

**Dear Madame Chair, friends and colleagues in Vietnam, Ladies and Gentlemen, it is a great honor for me to be invited to this distinguished event today.**

Although I am the last speaker, let me start with a popular metaphor: *“Vietnam is the country with two big rice bowls held by a thin bamboo stick”*. While quite a lot is known about the two bountiful bowls, the Red River and the Mekong Delta, there is a need to know more about the “bamboo stick”, i.e. the Central Highlands. This is the motivation for the Thailand Vietnam Socioeconomic Panel or TVSEP which has started in 2007. The project is financed by the DFG, the top funder of research in Germany. The panel operates in both, Northeast Thailand and in Central Vietnam and can be considered as representative for the rural population in these areas. In Vietnam, our sample of 2200 household in 220 villages and 110 communes is carried out in three provinces, namely Ha Tinh, Tua Thien Hue and Dak Lak. In addition, two migrant tracking surveys had been carried out in Ho Chi Minh City, Da Nang and Hanoi. At this point, I want to thank our research partners at Ha Tinh University, Hue University of Economics and Tay Nguyen University in Boun Ma Thout for their excellent cooperation in this project. Our project has just been awarded the status of a foreign NGO in Vietnam by the The People's” Aid Coordinating Committee (PACCOM) which will facilitate the continuation of the panel.

TVSEP is a unique project in at least three regards.

First, we use highly advanced survey technology, based on the World Bank’s Survey Solution software for computer assisted personal interviews (CAPI). Data quality is our highest priority and a number of quite sophisticated measures are implemented to assure this. Second, TVSEP facilitates add-on project to the panel data collection. This means that external researchers can collect additional data, for example, through randomized control trials or economic experiments. So far, six such add-on projects have been carried out. Thirdly, and most importantly, the data base is open to any researcher around the world, different from many other panels. This open-data policy has resulted in an impressive number of publications using the TVSEP data. For Vietnam alone, we count 45 publications in high-level international journals such as the American Economic Journal Applied Economics. Ten Vietnamese scholars have already received their PhD and another 25 or so are on their way.

The topics addressed in these publications are both methodological and empirical. They can also serve as a good basis for policy formulation. The themes include relevant policy issues, like poverty dynamics and vulnerability, gender and poverty, climate change, agricultural transformation including land rental markets and finance, rural urban migration, and, of course, country

comparisons between Vietnam and Thailand which facilitates exchange of ideas between these two emerging market economies.

So to give you a glimpse of the results, I want to present some findings from TVSEP research work in Vietnam. Since many of our sample sites can be labelled as “Environments of the Poor”, understanding the causes and the dynamics of poverty is a key topic.

A major reason why some rural households are still poor is that their farm size remains extremely small. This is true for all of Asia, and it especially applies to Vietnam. Unlike agricultural statistics in many developing countries, TVSEP has quite precise records from its three survey provinces, on how farm sizes have developed over time. Results show that while average farm size, between 2007 and 2017, has increased from 0,89 to 1,12 ha, the distribution has basically remained the same. In both periods, over 70 % of farms have less than 1 ha and almost 90 % have less than 2 ha while barely 3% of households in our panel have more than 5 ha. This contradicts to what some policy makers dream about. They want rural people to leave their small farms and engage in wage employment in the cities, assuming that food can be produced by a few large-scale, agroindustry type of farms. Our results do not support such hope. Farms remain small and there is no indication that this will change soon.

On the other hand, it is also clearly shown that rural households cannot make a living from farming alone and that supporting small scale farms with all kinds of special farm programs is unlikely to take them out of poverty and put them on a sustainable growth path. Of course, there is a good reason why rural households are not doing what policy makers want them to do and rather keep on holding to their small piece of land. It is not surprising that until to date, on a global scale, according to FAO estimates, 84% of farms have less than 2 ha and this hasn't changed much during the past 30 years. More so, in a Covid-infected, climate change-driven, and politically highly unstable world, people will stick to their safety nets. Farms, even if they are very small, are an insurance and they can provide basic food security and serve as an income floor.

What emerges from many of the TVSEP research papers for Vietnam, is the notion that, while Government programs do help some farmers, partial farm programs like credit, land rental markets or livestock development, barely benefit those living under the poverty line and are unsuccessful to foster a broader rural development. In short, what seems to be missing, is a comprehensive rural development strategy that pays more attention to the rural areas with well-targeted investments in infrastructure, both physical and social, including of course digitalization, not only in the district towns, but also in the communes and villages. Some European countries can serve as good model for such rural development strategy.

To underline this broader findings, let me, at the end, quickly introduce to you a case study of a household from the TVSEP panel in the province of Ha Tinh. The household head, let's just call him Mr. Nguyen, (of course his real name is different) when we first interviewed him in 2007, was living alone because his parents had recently passed away. At that time, he had 0,35 ha of land, growing upland rice, sweet potato and peanuts. He had one cow and some poultry. He did not have a motorbike. His per capita income was just about 2 \$ per day, almost 80 % coming from farming. When looking at his records ten years later, the situation had changed significantly. He meanwhile got married, had two children and found a job in a local construction company. His wife took care of the farm which had enlarged to 1,17 ha by renting in land. Mr. Nguyen, aside from being a construction worker, also helped his wife with the farm. In 2017, he had a motorbike and his per capita income went up to 7 \$ per day with still almost 50 % coming from farming.

So, the way out of poverty was local wage labor, combined with farm investment- but not migration to Hanoi, Da Nang or Ho Chi Minh City. On the downside, Mr. Nguyen's health has somewhat deteriorated during this period, due to the hard work he did.

What does this case tell us about rural development? The way out of poverty is income diversification, not necessarily wage employment through migration. As this case shows, development can be more than just migration and urbanization. In the case of Mr. Nguyen's household, he remained in farming as a part-time farmer – by the way, a farming system that had persisted for a long time in some European countries, before it gradually almost disappeared. Clearly, Mr. Nguyen won't become a large-scale, full-time and fully commercialized farmer in his life time, as policy makers may envision and as many researchers suggest.

So, what could the Government do for a family like the one of Mr. Nguyen? Much of the family's future will depend on Mr. Nguyen's health and on the prospects for his children. Will there be good education for them in the village or the commune? Will there be adult education options and health enhancement programs for Mr. Nguyen (and his wife) to enable him move beyond his construction worker job? Could he eventually get a service type of job when his health inhibits hard physical labor? Will there be access to smart and sustainable farming technologies? Will there be good infrastructure in his village, both physical and social, including good roads, sanitation, fast internet and social activities that would make the rural space to become a more attractive work and living place?

The answer to these questions, I want to leave to the discussion.

Ladies and Gentlemen, thank you very much for your attention.