

## **Livelihood diversification and rural-urban linkages in Vietnam's Red River Delta**

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## **Abstract**

With high population density and limited land availability, Vietnam's Red River Delta is undergoing a major transformation as its economic base moves away from subsistence farming towards intensive, high-value food production for export and local urban markets, and nonfarm employment. This paper describes the changing livelihoods of the residents of two villages that represent two different pathways to local economic development. One village relies primarily on agricultural intensification and diversification, although in combination with nonfarm activities. These nonfarm activities are either supplementary (such as handicraft production and seasonal migration) or related to farming, such as provision of agricultural services, transport and trade of agricultural produce. To a large extent, it is this nonfarm income that allows investment in agriculture at the household level. Residents of the second village, although nominally still owning rice farms, have effectively moved out of agriculture and engage almost exclusively in handicraft production.

Despite these major differences, there are also important similarities between the two villages. First, much of their recent economic development is linked to access to markets – including proximity to local urban centres and to Hanoi (where demand from urban consumers and from exporting enterprises has increased substantially), a vastly improved road and transport system, and an excellent communications infrastructure. Second, each village has developed forward and backward linkages with their main production sector. Last but not least, local authorities have played an important role in supporting local economic development, providing infrastructure, training for handicraft production, and inputs for farmers.

The long-term sustainability of economic growth and poverty reduction in the Red River Delta will largely depend on strengthening rural-urban linkages. This includes adopting regulations on land use that allow farmers to better respond to growing urban demand for high-value produce; incorporating more explicitly the needs of the handicraft microenterprises in existing and future policies and plans for rural industrialisation; recognising and supporting the role of seasonal migration in rural local economic development; and addressing the changing planning and natural resource management needs of these urbanising villages.

## 1. Introduction: Economic Growth and Poverty Reduction in Vietnam

During the mid-1980s, an estimated seven out of ten Vietnamese lived in poverty. Almost 20 years after the introduction of *doi moi* (innovation) reforms in 1986, the economy of Vietnam has seen fundamental changes in social and economic relationships that have led to unprecedented economic development and poverty reduction. During the period 1991–2000, the economy grew on average by about 7.5 percent per year. In the same period, the incidence of poverty declined dramatically. Using a poverty line computed according to international standards, 29 percent of the population lived in poverty in 2002, a sharp decline from 1998 (when that figure was 37 percent) and 1993 (when it was as high as 58 percent).<sup>1</sup>

The main factor driving poverty reduction in the past decade has been the redistribution of agricultural land (one of the most valuable but also increasingly scarce assets) to rural households.<sup>2</sup> This resulted in a phenomenal increase in agricultural production and exports. And because redistribution targeted the rural population, overall the poorest segment of the total population of Vietnam, it effectively helped lift millions of households out of poverty. However, there is now a prevailing consensus that the benefits from land reallocation have been reaped, and that economic growth and poverty reduction will need to be linked to job creation in the private sector and to the integration of agriculture into the market economy.

This, in turn, is linked to population growth and limited land availability in Vietnam affecting the capacity of the agricultural sector to absorb all the existing and future labour force. Economic growth in the years to come is likely to be based increasingly on manufacturing and services, and in the process, inequality will potentially increase between those regions integrated into the world economy through economic hubs (the Hanoi–Haiphong corridor in the north, Da Nang in the centre and Ho Chi Minh City in the south) and remote rural areas. But inequality is also increasing within the same locations. Participatory poverty assessments conducted in 1999 showed that landless households in rural areas (often newly married couples or new immigrants) and recent migrants in the urban centres have lower incomes than average, often have unstable jobs, and are more likely to face difficulties in securing access to services and infrastructure. And overall, a number of people remain dangerously close to the poverty line, making them vulnerable to shocks and stresses that would push them back into poverty.<sup>3</sup>

Data from the 1999 population and housing census show that Vietnam's economic transformations go hand in hand with important shifts in population distribution and mobility. Unlike most Southeast Asian nations, Vietnam has relatively low levels of urbanisation, but there has been a marked increase in the 1990s, with 23.7 percent of the total population living in urban centres in 1999, compared to 19.4 percent in 1989.<sup>4</sup> In part, this is related to the removal or relaxation of past regulation and restrictions; however, it also underlines the disparity of opportunity between regions and between rural areas and urban centres. At the same time, while migration can increase pressure on urban infrastructure and services, it is also often an

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<sup>1</sup> Vietnam Development Report 2004, Joint Donor Report to the Vietnam Consultative Group Meeting, Hanoi, December 2-3-, 2003.

<sup>2</sup> In April 1998, the Politburo of the Communist Party adopted Resolution 10, which redistributed cooperative land to households on a per capita basis, gave them contracts to produce a specified quota of crops and allowed them to sell any surplus.

<sup>3</sup> World Bank and DFID in partnership with Actionaid Vietnam, Oxfam GB, Save the Children UK and Vietnam–Sweden MRDP (1999) *Vietnam Voices of the Poor: synthesis of participatory poverty assessments*, World Bank, Hanoi.

<sup>4</sup> Dang Nguyen Anh, Cecilia Tacoli and Hoang Xuan Thanh (2003) *Migration in Vietnam: a review of information on current trends and patterns and their policy implications*, DFID, London.

important component of rural livelihoods. In this paper, we are especially concerned with improving the understanding of migration's contribution to the livelihoods of rural households and communities.

### ***1.1 Rural–Urban Linkages and the Priorities of the Government of Vietnam***

Linkages between urban centres and rural areas include flows of people, goods, money and information. For example, access to urban markets is crucial for agricultural producers, while many urban-based enterprises rely on demand from rural consumers. Throughout the world, an increasing number of households in both urban and rural areas rely on a combination of agricultural and nonagricultural income sources for their livelihoods. This may involve straddling the rural–urban divide from a spatial point of view (moving between town and countryside) or from a sectoral point of view (such as engaging in nonfarm rural activities or in urban and peri-urban agriculture).

As Vietnam's economic base moves away from agriculture and into manufacturing and services, the potential of rural–urban linkages for balanced regional economic growth and poverty reduction is reflected in the government's Comprehensive Poverty Reduction and Growth Strategy (CPRGS).<sup>5</sup> Development of the rural economy through agricultural intensification and diversification remains an important objective for the government, together with the promotion of domestic trade and improved access to international markets.

At the same time, more attention is given to sectoral and spatial transformations. The strategic actions planned include developing nonfarm activities through a number of policies such as vigorously developing industry and services in the countryside; setting up industrial zones and clusters in rural areas, and craft villages linked to domestic and export markets; shifting some city-based subcontracting and processing enterprises to rural areas; and enacting preferential policies to channel investments from all economic sectors to the development of industries and services in the countryside.

Small and intermediate urban centres can play a key role in the implementation of such policies, for example by linking their surrounding rural areas to both national and international markets for agricultural and nonagricultural products, and through the provision of services. They can also provide nonfarm employment opportunities for the rural population, therefore broadening the local economy's base and reducing the vulnerability of farming households to unfavourable natural and agricultural markets conditions. Dynamic provincial and district towns can also provide alternative destinations for migrants and contribute to slowing down urban congestion in the larger cities. Remittances from migrants, information on markets and consumer preferences in their destinations, and the return of migrants with new skills and capital acquired while away can also contribute significantly to economic development and changes in social values and lifestyles in the rural areas.

Policies that support positive rural–urban linkages can therefore help promote local economic growth and reduce rural and urban poverty. However, their successful formulation and implementation require a better understanding of the different ways in which rural–urban linkages may involve opportunities or constraints for local economic and social development, and for different groups of people (i.e. poor/nonpoor, women/men). More information is also needed on the potential contribution of migration to the development of migrants' home areas.

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<sup>5</sup> Socialist Republic of Vietnam, May 2002, Hanoi.

It is important to stress that the nature and scope of rural–urban linkages vary according to local geographical, socioeconomic, and ecological conditions. The CPRGS strategy of strengthening the capacity and responsibility of local government at different levels is especially important for the formulation and implementation of policies intended to support positive rural–urban linkages, which need to be tailored to the local context to be successful.

## **1.2. Objectives and Structure of the Paper**

This paper presents the key findings of a case study conducted in Ha Nam Province in 2003. The main objective of the research was to document the ways in which different rural households in different locations rely on varying combinations of assets and activities closely related to rural-urban linkages, and the factors affecting their strategies and their changes in the past 15 years.

The remainder of this section describes the case study location and methodology. Section 2 outlines the changes in the livelihoods of the two villages' residents over the past 5-10 years, with special attention to the role of rural-urban linkages in bringing about these transformations. It also describes how many activities, both related to agricultural intensification and diversification and to nonfarm rattan and bamboo weaving, have developed into micro-enterprises since the implementation of reform policies. Section 3 examines migration and mobility patterns in the villages and how they are interrelated with both the diversification of households' income sources and investment in local economic activities. The concluding section presents the future challenges to long-term sustainability of the two villages' remarkable development.

## **1.3. Case Study Location and Methodology**

As noted above, the nature and scope of rural–urban linkages, and the ways in which they affect local economic growth and poverty reduction, can vary widely. For example, limited road and transport networks, low population densities and limited access to agricultural land may act as constraints on local economic development, especially when markets are located far away. In contrast, areas with good transport links, equitable land distribution and water availability, and high population densities are more likely to show well-developed rural–urban linkages.

The Red River Delta area provides a good illustration of the latter. With high population densities and with agriculture rapidly reaching its capacity to absorb labour, the development of nonfarm employment is a pressing challenge for most provinces in the region. Recent data show that, indeed, the dramatic reduction in poverty in the Red River Delta is mainly the result of increasing opportunities in the nonagricultural sector. Participatory poverty assessments also show that unskilled jobs, often in combination with farming, have contributed most to poverty reduction. A good road and transport network also allows people to seek employment in local urban centres or in Hanoi, without the need to leave their home villages permanently.

Ha Nam Province is located south of the Hanoi–Hai Phong corridor, along the recently upgraded National Highway 1A. With about 800,000 inhabitants and a total area of 840 square kilometres, it is still a predominantly rice-producing province; agriculture accounts for nearly 40 percent of provincial GDP, and farming is officially the primary occupation for over 80 percent of the rural population, although it only provides 60 percent of rural household income. Employment requirements in the formal manufacturing and services sectors (state-owned

enterprises, private small and medium-sized enterprises, private and collective industrial sector) are modest. At the same time, household (or micro-) enterprises, often concentrated in craft villages, absorb 80 percent of the official manufacturing labour force in the province. This phenomenon points to the need for better information on the potential for and bottlenecks to the expansion of this category, particularly in regards to future economic growth. Ha Nam has the second highest provincial rate of out-migration in the Red River Delta. Therefore, a better understanding of migration and mobility patterns, as well as of their contribution to local economic growth and household well-being, can contribute to the formulation and implementation of more appropriate policies. Finally, while agriculture still plays a major role in the provincial economy and in the livelihoods of rural households, its development will depend increasingly on improving productivity and access to markets.

These three key issues – nonfarm household enterprise development, access to markets for agricultural goods, and the contribution of migration to rural areas and households – are explored in detail in two villages, Ngoc Dong and Nhat. Ngoc Dong, in Hoang Dong commune, is located close to National Highway 1A, about 50 kilometres south of Hanoi and close to Dong Van town. It is a well-known centre for rattan and bamboo craft (RBC). Nhat village, in Tien Noi commune, is located about 3 kilometres from National Highway A1, and is one of the most dynamic villages in the area, with a highly diversified agricultural production. Both villages have very good telecommunications, power and local road infrastructure. They were selected for the case study because of their rapid economic growth, one based on nonfarm activities and the other on income diversification and increased agricultural productivity, including livestock rearing.

The methods and tools used in the case study were both qualitative and quantitative. At the village level, they included discussions with key informants on overall trends and transformations during the past 10–15 years in relation to migration (numbers, directions and form, including return, composition, gender, age, and remittances), nonfarm employment (sectors of activity, types of enterprises, links with regional, national and global chains) and markets (including the role of provincial or district towns as marketing centres and centres for the provision of services). Commune records were also consulted to obtain a quantitative perspective. A household survey questionnaire was conducted with a sample of 200 households (100 in each village), followed by in-depth interviews with a subsample of survey respondents, focusing on livelihood strategies changes, especially income diversification and migration. Semi-structured focus group discussions were then held with separate groups of men and women, on patterns of diversification and the perceived constraints and opportunities; selling and purchasing practices in the villages; and perspectives on migration. A commodity chain analysis for the RBC sector was developed through interviews with micro-enterprise owners, SME operators, and commune and district officials. The preliminary findings were then discussed with local government officials and residents.

The practical value of the project's findings is of special concern to the research team. Fieldwork in Ha Nam benefited greatly from the support of local government (provincial, district and commune) officials. In addition, a reference group was established at the planning stage of the research, whose members represent the identified users of the findings at the national level. The aim was to ensure that the research builds on existing information, rather than duplicating other research, and that inasmuch as possible, it responds to the needs of policymakers, donor agencies and international organisations working on related issues. The group provided support and advice to the research team throughout the duration of the project, through regular meetings and personal contacts, for which we are particularly grateful.



## 2. Livelihood Transformations and Rural-Urban Linkages in the Two Villages

The two study villages, Nhat and Ngoc Dong, illustrate two different pathways to economic growth and poverty reduction. Both are fairly representative of patterns within rural areas of Ha Nam Province and of the Red River Delta, and share relatively similar conditions with regard to access to infrastructure, location, and the local policy environment. In both villages, local cooperatives have played an important role in the promotion of local economic development. This is reflected in the 'specialisation' of each village: Nhat in agriculture, and Ngoc Dong in handicrafts. We use this categorisation throughout the paper, although we should also stress that, especially in Nhat, there is a high degree of diversification of income sources (farm and nonfarm) at the household level. This is discussed in more detail in the sections that follow.

In the past decades, the two villages have undergone significant changes in the structure of production that reflect transformations at the national and regional levels. Household enterprises (or micro-enterprises) are increasingly important in Vietnam, and especially in the Red River Delta. Craft and industry villages (CIVs), of which Ngoc Dong is a good example, are identified as having great potential for rural industrialisation and economic development.<sup>6</sup> In Ha Nam Province, these enterprises employ around 80 percent of the manufacturing workforce, and are increasingly common in both craft and agriculturally diversified villages, although their number is much larger in the former. In this study, we have included in the category of household enterprises those units which, while still operating mainly within the agricultural sector (as in Nhat), have expanded their activities both in terms of provision of inputs and services for a fee, and in terms of relying on some degree of division of labour within a network of associated households.<sup>7</sup>

### 2.1. Livelihood Changes in Nhat, the Agricultural Village

With 182 households, Nhat has been one of the province's most economically dynamic villages in recent years. According to provincial records, in 2003, there were 12 households in Nhat living below the official poverty line, a substantial fall from the 20 that existed in 2002. The poor include elderly people living alone, widows, households with adult members suffering from poor health, and young couples. The poor lack the labour and capital to apply new farming techniques and diversify their incomes. However, the remaining poverty is relative, and as local officials point out "*...though poor, many of them are preparing materials to erect their new houses.*"

There are very few purely agricultural households in Nhat, and these often include poor households that lack the inputs for diversification and the ability and time to apply new farming techniques. Although farming is still the primary activity for over half of the population, most households now combine intensive farming with nonfarm employment and migration. Figures 1a and 1b show the primary employment categories and sources of household income in Nhat.

Increasingly most households are diversifying their agricultural activities beyond the previously predominant rice production. Some raise large stocks of pigs for sale, with intensive use of industrial animal feed. These often nonpoor households raise pigs from mid-size to sale in shorter periods of 2–3 months for a high return, unlike the poor who raise pigs from piglets to

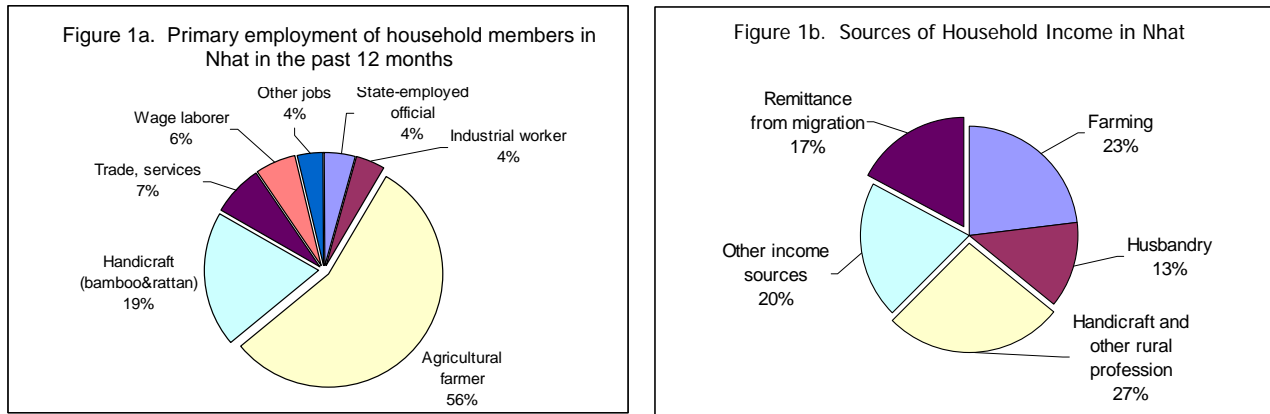
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<sup>6</sup> See the CPRGS; also Mike Douglass, Mike DiGregorio et al (2002) *The Urban Transition in Vietnam*, University of Hawaii and UNCHS.

<sup>7</sup> For example, the production of fertilised eggs relies often on subcontracting by micro/household enterprises to other households, along similar lines to those of the rattan and bamboo craft production described later in this paper.

sale over a period of 5–6 months. Others raise large flocks of poultry; however, this can be very risky due to recurrent epidemics.

**Figure 1. Primary occupations and income sources in Nhat**



Source: Survey of 100 households in Nhat, December 2003.

Note: Other income sources comprise wage labour, pensions, social welfare, support from relatives, land rent, and credit interest.

Land is allocated fairly with, on average, 600–700 square metres, or 0.06 – 0.07 hectares per person. Apart from two rice crops per year, most households cultivate a third cash crop, and husbandry contributes substantially to incomes, especially since industrial animal feed has largely replaced traditional and homemade feed. About 10 percent of households raise large poultry flocks (200–300 head or more) and pigs (20–30 head) for markets. Cow breeding is a lucrative business for some households. As summarised in Table 1, the increase in production in the agricultural sector in Nhat can be attributed to cooperative-supported measures, particularly better services, improved crop varieties, and animal breeds. But improved access to markets – either domestic urban markets within the province and in Hanoi, or international markets through contract farming – has also played a major role in transforming farming practices, especially in the direction of the production of higher-value produce such as meat, poultry and fish, and specialised export crops. Trade liberalisation under *doi moi* and the huge investment in infrastructure, especially road, transport, and communication networks, have been critical factors to the success of the area. Almost all households in the village have a television set, and door-to-door traders are also very efficient information channels, especially concerning ongoing prices in Hanoi’s food markets. Information on farming techniques, cropping seasons, fertilisers, and seed procurement is disseminated periodically through the village loudspeaker network.

Farming is usually combined with nonfarm occupations, often requiring some type of mobility. Migration, virtually unknown aside from government resettlement programmes before *doi moi*, is now common in the village, especially on a seasonal or circular basis. Around 150 men, often young people, migrate seasonally to the neighbouring provinces of Thai Nguyen and Nghe An and to Hanoi to work as masons, carpenters, and woodcarvers (see section 3 for a more detailed discussion of migration). There is also increasing demand for masonry work in the village and surrounding areas, as local incomes grow. Another area of nonfarm employment is the provision of services to agriculture, including mechanised ploughing and tilling, and trade in agricultural produce with urban-based markets. In addition, a significant number of women (250)

weave rattan and bamboo at home when they are not busy in the fields. This is an activity that has been supported since 1998 by the provincial authorities in order to reduce dependency on farming, and is mainly piecemeal for micro-enterprises based in neighbouring villages, including Ngoc Dong, the other village in this study. Women are not shifting out of agriculture but are now involved in a more diversified array of activities. Figure 1b demonstrates this diversity of sources for households in Nhat, where agriculture and husbandry provides almost half of overall household income, but these other sources, including migration, also contribute significantly.

**Table 1. Changes in income-generating activities in Nhat village**

Employment		Now (2003)	Previously (5–10 years ago)	Reasons
Farming	Rice	170–200 kg/sao/crop <sup>a</sup>	70 kg/sao/crop (1980s) 140 kg/sao/crop (1990s)	Good irrigation; extension; land consolidation in 1998
	Cash crops (maize, cucumber)	30 HH out of a total of 180 grow cucumber (2–3 sao); high profit (1.7 million/sao); 70 HH grow maize for animal feed	Very little maize, potato, sweet potato; no cucumber	Shorter rice crop since 1997–98 (new variety); cucumber for export through contract farming with company in Hung Yen since 2001
	Pigs	100 percent HH sell 10 pigs/year; 15 HH sell >100 pigs/year, but low profit, and sometimes losses due to low prices	100 percent HH sold 2–3 pigs per year; long time until sale (6 months)	Use industrial animal feed instead of odd food; new breeds
	Poultry	100 percent HH raise 20–30 for own-consumption; 10 HH raise big flocks (200–300 per crop, 3 crops/year)	Very few; for own-consumption	More rice; maize for feed; use industrial animal feed
	Cows	30 HH raise cows for sale; income of 2–3 million VND/year	Cows and buffaloes for ploughing and tilling (owned by cooperative)	Changes in aim, as all services for ploughing and tilling are now mechanised
	Fish	25 HH rent ponds	Ponds belonged to cooperative	Commune's policy to lease out ponds
Nonfarm	Bamboo and rattan	70 percent HHs; women; income of 7–10,000 VND/day <sup>b</sup>	None	Training in 1998; introduced from Ngoc Dong
	Masonry, wood-carving	50 percent men in the village; 500–800,000 or even 1 million VND/month; main income for many HHs with migrants	Very little	Much developed since 1997–98; pulled by friends/relatives settled in Thai Nguyen Province
	Trade and services	Some sell pigs and poultry to Dong Van and Hanoi; 4HHs have small trucks	Just small trade in commune market No	Better road

Note: HH=household

<sup>a</sup> In Ha Nam Province, one *sao* ('*sao bac bo*') = 360 square metres.

<sup>b</sup> At the time of the fieldwork (2003) the value of the Vietnamese dong (VND) was about VND 23,300 = UK£1, or 15,500 = US\$1.

Some households with sufficient labour grow cucumbers for export (see Box 1). Cucumbers have been cultivated in the village since 2001 through contract farming arrangements, which are still relatively new in Vietnam. The product is exported to Japan via a company based in a neighbouring province. This new cash crop is quite profitable. However, it requires expensive

inputs and is time consuming, making it unsuitable for the poor, who often do not have enough labour and cannot invest much in fertilisers and pesticides.

### **Box 1. A typical cucumber-growing household in Nhat village**

Mrs. Ph, 37, and her husband have four children. Her husband owns a small tractor and provides services to villagers. Her youngest son is 16 and is now in Ha Tay Province working as a woodcarver. She reckons that rice farming is not very profitable, due to the high prices of inputs, high costs for tilling/ploughing services, and irrigation fees. She calculates that costs for each *sao* of rice are 92,000 VND per crop, while the yield is 200 kg of paddy, so the profit for each *sao* is just 300,000 VND (provided that the paddy price is 2,000 VND per kg in the high season).

Three years ago, she set aside 1.5 *sao* of land to grow cucumbers for export. The company from Hung Yen province came to the village to train farmers in cucumber-growing techniques. Under the contract signed between the company and the commune's cooperative, the company provides in advance all seed and some fertiliser. Cucumbers imported from Japan are very expensive, i.e., 100 VND per seed (or 1 million VND/kg); and each *sao* requires 800 seeds. The company then buys back all the product at the agreed price of 700 VND/kg. Mrs. Ph can harvest three tons of cucumber from each *sao* and, after deducting 500,000 VND for costs, she can earn a profit of 1.6 million VND per *sao* – five times more than from rice farming on the same plot of land.

Only some ten households in the village grow cucumbers, although the techniques are quite simple. The main problems are that cucumbers require all-day work on the farm and a large investment in fertiliser. For her 1.5 *sao* of cucumbers, Mrs. Ph invests more than 100 kg of chemical fertiliser and 400 kg of manure (due to the shortage of manure in the village, she has to go to her sister's house 10 km away to get manure). Two crops of cucumber can be grown per year, each crop over a period of three months (Feb–May and Oct–Dec). Every day, she has to work in her cucumber field, applying fertiliser and pesticides and watering the plants. After one month and five days, the plants start producing cucumbers, which must be harvested daily until the end of the crop.

Now, with 1.5 *sao* of cucumber, she has no time to weave many bamboo and rattan products as in the past (when she could earn around 500,000 VND per month from RBC). She also has to reduce the scale of pig raising because of little time at home. She thinks that more households in the village will grow cucumber in the next season, but not all villagers can do it.

In addition to rattan and bamboo weaving, women sometimes specialise in small trade: they buy pigs, chickens, ducks, or eggs from their own and surrounding communes to take to Hanoi and sell to traders in markets there. Men's activities include small transport, tilling and construction services, and woodcarving. As some key informants in Nhat village remarked, "*...men who stay at home here all have service or nonfarm jobs.*"

Agricultural intensification in Nhat benefits from the extension efforts of research and development institutes in or near Hanoi, underlining the advantages of proximity to Hanoi and the main road. In the past, the area was a regular target for piloting new farming technologies by these research and development institutes. The use of high-yield varieties of rice with shorter growing times (so that the farmers can add the third cash crop to the traditional two rice crops), new breeds of pigs or ducks, and the use of industrial animal feed are seen by the villagers as the major changes in farming techniques in the past ten years. In the 1990s, the role of commune leaders in accepting new technologies was very important; as they said, "*...we always try to be the pioneer; when certain products are widely adopted by other communes, we will find other new products soon.*" The role of leaders in the acquisition of new skills for their farmers is much less important now, as most farmers can find new seedlings or breeds directly from the best-known suppliers in the local towns or in Hanoi.

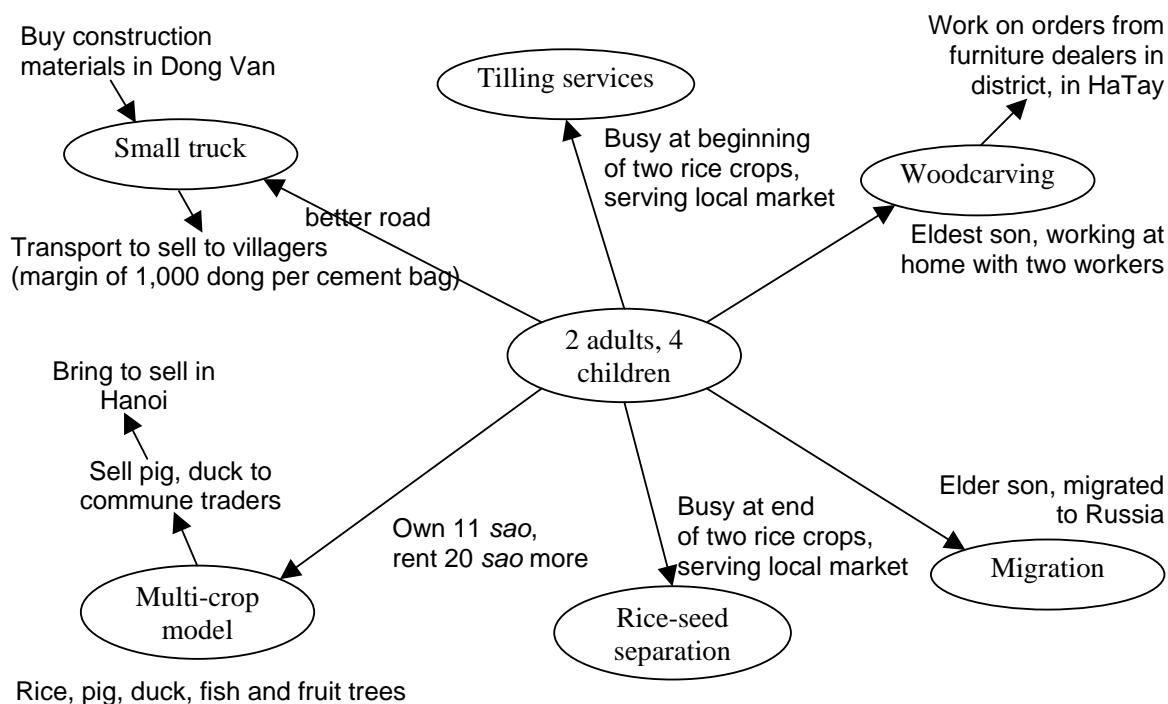
### **2.1.1. Livelihood Diversification and Household Enterprises in Nhat**

Household enterprises in Ha Nam's agricultural villages, of which Nhat is a good example, include both farm and nonfarm activities. Enterprises such as woodcarving are closely connected to migration: in most cases, the heads of these enterprises acquired their skills and initial capital and developed a network of clients while living outside the village. However, household enterprises operating mainly within the agricultural sector are the best example of the dynamic intensification and diversification of activities that underlies the economic growth of Nhat.

Some households specialise in livestock rearing, such as duck incubator enterprises, where actual production is undertaken by 'satellite households' on a piece basis, while core household enterprises provide them with the fertilised eggs (often on credit), and organise the collection and transport of eggs and ducklings for sale to urban-based traders. Other households concentrate on "multi-crop" farming, which is typical of agricultural diversification in Ha Nam. In this "multi-crop" model, households embank their land, creating ponds around or next to their rice fields. Rice and other produce are used as feed for pigs and ducks, whose dung is then used to feed fish in the ponds. People see fish as the most profitable enterprise, whereas the cost of inputs for rice, pigs and ducks allows for little profit.

One household in Nhat simultaneously carries out various farm and nonfarm activities, including "multi-crop" farming ("*da canh*") with fish, rice, pigs, ducks, and fruit trees, small transport ("*cong nong*"), motorised rice-separation services ("*may phut*"), tilling services ("*may phay*"), woodcarving ("*moc duc*"), and migration (see Figure 2). The household has to pay a tax for small-truck transportation services. It also has to "contribute" some money to the village to be allowed to provide tilling services to the villagers. The household's combined income from all sources is around 40–50 million VND per year.

**Figure 2. A model of multi-crop and services household enterprise**



This household exemplifies a livelihood strategy that draws on the combination of agricultural intensification, nonfarm activities, linkages with surrounding urban centres, and long-distance migration.

Land is essential for agricultural diversification and intensification. In Nhat village, each family's rice harvest is enough for household consumption and for some livestock feed. Better-off households can acquire more land if they can pay the commune and rent the public "5 percent" land.<sup>8</sup> Some of these households are the ones piloting agricultural diversification – i.e., "multi-crop" models as described above. However, this transformation faces some difficulties concerning regulation on land use. The province stipulates that the minimum land area for transferring rice land to "multi-crop" land is three hectares. In Nhat, no household can meet this requirement. Thus, multi-cropping is spontaneously practiced by some farmers without the official green light from the commune authorities (although they do not order it to be stopped).

## **2.2. Livelihood Changes in Ngoc Dong, the Handicraft Village**

Ngoc Dong is the largest village in its commune, with 600 households. Infrastructure in the village is well developed. The main road is paved and 20 percent of households have access to telephones (the highest rate in the provincial rural areas). Ngoc Dong is well known as a rattan and bamboo craft (RBC) centre throughout Vietnam. Rattan and bamboo weaving, rather than rice farming or other agricultural activities, is the main source of income for the village residents.

<sup>8</sup> "5 percent" land (*"dat 5 phan tram"*) is the portion of public agricultural land in every village that is reserved by the commune authorities in accordance with the land law (i.e., not allocated to households in 1993). Currently, the leasing out of these land plots to selected households is a major source of the commune's annual budget.

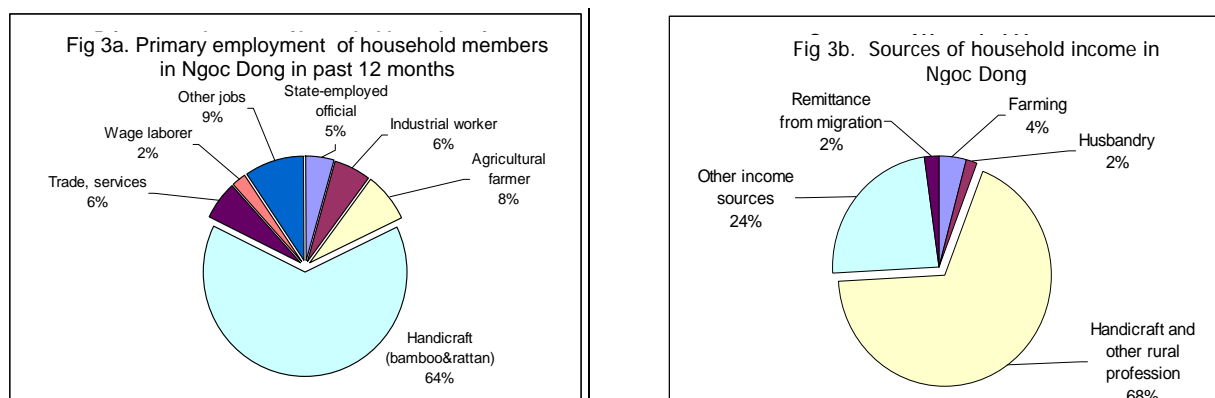
Income from rice forms only a small part (about 5 percent) of their total income, and husbandry is not a major part of their livelihoods either. Fewer than 10 percent of households produce agricultural goods for marketing. Few households (4 percent) raise more than 30 pigs in four-month batches. Only 2 percent of households raise significant quantities of poultry (perching duck or chicken) for meat and eggs destined primarily for Hanoi's markets.

Households categorised as "poor" according to the government's criteria are few, only 20 out of a total of 600. Poor households in Ngoc Dong, as in Nhat, are mainly old people living alone, widows, households with adults in poor health, or new couples. Raising 1–2 pigs is considered as "savings" in poor households, rather than goods destined for markets. Poor people in Ngoc Dong may also get piecework from rattan and bamboo craft household enterprises.

Rattan and bamboo weaving was established in this village in the 1960s by the provincial government through the village cooperative, in line with Vietnam's centrally planned economic strategies. Changes in the village over the past 30 years reflect changes in the market for RBC products. In the past, mainly furniture was produced, such as chairs and tables for the domestic market. From the 1960s to the 1980s, the villagers were organised in a collective cooperative to produce RBC goods for export to the former COMECON countries. In the late 1980s and early 1990s, as this market collapsed, RBC activities went into deep stagnation. The villagers tried several other crafts, such as cloth weaving and shell curtain making, but without success. Agriculture was not an option, given the shortage of land. Since the mid-1990s, and in line with the government's open policies, the national RBC sector has recovered strongly. Production in Ngoc Dong has also recovered and local micro-enterprises have linked up with intermediary companies in the main urban centres (including Hanoi and Ho Chi Minh City) that transact directly with exporters and foreign buyers. Currently, the main export markets are Western European and North Asian countries. The RBC sector in the village has well-structured linkages, and private household enterprises have replaced the craft cooperative in providing input–output services to producer households.

Weaving bamboo and rattan products is the main income-generating activity for almost all households in Ngoc Dong craft village. On average, income earned from weaving accounts for more than two-thirds of total household income. Figures 3a and 3b provide statistics on primary employment and structure of household income in Ngoc Dong. Farming is becoming less and less important in craft households, although rice farming for own-consumption is still considered an important insurance against any unforeseen recession in the RBC sector. Most households hire agricultural labour and mechanical services such as tilling, transplanting, harvesting, rice separation, and milling for their rice production. The income from weaving bamboo and rattan products pays for this hired labour and services, and also for the cooperative's services such as irrigation, seeds, and fertiliser. Almost no households grow cash crops (whereas 10 years ago, the whole village grew cash crops, partly because that was a requirement from government), and very few invest intensively in husbandry (see Table 2).

**Figure 3. Primary occupations and income sources in Ngoc Dong**



Source: Survey of 100 households in Ngoc Dong, 12/2003.

Note: Other income sources comprise wage labour, pension, social welfare, relative's support, land rent, and credit interest.

Ngoc Dong village is a cradle for rattan and bamboo products using the “*hang xau xen khong cot*” technique (weaving diagonally without bamboo frames/corners). Almost all Ngoc Dong’s RBC production is now for export. Most craft households work as satellites for enterprises that place orders with them. Almost all the members of craft households, including young children over the age of 8–10 and the elderly, can weave. Women are the main producers or weavers, however, while men tend toward the business side of RBC production. The time devoted to bamboo and rattan by a full-time worker is normally 10–16 hours per day, including the evening.

**Table 2. Changes in income-generating activities in Ngoc Dong craft village**

Employment		Now (2003)	Previously (5–10 years ago)	Reasons
Farming	Rice	Higher yields; many do not like to grow it	Low yields	Good irrigation; extension; too busy with RBC
	Cash crops	Very limited	Some grew maize, but long ago (10 years)	Too busy with RBC
	Pigs	70 percent HH sell 1–2/year for savings; 4 HH out of a total of 600 sell >100 pigs/year for sale	100 percent HH sold 1–2/year	Some stopped due to low prices; too busy with RBC products
	Poultry	80 percent HH raise 5–7 for own-consumption; only 6–7 HH raise big flocks (200–300) for sale	80 percent HH raised 5–7 for own-consumption	
	Cows	5 HH raise cow for sale	1–2 for pulling cart	
	Fish	None	None	
Nonfarm	Bamboo and rattan	90 percent HH focus on RBC products; 15 percent HH shifted to provide services for others, but higher prices of raw materials, more competition with other villages	50 percent HH focused on RBC; higher labour wage, but fewer orders	Many more orders; more convenient services; more dynamic enterprises
	Carpentry, masonry	Few workers (less than 10)	More workers	Focus on RBC; more flat-roofed houses in village
	Trade and services	4 HH have small truck	5 percent undertook a little trade in the commune market	Better road

Note: HH=household



Typically, each craft household in Ngoc Dong reserves a space of 5–10 square metres in the garden to construct a small warehouse for RBC materials. A small stove is installed in it for fumigating against fungi. All other available space in the house is used for production, i.e., the front yard and back garden for drying materials in the sun, the meeting room, kitchen, and corridor for weaving, and even bedrooms for storing products.

All inputs for craft households, including raw bamboo and rattan materials, simple hand tools, and chemicals, can be procured through a number of professional suppliers in the village. In Ngoc Dong, craft households value the storage of RBC materials much more than of rice. Unlike satellite households in other villages, which depend on materials provided by the enterprises, most craft households in Ngoc Dong are more skilled at selecting, preparing, and storing materials. Normally, nonpoor households increase their margins by purchasing raw materials themselves. Poor households, in contrast, often sell only their labour, and receive raw materials from the enterprises who place orders with them.

### **2.2.1. Household Enterprises in Ngoc Dong Craft Village**

The organisation of production in the rattan and bamboo sector that dominates Ngoc Dong activities is highly structured and represents a good example of the Red River Delta's Craft and Industry Villages (CVIs). There are two classes<sup>9</sup> of craft household enterprise in Ngoc Dong: six of Class 1 ("*cai to*"), and about 80 of Class 2 ("*cai nho*" or "*cuu*"). Class 2 household enterprises effectively act as intermediaries between Class 1 enterprises and the satellite households (home-based pieceworkers), i.e., they receive orders from the Class 1 enterprises and distribute them among the satellite households. They then gather the finished product from the satellite households, carry out small refining operations such as removing odd strips ("*so top*") and reinforcing the shape of the product, and then pass these on to the Class 1 enterprises.

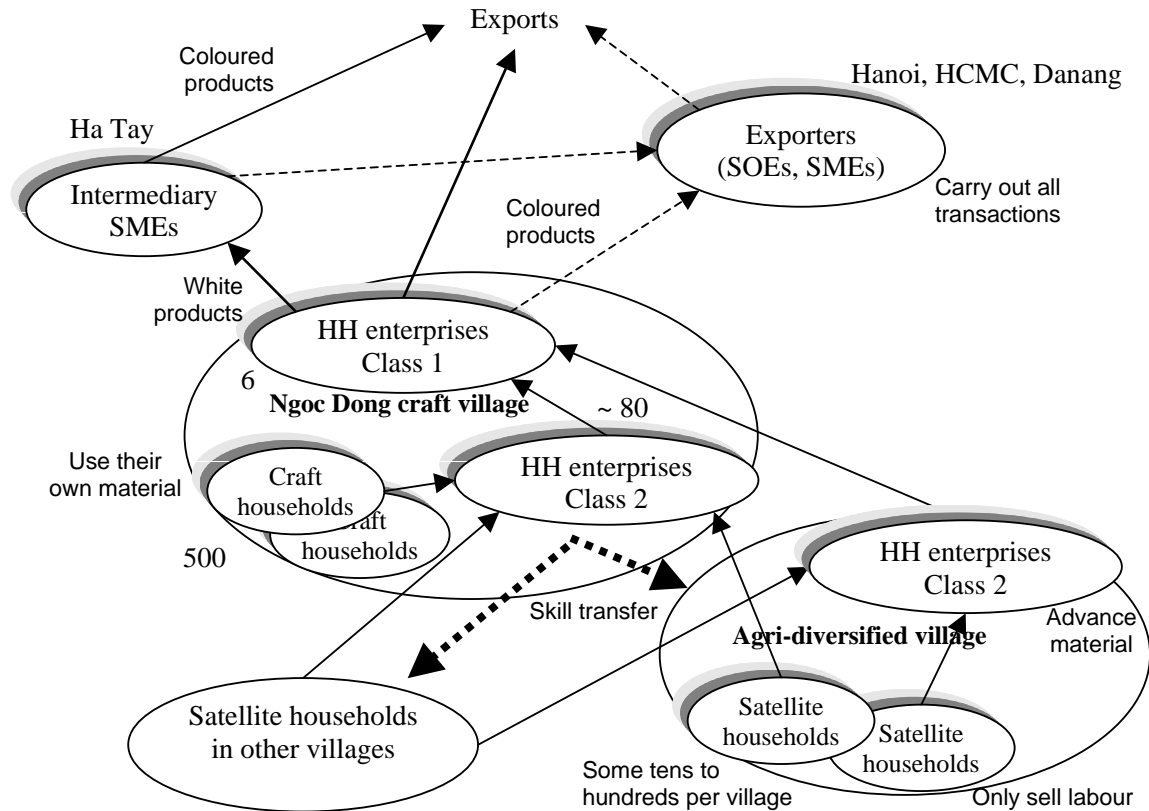
Class 1 household enterprises carry out further operations, such as the final quality checks and removing the remaining odd strips. They then forward the "white" products ("*hang trang*" – complete but raw, without colouring or polishing) to small and medium-sized enterprises (SMEs) in Ha Tay Province. Alternatively, they may produce "coloured" products ("*hang mau*" – finished products, already coloured, polished, and dried), pack them into boxes and containers, and transport them to exporters elsewhere (see Figure 4).

Some larger Class 1 enterprises in Ngoc Dong have managed to invest in roadside land and have built small factories of around 500 m<sup>2</sup> to serve the expanded production. Most small Class 1 and Class 2 enterprises use their homes as workplaces. So far, no Class 1 household enterprises in Ngoc Dong have directly exported their products. They often link up with intermediary SMEs, mostly in Ha Tay, or with exporters in the large cities. Once they have contracts with intermediary SMEs or exporters, with specified order size and product design, Class 1 enterprises network downstream with Class 2 enterprises, which, in turn, will network further down with their satellite households in Ngoc Dong and other villages. Each Class 1 enterprise will network downstream with 20–30 Class 2 enterprises. Each Class 2 enterprise will network further down with at least 30 and up to 100 households. Thus, one Class 1 household enterprise in Ngoc Dong can generate work for 600 to 3,000 satellite households (see Figure 4).

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<sup>9</sup> The definition of Class 1 and Class 2 enterprises is based on functions rather than on size.

**Figure 4. The market chain of RB products**



In the past three years, a few larger Class 1 enterprises in Ngoc Dong have accumulated the necessary skills, machinery, work spaces and capital to complete all operations, including colour dyeing, polishing, packing, and hiring trucks to transport containers directly to the ports (i.e., Hai Phong) for export. Thus, they are increasingly bypassing the intermediary SMEs in Ha Tay, to work directly with the exporters in large cities. With shorter chains and higher-value production, the margin for these enterprises seems to be slightly higher than in the past (now they only have to pay the exporters 5–10 percent of the total export value for transaction work). However, smaller enterprises still prefer to make white products for intermediaries in Ha Tay, to avoid large investments and also to avoid the risk of product rejection by foreign importers.

Within the village, some households specialise in the provision of RBC materials for other craft households. They go to the forests in neighbouring provinces, or further to Quang Ngai and Daklak, and even across the border to Laos to procure rattan and bamboo. It is increasingly difficult to obtain RBC materials because of overexploitation and deforestation, raising some question about sustainability of these activities (see Box 2) Prices often rise during the rainy season, from May to August, when the forests are closed to exploitation. In the past three years, there have been five or six severe shortages of rattan materials, lasting several months. At these times, rattan prices can increase significantly, so storage is important for both suppliers and household enterprises, especially during the rainy season.

### **Box 2. A specialised supplier of rattan material**

Mr. B – 33 years old – runs a typical household enterprise specialised in supplying rattan to Ngoc Dong. He does not farm any rice; instead, he lets other people cultivate his land. He also abandoned husbandry, as he and his wife are too busy with the business. Mr. B learned the skills of bamboo and rattan craft from his family. His grandfathers were heads of the village's bamboo and rattan craft cooperative some 40 years ago. As he said, "...without knowing very well the bamboo and rattan craft, you cannot do the materials supply business." In the past, the preparation of rattan was done by hand. In 1999, he installed six rattan-separating machines (for 5 million VND each), of which four are at home and two in the forest, so that rattan can be prepared at source. His working capital is around 100 million dong. He borrowed 20–30 million VND from the bank using his land as collateral. He sometimes borrows "hot" money on the black market at the high interest rate of 0.15 percent per day.

In the past, raw rattan was abundant in the nearby provinces, mostly as around-garden products that are naturally white. Since 1993, when the craft developed, raw rattan has become increasingly rare. He has had to go further afield, first to Thanh Hoa and Nghe An Provinces, then to central provinces such as Quang Tri, Hue, Daklak, and Khanh Hoa, and now even to Laos to find rattan-growing areas. Now, 90 percent of the rattan is from natural forests, and has a pink/yellow colour. Once back home, he has to apply chemicals to whiten the rattan. This requires skill, and is also very toxic and costly.

Another problem is that, although rattan is a common forestry product and is not banned from exploitation, to transport the rattan he has to apply for various permits from local authorities and forestry departments. One big problem for him is high "on-road" unofficial levies. For "forestry" products, the levies are always high, even for common rattan. Various reasons are given for such levies; for example, a lack of permission papers or that the papers are outdated or that there is inconsistency between the papers and the real situation or that the trucks are overloaded ... and so on. For a single truck of rattan valued at 40 million VND, from Khanh Hoa to Ha Nam, he sometimes has to pay 8 million VND in levies, a 20-percent surcharge. These levies may make the cost of rattan materials increase by "10 prices" (i.e., increase by 10,000 VND/1,000 m). As a raw materials supplier, Mr. B usually has to look at the business of Class 1 enterprises in the village to plan his own business. In the future, he said "...if the craft business continues to sustain and develop, I could register my household business."

### **2.3. Conclusions**

Summing up this section, the two study villages can be taken to represent two routes to poverty reduction and local economic development that are relatively typical of Vietnam's Red River Delta. On the one hand, economic growth in Nhat, the "agricultural" village, has been buoyed through agricultural intensification and diversification, although in combination with nonfarm activities. These nonfarm activities are either supplementary (such as handicraft production and seasonal migration, discussed in the next section) or related to farming, such as provision of agricultural services, transport, and trade of agricultural produce. To a large extent, it is this nonfarm income that allows further investment in agriculture at the household level in Nhat. Residents of Ngoc Dong, on the other hand, although nominally still owning rice farms, have effectively moved out of agriculture and engage almost exclusively in handicraft production.

Despite these major differences, there are also important similarities between the two villages. First, much of their recent economic development is linked to access to markets – including proximity to local urban centres and to Hanoi (where demand from urban consumers and from exporting enterprises has increased substantially), a vastly improved road and transport system, and an excellent communications infrastructure. Second, each village has developed forward and backward linkages with their main production activity: for example, the rattan and bamboo suppliers in Ngoc Dong, or the agricultural service suppliers in Nhat. These perhaps underestimated activities play an important role that will become even more crucial in the context of the long-term sustainability of local economic activities discussed in Section 4. Last

but not least, local authorities have played an important role in supporting local economic development, providing infrastructure, training for handicraft production, and inputs for farmers.

### 3. Migration Patterns in the Study Villages

Migration is a relatively new phenomenon in Vietnam. Until the implementation of reforms in the mid-1980s, population movement was only allowed as part of the government-controlled resettlement programmes. Hence, while it may appear to be much lower than in other nations, nevertheless, by Vietnamese standards, in terms of the number of households with at least one migrant member, it is significant in both villages. However, in Nhat, this proportion is three times as high as in Ngoc Dong (see Table 3). The main reason for this is in the different economic base of each village: in Ngoc Dong, nonfarm activities can absorb the growing labour force, whereas limited opportunities for farm expansion in Nhat mean that many workers must move away to find income-generating opportunities. That said, farming tends to remain a key activity in Nhat, and the prevailing form of movement is seasonal, complementing the farming schedule. In contrast, migrants from Ngoc Dong are more likely to move away for longer periods and further away, as they do not need to return to the village on a regular basis to follow the farming calendar.

**Table 3. Migration in the two villages in 2003**

	Ngoc Dong craft village	Nhat agricultural Village
Total population	2,506	817
Cultivated land area per head	1.6 <i>sao</i>	2.03 <i>sao</i>
Number of households	601	182
Households below the poverty line	20	12
Number of households with at least one migrant member	93 (15.5%)	67 (36.8%)

Source: commune data.

Survey data from the two villages show that the number of outmigrants has been increasing over the years (see Table 4). Before the *doi moi* reforms in 1986, mobility was negligible, reflecting the national pattern. The proportion of migrants moving out of their home villages more than doubled in the period 1987–1992, and continued to grow, especially in Nhat, in the period 1993–1997. But it is in the past few years that most of the movement has taken place, with more than 70 percent of migrants moving between 1998 and 2003. This is consistent with national patterns of migration revealed by the 1999 Population Census data.<sup>10</sup> Internal migration in Vietnam goes hand in hand with transformations in the structural and spatial distribution of economic activities.

**Table 4. Distribution of migration over time in the two villages**

Period	Ngoc Dong (percent of reported migrants from	Nhat (percent of reported migrants from respondent
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<sup>10</sup> General Statistical Office (2001) Statistical Yearbook, Statistical Publishing House, Hanoi

	respondent households)	households)
Before 1987	4.7	2.1
1987–1992	11.6	4.2
1993–1997	9.3	22.1
1998–2003	74.4	71.6
Total	100.0	100.0

Source: authors' survey.

The growth of mobility in the two villages in recent years is matched by the increase in the number of destinations. The main ones are Hanoi and provinces in the Red River Delta, especially those closer to the Hanoi-Haiphong corridor. As transport services improve and migrant networks develop, a growing number of households are involved in mobility. But the characteristics of mobility are markedly different between the two villages, with circular and seasonal movement prevailing in Nhat compared to long-term and permanent movement for a smaller number of households in Ngoc Dong.

### **3.1. Characteristics of Migrants in the Two Villages**

In Vietnam, migrants are mainly young adults.<sup>11</sup> Ha Nam Province is no exception. Almost three-quarters of all migrants from the two villages (72 percent) are under age 30, and only 8 percent are over 40 (compared to 57 and 29 percent, respectively, for the nonmigrant population). Compared to their counterparts in Ngoc Dong, migrants from Nhat tend to be younger (58 percent versus 88 percent of migrants under age 30 in Ngoc Dong and Nhat, respectively).

In both villages, the overwhelming majority (80 percent) of current migrants are male. About 55–60 percent of current migrants are single (never married). In fact, the proportion of single people is considerably higher in the migrant population as compared to the nonmigrant population (58 percent and 31 percent, respectively), although this also reflects the predominance of young people in migration flows.

There are important differences in the significance of migration for poor and nonpoor households. Members of lower-income families are less likely to migrate, and when they do, it is usually over a relatively short distance. In contrast, more members from better-off households were reported to have migrated, usually over a longer distance. While the majority of young members of poor households migrate to work as construction workers in nearby Hanoi and as carpenters in the neighbouring provinces and in the Central Highlands, a number of migrants from better-off households migrate further afield and to the south, to work as small traders, dealers, and industrial workers – all jobs with a high social status.

In both villages, people move mainly for employment, although in Ngoc Dong, migration is carried out also for purposes of pursuing higher education. Education is traditionally highly valued in rural Ha Nam; however, opportunities are limited for poor households, where the children often drop out of school mainly due to economic difficulties. That said, fewer households in Nhat invest in their children's education compared to households in Ngoc Dong. This may be because activities in Nhat are still predominantly agricultural, and therefore formal education is not perceived as the main route to acquiring skills, unlike in Ngoc Dong, where

<sup>11</sup> see note 10.

economic activities are increasingly in the manufacturing and services sectors, where new skills are necessary.

Unlike other villages in Ha Nam Province, few women leave these two villages in search of employment. For the women in Ngoc Dong, work opportunities in the rattan and bamboo handicrafts sector are a good reason to stay home. As for Nhat village, agricultural diversification also serves as a retaining factor for women. However, especially in Nhat, a number of women move with their husbands. Notably, wives of the long-distance construction agents may follow their husbands to work in various remote rural areas where they can support them in both management and construction work. These couples are economically successful and can earn much higher incomes than other migrants.

### **3.2. Migration Forms and Destinations**

#### **3.2.1. Seasonal Migration**

Seasonal migrants are influenced by limited nonfarm employment opportunities in places of origin. This is highlighted by the differences between the two villages: seasonal migration is widespread in Nhat, the primarily agricultural village, while it is much less frequent in Ngoc Dong, where the rattan and bamboo handicrafts sector currently provides a stable additional source of cash for almost all farming households.

Hence, the livelihood pattern of “*Leaving agriculture, not leaving the homeland*” (“*ly nong – bat ly huong*”), which emphasises reliance on nonfarm employment, is represented in both villages, although in Nhat it involves a spatial dimension. Indeed, while workers leave their home villages to find jobs elsewhere, they do not permanently leave their home or their land. Through regular home visits to participate in farm activities and traditional festivities, and through remittances, migrants are effectively “*not leaving the homeland*.”

Seasonal migrants from Nhat engage mainly in intra- and interprovincial movement covering relatively short distances. Most of them are farmers looking for opportunities to enhance their incomes in the off-crop season. Seasonal migration takes place two to three times a year. Departures normally occur in January, June, and September, with returns in May, June, and December. This pattern of seasonal movement also holds true for other rural areas in the Red River Delta.

Because of its proximity, Hanoi is a primary destination. In Nhat, migrants are typically organised into several groups of construction workers and carpenters, which rely on networks of kin and relatives supporting them in securing work contracts and accommodation in various destinations. Cities or towns are preferred to rural areas, as urban wages are relatively higher and demand for jobs is steadier.

#### **3.2.2. Short-distance Mobility**

In the two villages, between 50 and 100 people are involved in regular intra-district and intra-provincial movement, mainly to the local towns. This short-distance movement is a result of the recently vastly improved transport and road networks in the province. Some people go home at weekends only, others commute on a daily basis. Many are provincial officials and service workers, who commute daily to work in Phu Ly, the provincial capital.

The small size of Ha Nam Province and the dense settlement pattern of the Red River Delta encourages commuting. As stated by a resident of Nhat village "...now people can go to work as construction workers everywhere in Ha Nam as well as other neighbouring provinces." These rural-based commuters choose to work close to home and accept lower wages for construction work in nearby villages and local towns than they could earn in the cities. This type of movement, if stable, can be a vital livelihood strategy for the poor, who are unable to migrate over long distances.

Job opportunities within the province have increased recently, with the newly established Dong Van industrial zone nearby, and a small number of young female workers in Ngoc Dong have joined the food-processing factories located there. The short distance between Dong Van and the surrounding villages (including Ngoc Dong and Nhat) is an advantage for local people. However, actual increase in demand for local labour is not expected for some years to come, or until the industrial zone develops fully. Workers are also being recruited by agents in other provinces, possibly due to the relatively low level of education and the lack of technical skills among rural residents in those provinces.

### **3.2.3. Labour Migration to the Southeastern Industrial Zones**

Another type of migration is closely linked to the *doi moi* reforms, which included the development of export processing zones in economic hubs, especially in the southeast of the country. Rural migrants form a significant proportion of the workforce employed in the labour-intensive garment, leather, shoes, and cashew nut-processing industries in Ho Chi Minh City and in Dong Nai and Binh Duong Provinces, where joint ventures and foreign investment concentrate. Depending on the nature of the job, wages can be higher than those of seasonal migrants working in the construction sector, although these industrial workers often work long hours in poor conditions, and in many cases, jobs are unstable and temporary.

Nevertheless, migration to the south, with its connotations of "modernity," is highly valued and preferred by most rural households. In Ngoc Dong, it is generally held that industrial work is superior to handicraft work. It is not simply a job but an indication of social mobility, of which the individual worker and his/her family can be proud. Although the high costs of living in southern urban centres limit the chances for saving, young people consider this an opportunity they can hardly miss. Recruitment and selection for these jobs is totally dependent on relationships, acquaintances, and personal contacts, which are the preserve of better-off households. Even for them, the chances of gaining access to these jobs are few, and the size of this specific flow is limited to a dozen or so individuals from each village.

### **3.2.4. International Migration through Labour-export Programmes**

While internal migration in Vietnam is mainly a spontaneous process and not the result of a government resettlement policy, international labour migration is supported and channelled by government policies and organisations. The main destinations are currently South Korea, Malaysia, and Taiwan, where Vietnamese migrant workers are employed in the construction, fishing, garments, mechanics, and electronics industries, and in domestic services.<sup>12</sup>

In the study villages, international migration does not have the high profile it has in other localities. By 2003, five workers, all men, had migrated from Nhat to work in Malaysia, Taiwan, and Russia. They came from better-off families that could afford the loans to pay for travel and

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<sup>12</sup> See Dang Nguyen Anh, Cecilia Tacoli and Hoang Xuan Thanh (2003), op cit (ref 3).

recruitment agencies' costs. Labour export is not an attractive option for households in Ngoc Dong, and there are currently no international labour migrants in this village. Although the provincial government has disseminated announcements and information on how to apply to labour export programmes, people have not responded positively. To some extent, the high costs involved, the risk of being deceived, limited information on destination countries, and negative reports in the national media concerning worker exploitation have prevented rural households in the two study villages from participating extensively in this type of labour migration.

### **3.3. The Role of Migration in Household Livelihoods**

Rural families often allocate their labour assets over spatially dispersed locations in order to reduce risk. Some members continue to intensify their work in the countryside, while others seek earnings nearby or in distant locations as migrant workers. This is especially the case for Nhat agricultural village. The survey data show that migrants' remittances account for a significant share of household income in Nhat (17.18 percent) but much less in Ngoc Dong (2.28 percent) (see Figures 1 and 3). This reflects not only the higher number of households in Nhat with at least one, usually seasonal, migrant member who tends to bring home most of his earnings, but also the tendency for migrants from Ngoc Dang to move permanently (and experience higher living costs at destination) and/or for educational purposes.

Migration has been particularly important in raising standards of living in Nhat. In the words of a Nhat farmer, *"...about 5–7 years ago, there were very few multistory houses in this village. Then migrants started sending money home to build new houses, and relatives and neighbours tried to compete and upgrade their houses; that has changed the appearance of the whole village."* This has also affected local employment, as many local builders construct and upgrade houses for their migrant relatives. There is an additional link with migration here: many of the carpenters and builders in Nhat are former migrants who learned their skills outside the village. Growing demand for their services within the village, often combined with changing family obligations (such as starting a family or looking after elderly relatives), are the main reasons for their decision to return to the village, where wages are lower but the cost of living is cheaper.

Remittances reflect the long-standing Vietnamese tradition of strong family support, and play a significant role in rural livelihoods, especially where opportunities for agricultural diversification and for nonfarm employment are limited. They help repay debts, and cover the costs of children's schooling and illness for relatives left behind. They can reduce the need for farmers to sell their paddy rice for cash, and thus strengthen rural food security. Remittances can also increase purchasing power and stimulate the local economy. Remittances from internal migrants are rarely transferred through banks. The bureaucracy and ineffectiveness of the banking system makes it inaccessible to migrants who may not be able to open or maintain an account. Therefore, in addition to post offices, friends and relatives are the main channel for sending remittances home.

In general, a large proportion of remittances is spent on daily expenditure, health and education costs, and debt repayments, although housing improvements and the purchase of assets such as land and consumer goods also represent an important share. Households in the two villages also invest a considerable proportion of remittances in agricultural production (over 23 percent in Nhat) and in the rattan and bamboo business (38 percent in Ngoc Dong) (see Table 5). Overall, however, poor households tend to use remittances for subsistence, whereas investment is more likely to be undertaken by better-off households. In this sense, migration can



be interpreted as part of survival strategies (for the poorest groups), or as a key element of accumulation strategies by wealthier groups.

**Table 5. Use of remittances in the two villages**

	Ngoc Dong <sup>a</sup>	Nhat <sup>a</sup>
Invest in agricultural production	–	23.4
Invest in handicrafts production	38.1	2.1
Invest in small trade/business	4.4	–
Education, health care	23.8	14.9
Funerals, weddings, feasts	4.8	12.8
Improve and repair house	19.0	31.9
Buy land and property	4.8	10.6
Purchase household assets	23.8	25.5
Repay debt	19.0	27.7
Daily expenses	52.4	36.2
Savings	9.5	6.4

Source: authors' survey.

<sup>a</sup> Percentage of respondents from households with at least one migrant member.

Currently, large-scale data on remittances in Vietnam are severely limited and hence hamper our understanding of the role of migration in poverty reduction. However, some background information exists, which helps put the findings of this study within their wider context. According to the 1998 Vietnam Living Standards Survey data, over 23 percent of households received remittances in the 12 months prior to the survey, and remittances accounted for 38 percent of their expenditure.<sup>13</sup> A survey by Hanoi's Institute of Sociology<sup>14</sup> shows that without participation in the cash economy, rural families do not have enough income to survive and/or cover expenses for education and illness. Findings from our study show that remittances received by respondent households averaged 300,000 VND per month in Ngoc Dong and 480,000 VND in Nhat. The perceived contribution to household income among those households receiving remittances is also high, suggesting that migration is definitely an important component of the livelihoods of those groups that engage in it. And, indeed, while the decision to migrate is generally made by the migrants themselves, decisions on the use of remittances are often controlled by senior relatives at home, especially older men, reflecting the significance of this contribution to the entire household.

<sup>13</sup> Le, MT and Nguyen, DV (1999) 'Remittances and the distribution of income' in Haughton, D et al (eds) *Health and Wealth in Vietnam – An Analysis of Household Living Standards* Institute of Southeast Asian Studies, Singapore.

<sup>14</sup> IoS (1998) *Migration and Health Survey Vietnam 1997* Survey report, Institute of Sociology and Population Studies and Training Center, Hanoi.

#### **4. Sustaining Rural-Urban Linkages for Local Economic Development and Livelihoods in the Two Villages: Some Conclusions and the Challenges Ahead**

The two villages described in this paper show different routes to local economic development, poverty reduction, and livelihood transformation. In both cases, however, the role of rural-urban linkages cannot be underestimated. In Nhat, the “agricultural” village, local economic growth has been spurred by access to urban markets, where demand for food is growing hand in hand with urbanization along the Hanoi-Haiphong corridor. Diversification into higher value cash crops is to a large extent made possible by nonfarm income sources, including seasonal migration and the growing local demand for services. Nhat is thus an example of how income diversification can strengthen the agricultural sector. The other village, Ngoc Dong, has followed a different path, building on several decades of specialisation in handicraft production. With trade liberalisation and access to global markets, the sector has undergone a substantial reorganisation, and household enterprises have replaced the village cooperative in leading this sector.

Poverty reduction in the villages has been striking, and reflects the success achieved in the Red River Delta region overall, where poverty fell by nearly two-thirds between 1993 and 2002 (overall, poverty in Vietnam was halved during the same period). In 2002, approximately 5 percent of the population of the Red River Delta had expenditures below the food poverty line.<sup>15</sup> It is generally agreed that the increased opportunities in nonfarm employment, enhanced by the proximity to Hanoi and access to good roads and transport, are the major factors of poverty reduction. At the same time, in the villages as well as in the whole country, there is increasing concern over the growth of inequality, as better-off groups are also better educated and better connected and can make the most of new opportunities while vulnerable and marginal households and individuals may be left behind. In the two villages, poor groups were identified as those lacking the assets (labour, land, skills, and credit) to benefit from current transformations. Current implementation of the Comprehensive Poverty Reduction and Growth Strategy (CPRGS) emphasise the need for public investment in the social sector (health, education, rural development, and transport) to balance inequalities arising from market-led development.

In both villages, the cooperatives still play important roles in relation to production activities. For example, they provide agricultural inputs on credit. Prices are the same as those on the market, but low-income households prefer them because the repayment terms are more favourable (three months without interest), although the cost may still be too high for poor households. Village cooperatives also manage village daily markets, which have increased dramatically in number since the late 1990s. This is particularly important for low-income households who generally cannot afford bulk purchases in town markets.

Although improved services and new village markets have diminished the importance of local urban centres in the provision of manufactured household goods to the rural areas, these centers retain a significant role in the provision of inputs for agriculture and handicrafts, albeit in competition with larger centres and especially Hanoi. Perhaps a more important potential role for these local urban centers will be in providing employment to their surrounding rural areas, both in services and in manufacturing. Like many provinces in the Red River Delta, Ha Nam Province has embarked on an ambitious industrialisation programme, aimed at attracting both

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<sup>15</sup> Vietnam Development Report 2004, Joint Donor Report to the Vietnam Consultative Group Meeting, Hanoi December 2-3, 2003.

foreign and domestic manufacturers through the establishment of industrial zones and tax incentives. At the time of this study, it was difficult to say how successful this was going to be, given the competition from surrounding provinces. Its links with the scaling-up of the handicraft sector and with local farming are discussed below.

The sections that follow discuss the main opportunities and constraints facing the different pathways to development explored in this study, and point to the actions needed to ensure their long-term sustainability.

#### ***4.1. The Income-Diversification and Agricultural-Intensification Model***

Changes in agricultural production in Nhat reflect changes in demand from consumers in urban centres (local towns and nearby cities such as Hanoi) as well as from rural-based consumers who have moved out of agriculture with the exception of rice production for own-consumption. The village of Ngoc Dong, where most food is purchased, is a good example of the latter. Although export crops are starting to emerge, it is likely that domestic urban markets will remain the main outlet for agricultural goods produced in this region because of their greater stability with regard to prices and volume of demand. A number of traders connecting producers to markets in Hanoi have emerged in recent times, providing an additional employment opportunity as well as new marketing channels for producers. Furthermore, as discussed in previous sections, some village residents now specialise in the provision of agricultural services within the villages.

As the growing population affects the land available for farming, agricultural production will need to become even more intensive and high-value. Multi-cropping is likely to remain the most profitable type of farming for the domestic market, but, as described in Section 3, current land-use regulations limit its potential. Moreover, because of the relatively high level of labour and inputs required, poor households without remittances from migrant members and with an otherwise limited labour supply will have difficulties in ramping up their production and benefiting from increased demand. Furthermore, while government credit programmes are available to poor households, those just above the poverty line have difficulty accessing them.

Another potential outlet for local farmers is a closer link with food processing industries moving into the provinces' industrial zones. At the time of the fieldwork, there were no incentives for investors to use local produce, while there are incentives for the employment of local workers. The cucumber export company operating in the province processes its products outside Ha Nam, in a neighbouring province.

Overall, the long-term sustainability of smallholder agriculture in Vietnam, as in many other parts of the world, relies on strengthening the connection between rural producers and urban consumers, and in supporting the links between the agricultural sector and the manufacturing sector, especially food processing and input production. Ha Nam provincial government has issued distinct guidelines for agricultural development and for industrial and craft development, following the traditional separation of sectors in policymaking. It is likely that intersectoral links can be better identified and promoted at the further stage of formulation and implementation of specific programmes and plans at the provincial, district, and commune level. In other words, local government is best placed to support integrated development, provided it has capacity, information, and support from higher levels of government, including the national level.

#### **4.2. The Handicraft-Specialisation Model**

The handicrafts sector in Ngoc Dong (and in the province as a whole) has undergone a remarkable recovery since the mid-1990s, and is now apparently well integrated in world markets. However, a closer look reveals that it is still vulnerable to a number of risks, and that its long-term sustainability is likely to be dependent on some level of scaling-up. This does not necessarily mean that it needs to become more “formalised”. Indeed, it is its flexibility and capacity to offer piecework to home-based satellite workers that has contributed to improving the livelihoods of a very large number of households, often as a supplementary activity. However, it would certainly benefit from strengthening its core household enterprises by including them in policies and programmes for industrial development, and by strengthening its forward and backward linkages as discussed below.

As described in Section 2, the supply of raw rattan and bamboo is becoming increasingly problematic, and shortages are common. Improving links with producers in other provinces and streamlining formal authorisations for suppliers, while controlling the abuse of informal levies, would ensure the long-term future of the sector. Better access to communications with exporters and foreign buyers would also enable Class 1 enterprises to better respond to demand by developing new products. The provincial authorities in Ha Nam have set up an export promotion fund, but at the moment, craft enterprises still lack basic skills, such as English, to interact with foreign buyers and have to rely on intermediary enterprises.

Because of their small scale and dispersed organisation, craft household enterprises tend to be overlooked by industrialisation policies, despite the fact that they are by far the largest employers in much of the Red River Delta. For example, incentives for industries to relocate in the newly established provincial industrial zones include grants for each local worker employed. However, this does not include the provision of employment to home-based workers, and therefore excludes most handicraft enterprises. At the commune level, small industry and handicraft zones are being created, but here, too, the minimum requirements do not respond to these enterprises needs: available plots are too large, and payment conditions are not affordable. This is an especially important issue, as raw rattan and bamboo treatment and storage and final treatment of products (lacquering and drying) both require space and can have an adverse impact on air and water pollution. At present, as the whole cycle of production takes place within homes and densely settled villages, it affects the whole population, including children. Moving the most polluting and space-demanding activities away from the residential areas into small handicraft and industry areas with appropriate facilities is highly desirable, but needs to take into account the specific nature and organisation of the handicraft sector.

#### **4.3. The Contribution of Migration**

As described in Section 3, migration is an important aspect of income diversification of the households in Nhat and, to a lesser extent, in Ngoc Dong. In the latter, population movement is perhaps best understood in connection to social mobility, where migrants come from better-off households that invest in their education, which, in turn, will open the way for better-paid, higher status and often urban-based employment. Thus, in most cases, migrants also move out of the handicraft sector.

The situation is different in Nhat, where farming transformations, including intensification and diversification, are closely linked to temporary migration that provides additional cash incomes to invest in agriculture, and information on consumption trends in urban areas. New skills, such as construction, are also gained through migration, and migrants’ remittances invested in

housing provide new types of employment to local workers. It is therefore difficult to imagine that the changes that have taken place in Nhat in the past decade, including the extraordinary reduction of the number of people living in poverty, could have been achieved without the contributions of migrants. Internal migration in Vietnam is regulated by a registration system that, albeit much relaxed since the implementation of reforms, makes it difficult for unregistered migrants to gain access to services in destination areas, especially in the largest cities. This, in turn, contributes to their vulnerability, for example, in securing safe accommodation and access to health services. While authorities in the communes of origin support migrants in obtaining permits of absence, temporary registration at destination is more complicated and costly, and many migrants do without. However, it is likely that for the foreseeable future circular, seasonal migration in the Red River Delta will continue. A better knowledge of the numbers involved, their main destinations, sectors of employment, and links with home areas would help both home areas and destination areas; this can be achieved through a registration system, provided it is affordable and simple, and migrants do not feel it penalises them.

#### **4.4. Urbanising Villages: Planning and Managing Settlements “in transition”**

The two villages in this study are undergoing substantial transformations which include higher population density and high proportions of nonfarm employment., characteristics usually associated with urban centres, rather than rural settlements.<sup>16</sup> This transformation renders new challenges to the management of natural resources in these settlements. In both villages, new or improved services have become necessary, including waste collection, clean water supply for domestic use, sanitation, rain and wastewater drainage, and land planning and management. Local authorities, however, often lack the capacity to address these emerging needs, since they have no official urban status. Home-based nonfarm activities such as handicrafts negatively affect the environment, and while this is often circumscribed to the producers' homes or immediate neighbourhood, their impact can be heavy. As described in the previous section, developing more effective measures to minimise this impact at an acceptable cost is probably one of the major challenges ahead for commune and provincial authorities in the densely populated Red River Delta. Similarly, the use of natural resources, especially water, in intensive agriculture can conflict with domestic use and wastes from intensive husbandry can contaminate drinking water sources. Local governments urgently need to equip themselves with the capacity to manage this urban transition already underway; and, as shown by the case of the small industry and handicraft zones, they need above all to develop their planning strategies based on the real needs and priorities of local residents.

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<sup>16</sup> Urban areas in Vietnam are defined as:

1. serving as general or specialized centers for facilitating the development of a specific geographical zone.
2. population is equal or more than 4,000 (in mountainous areas this quota may be lower).
3. nonfarm labor force is equal or more than 60 percent of total labour force in the settlement, with well-developed production and trading-services activities.
4. having certain infrastructure and public facilities serving urban population.
5. having minimum population density that is defined according to each kind of urban area in each region.

(Decision No.132-HDBT dated 5/5/1990 of the Ministers' Council on classification of urban areas and decentralization of urban management).