

**ERIA Discussion Paper Series****Promoting Rural Development,  
Employment, and Inclusive Growth in  
ASEAN**VO Tri Thanh<sup>12</sup>*Central Institute for Economic Management, Viet Nam*

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**Abstract:** *This paper looks at the Association of Southeast Asian Nations (ASEAN) cooperation on rural development, employment creation, and inclusive growth beyond 2015. Rural development policy has been implemented in various ASEAN member states, but as a priority by itself rather than a complement to industrialisation. Such efforts contribute to higher growth and more employment in rural areas. This in turn makes way for alleviating rural poverty. Although the poverty incidence is scattered, the rural poverty gap attracts attention. The visions for rural development, employment creation, and inclusive growth beyond 2015 should thus cover: (1) Diversified and climate-resilient rural economy; (2) Employability of rural labour; (3) Rural democracy and deconcentration; (4) Sufficiently upgraded rural infrastructure; (5) Material improvement of living conditions in rural areas; (6) Sufficient rural–urban links; and (7) Ensured social protection and substantial reduction in chronic poverty. The paper also presents several recommendations for ASEAN and for Cambodia, Lao PDR, Myanmar, and Viet Nam (CLMV) related to the three main aims.*

**Keywords:** Rural development; employment creation; poverty reduction; inclusive growth; ASEAN

**JEL Classification:** R10, O15, O18.

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## **1. Introduction**

In December 1997, the Association of Southeast Asian Nations (ASEAN) started to envision to transform 'ASEAN into a stable, prosperous, and highly competitive region with equitable economic development, and reduced poverty and socio-economic disparities' until 2020. In October 2003, the ASEAN member countries agreed to establish the ASEAN Community by 2020, with its three pillars of political security community, economic community, and socio-cultural community.

Then, in August 2006, the ASEAN Economic Ministers agreed in principle to accelerate the establishment of an ASEAN Economic Community (AEC) by 2015, as an intermediate goal of its vision for 2020. Among the key pillars of the AEC is the building of a competitive but inclusive and resilient ASEAN. With such a big move, ASEAN member states (AMSs) certainly have a sizeable work to do. There remain development challenges and impediments within each country and the region as a whole, the most pressing of which lies on whether the less-developed members can catch up with the more advanced ones. Yet, the progress of ASEAN so far, particularly as a single bloc when negotiating and implementing free trade agreements with other major trading partners, brought about major hopes for in-time realisation of the AEC goal. The association also focuses on its community building process, particularly regarding its member nations' capacity to complement the realisation of the AEC.

Apart from its efforts to build the AEC, ASEAN also pays increasing attention to other pillars of the ASEAN community, especially the socio-cultural pillar. In the 13<sup>th</sup> Summit held in Singapore on 20 November 2007, ASEAN leaders agreed to develop a blueprint so as to ensure that concrete actions are undertaken to establish an ASEAN Socio-Cultural Community (ASCC). As its primary objective, the ASCC serves '...to contribute to realising an ASEAN Community that is people-centred and socially responsible with a view to achieving enduring solidarity and unity among the nations and peoples of ASEAN by forging a common identity and building a caring and sharing society which is inclusive and harmonious, where the well-being, livelihood, and welfare of the peoples are enhanced'. The Nay Pyi Taw Declaration of ASEAN leaders on 25 November 2014 expounds that the ASCC is 'inclusive, sustainable, resilient, dynamic, and engages and benefits the people' (ASEAN, 2014, p.4).

Notwithstanding the pledged commitment towards ASCC, realising the above objective requires coordinated efforts in a range of areas. Part of the challenge stems from the wide socio-cultural heterogeneity within the ASEAN, which may also interact with the national/sub-national development. In particular, although the definitions vary,<sup>3</sup> the rural areas remain sizeable in various AMSs, irrespective of their development levels. These areas account for a large share of the population, thus retaining most of its cultural values and/or traditions while facing the threat of being marginalised in the regional economic integration process. To facilitate socio-cultural development, one should turn to measures beyond the scope of economic development and/or national policy in the ASEAN region.

Cambodia, Lao PDR, Myanmar, and Viet Nam (CLMV), as the newer members of ASEAN, see deeper regional economic integration as a necessary and unavoidable process that would bring about both benefits and challenges. In their catch-up process, the CLMV encounter difficulties due to resource constraints and limitations of knowledge and practical experience.

These nations also need to address several challenges inherent in their socio-economic situation that may be magnified in the context of deeper ASEAN integration. The CLMV are in the early stages of development—and significantly behind the ASEAN-6 (Vo Tri Thanh, 2015). Furthermore, the CLMV face severe lack of institutional and financial capacity to properly address the impacts of adverse shocks. The regional economic integration process somehow raised a concern about narrowing policy space – i.e. less availability of trade and trade-related instruments to protect domestic industries - in these countries. Accordingly, the CLMV have to build a social consensus for the process. Finally, a social structure with sizeable proportion of people living in poverty and near poverty and/or in disadvantageous areas gives rise to much concern over sustainable social stability, especially in the presence of shocks.

Given the above perspective, ASEAN has adopted the framework for the coordinated Plan of Action on Rural Development and Poverty Eradication. The framework officially acknowledges the connection between developing rural areas and

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<sup>3</sup> These definitions are often used by the national statistics offices that classify the urban and rural areas (e.g., in Cambodia, Viet Nam, etc.). Under Viet Nam's Government Decree No. 72/2001 dated 5 October 2001 on the classification of urban centres, the off-farm labour force accounts for more than 65 percent of the total labour force. The commune's total population is more than 4,000. Finally, the density is higher than 2,000 people/km<sup>2</sup> (Cling *et al.*, 2010).

reducing poverty. The framework sets out a vision of promoting the development of ‘...progressive, prosperous, and self-reliant rural communities’, which contributes towards creating a caring society in the AMSs. Following the ASEAN style, the framework identifies seven strategies and six priorities, accompanied by a designated institutional framework. The adopted framework and efforts, however, are yet to link rural development, employment creation, and growth inclusiveness in an ASEAN-distinct way.

This paper looks into the interplay between rural development, employment creation in rural and urban areas, and inclusive growth in AMSs. In doing so, the paper puts a special emphasis on social and family income dimensions. Analyses here help draw out the vision for ASEAN socio-cultural development until 2025, as far as rural development and employment are concerned. The discussion on the visions also help map out the potential directions of regional cooperation in the next decade.

The remainder of the paper is structured as follows: Section 2 describes the current state of rural development across AMSs. Section 3 then investigates the issue of employment creation in rural and urban areas. Section 4 then delves into the aspects of inclusive growth in AMSs, focusing on the sharing of benefits for the rural population. Section 5 sums up the key findings and presents some major recommendations on how to promote further rural development and, at the same time, ensure more inclusive growth in ASEAN beyond 2015.

## **2. Rural Development in ASEAN**

As earlier noted, the definitions of rural development varies across AMSs. In general, the classification of rural areas is secondary to that of urban areas---i.e., rural areas are often seen as areas not classified as urban ones. This approach appears to be more convenient in developing urbanisation policy and compiling relevant statistics. The approach, nonetheless, fails to reflect the significance of rural areas and rural residents as subjects of development policies. More importantly, those who treat rural

areas and rural population as the ‘remainder’ are in for an immense surprise once they look into the complex and highly peculiar problems in rural areas.

As can be seen in Table 1, the rural population makes up a large share in the population of many AMS, except for Singapore and Brunei Darussalam. In fact, the rural sector’s share can be up to 80 percent in Cambodia and Lao PDR in the 1990s, while significantly modest in countries such as Brunei Darussalam and Malaysia. As a common trend, however, the share of rural population decreases over time, except in the Philippines. Interestingly, the decrease in share of rural population took place in the periods 1996-2000 and 2009-2011, when the AMSs were adversely affected by the Asian monetary, financial, and global financial crises, respectively. This indicates that the populace migrates away from rural areas during times of economic difficulty.

**Table 1: Rural Population as % of Total Population**

Country	1990	1996	2000	2005	2009	2010	2011	2012	2013
Brunei Darussalam	34.2	30.8	28.8	26.5	24.9	24.5	24.1	23.8	23.4
Indonesia	69.4	62.8	58.0	54.1	50.9	50.1	49.3	48.5	47.7
Cambodia	84.5	82.3	81.4	80.8	80.3	80.2	80.0	79.9	79.7
Lao PDR	84.6	81.8	78.0	72.6	68.0	66.9	65.7	64.6	63.5
Myanmar	75.4	74.2	73.0	71.1	69.1	68.6	68.1	67.5	67.0
Malaysia	50.2	43.0	38.0	33.4	29.9	29.1	28.3	27.5	26.7
Philippines	51.4	51.8	52.0	53.4	54.5	54.7	55.0	55.2	55.4
Singapore	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Thailand	70.6	69.6	68.6	62.5	57.3	55.9	54.6	53.3	52.1
Viet Nam	79.7	77.4	75.6	72.7	70.2	69.6	69.0	68.3	67.7
India	74.5	73.2	72.3	70.8	69.4	69.1	68.7	68.4	68.0

*Source:* World Development Indicators (WDI).

The discussion on economic development in rural areas is more complicated. This is because rural economic activities in AMSs have evolved with more diversity compared to traditional crops or breedings, and rural economic agents have become more integrated in the national value chains, even of non-agricultural products. Given that data on non-farm activities in rural areas can hardly be always accurate and/or up-to-date, one then has to assume that rural economic performance can be proxied by the agriculture sector.

Table 2 illustrates the share of agriculture<sup>4</sup> in gross domestic product (GDP), which somehow reflects the contribution of rural population to aggregate economic activity. By 2013, the share of agriculture was the largest in Cambodia (33.5 percent) and more modest in other AMSs. Again, the share of agriculture tended to go down in almost all AMSs. In the period 1990-2013, the figure in Lao PDR fell from 61 percent in 1990 to 26.5 percent by 2013. In the same period, Viet Nam and the Philippines' shares decreased by around one-half. Other AMSs such as Indonesia, Cambodia, and Malaysia witnessed a decrease in agriculture's share in GDP by almost a third. In contrast, the share of agriculture in Thailand's GDP remained stable. Meanwhile, the share of agriculture in Brunei Darussalam and Singapore was almost negligible.

**Table 2: Share of 'Extended' Agriculture in GDP**

Country	1990	1996	2000	2005	2009	2010	2012	2013
Brunei Darussalam	1.0	1.1	1.0	0.9	0.9	0.8	0.7	0.7
Indonesia	19.4	16.7	15.6	13.1	15.3	15.3	14.5	14.4
Cambodia	-	46.6	37.8	32.4	35.7	36.0	35.6	33.5
Lao PDR	61.2	53.3	45.2	36.2	35.0	32.7	28.1	26.5
Myanmar	57.3	60.1	57.2	-	-	-	-	-
Malaysia	15.2	11.7	8.6	8.3	9.2	10.4	10.0	9.3
Philippines	21.9	20.6	14.0	12.7	13.1	12.3	11.8	11.2
Singapore	0.3	0.2	0.1	0.1	0.0	0.0	0.0	0.0
Thailand	12.5	9.5	9.0	10.3	11.5	12.4	12.3	12.0
Viet Nam	38.7	27.8	22.7	19.3	19.2	18.9	19.7	18.4
India	29.0	27.1	23.0	18.8	17.7	18.2	17.5	18.2

Source: WDI.

As a characteristic of AMSs, rural development should not be thought of as a complementary policy to industrialisation. The practical experiences of several AMSs already show that agricultural development can play an important role in boosting GDP, foreign trade and engagement in the regional supply chains.<sup>5</sup> In the case of the Philippines, agricultural output has a positive and statistically significant effect on non-agricultural output, although the magnitude of effect is rather small: a 1 percentage-

<sup>4</sup> It should be noted that the definition of agriculture is extended to cover fisheries as well.

<sup>5</sup> See Intal *et al.* (2011), ERIA (2013).

point increase in agricultural output growth leads to 0.04 percentage-point rise in non-agricultural output growth (Briones, 2013). Viet Nam and Cambodia, following breakthroughs in agricultural policies, saw themselves shift from being food self-sufficient nations to exporters of agricultural and fishery products.<sup>6</sup>

In the case of Viet Nam, various policies on agriculture have been implemented since April 1988, empowering farmers to manage their main production materials and products, and to take the initiative to implement their own production activities. This autonomy induced farmers to exert greater effort in, and bind themselves more closely with, agricultural and aquacultural production. Fundamentally, therefore, production relations changed as the management role was transferred from cooperatives and production teams, to farm households in line with the change in the distribution of output. Moreover, Viet Nam has abandoned the strategy of procuring food at the floor price and started applying the market-price mechanism. Consequently, Vietnamese farmers now have even greater incentives to engage in agricultural production, and outputs have risen even though investments in agriculture contracted in real terms.

In recent years, the emphasis on agricultural and rural development has been even greater as Viet Nam recognised the importance of such development in reducing poverty. The incorporation of agricultural and rural development into the measures set out in the country's Comprehensive Poverty Reduction and Growth Strategy reflects such emphasis. Also, Viet Nam sought to accelerate the industrialisation and modernisation of agriculture and rural areas by establishing an extensive market for agricultural commodities, applying scientific and technological advances in agricultural production, and relying to a larger extent on improving labour productivity and product competitiveness. In particular, the marketization of agricultural products led to increases in the proportion of products being sold, thereby generating income for farmers and inducing rural development (Table 3). At the same time, the government of Viet Nam increased investment in agricultural and rural infrastructure while encouraging investment in the processing of agricultural products.

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<sup>6</sup> See Vo Tri Thanh and Nguyen Anh Duong (2011), Siphana *et al.* (2011).

**Table 3: Proportion of Agricultural Outputs Sold to the Market (in %)**

	1993		1998		2002		2008	
	<i>Crops</i>	<i>Other Agricultural Outputs</i>	<i>Crops</i>	<i>Other Agricultural Outputs</i>	<i>Crops</i>	<i>Other Agricultural Outputs</i>	<i>Crops</i>	<i>Other Agricultural Outputs</i>
Northern Uplands	22.00	36.00	33.00	44.00	34.00	52.00	39.36	73.05
Red River Delta	23.00	39.00	29.00	45.00	34.00	61.00	38.42	91.08
North Central Coast	22.00	37.00	30.00	44.00	38.00	63.00	50.79	82.94
South Central Coast	23.00	39.00	46.00	55.00	53.00	73.00	64.49	91.29
Central Highlands	78.00	77.00	78.00	78.00	74.00	74.00	76.61	72.71
South East	65.00	69.00	77.00	79.00	88.00	84.00	91.40	91.07
Mekong River Delta	56.00	59.00	74.00	74.00	84.00	85.00	86.69	93.50
<b>Overall</b>	<b>40.00</b>	<b>48.00</b>	<b>54.00</b>	<b>59.00</b>	<b>61.00</b>	<b>70.00</b>	<b>68.52</b>	<b>87.00</b>

Source: Vo Tri Thanh and Nguyen Anh Duong (2011).

Cambodia, meanwhile, acknowledges that rural development is a major crosscutting issue with a central role in poverty reduction. There is a broad domestic consensus that the country's drivers of growth since 1990s would need to be complemented with more rural, broad-based and pro-poor sources of growth. The Rectangular Strategy for Growth, Employment, Equity and Efficiency that was adopted since 2004 (later on incorporated into the National Strategic Development Plan for 2009–2013) acknowledged that agricultural policies could improve productivity and diversify agriculture, and helped the sector drive economic growth and reduce poverty. Access to land and security of land tenure were also improved. Likewise, the government exerted efforts to ensure access to water and social services, and to adapt a local institutional and governance framework.<sup>7</sup> Like the lesson from Viet Nam,<sup>8</sup> such initiatives reinforced the social stability among rural farmers.

<sup>7</sup> For more details, see Asian Development Bank (2012).

<sup>8</sup> See Vo Tri Thanh and Nguyen Anh Duong (2011).

Beyond incorporating agricultural and rural reforms in economic development is the need to complete or retain the pace of such reforms. Failure to do so may lead to missed opportunities to sustain agricultural growth and poverty reduction. This is the argument of Briones (2013) for the case of the Philippines. The author summarised the reform agenda for the Philippine agriculture since the mid-1980s to include: (1) a new land reform programme; (2) removal of bias against higher growth and efficiency in the rural economy; (3) stronger economic support services to increase productivity, improve market efficiency and expand markets; (4) protection of long-term sustainability of agricultural production through conservation policy; and (5) government entities that can more effectively provide agricultural support services. The agenda, however, remains largely ‘...incomplete or riddled with implementation flaws’ (Briones, 2013).

To promote rural development and poverty reduction under the ASCC blueprint, an array of workshops and events have offered the AMSs and Plus Three countries—and AMSs and China—an opportunity to share experiences and best practices. The ASEAN also has a rural volunteer movement and an exchange programme for young professionals in rural development within the region. These activities are ongoing and are likely to continue beyond 2015. More importantly, the cooperation on rural development and poverty reduction is consistent with the concept of open regionalism in ASEAN.

The cooperation process, however, may be subject to a couple of challenges. First, sustaining the continuity of the participants in future workshops and events may not be easy. In fact, the need to observe improvement (or even ‘graduation’) of learners is acknowledged, so as to ensure confidence of future donors and/or participants in similar workshops/events. Meanwhile, one can hardly expect to observe such an improvement immediately after the first workshop/event. Second, the workshops and experience-sharing activities are often not accompanied by practical activities such as joint rural development projects, which may cast doubt on their actual benefits to participants. Thus, these ASEAN participants may suffer from the lack of knowledge or fail to undertake feasible project proposals for rural development.

In the future, the need to develop rural infrastructure remains pivotal. This is emphasised in the plan to ‘...implement projects related to poverty alleviation,

particular in area of rural infrastructure, water supply, sanitation...’ (ASEAN, 2007). The past experiences of AMSs prove why rural infrastructure development is essential to rural and agricultural development. For Thailand, Poapongsakorn (2011) showed that capital expansion (including investment in rural infrastructure) accounted for 54.7 percent of agricultural growth and almost 64.0 percent of crop growth. In Viet Nam, capital expansion dominated the source of agricultural growth in the 1990–2007, notwithstanding the emerging role of improving total factor productivity.<sup>9</sup>

Although some of the goals on rural development are articulated in the Initiative for ASEAN Integration, it remains necessary for efforts to be continuously renewed and emphasised to ensure that agricultural and rural development remain the priority. One should avoid thinking that poverty in the rural areas can be reduced by simply awaiting or promoting second-round effects of income improvement from industries and services. In the absence of complementary measures that can improve inclusion of rural areas and rural labour, such a second-round effect may be slow or even non-existent. Instead, the approach should focus on relocating non-agricultural production and services (including processing and manufacturing ones) to the rural areas, which makes the rural-urban linkages more enabling for rural development.

As countries look forward to 2025, efforts to develop rural infrastructure should not be confined to economic facilities alone. The current focus seems to be on rural economic infrastructure based on their positive implications as public goods for rural economic development. Examples of such facilities are rural roads and irrigation facilities, which depict features of both non-excludability and non-rivalry. Nonetheless, a more sustainable development in rural areas cannot rely solely on job creation and income improvement; otherwise, rural people who see an increase in their income may simply migrate to urban areas for better access to consumption goods and modern services. Inadequate allocation of resources for informational and cultural infrastructure in rural areas, as is happening in select rural areas of AMSs, may not help reduce the rural–urban gap.

In another aspect, rural development is not exempted from the adverse impacts of climate changes. The consequences of droughts and typhoons can readily be observed in rural economic activities and agricultural development, especially in terms of loss

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<sup>9</sup> See Vo Tri Thanh and Nguyen Anh Duong (2011).

of crop output, deterioration of income, etc. According to the Global Climate Risk Index 2014, 4 out of the top 10 listed countries most affected by extreme weather events in 1993–2012 are in the ASEAN region: namely, Myanmar, Viet Nam, the Philippines, and Thailand. In Indonesia’s case, the global climate change is estimated to worsen GDP performance (particularly agriculture and agro-based sectors), which could only be compensated by a 10-percent increase in productivity across food crops.<sup>10</sup> The rise in sea level has also been unfavourable to fishery production, while adversely undermining the quality of inland water that supports agricultural production. In fact, the sea level was allegedly rising on average by 1 to 3 millimetres per year, thereby affecting the livelihood of people living in the coastline and/or those earning their livelihood from fisheries. In light of these realities, rural development in the next decade should incorporate ways to enhance resilience to adverse climate change. Thus, this should require not only an improvement in agricultural sustainability itself, but also a reconsideration of the industrial activities as they affect agriculture and rural areas.

Although not covered by this paper’s scope, the work programme on education and human resource development under the ASCC blueprint remains essential. As rural development needs skilled labour, the training needs of rural labourers should therefore be continuously identified and addressed. This should also fit with the overarching goal to build ‘a resilient community with enhanced capacity and capability to collectively respond to emerging trends and challenges’ and of promoting ‘inclusive, sustained and equitable growth, as well as sustainable development’, as articulated during the Nay Pyi Taw Declaration of ASEAN Leaders on 25 November 2014.

### **3. Employment Creation in Rural and Urban Areas**

Since data on rural employment are not always available, employment in rural areas can be approximated based on the agricultural employment. Table 4 shows the

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<sup>10</sup> See Oktaviani *et al.* (2011).

share of agriculture in AMSs' employment. As of 2012, the share of agriculture was the largest in Cambodia (51.0 percent), followed by Viet Nam (47.4 percent) and Thailand (39.6 percent). The figures for Malaysia and Singapore were a lot smaller. More importantly, the share of agriculture in total employment generally decreased over time in all AMSs. In the period 1990–2012, the figures fell most rapidly in Thailand, Cambodia, and Viet Nam (by almost 24.4 percentage points, 22.7 percentage points and 22.6 percentage points, respectively). Indonesia also experienced a swift contraction in agricultural employment, reaching just 35.1 percent of total employment in 2012 compared to 55.9 percent in 1990. The decreases in Malaysia and the Philippines were smaller (i.e., over 13 percentage points).

**Table 4: Share of Agriculture in Total Employment**

Country	1990	1996	2000	2005	2006	2007	2008	2009	2010	2011	2012
Indonesia	55.9	44.0	45.3	44.0	42.0	41.2	40.3	39.7	38.3	39.0	35.1
Cambodia			73.7				72.2	57.6	54.2	55.8	51.0
Malaysia	26.0	19.4	18.4	14.6	14.6	14.8	14.0	13.5	13.3	11.5	12.6
Philippines	45.2	41.7	37.1	36.0	35.8	35.1	35.3	35.2	33.2	33.0	32.2
Singapore		0.2		1.1	1.3	1.1	1.2	1.1			
Thailand	64.0	50.0	48.8	42.6	42.1	41.7	42.5	39.0	38.2	38.7	39.6
Viet Nam		70.0	65.3		51.7					48.4	47.4
India			59.9	55.8					51.1		47.2

Source: WDI.

Analyses were done to assess the employment effect of agricultural growth. Dinh Hien Minh *et al.* (2009) estimated that Viet Nam's employment elasticity to growth in agriculture was around -0.11 for the period 2000–2007—i.e., a 1 percent growth in agriculture's value added will lead to a decrease in employment in the sector by 0.11 percent. A more recent estimate by the authors showed that such elasticity varied to -0.30 for the period 2000–2012 (see Appendix 1). Such a negative elasticity could be largely explained by the faster growth in other economic sectors (particularly industry), which induced labour to move away from agricultural production.

Table 5 estimates the employment elasticity of agricultural growth, taking an ASEAN-wide perspective. It includes Cambodia, Malaysia, Indonesia, the Philippines, Thailand, and Viet Nam, with pooled observations for various years from 1996 until 2012. An increase by 1 percentage point in the GDP share of agriculture is associated

with almost 1.2 percentage-point increase in the employment share of the sector. Assuming the same level of GDP share of agriculture, the employment share of the Philippines is higher than those of Cambodia and Malaysia, but smaller than those of Indonesia, Thailand, and Viet Nam. Restructuring the agricultural sector in line with rural development thus requires appropriately coordinated consideration of the differential impacts on agricultural employment across AMSs.

**Table 5: Variation of Employment Elasticity of Agricultural Growth in ASEAN Member States**

Dependent Variable: EMP_AG				
Method: Least Squares				
Included observations: 37				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
GDP_AG	1.179228	0.465237	2.534682	0.0167
C	19.11130	6.776149	2.820377	0.0084
CAMBODIA	-3.528013	10.92537	-0.322919	0.7490
MALAYSIA	-16.14643	3.410781	-4.733939	0.0000
INDONESIA	3.938026	2.940760	1.339118	0.1906
THAILAND	10.11249	3.153292	3.206961	0.0032
VIET NAM	12.04264	5.276818	2.282178	0.0297
R-squared	0.898670			

*Note:* *c*: constant; *Emp\_Ag*: share of employment in agriculture; *GDP\_Ag*: share of value added of agriculture; Cambodia, Malaysia, Indonesia, Thailand and Viet Nam are dummy variables, taking values of 1 for the respective countries and 0 otherwise (the base being the Philippines).

*Source:* Authors' estimation.

Regional economic integration causes international shocks to be transmitted more directly and more rapidly into domestic economies of AMSs, which might hamper the employment creation effect in rural areas. The Vietnam Union of Science and Technology Association (2011) argued that the global financial crisis in 2009 had adverse impact on employment creation for rural labours. The cited figure showed that 21.7 percent of migrating workers lost their jobs and had to return to rural areas in the four surveyed provinces (An Giang, Binh Thuan, Lang Son, and Nam Dinh). For those

employed in the rural areas, underemployment was also reported as a significant challenge, particularly among the unskilled labours.

Table 6 presents the share of female labourers who were employed in AMSs' agricultural sector. In general, the figures are rather modest for all listed AMSs. As of 2000, Cambodia and Viet Nam had the highest shares of female labour in agricultural employment, while those of Indonesia (46.7 percent) and Thailand (47.5 percent) were smaller. The figures, however, tended to decrease noticeably over time. By 2012, the share of females in agricultural employment was still the largest in Cambodia (52.8 percent), followed by Viet Nam (49.5 percent), Thailand (37.8 percent), and Indonesia (34.5 percent).

**Table 6: Female Employment in Agriculture (%)**

Country	1996	2000	2005	2009	2010	2011	2012
Indonesia	45.0	46.7	44.3	38.8	37.6	38.5	34.5
Cambodia		74.9		57.8	55.4	56.6	52.8
Malaysia	17.0	14.0	10.2	9.0	8.5	6.6	8.2
Philippines	30.3	23.9	23.7	24.0	21.8	21.7	21.0
Thailand	51.5	47.5	40.7	36.5	36.0	36.6	37.8
Viet Nam	70.4	66.3					49.5
India		74.8	70.9		65.3		59.8

*Source:* WDI.

The decrease in females' share in agriculture—although the sector had experienced a decreasing proportion to total employment—has several implications. *First*, female labourers may be more responsive to the emerging opportunities in urban areas and other economic sectors (such as services, industry), perhaps due to their adaptability and ability to modify their skills. This trend has been quite apparent in countries such as Viet Nam, as certain manufacturers often preferred female employees who are hard-working, compliant with the rules, and prepared to accept relatively modest wages. *Second*, the failure to raise value-added contents in different agricultural products led to more competition in agricultural production which, among others, possibly caused physical exhaustion among employees. Women labourers,

when compared to their male counterparts, could hardly stand the rigours of agricultural tasks over a long time.

#### **4. Income Generation in Rural Areas**

Table 7 tabulates the pattern of income per capita in AMSs. There has been no change in the respective AMSs' rankings in gross national income (GNI) per capita over the period 1996–2013. As of 1996, Singapore had the highest GNI per capita, while other agriculture-dependent economies such as Viet Nam and Cambodia showed more modest income. By 2013, improvement in income had been evident across the member nations. Although there was no change in rankings, Cambodia, Lao PDR and Viet Nam experienced the most rapid increase in GNI per capita at over threefolds. This may perhaps be explained by the series of institutional improvement and/or increase in investment for higher growth. Viet Nam has been growing continuously, despite a slowdown since 2009 due to the global financial crisis and macroeconomic stabilisation attempts. Cambodia and Lao PDR enjoyed more rapid growth after progressively opening up their economies. The figures for Indonesia, Malaysia, and the Philippines more than doubled. Meanwhile, the GNI per capita in Thailand was less than double for the same period.

Intal *et al.* (2011) identified the three key channels where agriculture and agricultural development (largely associated with rural development) contribute to poverty reduction. The first channel involves direct generation of income among rural households, thanks to their induced participation in economic activities as employees. The second channel reflects the movement of labour away from agriculture and towards non-agricultural sector. It should be noted that the geographical location of labour may not change, and such movement may just be accommodated by the increase in non-agricultural production and services in rural areas. The case of the Philippines is a remarkable example,<sup>11</sup> where it showed that incentivising industrial relocation to rural areas might be beneficial for rural development. In the third channel, productivity-based agricultural development will make real prices of wage goods in

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<sup>11</sup> See Briones (2013).

rural areas relatively stable, so that the non-agricultural sector can continue to absorb more rural labour.

**Table 7: GNI per Capita**

*Unit: US\$, Purchasing power parity*

<b>Country</b>	<b>1990</b>	<b>1996</b>	<b>2000</b>	<b>2005</b>	<b>2009</b>	<b>2010</b>	<b>2012</b>	<b>2013</b>
Brunei Darussalam	49,870	58,450	59,030	66,280	68,010	-	-	-
Indonesia	2,650	4,420	4,010	5,510	7,150	7,640	8,750	9,270
Cambodia		810	1,050	1,660	2,230	2,340	2,710	2,890
Lao PDR	1,050	1,480	1,770	2,550	3,450	3,570	4,170	4,550
Malaysia	6,290	10,660	11,430	15,260	18,330	19,330	21,460	22,530
Philippines	2,550	3,180	3,940	5,390	6,810	7,330	7,310	7,840
Singapore	21,910	34,070	40,560	51,310	58,550	69,960	74,150	76,860
Thailand	4,070	7,040	6,970	9,230	11,080	12,020	13,430	13,430
Viet Nam	910	1,610	2,070	3,050	3,950	4,230	4,800	5,070
India	1,160	1,640	2,040	2,940	4,100	4,500	5,080	5,350

*Source: WDI.*

The improvement in income also leads to substantial poverty reduction in AMSs. Table 8 summarises the pattern of rural poverty headcount ratio in these countries. As of 2002, rural poverty remained prevalent in Thailand, Viet Nam, and Lao PDR. From then on until 2013, rural poverty was then drastically reduced in all AMSs. Viet Nam recorded a poverty rate of 12.7 percent only in urban areas despite a couple of increase in the national poverty line. Similarly, Thailand's rural poverty rate decreased by almost 23.7 percentage points in 2002-2011. The paces of poverty reduction in Lao PDR and Indonesia were more modest—by about one third—in 2002–2013.

**Table 8: Rural Poverty Headcount Ratio***Unit: %*

Country	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Indonesia	21.1	20.2	20.1	20	21.8	20.4	18.9	17.4	16.6	15.7	15.1	14.3
India				41.8					33.8		25.7	
Lao PDR	37.6					31.7					28.6	
Malaysia	13.5		11.9			7.1		8.4			3.4	
Thailand	40.4		33.7		30.4	27.2	27.5	25.1	23.1	16.7		
Viet Nam	35.6		21.2		18.0		16.1		17.4	15.9	14.1	12.7

*Source:* WDI; data for Viet Nam from the General Statistics Office of Viet Nam.

Another aspect of rural development that deserves attention in AMSs is the development of social safety nets. To support sustainable poverty reduction, Viet Nam had a variety of household-targeted programmes, including preferential access to credit, education, and social service subsidies and cash transfers. *First*, the country set out a range of policies and projects under the Comprehensive Poverty Reduction and Growth Strategy as well as under the National Target Program for Poverty Reduction to enhance the poor's access to economic assets and services. For the past decades, Cambodia has carried out various projects and programmes that aim to provide social safety nets. In this process, the country was supported by various major donors. Still, Cambodia suffered from the lack of an effective and affordable social safety net system in place (Virayuth, 2009). In fact, the current social safety net system in Cambodia focuses on support for pensioners (including civil servants, veterans) and employees in the formal private sector, feeding programmes for school students, food for work, and scholarships for female students. A programme on cash transfer is also available, solely to support the victims of natural disasters.

Table 9 lists such policies and projects. *Second*, non-contributory social assistance cash transfers are provided to different social groups, particularly those easily vulnerable to adverse shocks, mainly as income transfer. Nevertheless, these cash transfers are not adjusted and, by designation, fail to serve as a tool for coping with income shocks.

For the past decades, Cambodia has carried out various projects and programmes that aim to provide social safety nets. In this process, the country was supported by various major donors. Still, Cambodia suffered from the lack of an effective and affordable social safety net system in place (Virayuth, 2009). In fact, the current social safety net system in Cambodia focuses on support for pensioners (including civil servants, veterans) and employees in the formal private sector, feeding programmes for school students, food for work, and scholarships for female students. A programme on cash transfer is also available, solely to support the victims of natural disasters.

**Table 9: National Target Program for Poverty Reduction Policies  
in Viet Nam, and Projects and Objectives**

NTP-PR Project or Policy		Objective
<i>Policies and projects that facilitate production development and increase in income for the poor</i>		
1	Policy on preferential credit for poor households	Enhancing poor people's financial capital in order to make investments that will increase cash income
2	Policy on provision of productive land for poor ethnic households	Providing poor ethnic minorities with a principal asset, land, through which to increase food security and income earning potential
3	Project on agricultural-forestry-fishery extension and support for development of production and occupation	Increasing the human capital base of poor people, to enable them to make commercially oriented decisions that maximise the use of household's available assets
4	Project on development of necessary infrastructure for communes with special difficulties in coastline and island areas	Strengthening the enabling environment in poor communes, to enable poor households to access markets and income-earning opportunities, and to stimulate commercial activity in poor areas
5	Project on vocational training for poor people	Strengthening the human capital of poor people; equipping them with knowledge and skills to access employment or market opportunities
6	Project on replication of good practices on poverty reduction	Model development and experience sharing to ensure that production models are transmitted from successful areas
<i>Policies facilitating the poor's access to social services</i>		
7	Policy on health care for poor people	Enabling poor people to access state health services free of charge, so as to enjoy better health as an end in itself and be more productive
8	Policy on education for poor people	Enabling poor students who would otherwise be unable to attend school, to participate in education, strengthening their human capital, future employment and income-earning prospects, and their households' long-term economic prospects
9	Policy on housing and clean water supply	Improving the environmental sanitation conditions in poor communes so as to improve communal health and the productivity of villagers who would be less prone to disease
10	Policy on legal support for poor people	Enabling poor people to access information and support in pursuance of their rights to access state services
<i>Projects on capacity building and awareness raising</i>		
11	Project on enhancement of poverty reduction capacity	
12	Monitoring and evaluation	

*Source:* National Target Program for Poverty Reduction Mid-Term Review (cited in World Bank 2010).

Nonetheless, there are limitations to the existing social safety system in Cambodia. *First*, the implemented programmes and projects still target geographical areas, sectors, or certain social groups. Meanwhile, the social safety nets for the rural population, particularly farmers whose means of livelihood are prone to adverse climate changes, remain limited. *Second*, the different programmes employ different methodologies for identifying beneficiaries. *Third*, the social safety programmes are often funded largely by development partners through specific projects, while the broader framework for social protection and harmonisation of donors' support remain ineffective. These three limitations have been pointed out in Broderick (2008). *Finally*, as emphasised in Virayuth (2009), there persists a lack of effective coordination among the relevant ministries, local agencies, and civil society organisations (CSOs).

Lao PDR's experience with social safety nets is relatively new. Social security and health insurance are still confined to employees in the public sector and formal private sector in urban areas only. Likewise, only a few social safety nets against adverse shocks exist. There is its cash transfer scheme as part of a disaster relief plan, particularly in the rural areas. Cash- or food-for-work programmes are also available. Finally, support is provided to school children (such as feeding programmes) as well as children and women at risk of falling victims of human trafficking.

Similar to Cambodia's case, however, such transfers are largely implemented and financed by international donors, in cooperation with the relevant ministries. The support then appears to be fragmented and uncoordinated. At the same time, the scope of such transfer programmes remains limited. As noted by the World Bank (2010), the existing social safety net schemes in Lao PDR usually seek to mitigate impacts of natural disasters or target only the very poorest areas, and for a short duration only. Thus, various social groups (including farmers) are left to cope with shocks on their own as they are not covered by these support programmes.

Vo Tri Thanh and Nguyen Anh Duong (2011) provided data that showed the significant change in sources of income for Vietnamese rural households since 1993 (Table 10). The World Bank's (2006) analysis of the Vietnam Living Standard Survey in 1993 and the Vietnam Household Living Standard Survey in 2002 shows that rural households received income from more sources than previously thought. The average number of income sources for each rural household in 1993 was 4.02, further

increasing to 4.67 in 2002. This rise could be largely attributed to a couple of factors. On the one hand, proactive international economic integration broadened access to export markets for Viet Nam’s agricultural products. On the other hand, Viet Nam implemented measures to positively induce rural households to work and to promote rural transformation along with domestic economic reforms. The most rapid enhancement of income diversity was in the Central Highlands, with the figure rising from 3.41 in 1993 to 5.21 in 2002. Meanwhile, households in the Red River Delta experienced the smallest increase in income sources, with the average figure increasing from 4.16 in 1993 to only 4.37 in 2002.

**Table 10: Average Number of Income Sources for Rural Households in Viet Nam, 1993–2008**

	<b>1993</b>	<b>2002</b>	<b>2008</b>
Northern Uplands	4.43	4.97	4.64
Red River Delta	4.16	4.37	4.28
North Central Coast	3.57	4.65	4.36
South Central Coast	3.74	4.49	4.34
Central Highlands	3.41	5.21	4.16
South East	3.36	4.16	3.56
Mekong River Delta	4.31	4.91	3.85
<b>Overall</b>	<b>4.02</b>	<b>4.67</b>	<b>4.20</b>

*Note:* To maintain consistency, the authors recognise the classification of net income sources used by the World Bank (2006). Accordingly, there are eight sources of net income; namely, cropping, livestock, fisheries, forestry, non-farm entrepreneurship, wage, transfers, and other income.

*Source:* Vo Tri Thanh and Nguyen Anh Duong (2011).

From 2002 to 2008, however, income-generation activities for rural households seemed to become less diversified. By 2008, each household, on average, received income from fewer sources (around 4.20) compared to their situation in 2002. The fall in the number of income sources for rural households was evident in all regions. The Mekong River Delta and the Central Highlands had the largest decrease in the number of income sources—by 1.06 and 1.05, respectively—between the periods 1993 and 2002. By 2008, the Northern Uplands had the largest number of income sources for rural households because it had a significantly smaller decrease compared to other

regions. All these may reflect the rural transformation happening during the period 2002–2008; that is, rural households no longer relied on increasing participation in different economic activities for higher income. Instead, they started focusing on a smaller number of income sources, hoping that such specialisation can improve their income better. The higher commercialisation of agricultural products further confirmed this specialisation.

Table 11 illustrates the intensity of poverty in rural areas of AMSs. While rural data for AMSs (other than Indonesia) are sparse, one can still see how the improvement in rural income and economic activities somehow led to a narrowing in poverty gap in rural areas. The rural poverty gap of Indonesia rose from 3.6 percent in 2003 to 6.5 percent in 2007 before falling steadily to 2.3 percent in 2014. Meanwhile, the figures for Malaysia are rather small: the fall in rural poverty gap was from 2.9 percent in 2004 to 1.8 percent in 2009. Viet Nam and Lao PDR had significantly larger rural poverty gaps, reaching 5.9 percent and 6.8 percent, respectively in 2012.

Thus, if a common ASEAN poverty line is enforced, the above poverty gaps still imply sizeable costs to sufficiently support the poor in rural areas.

**Table 11: Rural Poverty Gap**

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Indonesia	3.6	3.6	3.7	4.6	6.5	3.4	3.1	2.8	2.6	2.4	2.2	2.3
Lao PDR					7.7					6.8		
Malaysia		2.9			1.6		1.8					
Viet Nam								7.8		5.9		
India			9.2					6.8		4.6		

Source: WDI.

Despite the intermittent numbers in the AMSs, the rural poverty gap still deserves attention. There are a couple of alternatives that may be considered in dealing with poverty gaps. The first is to expend a sufficient sum of money in the form of direct transfer so that the poor can improve their livelihood to the relevant poverty line. Nonetheless, this approach may weaken the recipients' incentive to get themselves out of poverty, particularly in the absence of credibly designated retreat of support

programmes. Alternatively, a nationally coordinated policy may help sustainably generate income for the rural poor via certain programmes so as to build capacity and empower them. This policy, however, entails additional costs in managing a new programme as well as has to contend with the issue of how to identify the rural poor beneficiaries. The costs may even increase for ASEAN as a whole if the AMSs prefer a regional programme to eradicate pockets of poverty in rural areas.

## **5. Vision and Recommendations for ASEAN**

### **5.1. Vision for rural development, employment creation, and inclusive growth under ASCC beyond 2015**

As previously noted, during the Nay Pyi Taw Declaration on 25 November 2014 ASEAN leaders stated that the ASCC aims to be ‘inclusive, sustainable, resilient, dynamic and engages and benefits the people’ (ASEAN, 2014). Thus, the vision for rural development, employment creation, and inclusive growth beyond 2015 should cover the following:

- ***Diversified and climate-resilient rural economy***

The rural economy has to incorporate more activities in both agricultural and non-agricultural sectors. Within the agricultural sector, economic activities should not be confined only to cropping and breeding and raising livestock but fisheries as well. Greater diversity will reduce the rural farmers’ dependence on a narrow list of agricultural and aquacultural activities, thus facilitating poverty reduction. Meanwhile, the presence of more agribusiness, non-agricultural goods and services will expand the production chain for agricultural products, thus increasing the value added for rural farmers. This way, the rural areas will be integrated into the national as well as the regional economy of ASEAN.

However, merely promoting rapid economic growth in rural areas is not enough. Together with greater diversity, economic activities (including agricultural and aquacultural activities) in rural areas need to be more adaptive (at least with higher

productivity) to adverse climate changes. Only in this way can the poverty reduction in rural areas become more sustainable.

- ***Employability of rural labour***

Underemployment remains prevalent in rural areas. Addressing this issue is, however, not easy since rural labour is not sufficiently adaptive to new skills and/or new economic activities. Improving the rural labour's ability to be employed, therefore, becomes essential in further generating employment and income.

- ***Rural democracy and deconcentration***

Rural farmers need to be given larger autonomy in decisions related to their own rural development, apart from agricultural activities. Their voices should be respected and properly taken into account when designing rural development plans. Furthermore, such plans should lay rural farmers at the centre, so that priorities, actions, and interactions between rural farmers and other stakeholders can properly engage and benefit rural farmers' right from the beginning.

- ***Sufficiently upgraded rural infrastructure (both hard and soft ones)***

Continuing improvements in rural infrastructure drive agricultural development further. Infrastructure is no longer restricted to hard ones such as irrigation facilities, electricity, etc. To support more connectivity in the agricultural supply chains, attention should also be paid to improving services links, particularly in rural transport, logistics, etc. At the same time, the scope of rural infrastructure should be widened to cover those supporting information and cultural development in rural areas.

- ***Material improvement of living conditions in rural areas***

Rural development is not just about building favourable foundations for agricultural activities, although income generation remains a priority. Rural development must pay more attention to improving the living conditions in rural areas, such as access to social services (health, education, etc.), access to basic goods, preservation of a social and/or environmental quality, etc.

- ***Sufficient rural–urban links***

Because the ASEAN aims for more connectivity, special attention should be dedicated to strengthening the rural-urban links. Such links should not only focus mainly on transport and telecommunications. More importantly, governments should gradually increase the equality in access to information and opportunities. Coordinated efforts between rural and urban people in realising such opportunities will be needed in the later stage.

- ***Ensured social protection and substantial reduction of chronic poverty***

While temporary poverty occurs as a consequence of adverse (and largely unexpected) shocks, chronic poverty prevails for a longer period. The consequence of chronic poverty at the individual and community levels can be excessively persistent. A sustainable rural development framework must aim to substantially reduce such chronic poverty incidence. Along with this comes the need for a participatory, multi-layered social protection system that will effectively enable the rural people to cope with adverse shocks.

## **5.2. Recommendations for ASEAN**

*First*, ASEAN should further promote trade of agriculture-forestry-fishery products. On the one hand, this requires establishing a more relevant incentive structure to avoid unnecessary (and/or costly) distortions in such trade. On the other hand, it is of even greater importance to enhance those products' competitiveness in terms of both price and quality. This will help bring the products to market and ultimately improve the income of farmers.

*Second*, ASEAN should facilitate the establishment and development of rural value chains. This will further commercialise agricultural products and promote rural transformation. To do so, studies should first be undertaken to identify potential areas for setting up value chains and measures to raise the value-added content of final agricultural products. These measures include turning to more modern technology (in processing, preserving, packaging, etc.) in the value chains and addressing the prevailing issue on middlemen, so that producers of agriculture-forestry-fishery

products can reap a more reasonable share of their final market value. The presence of foreign enterprises in the rice market, while threatening local middlemen and rice-trading companies, may also benefit rice producers.

Existing value chains should also be strengthened and inclusive of rural households, particularly the poor. Only with such inclusiveness can rural inequality be reduced, thereby enhancing the sustainability of rural diversification.

In addition, the development of rural value chains should rest to a large extent on how the linkages between the agricultural and the non-agricultural sectors in the rural areas are built and/or strengthened.

*Third*, the ASEAN should coordinate the improvement of human resources in rural areas so as to enhance agricultural and rural diversification. Rural farmers should be trained to adopt new technologies in agricultural and aquacultural production, including technologies that are adaptive to climate changes. Today, as the agricultural cultivation areas contract, producers should now shift towards improving further their agricultural productivity. Along with this process, the AMSs and concerned agencies should disseminate information on market development and technologies related to processing, preserving and packaging agricultural products, and equip farmers with the necessary skills on how to use this information. As governments work to develop rural value chains, farmers' capacity to participate in the different stages of the chains—including their entrepreneurial skills—should also be improved.

*Fourth*, the ASEAN should continue to develop agricultural and rural areas, and improve farmers' participation in the economic process. This strategy must cover measures (1) to change small-scale farmers' way of thinking and production; (2) to establish policies that will encourage the development of agriculture, rural areas, and farmers; (3) to support industrialisation of agriculture and rural areas, and to develop the infrastructure system; (4) to promote land accumulation, change in cropping system, development of eco-agriculture, and craft villages. Effective implementation of these policies not only ensures creation of local jobs and associated improvement in income for labourers; the policies also enhance socio-economic stability even when there are unfavourable internal and external shocks. These explain why incorporating social protection in rural development policies is important.

*Fifth*, the ASEAN should facilitate CSO–government cooperation on agriculture and rural development. Such cooperation may be deepened during on-ground project collaborations and by engaging both the CSOs and government agencies in direct and frank policy dialogues on contemporary issues on agriculture and rural development. It is important that mutual trust between the two sides be strengthened.

**Box 1: 10 Lessons for Effective Engagement of Civil Society  
Organisations**

1. Be clear in goal and strategy of engagement (define strategic value of engagement);
2. Know the terrain:
  - Familiarity with ASEAN structure, processes, and ‘dynamics’;
3. Find good entry points:
  - Maximise accreditation (existing legal frameworks and spaces for participation);
4. Maintain primacy of national/ local engagement;
5. Access timely and quality information;
6. Seize key moments of decision/policy making;
7. Be clear, concrete, brief and concise on position papers/Offer sound alternatives;
8. Mobilise resources to support participation/Participation is costly;
9. Build solidarity with other CSOs / expand constituency for reform;
10. Invest in the relationship and nurture a positive attitude.

Source: AFA-AsiaDHRRA engagement in ASEAN.

*Finally*, ASEAN should continue to share experiences and best practices, not just among AMSs but in cooperation with dialogue partners as well. The room for increasing payoffs from such efforts remains ample. One perhaps should think about more collaboration in actual rural development and/or rural employment creation projects following the sharing of such experiences and best practices. Follow-up

collaboration will provide a practical opportunity for the learners to adapt the new approach/practices learned from the dialogues.

Special considerations should also be given to rural development as part of inclusive growth in the CLMV:

*First*, the CLMV should change their approach by identifying and formulating rural development plans that target the poor and near-poor households more directly. At this stage, their poverty reduction programmes and activities still target socio-economic development, with the hope that such will produce positive spillover effects on the poor and near-poor. While the programmes serve to enhance the people's access to economic assets and opportunities, these fail to incorporate sufficient flexibility. That is, CLMV, by designation, seek to achieve certain goals related to poverty reduction and food security within the broader framework of socio-economic development, which are too rigid to be adjusted when a major shock occurs. As poverty reduction and food security are indirect targets, the extent of necessary adjustment cannot be identified with some level of accuracy should a shock occur.

On the other hand, by attaching greater importance on poverty reduction at the household level (along with food security and/or social safety programmes), the CLMV could put the poor (and, if possible, the near-poor) at the centre of the rural development plan. While this involves more efforts from governments and civil societies, the outcomes would certainly be more fruitful. Viet Nam's successful experience with cash transfer schemes to the poor during the Tet holiday should be replicated, although the focus may be narrowed down to those in rural areas. This poor-centred approach, when enacted, would also better convince donors and therefore help raise additional resources.

*Second*, with the above proposed approach, the CLMV should amalgamate and develop a consistent framework at the national level to ensure diversification and commercialisation of the rural economy. Given that food security is important in any ASEAN cooperation, such should be taken into consideration when designing a rural and agricultural development plan. While the CLMV have certainly progressed in consolidating food sufficiency, they should dedicate more efforts to addressing malnutrition. The complicated net impact from food price hikes (i.e., as the CLMV are net exporters of food products) while a significant portion of the population still suffers

from food insecurity, requires broader deliberation on how to ease the cash transfers from the net beneficiaries to those made worse-off following such hikes.

At the same time, the framework for social safety nets in rural areas should have a wider scope and better consistency. Specifically, it should set out the roles of different agencies, CSOs, and donors in the aim to improve social security and enhance rural people's capacity to cope with shocks. The geographical areas and sectors with existing and/or potential concerns should also be identified with clarity, so that these can be factored into development programmes and projects. The connection between social safety nets and socio-economic development in rural areas should be further enhanced. In this regard, mobilising donors' support for infrastructure development and better connectivity of the poor rural areas play an important role.

*Third*, a community-based monitoring mechanism, which helps generate household- and individual-level data on the different dimensions of poverty, should be strengthened in the CLMV to ensure more timely identification of the poor household/people in rural areas. This should fit in a decentralised framework that permits greater voice from the local community. While such a mechanism has been implemented in the CLMV, the connection between the mechanism and the relevant government agencies, CSOs, and donors should be reinforced to avoid double monitoring and related waste of resources. Through such community-based monitoring scheme, a government's social safety programmes can more effectively target the relevant households in rural areas without leakages or exclusion (Reyes and Mandap, 2011).

*Finally*, the CLMV must work closely with development partners so as to ensure that support for rural development plans are well coordinated, and harmonised with food security and social safety programmes at the regional level. Viet Nam has so far done a good job in harmonising donors' efforts, but this positive experience should be replicated in Lao PDR and Cambodia promptly.

To ascertain that both national and sub-national efforts are aligned, actions at the regional level should focus more on providing public goods. Specifically, infrastructure, service links, and access to basic utilities for the rural poor and vulnerable groups should remain the focus of donor-supported development programmes, although these only address poverty indirectly. In consultation with local

governments, donors and related agencies/organisations may develop and implement capacity building programmes on empowering the local people, enhancing access to R&D, adapting new standards in agricultural production, mitigating adverse shocks, etc.

Yet, before these plans and initiatives can materialise, CLMV must first start with strengthening their cooperation so as to address poverty and vulnerability of certain groups. In this cooperation, similar development level, agricultural resources and geographical proximity should lie in the CLMV's advantage, but the donors' role as conduit should be pivotal.

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## APPENDIX

### Appendix 1: Employment Elasticity of Agricultural Growth in Viet Nam

Dependent Variable: LOG(EMP_AGRI)				
Method: Least Squares				
Sample: 1990 2012				
Included observations: 23				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	8.592768	0.047099	182.4411	0.0000
LOG(AGRIFOR)*D2000	-0.303051	0.014298	-21.19532	0.0000
LOG(INDR)	0.137319	0.004426	31.02215	0.0000
D2000	3.308785	0.157602	20.99455	0.0000
R-squared	0.987969	Mean dependent var		10.08022
Adjusted R-squared	0.986069	S.D. dependent var		0.039609
F-statistic	520.0739	Durbin-Watson stat		1.436755
Prob(F-statistic)	0.000000			

Source: Authors' estimation.

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