely remaining constant over the decade.

Some regions exhibited lower increase in income growth, particularly in the Central Highlands region, where wage employment with contracts is the least common. Moreover, this was the only region where household economic participation declined in wage jobs, family business, and family farms 2010 to 2020. The Midlands and Northern Mountains region, on the other hand, saw strong growth in the share of the households entering wage employment. These income dynamics are consistent with recent developments in regional poverty rates in 2020. Slow progress in the Central Highlands region has resulted in re-ranking, where it is now poorer than the Midlands and Northern Mountains, if by only a small margin. The Mekong Delta region saw higher poverty rates in 2020 than 2018, a result of severe droughts and disruption to the agriculture sector.

Figure O.10. Poverty rates by dimensions revealing chronic poverty



Note: Poverty rate according to the $3.20/day 2011PPP poverty line.
Source: World Bank staff calculations using VHLSS 2010–2020.

NTPs are a long-standing policy instrument that still play a role in poverty reduction

Chronic dimensions of poverty are well known, and assistance to groups with high poverty is well reflected in policy priorities. In the 2021–2025 SEDP phase, three National Targeting Programs (NTPs) are aimed at individuals, households, and geographic areas across the dimensions highlighted in this chapter (rural, agricultural, and ethnic minorities). NTPs provided high levels of investments to communes, with nearly VND 560 trillion (approximately $25 billion) of this for commune level programs under NTPs from 2010 to 2019.

The design, targeting, and financing allocations of NTPs could be further refined to improve impact and results. Based on a survey of NTP- National Rural Development (2016-2020) projects and implementation, NTP-NRD provided high commune-level investments, but a smaller share went to the poorest communes because these were more reliant on direct central government transfers and had more limited external financing options (Pimhidzai and Niu, 2020). Much of the NTP spending was devoted to socio-economic infrastructure investments rather than spending on other basic social services. However, lifting the remaining poor to the poverty line can be efficient under well-targeted household-level programs. For instance, in 2020, the monetary gap to lift all poor[7] above the poverty line was 15 trillion VND. Thus, the cost of sufficient cash to the poor to raise them to the poverty line can be smaller compared to the overall NTP budget, even with significant targeting errors.

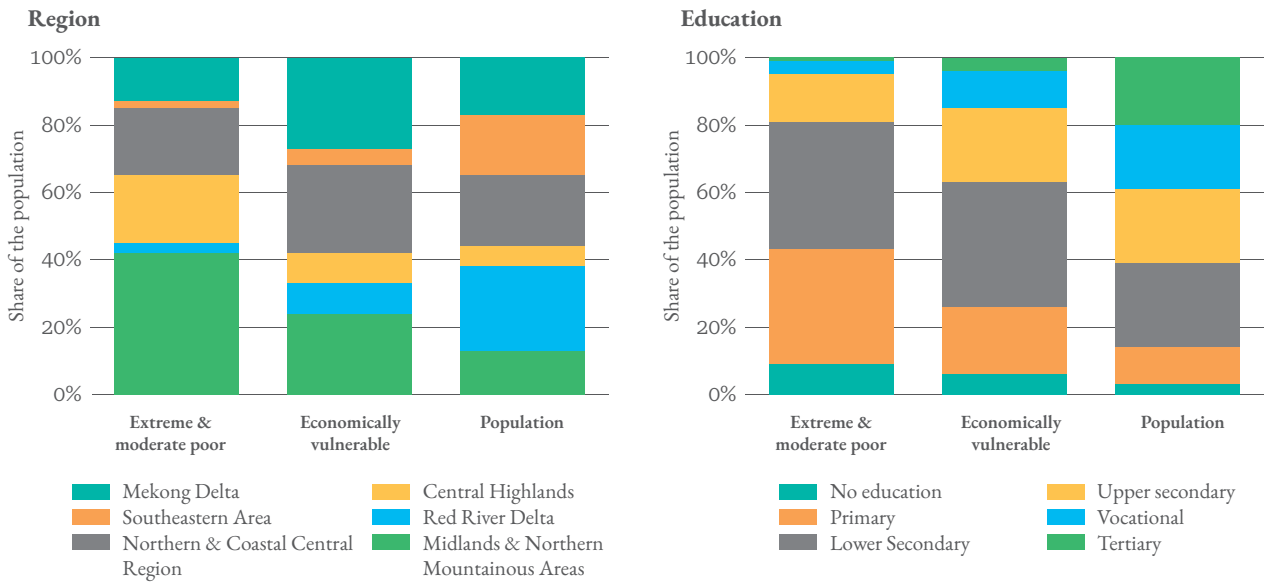
Beyond the poor, a more diverse share of the population is economically vulnerable

Rapid economic growth has lifted many Vietnamese out of poverty, but a large group of the population remains economically vulnerable. The rapid speed of developmental change nonetheless left behind those with less opportunity to join the most vibrant sectors of the economy and created a large class of people that are not poor but also not yet middle class. Thus, the poverty and equity agenda going forward is not just about raising minimum living standards and tackling chronic poor; it is also about creating new and sustainable economic pathways for a more aspirational population and guarding these hard-won economic gains from shocks or crises. Furthermore, sustaining upward economic mobility at higher income levels has been challenging. While the risk of falling into extreme poverty is now low, achieving economic stability at higher levels is still a relevant concern. In 2016, nearly 40 percent of the middle class slid to a lower economic group by 2018.

As the country aspires to greater prosperity, a higher minimum standard of living is warranted. The current national monetary poverty lines represent the concept of minimum basic needs—a bare subsistence level—and not a higher minimum level of consumption befitting a country aspiring to higher standards of living. For the 2021–2025 SEDP period, MOLISA significantly raised the monetary threshold line for the classification of poor and near-poor groups (1.5 and 2 million VND per month, respectively), in recognition of higher aspirations and better living standards. These higher monetary thresholds are close to the UMIC PL ($5.50/day 2011PPP, or 1.8 million VND per month). At this poverty line, poverty is higher at 18.8 percent, or 18.3 million people.

The population of the economically vulnerable[8] is more than double the size of the population of poor. Moreover, this group has a different profile, requiring different policies to sustain their well-being at higher levels. The population's geographic distribution means that the economically vulnerable are more prevalent in regions outside of the traditionally poor mountainous areas, with the difference in the share of the economically vulnerable compared to the poor is greatest in the Mekong Delta (Figure O.11). The share of the economically vulnerable with higher levels of education is also higher than it is for the poor. A more diverse economically vulnerable group also poses additional challenges to attaining Next Mile aspirations.

Figure O.11. The distribution of poor varies at different thresholds of poverty



Source: World Bank staff calculation using VHLSS.

Note: The extreme and moderate poor are those living below the LMIC poverty line ($3.20/day 2011PPP). The economically vulnerable are those living between the LMIC and UMIC poverty lines. Household education categorization is based on the maximum level of education in the household. See World Bank 2018 for more details.

Part II. The Next Mile is the Road Ahead

The *Next Mile* is the road to upper-middle and high-income country living standards

Only a handful of developing economies in the last half-century have successfully made the leap to high-income status. Their success was partly based on a continuous structural transformation into ever more modern and productive sectors. Their populations had the education and skills ready to take on more complex jobs with higher productivity as well as the ability to effectively manage risks; in addition to growing the economy, this allowed for inclusive upward household mobility. Today, this transition is as challenging as ever. Part II of the report reviews forward-looking themes related to these aspects for the Vietnam context.

Human capital formation for inclusive poverty reduction and breaking intergenerational poverty patterns

Human capital—a combination of the education, skills, and health factors that largely determine labor productivity—has been a major driver of sustained economic growth and is also a key ingredient in breaking intergenerational poverty traps. For children, the education they receive and how healthy they grow up affects their future earnings, life expectancy, and human capital as adults (World Bank, 2019). Falling short on human capital formation can limit their economic mobility in adulthood (Narayan et al., 2018). While indicators of early human capital formation in Vietnam at the national level are mostly in line with regional peers, there are gaps within Vietnam between different groups. For example, performance gaps between the bottom and top 20 percent of children are larger than average compared to other countries. Gaps in the Vietnam socioeconomic status (SES) disaggregated Human Capital Index, harmonized test scores, and stunting rates are all larger than the average gap in a comparative study across 50 developing countries (D'Souza, Gatti, and Kraay, 2019).

Education completion varies with household characteristics, especially ethnicity and economic status (as measured by household per capita consumption quintiles). Private expenditures in education vary substantially by household background, even at compulsory grade levels in public schools. In 2020, households in the top quintile spent 5.6 times more than households in the bottom

quintile on extra classes for children attending public primary and lower secondary grades (Figure O.12). The Kinh spend over seven times more than ethnic minorities. At the upper-secondary level, the gap widens with the top quintile spending as much as 10 times more on extra education courses, while as many as 80 percent of their children are enrolled in education up to their early 20s, compared to almost none in the bottom 20, and only 20 percent in the second and third wealth quintiles.

Differences in household finances consistently explain the largest proportion of the differences in on-time education completion across children of different backgrounds. By level of education, the importance of household finances as a driver is greatest for on-time completion at higher levels. The association between student learning and household characteristics is well established both in developed and developing countries, as it is for gaps in educational outcomes between children from high and low socioeconomic backgrounds.[9] In Vietnam, a child's education outcomes relative to their parents' tend to persist, indicating less intergenerational economic mobility. For example, across the East Asia and Pacific region, Vietnam has the smallest share of the 1980s generation that ascended to the top quartile of education completion if their parents had low levels of education[10] (Narayan and Yang, 2019). Thus, narrowing gaps in education is important to realize human capital potential for disadvantaged students.

Education is a pathway out of poverty, but COVID-19 has created large learning losses

COVID-19 has added further challenges to equitable human capital development, affecting nutritional attainment, health, and educational continuity and outcomes (World Bank, 2021a). Between September 2020 and March 2021, 72 percent of households with a child between 6 and 18 years of age experienced school closures. School closures hit poor, ethnic minority, and low-achieving students particularly hard, many of whom lacked access to digital technologies. Over 60 percent of households in the lowest welfare quintile and ethnic minorities, and close to 59 percent of those living in the Midlands and Northern Mountainous Areas, Central Highlands, and the Mekong Delta regions, did not have online learning offered during school closures (Figure O.13). Public investment in human capital is now more important than ever to prevent a reversal of the progress that has been made, as well as to prepare future generations for a rapidly evolving economic landscape.

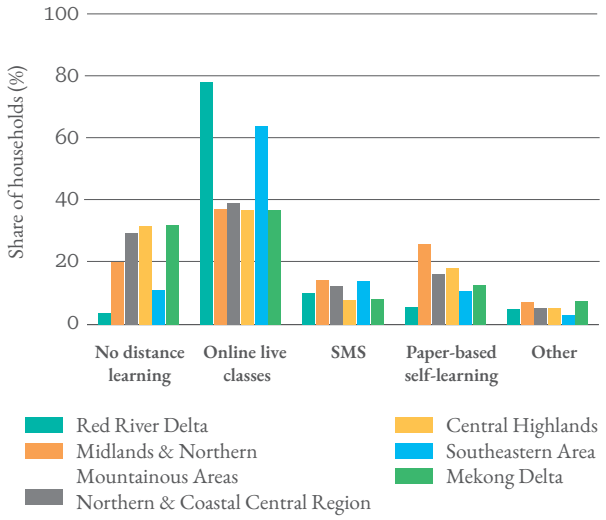
Graduating to high-income status requires higher labor productivity

Continuing on the path of a growth-driven welfare-enhancing process will require higher productivity per worker to reach high-income country status. With participation and employment rates unable to increase much beyond that of 2012 to 2018 and if the population continues to age as projected, then the number of workers will fall, and the productivity of those who do work will need to increase to sustain growth. Average real per capita GDP growth from 1991 to 2018 was 5.6 percent per annum; 6.7 percent would be required until 2045 to reach high-income status. To achieve this, growth in productivity per worker will need to increase from the 2012–2018 annual rate of 5.3 percent—already the highest of the last three decades—to 6.6 percent per annum, an acceleration of around 20 percent every year (Figure O.14). At the rate observed from 2012 to 2018, Vietnam would be comfortably upper-middle income in 2045, but around $4,000 per capita short of high-income status (Figure O.15).

Figure O.12. Household expenditure on extra education courses at compulsory grade levels in public schools, by household quintile

Note: Categories by household quintiles. Average expenditures among households with children in public primary or lower secondary education.
Source: World Bank staff calculations using VHLSS 2020.

Figure O.13. Variation in continuity of education across Vietnam's regions



Note: SMS = Short Message Service.
Source: World Bank Vietnam COVID-19 household monitoring surveys (round 5).

Figure O.14. Projected growth under different productivity scenarios, 1991–2045

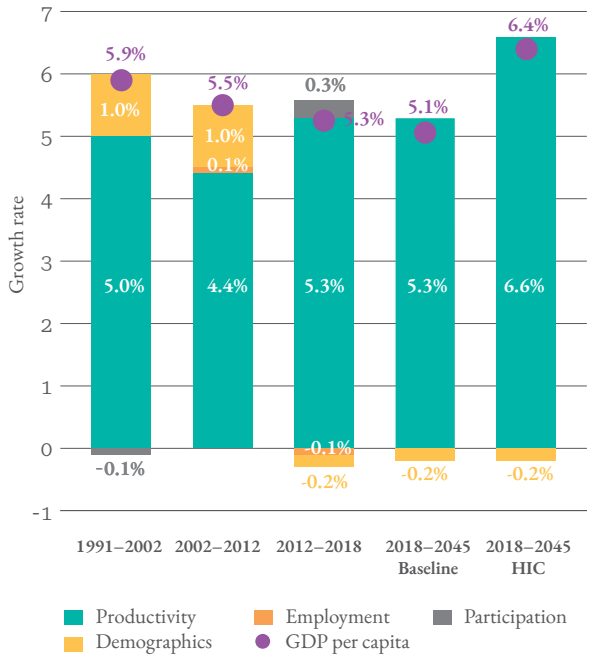
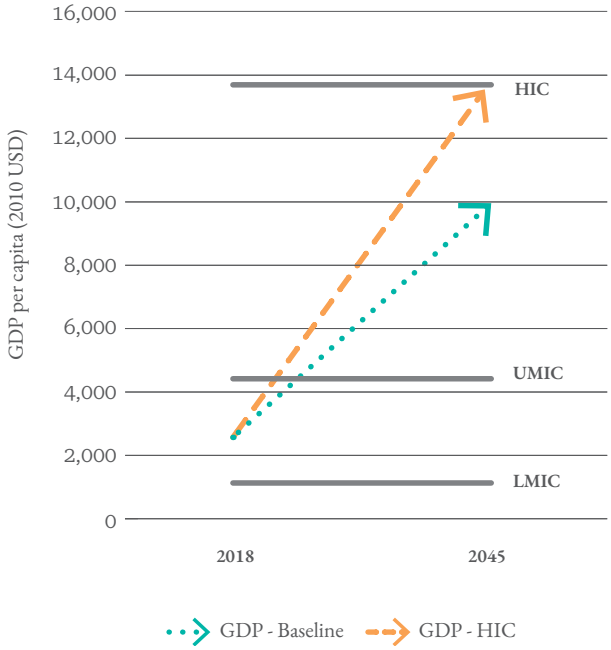


Figure O.15. Projected income under different productivity scenarios, 2018–2045



Note: Both projected periods use UN projected total and working age populations and hold employment and labor force participation constant. Baseline uses 2012–2018 average worker productivity growth; HIC uses the growth required to achieve high-income status by 2045. See Annex of Chapter 5 for methodology. Income levels are converted from GNI per capita to GDP per capita based on the 2018 ratio of the two in Vietnam.
Source: WDI and World Bank calculations.

Sustaining upward economic mobility – challenges ahead

High rates of economic growth have transformed households, but future labor market challenges have been looming on the horizon that may impact upward economic mobility at higher income levels[11] (Bodewig et al., 2014; Cunningham et al., 2018; Pimhidzai and Niu, 2020; Mason and Shetty, 2019). These reports illustrate how changing domestic and global conditions will require a more skilled and productive labor force to sustain growth. The many challenges include low completion at higher education levels, high labor informality, low labor productivity, low wages, low skills, and an aging society. Informality has declined but remains widespread: in 2020, only 23.5 percent of households had a household member employed with a formal wage contract. Low-cost labor was one of the principal reasons behind increasing foreign direct investment, primarily into manufacturing. While wages in Vietnam doubled from 2010 to 2020, they remain low at just under $300 per month. Projections estimate that the number of people aged 65 and over will increase from 10 percent of the population today to 20 percent in 2045 (World Bank, 2021b).

The challenges of reaching higher-productivity growth are reflected in the characteristics of the current youth workforce. Today's youth in Vietnam are better educated than previous generations, but some indicators point to challenges in transitioning to higher-skilled jobs without continuing reforms in education, skill development, and a transformation of the labor market. Despite higher education completion, the youth cohort is concentrated in medium-skilled occupations, more so than youth cohorts in other countries in the region. Employers in Vietnam report difficulty finding skilled labor. Based on the World Bank's Enterprise Survey on Innovation and Skills in Vietnam conducted in 2019, 22 percent of managers reported that the biggest obstacle faced by the firm was an adequately educated workforce (World Bank, 2021d). However, challenges are not purely from the labor supply side; the domestic private sector faces challenges in innovation and competition.

Addressing these challenges is necessary to sustain continuous economic transformation toward higher income. Only a handful of developing economies in the last half century have successfully made the leap to high-income status, requiring a continuous structural transformation into ever more productive sectors. Their populations had the education and skills to take on more complex jobs with higher productivity; in addition to growing the economy, this allowed for inclusive upward household mobility. Productivity gains can be achieved with better management and agglomeration in urban areas, shifts toward higher value-added economic activity, and more widespread use of sophisticated technologies, all which are well acknowledged but often face challenges in implementation (World Bank, 20201b).

Promotion policies to sustain economic mobility must be complemented by protection strategies to preserve gains

Vietnam is facing new vulnerabilities that require more sophisticated social protection systems. As the economy becomes increasingly globalized and in the face of changing global and regional trade patterns, households are becoming more vulnerable to economic volatility and shocks. At the same time, environmental risks exist in different forms throughout the country; for poor households, natural disasters or accidents can become poverty traps, as they have the least savings and personal safety nets. In addition, COVID-19 cast light on those who are economically insecure, even if they are not poor in absolute terms. Even the relatively small shock of COVID-19 in the early phases in Vietnam led to lingering longer-term impacts. Before the arrival of the Delta variant in March 2021, about 30 percent of households still reported lower household incomes than a year before (World Bank, 2021a). COVID-19 has also been a "gender-biased" crisis, as increased childcare burdens due to prolonged school closures disproportionately affect women's work. All these issues are likely contributing to expanding inequalities. They also trap some groups in near-poverty situations.

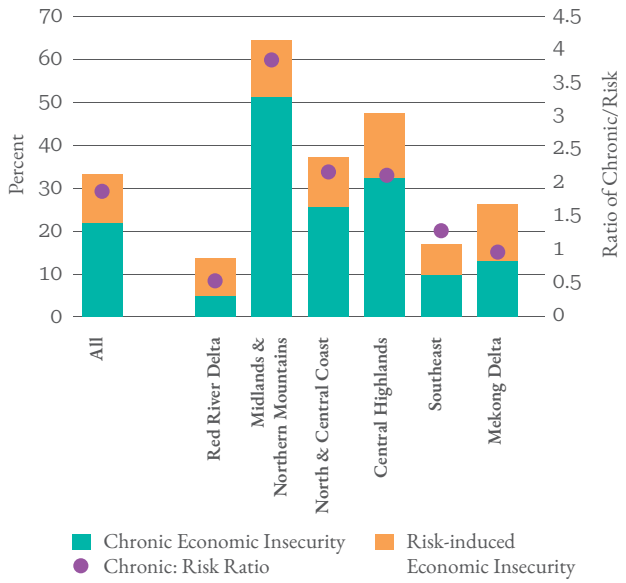
While some households face chronic economic insecurity because of lack of livelihood-generating capacity, others are insecure because of the risks they are exposed to. In addition to understanding why some households still live in poverty, as Part I of the report does, it is important to also examine those living below the higher and more aspirational "economic security" line ($5.50 per day, 2011PPP). This much larger group of households can be divided into those whose economic insecurity is "chronic" and those whose insecurity is "risk-induced." The chronically insecure live below the economic security line most of the time because they lack the human capital and physical assets to earn a sufficient living even in good years. These households most likely need better

access to economic opportunities, support with cash transfers, and better delivery of basic services to facilitate investments in physical and human capital. Those who face risk-induced economic insecurity consume enough to live above the economic security line, but this consumption can be highly variable because of idiosyncratic or covariate shocks (the former affecting individuals or specific households and the latter affecting whole communities, regions, or the country), meaning that sometimes they fall below the line and into insecurity. These households do not necessarily need the same investments in assets but do need protection from shocks, which might mean insurance programs to increase resilience.

Around one in five Vietnamese usually live below the economic security line, and another one in ten are vulnerable to occasionally falling below it due to shocks. In Vietnam, the rate of chronic insecurity is twice that of risk-induced insecurity, but this varies significantly by region. In addition, idiosyncratic risks contribute more to insecurity than covariate risks. The rate of chronic insecurity is 1.9 times greater than that of risk-induced insecurity (Figure O.16). Regional outcomes vary widely. With so many chronically insecure in the Midlands, there are fewer people left to experience risk-induced insecurity. Conversely, in the Red River Delta, where chronic insecurity is low, risk-induced insecurity is twice as prevalent as chronic insecurity. Other regions where risk-induced insecurity is higher than the national average are the Southeast and the Mekong Delta. Nationally, idiosyncratic risk contributes to risk-induced insecurity 1.2 times more frequently than covariate risk (Figure O.17). The Red River and Mekong Deltas are regions where idiosyncratic risk matters a lot more (1.7 and 1.5 times, respectively), while in the Midlands and North and Central Coast, covariate risk is nearly as important. These differences in chronic insecurity and risk profiles have important implications for operational and policy design.

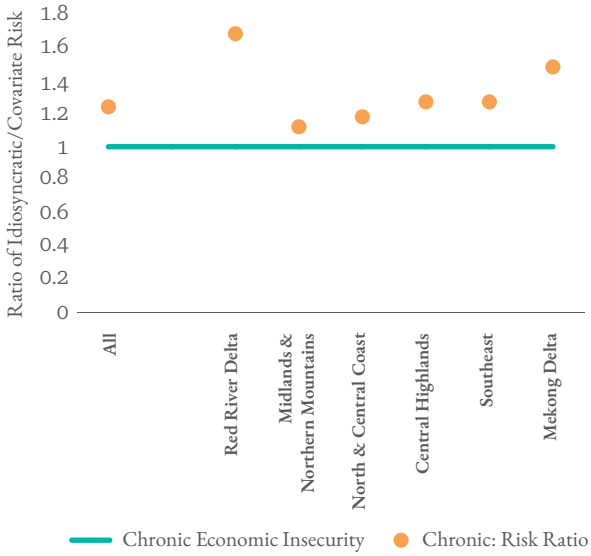
The social protection system does not adequately protect all households against all risks. Social assistance is fragmented and underfunded, and has a delivery system with implementation issues (Nguyen and O'Keefe, 2019). Social assistance programs are concentrated on particular categories of households, such as the very old, ethnic minorities, and those with disabilities. Consequently, many poor households not meeting these criteria are excluded. Instead of a flagship social program such as those in China, Indonesia, and the Philippines, there are many smaller individual programs, which leads to different systems for implementation and inefficiencies. Relatively low spending compared to other middle-income countries compounds these inefficiencies.

Figure O.16. Rates of chronic insecurity and risk-induced insecurity by region, 2020



Source: VHLSS 2020 and World Bank's Vulnerability Tool.

Figure O.17. Relative importance of idiosyncratic and covariate risk by region, 2020



Source: VHLSS2020 and World Bank's Vulnerability Tool.

Low spending is largely the result of low benefit levels, which are spread thin and consequently have relatively little impact on poverty. In addition, the response to the pandemic highlighted weaknesses in delivery systems, specifically their inability to respond quickly to large shocks. The first relief package, which targeted 5 million informal sector workers, only ended up reaching 1 million. A significant problem was the inability to leverage administrative data and the national ID database (currently being digitalized) as many other countries did. Meanwhile, social insurance, which is designed to cushion shocks, is constrained by inadequate coverage of households, particularly those with informal workers. Coverage extends almost exclusively to workers in the formal sector—a serious constraint given the country's high informality rate. A voluntary contributory scheme was introduced in 2006 but has failed to attract many informal workers. Most workers have little recourse when subjected to shocks such as unemployment or disability. This gap was exposed by COVID-19, as millions of non-poor and mostly urban informal sector workers in sectors such as transport and tourism suddenly lost their incomes and were without insurance to soften the impact on their incomes. Women are also not as well protected against shocks, with women-headed households tending to be more vulnerable than those headed by men. Agriculture and services make up about 73 percent of female employment (ILO, 2021), the latter of which is also concentrated in informal services, limiting their access to the formal social insurance system.

Fiscal policy is a key government instrument that can enable inclusive prosperity in both the short and the long term

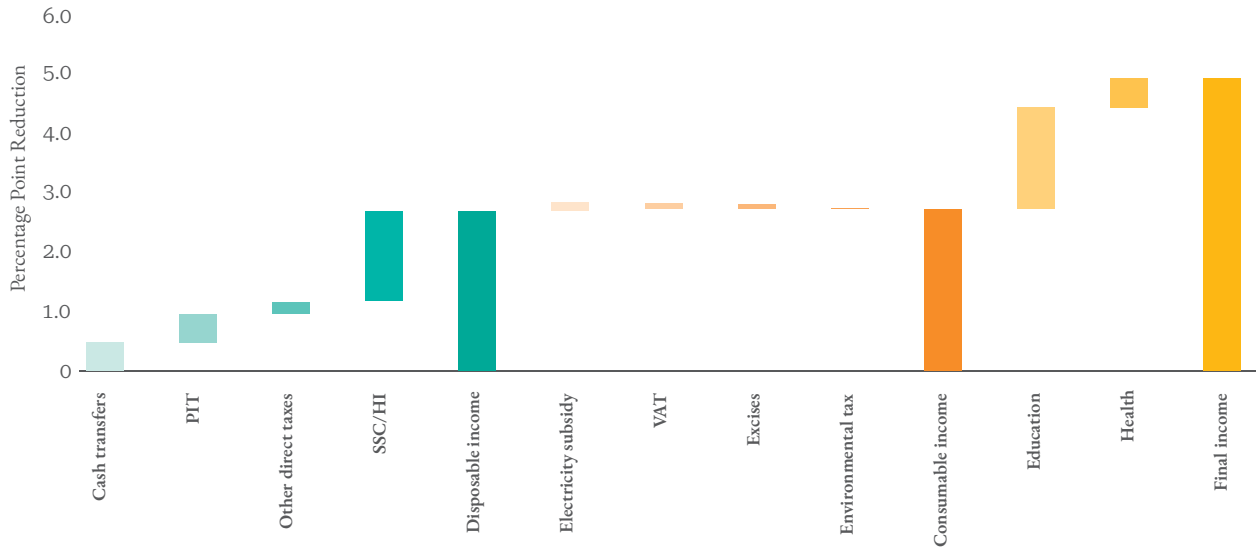
Fiscal policy can support the development of a prosperous and inclusive middle-class society. It can be used to provide public goods and services, for macroeconomic stabilization, to stimulate economic growth, and to reduce poverty. In many countries, COVID-19 highlighted the role that fiscal policy can play in mitigating shocks. It is also an important part of financing public investment in physical and digital infrastructure and human capital which countries need to make the transition to upper-middle and high-income status. At the same time, fiscal policy is one of the few instruments which governments can use to reduce inequality in the short term. Households pay various taxes and benefit from public spending in different ways. The net effect determines the extent to which fiscal policy directly reduces poverty and inequality. The choice of public spending can also affect the extent to which poverty and inequality are reduced in the longer term.

This report uses the Commitment to Equity fiscal incidence analysis to trace how household income changes when taxes are paid and benefits received. Many poorer households benefit from direct cash transfers, which by themselves would reduce poverty by 1.05 percentage points, and electricity subsidies by another 0.15 points. However, taxes and payroll contributions, particularly VAT, excises and social security and health insurance contributions, mean that the benefits received by the poor are outweighed by what they pay into the fiscal system.[12] The impact on inequality is more positive (Figure O.18); taxes are either largely neutral or progressive (in the case of personal income taxes and insurance contributions), while spending on health and especially education is also quite progressive. Therefore, the Gini coefficient of inequality drops by 5 points from its pre-fiscal to post-fiscal measure.

This reduction in inequality is around average for lower-middle income countries, but many countries are more progressive. A five-point reduction in inequality (as measured by the Gini Index) puts Vietnam in the middle range of lower-middle income countries with respect to fiscal progressivity (Figure O.19), but this would place the country in the bottom third of upper-middle income countries.

There is significant potential for Vietnam's fiscal policy to do more in terms of investing for inclusive growth by adopting lessons from other countries. International experience suggests that countries become richer in part through greater public investment in drivers of economic growth and inclusive prosperity, increasingly financed by relying more on progressive direct taxation such as personal income taxes rather than indirect taxation such as goods and services taxes. In lower-middle income countries, where indirect taxation underpins the majority of tax revenue, some choose to offset the tax burden on poorer households by applying lower rates or exemptions on staples consumed by the poor such as food and clothing, as Vietnam does. However, this means sacrificing significant revenue, the benefits of which go mainly to richer households who also purchase these goods, and in greater amounts. Other LMICs raise more revenue by closing such exemptions and are able to nonetheless reduce poverty and inequality to a greater degree and at lower cost by spending some of the extra revenue on

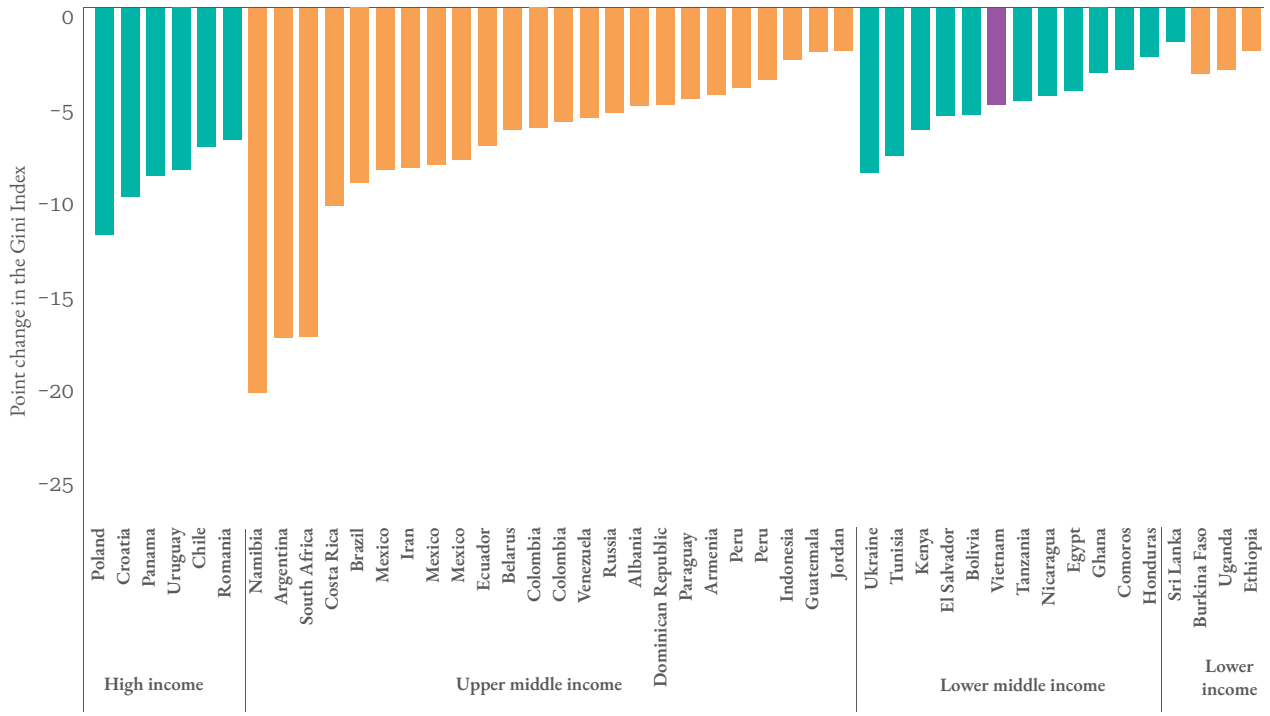
Figure O.18. Impact of fiscal policy on inequality, 2018



Source: World Bank staff calculations using VHLSS 2018

Note: The green bars are direct taxes and transfers. The orange bars are indirect transfers and taxes. The yellow bars are in-kind. Poverty is measured at the $3.20 per person per day in 2011PPP terms used for LMICs.

Figure O.19. Reduction in inequality due to fiscal policy in international context



Source: CEQ and World Bank databases and World Bank calculations (see Rodriguez and Wai-Poi, 2020).

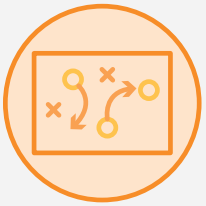
Note: Pensions treated as deferred income.

targeted direct transfers to poorer households. Similarly, Vietnam's approach of subsidizing energy is much less cost-effective at reducing poverty and inequality than broader social assistance coverage with more generous benefit levels.

The path to fiscal and economic recovery from COVID-19 will need to address fiscal deficits while maintaining adequate support for vulnerable households and protecting key spending on human capital. With the fourth wave of COVID-19 beginning in April 2021 and never being fully brought under control and the emergence of the Omicron variant in late 2021, the country (and the world) are still very much in the middle of the pandemic at the time of writing, with great uncertainty over future health, economic, and social trajectories. Nonetheless, key questions can begin to be asked. Is the current fiscal support package for households adequate? When and how should it be tapered, so that vulnerable households who may have exhausted their resilience do not resort to bad coping mechanisms, but emergency spending does not continue for longer than is needed? How should fiscal gaps (deficits and debt) be closed as the recovery accelerates? How can revenues be increased? What spending can be consolidated and what spending needs to be protected? What should the long-term fiscal framework look like in Vietnam to facilitate public investments in growth for tomorrow while reducing poverty and inequality today? In particular, the limited role cash transfers have traditionally played in Vietnam is evident in the lack of fiscal poverty reduction before COVID and in the scale and nature of its response.

Policies for the way forward

Policies are discussed following the Last Mile to Next Mile framework of this report. Over the last decade, rapid economic growth was broadly inclusive and livelihoods in Vietnam improved dramatically. The rapid speed of developmental change, however, left some behind who did not have the opportunity to join the most vibrant sectors of the economy and has also created a large class of the population that are not poor but also not yet middle class. Thus, 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. The emergence of COVID-19 added to challenges looming in regard to skills, productivity, climate change, and an aging society.



Last Mile

Tackling poverty for groups with persistently high poverty rates is the *Last Mile* challenge.

Next Mile

The *Next Mile* is the road to upper-middle and high-income country standards.

Addressing Last Mile Chronic Poverty Reduction Challenges

The concentration of poverty among geographically disadvantaged regions calls for strengthening of area-based anti-poverty intervention, modernization of the agricultural sector, and improving education for disadvantaged students. Analysis suggests that past NTPs helped improve access to services and achieved some positive impacts on improving welfare, but large gaps were also identified (Pimhidzai and Niu, 2020). Strengthening of NTPs can include (i) ensuring that additional resources reach lagging communes; (ii) ensuring that resource allocation is based on deprivations at the commune level, so that communes that are more deprived receive more investment; (iii) earmarking resources across subsectors to ensure that adequate resources are devoted to improving quality of human development services and livelihood interventions; and (iv) strengthening commune-level monitoring by deploying online data collection and aggregation tools to construct a centralized NTP database. Supporting agricultural productivity growth is key to maintaining livelihoods for those remaining in the rural economic system in the face of significant structural change. Access to new knowledge and innovations, including application of appropriate digital technologies, would support productivity growth by substituting for labor intensity. Moreover, the social protection system can play a larger role (discussed as part of the Next Mile agenda).

To improve the participation of ethnic minorities in the labor market, laws protecting the rights of ethnic minorities can be further strengthened. The existing Ethnic Minorities Law, which was designed to advance the policy agenda by recognizing ethnic minorities, improving conservation of language and culture has yet to be enacted (World Bank, 2021c). The Labor Code and related legislation could be strengthened to prevent exploitation and discrimination of ethnic minorities (World Bank, 2021c).

Achieving Next Mile Aspirations

The millions who have escaped poverty over the last decade now need to continue climbing up to higher economic classes. The economically insecure require different policy support than the poor such as being provided safety nets to prevent falling back into poverty, and becoming equipped with the necessary human capital and skills to engage in more productive and sophisticated jobs. Broad policy areas include investing in skills for the future, investing in higher-quality education, modernizing social protection systems for idiosyncratic shocks, and leveraging fiscal policy to fund inclusive investments.

Continuing improvements in higher education access and quality will be needed. Improving the relevance and quality of tertiary education curriculum and staffing can help reduce skill gaps and improve perceptions by businesses who report difficulties recruiting for certain skills. In particular, businesses find it difficult to recruit for leadership, managerial, socio-emotional, or job-specific technical skills. To enhance curriculum quality, policies can be pursued to improve funding of university research, improve staff quality and qualifications, design programs to recruit and retain high quality staff, and to convert higher education teaching status from administrative staff to public servants. The quality of curriculum can also be improved through centrally coordinated investments to increase international accreditation of programs, increase international exchange of students and staff, and the internationalization of curriculum (World Bank, 2020b).

A modern social protection system is needed. A decade ago, Vietnam's social assistance coverage was in line or higher than many East Asia and Pacific neighbors, but it now lags. Vietnam needs to provide more effective social assistance for poorer households, with increased coverage and benefit levels to achieve greater poverty and inequality reduction and greater overall spending while consolidating the currently fragmented mix of programs to achieve greater efficiency (Nguyen and O'Keefe, 2019). Greater coverage of social insurance to protect all households from all risks can be achieved by expanding coverage to non-poor informal workers by blurring the line between social assistance and insurance; workers make the contributions they can afford while the state subsidizes the remainder. Finally, a more flexible and adaptable delivery chain for both social assistance and insurance will improve effectiveness, including better data collection and use to determine who is in need and how this changes over time, and adoption of digital payment systems so that payments occur quickly and safely, reaching those who need them when they need them.

Fiscal policy can play a critical role in both driving Vietnam toward high-income status and doing so in an inclusive manner to assist the movement of people into a prosperous middle class. To finance the public investments needed to eliminate poverty and grow the economically secure and middle classes, Vietnam can broaden its tax revenue base (personal income tax, property tax), explore the use of new taxes which both raise revenue and address negative externalities (such as health taxes on alcohol, tobacco, and sugar-sweetened beverages, as well as environmental taxes such as on carbon), or encompass the growing digital economy, and eliminate regressive tax expenditures. In addition, public expenditures need to be directed in the right way. Inefficient and inequitable expenditures such as electricity subsidies, which encourage wasteful energy use while mostly benefitting richer households, could be redirected for more productive and inclusive purposes. For example, Vietnam needs to bring social protection spending in line with international norms to develop a modern system which helps households manage the many risks they face.

Policies should have the dual objectives of tackling remaining Last Mile chronic poverty challenges, as well as setting the foundation to reach Next Mile aspirations. Whether or not these challenges end up being short-term growing pains or long-term bottlenecks to the welfare trajectory of Vietnam's households will depend on policy action and prioritization.

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Notes

[1] This is equivalent to about $350 per month, and average monthly wages are 6 million VND per month.

[2] On living conditions, 32.7 percent responded significantly better, 51.7 percent slightly better, 8.5 percent the same, and 6 percent worse, based on the VHLSS. On economic conditions, most respondents indicated that conditions were "a little better" versus "much better," based on UNDP PAPI surveys.

[3] This report describes the poverty and inequality story of Vietnam primarily using the World Bank's global absolute poverty lines. Based on Vietnam's level of development, the natural choice for the poverty threshold is the LMIC Poverty Line ($3.20/day 2011PPP). This line also makes sense when converted to Vietnamese dong, which converts to about 1 million VND per person per month in January 2020 prices. At this level, the threshold is similar to the MOLISA (general poverty rate) monetary near-poor threshold over the 2016-2020 Socio-Economic Development Phase (SEDP) period. Alongside this line, the report also examines poverty rates at the Upper-Middle Income Class (UMIC) Poverty Line ($5.50/day 2011PPP), which is equivalent to about 1.8 million VND per person per month in January 2020 prices. The UMIC PL is in between the urban and rural monetary poverty thresholds for the 2021-2025 SEDP and is also relevant for higher aspirations.

[4] The shared prosperity premium is negative if growth of the richest 60 percent ("Top 60") is higher than that of the poorest 40 percent ("Bottom 40").

[5] An individual is underemployed if they work less than 35 hours a week and would like to work more.

[6] The Human Capital Index is 0.85 for children in the richest 20 percent of households, compared to 0.58 for children in the poorest 20 percent. Unsurprisingly, children in the top 20 percent have better nutrition, health, and education outcomes. For some outcomes, the gap between the top and bottom is larger in Vietnam than the average gap among other countries. For example, the gap in the Human Capital Index between the top 20 and bottom 20 in Vietnam is 0.27 points, higher than the average gap among 50 countries (0.15 points). See D'Souza, Gatti, and Kraay (2019).

[7] As defined by the World Bank LMIC poverty line ($3.20/day 2011PPP).

[8] By World Bank regional definitions, the "economically vulnerable" are those that subsist above the LMIC PL but below the UMPC PL (World Bank, 2018).

[9] In terms of gender, girls in Vietnam are better educated than their male counterparts on average. Girls outperform boys across multiple metrics: the Human Capital Index, scores on standardized tests, and expected years of schooling. Girls also exceed boys in childhood health indicators, such as survival and stunting indicators. While this was already the case in 2010, the gains made by girls in the decade since have outpaced those made by boys, widening the gap even further. Scrutinizing variations in access to opportunities across socioeconomic and demographic factors, gender plays a negligible role, and where it has a more significant impact is to the benefit of women.

[10] The Poverty-to-Privilege indicator measures the share of the 1980s generation that attained education completion in the top quartile when their parents had only attained education in the bottom half.

[11] This report primarily reviews labor supply-side constraints.

[12] However, it is important to note that the analysis covers only 57 percent of all tax revenues and around a third of all central government expenditures; other spending, such as investments in infrastructure, may indirectly reduce poverty by boosting economic growth and creating more economic opportunities for poorer households.

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