

SOUTHMOD

Policy Note

Promoting school enrolment among ethnic minority children through conditional cash transfers in Viet Nam

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Findings

- Poverty is more prevalent and school enrolment rates are lower among ethnic minority (non-Kinh) households compared to majority Kinh (or Viet) households in Viet Nam
- A number of policies support ethnic minority children, especially in remote and mountainous areas, but effective conditional cash transfers are notably absent
- A well-targeted cash transfer can encourage low-income ethnic minority families to invest in their children's education, fostering equality with their peers and promoting future success
- Simulations using VNMOD show that a conditional cash transfer to ethnic minority children aged 10 to 15, with larger benefit amounts to those living in poor households, could effectively alleviate poverty and inequality

Viet Nam is a multi-ethnic country composed of 54 ethnic groups, with the Kinh ethnic group comprising over 85% of the population. The remaining 53 ethnic communities are generally more [socio-economically disadvantaged](#) than the Kinh people, as these groups mainly inhabit mountainous and remote areas. Children born into ethnic minority families have [less access to general education](#), leading to lower literacy rates, [higher poverty](#), and significantly higher prevalence of child marriage compared to the Kinh ethnicity.

This policy note provides recommendations for promoting school enrolment among children of ethnic minorities aged between 10 and 15, to improve the welfare of their families and to reduce poverty and inequality in Viet Nam. To this end, we quantify the distributional effects of hypothetical conditional cash transfers (CCTs) targeted at these groups, along with reforms to the income tax schedule to finance the benefits. The analysis employs [VNMOD, the tax-benefit microsimulation model for Viet Nam](#), to generate simulations of policy changes for the year 2022. The model uses data from the [Viet Nam Household Living Standards Survey \(VHLSS\) 2020](#).

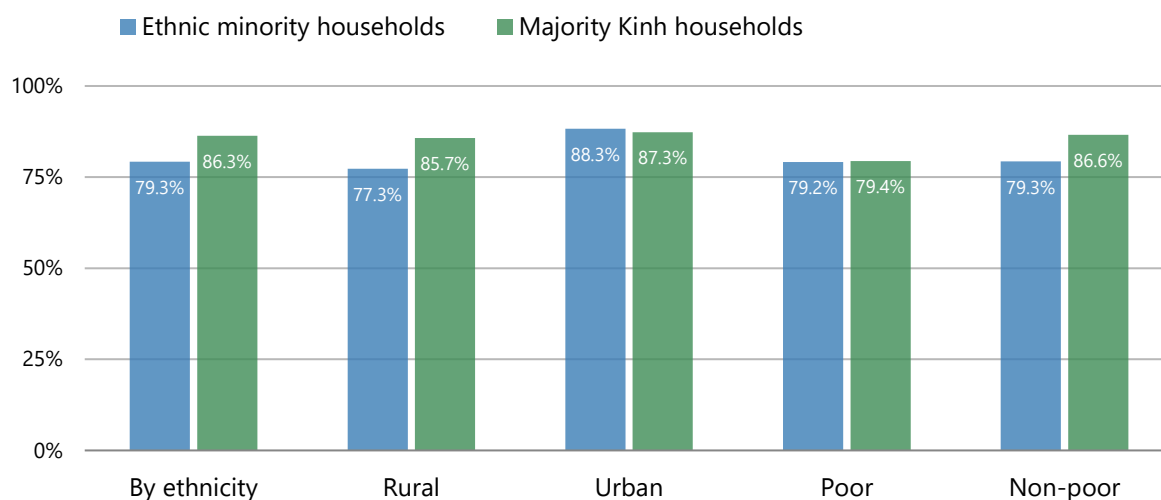
School enrolment of ethnic minority children trails behind that of Kinh children

In Viet Nam, there are substantial disparities in educational access and enrolment rates between ethnic minority children and majority Kinh children. Ethnic minorities often face challenges such as [geographic remoteness](#), [severe weather](#), [poverty](#), and [language barriers](#). Moreover, [some ethnic minority parents fail to recognize the benefits of education, leading them to prioritize their children's work over studying](#).

As shown in Figure 1 below, ethnic background is a major determinant of the enrolment rates of children aged between 10 and 15. The illustration highlights a clear disparity: while Kinh children show an encouragingly high enrolment rate of over 86.3%, the corresponding rate among children from minority communities is only 79.3%. The higher enrolment rates in urban areas, observed in both ethnic minority and majority households, suggest that urban settings provide a more conducive environment for education. Furthermore, non-poor households consistently exhibit higher enrolment rates, highlighting the influence of economic factors on access to schooling.

The VHLSS data also indicate that, especially among ethnic minority children, school enrolment rates decline considerably as children progress to higher levels of education. The enrolment rate of ethnic children is around 93% before they turn 10, dropping to 79.3% for those aged 10 to 15, and to as low as 43% for those aged 15 to 18.

Figure 1: Enrolment rates of households with children aged 10–15 by ethnicity and other characteristics



Notes: Poverty status is based on whether the local authorities classified a given household as 'poor' based on VHLSS 2020.

Source: Author's elaboration of the Viet Nam Household Living Standards Survey (VHLSS), 2020.

These findings highlight a concerning pattern of higher dropout rates or lower enrolment rates for ethnic minority children as they progress through their educational journey. It points to specific challenges or barriers that hinder their continued enrolment and progression to higher levels of education.

Generating revenue from an income tax reform to fund cash transfers

In recent years, Viet Nam has actively pursued openness and integration into the global economy, but trade revenues have still decreased, necessitating tax policy reforms. One policy option that Viet Nam plans to implement is the reconfiguration of the personal income tax (PIT), including through adjusting the pre-existing tax schedule (i.e., tax rates and brackets).

In line with this, Table 1 shows a hypothetical reform to the existing PIT schedule that is used in this analysis. Its goal is to raise additional public revenue to fund a new cash transfer targeted at ethnic minority children. VNMOD simulations show that the reform would raise an additional VND 6,696 million (USD 285,000) yearly. Households with incomes higher than the national median experience a reduction in after-tax income. There is, however, no impact on poorer households.

Table 1: Baseline and reformed PIT tax schedules and tax rates

Tax bracket, baseline (VND million per month)	Tax rate, baseline (%)	Tax bracket, reform (VND million per month)	Tax rate, reform (%)
0–5	5	0–5	8
5–10	10	5–15	10
10–18	15	15–20	25
18–32	20	20–70	30
32–52	25	70–	35
52–80	30		
80–	35		

Source: Author's elaboration of VNMOD simulations and the Viet Nam Household Living Standards Survey (VHLSS), 2020.

Conditional cash transfers targeting ethnic minority children

Social cash transfers can facilitate school enrolment among ethnic minority children and improve their long-term quality of life. Such a policy requires political choices to be made based on several factors, including appropriate target groups and benefit amounts, total amount budgeted for the policy, and ideally, also, a strategy to finance the benefit.

In this analysis, we simulate an income tax reform to raise additional tax revenue, which is earmarked entirely for the new cash transfer. We model the following three policy scenarios with different designs, each requiring the same amount of funds (ca. VND 6,700 million raised from the PIT reform):

1. Each ethnic minority child aged 10–15 years receives a conditional cash transfer (CCT), where support is granted only when the child is enrolled in school. The monthly per capita support level is VND 410,000 (ca. USD 17).
2. Poor ethnic minority children (i.e., those living in poor households) receive a larger CCT, amounting to VND 550,000 per month, while non-poor ethnic minority children receive VND 200,000 monthly.
3. Ethnic minority children residing in rural areas and remote regions receive a larger CCT than those living in urban areas, regardless of their poverty status. The monthly benefit per child in remote and rural areas is VND 420,000, while those in urban areas receive a smaller cash transfer of VND 365,000 per month.

While numerous programmes focus on school infrastructure, accommodation, sanitation, and nutrition for ethnic minority children, this reform targets children aged 10–15, whose school enrolment rates are very low and who experience significant risks for dropping out of school for marriage or employment.

Although the model does not provide direct evidence of the reform's impact on ethnic minority children's schooling rates, it is plausible that such cash transfers can enable families to better afford basic needs. This in turn incentivizes parents to send their children to school, thus helping to address multidimensional child poverty. For instance, [UNICEF \(2017\)](#) cites that approximately two thirds of studies assessing conditional cash transfers report positive impacts on school attendance among recipients.

A conditional cash transfer to ethnic minority children reduces poverty

Each CCT described above aims to improve not only the schooling of ethnic minority children, but also to address broader social issues such as poverty and inequality in Viet Nam. Indeed, VNMOD simulations indicate that each of the modelled CCTs, combined with the tax reform, would yield reductions in poverty and inequality in a revenue-neutral manner.

The second scenario appears most effective, reducing the national poverty rate by 0.39 percentage points. Households with children benefit the most, with an estimated 0.52 percentage point reduction in poverty. The Gini index of inequality is also reduced by 0.21 on a scale from 0 to 100, indicating a narrowing gap between rich and poor households. Given these projected outcomes, a CCT programme based on the second policy scenario outlined above would serve as an impactful solution for promoting economic wellbeing among ethnic minority children, particularly those from disadvantaged backgrounds. In addition, such a policy can conceivably safeguard these children from dropping out of school, even during times of negative income shocks.

Policy recommendations

- The government should consider implementing a tax increase on higher earners to fund education support for ethnic minority children, who face unique challenges such as geographic isolation and cultural barriers
- It is advisable to offer cash transfers to ethnic minority households with children in secondary education and make these transfers conditional on continued school enrolment
- When the benefit is progressive—with higher amounts to lower-income households—it is both more cost-effective and has a higher simulated impact on reducing poverty and inequality in Viet Nam

This note was produced using [VNMOD](#), the tax-benefit microsimulation model for Viet Nam. It was initiated at the [VNMOD Retreat in April 2023](#). The retreat was a capacity development initiative and a part of the activities of the [SOUTHMOD project](#).