

THE ECONOMIC DEVELOPMENT OF ETHNIC MINORITIES IN VIETNAM

Introduction

The rapid economic growth experienced in Vietnam during the 1990s and early 2000s resulted in unprecedented reductions in poverty. The 54 officially recognized ethnic groups within Vietnam'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 stubbornly low among Vietnam's ethnic minorities despite numerous policies introduced to assist these groups.

Vietnam has 54 officially recognized ethnic groups, of which the Kinh (the Việt or mainstream Vietnamese) account for 87 percent. With the exception of the Hoa (ethnic Chinese) and the Khmer and Chăm, the remaining 50 ethnic groups mostly reside in remote, mountainous rural areas and are economically and socially disadvantaged across a range of dimensions. The members of ethnic minority groups are estimated to be four-and-a-half times more likely to be poor than the Kinh-Hoa, and are also more likely to be malnourished, illiterate, and suffering from poor health. Despite comprising just over one-eighth of the national population, the minorities accounted for about 40 percent of the poor in 2004. Some government agencies forecast that by 2010, the ethnic minorities will constitute more than half of Vietnam's poor population.

This ESRC-DFID funded research project has investigated why ethnic minority peoples have failed to share equally in the benefits of Vietnam's recent rapid economic growth, despite the plethora of government programs designed to assist them.¹ In particular, it has focused on analysing which ethnic groupings have benefited the most from Vietnam's recent economic growth and why the gap in ethnic living standards has been increasing over time using the Vietnam Livings Standards and Housing Living Standards Surveys. Because this is where the vast majority of ethnic minority people live, this analysis was restricted to rural areas. While the project is not intended to evaluate policies, it also conducted a review of the numerous ethnic minority policies and programs operating in Vietnam, focused on how these

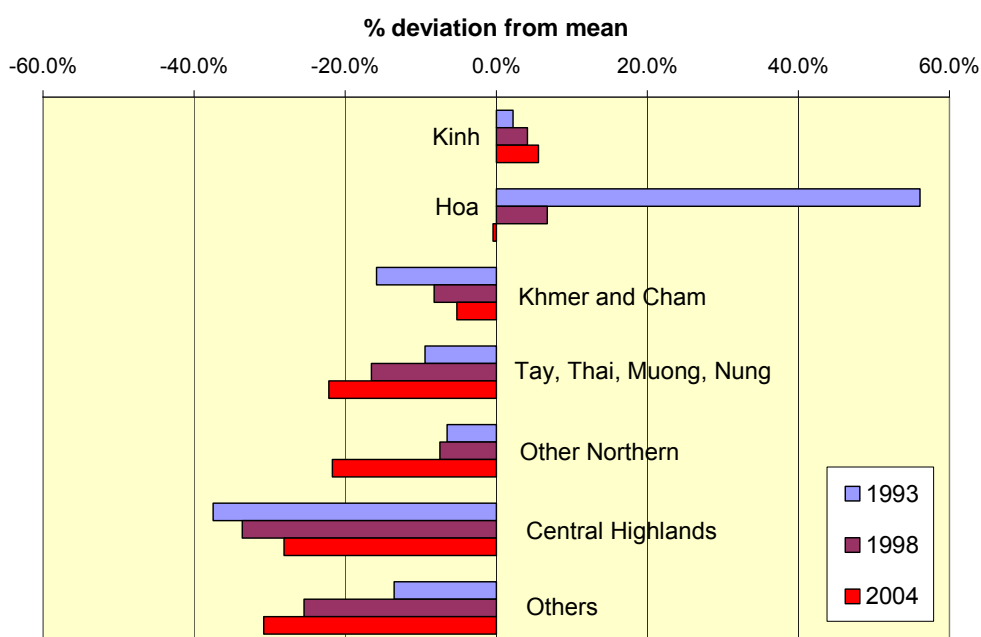
policies operate in three selected provinces and districts.ⁱⁱ The research was conducted, between December 2006 and February 2008, by the Institute of Development Studies and the Department of Economics at the University of Sussex in collaboration with the Centre for Analysis and Forecasting of the Vietnam Academy of Social Sciences. This policy brief summarises the three papers prepared during the project, which are available on the project website (see Further Reading below).

Evolution of Living Standards Over Time

Most previous quantitative analysis of ethnic minority issues in Vietnam has focused on comparing the Kinh and Hoa with the other 52 ethnic minority groups. However, the contrasts between the ethnic minorities are also substantial, so we have developed a seven way categorisation of ethnic minorities that distinguishes between the: (1) Kinh (Việt); (2) Chinese (Hoa); (3) Khmer and Chăm; (4) Tày, Thái, Mường, Nùng; (5) Other Northern minorities; (6) Central Highland minorities; and, (7) ‘others’ⁱⁱⁱ. This categorisation aims to be functional and is based on discussions with Vietnamese anthropologists and local NGOs. It aims to strike a compromise between analysing the ethnic minorities as a whole and analysis of individual minority groups, which is very difficult because of very small numbers belonging to some of these groups.

Analysis of three household living standards surveys conducted by the General Statistics Office in 1993, 1998 and 2004 shows that the Kinh majority has been the primary beneficiaries of the growth *Doi moi* reforms (Figure 1). The living standards of Kinh headed households have widened sharply relative to the rural average over the period 1993 to 2004. This is true whether one looks at the poorest, richest or average Kinh-headed households.

Figure 1: Inter-Ethnic Welfare Differentials for Rural Vietnam 1993-2004 using Mean Regressions Models

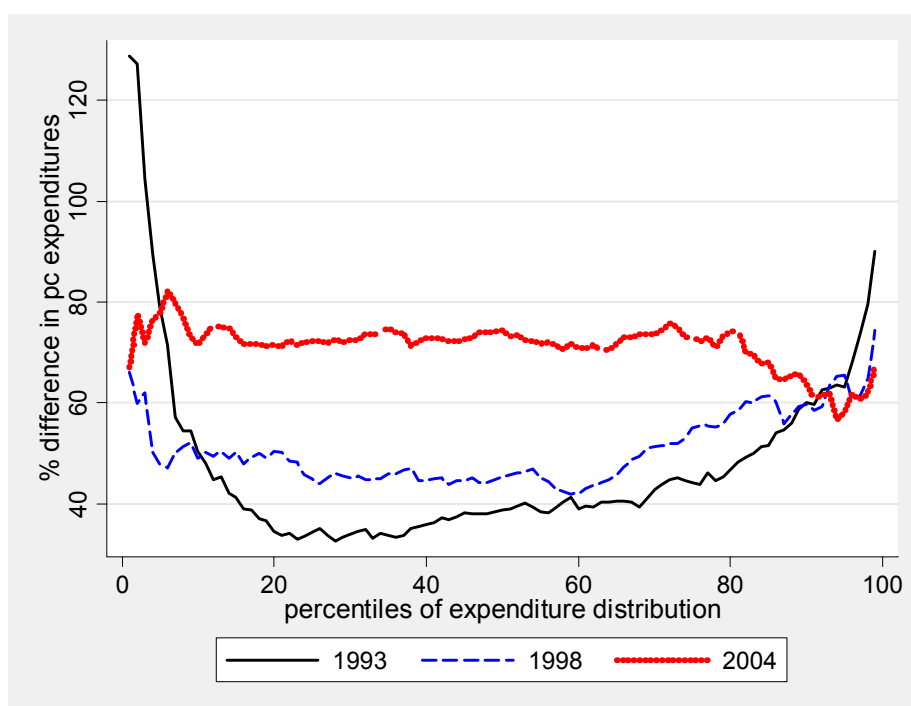


Meanwhile, the higher expenditures that were enjoyed by the traditionally more prosperous Chinese appear to have disappeared over time.^{iv} The Khmer and Chẵm have also experienced a modest improvement in their relative position in recent times, and by 2004 are found to be statistically indistinguishable from the rural average. However, sizeable and persistent inter-ethnic gaps in household welfare are found to remain for the other four categories, with the Central Highland and Other minorities being particularly disadvantaged. These findings are similar whether or not we control for household endowments (such as the size and composition of families, their education level and land holdings), commune characteristics (whether the commune in which they live have roads public transport, post offices, daily markets and factories) and the geographic type of commune (whether the commune is located in a coastal, delta, midland or mountainous area). The findings from this analysis also suggest controlling for the type of commune in which households live and access to roads, schools and other public services explains no more than 7% of the variation in expenditures and the impact of these geographic variables has been declining over time.

Size and Decomposition of the Ethnic Gap

Between 1993 and 2004, the gap between the Kinh-Hoa and minority expenditures increased by 14.6 percent (VND 687,000), with most of this rise occurring during the 1998-2004 period (Figure 2). The percentage increase in the ethnic expenditure gap has, however, been more or less constant across the rural expenditure distribution. There is nothing to suggest that the gap is wider (in percentage terms) at the top, middle or bottom of the expenditure distribution.

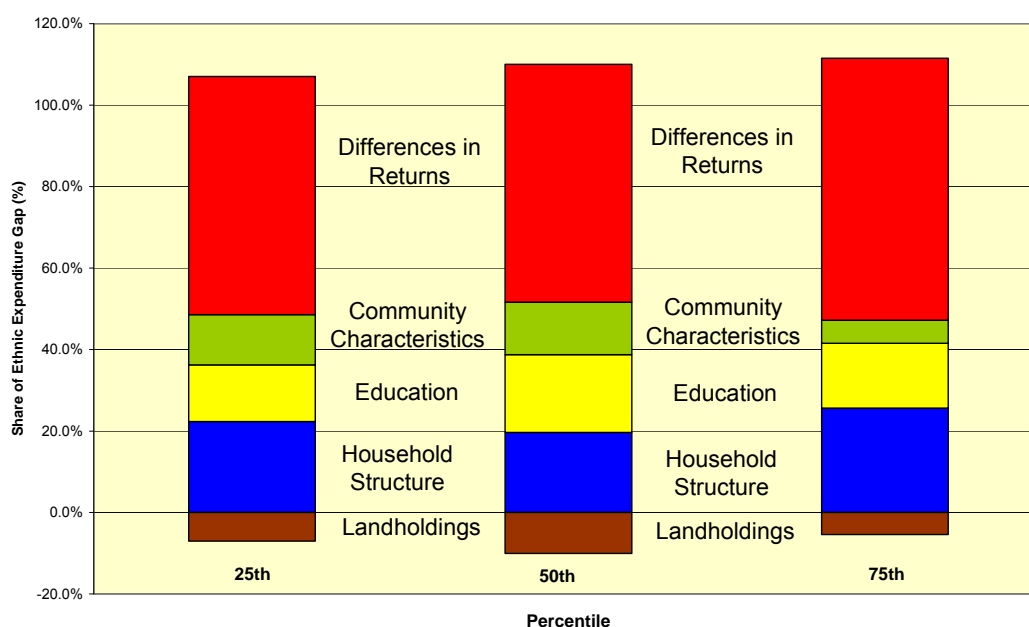
**Figure 2: The Majority-Minority Gap in Per Capita Expenditures
Rural Areas, 1993-2004**



A number of decomposition exercises were undertaken to explore why the ethnic gap exists. The results, which look at both the average gap between Kinh-Hoa and ethnic minority households and the gap at selected points of the expenditure distribution show:

- Approximately two-fifths of the mean gap in each year is due to differences in household endowments and community characteristics, with differences between majority and minority households' demographic structure being more important than differences in their education levels and commune characteristics in explaining the gap.
- Differences in landholding patterns decrease the ethnic gap. This is because ethnic minority households tend to have larger total landholdings than Kinh ones, and know how to farm upland and mountainous land more efficiently.
- At least a half of the ethnic expenditure gap is due to differences in returns to household endowments. In academic studies, such differences in returns are usually attributed to 'unequal treatment' of the minorities but they may also be due to unobserved differences in household endowments and community characteristics. For example, if ethnic minority households live further from commune centres than the Kinh, they will benefit less from the construction of roads, schools and markets.^v
- When the geographical type of commune in which households live and their access to roads, public transport, daily markets, post offices, and other commune characteristics are controlled for, one-third to two-thirds of the ethnic gap may be attributed to commune characteristics. Differences in the returns to commune characteristics are more important than differences in the commune characteristics themselves, which have narrowed over time.
- These findings are broadly consistent whether one looks at the top, middle or bottom of the rural expenditure distribution (Figure 3).

Figure 3: Decomposition of the Ethnic Gap in Rural Areas, 2004



Why has the Ethnic Gap been Increasing Over Time?

In a separate decomposition exercise we looked at the reasons why the ethnic expenditure gap has been increasing over time focusing on the median rather than the mean.^{vi} . Our temporal decomposition results show that:

- Around a third the increase in the median gap between 1993 and 2004 is due to the observable endowments of the Kinh and Hoa, together with the characteristics of the communes in which they live, improving more rapidly than those of the minorities. Household structure and education are again the most important groups of variables explaining the increase in the ethnic gap, with landholdings acting to decrease it.
- Changes in the returns which majority households receive for their endowments and community characteristics, plus the difference between the returns which the majority and minority receive, have contributed relatively little to the increase in the median expenditure gap between these years
- Changes in unobservable factors account for about half of the increase in the median ethnic gap. Such factors include variables, such as culture, distance, language, the quality of schooling and the spatial pattern of settlements that have either been omitted or cannot be observed easily in household surveys.
- Supplementary analysis using additional variables for culture, distance and language that were only collected in some survey years, suggests that membership of the Central Highlands minorities, lack of ability in Vietnamese, and distance to commune and district centres increase the expenditure gap between the majority and minority groups.^{vii} Membership of the Khmer and Cham minorities and being a Christian diminish it. However, these results are not well-determined and vary from year to year.

A major puzzle therefore still remains as to what are the drivers of the disadvantages faced by Vietnam's ethnic minorities. Less than half of the ethnic gap can be attributed to minorities' poorer endowments and their living in remote mountainous areas. Either unobservable factors (such as the quality of education or land) or differences in what the ethnic minorities obtain from endowments relative the Kinh could explain this pattern of disadvantage. It is likely that these two explanations may reinforce each other, as unobservable differences in endowments may provide a justification for the preferences received by the Kinh. While further quantitative analysis may shed some light on these factors, in-depth qualitative analysis will also be important in uncovering the cultural norms and values that underlie the increasingly disadvantaged position of many ethnic minority groups. This should be a priority research topic for the 2008 Poverty Assessment.

Review of Policies and Programs

Vietnam has a large number of policies and programs specifically designed to assist ethnic minority development. These programs and policies have paid attention to a wide range of socio-economic issues related to ethnic minority development and are targeted in different ways. Some programs (such as the infrastructure component of Program 135 and 143, the water systems component of Program 134) have focused on the construction of hard infrastructure target in extremely difficult (Region 3) areas. There are also price and transportation subsidies targeted to remote and difficult communes. Other programs and policies (such as the extension component under Program 143, the training component of Program 135, exemptions and reduction for health and fees, and the housing component of Program 134) have provided support for farming techniques, skills, health, knowledge, and housing targeted to poor or ethnic minority households. A third type of programs, typified by the Program to Support Ethnic Minority Households in Especially Difficult Circumstances and some provincial initiatives, targets specific ethnic minority groups, typically those having very low populations and living standards. Over time, as economic growth raises living standards throughout Vietnam, a shift away from location based targeting, to policies and programs in which the ethnic minorities and other poor groups are specifically targeted is occurring.

The policy process interviews conducted in three provinces as part of this project suggest that these national level policies are generally well-understood and have been systematically implemented at all levels of government. Adjustments based on geography, culture, and level socio-economic development are, however, made to most policies. In most cases, such adjustments have not resulted in serious dilution of policies, although there is usually a significant shortfall between required and actual expenditures. The most significant differences in local level implementation of policy that we encountered during our fieldwork occurred in Program 134 and in the exemptions from school fees and contributions granted to ethnic minority pupils by different provinces. Program 134 has its origins in a land reallocation program in the Central Highlands but has subsequently focused on house and water systems construction. The project discovered substantial differences in the way in which different provinces implement Program 134's housing component. Similarly, some provinces have interpreted the exemption from school fees that are given to 11 categories of pupils as providing exemptions for all ethnic minority pupils, while others have not. Most provinces also have their own small programs aimed at promoting agricultural livelihoods among the ethnic minorities.

With the possible exception of the price and transportation subsidies paid in poor communes, all these policies and programs focus on improving the endowments of ethnic minority households and the communes in which they live. Very few policies or programs address the lower returns to endowments which our empirical analysis shows the ethnic

minorities receive. Box 1 provides some examples, based on experience in other countries, of policies that aim to do this.

Box 1: Policies to Enhance Minority Returns: Some International Experience

In most developing and industrialised countries, ethnic minority and indigenous groups are poorer than the majority population across several dimensions. Two broad sets of policies have been used to narrow the differences in returns that are experienced by these ethnic minority or indigenous groups. These are:

- 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 natural resource use decisions. 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.
- Affirmative Action programs, 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. 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 programs, 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 advancement based purely on merit.

International experience also suggests that pursuing coordinated and integrated actions across a number of sectors is necessary to reverse ethnic minority disadvantage. Advocacy organisations, forums and NGOs run for and by indigenous minority groups have been important in enforcing legislation and breaking down cultural and attitudinal barriers among majority groups. For example, in Bangladesh, Indonesia, the Philippines and Thailand, indigenous organisations have given their minorities groups with greater voice and provided a way to counter the 'negative stereotyping' of such groups. Indigenous organisations can enhance both the endowments and the returns which minority groups receive.

Policy Implications

In 1946, Ho Chi Minh famously stated that:

‘As people born from the same womb, whether Kinh or Tho, Muong or Man, Gia Rai or Ede, Xedang or Bana, or any other ethnic minority, all of us are the children of Vietnam, all of us are brothers and sisters. We live and die together, share happiness and sorrow together, [and] whether hungry or full, we help each other.’

It is now over thirty years since the re-unification of Vietnam and twenty since the *doi moi* economic reforms were first initiated. The process of rapid economic growth has certainly been of central importance in poverty reduction and improving the well-being of the Vietnamese people across a broad range of dimensions. However, on the basis of the empirical analysis conducted by this project, it is clear that not all ethnic groups have benefited from this process to the same extent. The expenditures of the Kinh have risen relative to the rural average, while those of all other groups except the Hoa, Khmer and Cham remain substantially below it. There is also a sizeable ethnic expenditure gap rural Vietnam, which has been widening in recent years. Some, but not all, of this gap is due to the poorer endowments of the minorities or the characteristics of the commune in which they live. This suggests that measures to improve commune level infrastructure and the endowments of ethnic minorities as a whole, though important, will be insufficient to close the ethnic gap. Existing policies which target, particularly disadvantaged ethnic groups need to be extended. The seven categories of ethnic minority groups developed during this project may be useful here. The widening differential in returns between the Kinh and ethnic minorities suggest some ethnic groups are poorly placed, because of culture, language, geography and market orientation, to take advantage of Vietnam’s rapid economic growth. So policies and programs are also needed to enhance the lower returns that many ethnic minority people obtain from their endowments. Priority areas here include:

- Delivering agricultural extension and marketing services appropriate to the diverse agricultures of upland and highland areas
- Improving the quality of education which ethnic minority pupils and students receive
- Increasing the ethnic minorities access to wage employment
- Improving the Vietnamese language skills among the Other Northern Uplands and Central Highlands minorities.

These and other measures to reduce and dismantle the multiple barriers which restrict certain ethnic minorities from participating fully in the growth process are urgently needed. By doing this, Ho Chi Minh’s vision of equality and mutual interdependence among all Vietnam’s ethnic groups will be furthered.

Further Reading

The three papers prepared by this project are available on the following website:

<http://www.ids.ac.uk/go/research-teams/vulnerability-team/projects-and-outputs/ethnic-minority-development-in-vietnam/>

Baulch, B., Truong, K.C., Haughton, D. and Haughton, J., 2007, 'Ethnic minority development in Vietnam', *Journal of Development Studies*, 43(7): 1151-1171

Braunholz-Speight, T., forthcoming, 'Policies responses to discrimination and their contribution to reducing chronic poverty', *Background Paper to Chronic Poverty Report 2007-08*, Manchester: Chronic Poverty Research Centre

Hoang, H.T.T., Pham, G.H., Tran, M.B., and Hansen, H., forthcoming, 'Ethnicity and Poverty Reduction' in Hansen, H. and Nguyen, T. (eds) *Market, Policy and Poverty Reduction in Vietnam*, Hanoi: Vietnam Culture and Information Publishing House

World Bank, forthcoming, *Country Social Assessment: Ethnicity and Development in Vietnam*, East Asia Social Development Unit, World Bank

This Policy Brief was written by Bob Baulch (Institute of Development Studies) with inputs from Pham Thai Hung (Institute of Development Studies) and Nguyen Thi Thu Phuong (Centre for Analysis and Forecasting). We thank participants at the project's Synthesis Workshop held in Hanoi on 29 February for valuable comments on an earlier version of this document.

Endnotes

ⁱ This project was funded the UK Economic and Social Research Council and Department for International Development under their Joint Research Scheme (Award Number RES-167-25-0157).

ⁱⁱ The three provinces (districts) were Lang Son (Van Quan), Son La (Song Ma) and Tra Vinh (Duyen Hai).

ⁱⁱⁱ 'Others' is a miscellaneous category comprising the smaller ethnic groups located in the North Central and South Central Coasts.

^{iv} Part of this may be attributable to a process of 'self-identification' with the Kinh undertaken by the better-off Chinese households

^v Similarly, if the quality of agricultural land which ethnic minorities cultivate differs from Kinh households (e.g., it is less likely to be irrigated) this will reduce its productivity. The quality of education which ethnic minority students receive is less than Kinh ones, may also affect the ability to obtain wage jobs.

^{vi} We do this because of the presence of extreme data points, which distort the temporal decomposition if they are conducted using means.

^{vii} These additional variables include matrilinearity and religion, whether the survey was conducted via an interpreter (a proxy for poor Vietnamese language competence), distance from the hamlet or village to the nearest commune or district centre, and which of the seven ethnic categories mentioned above the household belonged to. Note these variables have not been collected consistently in different rounds of the Living Standards Surveys.