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THE ROLE OF MICROINSURANCE IN SOCIAL PROTECTION: A COUNTRY STUDY OF VIETNAM

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THE GOVERNMENT
OF THE GRAND DUCHY OF LUXEMBOURG

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Acronyms

ABIC	Agricultural Bank Insurance Company
ADB	Asian Development Bank
BOP	Bottom of the Pyramid households
CBI	Community Based Insurance
DOLISA	District Department for Labour, Invalids and Social Affairs
CHC	Commune Health Centres
CFRC	Community Finance Resource Centre
EUR	European Currency
EMWG	Ethnic Minorities Working Group
GAVI	Global Alliance on Vaccines and Immunisation
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
ILSSA	Institute of Labour Science and Social Affairs
IMF	International Monetary Fund
MAF	Mutual Assistance Fund
MDG	Millennium Development Goals
MFI	Microfinance Institution
MIA	Micro Insurance Academy
MIO	Mutual Insurance Organisation
MOH	Ministry of Health
MOLISA	Ministry of Labour, Invalids and Social Affairs
NGO	Non-governmental Organisation
NTP-PR	National Target Programme for Poverty Reduction 2006 to 2010
NSPS	National Social Protection Strategy
PwD	People with Disabilities
RIMANSI	Organization for Asia and the Pacific, Inc.
RWSS	Rural Water Supply and Sanitation
SME	Small and Medium Enterprises
SADC	Swiss Agency for Development and Cooperation
SNV	Netherlands not-for-profit Development Organisation
SRF	Social Risk Fund
TYM	Tao Yeu May Fund–Tinh Thuong Microfinance Institution
UNDP	United Nations Development Programme
USD	US Dollar
VASS	Vietnam Academy of Social Sciences
VBARD	Vietnam Bank for Agriculture and Rural Development
VHLSS	Vietnam Household Living Standards Survey
VINARE	Vietnam National Reinsurance Company
VND	Vietnamese Dong
VPSC	Vietnam Postal Savings Company
VSS	Vietnam Social Security
VUFO	Vietnam Union of Friendship Organisations/VUFO- NGO Resource Centre
VWU	Vietnam Women's Union
WHO	World Health Organization

Exchange rate EUR 1 = VND 26,777; USD 1 = VND 20,621 (as of April 7, 2013)

OVERVIEW

In 1987, Vietnam launched Doi Moi ("renovation"), a comprehensive economic reform programme. Through these reforms, the Vietnamese government transformed the country from a centrally planned economy to a market economy, triggering high levels of growth in international trade. This, coupled with an injection of direct, large-scale foreign investment, catalysed a significant reduction in poverty (from 58% in 1993 to only 12% in 2011) and major changes in the social protection performance of the country, with near universal access to primary education, health care, and life-sustaining infrastructure such as paved roads, electricity, piped water, and housing[1].

Vietnam's achievements in poverty reduction, job generation and increased literacy rates are remarkable. Vietnam spends approximately 5% and 6% of its gross domestic product (GDP) on education and health respectively[2]. This figure is relatively high compared to other countries with similar income levels.

Now, more than twenty-five years after the Doi Moi reforms, poverty is a predominantly rural phenomenon with rural people comprising 91% of Vietnam's total poor population in 2010. Within this rural poor subsection, ethnic minorities represent the majority.

Within this context, microinsurance would be an instrument to mitigate risks and reduce the vulnerability of poor and low-income households, particularly those from the informal economy. Microinsurance is not conceptualised as a mechanism to compete with or replace public social protection rather, it is most effective when embedded into a comprehensive social protection framework which goes beyond public social protection measures to include informal, private and other public risk management strategies of preventive measures, mitigation and suitable coping strategies[3].

Experience with the systematic integration of microinsurance into social protection systems is still limited. Against this background, the purpose of this study is to compile information on practices in Vietnam as part of a series of country studies designed to collect knowledge of such experiences[4]. This study focuses primarily on answering the following questions: how is microinsurance integrated into the social protection strategy of the Government of Vietnam? Which products are offered and to whom? Who are the relevant actors and what is their approach to cooperation? Which outcomes and synergies are generated by integration?

Social protection in Vietnam

Within the context of this study, social protection shall be defined as "the total set of public action to address vulnerability or chronic poverty. These interventions can be carried out by the state or other actors such as commercial companies, charitable organisations, and self-help groups."[5]

The current social protection system in Vietnam is comprised of four main pillars: labour market policies, social insurance, social assistance, and basic social services, as well as additional measures such as poverty reduction programmes.

- *Labour market policies* mainly consist of credit policies for small- and medium-size enterprises and vulnerable groups, support to the poorest districts through the National Employment Promotion Fund combining loans with training and job promotion, and labour market information centres in rural areas.

- *Social insurance*[6]: Under Vietnam social insurance law, premiums paid by labourers and employers are collected by the Vietnam Social Security, an entity established by the government. This system allows members to move from the compulsory scheme to the voluntary scheme and vice versa[7]. In January 2002, health insurance was merged with the social security system to become a nationally integrated system[8]. Vietnam's law on health insurance originally articulated the objective of attaining universal health insurance by 2014, but this deadline was postponed to 2020.

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1 (Giang T.L. 2010)

2 (General Statistics Office of Vietnam 2010, 2011)

3 (Ramm and Ankolekar 2014)

4 A synthesis of lessons learned from six different countries has recently been published by the Microinsurance Network: Situating Microinsurance in Social Protection, by G. Ramm and M. Ankolekar 2014.

5 (Deblon and Loewe 2012)

6 Social insurance is one mechanism for risk pooling. The ILO (2013) asserts that social insurance is distinctive from other types of insurance in that "the basis of calculation on which each participant's contribution to the pool…is one of social "fairness". Often, this is determined as a certain "flat" percentage of her/his periodical earnings." In other words, social insurance involves risk-pooling on the principal of solidarity. Read more: http://www.social-protection.org/gimi/gess/ShowTheme.action?th.themeId=8

7 (Ramm and Ankolekar 2014)

8 (Nguyen et al. 2003)

- *Social assistance* can be regular social assistance and emergency assistance. Examples of regular social assistance include in-kind transfers such as health insurance cards, free medical treatment in public health establishments, housing subsidies, lowering of the prices of staple food in times of crises, and waiver of school fees. Emergency assistance is available for households or individuals affected by natural disasters or other *force majeure* circumstances.

- *Basic social services and other programmes* broadly cover provisions for housing, rural industry and land for production, clean water and sanitation, schools, health care facilities, and education for all.

There are over 40 poverty reduction programmes accounting for over 40% of all social protection interventions. They are dominated by three large projects and national targeted programmes, namely the Socio-economic Programme for Extremely Difficult Communes in Ethnic Minority and Mountainous Areas 2006 to 2010, the National Target Programme for Poverty Reduction 2011-2020 led by the Ministry of Labour, Invalids and Social Affairs, and the newly approved Resolution 30a on Rapid and Sustainable Poverty Reduction for the sixty-two poorest districts with a poverty rate of more than 50%[9].

In addition, other risk pooling mechanisms exist, such as agricultural insurance. According to a 2011 decree, the Vietnamese Government's trial agricultural insurance came into effect and as per a 1999 decree, community-based social and charity funds were introduced.

The Government's microinsurance strategy

The Government of Vietnam's support for microinsurance is a relatively new development and is evident mainly in the form of the following two decrees:

1. Decree 28/2005/ND-CP on *the Organisation and Operation of Small-Sized Financial Institutions* that enables such institutions to distribute microinsurance products

2. Decree 18/2005/ND-CP on *Regulating the Establishment, Organisation and Operation of Mutual Insurance Organisations Operating in the Insurance Business Domain*[10] that permits the development of regulated Mutual Insurance Organisations (MIO) and specifies, amongst others, members' rights and obligations, voting rights, participation in meetings and guidance on governance

With these decrees, Vietnamese regulation has paved the way for civil society organisations and can enable them to perform as a distributor and also as an underwriter of insurance products. However, there are limited signs of success in the registration of partner-agent delivery or MIOs. The gap may be attributed to the government's preference to work with mass organisations that are close to the Party rather than encouraging other civil society organisations.

In its Microfinance Development Strategy adopted in December 2011, the Government of Vietnam propagated microinsurance development. In the context of Millenium Development Goals (MDG) development (2011-2015), the Ministry of Finance is partly tasked with researching and proposing relevant regulations for microinsurance activities. It is pertinent to note that issues affecting the development of the microinsurance sector are similar to those of the microfinance sector.

Current challenges for microinsurance products in Vietnam relate to:

- **Product range:** The market is dominated by credit life products, which are often mandatory when applying for a loan. There are substantial gaps in the product range which neglect the demand for accident/ disability, livestock, agricultural products against weather-related risks, and for products that combine insurance with savings.

- **Regulation:** Private insurance providers suggest harmonisation of regulation regarding reporting on (micro)insurance—small financial institutions (their agents) have to report to the State Bank while the insurance industry (the partner) reports to the Ministry of Finance. They further requested a simplification of rules for agent training in a partner-agent model.

- **Delivery channels:** The registration of organisations for operating microinsurance has typically been a bottleneck for scaling up. Licensing takes a long time. The major delivery channels are three registered MFIs and the *mass organisation* VWU. As the licensing process is lengthy, some institutions approach local rather than national government for approval under the term "projects" rather than microinsurance, in order to avoid national regulation.

- **Capacity development:** Microinsurance requires relevant expertise, and technical microinsurance knowledge is still lacking. As insurance is not incorporated into the Government's social protection policy for the informal economy, stakeholders' knowledge of the usefulness of microinsurance as an integrated risk management mechanism could be improved.

[9] (Nguyen 2011)

[10] (Alip et al. 2008)

Recommendations for using microinsurance in the context of social protection

Microinsurance could play a greater role were the Government to integrate it into a comprehensive social protection strategy through the new social protection resolution (2012-2020). Since the Government has established a basic social protection "package" that also covers the informal economy (though *de facto* many people are still not covered), microinsurance could complement and supplement[11] existing public social protection benefits.[12]

Extending social protection to poor and low-income persons

Despite its shortcomings, Vietnam's social insurance offers the most promising potential for providing universal coverage of basic protection. Still, microinsurance could provide enhanced protection for the "near-poor" who are left out because of differing eligibility criteria across the many social assistance and poverty reduction programmes. Microinsurance would also be useful for those low-income persons who earn more than the threshold amount for accessing targeted social protection benefits, yet earn too little to buy insurance products from commercial insurers targeting the middle-income population. Microinsurance also has a high potential for internal migrant workers who are not covered under social insurance law.

Members of Vietnamese microfinance institutions (MFIs) and mass organisations (who already reach out to a substantial population) could benefit from microinsurance product development around their core microcredit business, such as credit life. Farmers in particular would benefit from agricultural insurance, which is currently piloted with the support of the Vietnamese government.

Enhancing social protection benefits

Credit life microinsurance supplements the benefits of the loan components of targeted social protection programmes for the poor and "near-poor", and provides protection for low-income borrowers. Adding disability benefits to life microinsurance could provide a bridge to meet livelihood expenses at the time of the disability event and the actual disbursement of social assistance[13].

Agricultural microinsurance could provide additional protection against harvest failure—a market which is largely untapped[14]. Transferring the risk to private insurers could reduce the fiscal strain on governments that have to pay relief programmes by smoothing payouts after a catastrophic event. Since 2011, the Vietnamese Government has been subsidising crop insurance, yet enrolment rates are low. As the subsidy is provided for poor farmers to pay premiums, it is likely that the demand would not stay solvent if the subsidy were reduced or withdrawn. The trial agricultural insurance programme could be improved by better subsidy targeting, increased risk awareness education, and expanded collaboration with other social protection interventions such as preventive measures and advisory services to farmers.

The current Vietnamese social insurance pension offers benefits to pensioners who have contributed into the pension for at least 20 years. The old age social assistance allowance applies to individuals above the age of 85. These factors, combined with the average life expectancy of 73, mean many elderly people are left uncovered. As the Vietnamese Government pension programme is already facing deficits, product development around a lower vesting period or defined contribution pension which could extend the existing benefits of the government old age protection system are not likely to happen in the near future. Due to the comprehensive benefits of the voluntary social health insurance, microinsurance products only make sense when they complement the currently voluntary social insurance. Suitable products could, for instance, cover the expenses of a patient's caretaker, whilst a maternity lump sum benefit could supplement the Government of Vietnam's voluntary health insurance.

Improving access to social protection

In general, it is the responsibility of governments to organise effective and efficient access to social protection. This does not mean that all services ought to be implemented by public institutions, as long as the roles of different actors are defined. The Government of Vietnam has set up a relatively lean structure for managing the implementation of social protection benefits using three institutional arrangements. The Ministry of Labour, Invalids and Social Affairs (MOLISA) is the key ministry for managing social protection, the Vietnam Social Security is the only organisation implementing social insurance, and the steering committee for the Targeted Poverty Reduction Programme coordinates the programmes

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[11] Wiechers (2014) quotes Deblon and Loewe (2012) and recognises the complementary element of microinsurance as being where "... social insurance only covers part of the costs incurred due to risk events. Complementarity is achieved because microinsurance and social insurance mutually reinforce their protection." In regards to the supplementary role of microinsurance, he identifies its need when "... it adds to the benefits provided under social insurance, e.g. by increasing benefits or covering health conditions that are excluded by social health insurance. However, such microinsurance policies are independent from social insurance and provide benefits even in absence of coverage by social insurance."

[12] These recommendations are discussed in more detail in Ramm. G., Ankolekar, M., *Situating Microinsurance in Social Protection: Lessons from Six Countries*, Microinsurance Network, Luxembourg, 2014.

[13] (Ramm and Ankolekar 2014)

[14] (Dao V.H. et al. 2007)

with the respective ministries. However, the complexity of social assistance and the many poverty reduction programmes combined with the complicated eligibility criteria and enrolment processes hamper effective coordination with the respective line ministries.

Stronger engagement with non-profit organisations and communities could make social insurance and microinsurance delivery more effective. Such opportunities exist with mass organisations such as the Vietnam Women's Union who have a network of units across the country and could be useful for the distribution of microinsurance. Collaboration with other agencies could overcome the extremely low sales of voluntary social insurance.

Cooperation with private industry could create additional opportunities. Shifting some risk to the insurance sector would have advantages in structurally addressing fiscal challenges should voluntary and contributory insurance mechanisms take off. Delivery channels in the form of tied microinsurance agents or brokers for low-cover products could benefit from lighter licencing regulations, which is currently one of the obstacles for commercial insurers entering the rural, low-income market.

Investments in capacity development programmes for microinsurance and social protection are necessary. As the government has not developed a concept of transferring risks to the insurance industry, the lessons learned from international debate could be instrumental for the Vietnamese social protection system.

1. INTRODUCTION

Largely thanks to Article 22 of the United Nations Declaration of Human Rights (1948) which states that, "Every member of the society has the right to social security", social protection is increasingly acknowledged by many governments as an important factor in social and economic development. While it is the responsibility of governments to organise effective and efficient access to social protection, not all services need to be implemented by public institutions.

Usually, statutory social protection is only available to the formal economy, leaving vast sections of the population with little or no coverage. Higher income groups of the informal economy can afford supplementary risk protection from private providers. The low-income population and the poor have to build on public programmes in combination with other risk management measures ranging from community-based prevention and mitigation measures to market-based arrangements such as microfinance and microinsurance. The extreme poor (below the poverty line) use social assistance to improve their social and economic situation, enabling them to prevent, manage, and overcome vulnerability. Apart from state-provided facilities, most poor people value the choice of having many financial institutions and tools[15].

The rate of informal employment in Vietnam has traditionally been quite high (71.7% in 2007 and 70.5% in 2009) and according to the definition of informal employment[16] by the International Labour Organization (ILO), these percentages exclude agricultural workers. In 2009, the percentage of those employed in unregistered agricultural business households stood at approximately 74%. But even salaried employment is not necessarily decent employment. In 2009, 44.7% of all wage and salaried employees worked either with verbal contract arrangements or no contract at all.[17]

The definition of social protection differs across development agencies[18], but within the context of this study, "social protection" is defined as "(…) the total set of public action to address vulnerability or chronic poverty. These interventions can be carried out by the state or other actors such as commercial companies, charitable organisations, self-help groups, etc."[19] Social protection under this definition aims to fulfil the functions of prevention, protection, and promotion.

One element of social protection is insurance, and insurance designed for and sold to low-income groups is commonly referred to as microinsurance. These products are suitable instruments for protecting informal workers, and can also be accessed by comparatively poor groups[20], but are not suitable for the extreme poor who cannot afford premium payments.[21]

Microinsurance, defined as "the protection of low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved"[22], is one possible instrument for mitigating risks and reducing the vulnerability of poor and low-income groups, particularly in the informal economy. Microinsurance is not conceptualised as a mechanism to compete with or replace public social protection; if it were not embedded into a social protection framework it would be politically problematic, as voluntary microinsurance cannot comply with the three social protection principles of universality, equity and solidarity.[23]

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[15] (Hussain 2011)

[16] The ILO's definition of the informal economy encompasses "all economic activities by workers and economic units that are, in law or in practice, not covered or insufficiently covered by formal arrangements". Based on the GSO joint research project with the French Institute of Research for Development (IRD-DIAL), operationalised definitions for both the informal sector and informal employment were used for the 2009 Labour Force Surveys: 1) Informal sector: All private unincorporated enterprises that produce at least some of their goods and services for sale or barter, do not have a business licence and are engaged in non-agricultural activities. 2) Informal employment in the informal sector: Unpaid family work, wage and salaried work without social security in non-agricultural sectors. It comprises employment in the informal sector as well as parts of employment in the formal sector, are linked to non-agricultural sectors, and do not consider informality in agriculture. Source: (ILO 2011).

[17] Ibid.

[18] International Convention No. 102, ILO includes sickness, maternity, employment injury, unemployment, invalidity, old age, death, the need for long-term medical care and child support. The OECD specifies the definition further (OECD: Promoting pro-poor growth: Social protection. Paris 2009). In the World Social Security Report 2010/11, it is defined in slightly broader terms (Holzmann and Jørgensen 2000). The recent social protection typology of the World Bank's, promotional, preventive and protective measures is similar to the social risk management framework (World Bank 2011).

[19] (Deblon and Loewe 2012)

[20] (Wiechers 2012)

[21] Except if the government subsidises their premiums or they can be lifted out of extreme poverty through social assistance and can then contribute.

[22] (Churchill and Matul 2012)

[23] (Ramm and Ankolekar 2014)

The rising interest in operating microinsurance is also due to increasingly successful experience in innovative product design and better client relationship management. As part of this trend, the number of microinsurance providers has risen significantly in recent years, and worldwide microinsurance coverage reached approximately 260.34 million in 2011[24].

Considering the penetration of life (0.6%) and non-life (0.9%) insurance[25] in Vietnam is one of the lowest among its peer group of countries[26], microinsurance holds immense promise to enhance the utilisation and impact of insurance.

Incorporating microinsurance into the social protection framework not only strengthens different institutions that address risks (e.g. empowering women's or farmer's associations, the insurance industry and regulator) but also changes the financing mix[27] by creating a self-sustaining mechanism that operates on contributory insurance premiums. Hence, microinsurance can help to close the gap that informal sector workers in particular face in the complexity of various social protection programmes and can play the following roles[28]:

- *Substitute for social insurance* where the state is unable or unwilling to build up social insurance schemes or does not want to extend them to informal sector workers
- *Alternative to social insurance* where social insurance schemes do exist but are not (and are unlikely to become) attractive to all informal sector workers
- *Linkage to social insurance* where social insurance is potentially attractive to the entire population but fails to reach out to rural areas
- *Complement to social insurance* in situations where social insurance schemes cover the most serious risks faced by households but refund only some of the costs incurred and where low-income households are unable to shoulder the remaining costs. In such cases, the mix of microinsurance and social insurance is crucial for maximum positive impact
- *Supplement to social insurance* to top up the provisions granted by social insurance schemes, but would cover different risks or different effects of the same risk. Such microinsurance policies are independent of social insurance and provide benefits even in the absence of coverage by social insurance

The purpose of this study is to gather information on and evidence of the practices in Vietnam and to understand how microinsurance is integrated into the social protection strategy of the Vietnamese Government, who plays an important role, what benefits are achieved, which products are offered and to whom? Further, what are the outcomes and synergies of the integration?

The information was obtained from the relevant legal documents of the Government of Vietnam, reports by international and local institutions, and visits to the Government of Vietnam, the mass organisation Vietnam Women's Union (VWU), all officially registered MFIs, private insurance providers, multi- and bilateral agencies and other international organisations, as well as other local experts during a field visit to Vietnam in 2013. The authors acknowledge that some of the information contained in the study may have been subject to change in the period since the field trip.

This paper focuses on insurable risks such as illness, accident, disability, death, old age, and agricultural losses caused by catastrophic events. The study is structured in five sections. Section 1 outlines the study's background and the different roles microinsurance can play in the context of Vietnam's social protection system. Section 2 describes recent Vietnamese trends in the economy, institutions, government policy, and financial services. Section 3 describes and analyses the social protection system, its benefits for the formal and informal economy, and the respective legislative framework. Section 4 presents microinsurance in Vietnam legislation and describes the microinsurance products. Section 5 offers conclusions and recommendations for integrating microinsurance into Vietnam's social protection solutions in the form of extending coverage to vulnerable people, improving benefits for low-income persons, and generating greater access to social protection and microinsurance.

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[24] Data taken from Munich Re Foundation and the Microinsurance Network's landscape studies of Latin America and the Caribbean 2011, Africa 2012, and Asia and Oceania 2013.

[25] (AM Best 2011)

[26] Measured as insurance premiums to GDP

[27] Financing mix represents the method of financing the programme i.e. either from the government's budgetary allocation or from private contributions. Private contributions change the financing mix to reduce the pressures on the government's budget.

[28] (Deblon and Loewe 2012)

2. COUNTRY CONTEXT

Vietnam is a socialist republic with a government that includes an elected legislature and a National Assembly. The Vietnamese Communist Party holds the political reins. The national economy is dominated by manufacturing (37%), services (35%), and agriculture (28%). Vietnam is also the third-largest oil producer in Southeast Asia[29]. The principal economic zones are located in the suburbs of Vietnam's largest cities, Ho Chi Minh City and Hanoi. Inflation was high in 2011 and 2012 at approximately 20% while the official unemployment rate was only approximately 5%.

Vietnam's transition from a centrally planned economy to a market economy and from an extremely poor country to a lower-middle-income country in less than 20 years has been accompanied by high levels of growth in international trade and a great influx of foreign direct investment.[30] In 2012, Vietnam's nominal GDP reached USD 137.681 billion, with a nominal GDP per capita of USD 1,523, according to the International Monetary Fund (IMF). This resulted in a significant reduction in poverty (from 58% in 1993 to 12% in 2011[31]), wide access to primary education, improved health care[32] and life-sustaining infrastructure, although there are underdeveloped districts which receive special support from the government.

The change in Vietnam's social performance has been rapid since the comprehensive economic reform programme *Doi Moi* was launched in 1987. The *Doi Moi* reform policies generated economic growth rates in the 1990s that consistently placed Vietnam among the world's highest growth economies. The *Doi Moi* reforms were, economically speaking, a huge success[33] and consisted of six major economic policy changes:

1. Decentralisation of state economic management
2. Replacement of administrative measures with economic ones, including a market-oriented monetary policy
3. Adoption of an outward-oriented policy in external economic relations
4. Integration of agricultural policies that allowed for long-term land use rights and greater freedom to buy inputs and market products
5. Reliance on the private sector as an engine of economic growth
6. Allowance for the state and privately owned industries to deal directly with external markets

Three-quarters of the Vietnamese population live in rural areas, meaning rural and agricultural development is critical to economic growth. Agriculture accounts for 28% of GDP, 30% of export and 60% of employment. The majority of the rural population makes its living by growing and selling crops (rice accounts for 45% of agricultural production) and raising and selling livestock and fish.

Whilst poverty levels have decreased, it remains a predominantly rural phenomenon; rural people comprised 91% of total poor people in 2010, a figure that has changed little since 1993 when it stood at 95%. While ethnic minorities represent only 15% of the total population, the poverty rate among ethnic minority people, at 45%, is of particular concern.[34] They still often lack basics such as infrastructure, housing, health and sanitation, and access to education and training opportunities.

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[29] (Bundesamt fur Migration und Fluchtlinge 2011)

[30] (Mellor et al. 2011)

[31] http://www.un.org.vn/en/about-viet-nam/basic-statistics.html (as of 30 April 2013)

[32] (Adams S.J. 2005) Vietnam saw reductions in age-specific mortality rates between 2000 and 2005 for all ages with an average life expectancy of 73.04, while some of its neighbouring countries saw little change or even increased rates for some ages. By 2005, Vietnam's age-specific death rates compared favourably with those of Malaysia—a far richer country—across all ages. And for people below the age of 55, Vietnam's age-specific mortality rates were far better than those of Thailand.

[33] (Fritzen 2003)

[34] (IFAD 2012)

Experience shows that gender and climate change issues are important factors which insurance products seek to address, and they figure prominently when referencing the area of social protection. Despite the introduction of gender equality legislation, women—particularly rural women and women from minority groups—continue to be disadvantaged in terms of the opportunities and quality of resources available to them. Significantly more women work in economic sectors that are vulnerable in times of economic downturn. Many women work as unpaid family workers, mainly in the agriculture or services sectors including the informal sector. They still lack equal access to land tenure and despite Vietnam's progress towards educational equality, girls are still more likely to drop out of school than boys. The correlation between climate change risk and poverty is of growing concern.[35] Socially vulnerable groups, women, and ethnic minorities are often disproportionally less able to adapt to climate change. They are exposed to greater risk due to their reliance on agriculture and natural resources for their livelihoods, greater exposure to natural disasters, lack of assets and capital to recover or to shift to alternative livelihoods, and susceptibility to climate-related health problems.

In the first decade of the millennium, Vietnam demonstrated an average annual economic growth rate of nearly 8%. Even after the financial crisis of 2008, the Vietnamese GDP grew consistently at a rate of around 6% per year. In this high-growth environment, the workforce quickly expanded. The estimated labour force in 2011 was around 48.3 million with an estimated 48% in agriculture, 22.4% in industry, and 29.6% in services. This number has been increasing by over 500,000 annually. In Vietnam, social protection through government programmes in social assistance, social insurance, and labour market reforms has played an important role. The economic structure shifted with the number of households dependent on agriculture decreasing from 71% in 2006 to 62% in 2011 and with an increasing share of households in industry and services, from 25% in 2006 to 33% in 2011.[36] However, only 21% of adults in the country have a formal bank account, though domestic credit to the private sector amounts to 125% of GDP–an indicator that financial systems can deepen while delivering little access.[37]

Vietnam invests around 4.1% of its GDP in social protection–more than Indonesia, Malaysia, and the Philippines. While this rate is still lower than the regional average for Asia at 4.8%, and below countries such as China at 4.6%, South Korea at 7.5% and Japan at 16%, in Vietnam an estimated 71% of the poor receive some form of social protection.[38] This rate is well above the 56% average for Asia.

35 (IFAD 2012)

36 Ibid.

37 (Demirguc-Kunt and Klapper 2013)

38 (World Bank 2008)

3. SOCIAL PROTECTION IN VIETNAM

The achievements of the comprehensive social protection approach in poverty reduction (from 58% in 1993 to 13.2% in 2010)[39], employment generation, and education are remarkable. The Government of Vietnam spent 3.67% and 4.11% of GDP on social protection in 2008 and 2009 respectively. In terms of GDP, total health expenditure rose from 5.2% to 6.4% between 2000 and 2009, which is relatively high compared to other countries with similar income levels. Public health care expenditure rose by 16.7% between 2008 and 2010, which was lower than the overall increase in the health budget (25.8%) during the same period. State subsidies represented 45% of the total health insurance budget or 1% of GDP in 2010.

3.1. The social protection strategy and delivery structure in Vietnam

3.1.1 The government's social protection strategy

Since 1947, the Vietnamese Government has provided social insurance to public servants and army personnel. In 1994, a new system was introduced which broadened the coverage of employees in the non-public sector. In subsequent years, a comprehensive legal framework for social protection was developed (see Appendix 1), reflecting the four components of the National Social Protection Strategy (NSPS) 2011-2020 (draft) managed by the MOLISA. It is based on the principles of universality, solidarity, equitability, sustainability, promotion of individual responsibility and prioritisation of the poor.[40]

For the middle-and high-income populations, private insurance providers offer voluntary private health insurance, life, old age endowment products. The Vietnamese Government has made some informal attempts to encourage the insurance industry to reach out to the low-income market but without significant success. A number of state-owned and private insurance providers offer health insurance products in urban areas for approximately 10 million schoolchildren and students.[41]

The strategy of the social protection system consists of four pillars:

1. Active labour market policies
2. Social insurance
3. Social assistance
4. Basic social services and other measures including poverty reduction programmes

1st Pillar–Labour market policies:

- The labour market policies include more than 20 credit policies for small and medium enterprises (SMEs) and vulnerable groups, support to the 62 poorest districts on labour export, National Employment Promotion Fund combining loans with training and job promotion (creating 250,000-300,000 jobs annually), vocational training supporting one million rural workers annually, and labour market information centres in rural areas.[42]

TABLE 1 Budget expenditure on social protection measures[43]

Social protection programmes	% of GDP/2008	% of GDP/2009
Social insurance	1.7	1.8
Social assistance	1.47	1.42
Other measures: Area-based programmes (poverty reduction)	0.41	0.69
Labour market policies	0.09	0.08

[39] (Nguyen 2011).

[40] As an aside, the Government of Vietnam supports various other programmes for vulnerable persons and neglected regions which are not mentioned in detail as the focus of this study is on insurable risks with potential linkages to microinsurance.

[41] (Tran et al. 2011)

[42] (EPOS 2011)

[43] (MOH/ILO 2012)

TABLE 2 Social Protection in Vietnam according to the National Social Protection Strategy 2011-2020[44]

Active labour market policies	Social insurance[45] Contributory (Financed by contributions)		Social assistance	Basic social services and others
Financed by taxes & contributions	Compulsory Insurance	Voluntary Insurance	Financed by taxes	Financed by taxes or insurance fee
Poor[46] & disadvantaged groups[47]	Formal economy, public servants, defence/police	Informal economy	Poor & special disadvantaged groups	Poor & special disadvantaged groups
Vocational training	Pension	Pension	Regular assistance	Social services: e.g., education, health care, clean water supply, housing
Training	Survivor benefits	Survivor benefits	Emergency assistance	Poverty reduction programmes
Credit	Health insurance: contributory and subsidised for poor & near-poor[48]	Health insurance		Risk pooling, e.g., insurance, social risk funds
Labour mobility support	Maternity Allowance			Others
Job introduction	Occupational accident/disease			
Temporary/public work	Unemployment benefits Sickness benefits			

Source: Adopted by authors on the basis of the Vietnamese government's social protection strategy 2011-2020 and the overview provided in the GIZ glossary

2nd Pillar–Social insurance:

- Under Social Insurance Law, premiums paid by labourers and employers (including some state support) are collected by the Vietnam Social Security (VSS), an organisation established by the Government. These collected premiums form the compulsory social insurance fund. The Government instituted a system that allows members to move from the compulsory scheme to the voluntary scheme and vice versa. The policies have been made portable so that members can continue with their payments and file for claims at places other than those of initial registration.
- In January 2002, the Vietnam health insurance system merged with the social security system to become an integrated system. The law on health insurance articulated the objective of attaining universal health insurance by 2014[49] but was postponed to 2020 in the Central Committee Resolution (15-NQ/TW) June 2012.

The Vietnamese Government fully subsidises health insurance cards for the poor, pensioners, beneficiaries of social assistance, ethnic minorities with disadvantaged living conditions, children under six, and other groups such as war veterans. Individuals receiving 70% premium subsidy include the "near-poor" (those with incomes up to 30% above the poverty line) and middle- and low-income people in the informal economy operating in agriculture, forestry, and salt industries. Schoolchildren and students receive at least 30% in subsidies. Co-payments remain high in comparison to WHO recommendations, even though the share of out-of-pocket payments dropped from 65% in 2005 to 49.3% in 2009.[50]

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[44] Clustering of programmes under the key pillars varies between development organisations, as some programmes are offered under social assistance as well as under poverty reduction or even market policies (e.g. credit programmes, various child protection programmes).

[45] More details are provided under Section 2.3.

[46] New poverty line for "poor" (applied in 2011) in rural areas: 400 thousand VND/month; = EUR 15/month/per capita, in urban areas: 500 thousand VND/month; = EUR 18/month/per capita.

[47] Youth, workers in rural areas and informal sectors, redundant workers, workers with disabilities, migrants (ethnic minorities).

[48] Poverty line for "near-poor" in rural areas: 401 – 520 thousand VND/month = EUR 19, in urban areas: 501 – 650 thousand VND/month = EUR 23).

[49] The health care insurance system went through a series of policy amendments. Started in 1992 by the Decree No 299/HDBT (August 1992), further defined by Decree No 58/1998/ND-CP (August 1998) and Decree No 63/2005/ND-CP (May 2005). Source: (Bonnet et al. 2012)

[50] (Joint Annual Health Review, MOH and Health Partnership Group 2011)

TABLE 3 Social insurance[51]

Target groups and eligibility[52]	Key benefits	Coverage	Delivery structure stakeholders
Formal economy, public servants **Pension:** Age 60 (men), age 55 (women) after 20 years of contributions **Survivor benefit:** Husband/father (min. age 60), wife/mother (min. age 55) earning less than minimum wage, children > 15 (18 if student) **Unemployment:** 1-3 years or permanent employment, min. 12 months contributions during last 24 months	**Compulsory social insurance** - Pension: 45% of the insured's average earnings for the first 15 years of contributions plus additional benefits. Some old age grants for workers with > 15 years contributions. Survivor including funeral allowance: after 15 years of contributions; 50% of the monthly minimum wage (70% if no other support) - Sickness: 75% of insured's earnings in the month preceding sick leave up to 30 days annually, plus additional benefits for hazardous work, etc. - Maternity: 100% of insured's average last 6 months of earnings and for 4-6 months maternity leave - Occupational accident/disease including temporary & permanent disability: inpatient & outpatient treatment & rehabilitation, disability grant plus survivors benefits incl. funeral grants (lump sum 10 months of minimum wage)	19% of the labour force	**Policy level:** MOLISA - Social insurance department **Implementation:** Vietnam Social Security Local level: People's Committees **Support structure:** Mass organisations
	Unemployment for registered employees: 60% average monthly earnings (6 months before unemployment), health insurance, vocational training, and job placement support	13.9% of the labour force	
	Health insurance[53]: Contributory and subsidised for poor & near-poor[54] for e.g., inpatient and outpatient care between 80-100% of the cost for primary services and specialised services (up to 40 times monthly salary per use), screening, preventive care, rehabilitation, regular ante- and post-natal care, drugs (routine check-ups and work-related accidents are not covered)	Approximately 53% (around 56 million, of which 15% are poor, 8% below age 6, 10% students)[55]	
Informal economy (e.g., self-employed), all others without compulsory coverage	**Voluntary insurance** Pension & survivor benefits (incl. funeral grants) the same as for "Compulsory social insurance"	0.12%[56]	
	Voluntary health insurance: Same benefits as for "Compulsory health insurance" (after 30 days waiting period for both). Premium equivalent to 4.5% of monthly minimum salary	3.7 million	

51 Table 3 provides only key information. For full details see Law on Social Insurance No. 71/2006/QH11 (29 June 2006) and (ISSA 2011).

52 Compulsory social insurance applies to private- and public-sector employees with contracts of at least 3 months, including household workers; employees in agriculture, fishing, and salt production; civil servants; employees of cooperatives and unions; defence and police officers. Compulsory Health Insurance applies to salaried employees, civil servants, pensioners, persons with disabilities, unemployed persons, war veterans, social welfare recipients, poor households, children under age 6, students, and other groups of persons as determined by government regulation.

53 Full details in Decree No 62/2009/ND-CP, July 27, 2009 on health insurance.

54 Poverty line for "near-poor" in rural areas: 401 – 520 thousand VND/month = EUR 19, in urban areas: 501 – 650 thousand VND/month (EUR 23).

55 All health related figures in this table: (Joint Annual Health Review 2011)

56 (Nguyen 2011)

TABLE 4 Social assistance

Target groups–coverage	Key benefits	Performance	Delivery structure stakeholders
Poor & disadvantaged groups e.g., orphans, people > 85, war veterans, single people, and poor households with (disabled) children, disabled, people living with HIV/AIDS without working capacity	Regular assistance: Cash allowances ranging from VND 120,000 – 1,920,000 [EUR 4,48 – 71,70] (depending on disability or economic status or working capacity) In-kind transfers such as health insurance cards or free medical treatment in public health establishments, housing subsidies, lowering of the prices of staple food in times of crises, waiver of school fees, free textbooks, other costs of daily life and allowance for "ordinary medicine" for specific persons incapable of work[57]	Regular assistance: 1.73% of the population[58]	**Policy level:** MOLISA (coordinates with line Ministries) **Implementation:** DOLISA, People's Committees **Support structure:** Mass organisations
Disaster victims (e.g., households with seriously injured dead/missing persons)	Emergency assistance: One-time emergency assistance, e.g. cash support (VND 1,000,000–5,000,000); food support, health cards, preferential loans and vocational training	High (according to MOLISA 2011)	Managed by People's Committees

Key benefits adopted by author, full details in Government Decree No. 67/2007/ ND-CP, 13 April 2007

3rd Pillar – Social assistance:

- *Regular social assistance*. The entitlement criteria for social assistance are not necessarily based on income, but on various other criteria such as geographic location. It is often linked to inability to work.
- *Emergency assistance*. This is assistance which supports persons or households with difficulties caused by natural disasters or other force majeure circumstances.

4th Pillar – Basic social services and other programmes:

- *Social services:* Social services include the provision of housing and land for production, clean water and sanitation, electricity, schools, health care facilities, markets, rural roads and improvement of canals, infrastructure for aquaculture and rural industry, legal advice and consulting, and Education for All (Decision 872/2003/CP-KG).
- *Poverty reduction programmes and policies:* According to the United Nations Development Programme[59] 41 poverty reduction-oriented projects with more than 75 key interventions accounted for over 40% of all social protection interventions in Vietnam. There are three main projects and national targeted programmes, namely the Socio-economic Programme for Extremely Difficult Communes in Ethnic Minority and Mountainous Areas 2006 to 2010 (P135-II), the National Target Programme led by MOLISA for Poverty Reduction 2011-2020 (NTP-PR), and the newly approved Resolution 30a on Rapid and Sustainable Poverty Reduction Programme for the 62 poorest districts with a poverty rate above 50%.
- *Risk pooling mechanisms, e.g.*
  - Agricultural insurance: Instead of promoting insurance, the Government of Vietnam focuses on directly compensating farmers for the losses caused by natural disasters (Decision 142/2009/QD-TTg of the Prime Minister). In 2011, the Government started its three-year trial project on agricultural insurance in 20 provinces–two districts in each province (further details in Section 4: Microinsurance).

[57] (Vietnam Academy of Social Sciences 2011)
[58] (Nguyen 2011). The figure would be more meaningful if measured by the number of entitled persons (which is not available).
[59] (UNDP 2012)

TABLE 5 Basic social services and other programmes

Target groups - coverage	Key benefits	Performance	Delivery structure stakeholders
Poor & special disadvantaged groups	**Poverty reduction programmes and policies** (cash and in-kind benefits): - Education, e.g., subsidies for school fees, boarding schools, transport in remote areas, vocational trainings for children and persons with disabilities, school upgrading - Access to health, e.g., health cards, improved sanitation, construction of clinics and hospitals - Production support in agriculture, e.g. subsidised agricultural inputs, loans for poor & minorities, extension support, agricultural training - Access to services, e.g., electricity, clean water, markets (P135-II), financial support to access land for the poor, grants and concessional housing loans (P134) - Subsidies for food support, fuel for minorities etc.	Example 2006-2009: Subsidised loans to approximately 5 million poor households[60]	**Policy level:** MOLISA - Steering Committee coordinates with line ministries **Implementation:** DOLISA, People's Committees **Support structure:** Fatherland Front & sub-organisations, NGOs, MFIs, etc.
	Risk pooling mechanisms: - Natural disasters, e.g., seeds, livestock, animal and fishery breeding - SRFs, e.g., provide immediate but not permanent relief to households in the case of certain events, a few nationwide funds were established by government organisations (e.g., Poverty Alleviation Fund and Fund for Employment Support to People with Disabilities)[61] - Microfinance Development Strategy including microinsurance (see Section 4)	Incomplete statistics: until 2001 about 200 SRFs	Local authorities. NGOs and social organisations according to SRF mandate (e.g. fund for farmers by Farmers Association)

Information collated by authors

- Community-based social and charity funds according to Decree 177/ND-CP (December 1999). A Social Risk Fund (SRF) is a communal mutual fund, managed by the local authority (and additional partners) in a participatory manner with the aim of providing immediate but not permanent relief to households in case of certain events. The Government of Vietnam is currently not promoting SRFs on its own but cooperates with international agencies on these types of funds.

GIZ in cooperation with MOLISA supports an SRF managed by local authorities in four communes (see Box A). It provides benefits complementing the Government of Vietnam's contribution to health care services.[62]

New resolution on main social policies 2012-2020

As the current strategy still faces many limitations, the Central Committee passed the "Resolution No. 15-NQ/TW dated 1 June 2012 on main social policies for the period of 2012-2020" in order to overcome the current system's flaws. The overall objective of the resolution is "… by 2020 basically achieve social security for the whole population, ensuring minimum levels of income, education, housing, clean water and information ….". The resolution must still undergo legal procedures in order to be implemented, but it stresses the policy of enhancing social protection in Vietnam.

[60] Social protection strategy of Vietnam 2011-2020; MOLISA 2010: approx loan per household VND 6-7 million (EUR 224-261).

[61] (Robertson et al. 2004)

[62] (Thanh et al. 2011) and (EPOS 2012)

BOX A
GIZ's Social Risk Fund

Contributions:

- Households with up to five members pay VND 30,000 (EUR 1.12) per household/year (or VND 36,000 (EUR 1.34) if paid in two instalments). Households above five members pay VND 40,000 (EUR 1.49) per household/year (or VND 44,000 (EUR 1.64) if paid in two instalments)
- The commune (and donor) contributes an amount based on the number of households in the commune. Communes with less than 1,000 households pay VND 10 million (EUR 373.45) and communes with less than 1,500 households contribute VND 15 million (EUR 560.18)

Benefits:

- Accident: Total of VND 300.000 VND (EUR 11.20)
- Death: Lump sum of VND 1 million VND (EUR 37.35) to relatives
- Travelling costs to the hospital and costs for the patient's caretaker

TABLE 6 **Resolution No. 15-NQ/TW on main social policies (2012-2020)**

Sector	Key indicators
Employment, poverty reduction	"By 2020, the per capita income of poor households increases by 3.5 times compared to that of 2010. The poverty rate reduces by 1.5 – 2%/year and by 4% as per the poverty lines in each period in districts (...) with high ratios of poor households."
Social insurance	Amendment of "the Law on Social insurance toward expansion of coverage (...) ensure the financial balance and growth of the fund. (...) By 2020, about 50% of labour force will participate in Social insurance, and 35% of workforce makes contribution to the unemployment insurance."
Social assistance	"...expand coverage (...) and gradually increase benefit level of regular social assistance in line with availability of State budged (...) mobilising private sector in developing models of providing caring services for the elderly, orphans, PwD[63] ...". By 2020, more than 2.5 million beneficiaries of regular allowances, of which more than 30% are old-age people. To effectively implement emergency assistance to timely support the people suffering from accidents, natural disasters, floods (...) and mobilise participation of the community."
Basic social services	"By 2020, to achieve enrolment ratio of primary education at 99%, lower-secondary education at 95%; 98% of people age 15 up to literate, 70% training workforce." "By 2020, more than 90% of children below 1-year-old receive full vaccination; rate of underweighted malnutrition among children under age of 5 will be reduced below 10%." "By 2020, more than 80% of the population to participate in health insurance." "By 2020, 100% of rural population will have access to clean water, of which 70% with access to clean water at national standards." "By 2015, ensure that 100% of communes in (...) remote areas have coverage of radios and terrestrial television ..."

Information collated by authors from a variety of sources.

[63] Persons with disabilities

3.2 Challenges faced by the public social protection system

Vietnam's social protection policies combining labour market intervention, social insurance, social assistance, and basic social services with comprehensive targeted poverty reduction programmes provide a broad framework though results are mixed.

Social protection labour market policies and some social assistance programmes have played an important role in improving labour market outcomes, reducing poverty and achieving a literacy rate of 92% of the population (with 80% of illiterate people living in remote areas and 60% of them female).

There is extensive coverage of people under the government's poverty reduction projects, which impacts many sectors. However, despite Vietnam's low unemployment rate, underemployment and the lack of decent jobs providing reasonable and stable income remain some of the biggest challenges. Millions of workers in Vietnam are regularly exposed to various types of risks while remaining without the benefits of a social protection system.

There are apparent discrepancies between the political commitments to "... basically achieve social security for the whole population (...) by 2020" mentioned in the 2012 Resolution (15-NQ/TW) and the de facto delivery of services.

3.2.1 General challenges

- **Fragmentation:** Due to successive attempts to fill perceived "gaps" in the coverage of poverty reduction programmes, a patchwork of similar interventions with small funding, separate budgeting and reporting requirements for local administrations has emerged. This has increased the transaction costs and limited the potential impact that a more integrated programme approach might have delivered.

- **Sustainability of social insurance:** The low participation of private enterprises (29.85%) and private limited companies (55.4%) – despite high enrolment of workers (90.81%) among foreign companies – poses a threat to the sustainability of the social insurance and the employees covered.[64] The Government of Vietnam observed this shortcoming and intends to improve enforcement of the social security law and encourage unregistered enterprises to register. Social insurance is not financially sustainable. Although in 2010, after covering the deficits of 2009, the health insurance fund had a surplus of VND 2,818 billion[65] (EUR 105,239), projections by MOLISA (2010)[66] show a large social insurance fund deficit by 2030, primarily due to demographic changes affecting future pension payments.

3.2.2 Challenges pertaining to extending coverage to poor and low-income persons

Due to the multitude of social protection measures and the diversity of target populations, it is difficult to clearly define excluded segments of the population. Aside from migrants, who are not registered with the VSS, people with disabilities (PwD), elderly people, and many informal workers above the poverty line who de jure could have access to voluntary social insurance and selected social assistance measures are de facto restricted. Workers in enterprises with less than ten employees, and low-income persons (especially those with seasonal income such as farmers) need additional protection.

- The policy of introducing compulsory social insurance for the formal economy and voluntary social insurance for the informal economy is most promising, despite the low voluntary coverage and the inequality of the social insurance distribution; 40% of the social insurance fund is spent on 20% of the richest quintile, while 20% of the poorest quintile receives 7% of the total fund. According to MOLISA (2011)[67], only 18% of the total elderly population has a pension. This leaves the majority of informal workers without old age protection.

- Although health insurance covers 60% of the population, the number of voluntary insured is only 3.7 million persons, leaving over 30 million informal workers without health insurance coverage. Even among the 'near-poor' who are entitled to subsidised health insurance, the coverage is very low at 13.1%. The individual-based health insurance membership results in fragmented coverage. Family-based enrolment would overcome this shortcoming and could control adverse selection better than the present process.

3.2.3 Challenges pertaining to enhancing benefits

The benefits offered under the various social protection programmes cover a broad range. However, converging benefits would provide better value. Some risks are barely addressed:

- Within the voluntary social insurance, work injuries, disability and maternity benefits are missing. Currently, the voluntary system is not very attractive to prospective participants. The MOLISA proposal for the social insurance law revision in 2012 has initiated an increase in coverage and benefits.

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[64] (Vietnam Academy of Social Sciences and ILO 2011)

[65] (Joint Annual Health Review, MOH/Health Partnership Group 2011)

[66] Social protection strategy of Vietnam 2011-2020: New concept and approach, Ministry of Labour, Invalids and Social Affairs, presentation Hanoi 14.10.2010

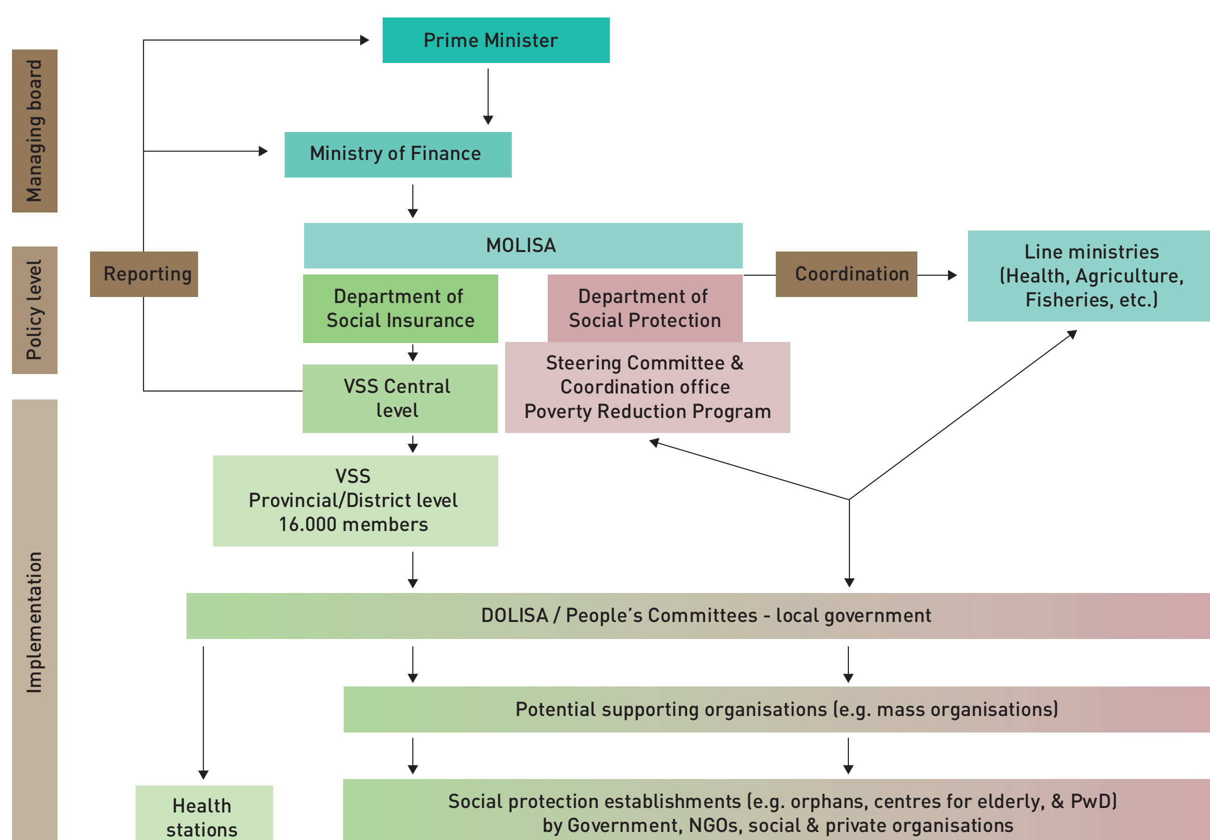
[67] Social protection strategy of Vietnam 2011-2020: New concept and approach, Ministry of Labour, Invalids and Social Affairs, presentation Hanoi 14.10.2010

- Risk coverage against weather-related shocks and endemic animal diseases are insufficient as the emergency relief compensates only approximately 10% of household damages. This is particularly important for ethnic minorities as over 90% are agricultural (World Bank 2012)[68]. It can be expected that climate change will increase the frequency and severity of weather-related events such as floods in disaster-prone regions in Vietnam. The government-subsidised crop insurance in Vietnam has seen neither high enrolment nor effectiveness. This situation calls for a comprehensive disaster risk management approach combined with innovative insurance products.

3.2.4 Challenges pertaining to improving access to social protection

The Government of Vietnam's framework for the provision of social protection benefits is depicted in Figure 1 below.

Figure 1 Delivery system of social protection in Vietnam



Source: Authors' own

While the social insurance system has the highest potential for effective and efficient delivery, the many programmes under social assistance and poverty reduction are difficult to manage:

- At first glance, the delivery structure of the social health insurance looks lean. But as the health insurance law distinguishes between 25 different categories of membership for the compulsory health insurance, a *multitude of ministries, agencies and people committees and potential support organisations are involved*. Referrals of insured patients and in health care examination are onerous and payments from the Social Insurance Fund delayed. This is one of the reasons why health care providers prefer cash payments from patients which result in delayed and often lower quality treatment of the insured health card holders. Subsequently, the voluntary health insurance has low acceptance. VSS needs to address the service issues so that more people are encouraged to participate in health insurance. Even more important is the enhancement of health care facilities and services on top of the substantial government investments in the upgrading of the local health care system in 2006.

[68] (Wells-Dang and Nguyen 2012)

- Although social insurance is implemented by only one organisation (VSS), the monitoring and management systems are still weak. Due to a *lack of mechanisms to assist informal sector workers*, only a few have joined the voluntary social insurance as many potential enrollees are unaware of the policies. More than 70% of new entrants were in compulsory schemes. They continue participating on a voluntary basis to satisfy the minimum condition of 20 years' contributions to be eligible for a pension (MOLISA 2010)[69].

- Decision 170/2005/QD-TTg is the basis for *identification of people below the poverty line* (2006-2010) which is being updated periodically–though the updating process is slow and there are large discrepancies between those listed and those identified through household survey data. Social assistance and poverty reduction programmes have additional *eligibility criteria* such as people in mountainous areas, the elderly, or PwD often combined with the clause 'unable to work', rather than depending on income level. This results in a system of fragmented and low coverage of regular transfers and mainly supports natural disaster victims. For example, in 2009 social assistance for PwD and for single parents under Decree 67 covered only 306,000 disabled persons and 16,500 single parents with a minimal benefit which amounted to only 32.5% of the poverty line benefits[70]. Poverty reduction programmes only reach those registered with local authorities, hence excluding migrants. Some ministries have not issued legal documents guiding local authorities to manage and incorporate financing sources often resulting in slow disbursement of funds and delays in project implementation[71]. Local governments are not aware of all available programmes, which de facto denies access to the entitled people.

- Although the Vietnamese Government has issued various decrees[72] on the *involvement of mass organisations and MFIs*, and has created conditions allowing people to participate in social risk funds, their involvement is limited as the few examples demonstrate. This is partially due to lack of information on policies, regulations, and initial decision making process at the provincial level, but also because local authorities are not familiar with tools for participation in development processes (see Box B below).

BOX B

Recent observations on participation in the Government of Vietnam's social protection programmes

Directive 30/CT with additional Decrees concerning grassroots democracy reflect the Government of Vietnam's intention to encourage social organisations and citizens in formulating, implementing and monitoring policies[73], pertaining to construction of infrastructure (e.g. schools, health stations) and social welfare projects including poverty alleviation and loan programmes. Decree No. 177/1999/ND-CP on Social Funds permits these institutional units (legal status as NGO) to mobilise financial support for social development and charity.

To facilitate the participation of citizens in decision-making, the government recognised the partnership with civil society with strong encouragement of the mass organisations[74] especially of the Fatherland Front with its six clusters of member organisations such as the VWU (e.g. Decision 20/2007/QD-TTg). However, within the community-based infrastructure projects of the World Bank, the experience with mass organisations was critical as they lack participatory development methods. Only after developing standardised procedures and guidelines for participation platforms and decision-making processes of people in their community-based funds could the mass organisations and local government implement the poverty reduction programmes.

In contrast, involuntary health insurance the Vietnam Women's Unions (VWU) are more proactive and have linked their members to VSS for enrolment though this registration should have been done by the VSS itself. But there is more scope for involving other non-governmental organisations (NGOs), as the microfinance and health activities of Tao Yeu May Fund show. For example, TYM entered into a partnership with the VWU prior to their MFI registration.

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[69] Social protection strategy of Vietnam 2011-2020: New concept and approach, Ministry of Labour, Invalids and Social Affairs, presentation Hanoi 14.10.2010.

[70] (Bonnet et al. 2012)

[71] (UNDP 2011a)

[72] E.g. Decision No: 20/2007/QD-TTg.

[73] Decree 79/2003/ND-CP; Decree No. 29/1998/ND-CP; Decree 71/1998/ND-CP.

[74] Mass organisations are Party-sponsored and to some extent part of the Party structure. The Fatherland Front is the umbrella organisation containing several member organisations such as the Women's Union, the trade unions, the Youth Union, the Farmers' Association (Nørlund 2007).

4. MICROINSURANCE IN VIETNAM

4.1 Overview

As in many countries, microinsurance in Vietnam grew from the edifice of the microfinance industry but is still in its infancy. Vietnamese regulation has introduced the building blocks for civil society organisations, which enables them to perform as both the distributor and underwriter of insurance products. However, there are limited signs of success in the registration under the respective government decrees, either for partner-agent delivery or as MIOs.

The Vietnamese insurance industry reported premiums of USD 1.85 billion in FY 2011. Of these, life insurance (from 11 life insurers) and non-life insurance premiums (from 27 non-life insurers) were USD 0.82 billion and USD 1.03 billion respectively[75]. More than 50% of the premium-based market share was attributed to Bao Viet, PV Insurance and Bao Minh in non-life insurance and Prudential, Bao Viet Life and Manulife in life insurance. The Vietnamese insurance industry has achieved a high growth rate of approximately 20% p.a. over the past few years. The life and non-life insurance premiums together are approximately 1.5% of GDP.

Vietnam's Ministry of Finance is gradually encouraging the development of microinsurance products targeting lower-income people but not the poor or 'near-poor' populations (e.g., health insurance, credit and financial risk insurance, guarantee risk insurance, insurance for third-party risk). Presently, the Vietnamese insurance sector is relatively young and seemingly reticent to innovate products, distribution channels, marketing and operations. There are incipient signs of innovatively reaching the greater proportion of the population e.g., Prevoir using the Vietnamese Postal System for distribution of its life insurance products.

Son Hong Nghiem et al. (2012) report that, apart from a limited number of microinsurance providers operating in Vietnam (such as Mutual Assistance Fund of the Tao Yeu May or "people loving people" (TYM) Fund and initiatives from non-governmental organisations such as GRET), low-income households can also receive services from commercial insurance companies. For example, "state-owned Bao Viet and Petrolimex insurance; and foreign insurance companies such as Manulife and Prudential have provided some life and health insurance plans". However, the private insurance industry has not yet entered the low-income and rural health insurance market (WHO 2011)[76].

Although there are a number of insurance providers in rural Vietnam, poor households still depend on traditional risk management mechanisms to cope with financial shocks, even in households that bought insurance[77].

4.2 The Vietnamese Government's microinsurance strategy

In its Strategy for Development of the Vietnamese Insurance Market from 2003 - 2010[78], the Government of Vietnam declared its intent to facilitate universal access to health insurance and to establish an integrated social security system. The Government's support of microinsurance is relatively recent and exists mainly in the form of the two decrees outlined in Section 4.3.

In its Microfinance Development Strategy adopted in December 2011[79], the Government propagated microinsurance development. During its first stage, the Vietnamese Ministry of Finance was partly tasked with researching and proposing relevant regulations for microinsurance activities. It is pertinent to note that the Ministry's activities in the development of the microinsurance sector are part of its microfinance strategies. The Government of Vietnam sees the microfinance sector as an enabler of microinsurance and provider of risk solutions to the low-income population. Perhaps the Microfinance Development Strategy would be better served if microinsurance demand were more appropriately addressed. Microfinance institutions have often bundled credit life insurance products with loans; an unnecessary coupling from the standpoint of many borrowers.

The microfinance industry's 2012 loan portfolio stands at approximately VND 156 trillion (EUR 5.8 billion) spread over 11.9 million borrowers. Assuming a family of four with one borrower per family, the MFI loans would have benefited approximately 48 million people or approximately 55% of the Vietnamese population. The Vietnam Bank for Social Policy and Vietnam Bank for Agriculture and Rural Development (VBARD) account for over 86% of the outstanding loans. The Microfinance Development Strategy is and will continue to be an essential component of the microinsurance strategy.

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75 (Insurance Information Institute 2012)

76 (Tran et al. 2011)

77 (Tran et al. 2004) and (Son and An 2012)

78 (Alip et al. 2009)

79 Decision 2195/2011/ QD-TTg dated December 6, 2011 of the Prime Minister, Vietnam.

4.3 Microinsurance regulation

A core set of microinsurance regulations exists to accommodate organisations as distributors, as well as underwriters. The Vietnamese Ministry of Finance is further empowered and tasked with creating sub-regulations to enhance and supervise the operating capacity of MIOs.

The Vietnamese Government's vision for developing the insurance industry involves implementing a professional, stable, and superior quality of insurance services in Vietnam. Prior to 2005, Vietnamese insurance laws did not expressly prohibit informal insurance schemes run by international and local NGOs or mass organisations, nor was regulatory oversight envisioned. In 2005, however, the government issued two crucial regulations that would allow the formalisation of the operations of these types of insurance providers:

- Decree 28/2005/ND-CP on *the Organisation and Operation of Small-Sized Financial Institutions*
- Decree 18/2005/ND-CP on *Regulating the Establishment, Organisation and Operation of Mutual Insurance Organisations Operating in the Insurance Business Domain*[80]

Article 24 of Decree 28/2005/ND-CP permits small-sized financial institutions or MFIs to function as agents of registered commercial insurers. This decree sets out the preconditions and continued compliance terms for licencing of such MFIs. Deposit/Voluntary Savings seeking and non- Deposit/Voluntary Savings seeking MFIs need a minimum capital of VND 5 billion (EUR 188,000) and VND 500 million (EUR 18,700) respectively. These relatively low capital requirements to form MFIs set the platform for MFIs to act as agents of commercial insurers. Some existing MFIs such as M7 Ninh Phuoc are pursuing this partner-agent model.[81]

Decree 18/2005/ND-CP and Circular 52 permits the development of regulated MIOs and specifies, amongst others, members' rights and obligations, voting rights, participation in meetings and guidance on governance. An MIO where policyholders are owners is created as a legal entity to facilitate insurance business intended for "self-support and self-help among members of Vietnamese organisations, individuals working in the same field, having the same occupation or living in the same geographic area and vulnerable to the same risk." The minimum legal capital is VND 20 billion (EUR 747,000), but for MIOs engaged in agricultural microinsurance, VND 9 billion (EUR 336,000) and compliance with separate regulatory guidance is required. MIOs can offer a range of insurance products but cannot accept an individual risk beyond 10% of capital. Thus, MIOs would need to have access to reinsurance, and its availability to an MIO becomes a precursor to mutual microinsurance capacity in Vietnam.[82] However, the ILO[83] states that the only reinsurer in Vietnam–VINARE–is reticent to reinsure microinsurance portfolios.

BOX C

The TYM Fund

In Vietnam, the Vietnam Women's Union (VWU) is the first organisation to provide microinsurance services for the poor through its unit called the TYM Fund (acronym for "Tao Yeu May" and now officially called "Tinh Thuong One-member Limited Liability small-scale Financial Institution"). TYM primarily works with the rural communities in the Northern provinces of Vietnam. The Mutual Assistance Fund (MAF) has been a distinctive feature of TYM since 1993 and a proof of the high spirit of solidarity between the poor women members. Recent surveys suggest the MAF is one of the most popular products with clients. With a contribution of as little as VND 200 (1 cent) per week, TYM members and their families facing difficulties can receive some monetary support for hospitalisation (VND 200,000), burial costs (VND 500,000), and most importantly, write off of all outstanding debt. Starting on a small scale in 1996 to cover funeral expenses, the MAF grew to 72,000 members and covered 230,000 insured persons by 2011. Product lines have since been expanded to health insurance, pensions for those over 60 years, life, and credit life insurance. With technical support from various international agencies such as the Ford Foundation and the Citi Foundation, MAF gradually improved its capacity and professionalism. MAF technical officers have been able to design and test new products, conduct actuarial analyses, and develop business plans.

The project, when implemented, would formalise the MAF into a regulated and supervised MIO. Along with the ADB, the project is co-financed by the ILO, SADC, and RIMANSI. There are four key outputs of this project: an improvement in the organisational structure and management capacity, establishment of a data and management system, development of a "gender performance" benchmarking system, and a sharing of lessons learned in the form of knowledge products.

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80 (Alip et al. 2008)

81 (Banking with the Poor Network and SEEP Network 2008)

82 Donors are currently assessing the feasibility of a Microinsurance Protection Fund, which would cover extreme shocks such as natural disasters or sudden financial crisis. Such a fund could eliminate the need to arrange for expensive commercial re-insurance and may allow a MIO to register with lower minimum capital than the current requirement.

83 (ILO 2009)

Although the law provides for the setting up of MIOs, before July 2013 in practice no MIO had been licenced since the law's enactment to date. Hiroyuki from the Asian Development Bank (ADB) attributes it to the gap between conservative and prudential requirements and the development stage of informal microinsurance providers (2012). The ADB provides technical assistance to the TYM Fund to fill in the gap between current needs for formalisation as an MIO and operational status. The TYM Fund's microinsurance operations (see Box C) is perhaps the oldest example; it sold its first simple credit life insurance policy in 1996. TYM is the first organisation to apply for a licence as a formal and regulated MIO, but the government has not yet granted this.

4.4 Microinsurance products

Available microinsurance products are categorised by type and underwriters, i.e. agricultural, health, and life microinsurance products are offered by commercial insurers and MFIs/ NGOs. The existing microinsurance products offered in Vietnam are represented in Table 7 below (voluntary social insurance is covered in Section 3).

Among other past examples in microinsurance, GRET—a French NGO—started providing livestock insurance in its project areas in the Red River Delta in 1999[84]. VBARD provided insurance for agricultural production, which covers crops, livestock and flood (Skees et al. 2009)[85].

4.4.1 Life and credit life microinsurance

The case of Manulife's partnership with VWU which introduced simple life and health products to cover accidental death and hospitalisation, was not very successful, although many valuable lessons emerged about the use of technology in microinsurance (see Box D for Manulife's microinsurance initiatives[86]).

TABLE 7 Overview of microinsurance products available in Vietnam

Product Type	Underwriter/ Insurer name	Beneficiaries	Area of operation	Specific Information
Life	Manulife	Vietnam Women's Union	9 provinces of Vietnam	80,000 policies sold, annual premium per policy EUR 11
Credit life	AIA, Prudential Life	Individual clients	On a small scale	Modest distribution and impact
Credit life & base life protection	CFRC	Members of M7, a consortium of 7 MFIs	Select areas in Vietnam	23,000 members enrolled for base life insurance which covers spouse and two children
Micro credit life	TYM Mutual Assistance Fund	TYM Members	Select areas in Vietnam	Outstanding loan is written off upon death of the client
Health	TYM Mutual Assistance Fund, Bao Viet and Petrolimex	Individual clients	Select areas in Vietnam	TYM MAF's contribution can be as little as USD 0.01 per week. Bao Viet and Petrolimex at EUR 1.5 p.a. per person
Health	CFRC	Members of M7, a consortium of 7 MFIs	Select areas in Vietnam	Premium EUR 0.77. Upon hospitalisation, policy holder receives EUR 7.70
Health	Vietnam Nat. Aviation Insurance Co	Local MFI clients	Select areas in Vietnam	Premium as low as EUR 0.30 p.a.
Livestock insurance	TYM Mutual Assistance Fund	Low-income group clients	North Vietnam	Preference for products that combine insurance with credit and savings
Agricultural insurance (rice/maize, livestock, aquaculture)	Bao Viet and Bao Minh	Communes	Across all Vietnamese provinces, but in select districts	Under government trial agricultural insurance programme (Decision 315 of Mar 2011). Government subsidises part/full premium
Crop insurance (rice)	Bao Minh	Villages	NghiLoc district, North Central Vietnam	Agricultural CBHI pilot project offered by SNV, a Dutch NGO

[84] (Tran and Yun 2004)

[85] (Skees et al. 2009)

[86] http://www.globalsurance.com/blog/manulife-to-expand-microinsurance-in-vietnam-360220.html (as of 30 April 2013)

Although not significant in scale or reach, a couple of commercial life insurers launched products aimed at the low-income market. AIA, a life insurer, and the JSCB Southern Bank signed an agency agreement in 2006 making a credit life insurance product for the borrowers of the bank. Prudential also offers an insurance product for women and children aimed at the low-income market.

The M7 network, which consists of seven MFIs, was formed in July 2006 with support from Action Aid. M7's main capacity building activities include the provision of loans, savings/deposits, insurance services, conducting training courses, publishing information material, and providing technical assistance including the development of electronic information systems. M7's most important achievement in 2007 was partnering with an officially registered organisation in Community Finance Resource Centre (CFRC). The CFRC provides a base life insurance and credit life insurance product that also covers the spouse and up to two children of the borrower. As of October 2012[87], the M7 institutions have 45,000 members availing loan products with 23,000 enrolled for basic life insurance. As a part of the life insurance product, additional benefits for sickness and maternity are provided for a contribution of VND 3,000 (EUR 0.11) per month.

4.4.2 Agricultural microinsurance

So far, the claims history of agricultural insurance[88] products is not encouraging. Once products were launched, premiums were inadequate to sustain the experience in the long-term. A few such examples are:

- After implementation of its previous agricultural insurance product, Bao Viet stopped distribution in 3 years due to high claims resulting from higher risks than what the premium had priced[89].

- Groupama faced claims ratios up to 1,600% and stopped its agricultural insurance products, partly due to lack of local government support for its index-linked agricultural insurance.

- ABIC's agricultural insurance product was developed in collaboration with Swiss Re, but not launched.

Decision 315/QD-TTg (March 1, 2011) specifies government sponsorship of a two-year trial from the end of 2011 with a premium subsidy for agricultural insurance for paddy rice and livestock[90]. The pilot product is delivered through two joint-stock and part state-owned commercial insurers, Bao Viet and Bao Minh Insurance Corporations and reinsured with VINARE. The Government of Vietnam has been marketing this product to farmers through TV, print and other forms of mass media. The government subsidises the premiums of participants in the pilot agricultural insurance by applying four levels of entitlement: 100% premium subsidy to poor farming households and individuals, 80% to sub-poor, 60% to normal farmers, and 20% to farming organisations. At the time of writing, the highest enrolment has been amongst farmers classified as 'poor', i.e. those entitled to 100% subsidy. This outcome puts the sustainability of the programme at risk, as phasing out the subsidy would likely be met with high resistance and reduced uptake. Box E describes the features of the government trial agricultural insurance programme.

BOX D

Manulife's micro life insurance update

In 2009, Manulife Financial Corporation partnered with Vietnam Women's Union to introduce simple microinsurance life products, covering accidental death and hospitalisation costs to nine Vietnamese provinces. The policies cost clients roughly USD 15 a year for coverage with monthly premiums payable via SMS or text message for those in more remote parts of the country. To date, Manulife has already sold about 80,000 microinsurance policies in Vietnam, far exceeding the company's expectations. Microinsurance alone made up 6% of Manulife's total sales in Vietnam. According to Manulife's research, microinsurance products could be an attractive option for about 70% of the Vietnamese population who currently cannot afford a standard USD 400 annual life insurance policy. Manulife plans to build on its initial customer base and attract even more clients who could become more affluent as Vietnam's economy steadily improves. Enabling low-income policyholders to pay their premiums with their cell phones had proven to be a very effective innovation for Manulife, with roughly one-quarter of the company's microinsurance customers in Vietnam making their payments by text message. However, this initiative did not take off as expected and faced many hurdles including customer reluctance to pay using cell phones, and lack of infrastructure, connectivity and advanced mobile usage. To date, Manulife has stopped cell phone driven premium payments.

[87] Sourced from the author's personal visit to M7.

[88] For the restrictive purposes of this study, all agricultural insurance is considered agricultural microinsurance since most farmers have low to mid-incomes, with little or no organised farming.

[89] (Micro Insurance Academy 2012)

[90] Ibid.

BOX E

Government of Vietnam agricultural insurance programme

Rice and maize are the chosen crops under the Government's Trial Agricultural Insurance Programme. Notably, the greatest demand is for rice insurance. The insurance is area-yield index-based, meaning Bao Viet/Bao Minh will compensate for a commune's losses resulting from below average yield output. The sum assured/average yield is calculated at the previous three consecutive seasons' output for the commune (policyholder) and the insurance payout trigger is reached when the actual output for the season falls below 90% of the sum assured/average yield. Other insurance such as livestock will be on indemnity/actual loss basis. The insurance cover will work at the commune level and below (village level), but will be based on a group insurance approach, not individual covers. The insurance contract will be executed with the commune and the individual farmers will be "certificate of cover" holders. The premium is priced at approximately 4-5% of the average area yields and differs within provinces with relatively lower premiums in the provinces of Southern Vietnam. Insurers pass nearly all risks to the national reinsurer, VINARE.

Two other agriculture insurance products are noteworthy:

- The Dutch NGO Netherlands Not-for-Profit Development Organisation (SNV), in collaboration with MIA, is piloting an agricultural community-based insurance pilot in Nghi Loc District of the Nghe An province in North-Central Vietnam. The pilot works with the Vietnamese Government's Decision 315 but approaches subsidy in a manner that does not involve means-testing. Here, all farmers pay a uniform and lower premium rate, SNV pays the subsidy – also at a uniform rate- and the premium received by the insurer Bao Minh is the same as Decision 315. The claims are distributed at the village levels in line with actual losses suffered by farmers, thus reducing basis risks. The SNV Agricultural CBI pilot, if successful with high affiliation rates, would underscore the benefits of paying a subsidy for risk and not for premium.
- Bao Minh[91] has introduced drought index-based agricultural business interruption insurance for coffee growers in Dak Lak. Since early 2011, coffee growers in Dak Lak signed 22 insurance contracts for VND 40.3 billion (approximately EUR 1.5 million).

4.4.3 Health microinsurance

There are very few health microinsurance products for the poor and low-income populations in Vietnam. The following factors may have contributed to the limited number of health microinsurance products:

- The current benefits package of the compulsory and voluntary social health insurance is based on an inclusive list and covers all ambulatory and hospital costs, advanced diagnostic, curative health services and therapeutic services.
- Social assistance and poverty reduction programmes have included health cards for their beneficiaries. Subsidised health insurance now covers some 15 million poor and ethnic minority people[92].
- In addition, insured members can use health services only from the commune health centre or district hospital where they are registered, or else be referred to higher care levels. In fact, in 2010, 20% of members were registered at community level, 61% at district hospital level and 19% at a higher level.[93] Basic preventive care is provided free of charge to all, regardless of whether they are insured.

BOX F

Health microinsurance select initiatives

The following are two examples of health microinsurance initiatives in Vietnam:

- Commercial health microinsurance: The Vietnam National Aviation Insurance Company works with a local MFI to offer a health insurance product that is complementary to the government scheme. The premium is very low [VND 7,200 or EUR 0.27/month] and the maximum benefits package is VND 15 million (EUR 560) per event. They are trying to improve their sales communication to clients.
- Non-profit organisation: The Community Finance Resource Center (CFRC) is an NGO registered under decision no. 178 QD/KHVN dated 6th April 2007. CFRC supports MFIs in Vietnam and has entered into a cooperation arrangement with M7 – an MFI. M7 collects premium for CFRC. At the date of this writing, CFRC intends to become an MIO under Decree 18/2005/ND-CP but is yet to apply for an MIO licence.

[91] (Bao Minh Insurance Corporation 2012)

[92] (Van al. 2011)

[93] Ibid.

4.5 Summary and challenges in microinsurance

The microinsurance sector in Vietnam is still in its infancy which may be largely because:

- The Government strives toward universal coverage of social protection by 2020 with the option of voluntary social insurance including health insurance and may not yet see the importance of additional microinsurance products. However, microinsurance is mentioned in the Microfinance Development Strategy (December 2011).
- In contrast to other Asian countries, especially those in South Asia, the diversity and number of civil society organisations in Vietnam is limited. The Vietnamese Government has issued the Decrees 28 and 18 for operating microinsurance and there is a legal framework for other non-governmental organisations, social funds, and people's participation but de facto no organisation has been established as an MIO and only three MFIs were officially registered as small financial institutions that operate at a larger scale.

In the backdrop of these factors, a number of challenges can be observed:

- **Product range:** The market is dominated by credit life products, which are often mandatory when applying for a loan. There are severe gaps in the product range which neglect the demand for accident/disability, livestock (especially water buffalo), weather-related agricultural products, and for products that combine insurance with credit and savings[94].
- **Regulation:** Private insurance providers suggested harmonising the regulation regarding reporting on (micro)insurance, as small financial institutions (their agents) have to report to the State Bank of Vietnam while the insurance industry (the partner) reports to the Ministry of Finance. Private insurance providers further requested a simplification of rules for agent training in a partner-agent model: currently the private insurers are responsible and have to pay for the agent training but the Ministry of Finance conducts a 5-day certified training for agents (paid by insurers) and the insurer trains the agents on products. While this division of work can be suitable for the clients, this process commits the insurance industry to high financial and human resources, especially if the agent-force lacks continuity.

  Another problem is that each agent has to undergo this process, hence committing the insurer to expend high financial and human resources, especially if the agent-force lacks continuity (in contrast to India, for example, where NGOs/MFIs can obtain the certificate training although client value may be an issue if the NGO/MFI staff is not appropriately qualified).
- **Delivery channels:** To date, the registration of organisations for operating microinsurance has been a bottleneck for scaling up. Licencing takes a long time. The major delivery channels are the *mass organisation* VWU and three registered MFIs. There is a high degree of informal decentralisation in operating microinsurance which mostly comes in the form of either supporting the products under registered organisations such as the VWU in collaboration with TYM (when they were not registered under Decree 28 but as a mutual fund) or applying for local government approval for operating microinsurance as "projects". This hinders scaling up and inhibits the possibility of sharing lessons learned with the national government (MOLISA and Ministry of Health).

  If the Government intends to support microinsurance, additional organisations need to be collaborated with, sensitised and trained as delivery channels, such as the Vietnam Microfinance Working Group which is officially registered with the Vietnamese Association of Small and Medium Enterprises (VINASME) since 2011 and consists of more than 80 official members.[95]
- **Capacity development:** Microinsurance requires different expertise to microcredit, and technical microinsurance knowledge is still lacking. As insurance is not incorporated into the Government's social protection policy for the informal economy, stakeholders' knowledge of the usefulness of microinsurance as an integrated risk management mechanism should be enhanced. This calls for significant capacity building, preferably using high-quality training materials and some standardisation of the course contents.

By most accounts, the demand for low-cost insurance services among BOP households is very high and largely unmet; on the demand side, awareness is low, and perceived pricing of premiums is higher than actual costs. On the supply side, the potential size and profitability of the BOP market segment has only recently been recognised, with the larger MFIs leading the way toward promising life, credit-life, and health insurance schemes[96]. However, health insurance has not yet taken off. Only a handful of credit life microinsurance programmes have been instituted, and a large government-subsidised agricultural insurance programme has been commissioned but with no demonstrated results yet.

[94] (Fischer and Buchenrieder 2008)

[95] Over 46 retail MF institutions such as companies of limited liability, banks, NGO-MFIs; 32 organisations managing MF semi-formal, 3 official MF institutions: bank, credit fund, licensed MF institutions decree 28/2005/ND-CP, 11 organisations with activities related to MF as limited liability companies, NGOs; and 36 individual members.

[96] (Banking with the Poor Network and SEEP Network 2008)

5. RECOMMENDATIONS FOR USING MICROINSURANCE IN THE CONTEXT OF SOCIAL PROTECTION

This section presents lessons and recommendations for integrating microinsurance into the Vietnamese Government's social protection framework. The underlying principle behind the recommendations is to achieve synergies with the Government's policy on social protection. Microinsurance being limited in scope, as far as benefits are concerned it is most effective when combined with other risk management strategies. Within this context, there is concern that microinsurance could jeopardise the principles of social protection and divert the 'normative approach' of social protection. This is a challenge that must be corrected by the respective governments through policy measures. The preferred situation is that contributory microinsurance plays a supplementary and complementary role, an 'add-on' within a broad range of basic social protection systems and a multi-pronged approach combining preventive measures, mitigation and coping strategies by involving communities and civil society organisations, the private sector and the government.

As microinsurance cannot provide solutions for events such as unemployment or skills deficit, the recommendations would focus on insurable risks such as illness, accident, disability, death, old age and agricultural losses caused by weather-related catastrophic events.

The Government of Vietnam offers a substantial range of social protection programmes including compulsory and voluntary social insurance, social assistance and targeted poverty reduction measures within its social protection strategy. Apart from a pilot agricultural insurance product, some commercial (and some state-owned) insurers offer health insurance to the higher income population many of which are in the informal economy and to around 10 million schoolchildren and students.[97] With regard to microinsurance, activities are carried out under Decree 18/2005/ND-CP and Decree 25/2005/ND-CP, which respectively provide a formalisation route to MIOs and allow MFIs to function as agents of registered commercial insurers. However, microinsurance, either as a strategy or as concerted policy action, has not yet been promoted or integrated into the social protection framework, although the Microfinance Development Strategy adopted in December 2011 propagates microinsurance development.

Microinsurance could play a larger role if the Government of Vietnam were to integrate it into a comprehensive social protection strategy when further conceptualising the new social protection Resolution (2012-2020) which aims at providing social protection for the whole population.

Within this context, there is concern that microinsurance could jeopardise the principles of social protection and divert the 'normative approach' of social protection:

- Universal coverage (striving toward coverage for all citizens): How can microinsurance contribute to attempts at universal coverage of social protection?
- Solidarity (risk pooling across a society and not only among high-risk poor persons): How can microinsurance minimise the problem of redistribution and achieve greater solidarity?
- Equity (enhancing benefits and fairness): How can microinsurance reduce its inherent challenge of equitable coverage?

This is a challenge and has to be corrected by the government through policy measures.

Since the government has established a basic social protection 'package' even for the informal economy (though de facto many people are still not covered), microinsurance could complement and supplement existing public social protection benefits. Contrary to other countries without such basic social protection, this situation would reduce the limiting factors of microinsurance as their risks are usually pooled among poor and low-income people, which are considered to be 'high-risk' groups. Wholly contributory microinsurance puts the financial strain on the poor and low-income people who buy insurance products. Only if microinsurance forms a part of the public social protection system could it contribute to extending coverage to vulnerable persons and improving benefits while supporting the government's principles of "universality, solidarity, equitability, sustainability, promotion of individual responsibility as well as prioritising the poor."

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[97] (Tran et al. 2011)

5.1 Using microinsurance to extend social protection coverage for low-income people

Usefulness of current microinsurance products for increasing scale

- Members of MFIs and mass organisations have access to microinsurance that was not previously available (especially credit life and some health products).
- Insured farmers have additional protection against harvest failure and a greater comprehension of risk management, which would still be available even if social assistance and the state's relief measures following natural catastrophes come to an end.
- Borrowers of the social protection programmes and other MFI members are protected against loan defaults in the event of death.

Despite some shortcomings of social insurance such as unequal distribution, it remains the most promising option for striving toward universal coverage of basic protection which is attempted by 2020. Due to the multitude of social protection measures combined with diversity of target populations, it is difficult to clearly define segments of the population which are fully or partially excluded, as voluntary social insurance is de jure available to all in the informal economy except seasonal and migrant workers if they are registered with VSS. But even within social health insurance the coverage is very fragmented; health insurance is individual-based and not family-based and divided into 25 categories of membership, sometimes resulting in double membership categories or excluding persons who fall between the categories. The same applies to the targeted social assistance and poverty reduction programmes.

Whilst the Government extends its programmes, several measures could improve the current coverage rate, such as a stronger enforcement of the social insurance law encouraging private enterprises to register their employees, motivating workers in enterprises with less than 10 workers to enrol in the voluntary social insurance, streamlining the various criteria for subsidised health insurance, and improving delivery (see Section 5.3).

Microinsurance could play a supplementary and complementary role for the "near-poor" who are not fully covered because eligibility criteria differ across the many social assistance and poverty reduction programmes. Microinsurance would also be useful for those low-income persons that earn beyond the threshold for accessing the present targeted social protection benefits but earn too little to buy insurance products for the middle-income population from commercial insurers. Microinsurance products could have a high potential for internal migrant workers who are not covered under the social insurance law.

5.2 Using microinsurance to enhance social protection benefits

Usefulness of current microinsurance products for better social protection benefits

- The few health microinsurance products and social risk funds complement and supplement voluntary health insurance by covering risks and costs not reimbursed by public health insurance.
- The pilot agricultural product subsidised by the Vietnamese Government and the two other index-based insurance contracts provide coverage for a broader economic range of farmers – though it is still in its infancy.
- Credit life insurance supplements the Government's targeted credit programmes.

The benefits of the social protection programmes are very diverse and, although the government intended to avoid overlap, a patchwork of similar interventions with small funding has emerged. Convergence of programmes could result in higher benefits that can be effectively communicated. Such a policy would be instrumental for microinsurance to fill a gap in the current social protection system.

Health microinsurance products could supplement and complement voluntary health insurance, depending on the benefits. Due to the inclusive benefits of the social (voluntary) health insurance, microinsurance products only make sense for a few additional benefits. For instance, products such as the GIZ-supported social risk fund which cover costs of the patients' caretaker and transportation for those who do not receive it from the government; maternity lump sum could supplement the government's voluntary social insurance and would stand for the cause of affirmative gender action. Accident microinsurance could provide high value as the patient requires an official document stating that he/she did not violate traffic law. The patient has to pay in advance and wait for the police statement in order to get reimbursement of the treatment costs. As out-of-pocket expenses can be high, microinsurance could address these costs as there is a ceiling for each episode requiring costly high-tech services.[98] However, prior to investing heavily in health microinsurance, the health care facilities and services need to be enhanced for better acceptance of health insurance, and the voluntary health insurance needs to be better communicated.

Agricultural microinsurance can be effectively implemented to extend social protection by providing ad-

[98] According to WHO (2011), 40 months of the minimum monthly salary, equivalent to EUR 27 as of 2013.

ditional protection against harvest failure. Instead of promoting agricultural insurance as part of its social protection programme, the Vietnamese Government has been subsidising the losses caused by natural disasters directly to the farmers. The scope of this policy is applicable to all natural disasters, pestilent attacks and diseases which cause damage to plants, rice fields, livestock, and fish-farming activities and poses a high spending within the social assistance budget. Transferring the risk to private insurers could reduce the strain on the fiscal budget by smoothing payouts. Only since 2011, under Decision 315/QD-TTg, has the Vietnamese Government been subsidising crop insurance, yet even this has experienced low enrolment rates. As the subsidy is provided to poor farmers to pay premiums, it is likely that the demand would not stay solvent if the subsidy is reduced or withdrawn. If proper farmer training on insurance were provided, voluntary uptake could be increased, and the demand sustained.

Credit life microinsurance supplements the benefits of the loan components of the targeted social protection programmes. Although the Government provides many loan products within its social assistance, poverty reduction, and market policy programmes, credit life insurance against loan defaults in the event of death are missing and funeral grants are only provided with social assistance. Loan programmes that do not suffer from high delinquencies are more sustainable in the long term, owing to the low stress they exert on the fiscal position.

Product development around lower vesting periods or defined contribution pensions can improve the existing benefits of government pensions. On a standalone basis, the social insurance-led pension product offers worthy benefits to those pensioners who have contributed for at least 20 years. However, only 18% of the elderly population is covered. Registered commercial insurers could develop and offer long-term pension products with a vesting period lower than 20 years and of course, with lower benefits – though experience with endowment funds are still debated (especially in view of the financial crises and the low return on investments). It is also a possibility for the government to intervene in the form of a subvention to deliver a defined benefit underpin i.e., promise certain minimum pension for contributors/policyholders. The Government of India encourages habitual saving through the voluntary "National Pension System–Lite" product which is supported with INR 1.000 (EUR 14) annually, assuming the account holder contributes INR. 1.000–12.000 per annum (EUR 14–168 as of 2013).

Disability microinsurance can provide a bridge between the disability event and the actual disbursement of social assistance. Social insurance and social assistance provide benefits for PwD. As the process from the time the person becomes disabled until the first payment may take time, disability microinsurance could address the gap and thus improve the social protection benefits. The victim would not need to take loans to pay for medical costs and livelihood support.

5.3 Using microinsurance delivery channels to improve social protection access

Usefulness of current microinsurance channels for effective and efficient delivery

- A few mass organisations (particularly VWU), MFIs and social funds enhance the outreach of microinsurance and create linkages to voluntary social health insurance, social assistance, and poverty reduction programmes.
- Mass organisations and MFIs educate low-income people about the benefits of insurance and risk, but additional education is needed.

In general, it is the responsibility of governments to organise effective and efficient access to social protection through legislation, regulation and administrative structures. This does not mean that all services have to be managed by public institutions as long as the roles of different actors are defined. With the MOLISA as the key ministry dealing with social protection, the VSS as the only organisation implementing social insurance, and the steering committee with the coordination office for the Targeted Poverty Reduction Programme, the Vietnamese Government has set up a relatively lean structure for managing the implementation of social protection benefits. However, the complexity of social assistance and the many poverty reduction programmes, combined with the complicated eligibility criteria and enrolment processes, hampers effective coordination with the respective line ministries and departments, as well as the implementation through People's Committees (local government). This is reinforced by the lack of involvement of support organisations and low participation of communities.

The Government of Vietnam has issued several decrees for the support of mass organisations, non-profit organisations and communities in social protection and poverty reduction programmes. In practice, the focus is on mass organisations (currently the VWU) and only a few MFIs have played a significant role beyond the local level. To date, only one organisation has applied for an MIO licence; the process is pending. The other two MFIs operating under Decree 28 for small financial institutions deliver microinsurance under the partner-agent model. Other systems are not officially permitted, however, several organisations have applied for "projects" with local governments, and if granted they can implement various activities such as microinsurance and social risk funds. While this system can work at the local level, it lacks the potential for scaling up to other potential clients. It further denies the national government the possibility of learning from these experiences and incorporating it into national social protection policies.

Stronger involvement of non-profit organisations and communities enhances effective delivery. Mass organisations such as the VWU could be used to combine microinsurance with their existing operations. The

extremely low sales of the voluntary social insurance could be partially overcome by collaborating with other agencies. However, there is little coordination between the VSS and, for instance, the widely spread VWU. At the local level, the VWU is linking its members to the VSS voluntary health insurance. Other existing institutions could be involved more systematically for improved access to the social protection programmes, such as the NGO Resource Centre, consisting of more than 40 local and international NGOs, or the Ethnic Minorities Working Group (EMWG) which functions under the umbrella of the VUFO-NGO Resource Centre in accordance with government policies.[99] The delivery of the preferential credit programmes under the targeted social assistance and poverty reduction programmes could be supported by MFIs. The standardised procedures and guidelines for *participation platforms and decision-making processes of people in their community-based funds* (jointly developed by the World Bank and the Ministry of Planning and Investment) can be used to strengthen participatory processes. Such coordination enables effective delivery of the public social protection programmes but also the distribution of microinsurance.

Collaboration with private industry could create additional opportunities. Shifting some risk to the insurance sector would have advantages in structurally addressing fiscal challenges should voluntary and contributory insurance mechanisms take off. If products were designed with the participation of potential clients and other stakeholders, the insurance industry could offer competitive products to the population while remaining solvent and using fewer fiscal resources. Learning from microinsurance product development could counterbalance other practices which look at profit margins without considering the situation of customers such as the "double coverage" of schoolchildren and students shows (50% of this group is enrolled in commercial health insurance although the government provides at least 30% subsidies under the social health insurance)[100]. Awareness building would be required as currently commercial insurers are not interested in selling health insurance to the elderly or in rural areas. Examples such as Groupama and Manulife would be encouraging if they were given more opportunities to enter the low-income market.

Delivery channels in the form of tied agents or brokers for low-cover products could benefit from lighter licencing regulations. While Decree 25/2005/ND-CP allows MFIs to function as agents of commercial insurers, microinsurance would receive a boost if the agency and broker licencing requirements for MFIs were differently handled. Microinsurance warrants a different capacity with greater focus on awareness building, customer engagement, communication and designing premium payments. If the microinsurance market matures, large MFIs or mass organisations could become brokers who could distribute multiple insurers' products, making it more client-orientated as clients would be in a position to choose the most appropriate product from various insurance providers.

The current system poses some obstacles to private insurers and to scaling up. Each person who sells microinsurance has to undergo a general insurance training conducted by the government and another, more product specific, training by the industry. The private insurer bears the costs for both training programmes. If the sales person changes, the new one has to be trained again by the government and the insurer–an expensive system which causes delays if continuity of sales staff is not ensured although the division of training does lead to standardised knowledge. In India, on the other hand, NGOs/MFIs can obtain a training accreditation for an individual staff member, and many credit officers of the organisation can sell simple microinsurance products.

Investments in capacity development programmes for microinsurance and social protection is necessary. Embedding microinsurance into a comprehensive social protection framework requires an analysis of different microinsurance products, of the advantages and limitations of all other risk management strategies, and of its suitability in comparison with other social protection mechanisms (including preventive and market-based measures). Civil society organisations tend to add microinsurance to other existing programmes without a thorough assessment of whether the action would suitably complement or supplement all other informal, market-based and public risk management strategies.

Institutional structures for the provision of technical advice on social protection and microinsurance are essential for a comprehensive social protection strategy. For instance, the existing VWU training centres could be used for the provision of capacity building to institutions at the national and the provincial level.

As the government has not developed a concept of transferring risks to the insurance industry, lessons learned from international debate could be beneficial for Vietnam's social protection system. These could be disseminated through international dialogue programmes, insurance capacity building, exposure tours and other means.

5.4 Concluding remarks

The Government of Vietnam offers a substantial range of social protection programmes including compulsory and voluntary social insurance, social assistance, and targeted poverty reduction measures within its social protection strategy. The most significant step is the aim of universal social protection by 2020 by providing a basic package of social protection.

Because of the challenges previously mentioned, the Government could improve the current system in the process of achieving universal coverage with the following measures:

- Overcoming the fragmentation of the multiple targeted social protection programmes by maintaining

[99] (Lavoie 2002)

[100] (Tran et al. 2011)

its integration of active market policies and poverty reduction into a comprehensive social protection policy.

- Stronger application of the legal framework which provides for the involvement of mass organisations, MFIs, social organisations (e.g., Directive 30/CT) and communities in the delivery of voluntary social insurance, such as voluntary health insurance and other targeted programmes. This would result in more officially registered organisations and increased community participation, which could contribute to more effective delivery.
- Assessing the Vietnamese Government's eligibility criteria and targeting processes pertaining to the issues of who could pay for which services and which risks can be transferred to the insurance industry. Some attempts have been made (verbally, rather than in the implementation of policies) but more systematic action is needed.

Despite the goal of universal coverage, microinsurance can still play a complementary and supplementary role to the social protection strategy. Social risk funds, a provision within the social protection system, could play a similar role though this is limited if only operated at the local level in selected communities. Scaling up and generating national learning that could influence policies is, however, hampered if the current practice of obtaining permission from local government to implement projects such as microinsurance prevails[101]. Microinsurance and social funds would be most effective when conceptualised within the new social protection resolution 2012-2020 and if the required capacity building on integrated social protection is provided to all stakeholders. Then microinsurance could contribute to extending coverage to vulnerable persons and improving benefits while supporting the Government's principles of universality, solidarity, equitability, sustainability and promotion of individual responsibility.

[101] Apart from the few products offered by registered MFIs and the VWU.

APPENDICES

APPENDIX 1 Key regulations on social security and social assistance in Vietnam

Key regulations and legal documents regulating the social security and social assistance in Vietnam

- **The Labour Code 1994 and the Amended Labour Code 2005 and 2006**
- **Social Insurance Law No: 71/2006/QH11 (June 29, 2006)**
- **Government Decree 152/ND-CP (December 22, 2007) guiding the implementation of social insurance law**
- **Government Decree 190/ND-CP (December 28, 2007) guiding the implementation of voluntary social insurance**
- **Government Decree 94/ND-CP (August 22, 2008) stipulating functions, tasks, powers and organisational structure of Vietnam Social Security and amendment Decree 116/2011/ND-CP**
- **Government Decree 127/2008/ND-CP (December 12, 2008) stipulating and instructing the implementation of unemployment insurance**
- **Law on Health Insurance 25/2008/QH12 (November 14, 2008)**
- **Government Decree 62/ND-CP (July 27, 2009) guiding the implementation of Health Insurance Law**
- **Regular social assistance Decree No.67/2007/ND-CP (April 13, 2007) and Decree 13/2010/ND-CP (February 27, 2010) social assistance to non-poor household members with severe disabilities who are unable to work.**
- **Decision 20/2007/QD-TTg (February 5, 2007) delivery of the National Targeted Poverty Reduction Programme (NTP-PR) and Resolution 80/NQ-CP on directions of sustainable poverty reduction 2011-2020 and the National Targeted Programme on Sustainable Poverty Reduction 2012-2015 (PRPP)**

APPENDIX 2[102]

Key benefits and conditions of the compulsory social insurance[103]

Old age including survivor and funeral benefits[104]	
Old age	**Entitled persons** Private and public sector employees with contracts of at least 3 months, including household workers; employees in agriculture, fishing, and salt production; civil servants; employees of cooperatives and unions; defence and police officers.
	Contributions and source of funds **Insured persons:** 7% of gross monthly earnings (rising to 8% in 2014) **Employer:** 13% of monthly payroll (rising to 14% in 2014) **Government:** Subsidies not fixed amount but as necessary and the total cost of old-age pensions for workers and contributions for public sector who retired before 1995
	Qualifying criteria for old-age pension Age 60 (men) or age 55 (women) with at least 20 years of contributions Age 55 to 60 (men) or 50 to 55 (women) with at least 20 years of contributions, including at least 15 years of employment in hazardous or arduous working conditions or in certain geographic regions Age 50 (men) or age 45 (women) with at least 20 years of contributions and an assessed degree of disability of at least 61% At any age with at least 20 years of contributions, including at least 15 years in extremely hazardous or arduous working conditions, and an assessed degree of disability of at least 61%. **Old-age pension benefits** Old-age pension amounts to 45% of the insured's average earnings for the first 15 years of contributions plus 2% for men or 3% for women of the insured's covered average monthly earnings for each year of contributions exceeding 15 years. The average earnings are based on 5 or 10 years of contributions or the whole contribution period, depending on the length of contribution and wage. The maximum pension is 75% of the insured's average earnings. Insured persons with more than 30 years of contributions also receive a lump sum of 50% of their average monthly earnings in the last 5 years before the pension is first paid for each year of contributions exceeding 30 years. If a person retires before reaching the respective pensionable age, their pension is reduced by 1% of the insured's average earnings for each year the pension is taken in advance. The minimum benefit is the monthly minimum wage.
	Qualifying criteria for old-age grants Age 60 (men) or age 55 (women); less than 20 years of contributions are not eligible for old-age pension. At any age with less than 15 years of contributions and an assessed degree of disability of at least 61%. Additionally, the old-age grant may be requested with less than 20 years of contributions after 12 months of leave with no paid contributions or if emigrating permanently. **Benefit of old-age grants** Lump sum based on the number of years of covered employment and average monthly earnings.

[102] All information taken from ISSA 2011.

[103] For full details see Law on Social Insurance No. 71/2006/QH11 dated 29th June 2006 and ISSA 2011.

[104] Contributions for old-age, survivor, sickness and maternity are based on the minimum wages which is currently defined at VND 830,000–1.4 million per month, depending on geographic region. The "maximum" earnings/benefits are 20 times the minimum wage.

<table>
<tr><td rowspan="3">Survivors</td><td>Entitled persons and beneficiaries
Husband (aged 60 or older) or wife (aged 55 or older) with income less than the minimum wage (no age limit if disabled with a reduced working capacity of at least 81%)
Children younger than age 15 (age 18 if a student; no limit if disabled with a reduced working capacity of at least 81%)
Father (aged 60 or older) or mother (aged 55 or older) with income less than the minimum wage</td></tr>
<tr><td>Qualifying criteria for survivor pension
The deceased had at least 15 years of contributions; was an old-age pensioner, or was a pensioner with an assessed degree of disability of at least 61%. The benefit is paid to up to four dependent survivors.
Benefit of survivor pension
50% of the monthly minimum wage (not the actual wage) is paid for each eligible dependent survivor
70% of the monthly minimum wage if the survivor has no other means of support</td></tr>
<tr><td>Qualifying criteria for survivor grant
The deceased had less than 15 years of contributions or there are no eligible dependent survivors.
Benefit for survivor grant
A lump sum based on the number of years of contributions multiplied by 1.5 times the deceased's average monthly earnings is paid. The minimum benefit is three months of the deceased's average monthly earnings.
For the death of a pensioner, a lump sum is paid according to the amount of time the pension had been paid before death. The minimum lump sum is three times the deceased's monthly pension. The maximum lump sum is 48 times the deceased's monthly pension.
For funeral grants, a lump sum of 10 months of minimum wage is paid to the person who pays for the funeral.</td></tr>
<tr><td colspan="2">Sickness and Maternity</td></tr>
<tr><td rowspan="3">Sickness</td><td>Entitled persons
Private- and public-sector employees with contracts of at least 3 months, including household workers; employees in agriculture, fishing, and salt production; civil servants; employees of cooperatives and unions; police officers; and officers of the armed forces.</td></tr>
<tr><td>Contributions and source of funds
Employer: 3% of monthly payroll, which also finances work injury benefits</td></tr>
<tr><td>Benefits
No minimum qualifying period is required. The incapacity must not be work-related, self-inflicted, or related to drug or alcohol abuse. The sickness benefit is also paid to an insured parent caring for a sick child under age 7.
Sickness benefits amount to 75% of the insured's earnings in the month preceding sick leave for up to 30 days in a calendar year with less than 15 years of contributions; respectively 40 days with 15 to 30 years of contributions and 60 days with more than 30 years of contributions.
If the insured is engaged in hazardous or arduous work or working in certain regions, the benefit is paid for up to 40 days in a calendar year with less than 15 years of contributions; 50 days with 15 to 30 years of contributions; 70 days with more than 30 years of contributions.
A lower level of benefit may be extended up to 180 days in a calendar year for prolonged hospitalisation due to a specified illness.
For convalescence and rehabilitation after sickness, for up to 5 to 10 days a year 25% of the monthly minimum wage is paid for convalescing at home or 40% for convalescing in a nursing home.
Plus, insured persons receive 75% of earnings for up to 20 days in a year to provide care for a sick child.</td></tr>
</table>

<table>
<tr><td rowspan="3">Maternity</td><td>Entitled persons
Private- and public-sector employees with contracts of at least 3 months, including household workers; employees in agriculture, fishing, and salt production; civil servants; employees of cooperatives and unions; police officers; and officers of the armed forces.</td></tr>
<tr><td>Contributions and source of funds
Employer: 3% of monthly payroll.</td></tr>
<tr><td>Benefits
The insured must have at least six months of contributions in the last 12 months before childbirth.
100% of the insured's last six monthly earnings are paid for prenatal care, childbirth, or an abortion. The benefit is also paid during maternity leave for 4 to 6 months.
For convalescence and rehabilitation after maternity leave, for up to 5-10 days a year 25% of the monthly minimum wage is paid for convalescing at home or 40% for staying in a nursing home.</td></tr>
<tr><td colspan="2">Work injury</td></tr>
<tr><td rowspan="2"></td><td>Entitled persons
Private- and public-sector employees with contracts of at least 3 months, including household workers; employees in agriculture, fishing, and salt production; civil servants; employees of cooperatives and unions; police officers; and officers of the armed forces.</td></tr>
<tr><td>Contributions and source of funds
Employer: 1% of monthly payroll.</td></tr>
<tr><td rowspan="4">Insured persons benefits</td><td>Temporary disability
100% of the insured's earnings are paid for treatment until certification of permanent disability.</td></tr>
<tr><td>Permanent disability
100% of the monthly minimum wage is paid for an assessed loss of working capacity of at least 31%, in addition to the disability grant (see below).
For convalescence and rehabilitation, 25% (at home) or 40% (in a nursing home) of the monthly minimum wage is paid for up to 5 to 10 days a year.
The Social Insurance Fund pays for health insurance for employees receiving monthly work injury benefits.</td></tr>
<tr><td>Disability grant
A lump sum is paid for an assessed disability of at least 5% (a person with an assessed disability of at least 31 % receives the grant in addition to the permanent disability benefit).
The lump sum is five months of the minimum wage for an assessed loss of working capacity of 5%, plus 0.5% of the monthly minimum wage for each additional 1% loss in working capacity.
An additional sum is paid based on years of contributions; 0.5 month of the insured's last monthly earnings is paid for the first year of contributions plus 0.3 month of the last monthly earnings for each subsequent year of contributions.
Plus convalescence and rehabilitation as above.</td></tr>
<tr><td>Workers' medical benefits
Medical benefits include inpatient and outpatient treatment, surgery, medicine, and rehabilitation, until recovery.</td></tr>
</table>

Survivors' benefits	**Entitled persons and beneficiaries** Husband and/or father (aged 60 or older) or wife and/or mother (aged 55 or older) with an income less than the minimum wage (no age limit if disabled with a reduced working capacity of at least 81%). Children younger than age 15 (age 18 if a student, no age limit if disabled).
	Survivor pension 50% of the monthly minimum wage for each eligible dependent survivor; 70% of the monthly minimum wage if the survivor has no other means of support. The deceased must have had at least 15 years of contributions.
	Survivor grant If the deceased had less than 15 years of contributions, a lump sum is paid based on the number of years of contributions multiplied by 1.5 times the average monthly earnings.
	Funeral grant A lump sum of 10 months of minimum wage is paid to the person who pays for the funeral.
Unemployment	
	Entitled persons Vietnamese citizens with employment contracts of 1 to 3 years or permanent contracts. The insured must have at least 12 months of contributions during the last 24 months, must be registered as unemployed.
	Contributions and source of funds **Insured persons:** 1% of gross monthly earnings. **Employer:** 1% of monthly payroll. **Government:** 1% of insured's gross monthly earnings, administrative costs.
	Benefits 60% of the average monthly earnings in the six months before unemployment are paid after a 15-day waiting period. Benefits also include health insurance coverage, vocational training, and job placement support.
Health insurance	
	Entitled persons Salaried employees, civil servants, pensioners, persons with disabilities, unemployed persons, war veterans, social welfare recipients, poor households, children under age 6, students, and other groups of persons as determined by government regulation.
	Contributions and source of funds **Insured persons:** 1.5% of gross monthly earnings. **Employer:** 3% of monthly payroll. **Government subsidies for certain groups:** 100 % for "poor" and children below the age of 6, 70% for "near-poor", 30% for children above the age of 6, free medical benefits for dependents of insured persons in the army or security services.
	Benefits provided for a non-occupational injury or illness[105] - Workers' and Dependents' Medical Benefits Include medical exams and care, preventative care, rehabilitation, maternity benefits, and transfers between certain hospitals for certain insured persons. 100%, 95%, or 80% of the cost of primary services are paid, depending on the type of insured person and service. 100%, 95%, or 80% of the cost of specialised services are paid, up to 40 times the monthly minimum salary per use. 70%, 50%, or 30% of the cost of other services are paid, depending on the grade of medical services, up to 40 times the monthly minimum salary per use.

[105] Full details in Decree No 62/2009/ND-CP, July 27 2009 on health insurance.

APPENDIX 3 Key benefits and conditions of voluntary social insurance

Old age incl. survivor and funeral benefits
Entitled persons
Labourers working under contracts below three months, self-employed persons, members of cooperatives and other persons without compulsory coverage.
Contributions and source of funds
Insured persons: Premium calculated on the basis of the monthly income on which social insurance premiums are based but neither lower than the common minimum salary nor higher than 20 times the common minimum salary[106].
Benefits
Retirement pension and survivorship allowance the same as for compulsory social insurance.
Health insurance
Entitled persons
Voluntary coverage for self-employed persons, members of cooperatives and others. The voluntarily insured must have at least 30 days of contributions for normal medical services; 180 days for specialised medical services.
Contributions and source of funds
Insured persons: Monthly premium rate equal to 4.5% of the monthly minimum salary (for household members certain reductions apply according to Decree 62 No. 62/2009/ND-CP).
Benefits
The same benefits as for compulsory social insurance.

[106] Full details in Decree No: 190/2007/ND-CP, 28th December 2007 and Decree No: 134/2008/ND-CP, 31st December 2008.

APPENDIX 4 Poverty programmes under the Vietnamese Government's social protection strategy and related components

Sector-specific projects and policies

- Support for access to land, housing and water (P134) (Decision No134/2004/QD-TTG, dated on 20/7/2004)
- Housing support for poor households (Decision 167) (Decision 167/2008/QD-TTg on 12/12/2008)
- Support for boarding schools for ethnic minority students (Circular 109/2009/TTLT-BTC-BGDDT on 29/5/2009)
- Scholarship and social aid for ethnic minority students (Circular No. 43/2007/TTLT-BTC-BGDDT on 2/5/2007)
- Five million hectares reforestation programme (Decision No 661/QD-TTg 1998)
- Health care for the poor (Decision 139/2002/QD-TTg on 15/10/2002)

National projects with a poverty impact

- National target programme for rural water supply and sanitation (RWSS) (Decision 277/2006/QDTTg on 11/12/2006)
- Education for all (Decision 872/2003/CP-KG)
- NTP on job creation to 2010 (Decision No 101/2007/QD-TTg on 06/07/2007)
- Concretisation of schools and health care centres (Decision 20/2008/QD-CP 1/2/2008 and Decision 47/2008/QD-TTg 2/4/2008)
- Concretisation of canals, rural roads, and infrastructure for aquaculture and rural industry for 2009-2015 period (Decision 13/2009/QD-TTg)

Poor or ethnic minority group based support

- Loans for the poor and the targets of social policy (Decision 78/2002/ND-CP issued on 4/10/2002)
- Concessional loans to ethnic minorities in extreme difficulty (Decision 32/2007/QD-TTG on 5/3/2007)
- Support investment in electricity network development in rural, mountainous and island areas (Circular No- 97/2008/TT-BTC on 28/10/2008)
- Some policies to support minorities, the households of social policy targeting, poor households and close to the poor threshold households and fishermen (Decision 965/QD-TTg on 21/7/2008)
- Transportation fee and price subsidy for mountainous and ethnic minority areas (Document No. 20/UBDT-CSDT on 10/1/2008)
- Support the basic needs of minorities in disadvantaged areas (Decision 20/1998/ND-CP on 31/3/1998 and Decree 02/2002/ND-CP on 3/1/2002)
- Develop Si La ethnic minority in Lai Chau (Decision No. 236/QD-UBDT on 16/5/2005) and varies other regions (Decisions Nos. 237, 238, 292, 304/QD-UBDT 2005 and 255/QD-UBDT on 29/8/2008)
- Support for minorities, the poor and close to the poor households and the households of social policy in the areas where there is no national grid connection (Decision 289/2008/QD-TTg on 21/07/2008)

Regional based support with poverty reduction aspects

- Support Socio-economic development in the Central Highlands (Resolution 10/NQ-TW and Decision No- 25/2008/QD-TTg), in the Northern Mountainous areas (Resolution 37/NQ-TW and Decision No- 27/2008/QD-TTg), in the Central Coastal region (Resolution 39/NQ-TW and Decision No- 24/2008/QD-TTg), in the Mekong Delta (Resolution 21/NQ-TW and Decision No- 5/2008/QD-TTg), in the Red River Delta (Resolution 54/NQ-CP), and in the South East (Resolution 55/NQ-TW).

Source: Jones R. et al, UNDP 2009, adjusted by authors

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