

Rural-Urban poverty linkages in Vietnam

Summary Note¹

Over the last three decades, in parallel with high economic growth, Vietnam has achieved a significant progress in poverty reduction. With an average of nearly 7% annual GDP growth rate, Vietnam has reached a lower middle income status. Poverty rate has been reduced from 58.1% in 1993 to 14.2% in 2010.² Vietnam's past development is considered to be a shared prosperity according to the recent World Bank report. The mean income of the 40% bottom population increased by 8.9% annually during 1993-2012, higher than that growth rate of the 60% upper population, 7% annually³.

Regardless of the past success, poverty reduction in Vietnam is still a challenging task. From 2010, a new poverty line has been applied to Vietnam and the poverty rate for 2010 was 20.7% instead of 14.2% and then reduced to 17.2% in 2012. It becomes more and more difficult to reduce poverty further. The poverty elasticity of growth has been in decline or more growth is needed for a percentage point of poverty reduction over time.⁴ The recent stagnation of Vietnamese economy threatens the past success. Poverty is more concentrated in the ethnic group and certain areas, having a feature of the chronic poor. This calls for more efforts and alternatives to reduce poverty in Vietnam in the coming years.

Similar to the other developing countries, during this stage of development, Vietnam has been experiencing a rapid urbanization. 30% urban has an annual urban population growth rate of 3.4%.⁵ The number of urban areas increased from 649 in 2000 to 753 in 2009. The urban proportion of the population has increased from 23.7% in 1999 to 29.6% in 2009 (25.4 million urban residents among 85.8 million people in the national population) (Vietnam's General Statistics Office, GSO), and projected to reach up to 45% in 2020. Urbanization in Vietnam is featured by two independent and dominant core-periphery urban systems, namely Ho Chi Minh City and Hanoi. As a result, economic activities have been concentrated in these two cities and their surrounding areas, serving as the main driver for Vietnam's rapid economic growth. 64.6%

¹ This is a note on rural-urban poverty linkages in Viet Nam. The note was produced by the Viet Nam delegation (Dang Thi Thu Hoai and Bui Sy Tuan) to the "Rural-Urban Poverty Linkages" conference, held on 2-4 Sept 2014 in Zhejiang, People's Republic of China. The views expressed in this note are those of the authors, and do not necessarily reflect the views and policies of the organizers (Asian Development Bank [ADB] and International Poverty Reduction Center in China [IPRCC]), or ADB's Board of Governors, or the governments they represent. ADB and IPRCC do not guarantee the accuracy of the data and information in this paper.

² Headcount poverty based on the poverty line formulated for Vietnam since the mid of 1990s (equivalent to expenditure of 2100Kcl intake per person per day and some additional basic non-food expenditure). However, since 2010, a new poverty line has been applied to tailor the new development stage of Vietnam.

³ World Bank, 2014. Taking stock: An update on Vietnam's recent economic developments.

⁴ Dang Thi Thu Hoai, 2011. Poverty in Vietnam: The effects of shocks and sectoral growth patterns.

⁵ World Bank, 2011. Vietnam urbanization review.

of the number of firms, 77% of total revenue and 70.1% of total employment have been located in these two most developed regions of Vietnam.

With a high concentration of the economic activities in the two main urban systems and industrial zones, *migration* is a prominent phenomenon in Vietnam and is one of the important channels of *rural-urban poverty linkages*. The inter-provincial migration increased from 2.5% to 4.3% of population during 1999-2009 and much higher rate today (GSO). In 2009, 3.4 million of 6.7 million internal migrants (approximately 6.5% of the total population) were inter-provincial migrants.⁶ The net migration rates are highest for Ho Chi Minh City (116 %) and Hanoi (50 %) as well as some dynamic provinces Binh Duong (341.7%), Da Nang (77.9%), and Dong Nai (68.4%).⁷

While there is no doubt that rural-urban migration contributes to poverty reduction in Vietnam, it has been created several new challenges⁸: (i) Welfare of many migrants is very poor. They can hardly access to the official welfare system as well as the basic public services in the urban areas such as health and education. (ii) The urban infrastructure is overload for such a big flow of migrants. (iii) Urban poverty in Vietnam is on the rise⁹.

Another important but less popular channel of rural-urban poverty linkages in Vietnam is the *market access and production linkages*. High demand from urban consumers and enterprises together with an improved urban connection, living standards in many villages surrounding urban areas has been improved significantly. There are quite several examples showing this such as the case of two villages nearby Hanoi.¹⁰ It is noted that in order to promote this channel of rural-urban poverty linkages, the active role of the government is needed, especially in the initial supports in terms of infrastructure, connection and trainings.

In responding to the new challenges, the Vietnamese government has considered and taken several actions and directions. Incentives has been provided to attract more investment in rural areas to create more jobs and improve the living standards for rural people in their hometown such as Government Resolution 80/NQ-CP on sustainable poverty reduction period 2011-2020, Government Resolution 30a /NQ-CP on supporting rapid poverty reduction and sustainable for 61 poorest districts, Government Decision 1956 on vocational training for rural farmers, programs support ethnic, mountainous, remote and difficulty areas, etc... High priority will be given to improve the road system to connect the rural and poor areas with the economic growth poles. This is identified as one of the direction in the poverty reduction policy during 2016-2020¹¹. Some actions have been taken placed to improve the access of the migrants to basic

⁶ Le Thi Kim Anh et. Al., 2012. An analysis of interprovincial migration in Vietnam from 1989 to 2009.

⁷ Le Bach Duong et. Al., 2011. Social Protection for Rural-Urban Migrants in Vietnam: Current situation, challenges and opportunities.

⁸ Hy Van Luong, 2009, Urbanization, Migration, and Poverty in a Vietnamese Metropolis.

⁹ Oxfarm and Actionaid, 2010. Urban poverty assessment by participatory approach.

¹⁰ Nguyen Xuan Thanh et. Al., 2005. Livelihood Diversification and Rural-Urban Linkages in Vietnam's Red River Delta.

¹¹ National Assembly Resolution No.76/2014 dated 24/6/2014 on Directions to achieve poverty reduction in a sustainable manner to 2020.

public services such as education and housing and also the welfare system. The issue of urban poor and vulnerable attracts more attentions of the policy makers. Government poverty reduction programs have been consolidated to improve the effectiveness as well as to ensure the sustainability of the poverty reduction.

In short, rural-urban poverty linkages have no doubt contributed to the past success of Vietnam in poverty reduction. However, the new challenges call for the alternative approach to reduce further poverty at the same time to minimize its negative impacts. This can be achieved through learning from good practices and international experiences.