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Investing in rural people in **Viet Nam**

Rapid economic growth and market integration have transformed Viet Nam from a subsistence economy to an emerging economy of lower-middle-income status, integrated into global markets. The structure of its economy has shifted from agriculture to industry and services. Yet in rural areas, home to 70 per cent of the population, poverty remains severe and chronic. There, average income per capita is less than half that of urban areas, and the poverty rate is nearly three times as high.

Poverty gains are fragile, as about one third of the population (about 30 million people) remain vulnerable, living close to the poverty line. Poor and extremely poor people are concentrated in ethnic minority groups. Rural people have little or no savings or state support and are almost totally dependent on subsistence-level agriculture and gathering natural resources. This makes them especially vulnerable to unexpected shocks. About 90 per cent of rural residents' total spending is for basic living costs. Most of their income stems from agriculture, forestry and aquaculture production, and from unskilled manual labour.

Half of the nation's poor people belong to ethnic minorities, although these represent only 15 per cent of the population. Poverty is concentrated in the upland areas of the northeast and northwest mountains, the central coastal region, and the parts of the central highlands and Mekong Delta where ethnic minorities reside.



In Viet Nam's rural areas, average income is **less than half** that of urban areas.

Improving living standards have also brought income inequity and environmental degradation. Urbanization and industrialization often deprive poor rural people of access to land, while leaving behind unskilled labourers and unemployed youth. These marginalized groups are highly vulnerable to shocks from climate change and natural disasters, as well as economic and health shocks.

Eradicating rural poverty in Viet Nam

The agriculture sector has been on a path towards integration into the global economy for over 25 years. Accession to the World Trade Organization has both reinforced this direction and raised the stakes. The sector is being exposed to competition within an open, global market, while any remaining protectionist measures and mechanisms are being dismantled. A few commodities – most notably rice, coffee, tea, rubber, cashews, black pepper and fish – are leading the way. The agricultural export sector chiefly markets raw and primary agricultural products, with relatively little value-added processing or incremental benefit to farmers and producers. Ultimately, the private sector (including farmers) will be responsible for increasing competitiveness and exploiting opportunities to develop more value-added processing. Because Viet Nam's export base comprises mainly primary commodities, any short- to medium-term progress is extremely vulnerable to a global recession. Even with good progress over the next 5-10 years, per capita income levels in many provinces will remain well below the national average, with large segments of the rural population remaining poor.

IFAD's strategy in Viet Nam

In Viet Nam, IFAD has supported 16 projects directly benefiting 738,470 households, at a cost of US\$763.35 million with an IFAD loan of US\$463.49 million. It focuses on activities that have the greatest impact on residual poverty in rural areas, reflecting the emerging challenges and opportunities of a lower-middle-income country, a changing economic structure and growing urbanization.

IFAD's current strategy and portfolio of programmes and projects in Viet Nam aim at developing market-led innovations that aid poor people. They work by deepening institutional and policy reform at the provincial level and building capacity in districts and communes and among poor farm households.

IFAD also works to incorporate IFAD-supported experience into government systems and programmes. The process aims at:

- integrating participatory and market-oriented local planning into the government's socio-economic development planning processes
- capacity-building at all levels to improve the management of rural development outcomes
- improving access to and quality of rural services
- fostering community-led infrastructure development
- increasing market access and pro-poor value chains and sustainable livelihoods, both on and off the farm
- formation and support for producer cooperatives and other common-interest groups.

Several IFAD-supported projects in Viet Nam also include climate change response, as the country is predicted to be significantly affected by climate change.

In 2022, IFAD is designing a project to reduce emissions through climate-smart agroforestry together with the Global Climate Fund and the Ministry of Planning and Investment, Viet Nam.

Ongoing operations



Commercial Smallholder Support Project in Bac Kan and Cao Bang

Economic growth in Viet Nam has raised living standards in rural areas but also contributed to inequality and environmental degradation. This project is building on previous IFAD-supported initiatives focused on developing businesses in rural areas and on agroforestry. First, an investment plan has been developed, in parallel with climate change adaptation planning. This includes preparation of action plans and awareness-raising to improve resilience, as well as market-oriented socio-economic development plans, reflecting climate challenges.

The project also supports equitable ownership and efficient use of forest resources. It aims to develop or strengthen almost 2,000 common interest groups to implement profitable climate change adaptation technologies and practices. The project supports newly established women's development funds, with an agribusiness promotion investment fund catalysing about 25 private-sector agroenterprise investments. The project is being implemented over six years (2016-2022), costing US\$74.34 million and reaching 135,000 people.

Viet Nam's marginalized groups are **highly vulnerable** to shocks from **climate change** and **natural disasters**

Climate-smart Agricultural Value Chain Development in Ben Tre and Tra Vinh

Economic and political reforms have spurred rapid economic growth and transformed Viet Nam from one of the world's poorest nations into a lower-middle-income country.

This growth, however, has been driven by unsustainable exploitation of natural resources. In the Mekong Delta, overuse of both surface and ground water is leading to water scarcity. Climate change is also taking its toll on agriculture.

The Climate-smart Agricultural Value Chain Development project aims to achieve sustainable and climate-resilient rural transformation in Ben Tre and Tra Vinh provinces. It will generate sustainable income opportunities and improved rural livelihoods for 60,000 smallholder farmers' households, with a focus on women, youth, and ethnic minorities. The project is being implemented over five years (2022-2027) costing US\$136.38 million and reaching 240,000 people.



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IFAD is an international financial institution and a United Nations specialized agency. Based in Rome – the United Nations food and agriculture hub – IFAD invests in rural people, empowering them to reduce poverty, increase food security, improve nutrition and strengthen resilience. Since 1978, we have provided more than US\$24 billion in grants and low-interest loans to fund projects in developing countries.

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April 2024