



IFAD/A. Boulat

# Enabling poor rural people to overcome poverty in **Viet Nam**

## Rural poverty in Viet Nam

Steady and strong growth in recent years have fuelled Viet Nam's ambitions to move up to middle-income country status. A net importer of food during the early 1980s, Viet Nam has now become one of the biggest rice exporters in the world. The agriculture sector accounts for more than 22 per cent of GDP, 30 per cent of exports<sup>1</sup> and 52 per cent of all employment.<sup>2</sup>

Past agricultural growth was largely based on bringing additional physical factors of production into use, including land, irrigation water, labour and new technologies. Further growth acceleration in Viet Nam during the 1990s was brought about through institutional restructuring that created incentives to invest and enhance productivity in a market-oriented economy. For example, the effects on agricultural growth of price liberalization and land titling were dramatic. The rural sector in Viet Nam has shown resilience and a capacity for change and adaptation. The growth in agricultural output contributed greatly to improved household income, as roughly 70 per cent of the Vietnamese population is engaged in agricultural activities.



Meanwhile, the country's poorest rural people generally have small plots of low-quality land or are landless, and their opportunities for off-farm employment are scarce. The poorest people live in remote villages in upland areas, with limited access to transportation and social interaction. Rural poor people have limited access to productive resources and basic financial services such as credit and savings. Village, commune, district and regional infrastructure is poorly developed. Rural poor people face harsh natural conditions and frequent natural disasters. They are particularly vulnerable to seasonal hardships, community-wide crises and unexpected events, such as disease, which increase a household's expenses and reduce income. Poor households tend to include more dependants, especially children. Among age groups, poverty disproportionately affects children. Poor people, particularly ethnic minorities, are often uninformed about their rights and lack access to legal assistance.

The poorest people in Viet Nam include:

- members of the country's 53 ethnic minority groups, who depend mainly on forest resources for a livelihood (they constitute only 13 per cent of the population but account for almost 30 per cent of poor people)
- people living in remote upland areas with a poor natural resource base
- people living in coastal areas that are more prone to adverse climatic events
- households headed by women
- households with disabled members
- migrants
- landless people

There are broad regional variations in the distribution of poverty. The regions with the highest relative poverty rates include the north-west, north-central, central highlands, central coast and north-east. But in terms of absolute numbers, more poor people live in the north-central and north-east regions, in the Mekong Delta and central coastal regions, which are home to seven out of 10 of Viet Nam's poor people.

## Eradicating rural poverty in Viet Nam

The agriculture sector has been on a path towards integration into the global economy for over 20 years. Accession to the World Trade Organization (WTO)<sup>3</sup> has both reinforced this direction and raised the stakes. The sector is being exposed to competition within an open, global market, while any remaining protectionist measures and mechanisms are being dismantled. Some few commodities – most notably rice, coffee, tea, rubber, cashews, black pepper and fish – are leading the way. The agricultural export sector chiefly markets raw and primary agricultural products, with relatively little value added processing or incremental benefit to farmers and producers. Increasing competitiveness and exploiting opportunities to develop more value-added processing capacity – within the economic environment provided by WTO membership – will ultimately be the responsibility of the private sector (including farmers). Because Viet Nam's export base comprises mainly primary commodities, any short-to-medium-term progress is extremely vulnerable should the world economy slip back into recession. Even with good progress over the next five to 10 years, it is to be expected that many provinces will continue to have per capita income levels well below the national average, with large segments of the rural population remaining poor.



# IFAD's strategy in Viet Nam

IFAD works for and with the poorest people in Viet Nam, including ethnic minorities, small-scale farmers and households headed by women. Strategies to reduce poverty and improve living conditions include building partnerships, strengthening institutional capacity and promoting participation. IFAD works with the government and other partners to empower poor rural people so they can have a role in decision-making. To do this, IFAD finances programmes and projects that focus on developing and testing innovative approaches to poverty reduction that can be replicated and scaled up by the government and other agencies. Interventions are area-based and multisectoral. They target regions where poverty reduction is a priority.

Over the last five years, the IFAD country programme in Viet Nam has retained a strategic focus on: participatory planning; increasing the capacity of poor rural people to participate in local decision-making processes; decentralization and community-driven development; increasing the assets of poor communities; and support for small-scale infrastructure. In response to Viet Nam's dynamic rural development, in the last three years aspects of market-oriented approaches to poverty reduction and institutional sustainability have taken on increasing importance. Particularly central are: improving access to markets; promoting private-sector growth; delivering services for market-oriented poverty reduction; and mainstreaming poverty-focused, market-oriented approaches and methodologies in rural, public-sector institutions.

The starting point for IFAD's country programme<sup>4</sup> for 2008-2012 was the growing disparity between rural and urban areas, and particularly the plight of ethnic minorities (EM) in upland areas.<sup>5</sup> The COSOP identified IFAD's comparative advantage in Viet Nam as being: the development of innovative methods for linking poverty reduction with market-oriented agricultural and rural development; forming strong partnerships with provinces; and promoting government ownership. In this COSOP period, IFAD interventions will promote the adoption of climate change mitigation and adaptation measures, as appropriate.

Building on extensive dialogue with the Government of Viet Nam, the COSOP 2008-2012 focuses on four interlinked strategic objectives (SOs):

- "SO1: Rural poor households in uplands access markets through increased private-sector partnerships
- SO2: Poor and vulnerable households take advantage of profitable business opportunities
- SO3: Upland poor communities secure access to, and derive sustained benefits from, productive natural assets
- SO4: The rural poor contribute to pro-poor agricultural, market-driven policy processes at subnational levels"

**Projects:** 10

**Total cost:** US\$283.4 million

**Approved IFAD loan:** US\$209.2 million

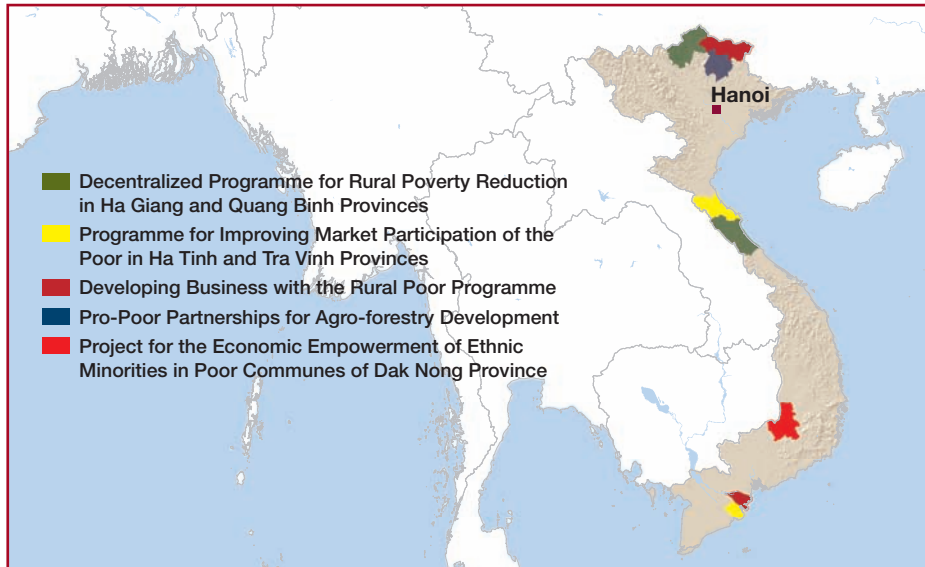
**Directly benefiting:** 539,270 households



4 IFAD. Socialist Republic of Viet Nam: Country Strategic Opportunities Programme (COSOP) (Rome, 2008).

5 'Uplands' is a term used by the Committee for Ethnic Minorities (CEM) and refers to 20 highland and midland mountainous provinces in central and northern Viet Nam. In addition, there are 114 upland districts in 26 other provinces. The uplands have a complicated topography and are generally inhabited by ethnic minority groups.

# Ongoing operations



## Project for the Sustainable Economic Empowerment of Ethnic Minorities in Dak Nong Province (3EM)

The Project for Sustainable Economic Empowerment of Ethnic Minorities in Dak Nong Province's goal is to contribute to a sustainable improvement in the livelihoods of poor and ethnic minority households in Dak Nong Province. The purpose of the project is to increase the incomes of poor and near poor ethnic minority households, with a particular focus on women. The primary project beneficiaries are indigenous and migrant ethnic minorities, with a particular emphasis on women, in the poorest communes of Dak Nong Province and poor and low-income Kinh families.

The project will contribute to strengthening provincial institutions to work with ethnic minority groups, particularly women, in a participatory manner and to integrate their priorities into the Government planning process.

The project will also promote empowerment of people to escape poverty through collective action, i.e. by setting up joint liability groups and savings and credit associations.

It will focus on ethnic minority livelihood development and rural financial services. The project will provide agricultural and value chain lending. It will promote the establishment of joint liability groups as the conduit for bank lending to individual members along with group member training. The project will support the mobilization and formation of savings and credit groups among poor ethnic minority women. The groups will mobilize savings and well performing groups will receive matching grants and be eligible for group loans. Institutional capacity will also be supported.

Total cost: US\$23.6 million

Approved IFAD loan: US\$19.4 million

Approved IFAD grant: US\$451,000

Directly benefiting: 31,370 households

## Pro-Poor Partnerships for Agroforestry Development Project

The project targets poor upland farmers living in the three poorest districts of Bac Kan Province, in northern Viet Nam. Most of the farmers are members of the Nung, Dao, Mong and Tay ethnic minority groups. The province, which has limited agricultural land and rugged mountainous terrain, has the highest incidence of poverty in the country. Forestry resources are relatively undeveloped and there is significant potential for developing the livestock industry, aquaculture and tourism.

Total cost: US\$25.3 million

Approved IFAD loan: US\$21.0 million

Duration: 2009-2015

Directly benefiting: 11,300 households

Cofinancing: Global Environmental Facility (US\$0.6 million)

The project helps farmers in poor communities in upland areas whose livelihoods depend on cultivating hillside slopes and collecting non-timber forest products on the small areas of forest land allotted to them. The project has the aim of benefiting poor farmers through:

- greater equity in allocation of forest land
- development of more sustainable hillside farming systems
- diversification of income-generating opportunities
- piloting payment for environmental services

Activities include establishment of village forestry management boards. The project encourages poor households and community groups to apply for certificates giving them forest land use rights, and to participate in the preparation of forestry management plans. The community development fund empowers poor upland farmers to choose investments and services that meet their needs. The project also provides specific opportunities for women in promoting women's rights and gaining access to the community development fund.

## Developing Business with the Rural Poor Programme

The programme's goal is to help develop market and business opportunities for poor rural people in two provinces of Viet Nam. Ben Tre province is densely populated and is situated close to Ho Chi Minh City, the country's major urban centre. Cao Bang province is sparsely populated, remote and largely mountainous. In both provinces rural poverty is widespread.

The specific objective of the programme is to improve the incomes of a broad target group that includes people with small landholdings and limited assets, landless labourers, ethnic minorities and women. The programme helps empower poor households in targeted rural communities to organize themselves for profitable market participation along value chains, in an equitable and environmentally sustainable manner. The programme also works to create a favourable policy environment for market linkages, and to generate increased private investment and provision of business development services for microenterprises in the target areas.

Total cost: US\$50.5 million  
Approved IFAD loan: US\$35.0 million  
Approved IFAD grant: US\$550,000  
Duration: 2008-2014  
Directly benefiting: 99,600 households  
Cofinancing: Government of Luxembourg (US\$3.4 million)







## Programme for Improving Market Participation of the Poor in Ha Tinh and Tra Vinh Provinces

The objective of the programme is to raise the incomes of poor rural people in 50 communes in Ha Tinh province and 30 communes in Tra Vinh province by improving their access to labour, finance, commodities and service markets. Poverty rates are high in these communes, and the majority of the population lives in rural areas and depends on subsistence farming.

In Ha Tinh, because of the small size of the average landholding, agriculture remains at subsistence level and the poverty rate is about 40 per cent. In Tra Vinh, one of the poorest provinces in the Mekong Delta, landlessness is a serious problem and 33 per cent of households are poor. There has been a move to diversify and intensify through adoption of higher-value crops.

The programme concentrates on:

- adding value to agriculture
- improving key markets and market mechanisms
- creating off-farm employment
- linking market-based initiatives to the needs and priorities of poor communes

It benefits poor people in the two provinces and provides an opportunity to introduce, develop and refine activities that will be relevant on a broader scale in other provinces and at national level. The programme helps raise incomes among poor people, including:

- people who remain in farming
- people who develop rural microenterprises
- people who find permanent employment
- local entrepreneurs who invest in employment-creating opportunities for poor rural people

Total cost: US\$37.3 million

Approved IFAD loan: US\$26.0 million

Approved IFAD grant: US\$400,000

Duration: 2007-2012

Directly benefiting: 50,000 households

Cofinancing: Government of Germany (US\$3.9 million)



The programme targets groups of vulnerable poor people such as households with underemployed members and limited landholdings, women and households headed by women, underemployed young people and ethnic minorities, including the Khmer in Tra Vinh.

The programme emphasizes local participation and promotes poor rural people by:

- interacting and participating in markets and providing support for market opportunities
- facilitating increased access to jobs by improving job linkages and skills and improving production methods
- financing enterprises through credit and investments
- participating in decision-making for programme activities
- expanding financing for activities that are performing well, through a performance incentive budget

### Decentralized Programme for Rural Poverty Reduction in Ha Giang and Quang Binh Provinces

This programme focuses on two of the poorest communities in the country in two distant provinces, each with a unique geography and climate. The programme is enhancing the ability of participants to manage commune-level institutions, promoting the government's ongoing decentralization process, and establishing management structures and delivery services that respond to the needs of the participants. The ultimate goal is to improve the productivity, income levels and food security of poor households, especially for ethnic minorities and women.

Total cost: US\$38.8 million

Approved IFAD loan: US\$24.1 million

Approved IFAD grant: US\$631,000

Duration: 2005-2011

Directly benefiting: 69,000 households



# Completed operations

## Rural Income Diversification Project in Tuyen Quang Province

Total cost: US\$30.4 million

Approved IFAD loan: US\$20.9 million

Duration: 2002-2009

Directly benefiting: 49,000 households

Cofinancing: Government of Sweden (US\$5.0 million)

## Ha Tinh Rural Development Project

Total cost: US\$19.1 million

Approved IFAD loan: US\$15.4 million

Duration: 1999-2005

Directly benefiting: 84,000 households

## Ha Giang Development Project for Ethnic Minorities

Total cost: US\$18.4 million

Approved IFAD loan: US\$12.5 million

Duration: 1998-2003

Directly benefiting: 34,000 households

Cofinancing: Government of Sweden (US\$0.8 million), United Nations Development Programme (UNDP) (US\$2.3 million)

## Agricultural Resources Conservation and Development Project in Quang Binh Province

Total cost: US\$17.8 million

Approved IFAD loan: US\$14.4 million

Duration: 1997-2002

Directly benefiting: 65,000 households

Cofinancing: United Nations Development Programme (UNDP) (US\$1.4 million)

## Participatory Resource Management Project - Tuyen Quang Province

Total cost: US\$22.1 million

Approved IFAD loan: US\$18.4 million

Duration: 1993-2001

Directly benefiting: 46,000 households

Cofinancing: United Nations Development Programme (UNDP) (US\$0.6 million)

## Building a poverty-free world

The International Fund for Agricultural Development (IFAD) works with poor rural people to enable them to grow and sell more food, increase their incomes and determine the direction of their own lives. Since 1978, IFAD has invested over US\$12 billion in grants and low-interest loans to developing countries, empowering more than 360 million people to break out of poverty. IFAD is an international financial institution and a specialized UN agency based in Rome – the UN's food and agricultural hub. It is a unique partnership of 165 members from the Organization of the Petroleum Exporting Countries (OPEC), other developing countries and the Organisation for Economic Co-operation and Development (OECD).

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For further information on rural poverty in Viet Nam, visit the Rural Poverty Portal <http://www.ruralpovertyportal.org>



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October 2010

