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Resilient nations.*

***Poverty of Ethnic Minorities in Viet Nam:
Situation and Challenges in Programme 135 Phase II
Communes, 2006-07***

Hanoi, 12-2011

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List of Abbreviations

BLS	P135-II Baseline Survey
CEMA	State Committee for Ethnic Minority Affairs
CCT	Conditional Cash Transfer
GSO	General Statistical Office
MOLISA	Ministry of Labour, Invalids, and Social Affairs
SOE	State owned enterprises
P135-I	Programme 135 Phase 1
P135-II	Programme 135 Phase 2
UNDP	United Nations Development Program
VHLSSs	Viet Nam Household Living Standards Surveys
VLSSs	Viet Nam Living Standards Surveys
VASS	Viet Nam Academy of Social Sciences
WB	World Bank

PREFACE

Both the Government of Viet Nam and the United Nations in Viet Nam consider ethnic minority poverty reduction to be a key objective for the next planning period 2012-2015 and beyond, in realising the objectives of the Socio-Economic Development Strategy and promoting broad based, inclusive and equitable growth and social development.

Using data from a high quality household survey for the Government's Programme 135 Phase II (2006-2011) and other quantitative and qualitative sources, the authors of this report have set out to describe in detail the features of ethnic minority poverty and the continuing restraints to ethnic minority development in poor rural and mountainous communes. The study also explores some of the underlying causes of continuing ethnic minority poverty in Viet Nam today.

As the report shows, some ethnic minority groups have a continuing slow rate of poverty reduction despite the significant investment made in ethnic minority areas by Government programmes like Programme 135. New approaches and a fresh perspective to ethnic minority poverty reduction are therefore necessary to address the core underlying factors inhibiting further development for some ethnic minorities in the country. This report makes a significant contribution to both furthering our understanding of the complexities of continuing ethnic minority poverty in Viet Nam, and to identifying public policy and programmatic measures well suited to accelerating ethnic minority poverty reduction in the future.

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Executive Summary

A Poverty Profile of Poor Ethnic Minorities in Viet Nam

Poverty as increasingly an ethnic phenomenon

The Government of Viet Nam have developed a number of important poverty reduction programmes and policies in poor ethnic minority (EM) areas over the past two decades, including Programme 135 which invested approximately one billion US Dollars over the period 2006-10. These initiatives have also been strongly supported by Development Partners in Viet Nam. Poverty reduction in ethnic minority areas has taken place as a result, though not as rapidly as in the country overall. Although EMs account for only 14.5% of the population, they now account for over half of the total poor in 2008 (representing a big increase from 18 percent in 1993). Thus, unless more rapid and significant improvements in the living standards of EMs can be achieved, poverty will become almost exclusively an ethnic minority phenomenon in the near future.

Significant income gaps exist within poor communes too

From the 2007 survey discussed in this report we can see that within P135 communes, households are much poorer than the national average, suggesting that the Programme is broadly targeting the right communes. However, considerable gaps exist within these communes, between members of the majority ethnic group (the kinh) and ethnic minority groups. In fact, ethnic minorities within these communes are twice as likely to be living in poverty as their majority neighbours. However, this is not the whole picture. Inequality in P135 communes is comparatively high with a gini coefficient of 0.52 against the national average for rural areas of 0.40. Poverty dynamics in poor ethnic minority areas are therefore clearly complex, requiring correspondingly sensitive and flexible policy responses.

'Ethnic minorities' are not a homogenous group

Data from the baseline survey shows that there are significant gaps between ethnic minority groups too. Put simply, some groups are doing better than others. This is particularly the case for some of the ethnic minority groups with larger populations, such as the Tay, Thai, Muong, Nung, and Khmer. They have poverty rates lower than the average for ethnic minorities as a whole, and are relatively close to the majority group. In contrast, some of the smaller groups such as the H're and Bana, groups in the central highlands and northern uplands, and the Hmong, have much higher rates of poverty. A particular and notable feature of EM poverty is that those who speak no or little Vietnamese are consistently poorer than those who do speak the majority language.

Non-income aspects are important in explaining poverty too

Income is not the only welfare measure that highlights ethnic minority poverty. In terms of landholding, ownership of assets and access to essential public goods and services such as clean water and electricity, EMs are also demonstrably lagging behind. Land is an interesting example. The survey demonstrates that total landholdings of EMs are actually

larger than for the majority group. However, when the quality of land is examined, ethnic minorities are less likely to own the best quality land. They also own forestland, but hold this as custodians and are unable to exploit it fully for commercial gain.

Citizen satisfaction with P135 and self assessment of welfare

Whilst citizen report card surveys for the P135 Phase II showed a generally high level of satisfaction and appreciation for the support provided under the Programme, ethnic minorities in the baseline survey still reported a shortage of crucial goods and services. The difference with the majority group was particularly marked in the areas of having sufficient food, clean water and medicines. Overall approximately half of ethnic minorities in the survey reported being ‘unhappy’ with their current living standards.

Level of Access to Public Services & the Livelihood Strategies of Poor Ethnic Minorities

Improved infrastructure and services, but utilization by ethnic minorities still a challenge

Significant improvements have been made in the availability of basic infrastructure and public services for ethnic minorities in extremely difficult communes of the country. However, analysis of the survey shows that ethnic minorities tend to utilize both infrastructure and services less than their majority group neighbours (given the same level of access available in the P135 communes). In terms of livelihoods, ethnic minorities are less integrated into commercial networks and less likely to produce the kind of cash crops or industrial crops that generate significant income. Integration into these kinds of commercial networks remains largely the domain of the majority ethnic group.

Access to education by EMs

EMs have far lower educational attainment levels than the majority group. One significant factor in this is language, with ‘difficulty in the kinh language’ listed as the main difficulty faced at school by ethnic minorities in the survey. They are also far more likely to drop out of school. The principle reason is that they are ‘over age’ and thus unwilling or unable to continue. Also important is the need to work, to support the household. Poverty is therefore an important driver of low educational attainment, and a lack of education is a critical factor in perpetuating the inter-generational cycle of poverty amongst ethnic minority groups.

Access to healthcare services

In terms of healthcare, ethnic minorities have significantly benefitted from the Government provision of free health insurance and free health certificates under P135-II and other programmes. Over 70% of EMs in the survey had health insurance, 14% a free health certificate. Only just under 10% of EMs had no health coverage in the survey communes, against 32% of the majority group. However, EMs are heavily reliant upon commune health services, which remain rudimentary, and the health coverage does not cover major health expenditures. EMs are in any case often unable to meet the cost of travel and accommodation to district or other hospital facilities. EMs rely far more on ‘other’ health

care arrangements, which include traditional medicine practitioners, or forms of 'self treatment'.

Livelihoods of poor ethnic minorities

How households diversify away from subsistence agriculture is the key determinant of their long term wellbeing. Analysis of the livelihood strategies of EMs living in the extremely difficult communes shows that they are far less mobile and less integrated into labour markets than their majority neighbours, are more likely to be engaged in agriculture for subsistence, and much less likely to be producing higher value cash crops, or industrial crops for which the economic return is far higher. Forestry landholding represents an advantage of EMs compared to the majority but forestry livelihoods contributes a very modest role in total household income. Consequently, the income of the Kinh group in the survey communes is on average higher than for ethnic minorities. In terms of the income structure of the majority group, 60% comes from wage earning, non-farm income or transfers, compared with 38% for ethnic minorities. Over half of the income source of EMs comes from crops and livestock, and crops are the most important income source of all of the poorest ethnic groups.

Understanding the Ethnic 'Income Gap'

The income gap is not only explained by differences in endowments (characteristics); differences in returns to these characteristics are also important

Findings from the survey support the conclusions drawn from other recent analysis using the VHLSS. Namely, only about a third of the income difference between the majority and ethnic minorities can be attributed to the characteristics that they have, such as their landholding, educational attainment, household demographic features or access to infrastructure. The remainder (i.e. two thirds) is attributed to the returns that each group gets from these characteristics. In simple terms, this means that the majority group is able to make much better use of the assets that they have than ethnic minorities, in terms of converting their assets into income. This has important policy implications, because it suggests that simply closing the gap in infrastructure provision, or even years of schooling, between the majority ethnic group and minorities will not completely close the income gap. Ethnic minorities need to be able also to make better use of their assets too.

What might explain the 'differences in returns to characteristics' between the majority and EMs?

There are a number of possible explanations for these observed differences. One highly significant factor is probably language. An inability to speak Vietnamese excludes EM's (and particularly EM women) from participating in market networks, accessing market information, and utilizing public services. At the same time cultural practices, like community leveling mechanisms to ensure no one is too poor, and other cultural perceptions of social obligation to the group, may restrict opportunities for EM households to accumulate income. Another possible explanation lies in the quality of assets and services. Whilst EMs have land holdings that may exceed those of the majority group, the land is often poorer quality, non- irrigated land. In terms of agricultural support services,

extension support may be provided but is not suitable for the particular environments in which EMs live. Similarly with the quality of education received, this may often be inferior in schools in the areas of high concentration of EMs, where it is difficult to attract teachers. And even where EMs have the same education level as the majority, studies suggest EMs receive significantly less wages than their majority counterparts. Finally, a possible explanation lies in misconceptions and stereotyping of EMs. Although difficult to measure, the negative portrayal of EMs may also contribute to these observed 'differences in returns'.

Recommendations for Future Policies and Programmes

Changes in approach

Poverty for ethnic minorities is complex and multi-faceted. The approach to tackling it should be correspondingly flexible, adaptive and responsive to the real needs of ethnic minority groups. There is a need to continue to consolidate existing policies and programmes under a single framework, to ensure consistency and a comprehensive approach. EMs may also need to be better targeted within poor areas to ensure they receive the benefit of poverty reduction investments. An area based approach may need to be supplemented by household targeting. One size fits all solutions are no longer appropriate and a more decentralized, ethnically and culturally tailored approach may be required, with a prominent role for EMs themselves in defining needs.

Changes in focus

Tackling the observed differences in returns between EMs and the majority group may require a shift in the focus of support, away from exclusively closing the gap in terms of the provision of infrastructure and services, towards also addressing issues of quality and ensuring equal treatment for all. In western countries this has involved such measures as 'Equal Opportunity' legislation, though this would also require strong enforcement. 'Affirmative Action' programmes have also been used in other countries to improve the long term prospects of disadvantaged groups. Continuing to support improvements in the quality of infrastructure, assets and services for ethnic minorities will also be critically important.

Changes in tools

To facilitate this shift in approach and focus, new tools can be applied drawing upon international experience. Conditional cash transfers have been widely and successfully applied in rewarding households that make important behavioural changes that will enable them to break out of long term chronic poverty cycles, such as regular school attendance by children, proper health checks for pregnant women, and immunisation of young children. Providing cash for poor households gives them the flexibility to decide how best they can meet their particular needs. In addition, providing block grant funding to lower levels of Government enables local decision makers close to EMs, who have good knowledge and experience of what is required to address poverty in particular areas, to decide how best to use resources to address deep seated, chronic poverty.

Introduction

The rapid economic growth experienced in Viet Nam during the 1990s and early 2000s resulted in unprecedented reductions in poverty. The 54 officially recognized ethnic groups within Viet Nam's diverse society have not, however, shared equally from the benefits of this growth. Poverty, life expectancy, nutritional status, and other living standard measures remain persistently low amongst Viet Nam's ethnic minorities. Despite comprising just over one seventh of the national population, the minorities accounted for about 56 percent of the poor in 2008. Some government agencies forecast that by 2010, the ethnic minorities will constitute more than a half of Viet Nam's poor population. Widespread poverty and some other aspects of economic well-being amongst ethnic minorities in Viet Nam have been analysed in, *inter alia*, the World Bank's Viet Nam Country Social Analysis on Ethnicity and Development (2009), and a number of studies as reviewed in Baulch *et al.* (2008), Pham and Reilly (2009), VASS (2007), Van de Walle and Gunewardena (2001).

Viet Nam has a large number of policies and programmes specifically designed to assist ethnic minority development. These programmes and policies have paid attention to a wide range of socio-economic issues related to ethnic minority development and are targeted in different ways. With continuous support, living standards of ethnic minorities have been significantly improved over the past decade. Income growth was observed with improvements in access to education, healthcare services, and basic infrastructure. However, what is most striking about the poverty reduction path of Viet Nam is that ethnic minorities experienced welfare improvements at a slower pace compared with that of the majority (i.e. the Kinh ethnic group). As a consequence, the gap between the majority and ethnic minorities tends to widen over time.

In this context, understanding the persistence of poverty amongst ethnic minorities is essential for more effective support to their socio-economic development in the future. There is a growing literature on poverty of ethnic minorities in Viet Nam and most of this literature is based on the data available from the series of Viet Nam Living Standards Surveys (VLSSs) in the 1990s and/or more recent Viet Nam Household Living Standards Surveys (VHLSSs). These high quality and nationally representative surveys have provided a good background for the analysis of poverty and provided valuable insights on aspects of the living standards of ethnic minority groups. However, this data is potentially subject to two important pitfalls. *First*, the V(H)LSSs are not designed to be representative for ethnic minorities, and consequently ethnic minority-headed households are often under-sampled. *Second*, the V(H)LSSs provide relatively small sample sizes on ethnic minorities, meaning they are unable to offer disaggregated analysis for individual ethnic groups. With

these two problems in mind, interpretation of data available from these surveys and policy implications from the resultant findings should be viewed with caution.

In this context, this study examines the poverty of ethnic minorities in Viet Nam from a different perspective. Instead of using VLSSs and VHLSSs as in previous studies, we will explore the baseline survey (BLS) of the Programme 135 Second Stage (P135-II) as the major source of primary data. The BLS was implemented by the General Statistical Office (GSO) in 2007, under the authority of the Committee for Ethnic Minority Affairs (CEMA) and with technical assistance from the United Nations Development Programme (UNDP) in the communes that were targeted through the largest support programme for ethnic minority development – the Programme 135.¹ The survey consists of a sample of 5,965 households in extremely difficult communes of Viet Nam. The survey mirrors the VHLSS surveys and is considered to be of high quality.² Since the BLS was completed, the dataset has been used intensively in providing a mid-term review assessment of the P135-II as reflected in Pham *et al.* (2009a) or UNDP-CEMA (2009). According to their thorough analysis, this baseline is arguably the most comprehensive survey on ethnic minorities in Viet Nam available to date (see Annex 1 for details on the BLS).³

Given this perspective, this report proposes answering the following main research questions:⁴

- (i) Question 1: What are the main poverty characteristics, both income and non-income, of ethnic minorities?
- (ii) Question 2: What are the disadvantages facing poor ethnic minorities in accessing public services and basic infrastructure?

¹ As the survey was undertaken one and a half year after the start of the P135-II, it is not strictly a ‘baseline’. The survey provides a rich pool of information on the P135-II targeted communes in the early stages of implementation. This survey provides a benchmark for evaluating the impacts of the Programme.

² Successive rounds of the VLSSs and VHLSS over the past two decades have been based on the general methodology of the World Bank’s Living Standards Measurement Survey (LSMS). This LSMS has been implemented in most developing countries in order to provide high-quality data on household living standards (see www.worldbank.org/lsm for more details).

³ The terms of reference for this study also stated that the data available from the Citizen Report Cards survey for the Mid-term Review (MTR) of the P135-II and the National Targeted Programme for Poverty Reduction (NTP-PR) should be used. This CRC survey mainly focused on the satisfaction of the beneficiaries on the support received from the P135-II, including (i) infrastructure development; (ii) production support; and (iii) other support, including vocational training, support to day-boarding students and kindergarten students, and legal support. It covers four provinces, including Lao Cai, Lai Chau, Binh Phuoc, Soc Trang. Though the CRC is informative, the awareness, contribution and satisfaction of the beneficiaries with this support is not a primary focus of this study. Therefore, CRC data is used only when it is really relevant. Instead, the BLS will be used as the main dataset. When appropriate, data from the V(H)LSSs will also be used to draw comparisons.

⁴ These research questions are proposed on the basis of the requirements set in the original TOR for this research. It should be noted that there are a number of requirements as stated in the TOR and these five research questions are proposed to capture these requirements.

- (iii) Question 3: How do poor ethnic minorities earn their income? What are the determinants of income gaps across different ethnic groups?
- (iv) Question 4: How have current policies and programmes supported poor ethnic minorities in improving their living standards?
- (v) Question 5: What suggestions can be drawn for future policies and programmes to support poverty reduction for ethnic minorities?

Given these objectives, this report aims to address three important aspects of the living standards of ethnic minorities. *Firstly*, the report will provide a comprehensive analysis of the poverty situation and economic well-being of ethnic groups in extremely difficult communes. The focus will be placed on both income poverty and other non-monetary aspects of economic well-being (e.g. access to education, healthcare services, support initiatives etc.). *Secondly*, the report will examine the determinants of the income gap between the majority and different ethnic minority groups. This will contribute to the growing literature on the ethnic welfare gap in Viet Nam by decomposing the income gap into two components, one attributed to the differences in ‘characteristics’ across the ethnic groups; the other attributed to differences in ‘returns’ of these characteristics. A third important aspect is to investigate how poor ethnic minorities have been supported by current policies and programmes. Importantly, as a result of the analysis from this report, this will also cover the set of recommendations for future policies and programmes to support improvements in living standards for ethnic minorities.

This study employs a variety of methodologies.⁵ For the first two questions, descriptive analysis using statistical references will be used to inform both in aggregate terms and through a number of disaggregated dimensions. The analysis will provide a narrative of the characteristics of poor ethnic minorities as a broad ethnic minority group in comparison with the majority group.⁶ In addition to this majority-minority dimension, the current report adopts another *five dimensions* for analysis. Given the high concentration of ethnic minorities in this area, we aim at providing analysis at the most disaggregated level of ethnicity possible (in addition to the conventional ‘majority-minority’ classification), taking into account the size of the sub-samples for individual ethnic groups. In order to

⁵ To keep the focus of this study as policy-oriented research, we are not going to provide a detailed description of methodologies or data sources adopted in a separate chapter as observed in other typical research papers on poverty in Vietnam. Instead, the essentials of the approach used are summarized in this Introduction section with further details provided in the annexes for technical readers.

⁶ It is noted that the term ‘minority’ is used in this analysis to facilitate comparison with the economic literature on Vietnam, which commonly uses the term ‘minority’ to refer to the different ethnic minority groups. However, the sample of observations covered in the BLS consists of 22 percent of Kinh households with the remainder ethnic minority-headed households. Therefore, the ethnic minority group in our dataset is actually the ‘majority’ in the poorest communes.

make statistically meaningful inferences, any individual ethnic groups having more than 100 observations in the sample of the BLS are treated as a separate ethnic group (with one exception of Bana with 90 observations). Therefore, the report adopts a classification of 14 ethnic groups, including the Kinh (or the majority),⁷ Tay, Thai, Muong, Nung, Dao, Mong, ‘others in the Northern Uplands’, Bana, H’re, Co Tu, ‘others in the Central Highlands’, Khmer, and finally other ethnic groups (i.e. the other groups that do not reside in the Northern Uplands or Central Highlands).⁸ It is desirable to provide analysis using further disaggregated ethnic classifications, however this is constrained by data availability (see Annex 2 for further details).

In addition to the ethnicity dimension, Vietnamese language ability is selected as another dimension of analysis in this study. It is generally recognized that Vietnamese language ability of ethnic minorities is a potentially important factor in their integration into society and thus improving living conditions. We will thus adopt a three level scale of Vietnamese language proficiency. Moreover, gender of household heads could be an important driver of decision making processes within households, and thus we will also consider this as an important dimension of analysis. We take into account spatial differences in living conditions by providing detailed indicators according to regions and their geographical characteristics (i.e. whether communes are coastal and delta or other types, which includes midland or mountainous communes). This study will distinguish between the poor and the non-poor when undertaking analysis in all the chapters. Further details on these dimensions of analysis are given in Annex 2.

For the third research question, the report will adopt the Blinder-Oaxaca decomposition approach as commonly used in previous studies on the welfare gaps across ethnic groups in Viet Nam (see for instance Baulch *et al.* 2008; Pham *et al.* 2009b for a review of the studies using this approach). Accordingly, the overall average differential in income per capita between ethnic groups will be decomposed into a part attributable to differences in characteristics between the ethnic groups (known as the ‘explained’ or ‘endowment’ component) and a part attributable to differences in the estimated returns to characteristics between these groups (known as the ‘treatment’ or ‘unexplained’ component). The ‘characteristics’ in the former consists of household features (e.g. household demographic characteristics, human capital, household assets such as landholding, household access to infrastructure). Returns to these characteristics in the latter refers to the benefits that

⁷ The Hoa households account for a very small size in the sample (i.e. there were 42 Hoa households surveyed in the BLS), separating Hoa as an individual group is thus not statistically meaningful. We have tried to separate the Hoa from the Kinh-Hoa to check if this would introduce any significant differences from the figures reported in this study but this is not the case. Therefore, we consider Hoa in the Majority group to facilitate comparison with previous studies.

⁸ It is important to note that this classification is simply based on technical statistical reasons rather than any ethnological categorisation.

household have received from the above characteristics (see Annex 3 for the details of this approach).

For the fourth research question, a desk study approach is employed to review the existing plethora of policies and programmes to support poverty reduction for poor ethnic minorities. It should be noted that this report is not proposed to provide a comprehensive review of the policies and programmes that aim at improving living standards for the ethnic minorities. Instead, the report will attempt to highlight ‘gaps’ or the ‘mismatches’ between the current policies and programmes and the characteristics of poor ethnic minorities identified through the study. The focus will be placed on those areas of intervention that have not been effectively covered by the current plethora of policies and programmes to support improvements in the living standards of poor ethnic minorities.

For the fifth research question, answering the above four research questions will provide the background to draw suggestions for future policies and programmes to support poverty reduction for poor ethnic minorities. In this regard, this report is expected to provide input to the policy dialogue amongst different stakeholders for supporting poverty reduction for poor ethnic minorities in the coming years, especially for the next stage of the P135 and the poverty reduction framework for the period 2011-2020.

It is also important to note some limitations of the data used, and of this report. With respect to data, the BLS is arguably the most comprehensive household survey on ethnic minorities in extremely difficult communes undertaken to date. However, given the sample size of 5,965 households, some ethnic groups or communities might not be well captured in the survey. In addition, as the data was collected in the third quarter of 2007, there could be important improvements in living standards subsequently made for the ethnic minorities in the communes under consideration, especially in terms of access to basic infrastructure and public services. Regarding the report, given the primary data source is the BLS, it is not likely to capture how the recent economic shocks (e.g. the economic crisis, inflation, fluctuations in prices of food and energy) have been transmitted to ethnic minorities. It is also desirable to provide more disaggregated analysis on ethnic minorities but this is constrained by the sample size of the BLS. Finally, the report is mainly based on quantitative data so that some important dimensions of welfare of ethnic minorities, such as cultural norms and values, are not captured in the report.

The structure of the current report can be now outlined. Chapter 1 will depict a comprehensive picture of the poverty and economic well-being situation of ethnic minorities in the extremely difficult communes covered under P135, with as much disaggregation for different ethnic minority groups as possible. The focus will be placed on both income poverty and other non-monetary aspects of economic well-being. The

subsequent chapters will cover the most important aspects of living standards of households residing in the extremely difficult communes of the country. In particular, Chapter 2 will focus on access to public services with a focus on education, healthcare, and basic infrastructure. Chapter 3 will investigate major livelihood activities pursued by the households in this area to earn their living. Chapter 4 provides in-depth insights on the income gap between different ethnic groups. This chapter will re-examine the welfare gap amongst ethnic groups, which has been the subject of a number of previous studies using the V(H)LSSs. A review of and suggestions for policies and programmes to support poverty reduction of the ethnic minorities will be provided in the final chapter of the report.

Chapter 1. Poverty Profile of Poor Ethnic Minorities

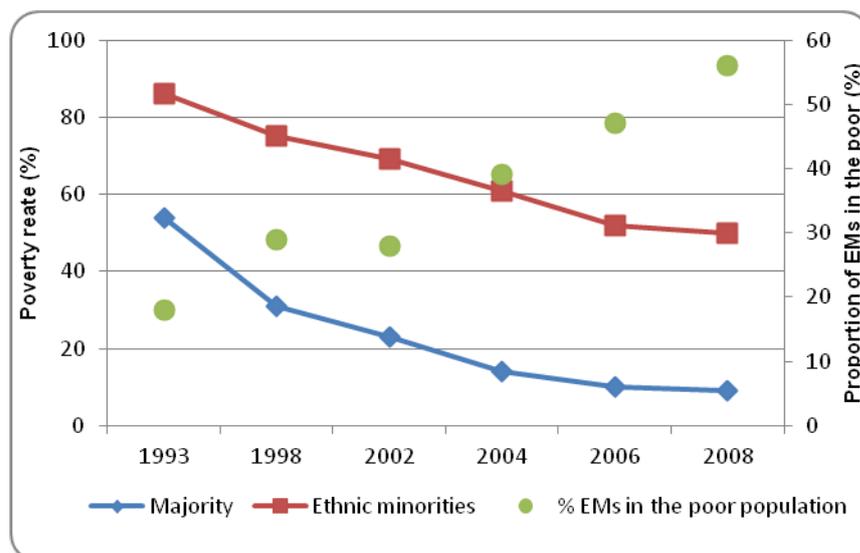
This chapter provides a poverty profile of the households residing in the communes under the coverage of the P135-II – this is to answer the first research question. Conventionally, there are two approaches to measuring poverty commonly used in Viet Nam. One advocated for by the World Bank is based on an expenditure welfare measure; the other is an income-based measure which is currently used by MOLISA and other authorities in Viet Nam. As the BLS does not collect expenditure data, this study will rely on income as the welfare measure for its analysis. The next section will contextualize the situation by providing an overview of poverty of the ethnic minorities in the country as a whole before moving the focus to the poor ethnic minorities residing in the P135-II communes. The second section will concentrate on inequality indicators to describe the inequality situation in the extremely difficult communes. To supplement the analysis of monetary aspects of poverty in the first two sections, the final section will focus on some non-income aspects of living standards of poor ethnic minorities.

1.1 Poverty in Viet Nam as an ethnic phenomenon

To contextualize the poverty profile of ethnic minorities in the extremely difficult communes, it is useful to start with an overview of poverty of ethnic minorities in the country as a whole. Viet Nam has made great strides in reducing the poverty rate, from nearly 58 percent of the population in 1993 to less than 14% in 2008. Figure 1.1 shows that ethnic minorities have however experienced lower rates of poverty reduction than the general population. In 2008, nearly 50 percent of ethnic minorities lived under the poverty line while the corresponding figure for the majority is only nine percent.⁹ What is most worrying is that the share of ethnic minorities in the poor population has monotonically increased over time. As shown by the round dots in Figure 1.1, only 18 percent of the poor were ethnic minority-headed households in the early 1990s; the corresponding figure for 1998 was 29 percent, for 2004 was 39 percent, and most recently 56% in 2008 (using data from the V(H)LSSs). Accounting for around 14.5 percent of the population, ethnic minorities now constitute more than a half of the poor population. Given this, poverty will be a particular phenomenon of ethnic minorities in the future.

⁹ In this part of the analysis, the WB-GSO poverty lines mirror international standards. The general poverty line is based upon the food poverty line but allows for minimum non-food expenditure. The food poverty line is calculated as the expenditure required, given Vietnamese food consumption patterns, to deliver 2100 calories per person per day. These measures are absolute poverty lines and are constant in real terms over time. The basket of goods used to calculate the poverty lines is the same from year to year with adjustments only made to the prices used to estimate the expenditure required to purchase that basket.

Figure 1.1 Poverty reduction in Viet Nam (%)



Source: authors' calculations based on the V(H)LSSs and the BLS

Poverty headcounts of households in the extremely difficult communes are also reported in Figure 1.1 (on the second vertical axis), though poverty figures are not compatible as the national averages were based on expenditure data as the welfare measure available from the V(H)LSS while those of the communes were based on income data as the poverty measure.¹⁰ It is noted that there is a big gap in the poverty headcount between the majority and ethnic minority groups in these extremely difficult communes, though the gap is not as large as observed for the whole country. We observed a gap of 25 percentage points in the poverty rate across the two ethnic groups in the extremely difficult communes while the national average gap was 42 percentage points in 2006. This suggests that though Viet Nam has achieved great success in poverty reduction, poverty is stubbornly persistent for ethnic minorities and there is a danger that poverty could be an exclusively ethnic minority phenomenon in the future.

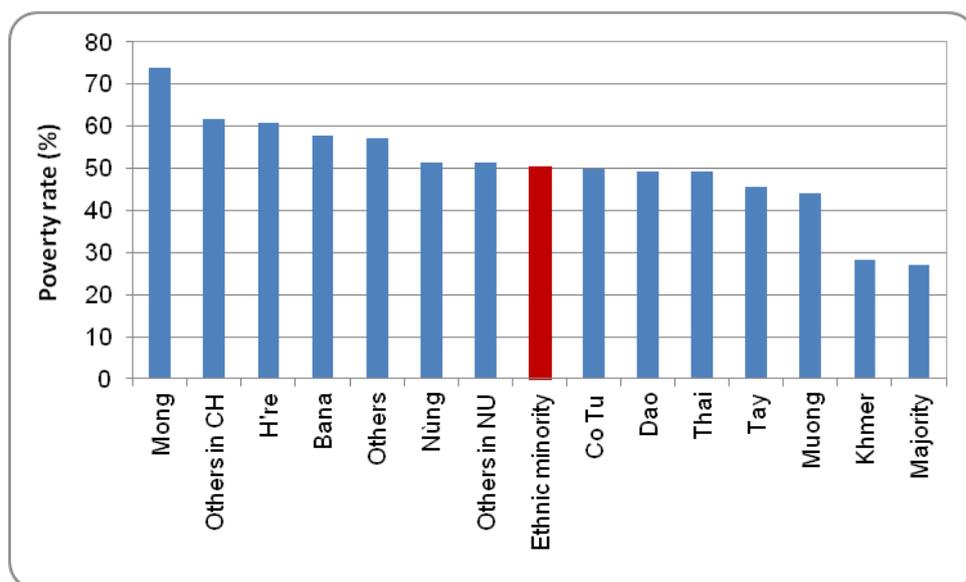
Given this overall picture, Table 1.1 reveals some insights on poverty status in the extremely difficult communes surveyed in the BLS. Using the income poverty line above, we calculated the head count index, poverty gap and poverty severity for the official poverty line. On average, nearly 43 percent of the households in these communes were living in poverty in 2007. This is considerably higher than the national average poverty rate using the same poverty line, and is much more severe for ethnic minorities in comparison with the majority. While nearly a half of the ethnic minority-headed

¹⁰ For these communes, as data on expenditures is not available, we adopt the official poverty definition which is specified in the Prime Minister's Decision No. 170/2005 QD-TTg (dated July 08, 2005). As all the extremely difficult communes surveyed in the BLS are classified as rural communes, the official poverty line will accordingly be VND 200,000/per person/per month

households were under poverty, the poverty incidence of the majority is around 27 percent. This finding has an important policy implication. Although the Kinh is the majority group in the population, ethnic minorities are actually the ‘majority’ in these extremely difficult communes. According to the baseline survey, 67 percent of the population in these communes belong to ethnic minority groups rather than the Kinh. The persistence of poverty in these extremely difficult communes represents a challenge. Given the remoteness and difficult physical conditions in these communes, poverty reduction efforts in this area will be more expensive than they were in the past.

Among smaller groups of ethnic minorities, with the exception of the Khmer, the poverty rate is higher than the average rate. Figure 1.2 suggests that for most of the individual ethnic groups classified in this study, more than a half of their population were living under the poverty line of 200,000 VND/per person/month. Poverty is worryingly high among the Mong households (i.e. 74 percent of the Mong are poor). Ranked after the Mong are those in the Bana, H’re, and others in the Central Highlands. The Tay, Thai, Muong, Nung, Dao and other ethnic groups in the Northern Uplands are more or less poor as per the average level for ethnic minorities.

Figure 1.2 Poverty is severe for some ethnic groups (%)



Source: drawn from the data calculated from the BLS

It is important to note that the poverty rates in the extremely difficult communes above are calculated using the official poverty line regulated in July 2005. If we simply adjust the poverty line using the consumer price index (CPI) to Sept 2007 the time of implementing the BLS, these poverty rates will increase by an order of nearly ten percentage points. If we

employ the new poverty line (i.e. VND 400,000/per person/per month),¹¹ all the headcount indices will be higher by an order of more than 30 percentage points compared to these using the previous poverty line. In particular, it will translate to a poverty rate of 74.4 percent in the extremely difficult communes, and a poverty index of 70 percent for the ethnic minorities in these areas. Most importantly, poverty rates amongst most of the ethnic groups in the Northern Uplands and Central Highlands will be higher than 80 percent.

Table 1.1: Poverty in the extremely difficult communes (%)

	2005 poverty line		2007 CPI-adjusted Headcount index	Headcount index based on new 2011 poverty line
	Headcount index	Poverty gap		
Average	42.7	20	53.1	74.4
Ethnic groups				
Majority	27.1	20	37.1	57.5
Other ethnicities	50.3	19	60.9	78.2
Tay	45.7	17	59.6	77.7
Thai	49.1	20	57.5	81.6
Muong	44	13	54.4	73.9
Nung	51.3	16	59.8	83.1
Mong	73.8	29	82.6	96.2
Dao	49.4	17	66.2	86.6
Others in Northern Uplands	51.2	21	62.1	88.9
Bana	57.7	22	71.9	97.5
H're	60.8	21	73.6	93.9
Co Tu	49.8	18	63.8	85.1
Others in Central Highlands	61.6	27	71.5	88.9
Khmer	28.4	13	34.7	69.8
Others	57.1	24	68.9	89.7
Regions				
Red River Delta	37.5	12	49.6	69.3
North East	51.2	21	63	81.2
North West	48.8	20	58.3	79.7
North Central Coast	47.8	18	57.6	78.2
South Central Coast	47.3	15	60.7	79.9
Central Highlands	41.8	19	52.8	72.3
South East	26	25	37.8	64.3
Mekong River Delta	26.3	19	33.9	60.3
Gender of household heads				
Male	44.3	20	54.8	76.2
Female	33.1	15	42.9	63.9
Daily language				
No or little Vietnamese	53.8	21	64.2	85.4
Both Vietnamese and ethnic lang.	44	15	54.9	77.7
No or little ethnic language	28.7	20	38.9	59.4

¹¹ MOLISA has a new poverty line for the period 2011-2015 according to Decision No. 09/2011/QĐ-TTg, dated 30 Jan 2011. The rural poverty line is 400,000 dong/person/month.

Poor vs. non-poor				
Poor	62.6	26	73.1	90.8
Non-poor	28.6	15	38.9	62.8

Source: authors' calculation from the BLS

In addition to the headcount index used in the above analysis, which shows the percentage of the population having an income lower than the poverty line, the 'poverty gap' index also provides an indication on the cost of eliminating poverty. The Mong group not only comprises of the most poor households but also is the one with the highest 'cost' of eliminating poverty. On average, it costs 29 percent of the poverty line per person to pull a Mong household out of poverty. Others with a high 'poverty gap' rate include the other groups in the Central Highlands (27 percent), and the group 'other minorities' (24 percent). The households with the lowest 'cost' in poverty reduction consist of the Tay, Muong, Nung, Dao, and Khmer.

There is a spatial pattern to poverty across the country. The Northern Uplands remain the poorest areas, ranked before the Central Coast and Central Highlands. Poverty also varied with levels of Vietnamese language proficiency. Those who had no or limited Vietnamese language ability were found amongst the poorest (i.e. 54 percent of them living under the poverty line). Those who spoke both Vietnamese and ethnic languages were found to be as poor as the average household in the poorest communes. And those who spoke only Vietnamese and/or very little ethnic languages are the most well-off (the poverty rate of this group is almost identical to the Majority). In addition, there is also a considerable difference in the incidence of poverty across the two gender groups of household heads. As shown in Table 1.1, nearly 44 percent of the male-headed households were poor while the poverty rate of the female-headed was only 33 percent.

The final rows of Table 1.1 have important policy implications. In these two final rows, we calculated the poverty rate using the income data collected from households for one group who was classified as 'poor' and the other classified as 'non-poor'. What matters is that the 'poor' group are eligible for support from poverty reduction policies and programmes while the non-poor are not. Whether a household is classified as 'poor' or 'non-poor' in this case is determined by the authorities. We found that only 62 percent of the 'poor' group was actually poor according to reported income data. It implies a leakage rate of 38 percent, suggesting that 38 percent of the poor who have received support from poverty reduction programmes were actually not eligible to receive this support. In addition, we observed 28 percent of the non-poor were actually poor, but were excluded from receiving the support to which they should have been eligible. These high leakage and exclusion rates raise a serious question on the targeting efficacy of the current poverty reduction policies and programmes in the extremely difficult communes of the country. This study is

not the first to raise this question. Similar concerns were raised in the MOLISA-CEMA-UNDP (2009) MTR reports when assessing the Programme 135-II and the National Targeted Program for Poverty Reduction (NTP-PR).

1.2 Inequality: ethnic minorities lagging behind

Along with the poverty level which shows the percentage of the population living under a certain level of income, how income is distributed is also important to investigate. The central question is whether income has been equally distributed among the population. This is referred to as the analysis of inequality. Together with poverty reduction, inequality has been receiving growing attention in Viet Nam as the observed increase in economic growth is likely to result in disproportionate changes in living standards for different groups, suggesting increasing inequality. The most widely used measure of inequality is the Gini coefficient which ranges between zero and one. The closer to a zero value, the more equally income is distributed; and the closer to one the less equally income is distributed. In addition to the Gini coefficient which is considered as a relative measure of income inequality, we also analyze the distribution of income in the extremely difficult communes using absolute measures of inequality such as percentile dispersion ratios. Using the Gini index, one of the most common measures of *relative* inequality, World Bank (2007) using expenditure per capita reported that the Gini for the country as a whole rose from 0.34 in 1993 to 0.35 in 1998 and 0.37 in 2006, showing a modest increase over this period.

One of the most commonly mentioned aspects of this growing inequality is ethnic inequality. Between 1993 and 2006, Viet Nam's national poverty headcount fell from 58.1 to 16 percent, while educational enrolment, life expectancy and other measures of human development increased dramatically. In the same period, the poverty headcount rate among Viet Nam's broadly defined ethnic minorities fell from 86.4 to 52 percent between 1993 and 2006. School enrolments, nutritional indicators and life expectancy also remain low among the minorities (VASS, 2007; World Bank 2007). According to Baulch *et al.* (2008b), the gap in per capita expenditure between the majority and minority has widened by nearly 15 percentage points between 1993 and 2004. The previous research on inequality in Viet Nam has however been based on expenditure data. Using income data calculated from the BLS, this section provides another picture of inequality in the P135-II communes.

In Table 1.2 we report estimates of the inequality measures for the whole sample of the extremely difficult communes, as well as for sub-groups identified by ethnicity, region, gender of the household head, languages used in daily life and self-declared poverty status. The average Gini coefficient based on the baseline survey data is 0.52, suggesting that the

relative inequality of income distribution is fairly high in the extremely difficult communes of the country. For comparison, we estimated income-based inequality measures using the rural sample of the VHLSS 2006. For the rural areas, we found Gini value of 0.40, which is significantly lower than the Gini coefficient in the extremely difficult communes. From this difference an important policy implication can be inferred. Using the BLS for the extremely difficult communes, one of the prior assumptions is that inequality in these poorest areas should be lower than the national average. However, what is observed in this study suggests the opposite. Using the income data, the level of inequality in the extremely difficult communes is surprisingly higher than that of the rural average. This suggests a difficult task for the Government and donors. Further efforts are clearly needed to reduce the widespread poverty in these extremely difficult communes. But high inequality rates observed certainly warrants attention being paid to deal with unequal income distribution in these areas too.

Table 1.2 Income distribution in the extremely difficult communes

	Gini	p90/p10*	p75/p25**	GE(0)***
Average	0.5	7.8	2.8	0.5
Ethnic groups				
Majority	0.6	9.2	3.0	0.7
Ethnic minority	0.4	6.0	2.6	0.3
Tay	0.4	6.1	2.6	0.3
Thai	0.4	6.9	2.7	0.3
Muong	0.4	6.0	2.7	0.3
Nung	0.4	4.8	2.1	0.2
Mong	0.3	4.0	2.0	0.1
Dao	0.3	5.0	2.1	0.2
Others in Northern Uplands	0.4	6.4	2.7	0.2
Bana	0.3	5.7	2.6	0.2
H're	0.3	4.4	1.9	0.2
Co Tu	0.3	3.9	2.7	0.2
Others in Central Highlands	0.4	6.9	2.6	0.3
Khmer	0.4	8.3	2.4	0.3
Others	0.4	6.8	2.7	0.3
Regions				
Red River Delta	0.4	6.4	2.7	0.2
North East	0.3	5.7	2.6	0.2
North West	0.3	4.4	1.9	0.2
North Central Coast	0.3	3.9	2.7	0.2
South Central Coast	0.4	6.9	2.6	0.3
Central Highlands	0.4	8.3	2.4	0.3
South East	0.4	6.8	2.7	0.3
Mekong River Delta	0.5	7.5	2.8	0.5

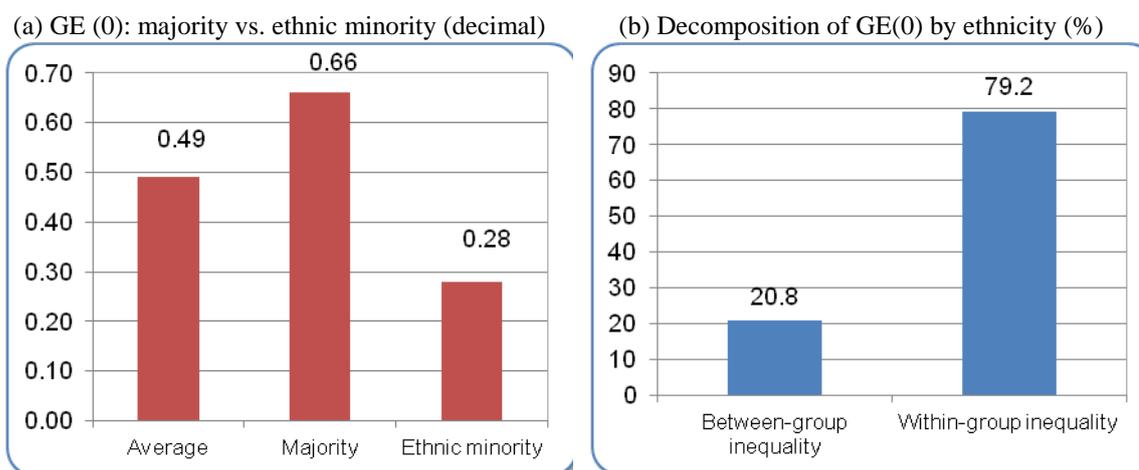
Gender of household heads				
Male	0.5	7.5	2.8	0.5
Female	0.5	13.3	3.3	0.4
Daily language				
No or little Viet	0.4	6.0	2.6	0.3
Both Viet and ethnic	0.4	6.2	2.5	0.3
No or little ethnic	0.6	9.2	3.0	0.6
Poor vs. non-poor				
Poor	0.2	2.9	1.8	0.1
Non-poor	0.4	4.1	2.2	0.4

Source: authors' calculation from the BLS

Notes: * p_{90}/p_{10} is the proportion of average income earned by the 10 percent richest and 10 percent poorest households in the income distribution; ** p_{75}/p_{25} represents the similar ratio between the 25 percent richest and 25 percent poorest; *** $GE(o)$ is the Generalized Entropy index that is an alternative measure for income inequality.

Figure 1.3 below shows estimates for the Theil L index of the whole sample in the extremely difficult communes and the sub-samples for the majority and ethnic minority groups. Panel (b) decomposes average income inequality into two components, the 'between-group' inequality and 'within-group' inequality. It shows that nearly 21 percent of the noted income inequality is attributable to between-group inequality (i.e. the difference in the income level between the Majority and the ethnic minority group). The remaining 79 percent is however explained by the differences within each of the two ethnic groups. This suggests the following: the high inequality noted in the extremely difficult communes is not mainly attributable to differences in income between ethnic groups. Instead, differences within each ethnic group represent the major source of inequality.

Figure 1.3 Decomposition of inequality by ethnicities



Source: authors' calculations based on the BLS

Notes: Theil-L index is an alternative measure for income inequality. This is actually the Generalized Entropy with the weighting parameter equal to zero.

Disaggregating further by ethnic minority groups, Table 1.2 shows that the scores of inequality measures are fairly similar. The majority group holds the top position meaning the highest inequality in income distribution. It is interesting to see that all the groups other than the majority have the scores for inequality measures lower than the average. Since the majority usually earn the highest level of household income in the areas under study, this finding is not surprising.

Across the regions of the country, the Gini coefficient in the Mekong River Delta is highest at 0.63. In contrast, with the lowest Gini of 0.37, the relative income distribution in the South Central Coast regions is the most equal. The Central Highlands region ranks the second most relatively unequal, just behind the Mekong River Delta. However, an absolute inequality measure which is the ratio of income level at the 95th percentile over the income level at the 10th percentile reveals that the dispersion of income between the top “rich” and the “poorest” is the highest in the Central Highlands. The dispersion ratio is 12.60 in the Central Highlands. The Mekong River Delta stands second with a dispersion ratio of 10.09. The 75th/25th dispersion ratio which captures information about incomes towards the middle of the income distribution also suggests a similar situation. The Central Highlands and Mekong River Delta rank at the top and second in terms of income inequality. The South Central Coast has the lowest score of the inequality measures.

1.3 Other aspects of poverty in the extremely difficult communes

The above analysis of poverty and inequality is based on income as a welfare measure. In this section, we examine other non-income aspects of poverty such as household landholding, ownership of valuable assets, and access to essential public goods and services such as clean water and electricity.¹²

Land is arguably the most important physical asset of rural households, especially for those residing in the extremely difficult communes where livelihoods are mainly in agriculture. Table 1.3 summarizes the levels of landholding of annual cropland, perennial land and forestry with disaggregation by ethnic group, spatial region, gender of household head, daily language and poverty status. Possession of annual cropland across the majority group and ethnic minorities is not considerably different. An average household in the extremely difficult communes had 1413 m² of annual cropland. The majority household holds on average 1353 m² of cropland, while the ethnic minority household has slightly less at 1442 m². Comparing between different ethnic groups, it is found that the Tay, Muong, and Nung possess lower annual cropland holdings while the Mong, Bana, and other ethnic groups in

¹² This analysis of access to basic public goods and services will be implemented at the household level. In chapter 2 of this study, further detailed analysis on commune-level access to these goods and services will be provided.

the Northern Uplands are best endowed. These figures do not however reveal any information on land quality. The current regulations classify annual cropland into six groups and perennial land into five categories. The ascending rank of classification is associated with a lower quality of land. These categories are used for the authorities to tax the land uses of households. In this report, we define annual cropland and perennial land as ‘good land’ if they belong to the first two categories of this classification. Table 1.3 shows clearly that the majority has an absolute advantage in possessing quality cropland. Despite holding more annual cropland than the majority, the ethnic minorities hold an amount of quality land that is only equal to 13 percent of the majority. All ethnic minority groups, accounting for 74 percent of the total population in the extremely difficult communes, possess only 24 percent of quality annual cropland. As Chapter 3 of this study will analyze, crop income is the single most important income source for households in the extremely difficult communes. The fact that the majority possess the most fertile cropland in this area might be an important factor in explaining the income gap between the majority group and ethnic minorities (see Chapter 4 for more details).

Table 1.3 Landholdings in the extremely difficult communes (m²)

	Annual cropland		Perennial land		Forestry land
	Total	Good land	Total	Good land	
Average	1412.7	193.1	370.6	11.8	1461.1
Ethnic groups					
Majority	1353.2	462.9	502.9	14.8	603.6
Ethnic minority	1441.7	61.4	306.0	10.4	1879.7
Tay	853.8	34.5	288.8	0.0	3016.5
Thai	1479.0	32.8	202.3	0.0	2064.7
Muong	970.3	121.7	604.8	40.6	1631.4
Nung	1076.7	36.2	497.3	76.6	2506.9
Mong	2206.3	13.0	100.2	0.0	1166.6
Dao	1648.8	137.1	415.5	26.5	4804.5
Others in Northern Uplands	2676.2	0.0	130.6	0.0	3876.1
Bana	2257.4	52.3	143.8	0.0	199.4
H're	1596.7	100.1	1150.5	0.0	996.6
Co Tu	1517.0	0.0	58.8	0.0	552.8
Others in Central Highlands	1514.3	17.4	632.2	2.2	36.4
Khmer	1103.1	146.3	154.0	2.4	0.0
Others	1490.8	0.1	161.6	0.0	279.8
Regions					
Red River Delta	463.8	158.7	57.6	5.9	97.2
North East	1134.0	57.9	338.6	14.1	2771.8
North West	2113.0	29.1	144.7	2.6	1559.2
North Central Coast	769.2	41.4	124.1	1.3	2514.1
South Central Coast	1275.0	60.9	428.3	0.0	478.7
Central Highlands	1476.8	9.5	2131.9	0.1	60.7
South East	1597.1	39.8	1044.2	104.9	0.1
Mekong River Delta	1717.9	761.4	38.2	1.0	13.1
Gender of household heads					

Male	1490.7	216.7	384.2	13.7	1547.4
Female	936.6	49.2	287.3	0.1	934.5
Daily language					
No or little Viet	1582.4	58.2	239.5	11.4	1879.6
Both Viet and ethnic	1264.6	80.7	474.4	8.0	2010.1
No or little ethnic	1277.7	407.0	490.9	14.0	721.9
Poor vs. non-poor					
Poor	1016.3	31.2	253.1	7.1	1518.5
Non-poor	1708.0	313.7	458.1	15.3	1418.3

Source: authors' calculation from the BLS

Interestingly, cropland holdings of female-headed households are considerably lower than those of male-headed counterparts. While the average female-headed household had an area of nearly 937 m², the corresponding figure of the male-headed household is 1490 m². This represents a considerable disadvantage for female-headed households, which could be important in accounting for the difference in the poverty rate between these two groups. It is not surprising to find that the non-poor are substantially better endowed than the poor, both in the average total cropland and quality cropland.

As the extremely difficult communes are located in remote and often mountainous areas, one could expect that forestry is an important source of income-generating activity. Possessing forestry land is one of the few aspects wherein ethnic minorities are at an advantage compared to the majority. On average, ethnic minorities hold three times more forestry land than the majority. This advantage is especially pronounced for the ethnic minority groups in the Northern Uplands and North Central Coast. This advantage is also highlighted in Pham *et al.* (2010) where, using data from the V(H)LSS, they reported that ethnic minorities possess more land than the majority and that this endowment advantage tends to increase over time. At the start of the land reform process in Viet Nam in 1993, an average ethnic minority-headed household possessed 63 percent more land (all types) compared to that of the majority headed household. After fourteen years, this advantage rose to 154 percent. Considering different types of land, this advantage of ethnic minorities is also observed and is most pronounced for forestry landholding. On average, ethnic minority-headed households possess ten times larger forestry land areas than majority-headed households. However, whether this advantage can translate into better income-generating opportunities is a different question. As Chapter 3 of this study will show, forestry is a modest (and negligible for some ethnic groups) source of income for households residing in the extremely difficult communes.

In addition to landholding as arguably the most important physical asset, Table 1.4 provides information on the possession of valuable durable assets, including a motorbike, TV, radio, telephone, refrigerator and electric cooker, held by households in the extremely difficult communes. Possession of these assets is substantially different between the Kinh –

Hoa group and ethnic minority groups. For instance, 54 percent of the majority had a motorbike compared with only 40 percent of ethnic minorities. There is no doubt that valuable asset holdings in the extremely difficult communes are lower than the rural average level. It is however noted that gaps of key asset holdings between the extremely difficult communes and the rural areas of Viet Nam generally are very high. Our estimations using the VHLSS 2006 reveal that nearly 53 percent of the rural population possessed a motorbike; 81 percent had a TV; 23 percent had a telephone (fixed-line phone or mobile), and 53 percent owned an electric cooker. The corresponding numbers in the extremely difficult communes, as reported in Table 1.4, are 45, 58, 19, and 27 percent, respectively.

Table 1.4 Holdings of valuable assets (%)

	Motor-bike	TV	Radio	Tele- phone	Refrigerator	Electric cooker
Average	44.9	58.0	5.9	18.6	5.5	27.1
Ethnic groups						
Majority	54.3	78.5	4.6	38.4	10.6	52.0
Ethnic minority	40.3	48.0	6.5	9.0	2.9	15.0
Tay	52.5	67.1	3.4	15.1	7.3	18.2
Thai	43.9	49.3	5.1	5.0	1.3	10.7
Muong	45.2	68.5	4.0	11.4	6.1	22.8
Nung	48.1	55.5	6.4	12.8	6.5	16.2
Mong	22.6	15.7	10.0	1.7	0.0	2.3
Dao	45.6	46.9	8.7	5.9	1.6	4.5
Others in Northern Uplands	33.8	35.8	13.0	2.6	0.0	3.3
Bana	56.6	46.1	2.2	0.2	0.0	8.0
H're	36.6	42.7	3.4	2.2	2.2	7.4
Co Tu	13.6	36.3	6.8	2.2	0.0	1.0
Others in Central Highlands	29.2	50.8	7.7	2.9	0.4	12.6
Khmer	36.6	44.0	8.8	21.5	2.7	39.2
Others	39.5	47.1	2.2	4.8	1.8	12.6
Regions						
Red River Delta	53.9	90.9	2.0	26.8	5.2	54.1
North East	44.3	55.1	5.2	12.0	5.6	15.1
North West	49.1	47.1	10.0	8.6	3.6	11.9
North Central Coast	37.6	55.8	2.0	13.3	5.4	27.1
South Central Coast	39.6	49.7	2.4	14.8	5.1	22.0
Central Highlands	63.4	67.3	8.0	25.0	7.7	37.6
South East	70.8	77.2	5.6	29.9	12.1	55.2
Mekong River Delta	33.7	62.3	6.6	34.8	4.3	44.9
Gender of household heads						
Male	46.6	58.2	6.1	17.7	5.1	25.9
Female	34.5	56.7	4.5	24.1	8.0	34.7
Daily language						
No or little Viet	35.2	40.8	7.7	6.2	1.3	12.8
Both Viet and ethnic	49.8	63.0	4.5	13.9	5.2	18.5
No or little ethnic	59.2	68.4	2.2	18.9	10.1	23.6
Poor vs. non-poor						

Poor	28.9	42.5	5.7	4.8	1.5	10.5
Non-poor	56.8	69.6	6.1	29.0	8.4	39.5

Source: authors' calculation from the BLS

The poor living standards of the rural areas in general and the extremely difficult communes in particular are also reflected in housing conditions. The BLS allows us to classify houses into three types: permanent house, semi-permanent house, and temporary house. Reflecting the poor conditions in these areas, most of the households sheltered in either semi-permanent or temporary houses. Only 7.4 percent of the households had permanent houses. Moreover, 39 percent of the households residing in the extremely difficult communes happened to have temporary houses. Nevertheless, the housing conditions of the majority group are still slightly better than those of the ethnic minorities. Since the questions on housing conditions in the baseline survey and the VHLSSs are exactly identical, we are able to make direct comparisons using the two sources of data. Housing conditions in the rural areas of Viet Nam generally are far better than those in the extremely difficult communes. For instance, in 2006, only 19 percent of the rural population lived in a temporary house, as compared to 39 percent in the extremely difficult communes as observed in the BLS in 2007. The proportion of the rural population living in a permanent house (or a villa) is two times higher than in the poorest areas (i.e. 17 percent vs. seven percent).

Accessibility to public goods and services also reflects the poor living standards in extremely difficult areas. The majority have very good access to clean water and to the national power grid. As shown in Table 1.5, the incidence of having access to these services is very high amongst the majority particularly, with 87 percent of majority households having access to clean water for cooking, and 91 percent having access to the national power grid. In contrast, the incidence of access to these key services by ethnic minorities is considerably lower. With the exception of access to the national electricity grid, the access rates of ethnic minorities to clean water and sanitary toilet facilities are at least two times less than those of the majority. Particularly, the access rate of some individual groups to clean water, electricity, and sanitary toilets are very low, especially for the H'mong, Dao, Co Tu, and other ethnic groups in the Central Highlands. The BLS revealed 53 percent of households in the extremely difficult communes had clean drinking water.¹³ Access to sanitary toilets is worryingly low in the extremely difficult

¹³ We adopted the commonly used definition of clean water applied in a number of poverty reports by WB and VASS. Accordingly, 'clean water' is here defined based on the internationally commonly-used definition of clean water, which includes the following sources: (1) private tap water inside the house, (2) private tap water outside the house, (3) public tap water, (4) water pumped from deep drill wells, (4) water from hand-dug and reinforced wells, (5) rain water, (6) bought water (in tank, bottle,...), (7) small water tank, and (8) water tank.

communes.¹⁴ It is reported that only eight percent of households residing in this area had access to sanitary toilets. Most of the population thus relied on ‘other types’ of toilets. The BLS does not provide information on these ‘other’ types. But it is most likely that ‘others’ in this context referred to simple and hence unhygienic types of toilets. Although the information on toilets used by households does not capture all aspects of hygienic living conditions of the households, it could be taken to suggest poor hygienic conditions in the extremely difficult communes.

Table 1.5 Access to clean water, national power grid and sanitary toilet (%)

	% using clean water for cooking	% using clean water for living	% having access to national power grid	% using a sanitary toilet
Average	53.6	50.9	73.6	8.2
Ethnic groups				
Majority	86.9	85.1	91.1	16.6
Other ethnicities	37.4	34.2	65.1	4.1
Tay	37.7	34.2	81.7	3.6
Thai	27.8	23.6	59.9	1.5
Muong	48.3	48.2	90.6	4.6
Nung	28.0	25.5	73.8	3.3
Mong	21.2	18.4	36.5	0.8
Dao	10.4	10.4	36.3	3.2
Others in Northern Uplands	20.9	17.2	26.9	1.1
Bana	32.9	38.9	97.9	0.0
H're	48.1	48.1	67.3	1.8
Co Tu	0.5	0.0	66.3	0.0
Others in Central Highlands	19.4	19.8	75.4	1.3
Khmer	94.9	84.8	75.6	16.2
Others	28.8	26.2	82.1	1.3
Regions				
Red River Delta	97.1	97.1	100.0	1.6
North East	37.7	35.2	68.3	3.9
North West	25.5	22.6	54.3	4.0
North Central Coast	44.0	42.5	81.6	2.8
South Central Coast	49.6	48.0	75.3	8.2
Central Highlands	48.0	49.1	85.2	7.2
South East	81.3	81.3	87.0	17.6
Mekong River Delta	95.9	89.9	82.2	19.7
Gender of household heads				
Male	51.2	48.3	72.0	7.2
Female	68.1	67.2	83.7	14.5
Daily language				
No or little Viet	33.7	29.5	59.0	3.3
Both Viet and ethnic	37.6	37.1	76.6	5.1
No or little ethnic	64.6	63.4	84.3	7.7
Poor vs. non-poor				

¹⁴ As commonly used in other studies, flush toilet, suilabh, and double vault compost latrine are considered hygienic types of toilets.

Poor	41.5	39.3	63.1	3.4
Non-poor	62.6	59.6	81.5	11.8

Source: authors' calculation from the BLS

In addition to quantitative indicators, poverty measurement should also make use of other qualitative information to best capture the multifaceted nature of poverty. The BLS provides data on self-assessment of the lack of essential commodities for living including food, clean water, medicines, energy, and cash to pay for children's school tuition fees. These are reported in Table 1.6 to reflect how households residing in the poorest communes assess their shortage of key goods. On average, 45 percent of the households revealed that they did not have enough food, 44 percent lacked clean water, 44 percent lacked medicines for health care, and 32 percent said that they did not have enough cash to pay for the education of their children. More importantly, these shortages are considerably higher for ethnic minorities compared to the majority. The incidence of households not having enough food is particularly high in the Central Highlands. Our observations at various locations suggest that hunger is most severe before the cultivation time, when households have eaten up foods harvested from previous crops and need money to purchase seeds and fertilizer for the coming season.

Table 1.6 Self-assessment about shortages of crucial goods (%)

	In shortage of			
	Food	Clean water	Medicines	Tuition fees of children
Average	44.8	43.7	43.9	31.8
Ethnic groups				
Majority	32.5	24.4	29.6	25.9
Ethnic minority	50.8	53.2	50.9	34.7
Tay	36.2	34.6	38.7	41.8
Thai	57.0	79.5	74.6	54.3
Muong	55.6	35.2	54.6	44.8
Nung	48.0	53.8	36.9	32.0
Mong	51.2	66.8	43.3	17.4
Dao	42.5	62.3	54.1	24.7
Others in Northern Uplands	63.1	81.5	73.2	44.9
Bana	70.9	37.3	25.0	8.1
H're	64.5	44.8	97.6	34.6
Co Tu	63.5	54.6	65.5	66.6
Others in Central Highlands	72.8	62.2	51.8	38.3
Khmer	37.8	29.5	28.7	17.7
Others	75.3	48.5	55.2	21.9
Regions				
Red River Delta	64.6	11.5	63.9	50.6
North East	44.0	44.7	41.8	31.9
North West	49.1	68.0	65.8	39.6
North Central Coast	53.4	59.7	67.6	47.6
South Central Coast	48.1	35.8	59.3	37.2
Central Highlands	60.1	46.1	39.0	17.2

South East	60.7	36.6	17.0	25.2
Mekong River Delta	25.2	21.1	19.3	19.1
Gender of household heads				
Male	44.7	45.1	44.6	32.6
Female	45.6	35.2	39.3	26.9
Daily language				
No or little Viet	53.5	57.7	51.3	32.3
Both Viet and ethnic	47.5	46.0	54.1	38.9
No or little ethnic	41.2	39.6	39.2	39.8
Self-declared poverty status				
Poor	62.3	52.3	52.7	39.5
Non-poor	31.7	37.4	37.3	26.1

Source: authors' calculation from the BLS

Figures on the shortage of cash to pay for children's tuition fees are noteworthy. Extremely difficult communes are the target of several policies and programmes to support poverty reduction and one key area of support is to provide access to education services. Different sources of assistance have been mobilised for getting poor children to school. However, the incidence of lacking cash to pay for children's tuition fees is reportedly very high for some ethnic groups. For instance, 67 percent of the Bana revealed that they were short of cash to send their children to school. The Thai, Tay, Muong, and other ethnic groups in the Northern Uplands and Central Highlands also revealed a very high shortage of cash for tuition fee contributions. Surprisingly, the H'mong are amongst the poorest but exhibit a low shortage of cash for paying tuition fees. As suggested by the high leakage rate of poverty reduction programmes in the first section of this chapter, this raises a concern on the efficacy of the current support to provide access to education services.

Table 1.7 Self-assessment about the current living standard (%)

	Very happy	Happy	Moderate	Unhappy	Very unhappy
Average	0.7	13.9	32.7	48.0	4.7
Ethnic groups					
Majority	0.7	19.2	34.7	42.5	2.8
Ethnic minority	0.6	11.3	31.7	50.7	5.7
Tay	0.7	12.7	32.3	50.7	3.7
Thai	0.1	6.3	29.1	57.5	7.0
Muong	0.0	6.3	36.8	48.1	8.8
Nung	1.7	9.7	41.3	46.4	1.1
Mong	0.5	17.0	29.9	49.7	3.0
Dao	0.1	14.3	37.1	46.0	2.5
Others in Northern Uplands	0.0	7.5	29.9	58.7	3.9
Bana	0.0	5.6	21.7	65.2	7.6
H're	0.6	1.7	41.1	55.8	0.8
Co Tu	2.2	9.9	40.4	47.5	0.0
Others in Central Highlands	0.2	5.6	25.4	66.9	1.9
Khmer	2.3	19.5	27.1	38.7	12.4
Others	0.0	6.2	32.2	51.6	10.0

Geographical regions					
Red River Delta	0.0	5.0	29.3	49.0	16.7
North East	0.4	13.8	33.0	49.1	3.8
North West	0.3	10.5	37.7	47.2	4.3
North Central Coast	0.0	5.6	30.8	56.6	7.0
South Central Coast	0.6	7.1	50.0	41.8	0.5
Central Highlands	1.8	9.0	24.4	59.7	5.2
South East	0.8	9.8	39.0	49.5	0.9
Mekong River Delta	1.4	26.9	25.9	40.0	5.9
Gender of head					
Male	0.5	13.8	33.1	48.4	4.2
Female	1.7	14.2	30.2	45.9	8.1
Daily language					
No or little Viet	0.2	11.7	31.4	51.1	5.6
Both Viet and ethnic	1.9	9.9	33.0	48.5	6.7
No or little ethnic	0.5	12.7	31.1	51.9	3.8
Poor vs. non-poor					
Poor	0.1	6.6	25.5	60.5	7.2
Non-poor	1.1	19.3	38.1	38.7	2.9

Source: authors' calculation from the BLS

To conclude this important chapter of the study, we explored the data on self-assessment of households residing in the extremely difficult communes on their satisfaction with their current living standards. Not surprisingly, more than half of them were unhappy with their welfare status. The most powerful figure in Table 1.7 is that almost no households were 'very happy' with their living conditions. These simple figures convey a very important message: though the Government and donors have developed several policies and programmes for poverty reduction in extremely difficult communes, there is a long way still to go. As poverty in these difficult areas is stubbornly high, future efforts for poverty reduction in the extremely difficult communes will become more expensive compared to poverty reduction in other rural areas or in comparison to the past two decades. Certainly continuing the support for poverty reduction for ethnic minorities is not in doubt and is still urgently needed.

Chapter 2. Access to Public Services for Poor Ethnic Minorities

Access to public services and basic infrastructure are considered to be a necessary condition for escaping poverty in the developing world and Viet Nam is no exception. Accordingly, a plethora of policies and programmes have invested in the remote areas of the country, aiming to provide and/or improve access to public services and infrastructure. This is closely reflected in the P135 (through different stages), more recently the Programme 30a for the 62 poorest districts, as well as a number of other policies and programmes to support poor ethnic minorities (see chapter 5). This chapter, answering the second research question, will examine access to education, healthcare services, and basic infrastructure facilities in the extremely difficult communes surveyed in the BLS.

2.1 Access to education

Education is widely found in the literature on Viet Nam as a crucial factor determining household welfare, labour market participation and earnings (see Glewwe *et al.* 2004). Access to education services is thus crucial for poverty reduction. Together with socio-economic development, education of people has been improved. In addition, Viet Nam has made commitments to achieve the Millennium Development Goal in universal primary education. According to the VHLSSs, the percentage of people above 22 years old having an upper secondary school degree increased from 18 percent in 2002 to 26 percent in 2006. Ethnic minorities are also observed to have achieved significant improvements in education over time (World Bank, 2007).

In the context of the extremely difficult communes covered in the BLS, all communes have the programme of illiteracy eradication. However, there is still a large gap in educational achievements between ethnic minorities and the majority group. Table 2.1 presents the percentage of people with different educational degrees in the extremely difficult communes. In this poorest region, only seven percent of people aged above 22 completed upper secondary school education. Less than one percent of people have a post secondary school education. More than 50 percent of people do not have any educational degree. Within the extremely difficult communes, there is also inequality in education between ethnic minorities. The majority, Tay, and Muong groups have much better education levels than other ethnic minorities. In contrast, ethnic minority groups such as the Mong, Bana, H're have the lowest educational levels.

Educational attainment also varies across regions. Table 3.1 shows that people in the Red River Delta have higher educational qualifications than other regions. The percentage of adult people without an education degree is around 12 percent in the Red River Delta, while in other regions it is higher than 40 percent. The North West and South Central Coast are regions which have the lowest educational levels in the country. There is also a difference in education between the poor and non-poor in extremely difficult communes. The proportion of adult poor and non-poor without an educational qualification is around 58 percent and 40 percent, respectively.

Table 2.1 Educational degrees by ethnic groups (%)

	No degree	Primary	Lower secondary	Upper secondary	Post secondary
Average	52.0	25.6	15.4	6.5	0.6
Ethnic groups					
Majority	33.0	33.3	22.3	10.4	1.0
Ethnic minority	61.3	21.9	11.9	4.5	0.4
Tay	34.9	33.1	22.0	9.8	0.2
Thai	58.9	25.3	11.1	4.3	0.5
Muong	28.9	30.5	29.9	10.3	0.4
Nung	52.5	26.5	14.6	6.2	0.2
Mong	91.5	5.8	2.3	0.5	0.0
Dao	79.0	12.5	6.3	2.0	0.1
Others in Northern Uplands	76.8	14.6	6.5	1.8	0.3
Bana	83.1	11.9	2.6	2.4	0.0
H're	81.3	15.2	3.0	0.6	0.0
Co Tu	70.3	19.8	5.1	4.8	0.0
Others in Central Highlands	78.5	14.0	6.3	1.2	0.0
Khmer	64.8	26.3	5.3	2.1	1.7
Others	77.2	14.7	6.6	1.3	0.2
By regions					
Red River Delta	12.5	21.8	54.6	11.1	0.0
North East	52.5	23.5	17.2	6.7	0.1
North West	62.1	18.5	12.7	6.2	0.6
North Central Coast	41.4	29.6	18.9	9.5	0.8
South Central Coast	64.0	20.7	9.1	4.3	2.0
Central Highlands	55.1	22.5	16.7	5.1	0.6
South East	52.1	30.9	12.9	3.4	0.8
Mekong River Delta	49.7	33.7	10.0	5.9	0.8

Source: authors' calculations from the BLS

Low education means poor human resources and low labour productivity. To increase educational levels, the Government is committed to the provision of universal primary school education. According to the 2006 VHLSS, the school enrolment rate for children aged between six and 11 years old is 97 percent. This rate is very high compared with other low-income and middle-income countries. Yet, the success in education is less clear for ethnic minorities in the extremely difficult communes. Table 2.2 estimates the enrolment

rate for children in BLS primary and secondary schools. Nearly 80 percent of children attended school in 2007 in these areas. The schooling rate for lower-secondary and upper-secondary students is much lower than the rate for primary school, estimated at 60 percent and 38 percent, respectively. The schooling rate is different for different ethnic minorities too, especially at higher educational levels. The majority, Tay, Muong, Nung, and Co Tu have substantially higher rates of upper secondary enrolment than other minority groups. The Bana, H'mong, H're and Khmer are groups which have very low educational enrolment rates. Educational enrolment differs across regions too. The Red River Delta and Central Coast have higher schooling rates than other regions. Ethnic minorities in the North West and Mekong River Delta have the lowest schooling rate at the secondary level. Poor children are more likely to drop-out of school than non-poor children.

Table 2.2 School enrolment rate by ethnicity (%)

	Primary	Lower secondary	Upper secondary
Average	79.4	59.8	38.0
Ethnic groups			
Majority	83.1	64.1	52.0
Ethnic minorities	78.3	58.6	32.3
Tay	79.2	73.6	57.8
Thai	76.6	71.8	35.0
Muong	79.8	73.3	47.7
Nung	87.8	76.4	50.8
Mong	74.3	42.7	9.7
Dao	82.1	53.2	19.8
Others in Northern Uplands	79.4	53.9	16.7
Bana	87.4	48.1	6.6
H're	81.6	55.7	15.8
Co Tu	81.2	81.3	68.3
Others in Central Highlands	77.6	57.7	29.5
Khmer	78.3	38.0	13.0
Others	78.7	38.3	22.0
Regions			
Red River Delta	78.5	73.7	67.9
North East	77.9	62.0	41.6
North West	78.0	60.4	29.3
North Central Coast	77.7	71.3	47.8
South Central Coast	81.8	62.3	45.1
Central Highlands	84.2	55.8	35.6
South East	70.5	60.5	31.7
Mekong River Delta	83.9	44.3	29.5
Daily language			
No or little Viet	78.6	55.4	25.6
Both Viet and ethnic	77.0	67.5	43.8
No or little ethnic	82.2	65.8	52.5
Poor vs non-poor			
Poor	77.5	55.9	30.3
Non-Poor	81.6	63.9	44.4

Source: authors' calculations from the BLS

It should be noted that 67 percent of the extremely difficult communes that appeared in the BLS are actually covered by the P135-II. Calculating the enrolment rate for these communes, we observe a big gap between the current rate of 77 percent and the target rate of 95 percent. This clearly represents a challenge, which is particularly difficult to address given that the drop-out rates are also quite high in the extremely difficult communes. Pham *et al.* (2010) suggest that most school drop-outs occur during the transition from primary to lower secondary school and from lower to upper secondary school. In mountainous areas, this corresponds to the age at which children usually need to move from village classrooms to the main primary school (usually located in the commune centre). In the Northern Uplands, studying in the main primary school often involves a walk of an hour or more to the commune centre, which obviously acts as a disincentive for children from outlying villages to attend primary school. Furthermore, as the other northern minorities are more likely to live in outlying villages than the Tay-Thai-Muong-Nung, children from other northern minority groups are disproportionately affected.

The BLS provides information on the main reasons for not attending school given by individuals, with Table 2.3 reporting the reasons given. The main reason for not attending school is over schooling age. The second biggest problem given is that children have to work. It is obvious that parents play the main role in their children's education. Since adult ethnic minorities tend to have low educational levels, they tend to pay less attention to their children's education.

Table 2.3 Reasons for dropping out of school given by ethnic minorities (%)

	Over aged	Long distance to school	Do not have money	Do not want to learn	Have to work	Other reasons
Average	59.4	0.6	3.4	5.2	27.3	4.2
Majority	57.3	0.8	3.5	6.1	27.8	4.6
Ethnic minorities	64.0	0.1	3.2	3.2	26.4	3.2
Tay	58.5	1.2	6.3	9.3	18.2	6.5
Thai	57.5	0.6	5.2	5.2	29.7	1.8
Muong	39.0	0.2	2.2	2.4	53.5	2.7
Nung	67.0	1.3	3.2	7.7	16.7	4.1
Mong	49.1	0.9	1.1	7.8	35.4	5.7
Dao	54.9	3.4	2.8	6.5	25.7	6.8
Others in Northern Uplands	55.7	0.5	4.8	10.1	22.3	6.6
Bana	51.6	0.0	0.0	2.7	40.8	4.9
H're	68.9	0.0	2.1	1.3	25.7	2.1
Co Tu	94.0	0.0	0.9	3.1	0.4	1.7
Others in Central Highlands	61.6	0.0	0.7	7.0	24.7	6.0
Khmer	71.3	0.0	4.1	3.4	17.1	4.2
Others	69.0	0.2	1.5	5.4	19.7	4.3

Source: authors' calculations from the BLS

Table 2.4 examines the difficulties in accessing education for pupils in primary and secondary schools. For small children at primary school, language is the main difficulty they face. Pham et al. (2009) reported that more pupils drop out during the primary level in remote areas compared to rural areas in general. This suggests the necessity of having Vietnamese language classes for ethnic minority children in primary schools as highlighted by the World Bank (2009). For those pupils that passed the primary education level and graduated to higher levels, their Vietnamese language ability was enhanced during primary education and thus language no longer represents a main challenge for their study. For higher grade level students, lack of educational materials such as books and notes become more pronounced as a reason for not attending school. Therefore, supporting Vietnamese language learning ability at the primary school level should be considered as a priority for further investment in education in extremely difficult communes.

Table 2.4 Difficulties faced in attending school (%)

	No difficulty	Lack of educational materials	Difficulty in Kinh language	Lack of educational facilities in school	Other difficulties
Primary education					
Average	64.2	9.9	17.5	4.9	3.6
Majority	74.3	11.4	0.0	4.5	8.0
Ethnic minorities	61.1	9.4	22.3	5.0	2.2
Lower Secondary Education					
Average	74.3	10.6	5.5	7.3	2.4
Majority	79.0	11.0	0.0	6.1	3.2
Ethnic minorities	72.8	10.4	7.0	7.6	2.1
Upper Secondary Education					
Average	79.0	10.2	0.6	6.8	3.4
Majority	80.5	11.5	0.0	6.7	1.4
Ethnic minorities	78.1	9.2	1.0	6.9	4.7

Source: authors' calculations from the BLS

Given these difficulties in attending school, promoting educational enrolment in extremely difficult communes was one of the targets of Programme 135-II as well as many other policies and programmes to support the improvement of living standards for ethnic minorities. Using the BLS data, we found 91 percent of primary school pupils in P135-II communes were exempted from paying fees and contributions compared to the average of 75 percent calculated from the VHLSS 2006. For higher levels, the proportion of pupils that were exempted from lower and upper secondary schools were 81 and 69 percent respectively, while the corresponding figures calculated from the VHLSS 2006 for these levels were 21 and 18 percent (see Pham *et al.* 2010 for more details). These differences suggest the importance of the Programme 135-II and other support initiatives to promote educational attainment in the extremely difficult communes. This also implies that

continuing this support will be essential to achieve the target of promoting schooling in the extremely difficult communes of the country.

2.2 Access to healthcare services

Although Viet Nam has achieved great success in poverty reduction, the poverty rate remains very high for ethnic minorities. One of the important reasons for this is the impact of health shocks on poor households. In all recent Participatory Poverty Assessment (PPA) studies, illness is always described by the poor as one of the main reasons for their severe difficulties (World Bank, 2004). Households affected by health shocks suffer from the burden of paying for medical expenses. According to the VHLSS 2006, around 10 percent of households spend more than 16 percent of their consumption overall on healthcare services. High out-of-pocket payments for health care are also found in several studies such as World Bank (2001), Wagstaff and van Doorslaer (2003).

To improve medical care and to protect people from catastrophic health spending, the government of Viet Nam aims to achieve full health insurance coverage by 2015. During the past decade, Viet Nam has been very successful in increasing the coverage of health insurance, especially for ethnic minorities. According to the World Bank (2007), the coverage of free health insurance for ethnic minorities increased from 8 percent in 1998 to 78 percent in 2006. There are around 84 percent of people with health insurance in the extremely difficult communes (Table 2.5), while this ratio is around 54 percent for the whole population.¹⁵ It is interesting that in these extremely difficult communes, ethnic minorities are more likely to have health insurance or free health certificates than the majority. The proportion of people without any health insurance or certificate is 32 percent and 10 percent for the majority and ethnic minority groups respectively. The coverage rate of health insurance is higher for the poor than for the non-poor. This reflects the effectiveness of Government support in providing access to health insurance.

Table 2.5 Coverage of health insurance (%)

	With health insurance	With free health certificate	No health insurance
Average	66.1	17.9	16.1
By ethnic groups			
Majority	54.0	14.1	32.0
Ethnic minorities	71.0	19.5	9.6
Tay	83.7	9.4	6.9
Thai	85.7	8.3	6.0
Muong	63.5	14.3	22.1
Nung	76.9	15.5	7.6
Mong	67.2	28.7	4.1

¹⁵ The figure for the whole country is estimated from the 2006 VHLSS.

Dao	71.1	20.6	8.4
Others in Northern Uplands	90.2	3.0	6.8
Bana	98.9	0.0	1.1
H're	96.3	2.3	1.3
Co Tu	5.4	89.6	5.0
Others in Central Highlands	73.6	24.2	2.1
Khmer	31.0	39.2	29.8
Others	57.9	39.7	2.4
Regions			
Red River Delta	53.0	0.8	46.1
North East	72.2	18.6	9.2
North West	87.4	6.9	5.7
North Central Coast	66.8	21.8	11.4
South Central Coast	69.0	28.4	2.5
Central Highlands	87.1	3.0	9.9
South East	79.6	7.9	12.5
Mekong River Delta	23.0	32.3	44.8
Daily language			
No or little Viet	67.9	23.5	8.6
Both Viet and ethnic	78.2	11.2	10.5
No or little ethnic	57.2	12.6	30.2
Poor vs. non-poor			
Poor	69.2	20.5	10.4
Non-Poor	63.4	15.6	21.1

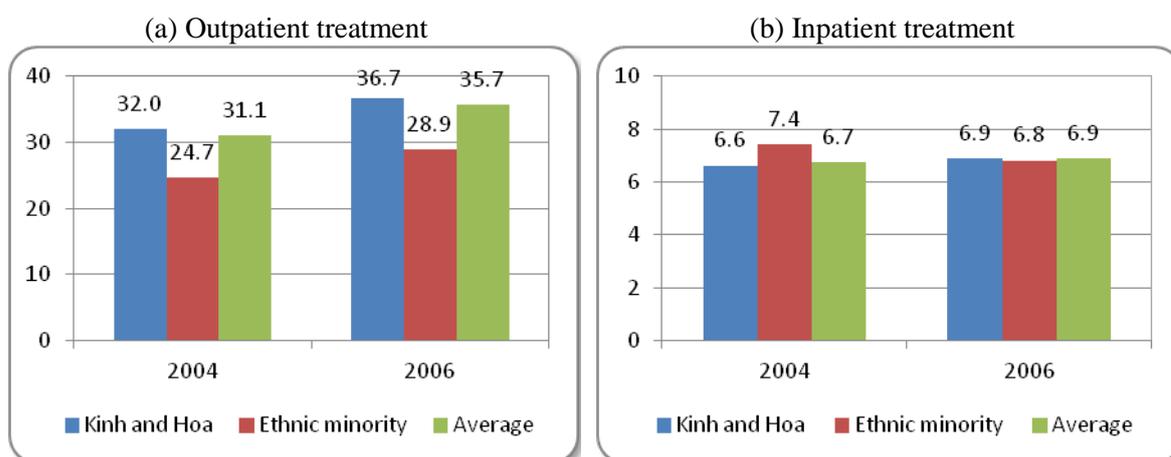
Source: authors' calculations from the BLS

Having health insurance however does not necessarily mean better access to healthcare services. Health care clinics in poor areas are often poorly equipped. It is unfortunate that no questions on the condition of healthcare facilities were asked in the BLS but it is likely that hamlet-level or communal health centres are generally poorly equipped. These centres are therefore best used for routine medical problems or for emergency treatment before transferring to higher level hospitals. In fact, the average distance to hospitals was found to be 39 kilometres, which would take at least three hours by public transport (where passenger transport services were available) or about one hour if motorbikes were used given the transportation conditions in remote communes. Figure 2.1 shows that the percentage of people using outpatient health care services is lower for ethnic minorities than for the majority. The average annual health care contact is also much lower for ethnic minorities. However, the use of health care services tends to increase over time. The majority and ethnic minorities have very similar use of inpatient health care treatment (Figure 2.1). The percentage of people using inpatient health care is very stable during the period 2004-2006.

Compared to rural areas generally, the proportion of people using healthcare services is rather high in the extremely difficult communes. Figure 2.2 shows that the percentage of people using health care services ranges from 25 percent to 56 percent for different ethnic groups. The majority group still have the highest utilisation rate for health care services,

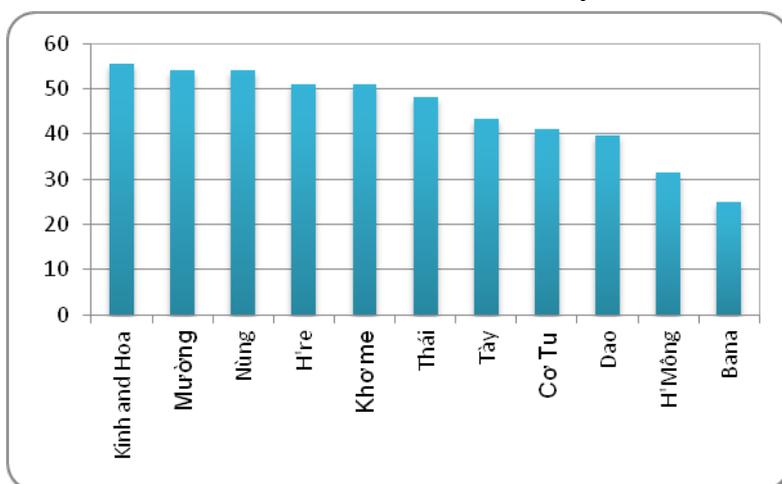
while the Mong in the North West and the Bana in the Central Highlands experienced the lowest rates. It is notable that 53% of sick or injured individuals were treated at health centres within the hamlet or commune they were living in. The average distance from households to the health centres of 3.8 kilometres lends an explanation for this wide use of the hamlet-level or communal health centres. In addition, the usage of 'other' types of healthcare facilities was common for households in the extremely difficult communes. Indeed, 28 percent of sick or injured individuals were found to receive medical treatment by 'other' types of healthcare services. The BLS did not specify further what these other types of services could be but some alternatives available in these extremely difficult communes include self-treatment at home, getting treated by private medical practitioners, and also using worship. It is unfortunate that we do not have further information to investigate how widely worship is used for medical treatment in the extremely difficult communes.

Figure 2.1: Healthcare utilization: outpatient vs. inpatient treatment (%)



Source: drawn from the data calculated from the VHLSS 2004, 2006

Figure 2.2 The use of health care services in extremely difficult communes (%)



Source: drawn from the data calculated from the BLS

2.3 Access to basic infrastructure

The extremely difficult communes are mainly located in mountainous and remote areas. Although there have been improvements made to the infrastructure in these communes, the current level of infrastructure remains less developed in these areas. Table 2.6 examines the coverage of car accessible roads in the extremely difficult communes. More than 90 percent of communes have roads to the commune centres. The road coverage in these communes was as high as the level observed in the rural areas using the VHLSS 2006. The Citizen Report Card (CRC) data on the four provinces suggests that most households (i.e. nearly 90 percent) reported a high level of satisfaction with improvements in transportation conditions supported by the P135. However, road coverage diminishes considerably when moving down to the village level as only 68 percent of villages interviewed had road access suitable for cars. For communes where the main ethnic group is the Mong, more than a half of the total villages do not have car accessible roads. Where roads to the village were not available, P135-II households were an average of 7.8 km away from the nearest road. In addition, where roads were available, they were usable during an average of 9.9 months of the year. Using the data on types of road according to materials used, it was found that a half of all roads in the extremely difficult communes are dirt roads. This could be taken to suggest relatively low quality of roads to villages in the extremely difficult communes. This could be further translated into difficulties in access to education, healthcare and, as discussed in Chapter 3, represents a major obstacle to market linkage.

Table 2.6 Access to roads leading to communes and villages (% , km, and number)

	% commune having road	% village having road	Distance from village to nearest road (km)	Number of months that village road can be used
Average	94.1	68.0	7.8	9.9
Ethnic groups				
Majority	90.3	76.4	3.6	11.1
Ethnic minorities	94.9	66.2	8.4	9.7
Tay	94.4	68.9	7.0	10.1
Thai	91.0	62.7	10.2	8.5
Muong	98.7	93.0	9.4	10.5
Nung	100.0	61.8	4.4	9.3
Mong	99.4	46.2	9.3	10.1
Dao	97.0	61.4	7.0	8.9
Others	90.8	73.3	9.0	9.8
Regions				
Red River Delta & Southeast	100.0	86.6	1.5	12.0
North East	96.5	61.4	7.0	10.2
North West	97.3	68.6	10.4	8.2
North Central Coast	87.0	79.4	9.8	9.5
South Central Coast	80.0	68.0	12.1	10.6
Central Highlands	100.0	89.3	6.3	9.5
Mekong River Delta	88.1	44.5	3.2	12.0

Geography				
Delta, costal	88.1	44.5	3.2	12.0
Low mountain	98.0	87.7	2.6	10.7
High mountain	93.8	65.4	8.7	9.6

Source: authors' calculations from the BLS

Notes: these figures are obtained at the commune level; the classification of these communes by ethnicity is based on which ethnic minority groups are numerically dominant in the population of these communes.

Table 2.7 presents data on access to schools, broken down by ethnicity and region. Around 79 percent and 68 percent of the extremely difficult communes have primary schools and lower secondary schools, respectively. The CRC data suggests that nearly 71 percent of households in the surveyed communes were aware of investment in schools supported by P135; and around 75 percent reported a high level of satisfaction with such improvements. However, the percentage of communes having upper secondary schools is very low, at around three percent. As these are the extremely difficult communes of the country, these figures are lower than the national average level reported through the VHLSS 2006. For instance, more than 95 percent of rural communes have primary schools, while less than 80 percent of the extremely difficult communes have primary school facilities.

Table 2.7 Access to schools (%)

	% commune having primary school	% commune having lower secondary school	% commune having upper secondary school
Average	79.0	68.1	3.0
Ethnic groups			
Majority	91.6	81.9	5.9
Ethnic minorities	76.2	65.0	2.3
Tay	85.5	73.5	3.2
Thai	89.6	89.6	9.3
Muong	89.7	85.2	7.2
Nung	74.2	40.5	0.0
Mong	64.5	60.0	0.7
Dao	67.4	58.4	0.0
Others	72.9	54.2	0.0
Regions			
Red River Delta & South East	100.0	86.6	13.7
North East	74.1	63.9	2.7
North West	81.5	78.0	4.4
North Central Coast	83.2	72.9	2.7
South Central Coast	74.9	52.6	0.0
Central Highlands	69.2	47.3	0.0
Mekong River Delta	100.0	92.3	0.0
Geography			
Delta, costal	100.0	92.3	7.7
Low mountain	93.4	79.2	0.6
High mountain	74.3	63.9	1.9

Source: authors' calculations from the BLS

Notes: these figures are obtained at the commune level; the classification of these communes by ethnicity is based on which ethnic minority groups are dominant in the population of these communes.

Access to healthcare services is widely considered to be as equally important as access to education. Table 2.8 assesses the availability of healthcare centres in the extremely difficult communes. Almost all the communes have commune health care centres. Notably, most of the households, according to the CRC data, revealed that they appreciated the support from P135 for upgrading or building new health stations. Where healthcare services were not available in the commune, households needed to travel an average of 20 kilometres to the nearest health centre. There is a long distance from communes to the nearest district hospital with the average distance being 17 km for majority groups and 28 km for ethnic minority groups. People who live in delta areas have a much shorter distance to travel to hospitals than people in mountainous areas. The BLS does not provide information on the conditions of the healthcare stations found in the extremely difficult communes, but it is commonly understood that these stations are only equipped with the most essential facilities and basic medicines for routine and simple afflictions. Hospitals at the district level or provincial level are expected to provide more complicated medical treatment.

Table 2.8 Access to health care centres and hospitals (% , km, and minute)

	% commune having health care centre	% commune having district hospital	Distance from commune to district hospital (km)	Travelling time from commune to district hospital (minute)
Average	96.9	1.1	25.8	93.0
Ethnic groups				
Majority	97.6	0.0	17.2	41.2
Ethnic minorities	96.7	1.3	27.7	104.2
Tay	100.0	0.0	21.8	71.9
Thai	99.0	0.0	36.0	120.9
Muong	98.7	1.3	26.3	70.3
Nung	100.0	7.9	19.3	124.0
Mong	91.0	0.0	30.2	137.0
Dao	100.0	0.0	33.5	139.4
Others	94.7	2.9	25.1	85.4
Regions				
Red River Delta & South East	93.3	2.0	22.1	48.0
North East	97.7	0.8	23.5	100.6
North West	97.8	0.0	39.9	127.2
North Central Coast	98.5	0.0	23.8	75.1
South Central Coast	90.9	4.0	20.0	97.7
Central Highlands	100.0	4.1	26.8	68.2
Mekong River Delta	92.3	0.0	9.8	24.7
Geography				
Delta, costal	92.3	0.0	9.8	24.7
Low mountain	95.4	0.6	18.4	47.8

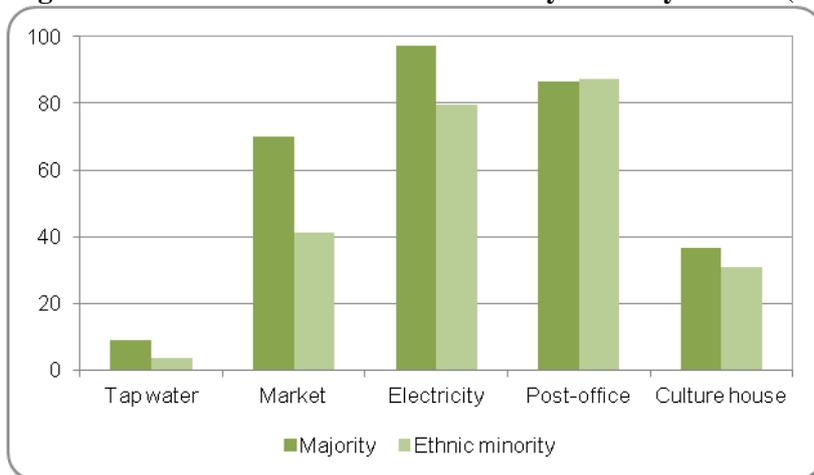
High mountain	97.5	1.3	28.5	107.5
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Source: authors' calculations from the BLS

Notes: these figures are obtained at the commune level; the classification by ethnicity is based on which ethnic minority groups are numerically dominant in the population of these communes.

In addition to access to education and healthcare facilities, other basic infrastructure is also important for improving living standards. Figure 2.3 provides a general picture by comparing the access to other infrastructure between the majority group and ethnic minority groups using data from the VHLSSs. It seems that there are considerable differences in access to tap water, markets and electricity across these two groups, while the access to post offices and cultural houses is essentially the same between the two. Access to tap water and markets is much higher for the majority than for ethnic minorities. The majority group also have a higher percentage of households using electricity than ethnic minorities.

Figure 2.3 Access to other infrastructure by ethnicity in 2006 (%)



Source: drawn from the data calculated from the VHLSS 2006

Given this general picture, Table 2.9 below provides further insight on the access to some basic infrastructure facilities in the extremely difficult communes of the country. It is noted that access to electricity in these communes was as high as the national average level calculated from the VHLSS 2006. On average, nearly 95 percent of these communes had access to the national electricity grid. Having a post office was found important for household welfare in previous studies on Viet Nam (see Baulch *et al.* 2008 for instance). In this regard, it is important to report that 86 percent of the extremely difficult communes had post offices. This coverage rate is considerably higher than the national average level obtained from the VHLSS 2006 (which was about 40 percent). The BLS also provides information on access to irrigation systems, which is important for agricultural production. On average, 62 percent of the extremely difficult communes reported having irrigation systems. Surprisingly, the coastal or delta communes are not different from other midland or mountainous counterparts in terms of access to irrigation facilities.

Table 2.9 Access to basic infrastructure facilities (%)

	% accessing electricity grid	% having a post office	% having a cultural house	% having a radio station	% having irrigation	% having a market
Average	96.6	86.4	22.2	39.4	61.8	30.6
Regions						
Red River Delta and Southeast	100.0	79.8	37.5	77.9	49.0	22.1
North East	97.3	87.4	17.4	32.5	66.9	38.4
North West	94.3	89.8	33.2	22.0	47.2	20.0
North Central Coast	93.3	79.0	25.6	37.8	64.1	29.8
South Central Coast	95.2	80.0	24.0	51.4	78.9	17.1
Central Highlands	98.8	90.5	14.8	49.7	58.5	9.5
Mekong River Delta	100.0	94.0	7.7	88.1	59.0	66.7
Main ethnic groups						
Majority	100.0	86.9	25.5	62.7	63.0	45.7
Tày	97.5	95.1	20.5	31.8	64.3	31.5
Thái	93.6	84.1	48.8	21.4	72.6	21.9
Mường	94.0	85.4	19.8	50.9	48.4	51.0
Nùng	100.0	84.3	0.0	14.7	48.4	15.7
H'Mông	96.0	79.7	8.7	16.8	51.6	34.8
Dao	96.7	91.0	25.8	30.5	67.4	29.6
Còn lại	94.5	84.9	21.2	52.5	65.8	15.4
Geography						
Delta, costal	100.0	94.0	7.7	88.1	59.0	66.7
Low mountain	100.0	92.9	27.7	53.1	66.9	50.0
High mountain	95.4	84.6	22.0	33.0	61.0	23.9

Source: authors' calculations from the BLS

Notes: these figures are obtained at the commune level; the classification by ethnicity is based on which ethnic minority groups are numerically dominant in the population of these communes.

In summary, although Viet Nam has provided significant support programmes for ethnic minority development, access to public services by ethnic minorities remains limited. Education levels amongst adults as well as school enrolment among children are lower for ethnic minorities compared to the rural average levels. There is also a large difference in educational attainment amongst ethnic minority groups. The Mong, Bana and H're are ethnic minority groups which have the lowest educational levels as well as the lowest enrolment rates.

The use of health care services is also lower for ethnic minorities than for the majority. However, the use of health care services for ethnic minorities tends to increase overtime. Perhaps the most successful health care policy initiative for ethnic minorities is the increase in health insurance coverage provided for ethnic minorities. The percentage of insured people among ethnic minorities increased significantly and is even higher than the percentage of the insured amongst the majority group.

Extremely difficult communes are notable for having poor infrastructure conditions. Both the majority ethnic group and ethnic minorities reside in these areas. Yet, the majority

group tends to live in communes which have better infrastructure such as road, schools, healthcare centres than ethnic minorities.

Chapter 3. Livelihoods of Poor Ethnic Minorities

How households diversify their resources for alternative livelihood activities is the key determinant of their well-being. In attempting to answer research question three, this chapter analyzes the livelihoods of ethnic minorities in the extremely difficult communes of the country. We first provide a narrative of labour market participation by the poor ethnic minorities. Given the data available to this study, the chapter then focuses on income sources generated from different livelihood activities pursued by poor ethnic minorities, before some stylized facts on each of the major activities are highlighted.

3.1 Labour market participation and labour allocation

How the labour market functions and labour market participation are key issues for poverty reduction policy formulation. At the micro level, the poor derive the main part of their income from work. At the macro level, labour markets are the major channels through which growth and global macroeconomic conditions affect households' living conditions and poverty. The BLS is not designed to capture expenditure and income, and the labour market indicators are limited in scope. As a result, it is not possible to measure unemployment or underemployment accurately, nor to distinguish between formal and informal sector employment. Other important employment information, such as on social security or information on those working in household businesses is also unavailable. In spite of these shortcomings, we have explored the information available to report on some core standard labour market indicators (shown in Table 3.1) and some stylized facts characterizing labour force participation of ethnic minorities in the extremely difficult communes of the country.

It is not surprising that employment rates in the poorest communes were as high as the general rate in rural Viet Nam. Nearly 90 percent of people aged from 16 to retirement age have jobs. This might reflect the fact that people at working age have to work as their income levels are too low to afford being out of the labour force. The fact that employment rates in the poorest regions such as the North East, North West, Central Highlands are higher than in the other two deltas strongly supports this notion. In addition, for some ethnic groups such as the Mong, Dao, Bana, H're, the employment rates are higher than 95 percent. As shown in Chapter 1, these are also the poorest ethnic groups in the country. As a consequence, the employment rate for the groups who speak the Kinh language or who speak few ethnic languages is lower than the other groups who speak both the Kinh and an ethnic language or only ethnic languages by an order of twelve percentage points.

Table 3.1 Participation in the labour market in the extremely difficult communes (%)

	Working in the past 12 months	Wage employed	Farming activities	Off-farm activities	Under-employed (less 30h/week)	Having one job	Having two jobs
Average	89.6	28.2	77.7	11.7	52.1	62.6	26.0
Ethnicity							
Majority	81.4	33.7	59.5	15.5	60.1	54.7	26.1
Ethnic minority	93.5	25.6	86.2	9.9	48.3	66.3	26.0
Tay	91.9	23.7	88.9	13.2	44.4	60.3	29.4
Thai	93.6	17.5	91.3	8.2	60.7	71.1	21.5
Muong	91.1	33.3	85.9	8.6	41.6	55.5	34.5
Nung	93.5	22.4	92.3	12.2	37.6	62.5	28.4
Mong	96.8	10.2	96.5	11.3	32.1	76.4	19.7
Dao	95.4	15.0	94.0	15.9	37.2	67.7	26.1
Others in NU	93.6	12.8	92.1	7.9	47.3	75.0	17.9
Bana	97.2	30.7	97.2	1.9	45.2	65.5	30.6
H're	98.4	34.3	97.5	1.8	90.8	63.3	35.1
Co Tu	86.9	14.6	85.8	2.2	66.3	71.9	14.3
Others in CH	91.4	27.2	89.8	2.5	55.4	63.8	27.2
Khmer	91.0	66.9	41.7	11.7	56.9	62.5	27.7
Others	97.0	28.6	95.5	1.3	61.1	68.5	28.4
Regions							
Red River Delta	83.0	29.0	72.8	8.1	45.9	56.6	25.9
North East	93.2	21.0	90.5	14.9	36.8	61.7	29.7
North West	93.8	15.4	90.6	8.6	50.9	74.0	19.1
North Central Coast	89.7	27.1	84.2	7.6	62.5	61.3	27.5
South Central Coast	93.0	26.5	89.3	6.9	78.6	63.7	29.1
Central Highlands	91.9	35.3	88.3	6.6	47.1	54.2	37.1
Southeast	86.5	55.1	49.7	10.8	63.1	57.4	28.9
Mekong River Delta	80.2	42.9	44.5	14.8	63.9	58.7	21.1
Gender of household head							
Male	90.0	27.0	79.8	11.6	51.8	62.7	26.2
Female	86.2	38.9	58.8	12.8	54.6	62.1	24.0
Daily language							
No or little Viet	94.2	24.3	85.7	9.1	45.7	70.0	23.3
Both Viet and ethnic	92.4	28.8	88.0	10.2	57.0	59.7	30.8
No or little ethnic	82.6	32.7	63.0	15.7	57.8	54.7	27.2
Poor vs. non-poor							
Poor	91.6	22.8	85.8	6.3	52.2	68.8	22.4
Non-poor	88.1	32.2	71.7	15.6	52.0	58.1	28.7

Source: authors' calculations from the BLS

Though employment rates are high across all the dimensions of the analysis, most working people are self-employed in agriculture (i.e. 78 percent). It is not surprising to see that the

majority ethnic group is less dependent on agriculture (less than 60% working in the sector). Wage employment, which is taken to mean mainly working for the authorities, is rather limited at around 28 percent. The incidence of wage employment in the extremely difficult communes is thus considerably lower than the rural average level of 39% (using the VHLSS 2006). The Bana, H're, Muong are as active as the majority but none is comparable to the Khmer group. With 66 percent of working people wage-employed, the Khmers are very active in paid employment. This might reflect the fact that they are hired by other households to work on their farms on a daily or weekly basis. On average, the incidence of wage employment is also higher in the South than in the North. This is in line with findings from previous studies on the labour market of Viet Nam (see Pham and Reilly, 2009 for instance).

It is noted that nonfarm diversification is modest in the extremely difficult communes. Less than 12 percent of working people participated in off-farm activities. Using the data from VHLSS 2006, the incidence of nonfarm diversification in 2006 was nearly 58 percent. Participation in nonfarm activities is almost negligible for ethnic minorities residing in the Central Highlands. The ethnic minority groups that are most assimilated to the Kinh such as Tay, Thai, Muong, Nung are as diversified as the average for ethnic minority groups. Surprisingly, the H'mong people, who mainly reside in high mountains, are as diversified into the nonfarm sector as the average level. In fact, nonfarm diversification could take place for both 'good' or 'bad' reasons. The latter refers to the pressure on the poor to diversify as a coping strategy, whilst the former implies the attraction of the rural non-farm sector (RNFS) to the better-off. In this regard, the welfare effect of nonfarm diversification depends on whether rural households are in a 'pull' or 'push' situation (using Hart's (1994) terminology). Some rural households may be 'pushed' into nonfarm activities in their struggle to survive, while others may be 'pulled' into them by their desire to accumulate. As the 'push' scenario is usually ascribed to poor households and 'pull' is more closely associated with the non-poor, the welfare effect of nonfarm diversification on rural poverty in general is not unequivocal. In the context of the extremely difficult communes in Viet Nam, it is likely that nonfarm income-generating opportunities available for ethnic minorities represents a 'push' scenario, and thus the contribution of nonfarm activities to improved living standards might be minimal. The final row of Table 3.1 shows identical levels of nonfarm diversification between the poor and the non-poor in the extremely difficult communes of the country. This also reflects the findings reported by Pham *et al.* (2008) who found that nonfarm diversification is generally a way out of poverty for rural households but the poor are less able to benefit from nonfarm opportunities.

We define underemployment by the common threshold of working less than 30 hours per week. Using this definition, it was found that more than a half of working people in the

extremely difficult communes were under-employed. Underemployment is particularly worrying in the (North and South) Central Coast, Mekong River Delta, and Southeast. For instance, nearly 80 percent of households in the South Central Coast revealed that they were underemployed. This incidence of underemployment is far higher than the average level in the rural areas. According to MOLISA, the underemployment rate of the rural labour force was about 29 percent in 2006 (GSO, 2008). This suggests an important feature of employment in the extremely difficult communes is that almost everyone of working age works (either for themselves on their farms or for others) but their employment activities are not sufficient and they are thus seriously under-employed.

To some extent, the analysis from Table 3.1 suggests a vicious cycle in the extremely difficult communes: most people have to take on some form of work activity but these are not sufficient to generate income surplus, leaving them in a poor condition but having little time to invest in human capital development that would result in better income diversification opportunities in the future. The subsection below provides insights into different sources of household income.

3.2 *Income sources for poor ethnic minorities*

The overall picture of income-generating activities amongst BLS respondents and their contribution to total household income is given in Table 3.2. In absolute terms, an average household member in the poorest communes earned 4.6 million VND/per year in 2007.¹⁶ But the average per capita income varies greatly amongst different ethnic groups. The majority group earned the highest at 7.4 million VND/per head/per year. This income level is at least two times higher than that earned by other ethnic groups (with the exception of the Khmer). In particular, the majority earned an income on average 3.6 times higher than the H'mong and around three times higher than the Bana, H're, and other ethnic groups in the Central Highlands. The Khmer, Muong, Tay, Nung, Thai respectively ranked after the majority in their average earnings per head. This suggests a strong correlation, though not a causal link, between assimilation to the Kinh majority and average income level. Figure 3.1 provides a better illustration of the income gap between the majority group and ethnic minorities. The vertical line represents the average income level in the extremely difficult communes. Most ethnic minority households are located on the left of the vertical line, representing lower income levels, while the majority are located primarily on the right side of the vertical line. Interestingly, it shows that at any income level on the right of the vertical line, the majority earn considerably more than ethnic minorities. This kernel

¹⁶ As noted in the Introduction, all income indicators in this study are given in the real terms of September 2007, when the BLS team started the data collection process. To facilitate the comparison of the analysis across sections and chapters, unless explained otherwise, per capita income is used.

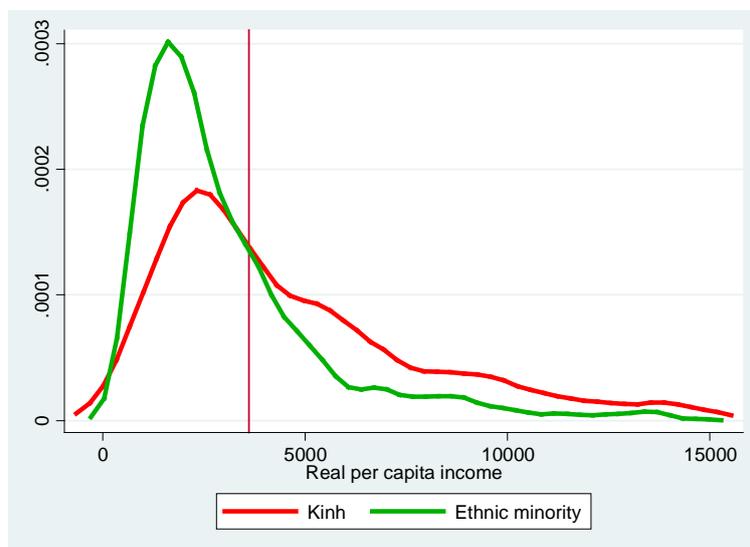
distribution of per capita income looks essentially the same as the kernel density of per capita expenditure between the two ethnic groups as reported in World Bank (2009).

Table 3.2 Real per capita income of BLS respondents by source (%)

	Structure of household income (per head)								Total
	crops	Live stock	Aqua	Forestry	Wage	Off-farm	transfer	Other	
Average	33.7	7.4	2.6	4.4	22.8	18.4	8.4	2.4	4,636
By regions									
Red River Delta	18.0	15.1	1.4	1.8	30.0	8.1	23.9	1.8	4,233
North East	38.7	14.6	1.0	8.7	18.6	7.8	9.1	1.5	3,242
North West	50.5	9.6	1.4	6.9	18.3	6.2	5.4	1.9	3,550
North Central Coast	20.4	12.6	1.5	8.7	26.0	10.4	15.3	5.1	3,727
South Central Coast	27.9	9.3	0.8	6.4	27.4	8.8	17.6	1.8	3,380
Central Highlands	53.7	3.4	0.4	1.6	26.6	7.5	4.8	2.0	4,702
Southeast	24.5	1.8	0.1	3.2	46.6	9.7	12.4	1.6	5,329
Mekong River Delta	28.1	2.0	5.4	0.5	19.9	36.1	5.3	2.7	8,357
By ethnic groups									
Majority	27.5	5.0	4.1	1.8	22.3	28.3	9.3	1.8	7,404
Ethnic minority	40.5	10.0	1.0	7.2	23.3	7.4	7.5	3.0	3,285
Tay	34.8	13.3	1.2	8.9	19.1	9.7	11.6	1.5	3,698
Thai	45.5	11.4	2.7	7.8	17.9	3.9	6.0	4.8	3,188
Muong	34.2	12.4	0.7	5.3	27.7	9.1	8.5	2.0	3,904
Nung	44.8	14.6	0.8	8.6	19.6	5.0	6.0	0.6	3,294
Mong	57.8	13.9	0.3	12.2	6.6	3.4	4.0	1.7	2,034
Dao	52.1	14.2	0.8	12.3	10.8	3.3	4.6	1.8	2,890
Others in NU	58.7	8.1	1.0	9.9	13.1	1.7	3.7	3.7	2,873
Bana	73.7	3.2	0.1	3.3	14.2	1.0	3.9	0.7	2,345
H're	35.8	11.7	0.4	5.4	24.2	1.9	19.9	0.7	2,547
Co Tu	26.6	4.7	1.3	15.3	23.5	0.6	21.1	6.9	2,969
Others in CH	44.9	2.1	0.6	10.6	20.5	1.2	16.1	4.0	2,671
Khmer	27.4	2.8	0.3	0.3	45.4	15.5	3.3	4.9	4,832
Others	38.8	5.6	1.1	8.9	25.0	1.1	13.6	5.8	2,568
Gender of household heads									
Male	36.0	7.6	3.1	4.7	20.9	18.6	6.8	2.3	4,544
Female	21.1	6.6	0.1	2.9	32.6	17.0	16.8	3.0	5,198
Daily language									
No or little Viet	43.9	9.3	0.9	7.6	22.9	5.9	6.6	3.0	3,001
Both Viet and ethnic	36.7	10.5	1.2	7.5	21.6	10.0	8.8	3.6	3,731
No or little ethnic	31.3	13.9	0.9	4.7	29.1	10.2	7.9	2.0	4,284
Poverty status									
Poor	49.6	12.5	-6.2	13.1	21.3	-0.5	7.4	2.8	1,300
Non-poor	31.5	6.7	3.8	3.2	23.0	20.9	8.5	2.3	7,121

Source: authors' calculations from the BLS

Figure 3.1 Income of the majority and ethnic minority groups



Source: drawn from the income data calculated from the BLS

There is also a spatial pattern in income distribution. Households in the poor communes of the Mekong River Delta earned highest compared to those residing in other regions. Compared to the other regions in the North and the Central Highlands, the average income level in the Mekong River Delta is higher by between 2 to 2.6 times. This might reflect the concentration of rice production in the delta. As suggested by Benjamin and Brandt (2004), removing barriers to trade and production in agriculture directly benefited the majority of Viet Nam's population whose livelihoods were closely dependent on small-scale subsistence agriculture. In addition, the average income level also varies by language ability. As expected, households that speak the Viet language and little or no ethnic languages earned more than those in the other two language groups. The most striking income gap is found between the poor and the non-poor. Figures in the last row of Table 3.2 reveal that the non-poor earned on average 5.5 times higher than the poor. It should be noted that this gap is also found between the poor and the non-poor living in the poorest areas of the country, where one would expect a low level of income inequality.

We now turn attention to the eight major income sources, including those from crops, livestock, aquaculture, forestry, wage, off-farm activities, transfers, and other sources. The structure of income reported in Table 3.2 mirrors the structure of income-generating activities reported earlier in this subsection. On average crop income, accounting for one third of total income, is the most important income source for households in the extremely difficult communes of the country. Wage and off-farm income ranked second and third with corresponding shares of 23 and 18 percent, respectively. These three sources contribute up to two thirds of the total income per head. The remainder is attributed to

livestock, forestry, aquaculture, transfers, and other income sources. It is important to emphasize that while land endowment in the extremely difficult communes is mainly forest land, forestry represents a modest and almost negligible source of income. On average, forestry accounts for less than five percent of the total income. There might be two reasons underlying this modest contribution of forestry as an income source. Firstly, in many locations forest land is classified as protected forest, making it illegal for households to exploit forestry resources. Secondly, where previously forests were almost cut down completely, the (former) forestry land is now used for low yielding staple crops and thus is not attributed to forestry as an income source.

Being classified as the extremely difficult communes of the country, many households in the areas covered by the BLS received considerable transfers from policies and programmes, remittances, pension, subsidies, and donations. These transfers contribute to the average income per head as much as livestock, and in nearly equal measure to income from forestry, aquaculture, and other sources together.

Figure 3.2 Income structure of the majority vs. ethnic minority households (%)

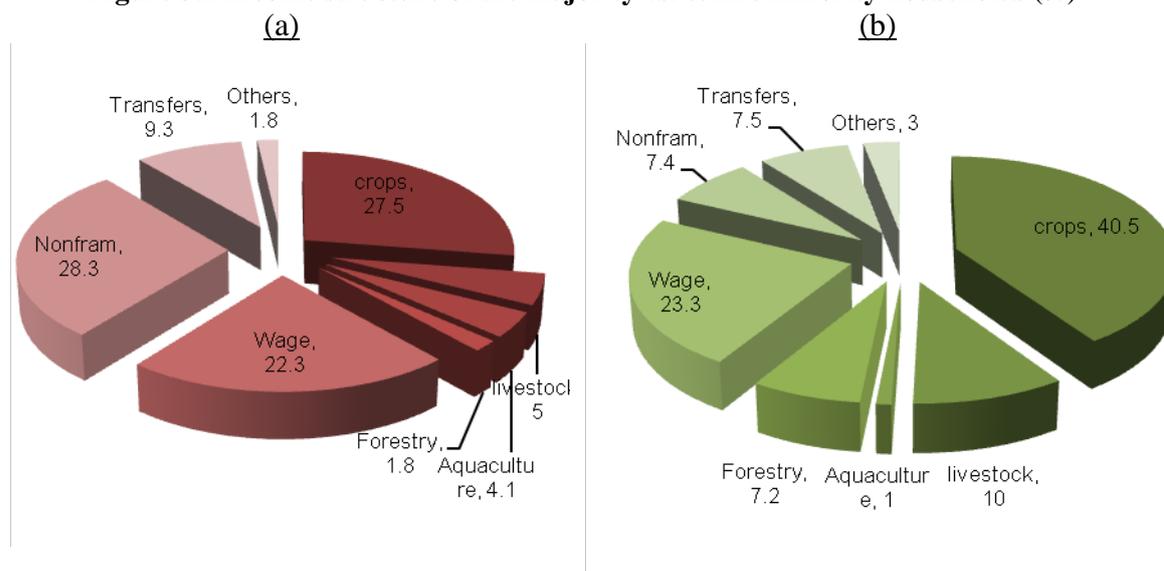
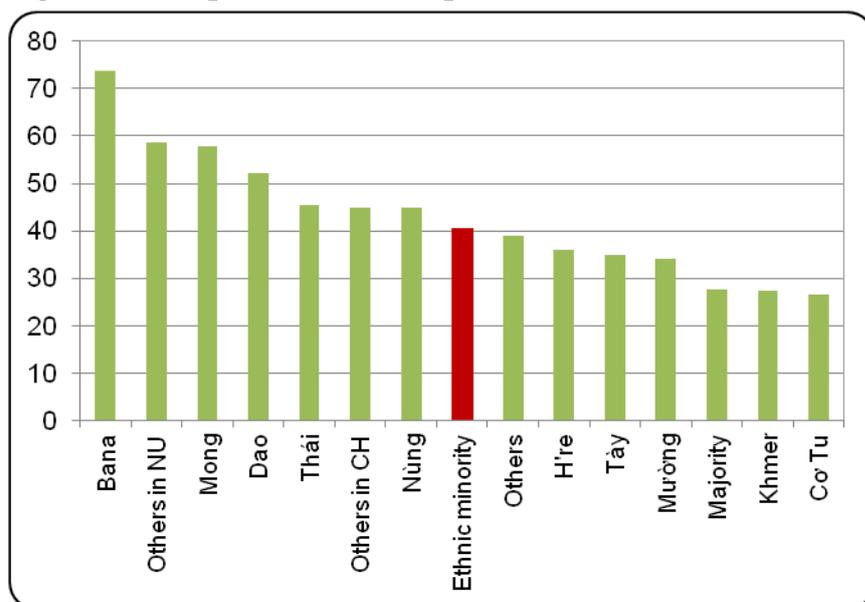


Figure 3.2 above is drawn from the income structure of the two groups with panel (a) for the majority, panel (b) for ethnic minorities. The pattern of income diversification for ethnic minorities is different from that of the majority in several aspects. *First*, the ethnic minorities rely heavily upon crops as their major source of income (i.e. 40 percent), while the corresponding figure for the majority is around 27 percent. *Second*, nonfarm activities represent the second most important income source for the majority. As calculated from the BLS, the nonfarm sector contributed up to 28 percent of the average per capita income of this group. In contrast, ethnic minorities earned only seven percent of their income from off-farm diversification. This is also consistent with the evidence found nationwide on the

incidence of nonfarm diversification in rural Viet Nam (Pham *et al.* 2009). Though forestry income is generally modest in the extremely difficult communes, the share of income from nonfarm activities is equal to that of forestry in the average income of ethnic minority groups. For the majority in this area, forestry income accounted for less than two percent of the real per capita income.

There is also a considerable difference between ethnic groups in their income portfolios. With the exception of the Khmer, who earned more than half of their income from wage employment, crop income remains the most important income source for all other ethnic groups. Figure 3.3 ranks the contribution of crop income to average income per capita according to ethnicity. The bar highlighted in brown represents the crop income share of ethnic minorities as a whole (which is equal to around 40 percent). All ethnic groups that are located on the left of this bar are more dependent on crop income. They consist of the Bana, Mong, Dao, Thai, Nung, other ethnic minorities in the Central Highlands and in the Northern Uplands of the country. Of these groups, the Bana in the Central Highlands exhibit the heaviest dependence on crops as an income source (i.e. nearly 74 percent). The ethnic groups that are located on the right of the highlighted bar earned less than the average for ethnic minorities from crop activities. These groups are the H're and Co Tu in the Central Highlands, Muong, Tay, and the 'other groups'. Both the Khmer and Co Tu are as dependent on crop income as the majority. In the case of the Khmer, this might be linked to their geographic concentration in the Mekong River Delta and their reliance upon off-farm employment there.

Figure 3.3 Crops as the most important income source (%)



Source: drawn from the income data calculated from the BLS

Female-headed households account for 11 percent of the total BLS sample and there is a gender dimension to the structure of household income too. As female-headed households possess on average less annual crop land than male-headed households, their income from agriculture is equal to only 46 percent of male headed households. Table 3.2 suggests that female-headed households in the extremely difficult communes are less dependent on crop income than their male-headed counterparts by an order of 15 percentage points. To compensate for this, female-headed households are more reliant on wage employment activities. Given the data available to this study, it is difficult to provide a satisfactory reason for this difference as detailed information on these wage employment activities is not available or not reliable given the small number of observations. However, one could postulate that as female-headed households are poorly endowed in landholding (see Chapter 1), they are more likely to seek work, such as providing wage labour for other agricultural households.

Finally, the difference in income-generating activities of the poor and the non-poor is noteworthy. The final rows of Table 3.2 report negative numbers for aquaculture and nonfarm activities of the poor. This is because poor households spent more on these activities than they earned as income. More importantly, while the non-poor earned nearly one fifth of their average income from the nonfarm sector, the poor compensated for losses from participation in nonfarm activities through their income from farming sources. Given this situation, the poor in the extremely difficult communes have little choice but to rely on agriculture as their main income source. For these households, crop income contributes a half of the total income per head, while the non-poor earned less than one third of their income from crop cultivation. Furthermore, the non-poor have annual cropland endowments twice the size of those of the poor, but their income from this land is more than three times higher that of the poor. This suggests that the non-poor used their crop lands more effectively compared to the poor.

3.3 Main livelihood activities of poor ethnic minorities

This last section of the chapter focuses on the main livelihood activities of households in the extremely difficult communes of Viet Nam. Using the data available from the BLS, we will examine some stylized facts on each of these main livelihood activities.

Livelihoods in agriculture

Table 3.3 gives an overall picture of land allocation across different crops, which we reported above as the most important source of household income in the extremely difficult communes. On average, households allocate 54 percent of annual crop land for rice, 29 percent for other staples and the remainder is for 'other crops'. There is however a great variety in annual crop land use patterns between the ethnic groups and regions. The

majority, Khmer, and H're use most of their annual cropland for rice. The Khmer in particular exhibit a heavy concentration upon rice with nearly 99 percent cropland used for rice. Khmer households possess substantially more rice land compared to the majority and any other ethnic groups. In absolute terms, the Khmer are endowed with 2.7 times more rice cropland than the average for the extremely difficult communes, and 1.8 times higher than the majority. This explains the high share (at 99 percent) of land in the Mekong River Delta used for paddy rice cultivation.

While households in the Mekong River Delta are most well endowed with paddy rice land those in the Northern Uplands and Central Highlands are better endowed with staple crop land. Consequently, the ethnic groups in these regions are more dependent on staple crops. In particular, the H'mong, Dao, Thai, Muong, others in the North West, the Bana, and others in the Central Highlands allocated more than half of their total cropland endowment for staple crop production, mainly maize and cassava. Interestingly, we found a considerable difference in cropland use patterns between the poor and the non-poor. While the non-poor allocated 70 percent of their cropland for rice, the poor used half of their cropland for other staples. This reflects the high concentration upon rice of the majority, who are less likely to be poor than the ethnic minorities. It is also consistent with the figures calculated for the language dimension, which shows that households that speak Vietnamese and little or no ethnic languages allocated nearly 82 percent of their annual cropland for rice production.

Given the dominance of rice production in the cropping pattern, it follows that rice income is an important source of household income. Indeed, Table 3.3 shows that rice contributed up to 52 percent of crop income (which is equal to nearly 16 percent of total income per head) in the extremely difficult communes. Other staples accounted for less than one third, with the remainder shared across perennial crops, fruits, and other related products. The structure of crop income mirrors the pattern of cropland use by the different ethnic groups. As the Khmer mainly focus on rice production, this livelihood activity represents 87 percent of their crop income. The ethnic groups in the Northern Uplands and Central Highlands (with the exception of the H're) are more dependent on staple crops as their major or the second most important source of crop income. Perennial crops do not represent an important source of crop income in general but turn out to be a major income source for the H're and other ethnic groups in the Central Highlands. This reflects the land endowment pattern in this area, which is particularly favorable for the production of perennial crops.

However, differences across poor and non-poor groups and differences by gender of household head noted above do not translate into differences in the structure of crop income. While the non-poor are more concentrated upon rice production than the poor, the share of rice income in total crop income is almost identical between the two groups. This

can be attributed to the fact that the non-poor, as highlighted earlier, are more diversified into other activities than the poor, especially wage employment and other off-farm income-generating activities (see Table 3.1). Though the share of rice production in the total crop income of the non-poor is not that different to the poor it should be noted that in absolute terms, rice per capita income of the non-poor is 3.4 times higher than that of the poor households in the extremely difficult communes of the country.

Table 3.3 Cropland allocation and structure of crop income (%)

	Land allocation (%)				Contribution to crop income (%)				
	Rice	Staples	Perennial crops	Fruits	Rice	Staples	Perennial crops	Fruits	Other by-product
Average	64.5	33.2	1.5	0.8	51.8	29.1	11.3	5.0	3.0
Regions									
Red River Delta	66.0	31.7	1.7	0.6	47.6	16.8	13.1	11.6	11.0
North East	46.8	49.0	3.3	0.9	48.7	33.4	8.9	5.8	3.4
North West	40.7	58.3	0.9	0.1	45.6	47.1	2.5	2.9	1.9
North Central Coast	71.9	25.3	1.5	1.3	55.0	23.7	10.7	6.2	4.4
South Central Coast	82.0	16.9	1.1	0.0	50.3	11.1	23.0	9.1	6.5
Central Highlands	34.0	58.5	0.8	6.8	28.7	40.5	28.9	2.3	0.3
Southeast	83.1	14.3	2.3	0.3	38.8	13.3	46.4	0.6	1.0
Mekong River Delta	99.4	0.1	0.4	0.1	82.2	6.5	6.3	3.8	1.2
Ethnic groups									
Majority	84.6	13.5	1.0	0.9	49.3	18.2	20.6	8.4	3.7
Ethnic minority	55.3	42.2	1.7	0.7	52.7	33.4	7.6	3.6	2.7
Tay	67.7	28.9	2.3	1.1	62.8	22.5	7.8	5.1	1.9
Thai	54.3	44.4	1.0	0.3	57.8	34.2	2.3	3.0	2.8
Muong	41.3	56.8	1.1	0.7	52.4	30.9	7.6	5.5	3.6
Nung	60.2	37.3	2.1	0.4	44.1	30.0	18.3	3.9	4.0
Mong	40.4	55.5	3.2	0.8	38.5	52.4	4.3	1.8	3.2
Dao	46.0	51.6	1.7	0.6	50.6	35.5	9.3	2.7	2.0
Others in NU	33.0	63.8	0.9	2.3	34.8	53.9	4.0	4.4	3.2
Bana	50.5	49.5	0.0	0.0	38.7	45.1	9.3	3.0	3.9
H're	93.0	6.9	0.1	0.0	49.0	6.1	32.5	2.9	9.5
Co Tu	59.7	38.0	2.3	0.0	57.1	32.9	1.7	8.1	0.2
Others in CH	53.5	43.3	1.2	2.0	43.4	34.0	18.8	1.8	2.0
Khmer	98.7	0.2	1.1	0.0	87.0	7.2	1.1	4.1	0.6
Other ethnic groups	44.9	54.1	0.9	0.0	40.8	42.7	11.3	4.1	1.2
Gender of household head									
Male	64.2	33.5	1.4	0.8	52.4	29.2	10.9	4.7	2.9
Female	68.2	29.4	2.0	0.4	46.4	28.4	13.9	7.3	4.0
Daily language									
No or little Viet	53.0	44.4	1.8	0.8	52.7	36.6	5.7	2.7	2.3
Both Viet and ethnic	63.3	34.9	1.3	0.5	53.2	27.3	11.3	5.0	3.3

No or little ethnic	81.8	16.3	1.0	0.9	49.7	18.9	19.4	8.3	3.8
Poor vs non-poor									
Poor	54.4	42.5	2.1	1.0	53.9	32.4	8.0	2.7	3.2
Non-poor	69.2	28.9	1.2	0.7	50.0	26.5	13.9	6.8	2.8

Source: authors' calculations from the BLS

Livelihoods from livestock, forestry and aquaculture

This sub-section attempts to analyze some aspects of livelihoods from livestock, forestry and aquaculture which contribute on average 15 percent of the total income of households in the extremely difficult communes. Table 3.4 reports income generated from these activities with a focus on the structure of livestock income.¹⁷ It seems that poultry is the main livestock relied upon as on average, it accounts for a half of all livestock income. Given this dependence on poultry and high reported incidences of poultry diseases (especially influenza A virus), livestock income is likely to be unstable over time, though the time dimension is not captured in the BLS. Raising pigs ranked after poultry as the second most important livestock activity. The ethnic groups in the Northern Uplands tend to earn more from livestock than those in the other regions of the country. While the Tay, Thai, Muong, Nung, Dao earned higher than the average level, earnings from livestock in the Central Highlands are generally lower. In particular, the Bana, Co Tu earned only one fifth compared to the average livestock income (per head) in the extremely difficult communes.

As shown in Chapter 1 and confirmed elsewhere, (see for instance Pham et al. 2009 using the VHLSSs) forestry accounts for the majority of ethnic minority land holdings in the extremely difficult communes. Forestry income is however modest. On average, forestry income levels are around a similar level to that from poultry, cows, and buffalos together. The ethnic groups in the Northern Uplands and North Central Coast earned considerably more than those in the rest of the country from forestry activities due to the structure of land endowments in these regions. Consequently, the Tay, Thai, Nung, H'mong, Dao, and other groups in the North West earned more from forestry activities than other ethnic groups.

Seafood export growth has been an important source of economic growth in parts of the country over the past decade. Aquaculture can be segmented into two broadly defined sub-sectors, including commercial aquaculture for export, and small-scale aquaculture for home consumption and/or supply to the domestic market. Unfortunately statistics on participants in aquaculture are limited and it is thus not possible to provide a breakdown on the composition of these numbers according to export and small-scale aquaculture

¹⁷ It is desirable that the details on other activities should also be covered in the study. However, data availability is a constraint for further disaggregated analysis of forestry and aquaculture activities.

production for the domestic market. Nevertheless, it is widely considered that most small-scale aquaculture is undertaken by poor farmers and fishermen. This point reflects the situation found in the extremely difficult communes. It is evident from the data in Table 3.2 that aquaculture is a marginal livelihood activity in the extremely difficult communes. Aquaculture is mainly focused in the Mekong River Delta, while diversification into this activity by ethnic groups in other regions is extremely limited. It is observed that the majority participate most actively and hence earn most from aquaculture compared to any other ethnic group. This might relate to the requirement to be able to obtain a certain level of technical knowledge and access capital for investment.

Table 3.4 Livelihoods from livestock, forestry, and aquaculture (% and 1000 VND)

	Structure of livestock income					Total live-stock	Forestry		Aqua-culture	
	Pork	Cow, buffalo	Castle	Poultry	Others		Trees	Services	Raising	Capture
Average	32.2	6.2	3.0	50.1	9.5	348	178	23	101	16
By regions										
Red River Delta	35.4	6.2	3.7	46.0	13.8	660	44	30	-36	1
North East	32.2	4.5	3.7	46.5	13.8	480	255	28	22	9
North West	34.3	5.7	3.1	49.8	7.2	341	211	32	38	10
North Central Coast	31.9	10.6	3.8	47.1	7.9	478	285	35	13	35
South Central Coast	21.2	5.3	1.6	66.2	5.8	315	169	18	19	6
Central Highlands	17.3	16.0	3.2	58.2	10.6	168	60	16	14	5
Southeast	13.1	32.5	0.3	54.7	0.0	97	145	27	5	3
Mekong River Delta	40.9	2.5	0.0	57.1	0.2	171	33	0	416	31
Ethnic groups										
Majority	32.6	6.0	2.4	53.8	7.5	379	121	10	275	16
Ethnic minority	32.0	6.3	3.2	48.8	10.2	332	205	29	16	16
Tay	32.6	4.4	2.6	46.1	14.6	498	309	19	22	20
Thai	34.8	7.9	2.2	46.9	8.6	363	208	41	51	32
Muong	40.5	6.2	4.9	47.2	2.9	490	187	21	22	5
Nung	28.0	-1.5	3.2	50.4	20.3	483	274	9	20	7
Mong	30.4	7.6	4.8	43.3	14.6	285	222	26	2	3
Tay	30.4	9.1	3.0	43.7	13.9	413	295	60	16	5
Others in NU	25.1	3.6	4.4	61.0	6.2	234	234	50	17	9
Bana	6.0	37.0	0.0	49.6	7.5	75	72	3	1	2
H're	16.5	3.1	0.5	73.4	6.6	298	136	1	10	0
Co Tu	8.4	9.7	0.1	80.2	1.6	139	285	58	24	16
Others in CH	15.4	14.2	10.1	58.3	4.4	58	166	91	6	10
Khmer	46.4	7.2	0.0	46.2	0.2	136	14	0	-22	28
Other ethnic group	24.1	-4.2	0.7	77.5	1.9	143	201	24	2	23
Gender of household heads										
Male	32.7	6.5	3.2	48.9	9.7	347	185	23	118	17
Female	27.8	3.7	1.9	59.9	7.9	348	132	18	-3	6

Daily language										
No or little Viet	29.4	7.6	3.5	49.1	10.9	279	192	31	8	16
Both Viet and ethnic	39.3	4.1	2.3	47.3	7.4	399	250	27	33	11
No or little ethnic	32.1	5.5	2.7	53.3	8.5	411	130	11	243	15
Poor vs non-poor										
Poor	29.3	3.9	2.7	52.6	12.4	166	146	22	-97	15
Non-poor	34.4	8.1	3.3	48.1	7.2	483	201	23	248	16

Source: authors' calculations from the BLS

Livelihoods and market linkages

Market linkages are crucial when growing cash crops, which are in turn critical for increasing the income of households in remote locations. This provides a strong rationale for the focus upon infrastructure development in Viet Nam's remote regions, as it does elsewhere in the developing world. In reference to rice production though, the author's calculations for this report reveal that rice grown is mainly for home consumption.¹⁸ On average, only 15 percent of the total rice output was sold by households in the BLS. The level of rice commercialization of the majority-headed households was considerably higher than that of ethnic minorities. While 31 percent of rice produced by the majority-headed households was sold, only eight percent of the rice output harvested by ethnic minority households was sold on the market. Industrial perennial crops were more market-oriented as nearly a half of these crops were traded. These proportions remain relatively stable when compared across ethnic groups, language ability, and gender of household heads. It is also noteworthy that communes in the Southern part of the country were generally more integrated into markets than those in the Centre or in the North. This could be linked to the fact that this is the major production centre for rice export and rice production in the South is more market-oriented as a consequence than in the other two regions.

In addition, the BLS reveals a monopoly of private traders in providing market linkages between the extremely difficult communes and district and provincial market. In the case of rice, nearly 85 percent of rice was actually sold to private traders. For other staple crops, 76 percent of commodities were bought by private traders. Unfortunately the BLS does not provide further information on these private traders and price margins. Pham and Konishi (2009) interviewed poor households in Son La and Dien Bien and found that the price margins taken by private dealers are anywhere between 20 to 50 percent. This high margin is partly due to (i) road conditions making access to remote villages difficult at times; and (ii) private dealers tend to dominate the transport of crops to market and are able to charge above normal transport rates.

¹⁸ We report the most important figures rather than provide full tables here to conserve space. But detailed indicators for commercialization of different crops are available from the authors upon request.

Though there has been great improvements in physical infrastructure in remote communes in recent years, the quality of access remains a concern (see Chapter 2). Our observations in poor communes, for instance in the North West, indicates that there are inter-village road systems to connect villages, and to connect villages to the commune centre. But all of these roads are small dust roads, making it difficult to travel during the rainy season. At times, some communes/villages can be completely disconnected from the rest of the country during heavy rains. As a result, access to market by poor households in remote communities can be extremely limited. Most households have no choice but to rely on private dealers for inputs such as seeds, livestock feed, fertilizers, and for selling their output. Though this is not necessarily applicable to other provinces or regions, this does suggest that difficult market linkages are likely to be an important obstacle to escaping poverty for the poor in difficult areas.

Limited market linkages does coincide with the provision of continued improvements in access to market facilities locally. Using data from the V(H)LSS, Pham *et al* (2009) reported a marked increase in the incidence of communes having new market infrastructure. This suggests that providing physical markets is important to promote commodity production in the poor communes. But this is certainly not sufficient. Promoting market linkages to generate income opportunities for the poor requires attention to both physical and institutional changes. Introducing innovative mechanisms to ensure that farmers in difficult areas can receive competitive prices for their output is therefore as important as improving transportation and market infrastructure.

Chapter 4. Re-Examining the Ethnic Income Gap

The gap in living standards between ethnic groups in Viet Nam has been an area of intensive research. Most of the existing studies have investigated the gap in living standards between the majority and the 53 remaining minority groups using the data available from the series of VLSSs and VHLSSs. While highlighting the gap in living standards, as measured by per capita household expenditure, these studies have decomposed this majority-minority gap into differences in endowment (i.e., characteristics) and treatment (i.e., returns to characteristics) effects between the majority and the other ethnic minority groups. The differences in both components are found to favour the majority (see Pham et al. 2008 for a review).

However, the existing literature suffers from three major limitations. *Firstly*, when examining welfare of ethnic minorities, most of the previous studies acknowledged an important role for ‘unobserved’ factors, which are partly attributed to heterogeneity in location.¹⁹ However, researchers are currently unclear as to how this heterogeneity affects results. But the effect could be large when comparing, for instance, a Kinh-headed household living in Hanoi and a H’re-headed household living in the Central Highlands. *Secondly*, previous studies have investigated the gap in living standards between the majority group and broadly defined minority groups at specific points in time using mean regression analysis. Although the aggregation of distinct groups is necessary and inevitable in such an exercise, the simple majority-minority dichotomy used in these studies is prone to distort important differences that may exist between individual ethnic minority groups.²⁰ *Finally*, as mentioned earlier, empirical evidence on the welfare status of ethnic minorities has been based upon data in the VHLSSs and VLSSs, which were not designed to be representative for ethnic minorities. This warrants caution in interpreting the evidence, especially in formulating policy suggestions based on that evidence.

In this context, the current study, using the BLS data, is intended to fill these gaps in understanding on ethnic minorities in Viet Nam, in the following ways. *Firstly*, the BLS interviewed different ethnic groups living in the extremely difficult communes of the country, which have relatively similar socio-economic characteristics. As a result, the

¹⁹ In these studies, the gap was examined using data on households residing in locations throughout the country. Given the observed substantial differences between the geographic regions and within these regions, this type of study is said to be subject to heterogeneity of location.

²⁰ This is largely due to data constraints. With the exception of the VHLSS 2002, the other VHLSSs and VLSSs provide relatively small samples of ethnic minorities. This renders it difficult to investigate the welfare gap across a more finely disaggregated selection of different ethnic groups as the estimation results could be sensitive and unreliable due to the small number of observations.

impact of location heterogeneity is minimized by the BLS itself. Thus, the welfare gaps between groups (if any) can be better indicators to evaluate whether there are ‘differences in returns’ (or discrimination, if labour economics jargon is used) to characteristics. *Secondly*, in addition to re-examining the ‘conventional’ majority-minority welfare gap, the BLS provides a unique opportunity to investigate the welfare position of around thirteen different ethnic groups in comparison to the majority group as the base. This enables us to produce, for the first time, insights on the welfare gap between a range of ethnic groups, using a finer and more disaggregated classification set of ethnic minorities.

This chapter adopts the Blinder-Oaxaca decomposition approach to examine the income gap across ethnic groups. As a starting point, this approach is applied to examine the income gap between the majority and ethnic minorities. Pursuing this approach in the current study involves two stages. First, the function of household income is regressed on a number of explanatory variables at the household level, including demography, education, landholding, access to basic infrastructure, access to policies and other support. Table A4.1 and A4.2 of annex 4 reports the mean regression estimates for the different ethnic groups using the above framework. These estimates are not the subject of discussion here to conserve space. However, the estimates are generally signed in accordance with priors and have plausible magnitudes. The ‘goodness-of-fit’ measures are satisfactory by cross-sectional standards, which is an important requirement given the decomposition analysis undertaken in this study.²¹

In the second stage, the estimates obtained from the first stage are then used to decompose the total income gap into the ‘differences in characteristics’ and the ‘differences in returns to characteristics’. For simplicity, these two components should be understood in the following way. Suppose that one majority-headed household A has one hectare of terraced land suitable for maize; another ethnic minority-headed household B has two hectares of terraced land of the same quality. Then the ‘differences in characteristics’ between household A and B is one hectare. Assuming that maize cultivation on their land is the only economic activity that the two households pursue and the total income of both households A and B (from maize cultivation) is VND 2,000,000; then the productivity of household A is two million/hectare, while that of household B is one million/hectare. In this case, this productivity could be considered as the ‘return’ to maize cultivation on terraced land; and the ‘difference in returns to characteristics’ between household A and B is one million VND. In this context, ‘differences in characteristics’ refers to how the majority and ethnic minorities differ in terms of demography, physical assets, education,

²¹ To avoid unnecessary difficulty for readers without an econometric background, this report will not describe the Blinder-Oaxaca decomposition approach adopted to investigate empirically the income gap between ethnic groups. Instead, the technical details are given in Annex 3 of the Appendix for further reference.

access to infrastructure etc. while 'returns to characteristics' refers to differences in how the majority and the ethnic minorities benefit from their characteristics.

After performing these two stages, we can see the relative importance of the 'differences in characteristics' component (also called the 'endowment effect') and the 'differences in returns to characteristics' component (also called the 'treatment effect') in the total income differential between the majority and ethnic minorities. The Blinder-Oaxaca approach will then be applied between the majority and each ethnic minority group that is identified in this study. The next section will focus on the results obtained from applying this approach using the BLS data.

4.1 *Income gap across ethnic groups: Empirical results*

The differences in household per capita income between the Kinh majority and ethnic minority groups are decomposed into the differences in characteristics and the differences in returns to characteristics in Table 4.1. The first two rows represent the decomposition of the income gap between the Kinh majority and ethnic minorities as a whole. This reaffirms findings from previous studies and notes a considerable income gap of 70 percent (i.e. 0.53 log point) between the two groups. The result reveals that around one third of the total difference is attributed to differences in the average characteristics of the Kinh and ethnic minorities. These are differences in landholding, educational attainment, household demographic features, access to infrastructure, and access to Government programmes and other support. Importantly, the remaining two thirds is attributed to differences in returns to the above characteristics. It should be noted that these differences are statistically significant at the conventional level. This finding reports a bigger scale of difference in returns compared to that found in Pham *et al.* (2008b). In that study data from the V(H)LSSs in the period 1992-2004 was analysed and it was reported that the differences in returns to characteristics contribute at least a half of the gap in household per capita expenditure between the majority and ethnic minority groups.

Table 4.1 Decomposition of the income gap

	Total differences	Differences in endowment	Differences in treatment
Kinh vs Ems	0.5311*** (0.047)	0.1796*** (0.065)	0.3515*** (0.053)
Kinh vs Tay	0.427*** (0.049)	0.0364* (0.02)	0.3906*** (0.056)
Kinh vs Thai	0.5302*** (0.057)	0.0656* (0.039)	0.4646*** (0.062)
Kinh vs Muong	0.3696*** (0.067)	-0.0031 (0.021)	0.3726*** (0.066)
Kinh vs Nung	0.4618***	0.0351	0.4268***

	(0.067)	(0.03)	(0.065)
Kinh vs H'mong	0.8745***	0.2022***	0.6723***
	(0.04)	(0.074)	(0.087)
Kinh vs Dao	0.5605***	0.0757**	0.4847***
	(0.051)	(0.041)	(0.068)
Kinh vs Other in NM	0.6195***	0.1983***	0.4211***
	(0.091)	(0.054)	(0.102)
Kinh vs Bana	0.7306***	0.1616**	0.569***
	(0.089)	(0.079)	(0.098)
Kinh vs H're	0.6722***	-0.0421	0.7142***
	(0.078)	(0.041)	(0.087)
Kinh vs Co Tu	0.5346***	0.1957***	0.3389***
	(0.09)	(0.057)	(0.08)
Kinh vs Other in CH	0.7421***	0.1844***	0.5577***
	(0.067)	(0.065)	(0.075)
Kinh vs. Khmer	0.196**	0.0511	0.1449***
	(0.08)	(0.039)	(0.086)
Kinh vs Others	0.7437***	0.2026***	0.5411***
	(0.079)	(0.062)	(0.086)

Notes:

(a) The decomposition in this table uses the set of majority coefficients as the reference group as in expression [3] in the annex 3;

(b) ***, **, and * denotes statistically significant at the 0.01, 0.05 and 0.1 levels respectively;

(c) Standard errors are reported in parentheses and are based on bootstrapping with 200 replications.

This chapter offers further insight into the gap in living standards between the Kinh majority and a number of individual ethnic groups. Table 4.1 reports the decomposition results for the differences in per capita income between the majority group and the other thirteen ethnic groups classified here. Figure 4.1 represents the raw differences in per capita income between the Kinh majority and other groups given in the first column of Table 4.1. The income gap of 70 percent between the majority and the ethnic minority is highlighted in red. The Khmer group has the smallest income gap to the majority compared with that of the other ethnic minority groups. Muong, Tay, Nung, Thai are the four ethnic groups that are arguably most assimilated to the Kinh majority. These groups are also better off compared to the average for ethnic minorities overall. The other ethnic groups are however lagging behind. Of the individual ethnic groups that could be statistically identified in this chapter, the H'mong experienced the largest income gap to the majority. Our estimates show that the income gap between the H'mong and the majority is nearly 140 percent. After the H'mong, the ethnic groups in the Central Highlands are found also to be significantly disadvantaged in relation to the majority. The Bana, H're and other ethnic groups in the Central Highlands suffered from an income gap of more than 110 percent to the majority. The 'others' group refers to small individual ethnic minority

groups residing in regions other than the Northern Uplands and Central Highlands and could not be separated as a single group in this study, due to the small number of observations in the survey. Not surprisingly, this group experienced an income gap of 110 percent compared to the majority group.

Figure 4.1 Income gap amongst the ethnic groups (%)

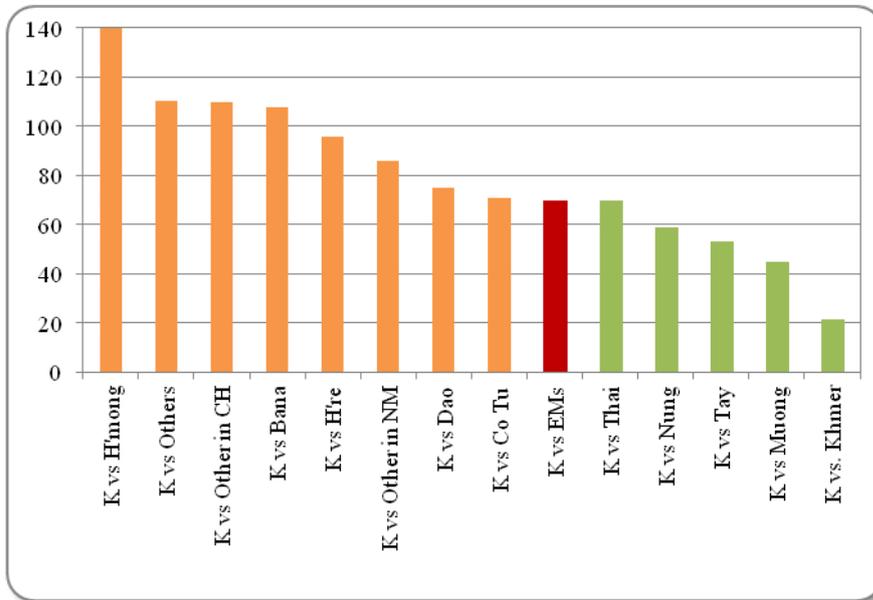
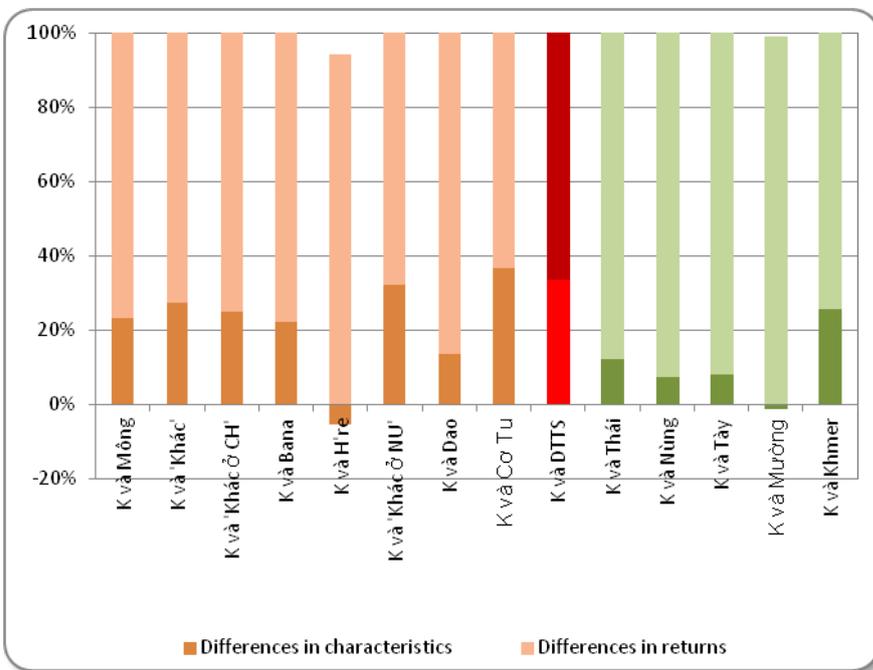


Figure 4.2 Differences in endowment vs. differences in returns (%)



To ease interpretation of the decomposition results, Figure 4.2 presents the endowment and treatment effects given in the last two columns of Table 4.1. The darker portions of the bar charts are the differences in characteristics, while the lighter ones are the differences in returns to characteristics. For the H're and Muong, the differences in characteristics

compared to the majority are negative, but not statistically significant. For all the remaining ethnic groups, it seems apparent that differences in the observed characteristics contribute less than one third of the total income differences. At least two thirds of the income gap is attributed to differences in returns to those characteristics.

The analysis above suggests that the endowment effects found in the extremely difficult communes under this study are comparatively smaller than those found in previous studies using the V(H)LSSs (Van de Walle and Gunewardena, 2001; Baulch *et al.* 2004, Hoang *et al.* 2007, Pham *et al.* 2008). This difference is plausible as the differences in household and community characteristics between the ethnic groups residing in the extremely difficult communes in this study should be less pronounced than the nation-wide average. This could be attributed to the plethora of policies and programmes to support poverty reduction, access to public services, and key infrastructure facility in these communes. However, the dominance of the treatment effect in the income gap between ethnic groups calls for further explanation.

4.2 *Income gap between ethnic groups: Search for an explanation*

One obvious issue is related to the empirical methodology used in this chapter. It should be noted that the differences in returns includes not only the coefficients of the explanatory variables themselves but also the intercepts, which capture unobserved factors. Candidates for these unobservable factors are very broad, ranging from the quality of endowments such as land, education and infrastructure to more subtle factors such as language, customs and practices, and even governance. Ideally, it would be best to carry out quantitative and qualitative analysis simultaneously. But this is too hard and costly to do in large scale surveys such as the BLS and the V(H)LSSs. In an attempt to shed light on the drivers of the treatment effects observed, the authors have drawn upon results from a host of Participatory Poverty Assessments (PPAs) and anthropological research on ethnic issues in Viet Nam, summarized in the World Bank (2009) VASS (2009) and our own analysis using the BLS and V(H)LSSs.²²

Language and Cultural Issues

In seeking an explanation for what drives the above ‘differences in returns’, one obvious possibility is the ability of ethnic minorities to speak the Vietnamese language. Inability to speak Vietnamese and some traditional cultural practices are often emphasized in qualitative studies as obstacles that prevent ethnic minorities from becoming better integrated into the economy and taking advantage of the new opportunities provided by

²² This analysis is drawn from the author’s contribution to Pham *et al.* (2009).

Doi moi reforms. For example, VASS (2009) found that language constraints underlied difficulties of ethnic people in accessing services and information. According to the World Bank (2009), ethnic women are often reported to be reluctant to use free services due to language and cultural barriers.

Language, however, is not the only barrier preventing ethnic minorities from benefiting from mainstream economic development. There may also be other socio-cultural factors. As discussed in World Bank (2009) these may include factors such as ‘community levelling mechanisms’ that create social pressure against excess economic accumulation; cultural perceptions of social obligations and a communal commitment to ‘shared poverty’; religious obligations that require economic expenditures; expectations on ascribed gender roles grounded in cultural traditions and practices; and communal ownership of land and assets. Minorities are also reported as being unable to undertake many economic transactions that the Kinh do, such as charging interest on loans and selling things to neighbours and kin. These are regarded as against ethnic minorities’ social norms and customs.

In an attempt to capture the impact of the ability (or otherwise) to speak Vietnamese and some other cultural factors, on the welfare status of ethnic minorities Pham *et al.* (2008) and Baulch *et al.* (2009) estimated a simple regression in which the per capita expenditures of ethnic minority-headed households were regressed on the set of the explanatory variables that is essentially the same as the one used in this study, augmented by matrilineal practice, religion, Vietnamese language ability. The results show that ability to speak Vietnamese is an important determinant of welfare for ethnic minority households. For instance in 1998, coming from an ethnic minority-headed household whose head was unable to speak the Vietnamese language decreases real per capita expenditure by nearly 10 percent. The association of Vietnamese language ability and expenditures is similar in 2004 and 2006. *Ceteris paribus*, a household head’s inability to speak Vietnamese is associated with a 10 to 12 percentage point reduction in the level of per capita expenditure for ethnic minority-headed households.²³ This finding is consistent with empirical results from elsewhere in the literature. For instance, Grafton *et al.* (2007) show linguistic barriers to communication reduces productivity and capital accumulation.

Returns to Land and Land Quality

As highlighted in Chapters 1 and 3, ethnic minorities possess more land than the majority and their land holdings have tended to increase over time. However, the ethnic groups’ land bundle consists mostly of forest land and low quality, non-irrigated annual crop land while the majority have much more water surface land and their crop land is usually

²³ Note that these regression results did not find any evidence that matrilineal practices or religion are statistically significant determinants of per capita expenditures of ethnic minorities.

irrigated and of higher quality. Baulch *et al.* (2009) show that more than 80 percent of the annual cropland of the majority group was irrigated, while only 44 percent of ethnic minority land was irrigated in 2006.

In addition, there are many factors that place ethnic minorities at a disadvantage in making use of their land endowments. First, ethnic minorities live in places where farm productivity and efficiency is generally lower. At the same time, agricultural extension services provided to ethnic minorities are often not appropriate as they are based on wet rice cultivation techniques applied in the lowlands (Jamieson *et al.*, 1998, World Bank, 2009, ADB, 2002). Rice varieties which are more appropriate to the soil conditions found in the mountains are often prohibitively expensive (VASS, 2009).

Second, ethnic minorities knowledge about their land rights is weaker than the majority. Historically, ethnic minorities have lived in land tenure systems in which community-managed land was not commoditized (Vuong, 2001). The land reforms in Viet Nam, which aimed to allocate land to individual households, have proved to be a big success for Viet Nam's development and poverty reduction (Ravallion and van de Walle, 2008). Yet, for many ethnic minority people, understanding and practicing their land rights is still a challenge (VASS, 2009). Not being able to communicate well in Vietnamese is a further barrier to some ethnic people's access to, and understanding of, land laws and procedures.

Third, ethnic customs and conventions restrain some ethnic people from exercising their rights over land. According to Vuong (2001, p.275) "communal land ownership bears the most characteristic of community-wide participation in land administration of ethnic minorities in the highlands, where land was a common possession; community members had the right to use but not to sell it; land administration was bound with religious beliefs and closely linked with territorial sovereignty and autonomous village governance structures". So, in the transition to a more market-based land tenure system, many ethnic households were unwilling to assert private land use rights. Indeed, ethnic households with abundant land have been found to lend it to those with less land for cultivation without any charge (VASS, 2009).

Given better land quality, the majority have generally been more successful in translating their land assets into higher returns under Viet Nam's new market economy. As shown in Chapter 3 of this study, the majority have diversified more within the agricultural sector, relying more on industrial and perennial crops and less on low-value staple crops, and often supplement their farm income with income from trading or services. Ethnic minorities, on the other hand, tend to be locked in staple and traditional agriculture (World Bank, 2009). While food crops are the most important source of agricultural income for ethnic minorities after rice, the majority households rely on industrial crops to supplement their income from rice production.

Education Quality and the Returns to Education

Quality of education could be an important unobserved factor underlying the aggregate component of ‘differences in returns’ reported above. Data on education quality is however rarely available. Furthermore, when assessing the returns to education it is past rather than current educational quality that is important. Our estimates on the determinants of per capita income show that, after controlling for other household and community characteristics, the returns to education of both the majority and minority groups are positive. Furthermore, they generally favour the Kinh/Hoa group at all schooling levels with the exception of the primary level (see Table A2 in the appendix). These results are similar to those of Baulch *et al.* (2009), who show that returns to education are higher for the majority households than the ethnic minority-headed households in cases in the period 1993-2004. The same results are also observed in Walle and Gunewardena (2001) for 1993 and Nguyen *et al.* (2009) for 2002, 2004 and 2006. This suggests that a generalized policy of education expansion will not be enough to close the ethnic education gap.

Regarding wage returns to education, the literature notes that education is an important factor in the wage determination process in Viet Nam (Pham and Reilly, 2009). It is likely that education is more important to wage and salary employees in rural areas than those who are self employed (either in agriculture or in the rural nonfarm sector). However, as highlighted in Chapter 3, ethnic minorities are much less likely to be employed as wage workers and are generally less mobile than the majority. Furthermore, not only is access to wage income limited for ethnic minorities, but the few ethnic minority workers who are wage employees are subject to lower returns than their majority counterparts with the same characteristics. Pham and Reilly (2009) examined the ethnic wage gap using data from the VHLSS 2002. After controlling for education, experience and other relevant characteristics, they report that majority group workers earn nearly 11 percent more on average than their minority counterparts. Around two-thirds of this earnings differential is attributed to ‘differences in returns’. So the returns to education are lower for ethnic minorities than for majority wage workers.

Misconceptions and Stereotyping of Ethnic Minorities

An important source of the ‘differences in returns’ is very difficult to quantitatively measure and is a sensitive issue in policy debates in Viet Nam. It is quite common for some Kinh people to have ‘negative stereotypes’ of ethnic minorities, and these stereotypes might serve to disempower or deprive the minorities of their economic and other rights. Our own observations (based on considerable experience working in the areas of ethnic minority development) suggests that ethnic minorities are frequently considered as less developed, and at times less ‘civilized’ or more ‘backward’, than the Kinh. For several reasons, ethnic minorities have long been considered as different from Kinh and the

attention paid to poverty reduction in upland areas by the Government and international donors has served to reinforce the longstanding perception that minorities are economically backward and should be assisted to ‘catch up’ to the Kinh (World Bank, 2009). Given these negative stereotypes, there has been a general tendency to assume that ethnic minority development should involve interventions to eliminate ‘backwardness’ and/or promote assimilation with the Kinh majority. Some ethnic minority development programs and policies in Viet Nam have included campaigns that try to change the ‘cultures’ of minority groups, including eradicating religion, primitive beliefs, superstitions, taboos and wasteful social ceremonies. Such interventions are intended to move the ethnic minorities up the ‘civilization ladder’ and to facilitate their ‘catching-up’ to the Kinh majority or even promote ‘Kinh-isation’. This reflects the widespread notion in many Southeast Asian countries that the majority populations should be considered as superior to ethnic minorities (Duncan, 2004).

It is not clear, however, how such misconceptions and negative stereotyping have actually prevented ethnic minorities from taking advantage of opportunities brought by the *Doi moi* in the same way as the Kinh majority. Viet Nam has laws which prevent discrimination, while Article 5 of the Constitution states that all people regardless of their ethnic origin are considered equal under the law. In addition, there are no cultural codes deeply embedded in society regarding peoples’ status or ‘place’, as is the case in societies in which caste is an issue (such as India). However, we argue that the existence of the above stereotyping and misconceptions in Viet Nam does result in one way or another in some harmful impacts on (or even implicit discrimination against) ethnic minorities. As ethnic minorities are portrayed as being ‘backward’ it could effectively decrease their participation as on the one hand they feel alienated and lose confidence to interact in mainstream society, and on the other it may incline authorities and officials not to listen or respond to ethnic minorities whom they might consider to be intellectually inferior or less ‘civilised’ in some ways.

A recent survey by the Institute of Ethnic Minority Affairs, described in the Country Social Assessment (CSA) of the World Bank (2009) provides evidence of a number of instances of negative stereotyping of ethnic minorities. For instance, belief that the minorities have less intellectual capacity can result in investment in Kinh development to “show minorities how to develop”, as was the case with migration programs in Quang Tri, rather than directly investing in minority communities themselves. Another example from the CSA where negative stereotyping was found is in the administration of micro credit in Dak Lak. There, the Ede reported that the staff of large commercial banks would state (either explicitly or implicitly) that minorities did not have sufficient credit worthiness to obtain large loans, and would therefore direct Ede to the Social Policy Bank. The belief of bankers that minorities couldn’t handle larger loans, or the belief among Ede that they would not receive such loans even if they asked, explains why many Ede have never taken

a large loan out, while many more Kinh have. Though it is not possible to generalize these observations to confirm that there is discrimination against ethnic minorities, the existence of such misconceptions and negative stereotyping does represent a source of disadvantage for ethnic minorities. This in turn could be considered another factor that contributes to the 'differences in returns' component of the ethnic expenditure gap reported in this paper.

In summary, using the findings from this chapter, several implications can be drawn. There is a considerable gap in living standards between the majority and ethnic minority groups. This gap is attributed mainly to the differences in returns to characteristics of the two groups. Remoteness is not the only source of the gap in living standards amongst ethnic groups. In the extremely difficult communes, the gap in per capita income between the majority and ethnic minorities is high and varies greatly from 20 to 140 percent. This suggests that poverty reduction efforts should not be implemented without thorough consideration given to the welfare status of individual ethnic groups.

Chapter 5. Recommendations for Future Policies and Programmes

This final chapter of the report will firstly review the current policies and programmes in operation to support poverty reduction for poor ethnic minorities. However, instead of providing a comprehensive review of these policies and programmes, this chapter will focus on the ‘mismatch’ between current policies and programmes and the characteristics of poor ethnic minorities (as analyzed in the previous chapters). The chapter will then produce a set of suggestions for future policies and programmes for poor ethnic minorities. These recommendations are based on the understanding of poor ethnic minorities as captured in the earlier chapters and the ‘mismatches’ highlighted in the first section of this chapter.

5.1 Review of current policies and programmes for addressing poverty amongst ethnic minorities

Viet Nam has had a plethora of policies and programmes aimed at poverty reduction but effective coordination among stakeholders is ‘missing’

Viet Nam has had a plethora of policies and programmes aimed at poverty reduction and improving living standards, including for the poor in general and specifically for poor ethnic minorities. These policies and programmes can be classified according to their scope and the approach of interventions as follows (see the box on the next page):

Comprehensive poverty reduction programs and projects are programs with a general approach aimed at improving all aspects of the life of poor households: in access to services (education, healthcare), infrastructure, production support (seeds, fertilizer, training and capacity building, agricultural extension), promoting commodity production and market linkages, vocational training, participation in the labor market. Most significantly there is Programme 135-II; National Target Program on Poverty Reduction, 2006-2010; Program for Fast and Sustainable Poverty Reduction in 62 poorest districts (Programme 30a).

Programs with a national approach that have direct or indirect impact upon improving people's living standards are National Target Programs (NTP) and other national programs, focusing on specific aspects of living standards. Notable examples include the NTP on Rural Clean Water Supply and Sanitation; NTP on Education and Training; NTP on Job Creation till 2010; NTP for Population and Family Planning, NTP on New Rural

Development. Most of the NTPs have been implemented through a second phase in the period 2006-2010, following completion of a first phase in the period 2000-2005.

Poverty reduction policies and programs with a regional approach are programs with an emphasis on support to certain geographical areas, which may or may not relate to poverty reduction efforts for ethnic minorities. The most notable are the Socio-economic Development Programme of Communes along the Viet Nam-Laos-Cambodia border (Decision No. 160/2007/QD-TTg); Job Creation Programme for Ethnic Minorities in the South West, 2008-2010 (Decision No. 74/2008/QD-TTg); Forest Allocation and Protection for Ethnic Minorities in the Central Highlands (Decision No. 304/2005/QD-TTg); Socio-Economic Development Programme in the Central Highlands (Resolution No.10/NQ-TW); SEDPr in Northern Mountainous Areas (Resolution No. 37/NQ-TW); Socio-Economic Development Programme in the Central Coast (Resolution No. 39/NQ-TW); and Socio-Economic Development Programme in the South West (Resolution No.21/NQ-TW).

Poverty reduction policies and programs with a sectoral approach support specific sectors such as education, healthcare, housing, access to land, clean water, afforestation. Some examples in this group are Programme 134 providing access to land, housing and clean water; Programme 167 providing support for poor households; the 5-million Hectare Afforestation Programme; the Programme on Healthcare for the Poor (Decision No.139/2002/QD-TTg).

Some poverty reduction programmes and policies for poor ethnic minorities.

Comprehensive Support

- The Socio-economic Development Programme for the extremely difficult communes in the ethnic minority and mountainous areas (Decision No.07/2006/QD-TTg)
- The Programme for Fast and Sustainable Poverty Reduction in 62 poor districts (Resolution 30A/2008/NQ-CP)
- Policy to support the ethnic minorities and policy beneficiary household, near poor and poor households and fishermen (Decision No.965/2008/QD-TTg)
- Support for basic needs of ethnic minorities in disadvantaged areas (Decree No.20/1998/ND-CP; and Decree No.02/2002/ND-CP)

Sectoral Support

- Support ethnic minority students in boarding high schools (Circular No. 109/2009/TTLT-BTC-BGDDT)
- Scholarships and social welfares for ethnic minority students (Circular No. 43/2007/TTLT-BTC-BGDDT)
- Support teachers in extremely difficult areas (Circular No. 06/2007/TTLT-BGDDT-BNV-BTC)
- Preferential loans for the ethnic minorities facing severe difficulties (Decision No. 32/2007/QD-TTg)

- Support the ethnic minorities, near poor and poor households, and social policy beneficiary households in areas without national grid (Decision No. 289/2008/QD-TTg)

Ethnic group support

- Development of Si La ethnic minority in Lai Chau Province (Decision No. 236/QD-UBND)
- Development of Si La ethnic minority in Dien Bien Province (Decision No. 237/QD-UBND)
- Development of Pu Péo ethnic minority in Ha Giang Province (Decision No. 238/QD-UBND)
- Development of Rơ Măm ethnic minority in Kon Tum Province (Decision No. 292/QD-UBND)
- Development of Ô Đu ethnic minority in Nghe A Province (Decision No. 304/QD-UBND)
- Development of Brau ethnic minority in Kon Tum Province (Decision No. 255/QD-UBND)

Regional Support

- Social-economic development support in the areas along Viet Nam - Laos - Cambodia border (Decision No. 160/2007/QD-TTg)
- Production land, housing land and job creation support for poor ethnic minorities in Mekong River Delta, 2008-2010 (Decision No. 74/2008/QD-TTg)
- Forest allocation and protection for ethnic minorities in the Central Highlands (Decision No. 304/2005/QD-TTg)
- Social-Economic Development Support for the Central Highlands (Resolution No.10/NQ-TW and Decision 25/2008/QD-TTg)
- Social-Economic Development Support for Northern Mountainous Areas (Resolution No.37/NQ-TW and Decision 27/2008/QD-TTg)
- Social-Economic Development Support for Central Coastal areas (Resolution No.39/NQ-TW and Decision 24/2008/QD-TTg)
- Social-Economic Development Support for Mekong River Delta (Resolution No.21/NQ-TW and Decision 25/2008/QD-TTg)
- Support ethnic minorities for resettlement (Decision No.33/2007/QD-TTg on 05/03/2007)
- Support for resettlement in the communes along the border with China (Decision No.60/2005/QD-TTg on 03/24/2005)

Source: compiled with modifications from Jones et al. (2010)

Having several policies and programmes to support the poor in general and poor ethnic minorities in particular that jointly contribute to poverty reduction is a distinctive feature of Viet Nam under *Doi moi* reforms. However, this also presents a problem. Jones *et al.* (2010) in a UNDP summary report on these policies and programmes concluded that 'overlapping' in programme design is very high. In terms of scope and beneficiaries, there are two major overlaps. The first is the 'overlapping' across poverty reduction programmes and policies in general. The second is the 'overlapping' amongst poverty reduction programs and projects targeted at ethnic minority groups. In terms of organization and management, there is considerable 'overlapping' between implementing and/ or 'owning'

agencies (most significantly among CEMA, MOLISA, and other line ministries) in implementing poverty reduction programmes and policies for ethnic minorities.

In principle, the 'overlapping' in poverty reduction programmes for ethnic minorities is not necessarily a limitation if programmes and policies are implemented in a way to ensure that there is no overlap in beneficiaries. As observed by Jones *et al.* (2010), localities do often try to ensure that the overlap in the design will not lead to overlap in beneficiaries. In addition, they usually integrate (at various levels) resources and plans of poverty reduction programmes and projects into their Social Economic Development Plans (SEDPs) and annual plans. In this way, 'overlapping' in implementation can be mitigated.

However, it is not easy to ensure that overlap in design does not become overlap in beneficiaries. Even if the locality can guarantee that the resources of all programs and projects are integrated in their annual socio-economic development plan, it remains a big challenge for full implementation of activities in accordance with the provisions of each programme or project. Jones *et al.* (2010) estimated that many localities must comply with 100 regulations and guidelines used for the existing programs and projects. It is obviously very difficult to fully implement the series of such provisions, especially in the condition of limited human resources at the local level.

Until now, there have been few studies about the consequences of 'overlapping' in management and implementation of poverty reduction programmes and policies. There are many agencies and organizations involved in the management and implementation of poverty reduction interventions and CEMA, as 'the standing committee' of the P135, is arguably the most important agency for poverty reduction programmes for ethnic minorities. MOLISA (with the National Target Programme (NTP) on Poverty Reduction, job creation programmes), MOET (with NTP on Education and Training; education support policies), Ministry of Health (MOH) (with NTP on Population and Family Planning; Healthcare support programs), Ministry of Natural Resources and Environment (MONRE), and Ministry of Agriculture and Rural Development (MARD) are implementing and/or 'owner' agencies of important poverty reduction programmes and projects. In addition, Ministry of Planning and Investment (MPI) and Ministry of Finance (MoF) also play a role in state management of poverty reduction projects supported by international donors. International organizations, governmental organization, and NGOs who have supported various programmes and policies are also key players in the implementation of poverty reduction programmes. In this given context, it is very difficult to ensure an effective coordination mechanism among the relevant agencies. It is likely that this lack of an effective coordination mechanism hampers the effectiveness of poverty reduction interventions for ethnic minorities.

How has poverty amongst ethnic minorities been addressed?

Have the plethora of programmes and policies tackled all facets of poverty?

There is no doubt that the above interventions have brought about significant contributions to poverty reduction for poor ethnic minorities, though at a slower pace than the average (see chapter 1). However, it can be seen that with the above intervention priorities, poverty reduction programmes for ethnic minorities mainly emphasize addressing disadvantages of ethnic minorities in terms of their endowments (i.e. the differences in characteristics). As shown in Chapter 4, these differences contributed as much as one third of the total difference in income per capita between the majority and different ethnic minority groups. However, a further important reason for the economic 'backwardness' of ethnic minorities, which is the difference in returns to characteristics, has not been paid due attention to when determining intervention priorities to reduce poverty. Put another way, the current plethora of poverty reduction policies and programmes have mainly aimed at ensuring that ethnic minorities are provided with production land, housing, access to public services, essential infrastructure. Comparatively little effort has been made to ensure that ethnic minorities really use and know how to take advantage of improved conditions to advance their living standards, and escape from poverty. There is also little attention paid, or interventions made to ensure equal (market) returns to endowments across the minority and majority ethnic groups.

Given the relative importance of differences in returns, the lack of awareness and interventions to tackle these differences represents a considerable shortcoming in existing policies and programmes for poverty reduction. To date, there does not appear to have been a single study that investigates the impact of this gap. This also raises a number of important questions, such as whether this gap is one (of several) reason(s) for the widening gap in living standards between the majority and ethnic minority groups? and whether this contributes to the lower rate of poverty reduction for ethnic minorities compared to that of the majority group? The answers to these important questions have not been provided for in the current literature. The hypothesis here is that the provision of access to public services, basic infrastructure facilities, and essential physical assets (housing, landholding) alone is not sufficient to tackle the multi faceted poverty of ethnic minorities. Attempts to narrow the differences in returns to characteristics between the majority and minority ethnic groups should also be considered as priorities for future poverty reduction programmes.

Do poverty reduction approaches for ethnic minorities have adequate 'sensitivity' to the differences between ethnic minority groups?

Except for some small-scale support programmes for very small ethnic minority groups such as Si La in Lai Chau and Dien Bien, Pu Péo in Ha Giang, Rơ Măm, Brâu in Kon Tum; Ó Đu in Nghe An, most poverty reduction programmes for ethnic minorities

generally target ethnic minorities as a single group. In other words, major poverty reduction programmes and policies have aimed to reduce poverty for ethnic minorities without distinguishing between individual ethnic minority groups. Consequently, poverty reduction for the 53 diversified ethnic minority groups is carried out using a ‘one-size-fits-all’ approach without adequate attention to differences in history, culture, language, community practices and other anthropological characteristics of each group. The question is whether such an approach is appropriate for the future?

There is no doubt that the 53 ethnic minority groups in Viet Nam have very different characteristics. They are distributed in different geographical areas with different topology and physical characteristics, and are thus endowed differently in terms of factors of production (mainly in agriculture). As far as language is concerned, the 53 ethnic minority groups in Viet Nam can be classified into seven different linguistic families, with distinctive cultures, practices and habits. In further considering anthropological factors, the 53 ethnic minority groups have very different origins; some of them originally came from Central Asia (the Tibetan–Burma linguistic family), some from Southeast Asia, Pacific regions migrating into the peninsula and then further into the highlands (Austro Island linguistic family), some migrating from South China, South Asia. After the many ups and downs of history, and despite their unity in the war of resistance for national independence and re-construction process, ethnic minority groups still preserve their own distinctive characteristics of language, cultural practices and norms. Studies have shown that these characteristics have important effects on household welfare. Under such circumstances, having a program or policy with a ‘one-size-fits-all’ approach for all ethnic minority groups is not sufficient to effectively address poverty amongst ethnic minorities.

This ‘one-size-fits-all’ approach is, as observed, widespread in the programmes and policies to support poverty reduction for ethnic minorities (except for some small support programs for ethnic minority groups with very few people, as mentioned above). Consequently, poverty reduction interventions have not been responsive to the individual characteristics of each ethnic group. This approach has certain advantages as it ensures uniformity in the implementation process, particularly where there is a ‘mixed’ distribution of ethnic minority groups in many locations. But it prevents the development of interventions that are responsive and sensitive to the characteristics and needs of individual ethnic groups.

Ensuring the availability of ‘access’ is not sufficient; ensuring ‘better access’ is equally important

There are two important issues that arguably determine the level to which ethnic minorities benefit from public services and basic infrastructure; (i) the degree to which ethnic minorities are able to access those services and facilities; and (ii) that ethnic minorities

have access to services and facilities that are as good as the average level. While the former has been the focus of existing policies and programmes, the latter has not been paid as much attention.

Analysis using data from the BLS as well as other data sources does not provide sufficient data on differences in the quality of access to public services and infrastructure between the majority and minority ethnic groups. However, it is widely recognized that the quality of public services and infrastructure in the areas with high concentrations of ethnic minorities are lower than the average nationwide and of rural areas. For instance, schools in poor communes under P135-II are less well equipped than those usually observed in rural areas. According to data from the Ministry of Education and Training, around 11 percent of schools are temporary in 2009 and most of them are in the extremely difficult communes. Though most of all the extremely difficult communes under the P135-II have roads to the commune center, these roads are of lower quality than the average in rural communes and could be difficult to access when there is heavy rain. Quality of drinking water is also lower than average in the rural areas.

To promote improvements in the quality of infrastructure and basic services in the areas with a high concentration of ethnic minorities is a big challenge, which might be even more difficult than ensuring the availability of services. It requires substantial efforts and various investment resources. If Viet Nam has succeeded over the past 20 years in ensuring that ethnic minorities can have *more* access to public services, and essential infrastructure, the challenge for Viet Nam in the next decade will be to ensure that they can have access to *better* public services, and infrastructure quality on par with the national average.

5.2 Suggestions for future policies and programmes for poor ethnic minorities

One central message of this study is that while living standards of ethnic minorities have clearly improved over the last decade, it is also clear that ethnic minorities have benefited less from Viet Nam's dramatic economic growth than the ethnic majority group. Our analysis suggests that for narrowing the gap between the majority and ethnic minorities, ensuring that future economic growth is more inclusive for ethnic minorities is essential. Given the evolution of the majority-minority gap over the past two decades, unless bold and radical steps are taken, poverty will soon largely be an ethnic minority phenomenon. This section provides a number of suggestions for future policies and programmes to support improvements in the living standards for poor ethnic minorities. These suggestions are structured into four groups; proposals/suggestions for changes in approach, focus, tools, and 'other' (e.g. suggestions that cannot be structured in any of the above ways).

Changes in approach

One comprehensive framework to support poverty reduction for ethnic minorities is a necessity, though some compromises will be needed

As highlighted in section 5.1, Viet Nam has a large number of policies and programmes specifically designed to assist ethnic minority development. The existing policies and programmes however exhibit substantial overlaps in design and implementation, leading to the involvement of many stakeholders. In principle, these overlaps might not necessarily lead to problems under an effective coordination mechanism among the key players (i.e. CEMA, line ministries, and donors). Unfortunately, such coordination doesn't currently exist in the context of Viet Nam. Therefore, the current plethora of policies and programmes to support poor ethnic minorities could be characterised as a 'spaghetti bowl'; a large mass of intertwined strands to policy lumped together and difficult to pull apart. One resulting outcome is the 'defragmentation' of resources stretched over this large number of programmes/policies. At this stage, it is plausible to argue that this large and complex mass of intertwined, but fragmented policies probably has a negative impact on the effectiveness of policies and programmes for poor ethnic minorities. The policy response required is a comprehensive and integrated policy framework to support poor ethnic minorities in the coming years. This framework will be necessary to provide orientation and direction for all future poverty reduction interventions for ethnic minorities and to ensure more effective coordination amongst 'key players', including CEMA, MOLISA some other line ministries, and international donors.

Given the current fragmentation of policies and programmes managed and implemented by a variety of key players, having them all coordinated under a single framework may prove extremely difficult given prevailing institutional interests in 'owning' particular programmes and policies. Therefore, developing such a framework and its associated coordination mechanism should be aimed for the period 2015-2020. From now until 2015, CEMA should play a central role in building consent amongst important stakeholders critical for the success of such a framework. Advocating for a comprehensive framework for ethnic minority development might lead to claims that a separate 'lane' for ethnic minorities is being created, or reinforced. This treatment may certainly provide privileges for poor ethnic minority groups and having such privileges might be discriminatory in nature. However, given the large and widening gap in living standards between the majority and ethnic minorities, this approach, albeit discriminatory in nature, is an appropriate response, in our view, to helping close the ethnic gap.

Impact on poverty reduction of promoting 'average equality' is diminishing and a more radical approach might be relevant

Reviewing the ‘mainstream’ policies and programmes (as above) suggests the popularity of an ‘*average equality*’ approach. This means that all the beneficiaries under a given policy or programme are expected to receive an equal amount of support. If resources are sufficient to ensure that this approach would in fact result in adequate resources allocated for each beneficiary, then this approach would certainly be most desirable. In fact, this hasn’t been the case. The ‘production support’ component under P135-II is a good example. Under this component, each P135-II commune is allocated an amount of approximately VND 300 million per year for all activities that are eligible for production support (as regulated in Circular 12/2009/TT-BNN). Considering the wide coverage of P135-II nationally, this amount is significant in total. But the amount is clearly not sufficient to, for instance, support a medium-sized commodity production project in a particular commune. Similar observations could be found under other components of the P135-II and/or in most of the main policies and programmes to support poor ethnic minorities.

Keeping this ‘average equality’ approach is important in the future to ensure that all poor ethnic minority communes receive a reasonable level of support. In addition to this average support however, providing extra resources and incentives for the well-performing and/or well-endowed beneficiaries will probably be desirable for at least two reasons. Firstly, extra resources will be needed to boost cash crop production or other productive activities in those communes that are well endowed with potential for these activities. Providing resources on an equal basis does not take into account the great heterogeneity amongst communes in their economic/ agricultural potential, while it has become widely accepted that there are specific locations that are extremely difficult for any sustainable income generation intervention to take hold. These could be locations of extreme hardship with very limited potential for livelihoods activities. For these locations, resettlement could be considered as an option, together with other political and cultural considerations, rather than spending further resources for socio-economic development.

Secondly, incentives for better-performers will be needed to provide a ‘push’ for the beneficiaries of the future policies and programmes to compete for additional resources, while an average level of support is still guaranteed for all. In fact, these incentives are almost absent in most of the ‘mainstream’ policies and programmes, while a variety of incentives are actually in places under (mainly) small or medium-scale projects supported by donors and NGOs. In the absence of incentives to reward good performers, there has recently been a concern that some beneficiaries tend to ‘passively’ over-rely on state support. Having these incentives available for the beneficiaries of future policies and programmes should be considered in order to both (i) encourage the efforts of poor

households and communes; and (ii) make extra resources available for well-performing beneficiaries.

It is important to note that a move towards providing incentives and extra resources will not necessarily result in problems as the ‘average equality’ (equal provision for all poor areas) approach is still in place to ensure that all beneficiaries will have access to a significant level of support. Having incentives is a way to facilitate more efficient use of scarce resources for poor ethnic minorities. In this regard, the resultant improvements are likely to be pro-poor in the sense that all beneficiaries will be better-off, while the most capable and innovative ones will have more resources to pursue sustainable improvements in their living standards. This (quite) radical change in approach would not necessarily require a significant restructuring of current (or future) policies and programmes. Instead, these policies and programmes should be implemented as usual. In addition to this ‘business as usual’ part, there should be an additional (or reserved) fund to be allocated for ‘innovative cases’ within the same set of activities. There are a number of activities that could be classified as ‘innovative’, including for instance, commodity production projects, non-farm business proposals, and cultural reservation and promotion with linkages to tourism. In order to govern this additional support component, transparency and simplicity in the allocation of the extra resources available would be crucially important.

One-size-fits-all approach has revealed its limitations, suggesting a role for a more ethnically responsive approach to poverty reduction for poor ethnic minorities

As highlighted earlier in this chapter, with the exception of some support policies for ethnic minority groups with very small populations, a ‘one-size-fits-all’ approach is observed in the current system of poverty reduction programmes and policies. Very few interventions have been carried out with an explicit awareness of differences amongst ethnic minority groups (except some interventions on training, public capacity building and communications which are delivered in different ethnic languages). This approach might be appropriate to circumstances over the past two decades given the priority was to reduce mass poverty as fast as possible. However, after 20 years of implementing many poverty reduction programmes, this approach has reached its limit and exposed certain shortcomings. This is consequently an opportune time to switch to a new approach which can ensure a greater sensitivity of interventions to the distinct characteristics of individual ethnic minority groups.

Language, cultural practices and habits, spiritual and religious values and beliefs have certainly impacted on the awareness and behaviour of individuals as well as on communities. Given cultural differences across different ethnic minority groups, it can be foreseen that where the same kind of intervention is undertaken, there will be differences

in participation and the level of benefits between different ethnic minority groups. For example, one poverty reduction intervention that is considered to be ‘good’ for the Mông might not necessarily be suitable for Dao or Pà Thẻn (even though these groups are classified under the same Mông-Dao language family), and might not be suitable for the Cơ Tu, Hre, and Bana in the Central Highlands. Do cultural differences lead to differences amongst ethnic minorities in benefiting from poverty reduction interventions? The knowledge of how culture impacts on household economic wellbeing is very limited. Ethnographic research is largely focused on cultural, anthropological or ethnic aspects without adequate attention to the impacts of economic factors such as income, employment, or other activities that result from economic growth. Likewise much research on poverty reduction in Viet Nam does not shed much light on cultural dimensions to wellbeing. In this context, there is clearly a need for further inter-disciplinary research on the relationship between the cultural features of ethnic minority groups and their economic life.

Given this, future policies and programmes for poor ethnic minorities should be designed in order to ensure the approach adopted is more ethnically sensitive. The fact that different ethnic minorities often reside in the same locations could be an obstacle to this, but this does not necessarily mean that the ‘one-size-fits-all’ approach should be used. At the central level, it is very difficult to ensure this sensitivity because it would make the designing of future policies more complicated. However, this sensitivity could be realized if an explicit and well-enforced principle is applied in planning and implementing activities, that requires provincial authorities or other local agencies at lower levels to consider this sensitivity when planning and implementing poverty reduction programmes and policies.

In addition, the objective of promoting greater ethnic responsiveness would be further promoted through strengthening participatory approaches and decentralization in the formulation and implementation of future policies and programmes. The participatory approach is stressed and implemented as a key principle in planning and implementing the activities of P135-II. The implementation of the participatory approach has ensured that people can have their voice considered in selecting investment priorities, and participate in implementing and monitoring investment decisions. This participatory approach needs to be further enhanced under future policies and programmes for poor ethnic minorities. It needs to be expanded and/or improved in order to ensure that investment priority decisions are made based on the essential needs of ethnic minorities.

Decentralizing to communes in implementation of programme interventions is another approach of P135-II, which should be retained and strengthened under future policies and programmes. Especially as discussed, the one-size-fits-all approach is no longer suitable,

and greater decentralization to communes is a necessity to ensure that interventions can be carried out in accordance with the specific conditions and characteristics of ethnic minority groups in each locality. If provinces or districts are allowed to use the resources available from future policies and programmes in accordance with their own experience and arrangements, their specific interventions are more likely to be ethnically sensitive. Therefore, it is important that a more ethnically sensitive approach should be considered as a fundamental principle in designing future policies and programmes for poor ethnic minorities.

Change in focus

Tackling ‘differences in returns to characteristics’

The central part of our analysis suggests two major sources of poverty amongst ethnic minorities. One concerns differences in ‘characteristics’ or ‘endowments’ of ethnic minorities; the other relates to differences in ‘returns’ to these characteristics. This result is also reported in previous studies using the data available from the V(H)LSSs in attempting to explain the widening gap between the majority and ethnic minority groups. In these studies, ‘differences in characteristics’ (including demographic characteristics, education, landholding, household level access to infrastructure and public services) account for less than a half of the total income gap with the remainder attributed to “differences in returns to these characteristics”. The econometric evidence is consistent and robust across different studies. In our study, we have examined the income gap between ethnic groups residing in the extremely difficult communes and the significance of differences in characteristics are thus partially mitigated. As a result, these differences as observed in our study account for less than one third of the total income gap between the majority and ethnic minority groups as a broad group, or across disaggregated ethnic groups.

Given these sources for the widening gap in living standards between the majority and ethnic minorities, the current focus of policies and programmes to support economic development of ethnic minorities is placed on narrowing the differences in characteristics, especially in providing access to public services, basic infrastructure facilities and key household assets (e.g. housing, land), and in some cases essential goods (e.g. food, fuel). The results in this paper suggest that geographically targeted interventions combined with the programmes to improve ethnic minority endowments that have been implemented to date have not able to counteract the rising differentials in treatment experienced by ethnic minorities. More importantly, we postulate that these differences in returns might exacerbate over time as markets tend to value human capital and other (household or

community assets) more correctly.²⁴ The time may therefore be appropriate for the Government, donors and NGOs to re-appraise the policies and programmes they have designed to assist ethnic minorities and, in particular, to recognize that interventions designed to reduce poverty and inequality also need to tackle the unequal returns that ethnic minorities receive from the investments currently made.

Tackling differences in returns is however a complicated task. In most countries, ethnic minority and indigenous groups are poorer than the majority population across several dimensions. According to IDS-CAF-DfID (2009), there are two broad sets of policies which have been used to narrow the differences in returns that are experienced by these ethnic minority or indigenous groups in other countries.

First, Equal Opportunity Legislation, which aims to prevent people with equivalent qualifications and experience from receiving lower wages, less access to jobs or government services on grounds of their ethnicity or gender, religion or sexual orientation. Following the 1959 revolution in Cuba, for example, equal opportunity legislation was enacted alongside broader economic and social policies, which had virtually eliminated the black-white gap in living standards by the 1980s. More recently, Ecuador's 1998 constitution has guaranteed indigenous people communal land rights, the right to education in indigenous languages, and to participate in decision making over natural resource use. However, despite the prevalence of equal opportunity legislation in these and other developing and industrialised countries, numerous studies show that gaps in wages and living standards are still prevalent.

Second, Affirmative Action programmes, which give preferential treatment to members of disadvantaged groups. For example in India, since 1950 a percentage of higher education places, government jobs and some parliamentary seats are reserved for members of the scheduled castes and tribes, the most disadvantaged groups in the country. Similarly, Malaysia's New Economic Policy of 1971 set targets for native Malay or *bumiputera* ownership of companies and their employment in different sectors. Affirmative action programmes, which have also been used in South Africa and the United States, are controversial and can be criticised for helping already relatively better-off members of ethnic groups, generating resentment among other groups, and undermining the principle of advancement based purely on merit. However, they have been defended on the grounds that they are the only effective way of tackling entrenched disadvantage amongst the most chronically poor in these countries.

²⁴ For instance, Pham and Reilly (2008) found negative or low returns to education in the market for wage employment in the early part of the 1990s. But human capital was found to be better valued as Vietnam transformed towards a more market-oriented economy. They argued this is because the market values human capital more correctly. This was also observed in other former socialist countries during their transition.

International experience also suggests that pursuing coordinated and integrated actions across a number of sectors is necessary to reverse ethnic minority disadvantage. Advocacy organisations, civil society platforms and NGOs run for and by indigenous minority groups have been important in enforcing legislation and breaking down cultural and attitudinal barriers to change amongst majority groups. For example, in Bangladesh, Indonesia, the Philippines and Thailand, the emergence of indigenous organisations has given greater voice to ethnic minority groups and provided a way to counter the ‘negative stereotyping’ of such groups prevalent in mainstream society. Indigenous organisation’s activities can enhance both the endowments and the returns which minority groups receive.

Continuing support for improving ‘quality’ of characteristics’.

The above initiatives do not necessarily imply reducing the support needed to improve ‘characteristics’. The analysis in this study suggests that there are still considerable gaps between access to public services and infrastructure for the households residing in the extremely difficult communes and the rest of rural Viet Nam. Therefore, continuing support to ensure better access for these households, especially ethnic minority-headed households, is still necessary. In this regard, the Government and donors have achieved important improvements.

However, our experience in the areas of ethnic minority development suggests that in addition to providing improved access, the focus of future programmes should be placed upon improving the ‘quality’ of this access. As noted in Chapter 4 of the current study, the differences in quality, which are unobserved and thus cannot be controlled for in our analysis, could be an important part of the unequal treatment component of the total income gap across different ethnic groups. Therefore, improving the ‘quality’ of access to education, healthcare, production support services, and the quality of infrastructure facilities should also be a priority. For instance, quality of schools and teaching in minority communities needs to be upgraded rather than new facilities built and similarly with healthcare services. In some areas, new inter-village or inter-commune car roads to villages need to be built, but it is probably not as important as upgrading the current road system to improve accessibility, especially under heavy rain.

In this regard, it is important to note that access to infrastructure and public services have been significantly improved by numerous programmes but the repair and maintenance of these facilities is often neglected, leaving them in a very poor condition, at least in many of the P135-II communes (Pham *et al.* 2009) or in the communes under the Northern Mountain Poverty Reduction Project (World Bank, 2007). Poor repair and maintenance has been discussed at times but little improvements have been experienced to date. Experiences in many poor areas, see for instance IRC (2010) for the case of Quang Ngai,

suggests that lack of maintenance resources is a key constraint. Budgets from local governments in poor provinces are likely to be insufficient for maintenance activities, while funding from other programmes are usually effective in the cycles of such programmes only. Future policy interventions should take this into account when prioritizing investment. As emphasized earlier, this could be very expensive given that ethnic minorities remain overwhelmingly resident in difficult upland areas.

Changes in tools

Conditional cash transfers should be piloted before popularizing under future policies and programmes for poor ethnic minorities

Following the success of conditional cash transfer projects (CCTs) like Mexico's PROGRESA,²⁵ which delivers cash transfers to poor families in rural Mexico conditional upon schooling or regular healthcare visits, many developing countries have implemented similar programmes in the hope of increasing family income and stimulating demand for social services. In most cases, it has been observed that CCTs work effectively in ensuring the responsible use of support for accessing public services in particular and poverty reduction support in general. Countries have been adopting or considering adoption of CCT programmes at a prodigious rate. Virtually every country in Latin America has such a programme. Elsewhere, there are large-scale programmes in Bangladesh, Indonesia, The Philippines and Turkey, and pilot programmes in Cambodia, Malawi, Morocco, Pakistan, and South Africa, amongst others. Interest in programmes that seek to use cash to incentivize household participation in child schooling has spread from developing to developed countries - most recently to programmes in New York City and Washington DC.

Literature from CCT evaluations has noted significant impacts of this mechanism upon participation in schooling, health, and reductions in infant mortality, child labour, and poverty. Transfers generally have been well targeted to poor households, have raised consumption levels, and have reduced poverty—by a substantial amount in some countries. In some cases, CCT programmes have often provided an entry point to reforming badly targeted subsidies and upgrading the quality of safety nets (see Fiszbein *et al.* 2010 for a review). There are cases of failure observed in the areas where beneficiaries do not have adequate access to public services, making it difficult for them to fulfil the 'conditions' applied under such CCT schemes. Given the successes, albeit at an early stage, the CCT

²⁵ This is a big programme in Mexico with an annual budget of US\$2.6 billion (equivalent to about 0.5% of the country's GDP). PROGRESA was introduced first under the Rural Programme 1997-2000 to cover about 2.6 million families from 50,000 villages (accounting for nearly 40% of rural Mexico). Based on the success of PROGRESA, the Urban Expansion 2001-2003 has added about two million families to the Programme.

mechanism has been wide considered as one of the most significant developments in social policy in recent years.

In the context of Viet Nam, the CCT approach is a new concept and has not been used within ‘mainstream’ poverty reduction policies and programmes. To date, it’s unclear why Viet Nam has been an ‘outsider’ to this CCT wave in the developing world. The starting point of widespread poverty (i.e. more than 58 percent of the population lived under the poverty line) in the early 1990s lends a likely explanation. In addition, the focus of investment on basic infrastructure and public services might have drawn attention away from supporting poor households and/or individuals directly. While the former approach is largely location-based in nature, the CCT approach is household-focused. Given the predominance of location-based support and the high incidence of poverty, there has been little room for applying CCTs in most of the past poverty reduction interventions.

However, after about two decades of poverty reduction, now could be the opportune time for applying CCT schemes. This suggestion is based on a number of reasons. First, significant improvements in poverty reduction have been secured, making access to public services increasingly available, even in the remote areas. It is therefore feasible now to apply CCT schemes to stimulate the effective use of public services and other support. Second, applying CCTs could provide a ‘push’ for poor ethnic minorities to use public services. Evidence noted in chapter 2 show that there are gaps between the majority and ethnic minorities in the level of access they have to public services in the extremely difficult communes – where the availability of these services is the same regardless of ethnic group. This could be taken to suggest that encouraging poor ethnic minorities to utilize the public services and basic infrastructure available is also an important issue. In this regard, applying CCT schemes could be a solution to promote the usage by ethnic minorities of public services and other support.

As the CCT mechanism is new to Viet Nam, it might be useful to pilot test CCT schemes in the first instance in order to raise awareness and thus acceptance of the public (including some key stakeholders) to this concept. One potential area for application of the pilot CCT could be in the next stage of the P135 (for the period 2011-2015). As this would be an experiment to raise awareness on the advantages of CCT mechanisms, a well-defined plan with structured technical assistance would be most useful.

Block grants should also be experimented with before popularizing in the future policies and programmes for poor ethnic minorities

Block grants are a special mechanism applied widely in the developing world for poverty reduction interventions. The block grant mechanism is similar to the CCT as described above. Perhaps, the most important departure of the block grant from the CCT mechanism is the target of these two schemes. While the former is community based, the latter is

targeted at individuals or households. The essential element of this block grant mechanism is to create a grant that the community has the autonomy to decide how to spend, (within perhaps some broad parameters) without having first to ask the permission of the fund provider. The spirit of having this block grant is to facilitate the pro-active usage of the grant by the community. This could serve as a way to promote the participation of local authorities, civil society, and beneficiaries in planning and implementing activities according to the grant funds available, which meet their high priority needs as they themselves define them. This is expected to ensure that interventions reflect the needs of the community without any outside determinants.

Similar to the CCT, the block grant mechanism has recently become popular in the developing world but remains a new concept for Viet Nam. There are currently some experiments by donors-funded projects such as the World Bank Northern Mountain Poverty Reduction Project (NMPRP-2), where block grants have been introduced to the targeted communes within six poor provinces in the Northern Uplands. AusAid's Implementation Support Programme (ISP) for the P135-II in Quang Ngai has also experimented with the block grant mechanism under the Commune Development Fund (CDF) facility. In both of these two examples, the grant is given for communes under a well-defined set of expenditure lines and rules. Active participation of the authorities, organizations, and people in selecting and managing the implementation of the activities is emphasized under both of these schemes. However, as these mechanisms are at an early stage of application, it is too soon to evaluate how these block grants will exert impact in the targeted areas.

The block grant mechanism should be further experimented with before popularizing in future policies and programmes for poor ethnic minorities. At this stage, it is plausible to say that the introduction of this scheme is in line with the decentralization approach adopted in the majority of poverty reduction interventions in Viet Nam. Exercising this mechanism will certainly reinforce a more active role for local stakeholders in directing support to what they consider to be the best interests and needs within the local context.

Other suggestions

Promoting a better understanding of ethnic minority poverty .

The existing database on all aspects relating to ethnic minorities is quite patchy. Some datasets, such as VHLSSs, allows disaggregation of ethnic minorities into small groups or even individual ethnic groups but observations are not sufficient for each group to infer any reliable estimates. With other data sets apart from the VHLSSs, only some larger ethnic groups can be identified. As a consequence, the current understanding on ethnic minorities is largely based on a majority-minority dichotomy. This dichotomy potentially

conceals important differences between individual ethnic minority groups. Poor classification and understanding of ethnic minorities can lead to inaccurate targeting of resources. Conversely, more accurate local data can help identify the most vulnerable minorities. In this regard, making the BLS available to the public could be helpful in having the research community more involved in producing further research and analysis on poor ethnic minorities. In addition, making use of the recent Population and Housing Census 2009 to depict how the ethnic minority groups have evolved since the previous Census 1999 will be informative in highlighting structural changes in demography, resource allocations, and other important characteristics of the ethnic minorities.

A better understanding of the poverty faced by ethnic minorities is clearly needed. As mentioned earlier, developing insights into the drivers of differences in returns to characteristics, which account for most of the gap in living conditions between different ethnic groups, is challenging. Given the Vietnamese context, no discriminations operating against ethnic minorities formally exist in the legislation. Better understanding of cultural differences is needed to clear up misperceptions and stereotyping of ethnic minorities within the ethnic majority mainstream. There are significant cultural norms in minority communities that often go against trends in the new market oriented economy of Viet Nam. These cultural norms vary by village and by ethnic group, making one-size-fits-all development interventions difficult. Responding to these cultural differences is not easy but will be required for more effective policy interventions in the future.

Technical assistance for future policies and programmes for poor ethnic minorities should be more systematic.

It has become clear that poverty reduction will be more difficult to achieve than it has been over the past two decades, for many different reasons. Most significantly, poverty is now focused on ‘pockets’ of poverty and thus has become more ‘stubborn’ to overcome, and more ‘resistant’ to poverty reduction interventions. In addition, as argued in this report, changes will be desirable in the approach, the focus, and the tools of future policies and programmes to tackle poverty. Therefore, there is a need for technical assistance associated with the design and implementation of these future policies and programmes.

One priority area for technical assistance is to ensure that implementation provisions (such as manuals on programme guidelines, training documents, etc.) are ready in the early stages of implementation for future policies and programmes for poor ethnic minorities. The case of P135-II lends strong credence in advocating for this priority. There was a significant gap between the start of the P135-II and the issuance of relevant guidelines and manuals. For instance, the inter-ministerial Circular No. 1 guiding implementation of P135-II was issued in September 2008; Bidding Manual in December 2008; the Circular

No.12 of MARD for the P135-II's Production Support component in March 2009. This delay has certainly resulted in difficulties, especially for local authorities, in implementing P135-II support effectively.

Whilst arguing for technical assistance, this report also calls for more systematic provision of technical support. In fact, technical assistance under the P135-II and other poverty reduction programmes has been delivered in an unsystematic (or even ad hoc) manner from a variety of consultants, either individual or institutional, when deemed appropriate. This allows the Programme to take advantage of the knowledge and experience of advisors at required times but reduces the efficiency of technical assistance because advisors have different levels of knowledge on the programme, work quality and different viewpoints. Therefore a more systematic approach to the provision of technical assistance, perhaps through a 'draw-down' mechanism, should be considered (especially by the donors) when mobilising technical support for future policies and programmes to support poor ethnic minorities.

Conclusions

This report examines the poverty of ethnic minorities in Viet Nam by exploring the baseline survey data of the 2nd Stage of the Programme 135, with reference also to the commonly used V(H)LSSs. Taking advantage of arguably the most comprehensive dataset on the household living standards of ethnic minorities in the country (the BLS), this study offers some novel findings to both supplement and challenge our current understanding of poor ethnic minorities. The key messages of this report can be summarized as follows:

First, though the Government and donors have brought several policies and programmes for poverty reduction to extremely difficult communes, there is still a long way to go in meeting poverty reduction objectives. Accounting for around 14.5 percent of the population, ethnic minorities now constitute more than a half of the poor population in 2008. The share of poor ethnic minorities in the total poor population has steadily increased from 18 percent in the early 1990s to 56 percent recently. Unless significant improvements in the living standards for poor ethnic minorities are achieved, poverty will be a particular phenomenon of ethnic minorities in the future.

Second, there have been significant improvements in the availability of basic infrastructure and public services for ethnic minorities in the extremely difficult communes. However, there is concern around how ethnic minorities have actually benefited from these improvements. The findings from this report suggest that, although having the same level of availability to infrastructure and public services as the majority ethnic group, ethnic minorities tend to utilize these facilities and services much less. Having some advantages over the majority group in terms of landholding (which is the most important physical asset of the poor), ethnic minorities have not been able to benefit from this advantage and tend to focus on low productivity livelihood activities.

Third, in attempting to shed light on the forces underlying persistent poverty for ethnic minorities, it is reported that differences in characteristics could explain as much as one third of the income gap between the majority and all other ethnic minority groups. Importantly, it implies that poverty for ethnic minorities cannot be solved simply by investment in infrastructure and public services. This suggests a shift is necessary away from the exclusive focus on the provision of basic infrastructure and public services prevalent in most of the current policies and programmes for ethnic minorities.

Fourth, the current policies and programmes have not fully addressed the multi faceted characteristics of poverty amongst ethnic minorities. The ‘one-size-fits-all’ and ‘average equality’ (equal distribution) approach, as shown in this report, are not sufficient to achieve the target of poverty reduction for ethnic minorities. It is opportune now to introduce

changes in approach, focus, and tools for the policies and programmes for poor ethnic minorities. It should be noted that as poverty in these difficult areas is stubbornly high, future efforts for poverty reduction for ethnic minorities will be more expensive compared to poverty reduction in rural areas generally, or in comparison to costs over the past two decades.

Fifth, among the policy suggestions drawn out in this study, we strongly advocate for a comprehensive policy framework to support ethnic minorities poverty reduction. In this framework, creating incentives to reward the potential and/or well-performing beneficiaries is important for the allocation of resources within future policies and programmes for poor ethnic minorities. It is also argued that future interventions need to be more ethnically responsive to the particular characteristics of individual ethnic groups. This can be achieved through further decentralization and through prioritising this as a central principle of all future policies and programmes supporting poor ethnic minorities.

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Appendix

Annex 1. The Baseline Study

As part of the impact evaluation package, the Baseline Survey (BLS) for P135-II was implemented by the General Statistical Office (GSO) in 2007, under the authority of the Committee for Ethnic Minority Affairs (CEMA) and with technical assistance from UNDP. This BLS is a first step in a two-stage evaluation process of the P135-II. The ultimate objective of this BLS was to establish the initial characteristics of communes and households before the commencement of the P135-II. It should be noted that the Viet Nam Household Living Standards Survey (VHLSS) 2006 was considered for this objective as an alternative to the BLS. However, the content of the VHLSS 2006 does not cover several aspects necessary for evaluating the P135-II. In addition, the VHLSS 2006 only provides information on 202 P135-II communes (i.e. equivalent to 12% of the total P135-II coverage) (GSO, 2008). In the next evaluation stage, the characteristics (concerning the outcome variables) need to be compared before and after the Programme. This will be the focus of a follow-up survey that is planned for 2010. Since changes before or after the programme cannot by themselves reveal the potential impacts of the Programme (as the outcomes observed may be due to other non-programme related factors), there is a need to select a ‘control’ group. The impact of the programme can thus be revealed by the ‘differences in differences’ between the ‘treated’ and the ‘control’ group before and after the programme.

The treatment group of the BLS consisted of 266 communes included under P135-II, which were randomly drawn from the list of 1,632 targeted communes of the P135-II. These communes were in turn selected from the 2,359 communes that had been supported by the P135-I during the period 1998-2005. This selection also ensured that the treated communes selected were spread over all the provinces that are included in the P135-II. The selection was made on the basis of the commune’s characteristics, including poverty rate, commune infrastructure situation such as access to roads, schools, health centers, electricity and markets. In order to construct the control group, it was necessary to find communes which were as similar to the P135-II communes as possible. In order to do it, the 2,359 communes from P135 phase I were employed. A logistic regression model was adopted to estimate the probability of being selected from these 2,359 P135-I communes into the P135-II. The logistic regression equation models the probability of being selected to the P135-II on a set of commune characteristics that capture all criteria used by CEMA to select the targeted communes in P135-II such as poverty rates, access to roads, electricity, schools, and health centres (GSO, 2008). A sub-list of the 724 communes that ‘graduated’ from the P135-I was then obtained with relevant selection probabilities. From this list, communes with selection probabilities higher than the average were identified as potential communes for the control group. Based on this, 134 communes for the control group were selected randomly. Given this, the 400 communes surveyed in the BLS could be considered as being amongst the extremely difficult communes in Viet Nam.

For each commune, one village was randomly selected from the list of all villages. This selection method was applied for both control and treatment groups. In each selected village, 15 households were selected for interview. The list of all households in the selected villages, drawn from the Agriculture Census 2006, was provided by the GSO. The simple random method was also applied to select the households at this stage. Two steps were taken. Firstly, 20 households were randomly selected from the list of all households in each selected village. Secondly, 15 households out of 20 households were randomly selected from the official list of households for the BLS. The remaining five households were used as the reserve for replacement. This process resulted in a sample of 6,000 households for inclusion in the BLS. As households were randomly selected from the 400 communes that were not randomly selected, sampling weights were used to obtain unbiased results reported in this study.

The BLS had a household module and a commune module. The household questionnaire mirrored that of the VHLSS 2006 (see Nguyen and Phung, 2007 for the details of the VHLSS) with two substantial modifications. First, the (sub)sections on expenditure, assets, savings, housing used in the VHLSS were dropped. The content of the remaining sections were simplified to exclude questions that were not relevant to the Programme. Second, new sections/questions were added on the participation of the P135-II households in the projects supported by the Programme. Similar to the household questionnaire, the commune questionnaire also mirrored that of the VHLSS 2006 with certain modifications. The VHLSS's sections on general information, infrastructure conditions, access to public services (i.e. schools, healthcare services) were simplified. New sections on the projects carried out over the past 12 months in communes, land endowments and nonfarm income-generating opportunities were added to the commune questionnaire (GSO, 2008). These two modules were then used to collect information from the households in the sample during a period from 4th September to 25th November 2007.

Pham *et al* (2009) were the first to explore this dataset in order to inform the baseline performance indicators for the P135-II. Their analysis suggests that this BLS is of high quality and could be used to provide a snapshot of multifaceted poverty of ethnic minorities. Our thorough investigation of the dataset shows that this is a dataset of high quality. Particularly, this is probably the most comprehensive dataset that focuses on ethnic minorities available in Viet Nam to date.

Annex 2. Dimensions of Analysis

Throughout the report we have analyzed living standards of the households residing in the extremely difficult communes from different angles. In addition to average indicators which statistically present the whole population in the areas we also provide analysis according to different dimensions identified by ethnic group, spatial region, gender of the household head, and language used in daily life.

At household level, we divide the households into 14 ethnic groups, including the majority Kinh and Hoa (Kinh people are the majority living all over the country while Hoa people are a minority living mainly in Ho Chi Minh City and some provinces in Mekong River Delta), Tày, Thái, Mường, Nùng, Mông, Dao and Other minorities in the Northern Uplands, Bana, H're, Cơ Tu, and Other minorities in Central Highlands, Khmer and Others. With this classification in the BLS sample, the smallest group (Bana) contains 90 observations. Having the Hoa in the majority group could be controversial. However, the Hoa (i.e. Chinese) accounted for less than 0.7 percent of the total sample (i.e. 41 households), therefore merging the Hoa to the majority group is not a problem in our analysis. Having the majority together in one group will facilitate comparison with the previous studies on poverty in Viet Nam. The number of observations allows us to draw statistical inferences with high credibility. Table A1 below summarizes the number of observations for each ethnic group available in the baseline survey.

Table A2.1 Distribution of household observations among 14 ethnic groups

Ethnic group	Observations	Percent
Majority	1,282	21.49
Tày	753	12.62
Thái	584	9.79
Mường	498	8.35
Nùng	292	4.90
Mông	808	13.55
Dao	578	9.69
Others in Northern Uplands	211	3.54
Bana	90	1.51
H're	120	2.01
Cơ Tu	90	1.51
Others in Central Highlands	309	5.18
Khmer	133	2.23
Others	217	3.64

Source: authors' calculation from the BLS

We also draw statistical inferences for groups of households identified by geographical region. Taking into account the geographical characteristics of regions in Viet Nam, it has been a

convention to divide the country into eight spatial regions, including: Red River Delta, North East, North West, North Central Coast, South Central Coast, Central Highlands, South East, and Mekong River Delta. It is worth noting that the regions not only differ in geographical aspects but they are also associated with locations of residence of different ethnicities. For instance, Tày people mostly concentrate in Lang Son, Cao Bang, Tuyen Quang, Ha Giang, Bac Kan, and Thai Nguyen provinces of the North East region; Khơ me people, however, live mostly in Soc Trang, Tra Vinh, Bac Lieu, Ca Mau and Kien Giang provinces of the Mekong River Delta region. Using the eight regions in our analysis has one pitfall as the Red River Delta has only 75 observations (i.e. 1.3 percent of the total sample). However, merging this region into any other region is not plausible due to its distinct geographical characteristics. Therefore, we adopted the classification of these eight regions but will not focus on the indicators calculated for the Red River Delta in our analysis.

As the main objective of this study is to provide insights on living standards of ethnic minority groups at the most disaggregated level by ethnicity possible, we have tried to identify the main ethnic minority groups in each region. It is believed that the Tay, Thai, Muong, Nung residing in the Northern Uplands could be different from those Tay, Thai, Muong, Nung who migrated to the Central Highlands during the 1980s and 1990s. This tabulation using both regional and ethnic dimensions might provide us some further insights on within-group differences. However, such classification results in very small sizes for sub-samples of ethnic groups in each region (with the exception of the North West and North Central Coast) and are thus not employed in this analysis.

In addition, the baseline survey allows us to categorize households into three groups according to the language they use in everyday life. The three groups are: (i) those who speak only their ethnic language or mostly an ethnic language, (ii) those who speak both ethnic language and the Kinh language, and (iii) only Kinh language or with little ethnic language use. There are also 188 observations who speak only the Kinh language. But as this group accounted for nearly three percent of the total sample, we put this group into the category (iii) as above.

For analyses at the commune level, we calculate the averages using the whole commune sample and the eight regions. In addition, we create an ‘ethnicity’ indicator at commune level to keep our focus on the ethnicity dimension. Using the household-level data, for each commune in the baseline survey we identify the ethnicity with the largest population in the community. Then, the communes are divided into seven groups of the most populated ethnicity, including the majority, Tày, Thái, Mường, Nùng, Mông, Dao and Others. Once again, the ethnic classification follows the two criteria we discussed above. As we see in Table A2 which shows the number of communes in each ethnic group, Nùng group has smallest size with 17 communes. Other groups have sizes big enough for reliable statistical inferences.

Table A2.2 Distribution of commune observations among seven ethnic groups

Ethnic group	Observations	Percent
Majority	78	19.50
Tày	54	13.50
Thái	38	9.50

Mường	36	9.00
Nùng	17	4.25
H'Mông	55	13.75
Dao	39	9.75
Others	83	20.75

Source: authors' calculation from the BLS

Regarding the spatial dimension at the commune-level analysis, we added the Red River Delta and Southeast together as these two regions account for 5 and 12 observations respectively. This grouping would avoid potential errors in statistical inferences due to very small sample sizes. However, merging these two regions does not make practical sense in terms of regional representativeness, so we merged them purely for technical purposes and the commune-level analysis will not be based on the data calculated for this group.

Finally, we analyze the commune-level indicators at the third dimension identified by the geographical characteristics of the communes. At this dimension, 400 communes are divided into 3 groups including: (i) communes in low land areas, (ii) communes in low mountains, and (iii) communes in high mountain areas. In our sample, there is one coastal commune and two midland communes and these are merged into the first group of communes in the low land areas.

Annex 3. The Blinder-Oaxaca Decomposition Methodology

This study adopts the Blinder-Oaxaca decomposition approach to investigate empirically the income gap across different ethnic groups. In the first instance, the essence of this approach applied for decomposing the income gap using the ‘conventional’ majority-minority dichotomy will be outlined. Separate equations describing the determination of log per capita household income are specified for the majority (majority) and minority groups as follows:

$$\mathbf{y}_m = \mathbf{x}_m' \boldsymbol{\beta}_m + \mathbf{u}_m \quad [1]$$

$$\mathbf{y}_e = \mathbf{x}_e' \boldsymbol{\beta}_e + \mathbf{u}_e \quad [2]$$

where \mathbf{y}_j denotes the per capita household income expressed in natural logarithms for the j^{th} ethnic group (where $j = m$ or e denoting the majority and minority groups respectively), \mathbf{x}_j is a $(k \times n)$ matrix of household characteristics (e.g., household structure, education of members, household landholding) and community characteristics (e.g., infrastructure conditions); $\boldsymbol{\beta}$ is a $(k \times 1)$ vector of unknown parameters capturing the effect of the relevant covariates on log per capita expenditure; \mathbf{u}_j is a $(n \times 1)$ vector of random error terms for which the standard assumptions apply for estimation by Ordinary Least Squares (OLS).²⁶

Using the Blinder-Oaxaca decomposition approach (Blinder, 1973; Oaxaca, 1973), the estimated mean ethnic difference in log per capita household expenditure can be expressed as:

$$\bar{\mathbf{y}}_m - \bar{\mathbf{y}}_e = (\bar{\mathbf{x}}_m - \bar{\mathbf{x}}_e)' \hat{\boldsymbol{\beta}}_m + \bar{\mathbf{x}}_e' (\hat{\boldsymbol{\beta}}_m - \hat{\boldsymbol{\beta}}_e) \quad [3]$$

where the ‘bar’ denotes mean values and the ‘hat’ denotes OLS coefficient estimates, and the subscripts m and e denote the majority and ethnic minority groups. This allows the overall average differential in household expenditure between the two ethnic groups to be decomposed into a part attributable to differences in characteristics (known as the ‘explained’ or ‘endowment’ component) and a part attributable to differences in the estimated returns to characteristics between majority and minority households (known as the ‘treatment’, ‘residual’ or ‘unexplained’ component). The final part of expression [3] is sometimes taken to reflect the degree of unequal treatment or discrimination against ethnic minorities. This approach assumes that in the absence of unequal treatment the majority group’s coefficient structure prevails.²⁷ Given that these components are (log) linear in the estimated parameters, their sampling variances can be computed with ease.

The framework described from [1] to [3] above will then be used to decompose the welfare gap between each of the thirteen ethnic groups (see Annex 2 for details) and the majority group. By this decomposition, this study will provide insights on the ethnic welfare gap at the most disaggregate

²⁶ In the mean regression analysis, the effects of clustering and stratification are taken into account in the estimation of the per capita log expenditure equation’s coefficient standard errors through exploiting the individual survey’s sample design features.

²⁷ The minority coefficient structure could be also assumed to prevail in the absence of unequal treatment. This can yield numerically different values for the component parts compared to expression [3] due to a conventional index-number problem.

level possible. Instead of using the subscript e for the whole population of ethnic minorities, each of the ten ethnic groups will be in turn investigated in comparison with the majority group using the above estimation framework.

As suggested by the literature, the set of regressors used in the decomposition framework above consist of various household and community characteristics. At the household level, demographic factors (i.e. household size, proportion of children aged from zero to six years old, proportion of children aged from seven to 16, proportion of male adults, proportion of female adults, types of households (i.e. nuclear family or different types of extended families)) qualifications of the most educated household members, and household landholdings (annual cropland, perennial land, and forestry) are specified. At the commune level, access to key infrastructure facilities (road to commune, road to village, public transportation, electricity grid, post office, cultural house, irrigation scheme, radio station) are included in the set of explanatory factors. In addition, as the extremely difficult communes have received several supports from the Government and donors, accesses to different programmes and supports, such as job creation, poverty alleviation, healthcare, culture and education, economic growth, environmental protection could have impact on household income, and thus should be included in the specification. Finally, whether the commune is the P135-II commune or not is included in the set of regressors used for our empirical analysis. A statistical summary of these variables is given in the Table A3 (see Annex 4).

Annex 4. Other Statistics

Table A4.1 Summary Statistics of major variables used in the income regression analysis

	Maj.	EMs	Tay	Thai	Muong	Nung	H'Mong	Dao	Others in NU	Bana	H're	Co Tu	Others in CH	Khmer	Others
Log of per capita income	8.33	7.80	7.91	7.80	7.96	7.87	7.46	7.77	7.71	7.60	7.66	7.80	7.59	8.14	7.59
Household size	4.15	5.02	4.51	5.33	4.30	4.68	6.04	5.34	5.35	5.55	4.38	5.48	5.55	4.25	5.21
Proportion of children aged from 6 to 15	0.18	0.23	0.22	0.24	0.18	0.22	0.27	0.26	0.29	0.21	0.19	0.24	0.27	0.21	0.21
Proportions of male adult aged from 16	0.34	0.30	0.33	0.31	0.33	0.32	0.25	0.30	0.26	0.28	0.32	0.27	0.26	0.31	0.27
Proportions of female adult aged from 16	0.38	0.33	0.35	0.33	0.37	0.35	0.27	0.31	0.29	0.28	0.37	0.30	0.29	0.36	0.28
Household type: parents and one child	0.17	0.12	0.13	0.09	0.18	0.15	0.07	0.07	0.09	0.09	0.19	0.11	0.08	0.17	0.09
Household type: parents and two child	0.27	0.23	0.29	0.21	0.28	0.20	0.13	0.22	0.22	0.21	0.21	0.14	0.18	0.30	0.19
Household type: parents and more than 2 child	0.19	0.27	0.20	0.27	0.14	0.21	0.39	0.25	0.46	0.38	0.15	0.48	0.42	0.21	0.36
Household type: three-generation	0.12	0.13	0.10	0.18	0.11	0.11	0.16	0.20	0.07	0.19	0.26	0.09	0.14	0.09	0.08
Household type: other types	0.17	0.21	0.23	0.23	0.23	0.29	0.23	0.24	0.15	0.11	0.13	0.15	0.14	0.17	0.22
Gender of household head	0.80	0.89	0.89	0.95	0.88	0.89	0.95	0.93	0.91	0.88	0.87	0.94	0.84	0.73	0.89
Most educated: primary	0.48	0.33	0.26	0.38	0.20	0.32	0.29	0.36	0.44	0.41	0.31	0.27	0.44	0.38	0.33
Most educated: lower secondary	0.24	0.27	0.37	0.28	0.43	0.33	0.18	0.26	0.18	0.11	0.27	0.44	0.20	0.16	0.19
Most educated: upper secondary	0.27	0.09	0.17	0.13	0.14	0.11	0.01	0.05	0.05	0.06	0.04	0.12	0.05	0.06	0.04
Most educated: vocational training	0.30	0.07	0.12	0.08	0.13	0.11	0.02	0.06	0.04	0.00	0.01	0.04	0.03	0.05	0.06
Annual cropland (1000m2)	0.11	7.29	3.79	7.85	4.73	5.11	12.28	8.77	13.5	11.7	6.9	7.6	7.94	4.36	7.55
Perennial land (1000m2)	0.14	1.35	1.16	1.07	2.07	2.27	0.66	2.13	0.60	0.81	4.76	0.34	3.42	0.48	0.81
Forestry land (1000m2)	0.48	9.48	13.18	11.13	7.55	12.18	6.23	25.31	22.7	0.82	5.77	2.59	0.21	0.00	1.35
Having road to commune	0.09	0.95	0.93	0.89	0.99	1.00	0.99	0.98	0.94	1.00	1.00	0.73	0.85	0.98	1.00
Having road to villages	0.65	0.68	0.68	0.67	0.94	0.72	0.48	0.67	0.68	1.00	0.77	0.66	0.81	0.53	0.93
Having public transportation	0.45	0.23	0.24	0.27	0.39	0.04	0.03	0.15	0.08	0.00	0.08	0.00	0.32	0.42	0.37
Having national electric grid	0.95	0.85	0.99	0.72	0.93	0.98	0.55	0.88	0.68	1.00	1.00	0.69	0.89	1.00	1.00
Having post office	0.27	0.90	0.97	0.90	0.89	0.92	0.80	0.94	0.91	1.00	1.00	0.54	0.87	0.97	0.81
Access to cultural house	0.26	0.21	0.20	0.44	0.25	0.10	0.10	0.19	0.49	0.17	0.04	0.20	0.34	0.02	0.05
Access to health centres	0.29	0.40	0.34	0.20	0.44	0.17	0.19	0.30	0.49	0.01	0.64	0.36	0.68	0.88	0.63

Access to small irrigation	0.08	0.63	0.65	0.64	0.54	0.58	0.48	0.71	0.63	0.51	0.78	0.79	0.57	0.79	0.66
Access to market	0.18	0.34	0.36	0.23	0.55	0.22	0.37	0.38	0.21	0.00	0.14	0.00	0.01	0.59	0.14
Having job creation project	0.42	0.18	0.27	0.13	0.05	0.04	0.13	0.10	0.02	0.00	0.48	0.33	0.11	0.39	0.18
Having poverty reduction project	0.14	0.43	0.63	0.33	0.24	0.52	0.53	0.63	0.52	0.51	0.83	0.21	0.38	0.09	0.51
Having economic development project	0.28	0.18	0.29	0.11	0.32	0.08	0.15	0.16	0.03	0.17	0.28	0.24	0.27	0.08	0.25
Having cultural and education project	0.38	0.28	0.14	0.28	0.47	0.27	0.33	0.39	0.50	0.57	0.42	0.41	0.35	0.00	0.46
Having healthcare project	0.25	0.13	0.05	0.19	0.15	0.10	0.23	0.11	0.61	0.01	0.03	0.07	0.05	0.00	0.01
Having environmental project	0.21	0.27	0.23	0.11	0.32	0.28	0.23	0.31	0.23	0.72	0.60	0.28	0.22	0.45	0.25

Source: authors' calculation from the BLS

Notes: 'Maj.' stands for 'majority'; 'EMs' denotes ethnic minorities'; 'NU' and 'CH' stand for the Northern Uplands and Central Highlands.

Table A4.2 Income regression results for the majority, the Ethnic Minority, Tay, Thai, Muong, H'mong

	Maj.	EMs	Tay	Thai	Muong	H'mong
Household size	-0.0196	-0.0774***	-0.1353***	-0.0435*	-0.0566	-0.0972***
	[0.045]	[0.012]	[0.023]	[0.025]	[0.04]	[0.011]
Proportion of children aged from 6 to 15	0.3684	0.4034***	0.3718**	0.0162	0.6814**	0.2374**
	[0.267]	[0.116]	[0.152]	[0.183]	[0.266]	[0.108]
Proportions of male adult aged from 16	0.4644**	0.917***	0.5538***	0.1226	1.0209***	0.2581
	[0.232]	[0.177]	[0.183]	[0.484]	[0.255]	[0.178]
Proportions of female adult aged from 16	0.4093	0.6935***	0.37	0.4645	0.2491	0.1885
	[0.288]	[0.171]	[0.239]	[0.374]	[0.335]	[0.157]
Household type: parents and one child	0.1249	-0.0107	0.1249	-0.3645*	-0.3391	-0.3987***
	[0.138]	[0.111]	[0.276]	[0.25]	[0.262]	[0.128]
Household type: parents and two child	-0.1727	-0.0245	-0.1443	-0.4478*	-0.513**	-0.5043***
	[0.166]	[0.099]	[0.233]	[0.246]	[0.243]	[0.137]
Household type: parents and more than 2 child	-0.3628*	-0.1106	-0.2538	-0.5302**	-0.6275**	-0.555***
	[0.217]	[0.11]	[0.274]	[0.264]	[0.273]	[0.126]
Household type: three-generation	0.0834	-0.1548	-0.1737	-0.6506***	-0.6207**	-0.5269***
	[0.24]	[0.118]	[0.291]	[0.243]	[0.285]	[0.142]
Household type: other types	-0.1111	-0.1207	-0.1259	-0.6898***	-0.4945*	-0.4878***
	[0.156]	[0.104]	[0.265]	[0.238]	[0.26]	[0.134]
Gender of household head	-0.0357	-0.0807	0.0605	0.1709	-0.0347	0.134*
	[0.133]	[0.105]	[0.115]	[0.142]	[0.156]	[0.081]
Most educated: primary	-0.1112	0.1438***	0.2537***	0.1792*	0.0577	0.1264**
	[0.14]	[0.042]	[0.072]	[0.112]	[0.148]	[0.049]
Most educated: lower secondary	0.022	0.2398***	0.3353***	0.309***	0.2393**	0.1765***
	[0.126]	[0.047]	[0.083]	[0.094]	[0.1]	[0.063]
Most educated: upper secondary	0.1932	0.4487***	0.6437***	0.5497***	0.2875***	0.2999**

	[0.15]	[0.073]	[0.107]	[0.139]	[0.103]	[0.125]
Most educated: vocational training	0.7378***	0.8295***	0.9368***	1.0034***	0.9681***	0.553***
	[0.162]	[0.124]	[0.129]	[0.155]	[0.148]	[0.122]
Annual cropland (1000m2)	0.0134***	0.0168***	0.0353***	0.0167***	0.0121*	0.0213***
	[0.001]	[0.003]	[0.013]	[0.005]	[0.007]	[0.002]
Perennial land (1000m2)	0.0046	0.0037*	0.0017	0.0023	-0.0003	0.0012
	[0.004]	[0.002]	[0.003]	[0.004]	[0.002]	[0.002]
Forestry land (1000m2)	0.0008	0.0001	0.0017***	-0.0001	0.0023***	0.0036**
	[0.001]	[0]	[0.001]	[0]	[0.001]	[0.001]
Having road to commune	0.246*	0.0502	0.1617	0.1005	0.9029**	-0.1928
	[0.135]	[0.095]	[0.137]	[0.19]	[0.442]	[0.298]
Having road to villages	-0.073	-0.0631	0.1052	0.0239	-1.1152***	-0.0557
	[0.12]	[0.065]	[0.091]	[0.11]	[0.415]	[0.057]
Having public transportation	-0.1282	0.0888*	0.1222	0.353***	0.2415***	-0.2163***
	[0.112]	[0.053]	[0.102]	[0.128]	[0.08]	[0.067]
Having national electric grid	0.2107	0.0708	0.2486	0.0506	0.0887	0.0586
	[0.285]	[0.066]	[0.219]	[0.089]	[0.156]	[0.05]
Having post office	-0.094	-0.0686	-0.2297**	-0.1904	-0.0878	-0.1681***
	[0.202]	[0.061]	[0.105]	[0.125]	[0.101]	[0.055]
Access to cultural house	0.0561	0.0387	-0.0022	0.2028*	0.2348***	0.3033***
	[0.084]	[0.061]	[0.077]	[0.11]	[0.087]	[0.079]
Access to health centres	0.0844	0.0253	-0.3234***	-0.0765	-0.1705	0.1437**
	[0.102]	[0.056]	[0.096]	[0.126]	[0.125]	[0.062]
Access to small irrigation	-0.0138	0.1055**	-0.0594	-0.0398	-0.0935	0.1758***
	[0.106]	[0.051]	[0.067]	[0.098]	[0.105]	[0.058]
Access to market	-0.0796	-0.0329	0.1596**	-0.2243**	0.1191	0.1019*
	[0.118]	[0.051]	[0.081]	[0.116]	[0.092]	[0.059]
Having job creation project	0.2635*	0.0049	-0.3577***	-0.1512	-0.7125*	0.0339
	[0.158]	[0.074]	[0.138]	[0.168]	[0.428]	[0.061]

Having poverty reduction project	-0.2016**	-0.1827***	-0.035	-0.098	-0.0126	0.0933
	[0.102]	[0.049]	[0.08]	[0.083]	[0.091]	[0.061]
Having economic development project	-0.1825*	0.0043	-0.1724*	-0.0124	-0.0498	-0.0249
	[0.105]	[0.051]	[0.09]	[0.159]	[0.07]	[0.064]
Having cultural and education project	-0.2092*	0.0787*	0.0794	0.3092***	0.1713*	0.0912**
	[0.125]	[0.046]	[0.083]	[0.114]	[0.089]	[0.045]
Having healthcare project	0.3243**	-0.0043	-0.0309	0.1926*	-0.2136	-0.0521
	[0.142]	[0.071]	[0.179]	[0.116]	[0.154]	[0.064]
Having environmental project	-0.0526	0.0712	-0.1231*	0.0054	0.23*	-0.056
	[0.093]	[0.058]	[0.074]	[0.137]	[0.121]	[0.061]
P135 communes	-0.1036	-0.1071*	-0.1021	0.0257	-0.0788	-0.1404**
	[0.089]	[0.061]	[0.096]	[0.085]	[0.072]	[0.066]
Constant	7.846***	7.4437***	7.7025***	7.6327***	7.8523***	8.0939***
	[0.391]	[0.215]	[0.404]	[0.38]	[0.47]	[0.352]
R squared	0.307	0.2652	0.2866	0.3273	0.2908	0.3474
Number of obs.	1264	4591	751	584	443	792

Notes:

(a) ***, **, and * denotes statistically significant at the 0.01, 0.05 and 0.1 levels respectively;

(b) Notes: 'Maj.' stands for 'majority'; 'EMs' denotes ethnic minorities';

(c) Standard errors are reported in parentheses;

(d) Regression results for income analysis of the other ethnic groups are available from authors upon request but not reported here for brevity.