



BACKGROUND NOTE

Impact of Social Assistance on Vulnerable Vietnamese Groups During Covid-19: Evidence from Microsimulations

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IMPACT OF SOCIAL ASSISTANCE ON VULNERABLE VIETNAMESE GROUPS DURING COVID-19: EVIDENCE FROM MICROSIMULATIONS

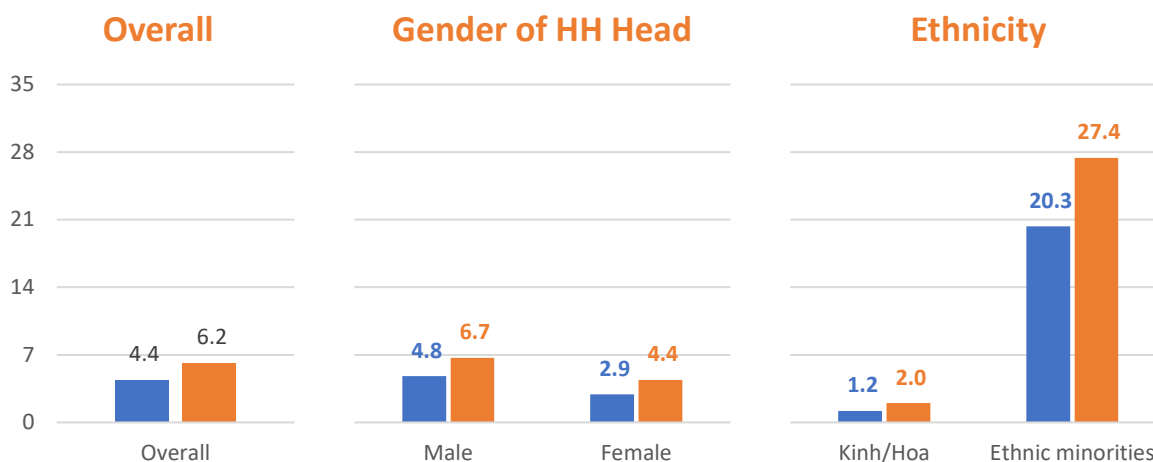
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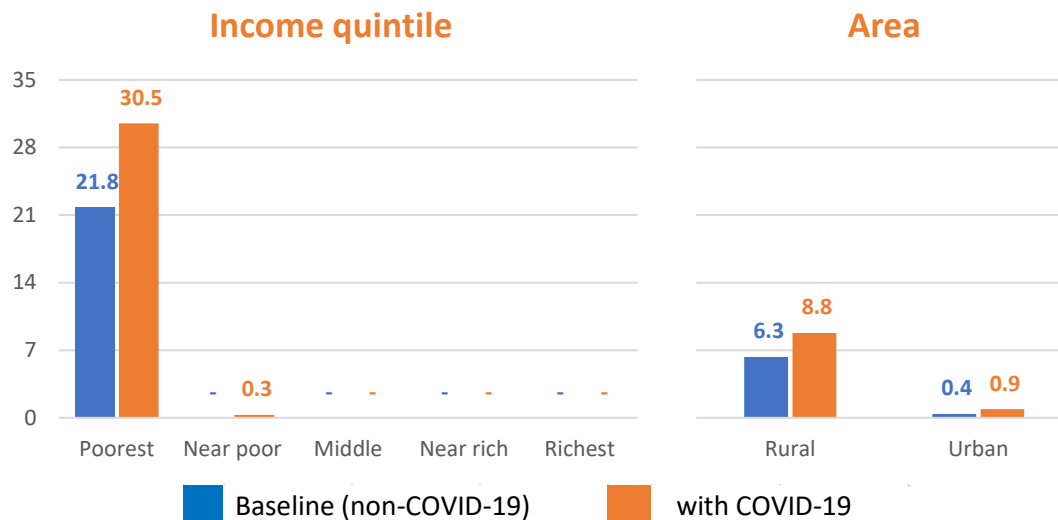
Using the Viet Nam Household Living Standard Survey, Giang, Kikkawa, and Nguyen (2021) conducted microsimulations to quantify the impact of the coronavirus disease (COVID-19) pandemic on the income and poverty of Vietnamese households in 2020. The exercise also assessed the potential effect of COVID-19 response emergency cash transfer programs under Resolution 42 (R42), issued on 10 April 2020, on the income and poverty status of beneficiaries along with the non-beneficiary households.

The simulation results suggest that the COVID-19 pandemic will reduce average per capita household income by 10.4%; of which 9.8 percentage points reflect the loss of wage income, and 0.6 percentage points because of lower domestic and international remittances (Figure 1). The impact is significant regardless of the gender of the head of household or place of residence.

The estimated adverse effect of the pandemic on household income could result in the nationally defined poverty incidence increasing from 4.4% to 6.2%, equivalent to an additional 1.7 million poor people (Figure 1). Most significantly, ethnic minority households, lower-income households, and rural households are especially vulnerable to falling into poverty because of COVID-19. The dominant Vietnamese (known as kinh), along with ethnic Chinese (known as hoa), have significantly higher incomes and lower poverty rates than the country's other ethnic groups, who also lag in other key social indicators such as education.

Figure 1: Impact of COVID-19 on Poverty Rate by Group (%)





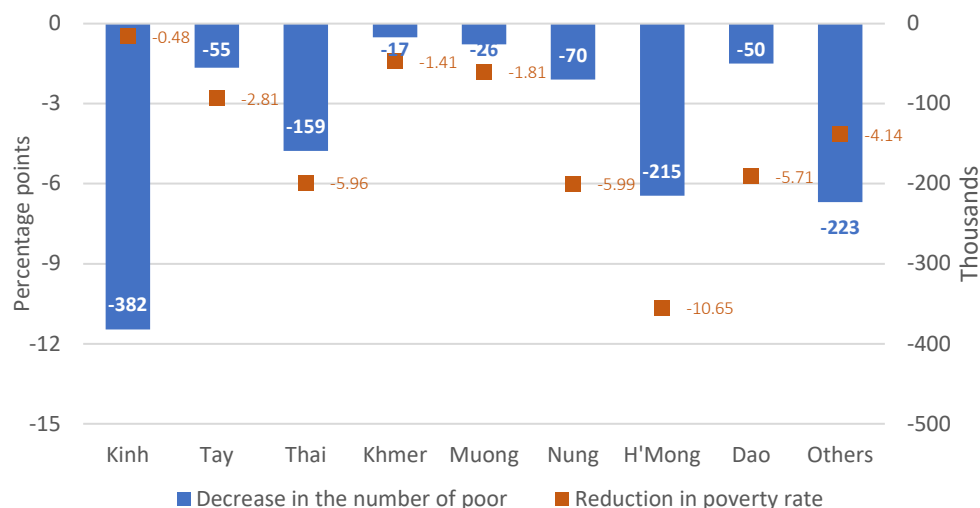
COVID-19 = coronavirus disease, HH = head of household.

Source: Giang et al (2021).

Relief measures are needed thereby to mitigate the poverty impact of COVID-19. According to the microsimulation results, the cash transfers from R42 reduce the poverty impact under COVID-19 from 6.2% to 4.9%.¹ This implies that the social assistance program prevents 1.2 million people from falling into poverty. Further, cash transfers have a significant impact in preventing the poverty of ethnic minority households (Figure 2). The transfers also benefited rural residents and workers of the most severely affected industries.

¹ R42 provided D62 trillion (or about US\$2.7 billion) for 3 months from April to June 2020 to support the people that are affected by COVID-19, including poor and near-poor households, self-employed workers, and those who lost their jobs because of business closures. In response to a renewed outbreak, the government issued Resolution 68 (R68) on 1 July 2021 to provide additional support of D26 trillion (or about US\$1.1 trillion). R126 was issued on 8 October 2021 to revise R68 to provide more support.

Figure 2: Impact of Resolution 42 on Poverty by Ethnicity



Source: Giang et al (2021).

While the R42 programs significantly mitigate the impact of COVID-19 on poverty in Viet Nam, more than 500,000 people are still expected to remain poor. The majority of those are ethnic minority households, the poorest income quintile, and rural residents. The Vietnamese experience highlights the indispensable value of social assistance programs in mitigating the adverse impact of big shocks such as COVID-19 on the most disadvantaged groups, which, in turn, points to the urgent imperative for mobilizing tax revenues to secure adequate fiscal resources.

Reference

Giang, Long Thanh; Aiko Kikkawa Takenaka, and Cuong Viet Nguyen. 2021. An Ex-Ante Assessment on Poverty and Cash Transfer Benefits in Viet Nam under the Covid-19 Pandemic. *GLO Discussion Paper* No. 864. Essen: Global Labor Organization (GLO). <http://hdl.handle.net/10419/235029>