



# Discussion Paper BRIEFS

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*Discussion Paper 193*

## Livelihood Diversification and Rural-Urban Linkages in Vietnam's Red River Delta

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The redistribution of agricultural land to rural households in the last decade has been a primary factor driving poverty reduction in Vietnam. However, with this valuable but increasingly scarce resource under strain from a growing population, it has become clear that the benefits from land reallocation have been reaped, and that continued 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. To that end, Vietnam's Red River Delta is undergoing a major transformation wherein its economic base is moving away from subsistence farming towards intensive, high-value food production for export and local urban markets, and nonfarm employment.

### **Purpose of This Paper**

This study examines how livelihoods in two Red River Delta villages have changed over the past 15 years. Conducted in 2003, the study traces the villages' different paths to economic development. The two villages, Ngoc Dong and Nhat, both in Ha Nam Province, are representative of rural areas of the province, and share a similar access to infrastructure, as well as a similar local policy environment. Both have experienced rapid economic growth over the last decade. Yet they have derived their livelihoods from different sectors: Nhat has "specialized" in agriculture and Ngoc Dong in handicrafts.

The study documents the way in which rural households have used varying combinations of assets and activities to improve their livelihoods and scrutinizes the factors that have affected their choices regarding livelihood strategies, including the influence of rural-urban linkages. The study focuses on three key issues: nonfarm household enterprise development, access to markets for agricultural goods, and the contribution of migration to rural areas and households.

### **Methodology**

The study used multiple quantitative and qualitative methods to gain a retrospective on livelihood changes

in the past 15 years and to gauge livelihood strategies today.

Discussions were held with key informants in both Nhat and Ngoc Dong on past trends in:

- migration (numbers, directions, and form—including frequency of 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 centers and centers for the provision of services).

Commune records were consulted to obtain existing quantitative data. A survey was conducted 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 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 rattan and bamboo sector (RBC) was developed through interviews with micro-enterprise owners, small- and medium-size enterprise operators, and commune and district officials. The preliminary findings were further discussed with local government officials and residents.

### **Results**

Despite the major differences in their livelihood strategies, important similarities between the two villages emerge. First,

much of their recent economic development is linked to access to markets—including proximity to local urban centers and to nearby Hanoi (where demand from urban consumers and 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 produc-

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tion activity: for example, the rattan and bamboo suppliers in Ngoc Dong, or the agricultural service suppliers in Nhat. Third, local authorities have provided significant initial support in the form of infrastructure, training, and agricultural inputs.

Rural-urban linkages play an essential role in the economy of the region and facilitate livelihood diversification. 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 thus illustrates how income diversification can strengthen the agricultural sector.

Ngoc Dong has followed a different path. Building on several decades of specialization in handicraft production, it has taken advantage of trade liberalization and improved access to global markets at the same time as this sector has reorganized. Household enterprises (or micro-enterprises) are increasingly important in the Red River Delta and have replaced the village cooperative in leading the way for handicraft production. Because of their small scale and dispersed organization, however, craft household enterprises tend to be overlooked by industrialization policies, despite the fact that they are by far the largest employers in much of the Red River Delta.

Seasonal migration is increasingly widespread in Nhat and has been particularly important in raising standards of living in this primarily agricultural village. On the other hand, in Ngoc Dong, where the handicraft sector is able to provide a stable source of cash for

almost all households, migration tends to be carried out by fewer and relatively wealthier residents for longer periods of time and to more distant locations. Overall, remittances are used by poor households to supplement subsistence, and by better-off households for investment.

### **Policy and Program Challenges**

Policies that support positive rural-urban linkages can help promote local economic growth and reduce rural and urban poverty. In the Red River Delta, these would include adopting regulations on land-use that allow farmers to better respond to growing urban demand for high-value produce; incorporate more explicitly the needs of the handicraft micro-enterprises in existing and future policies and plans for rural industrialization; recognize and support the role of seasonal migration in rural local economic development; and address the changing planning and natural resource management needs of these urbanizing villages.

Local authorities have played an important role in supporting local economic development in these villages, providing infrastructure, training for handicraft production, and inputs for farmers. The successful formulation and implementation of future policies, however, will benefit from integrating a better understanding of the different ways in which rural-urban linkages involve opportunities or constraints for local development, and for different groups of people. More information is also needed on the potential contribution of migration to the development of migrants’ home areas.

**Keywords: migration, diversification, poverty, rural-urban linkages, Vietnam**

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