

SOUTHMOD policy notes session:
Thinking tax and benefit policies – What could work and how?
The case of Viet Nam

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SOUTHMOD program and Viet Nam/VNMOD

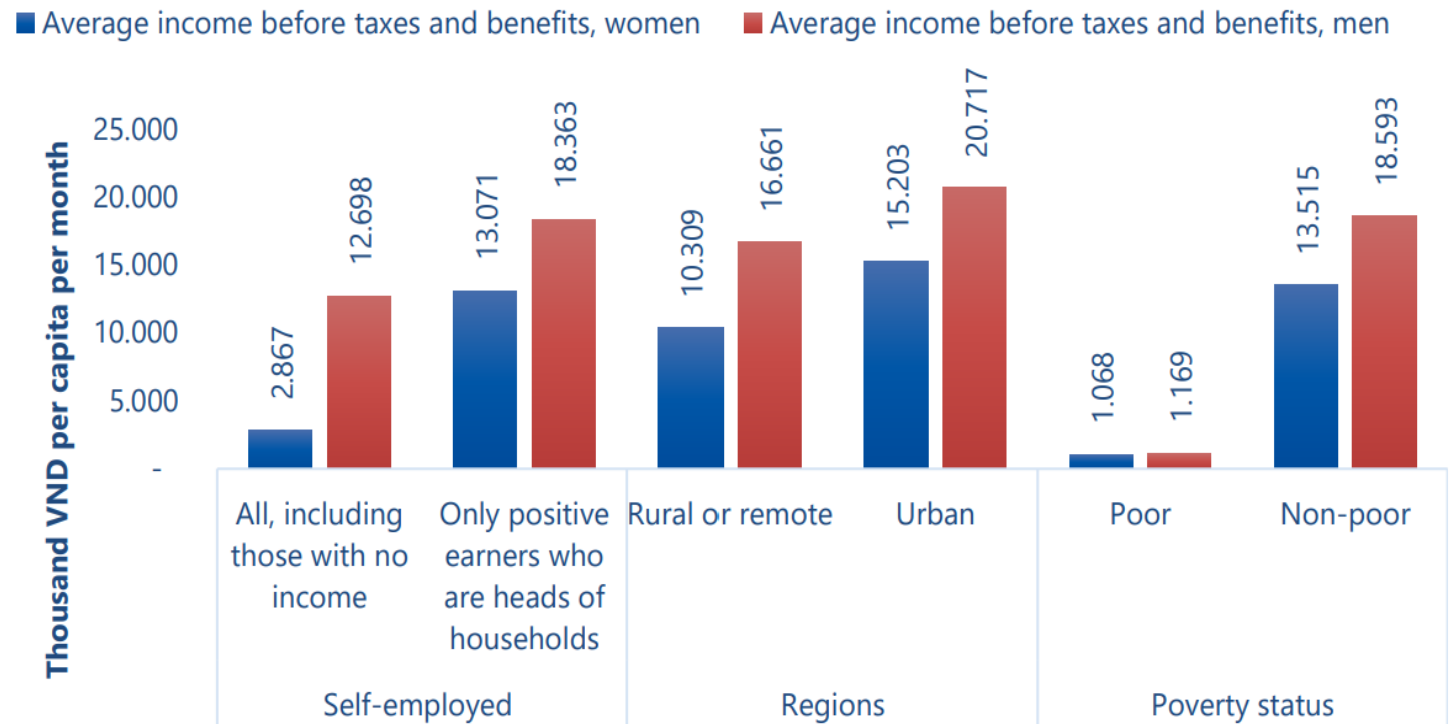
- Joint undertaking with the EUROMOD team, SASPRI, and others
- Collaborate with and support the national teams
 - Model development and maintenance
 - Capacity building, including training, dissemination, etc.
- Viet Nam/CIEM joint SOUTHMOD team from Phase 1 (2014-2019) and continue its work for phase 2 (2020-2023)
 - Develop, capacity building (trainings, retreat, regular exchange,...), maintain and further improve the model.
 - Phase 2: Research on the impact of COVID-19 and different scenarios for using microsimulation models to evaluate policy reforms.

What have been done?

- Different versions of VNMOD:
 - Enabling policy adjustments and updating policy rules based on relevant legislations;
 - Obtaining impact of policies at the individual and government level;
 - Incorporating in policy formulation: how do policy reforms influence poverty, inequality, tax progressivity, public revenues, etc.?
- Further deployment of VNMOD:
 - Included in SOUTHMOD community, disseminate and network-building
 - Two published policy notes under UNU-WIDER: (i) An assessment of targeted social cash transfers to support self-employed women in Vietnam; and (ii) Promoting school enrolment among ethnic minority children through conditional cash transfers in Viet Nam;
 - Some forthcoming extension of studies using VNMOD

Policy note 1: Cash transfers for supporting self-employed women in Viet Nam

- Women face larger obstacles: greater childcare responsibilities, lower access to credit, discriminatory social and cultural norms, lower technical skills, and more limited business networks
- Self-employed women account for a larger share but earn less than self-employed men
 - 55.7% in 2020, but just less than 30% with positive earnings;
 - Average income earned by self-employed women estimated at around USD 600, while that of men was around USD 840.



Policy note 1: Cash transfers for supporting self-employed women in Viet Nam (2)

- Several existing policy measures enacted for supporting female entrepreneurs, mainly on education and training.
 - Social cash transfers targeted at self-employed women are not available.
 - Cash transfers offer a prominent policy alternative to support self-employed women.
- Hypothetical reform scenarios: supporting the three groups of self-employed women:
1. Same amount of cash supported to all self-employed women (VND 10.5 mil/year);
 2. Larger amount of support for poor self-employed women (VND 30 mil/year) and less for non-poor self-employed women (VND 10 mil/year);
 3. Larger amount of support for self-employed women in rural areas and remote regions (VND 14.6 mil/year) than those living in urban areas (VND 7.6mil) regardless of their poverty status

	Baseline	Reform 1	Reform 2	Reform 3
	No reform	10.5 M for each self-employed woman	30 M for each poor self-employed woman, 10 M for non-poor	14.6 M for each self-employed woman in rural/remote areas, 7.3 M for urban women
Outcome measure	Baseline estimate	Income and poverty among self-employed female household heads (after taxes and transfers) under scenarios 1–3		
Average income of self-employed women	VND 12.9 million	VND 13.8 million	VND 13.8 million	VND 13.8 million
Average income of self-employed women in proportion to self-employed men	72.1 %	77.0 %	77.0 %	77.0 %
Share of self-employed women who fall under the upper poverty line	5.4 %	1.9 %	1.4 %	2.1 %
Share of self-employed women who fall under the extreme poverty line	0.7 %	0.3 %	0 %	0.2 %
Average income of self-employed women in rural/remote areas	VND 10.3 million	VND 11.1 million	VND 11.2 million	VND 11.5 million
Average income of self-employed women in rural/remote areas in proportion to self-employed men	63.0%	68.4 %	68.6 %	70.5 %
Share of self-employed women in rural/remote areas who fall under the upper poverty line	6.5 %	3.3 %	2.8 %	2.6 %
Share of self-employed women in rural/remote areas who fall under the extreme poverty line	1.2 %	0.7 %	0 %	0.4 %

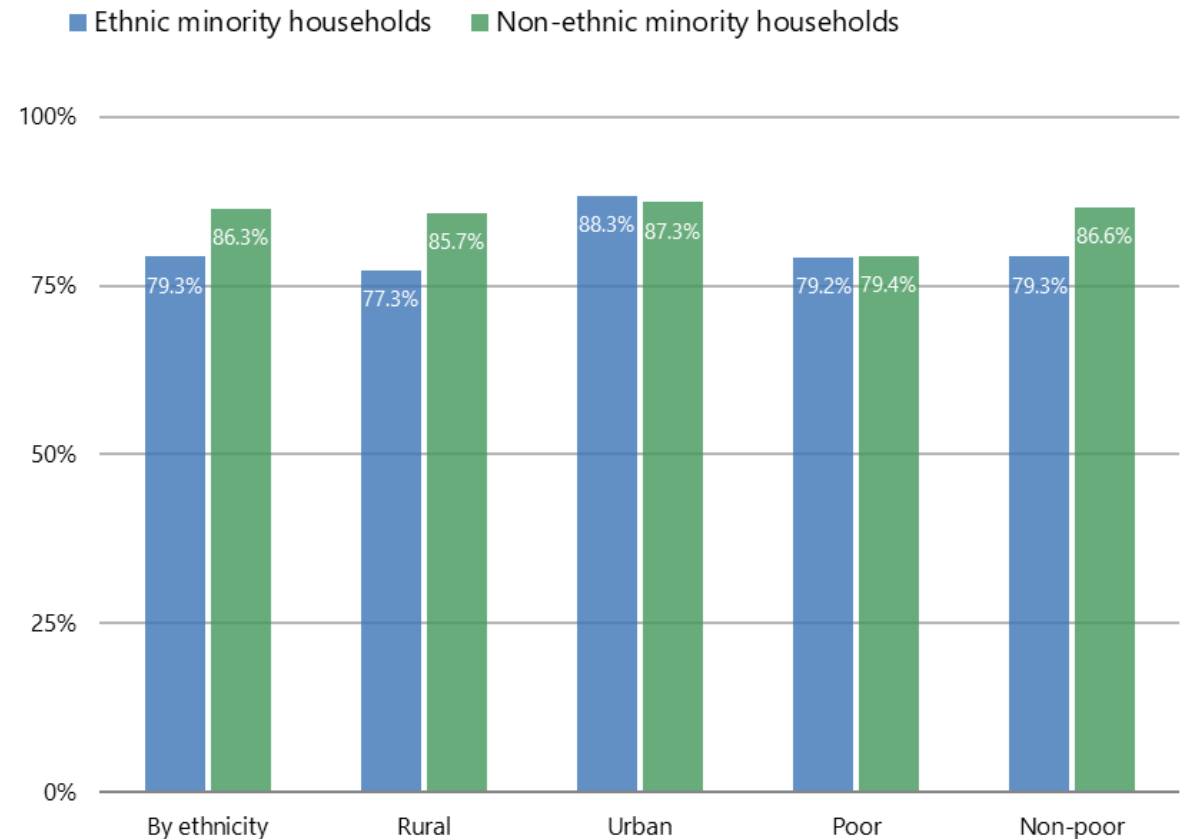


Policy note 1: Cash transfers for supporting self-employed women in Viet Nam (3)

- Increasing income for all three scenarios → supplementing small business incomes of female entrepreneurs, and facilitating their access to capital → helping poor self-employed women to lift themselves out of poverty
- Reducing disparity among different groups (poor vs. non-poor, rural and remote vs. urban, male vs. female)
- Capacity building if policy design can be associated with conditions, such as requiring a certain share to be invested in business and/or being linked with existing policy initiatives (business training to female entrepreneurs).

Policy note 2: Conditional cash transfer for promoting school enrolment of ethnic minority children

- Existing the substantial disparities in educational access and enrolment rates between ethnic minority children and Kinh (or Viet) children;
- Low awareness of education among ethnic minorities: geographic remoteness, severe weather, poverty, language barriers, and fail to recognize the benefits of education



Policy note 2: Conditional cash transfer for promoting school enrolment of ethnic minority children (2)

- How can we finance for such initiative?
- Hypothetical reforms: reconfiguration of PIT for both tax bracket and rates.
- Expectation of raising additional budget for financing.

Baseline scenario		Reform scenario	
<i>Tax bracket (VND mil/month)</i>	<i>Tax rate (%)</i>	<i>Tax bracket (VND mil/month)</i>	<i>Tax rate (%)</i>
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		

Policy note 2: Conditional cash transfer for promoting school enrolment of ethnic minority children (3)

– Three scenarios for policy 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 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.

Policy note 2: Conditional cash transfer for promoting school enrolment of ethnic minority children (4)

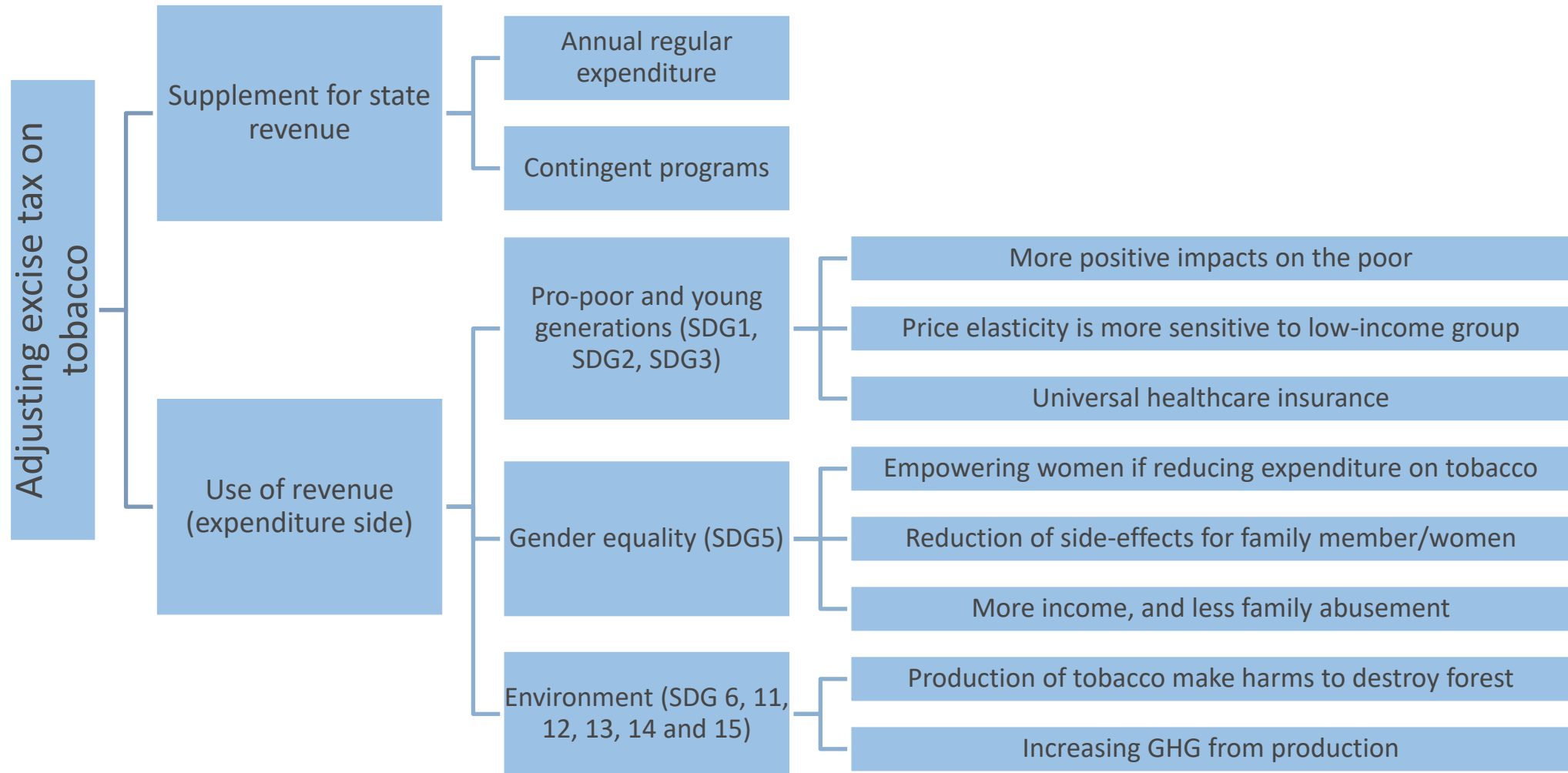
- Impacts of reforms:
 - Improving school enrolment of ethnic minority children;
 - Positive outcomes in poverty mitigation and inequality reduction.
- The second scenario appears most effective: national poverty rate by 0.39 percentage points; and Gini index of inequality is also reduced by 0.21
- Policy recommendations:
 - The government should consider implementing a tax increase on high earners to fund education support for ethnic minority children; and
 - For a more impactful and cost-effective approach to reducing poverty and inequality, it would be advisable to focus resources on the ethnic minority groups that are most in need

Forthcoming extension of VNMOD

- Developing feasible investment strategies for excise taxes on tobacco for SDGs;
- COVID-related benefits in 2020 are estimated to have fully offset the adverse effects of the pandemic on the poorest income quartile in Viet Nam.

Adjusting excise tax on tobacco

(possible channels of impacts)



Quick simulation of adjusting the excise tax on tobacco

Southmod Statistics - Baseline/Reform

Results for Viet Nam: vn_2018 vs vn_2020_edu

Tax-ben policy Poverty Inequality

Tax-benefit policy

Yearly, mill. national currency

	vn_2018 (base)	vn_2020_edu	Difference to base
▶ Government revenue through taxes, SSC and indirect taxes	658,936.54	678,138.98	19,202.44
... direct taxes	72,601.49	63,356.94	-9,244.55
... indirect taxes	124,075.86	137,815.01	13,739.15
... social security contributions (employer, employee and self-employed)	462,259.18	476,967.04	14,707.85
Government expenditure on social transfers	327,445.42	375,682.23	48,236.81
... child benefits	2,664.57	2,931.75	267.18
... social assistance	20,337.98	50,117.21	29,779.23
... orphan/widow benefits	0.00	0.00	0.00
... disabled benefits	61,910.84	65,685.45	3,774.61
... unemployment benefits	924.19	980.54	56.35
... pension benefits	241,607.84	255,967.29	14,359.45

Southmod Statistics - Baseline/Reform

Results for Viet Nam: vn_2018 vs vn_2020_edu

Tax-ben policy Poverty Inequality

Poverty after taxes and transfers

Consumption based

	vn_2018 (base)	vn_2020_edu	Difference to base
▶ Share of poor population, in %			
All	10.04	11.38	1.34
Poor households out of ...			
... male headed households	10.71	12.00	1.30
... female headed households	7.75	9.25	1.50
... households with children	11.78	13.15	1.37
... households with older persons	12.47	13.15	0.68
Poverty gap (average normalised poverty gap, FGT(1))			
All	2.44	3.02	0.57
Poor households out of ...			
... male headed households	2.60	3.15	0.55
... female headed households	1.91	2.56	0.66
... households with children	2.93	3.49	0.56
... households with older persons	2.72	2.96	0.24
Absolute national poverty line, in national currency, yearly:	9,942	10,650	708



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Southmod Statistics - Baseline/Reform

Results for Viet Nam: vn_2018 vs vn_2020_edu

Tax-ben policy

Poverty

Inequality

Inequality and the household income distribution after taxes and transfers, yearly

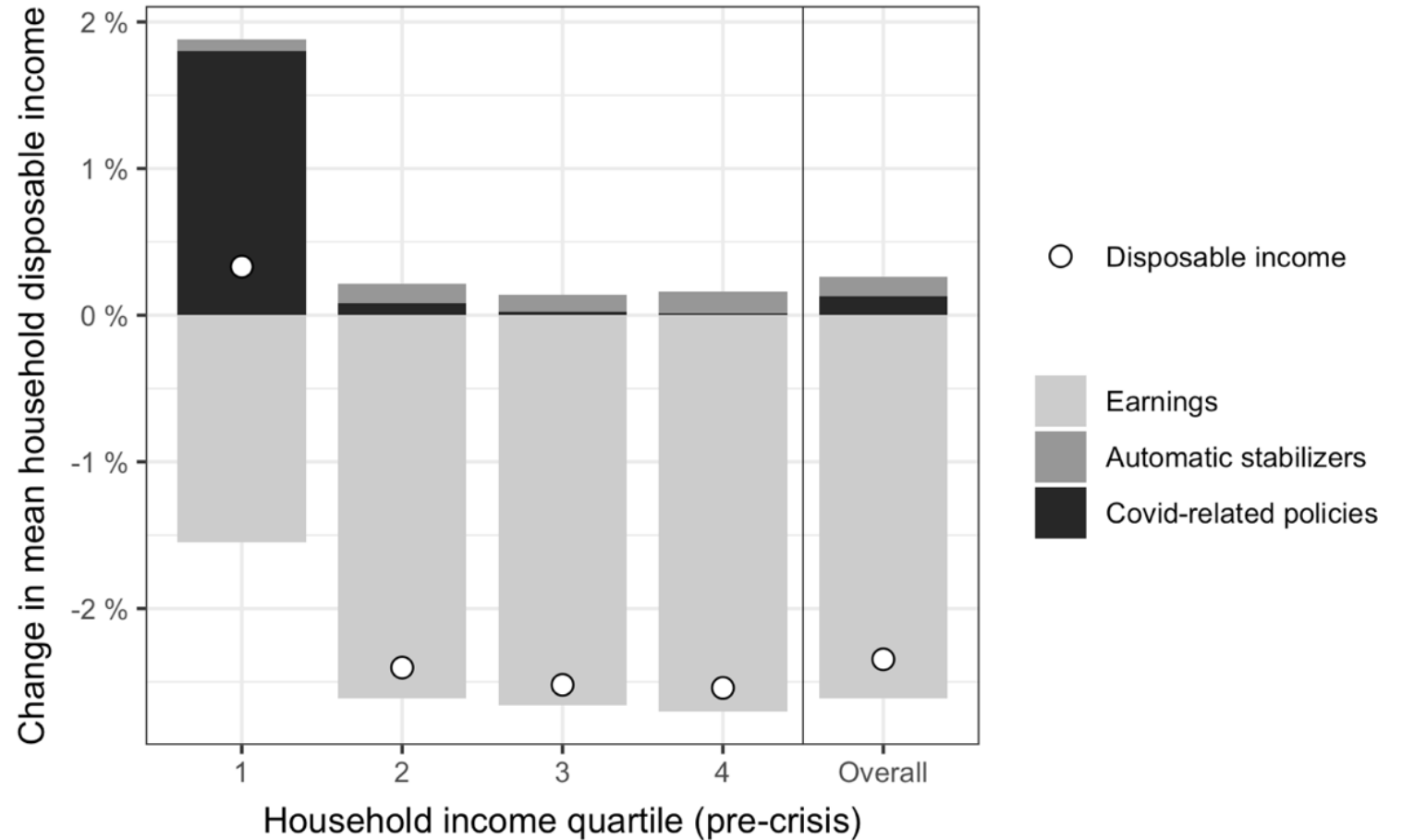
Consumption based

	vn_2018 (base)	vn_2020_edu	Difference to base
▶ Gini (household income)	0.3475	0.3507	0.0032
P80/P20	2.61	2.67	0.06
Quantiles of distribution and median			
20th	12,272.70	12,708.12	435.42
40th	17,294.32	18,116.52	822.20
50th	19,902.22	20,952.41	1,050.19
60th	23,121.14	24,296.81	1,175.67
80th	32,056.20	33,977.70	1,921.50
Absolute national poverty line, in national currency, yearly	9,942	10,650	708

COVID-related benefits

Poorest income quartile:

- Earnings reduced by 1.5 % on average;
- But the change in disposable income was positive due to these benefits



Forward looking

- Ongoing expanding the application of VNMOD to previous mentioned studies (the study on developing feasible investment strategies for excise taxes on tobacco for SDGs need more deeper information on quantity use and difference taste among regions/areas);
- Supporting the publication of policy notes (COVID benefits, other initiatives from training retreat,..)
- Further improvements of SOUTHMOD/VNMOD for capturing multi-dimensional poverty and/or sustainable aspects.

Thank you very much!



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