



Finn Tarp

# **Growth, Structural Transformation, and Rural Change in Vietnam: A Rising Dragon on the Move**



UNITED NATIONS  
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# Vietnam Access to Resources Household Survey: VARHS 2006-2014

- VARHS origin dates back to 2002 (with support of Danida)
- Results inspired CIEM, CAP/IPSARD, ILSSA and DERG, University of Copenhagen, to expand and continue survey in 2006, 2008, 2010, 2012 and 2014; from 2009 in collaboration with UNU-WIDER
- Each survey round saw publication of extensive descriptive report and a number of in-depth studies and policy briefs on issues of importance for rural society and economy in Viet Nam
- Today we launch synthesis report (409 pages, 99,731 words) based on 2006-14 data under the heading of:

***Growth, Structural Transformation and Rural Change in Viet Nam:  
A Rising Dragon on the Move***

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## Location of 12 VARHS provinces in Vietnam

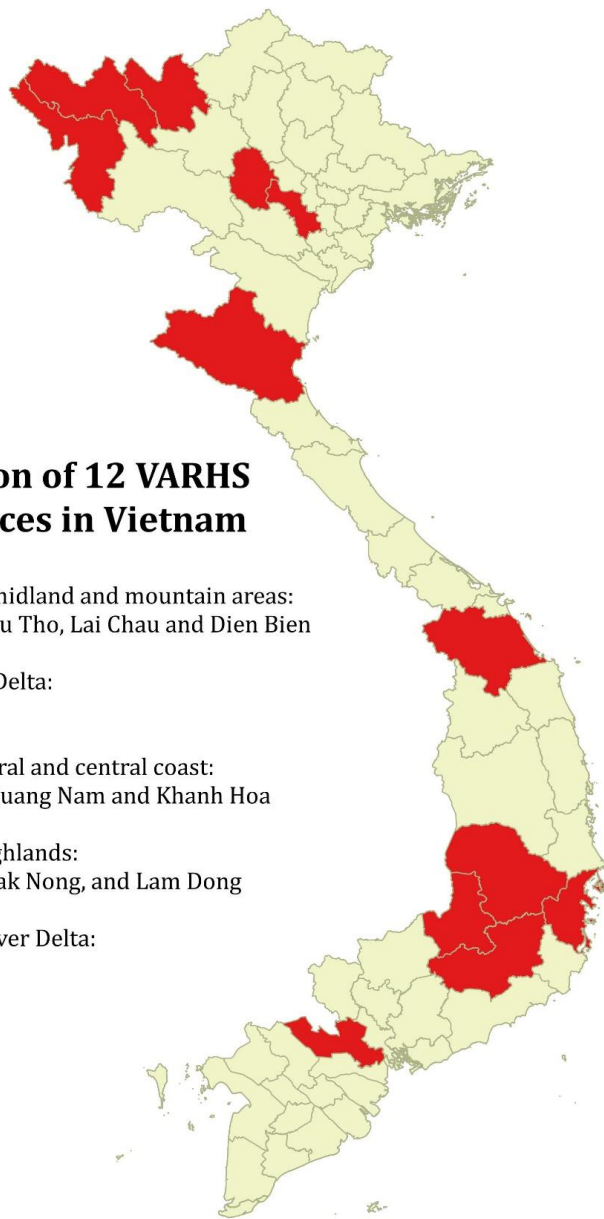
Northern midland and mountain areas:  
Lao Cai, Phu Tho, Lai Chau and Dien Bien

Red River Delta:  
Ha Tay

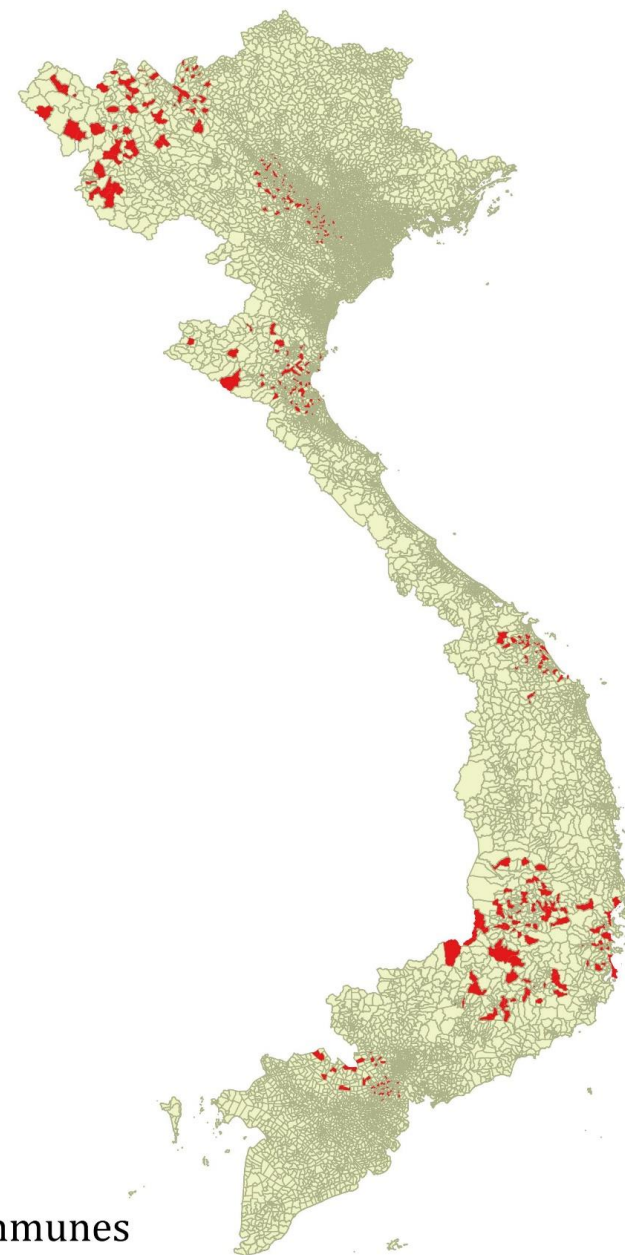
North central and central coast:  
Nghe An, Quang Nam and Khanh Hoa

Central Highlands:  
Dak Lak, Dak Nong, and Lam Dong

Mekong River Delta:  
Long An



VARHS communes



**Background**

# Preface: Two Quotes

- “The process of economic reform in Viet Nam can be compared to travelling a long, winding road through dangerous mountains and huge river valleys. Great achievements have been made since Doi Moi was initiated in 1986, but Viet Nam has only come part of the way to overcoming the dual challenges of poverty and underdevelopment. Major challenges lie ahead....”

*Key constraint: generation, availability, and use of good quality data*

- “We also call for a data revolution for sustainable development, with a new international initiative to improve the quality of statistics and information available to citizens. We should actively take advantage of new technology, crowd sourcing, and improved connectivity to empower people with information on the progress towards the targets”

# Focus

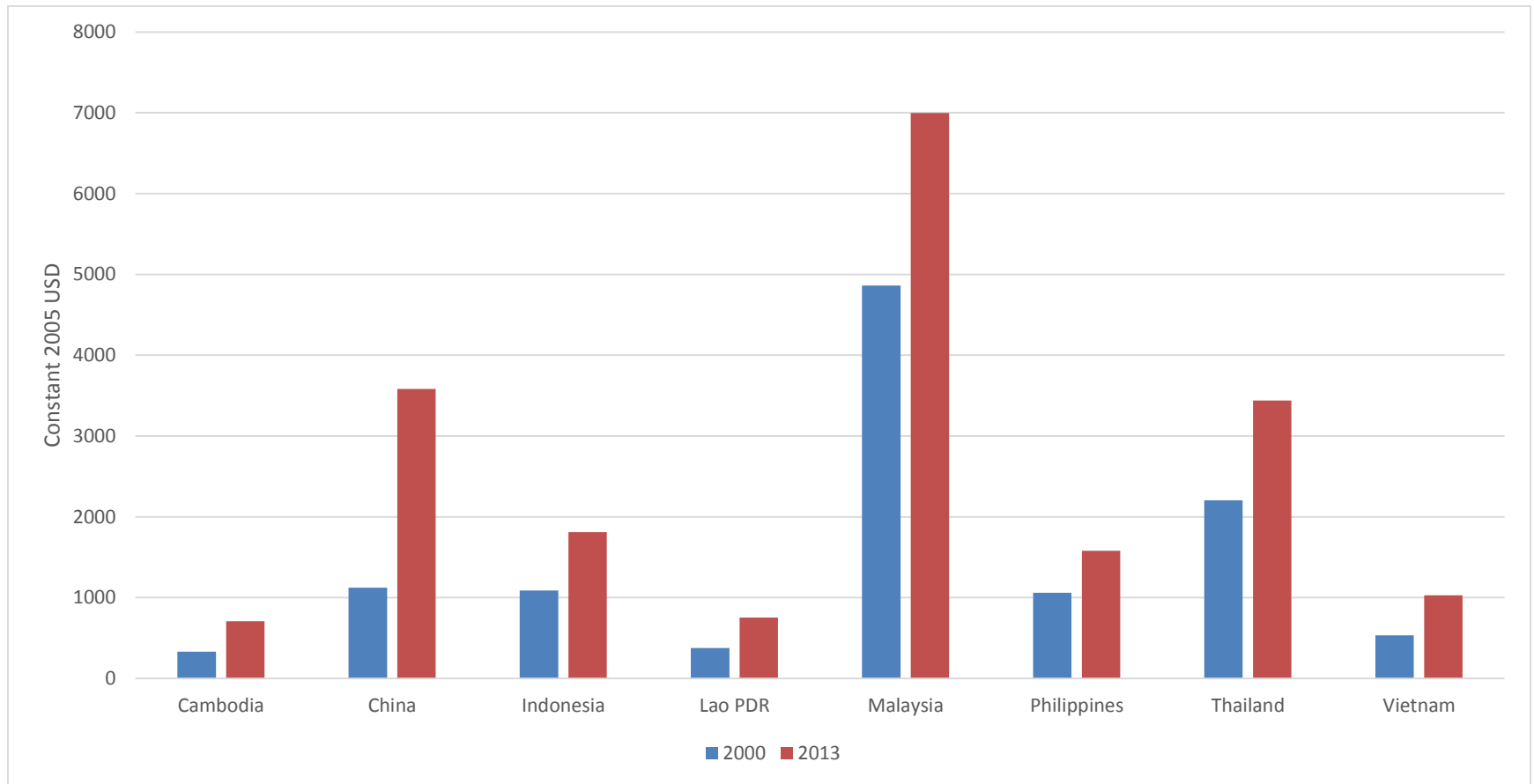
- The process of rural economic transformation as it impacts on almost all aspects of rural life and economic activities
- The critical importance of household access to markets for land, labour, and capital (i.e. key production factors) and the importance of associated institutions
- The ultimate welfare outcomes and distributional issues (among for example, households, genders, and ethnic groups)
- A set of broader policy implications and policy messages

# Real GDP Growth in Viet Nam

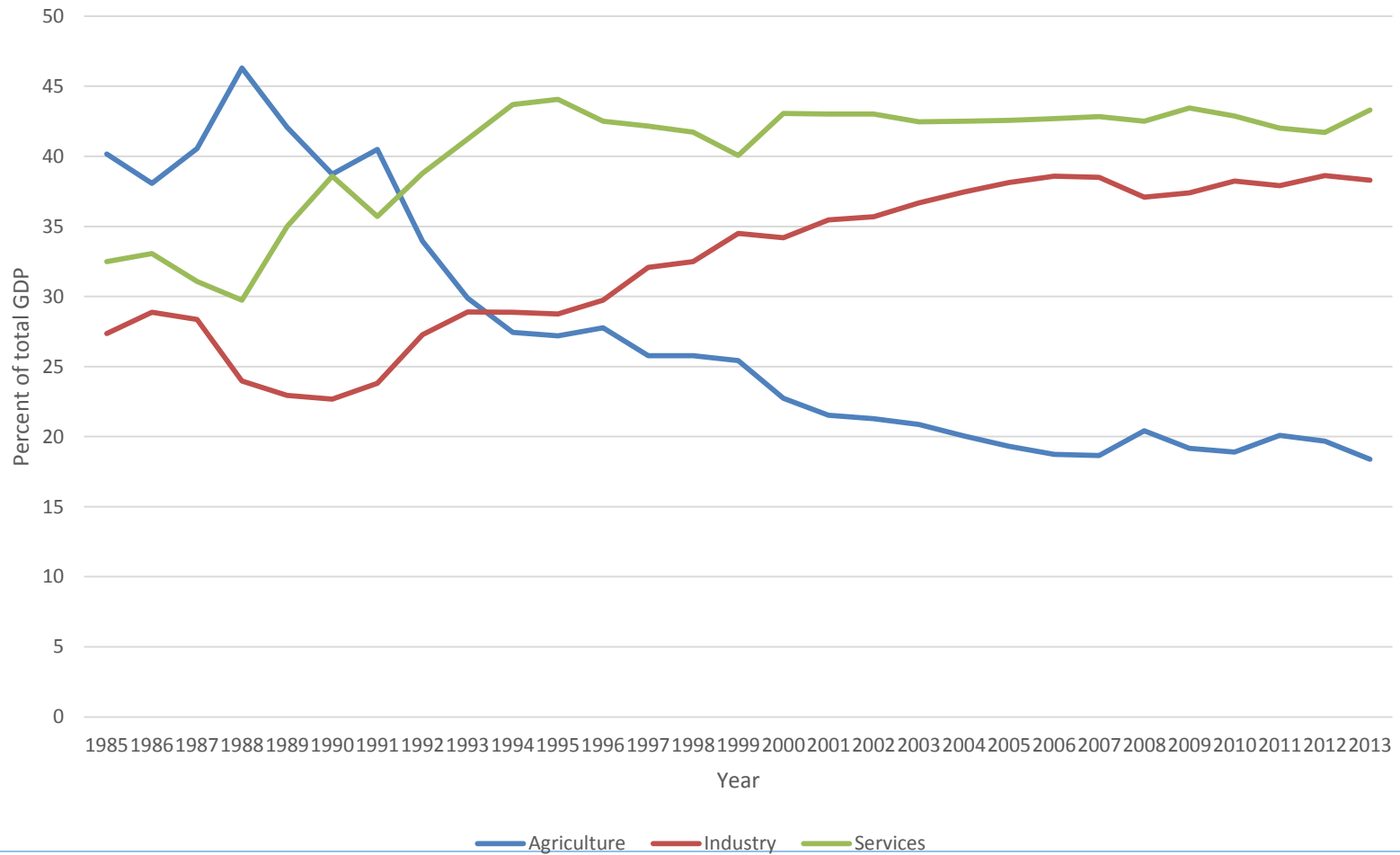




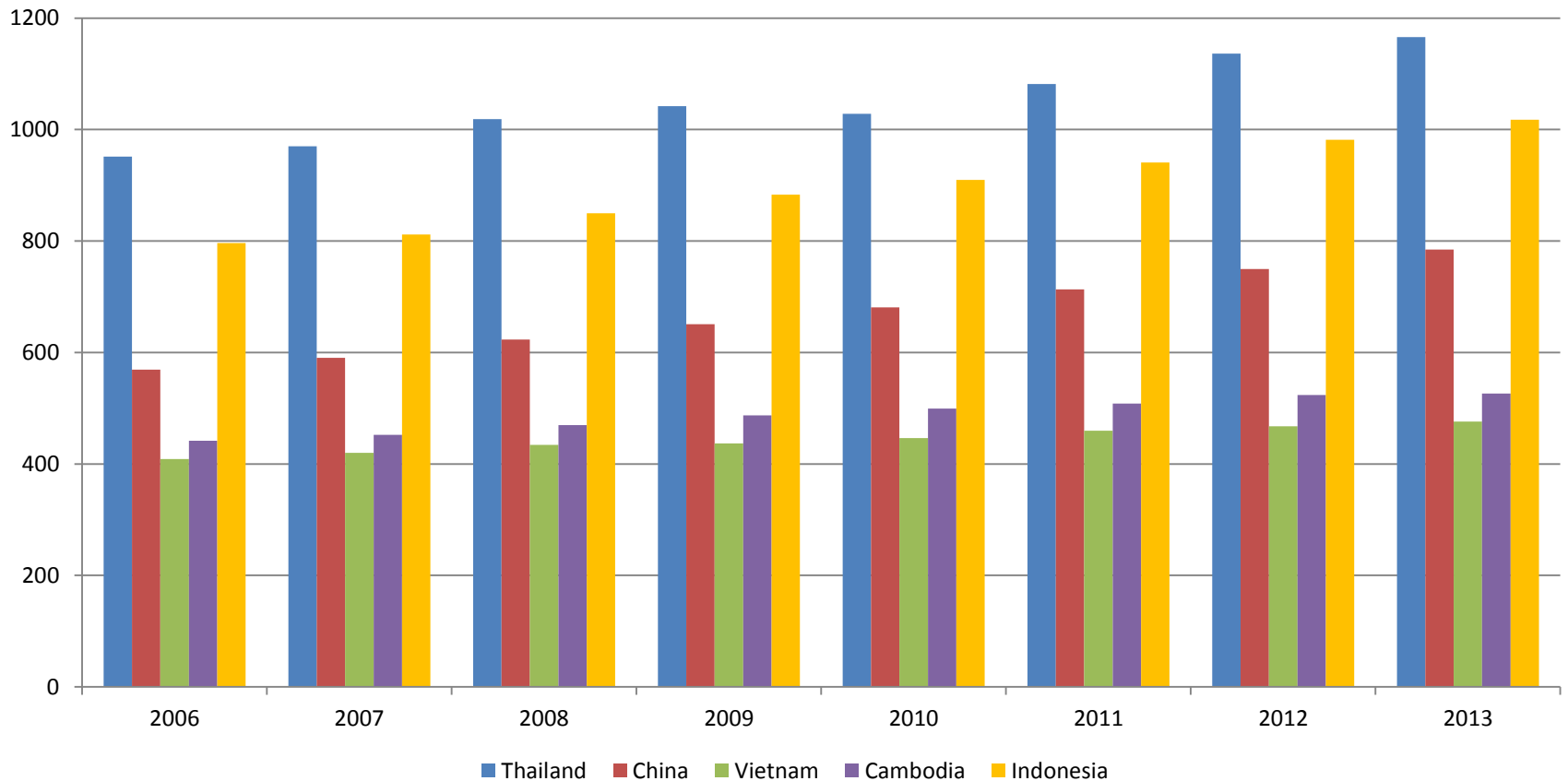
# Real GDP per Capita



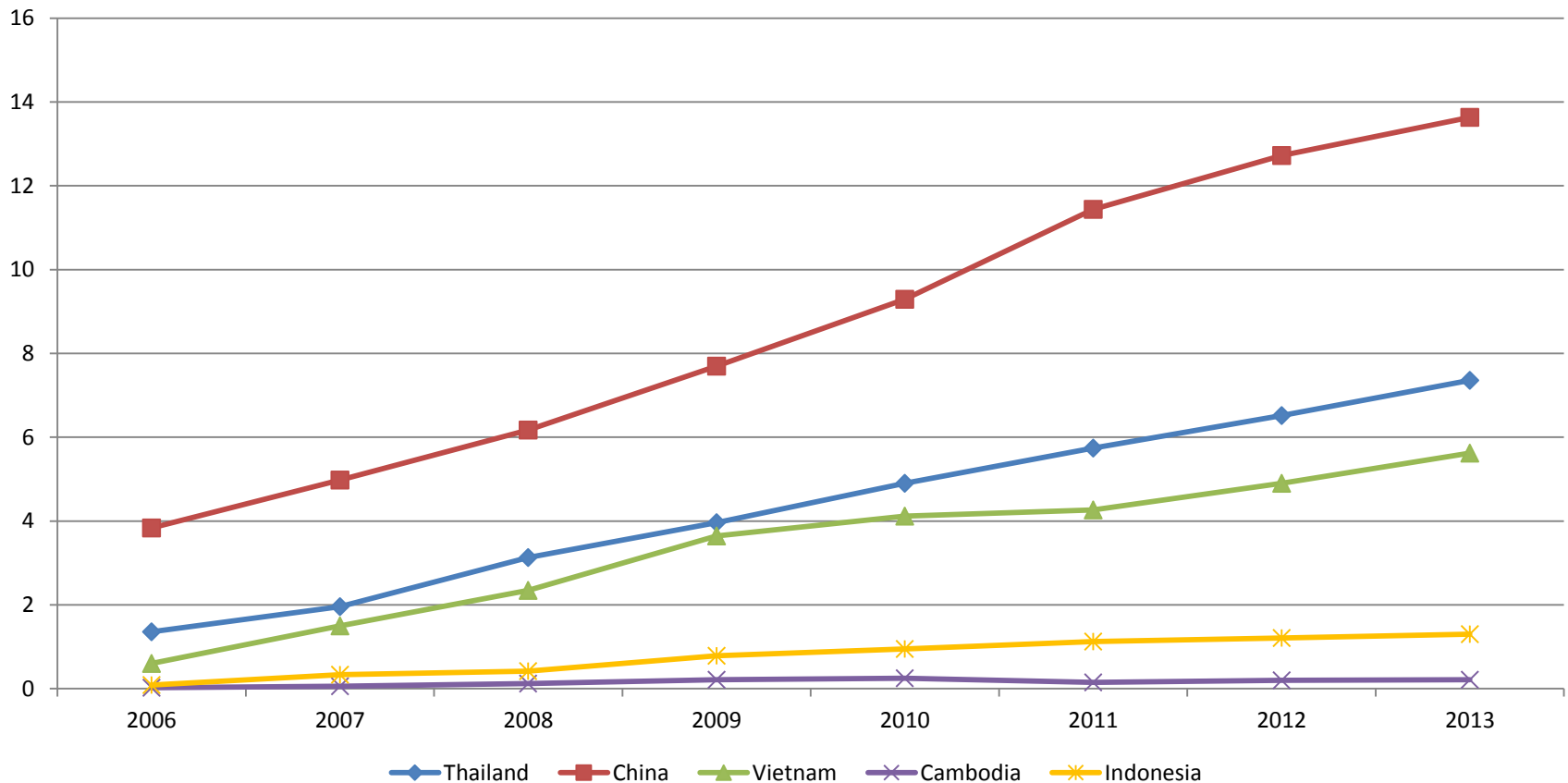
# Structural Transformation



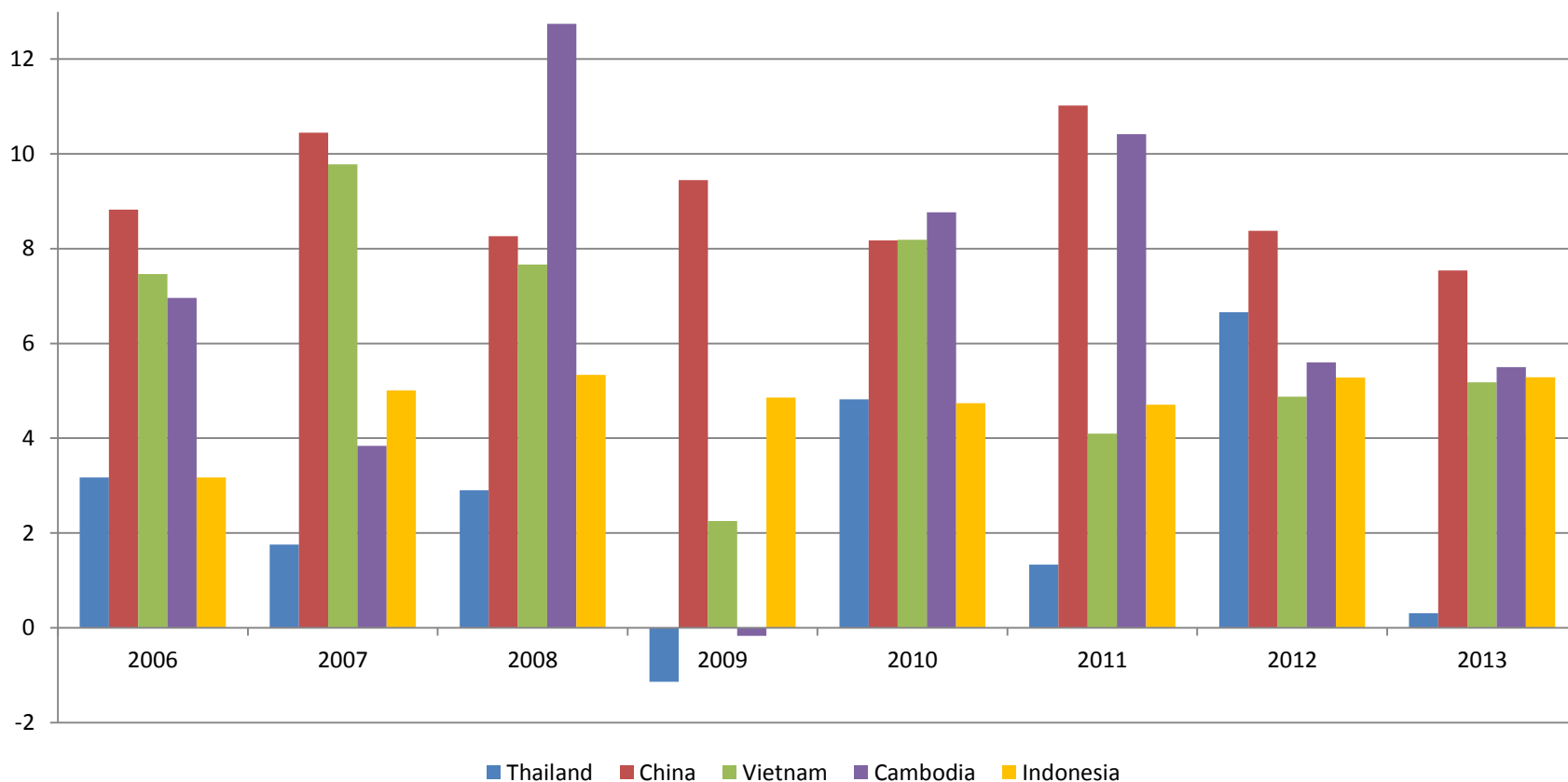
# Agricultural Value Added/Worker



# Broadband Subscriptions (per 100 people)



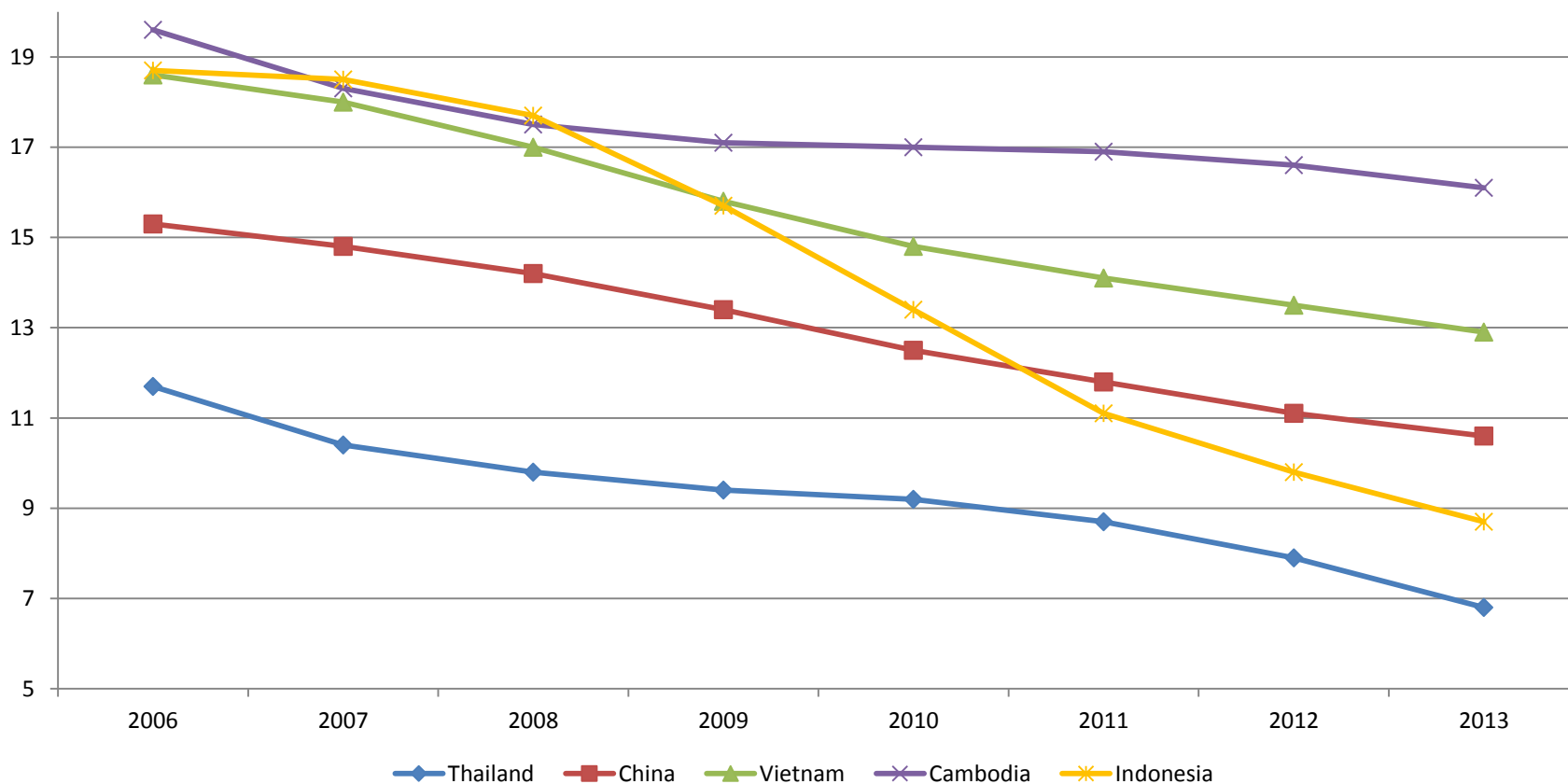
# Household Final Consumption Expenditure (per cent annual growth)



# Headcount Ratio (1.25 dollar a day)

	1980s	1990s	2000s	2010-12
<b>China</b>	54	47	19	8
<b>Indonesia</b>	68	50	25	17
<b>Cambodia</b>	...	45	24	11
<b>Lao PDR</b>	...	52	38	30
<b>Malaysia</b>	2	1	0.2	...
<b>Philippines</b>	36	29	22	19
<b>Thailand</b>	17	5	2	0.3
<b>Viet Nam</b>	...	<b>57</b>	27	<b>3</b>

# Prevalence of undernourishment (per cent of population)



# What Do We Learn from Aggregate Data?

- Aggregate growth, structural transformation, poverty reduction happening
- Agriculture value added per worker stagnant in Viet Nam over the past decade
- IT development (as measured by fixed wired broadband subscriptions) far from impressive in regional comparisons
- While prevalence of undernourishment and depth of food deficit dropping, progress elsewhere suggests more can be done
- We need to learn more about who and why to better understand & help policymaking



# Part I: Rural Transformation

# Chapter 2 – Commune Level Findings

- Clear signs of transformation at commune level over time, especially in provision of public facilities and infrastructure: public action matters!
- Significant regional differences exist, with Northern Region lagging on several critical indicators: cannot be captured by aggregate indicators, but critically important
- Viet Nam continues to face challenge of ensuring development becomes more regionally balanced
- Looking ahead commune leaders expect climate change to become important problem in future

# Chapter 3 – Agriculture Findings

- Agriculture continues to play critically important role
- This why attention to value added per worker in rural sector such a critical indicator
- Participation in non-agricultural activities increasing over time
- Agriculture becoming commercialized in rural Viet Nam, mainly in the case of selling rice
- While poorer households grow more rice, they sell less (due to more self-consumption): more needs to be done to integrate them better into the market economy and its institutions

# Chapter 4 – Rural Non-Farm Economy Findings

- Diversification from specialized agriculture happening
- An important role for government: shape an environment that will help cultivate enterprises
- Diversification into waged employment important source of welfare gain
- A key policy priority: enable job creation, particularly in rural areas, for those leaving agricultural production
- Increasing quality and quantity of education will have large effect on ability of households to find suitable jobs

# **Part II: Key Production Factors and Institutions**

# Chapter 5 – Land Findings

- Landlessness not increasing in general
- Farms getting slightly smaller, but plots being consolidated
- Land sales market activity stagnant + sales markets much more active in Central Highlands than elsewhere
- Activity in land rental markets increasing
- Significant number of plots without LUC

# Chapter 6 – Labour and Migration Findings

- Significant movements of household members, both intra-province and inter-province
- Main reasons for migrating: education and work
- Remittances act as shock-coping mechanism, in particular in presence of natural shocks
- Migrant households have better access to credit
- Remittance recipient households seem to react better to natural shocks, as remittances counterbalance need for formal borrowing

# Chapter 7 – Technology and Innovation Findings

- Economic growth has not brought about mechanization of agricultural sector
- Ownership of mobile phones catching up; internet use developing much more slowly
- Households that still do not own at least one phone often poor, female headed and have fewer members
- Households that do not have internet still a majority + tend to be more rural: more remotely located, have smaller income and especially smaller income from wage labour



# Chapter 7 – continued

- Phone and internet connection can be used to acquire and spread information: households without these technologies risk being excluded from economic activity
- A risk that income gaps widen if poor households and youngsters do not have same opportunities with new technology
- Access to technology and user knowledge could be promoted vigorously through education system
- Poor households should have possibilities to use new technologies: important as internet cafés are losing popularity and using internet from mobile phone becoming more popular

# Chapter 8 – Social and Political Capital Findings

- Communist Party membership strongly correlated with income – all else equal
- Mass organizations dominate organizational life; other formal groups (e.g. groups for elderly) are growing faster
- Moderate increase in generalized trust
- No signs of decreasing importance of family relations for economic activities
- Positive effects of party membership, informal insurance arrangements and trust on income

# **Part III: Welfare Outcomes and Distributional Issues**

# Chapter 9 – Welfare Dynamics

## Findings

- Considerable value in having multi-wave panel where we can measure household welfare
- Overall impressive period of improvement in all welfare measures
- But also diversity, not all shared
- And some systematic patterns:
  - Education and migration positive factors
  - Some regions and ethnic minorities over-represented among cases of decline

# Chapter 10 – Gender Findings

- Female-headed households a distinct group: very different characteristics to other households
  - Their welfare improved but not to same extent and they more vulnerable to income shocks
- Focussing on women and men more generally:
  - Education outcomes improved for both men and women – women outperform men on literacy and years of education but gap closing over time
  - Overall declines in number of days spent working in agricultural activities and increase in days spent in waged employment consistent with structural transformation
  - Women spend more days working than men in all cohorts mainly due to significantly more days spent in waged employment – for 18-30 year olds and 46-60 year olds this gap has widened
- Higher welfare levels in households where women empowered

# Chapter 11 –Children and Youth Findings (unbalanced panel)

- Great progress towards improving child welfare; health of children and young people improving + school attendance increasing (in particular for children above 10)
- Decrease in child labour; most notable for most vulnerable age group
- Both girls and boys experienced improvements in health and schooling outcomes; but boys benefitted more than girls
- Well-being increasing over time for both minority and non-minority groups; but substantial difference in level of welfare of children remains
- A particular concern is widening gap in educational outcomes for poorest households and ethnic minorities
- With slower rates of human capital accumulation for poorest groups, convergence in living standards will be more difficult and take longer time

# Chapter 12 - Ethnic Disadvantage Findings

- Persistent gap between Kinh & non-Kinh – but stagnant
- Constraints:
  - Non-Kinh households have lower quality agricultural land + lower rates of ownership certificates
  - Non-Kinh households face more problems producing and selling agricultural products
  - Non-Kinh households have worse access to formal and informal credit
  - Non-Kinh households do not appear more remotely located than Kinh households living in same province
  - Some evidence of segregation along ethnic lines in social networks
  - Knowledge of Vietnamese matters

# **Conclusions and Policy Recommendations**



# Where Does One Begin?

- To start: how to understand aggregate growth of 6.9% per year:  $T \times G = 69$  -> doubling time 10 years
- 1, 2, 4, 8 versus 10, 20, 40, 80 [in 1986, 1996, 2006, 2016]; not to mention 100, 200, 400, 800!
- Absolute progress versus relative inequality; Plato – a Greek Philosopher (in the Republic 380 BC)
- Data collection to help get consistent map – and use it to analyse what happened (+ association versus causality); on this basis policy implications are drawn up
- VARHS does not pretend tell Vietnamese government what to do; idea to help provide data and analytical inputs that will help improve policy-making

# Quoting John Maynard Keynes

- *Practical men who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back*

# Where Does One Begin? Key Findings

- Living conditions: improved in general for rural households in absolute terms
  - VARHS confirms Viet Nam experienced very significant poverty reduction in rural areas – but not true (in absolute terms) for all (important numbers of households for whom situation worsened)
  - Having a sufficient level of assets, including education, social capital, and productive assets associated with greater likelihood of becoming better off + same for having more prime-age household members
  - Facing shocks and being of non-Kinh ethnicity significantly associated with large reductions in for example food expenditure
  - Social capital and patronage relations important in Vietnamese politics and social and economic interactions
-

# Policy Implications: One

- Maintain focus on need for continued development of physical, human and social capital + particular attention to disadvantaged provinces and ethnic minorities: if not, existing gaps will only widen
- Agricultural value added not increasing as general economic advance: critical, major numbers of population continue to depend on agriculture (a sign of development is productivity equalizes across sectors)
- Deepen and extend policies to promote agricultural productivity: key and need further development and extension to all regions; both more traditional measures (high yielding seeds, information and extension, and mechanization) and intensification of modern technology embedded in IT
- Actions to remove constraints to functioning of land markets also needed; few land transactions, particularly in certain regions, a challenge that needs to be addressed vigorously + same goes for low levels of land titling in these regions

# Policy Implications: Two

- Development and earning higher income involves people moving out of agriculture
- While agriculture must grow in absolute terms it should fall in relative terms
- Structural transformation needed and much can be done to further this process, implication being:
  - Support off-farm activities and establishment of household enterprises actively: integral part of strategy to promote entrepreneurial activity across whole economy
  - Do not shy away from supporting development of more flexible labour market, characterized by increased mobility; needs to be done keeping in mind need for job creation
  - Constraints to enterprise growth (such as access to credit or markets) should be removed; same goes for arbitrary interventions that limit their expansion, and, in rural areas, programmes to support promising start-up enterprises to grow and expand could be intensified

# Policy Implications: Three

- VARHS reveals much can still be done to improve gender balance and invest in improved conditions for children and youth
- Truly inclusive development implies:
- Follow up on commitment to promoting gender balance in all dimensions through guidance and effective support at all levels, including development of profile role models in all aspects of socio-economic and political aspects of society
- Without policy interventions targeted at most vulnerable (women and girls, ethnic minorities, and disadvantaged regions) existing gaps in welfare will widen
- A case for investment in human capital; poorer education outcomes for vulnerable groups mean they will be left even further behind

# Policy Implications: Four

- Also essential elements of effective adaptation strategy to future climate change: speeding up development often best available adaptation strategy
- A better educated population will know how to take proper action and will be better placed to do so
- Basic policy message: keep momentum up – accelerated development desirable
- Additional policy measures required to help prepare farmers and other people for many changes that will occur
- In some cases means policies should be put in place so rural people (or better their children and grandchildren) will eventually be prepared and able to move to less affected areas and earn productive living there, less dependent on agriculture and existing flood-prone urban areas

# Policy Implications: Five

- People may like the market – BUT market-based institutions not yet fully developed; for example in relation to land and land market transactions
- VARHS shows further progress in this regard—and in many other dimensions of institutional progress—critical
- Focus on fair, predictable, and transparent socio-economic principles and practices: (i) all members of society subject to the rule of law, and (ii) those in positions of power and influence held accountable for their actions
- Combatting corruption essential [a cancer can threaten structure and wellbeing of human body, and even its life if proper care and treatment not initiated in time; in socio-economic contexts similar dangers exist if corruption and societal values allowed to degrade, leading to institutional decay and vicious circle that undermines development]
- Much needs to be done: strong focus on access to information; internet and promoting e-governance one specific avenue to help this happen



# A Final Word of Caution and Hope

- Picking fruits easy when fruits hang low; gets more difficult when fruits hang higher: policy making not going to be easier in future
- Pay attention to research – note international calls for data revolution (how often does the world call for revolutions?)
- Pay close policy attention to relatively low subjective wellbeing of Vietnamese rural people
- My wish: may rising dragon have stamina and wisdom to build constructively on impressive past achievements using evidence in hand
- If so, we will be able to tell our grandchildren: the Vietnamese dragon actually a real Asian tiger in disguise!



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