

# Overview of Agricultural Policies in Vietnam

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## INTRODUCTION

Since the “Doimoi” in 1986, Vietnam has carried out remarkable reforms in the agricultural sector, both in terms of production and trade. From a “hungry” country after the war, Vietnam is now one of the biggest foods exporters in the world.

Despite these successes, agricultural productivity as a whole has remained low and the added value of farm products from Vietnam is limited. While Vietnam is now one of the global leading producers of some products such as pepper, coffee, rice, cashew nuts and catfish in term of quantity, the export value is often lower. The development of this sector contains some problems which needs further investigation such as the problems of exporting raw products mainly, low value added export commodities and barriers to penetrate into regional and international markets.

To handle these problems, the country should make big efforts to restructure its agriculture, in order to maintain growth, raise efficiency and competitive capacity through productivity, quality and value addition; to meet better the requirement and taste of domestic consumers and boost exports.

A brief review on agricultural policies in Vietnam will provide a basis input for the policy making in Vietnam and for decision on investing in Vietnamese agricultural sector of domestic businesses and foreign investors.

### Scope and methodology of policy review

The policy review will focus on the policies issued from the Resolution 26/NQ-TW of the Communist Party of Vietnam (dated August, 2008). This Resolution is recommended as a big breakthrough policy which creates a “triangle pillars position” of policies on Agriculture, Farmer and Rural, that we call “Tam nong policy”. In terms of agricultural sector only, the policies are grouped and reviewed according to four main groups including (i) agricultural planning, (ii) private investment promotion, (ii) improvement of public investment efficiency and (iv) institutional reform. These are also the four main solutions to implement the agricultural restructuring in Vietnam<sup>1</sup>.

Before this detailed review, in order to display a historical perspective and change of agricultural policy of Vietnam, a brief review of the agricultural sector and agricultural policy from the Doimoi (since 1986) is carried out, focusing on the reform in agricultural land use, the relationships between main stakeholders (the state, farmer and private business) and key incentives for enhancing the international integration of Vietnamese agriculture.

Each policy will be reviewed in terms of context, objectives, main content, pros and cons and some effects on its relevance.

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<sup>1</sup> To enhance the restructuring of agricultural and implement the direction of the Resolution 26/NQ-TW, on 10 June, 2013, the Prime Minister of Vietnam issued the Decision No. 899/QĐ-TTg approving the plan of restructuring the agricultural sector towards improving added value and sustainable development (Agricultural restructuring plan-ARP).

Due to the limitation of time, the review cannot cover all policies in the agricultural sectors of Vietnam. Policy assessment is only qualitative while a quantitative analysis may offer specific evidences on the effectiveness of issued policies.

## Objectives

This assignment aims to:

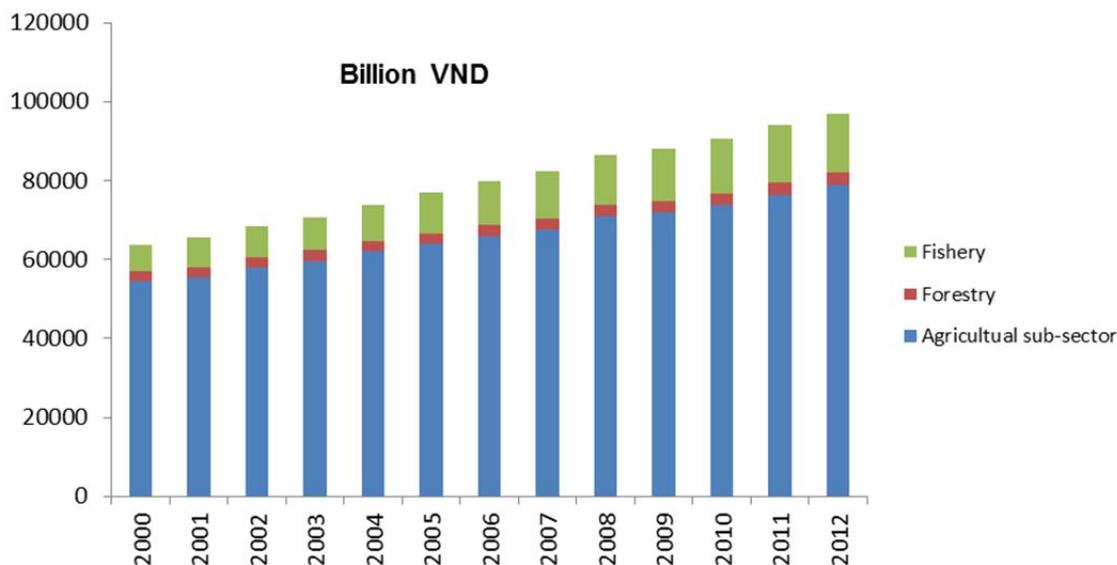
- (i) Provide an brief review on the situation of agriculture in Vietnam and agricultural policies in Vietnam.
- (ii) Identify key policy and regulatory gaps and further task of agricultural policy of Vietnam in order to obtain a sustainable growth and improve the competitiveness of Vietnamese agricultural products.

## SITUATION OF AGRICULTURE IN VIETNAM

### Agricultural production

According to statistics of Vietnamese General Statistics Office (GSO), the GDP of the agricultural sector has been increasing during the period of 2000 to 2012. Its growth rate, however, has experienced a downward trend: 3.81%/year during 2000-2006 compared to 3.26%/year during 2007-2012. The average annual growth rate of GDP of the fishery sector was higher than that of the agricultural sector: 10.4% in 2000-2006 and 4.19% during 2007-2012 and vice versa for the forestry sector: 0.97% during the 5 years before 2007 and 3.24% during the 5 recent years.

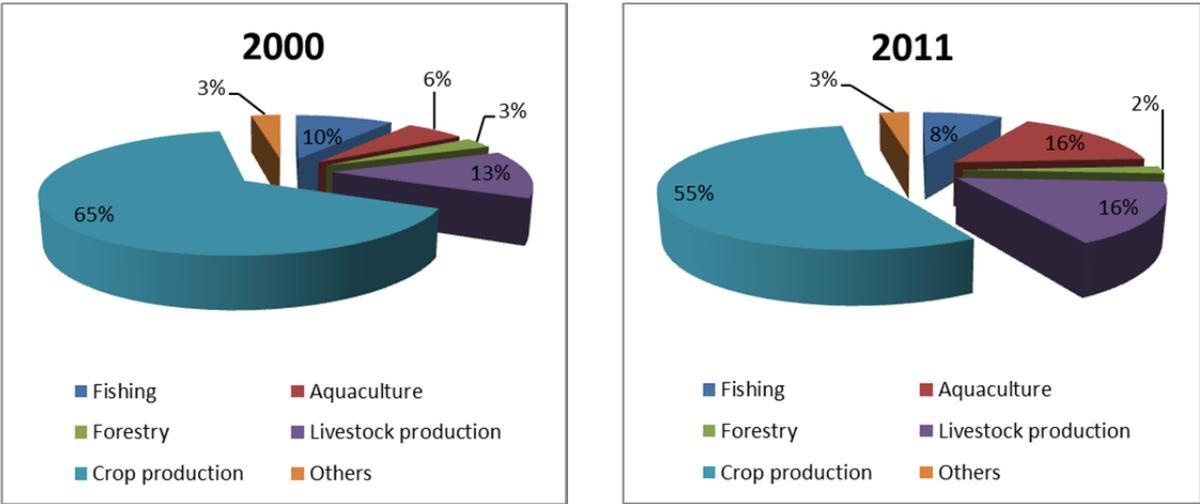
**Fig. 1. Agricultural GDP2000-2012 (1994 price)**



Source: GSO, 2012

According to IPSARD (2013), a structural change has been seen in the agricultural sector for the last decade with the increasing proportion of fishery and forestry sectors and the decreasing proportion of the agricultural sub-sector. Fishery sector accounted for 21% in 2011 of the total agricultural GDP, an increase from 16% in 2000 thanks to the increase in the production value of aquaculture though the land for aquaculture decreased slightly recently. In contrast, the proportion of crop production sector decreased from 62% in 2000 to 56% in 2011. The proportion of industrial and fruit crops tends to increase and accounts for one third of the total production value of the cultivation sector.

**Fig. 2. Changes in agricultural production structure**



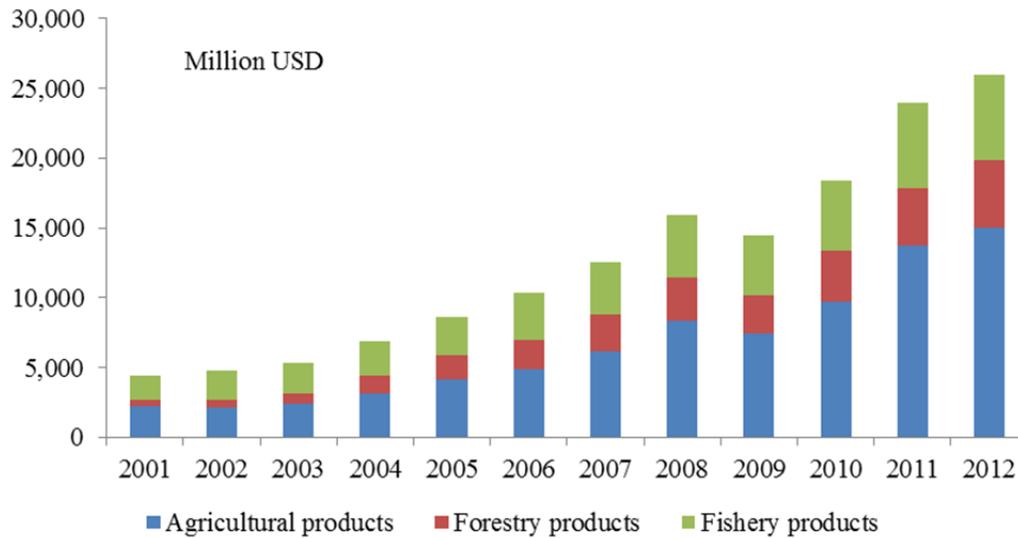
Source: GSO, 2012

**Agricultural trade**

The contribution of agricultural products accounts to the total exports of Vietnam is remarkable and keeps increasing over time, from 49% in 2001 to 57.7% in 2012. However, the export of aquatic products shown a smaller proportion of total exports, from 40.8% in 2001 to 23.4% in 2012.

The export value of the agricultural sector has significantly increased since 2000 (except 2009) but growth rate has reduced, from 18.4% during 2000-2007 to 15.6% in the 5 recent years.

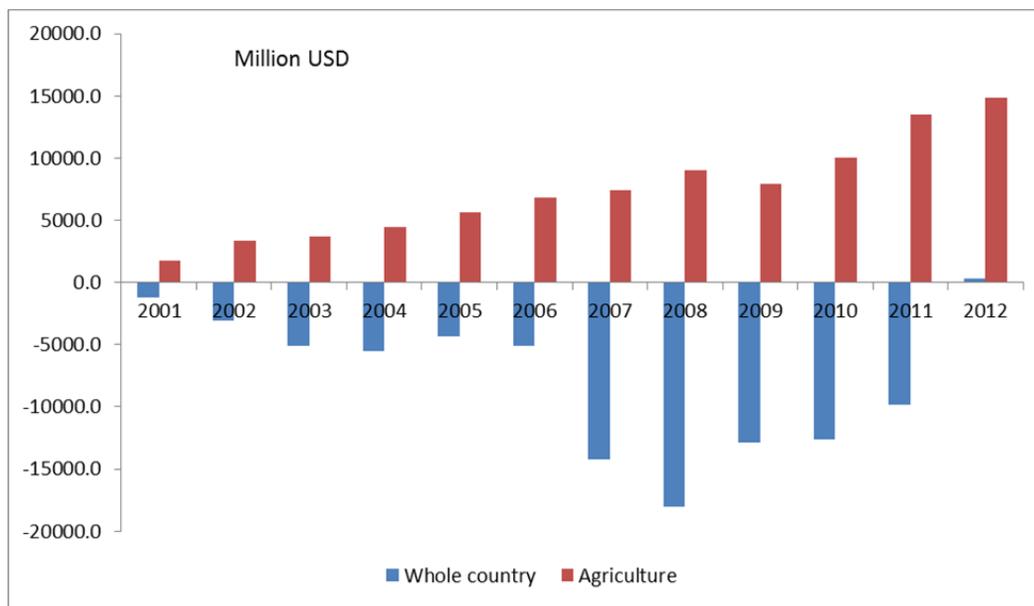
**Fig. 3. Export value of agricultural, forestry and fishery products (2001-2012)**



Source: General Department of Vietnam Customs, 2012

While the total trade balance of Vietnam remains deficit over time, it is noteworthy that agricultural trade is always surplus. This fact associated with high GDP growth rate of agricultural sector analyzed above have proved the key role of the agricultural sector in the whole economy.

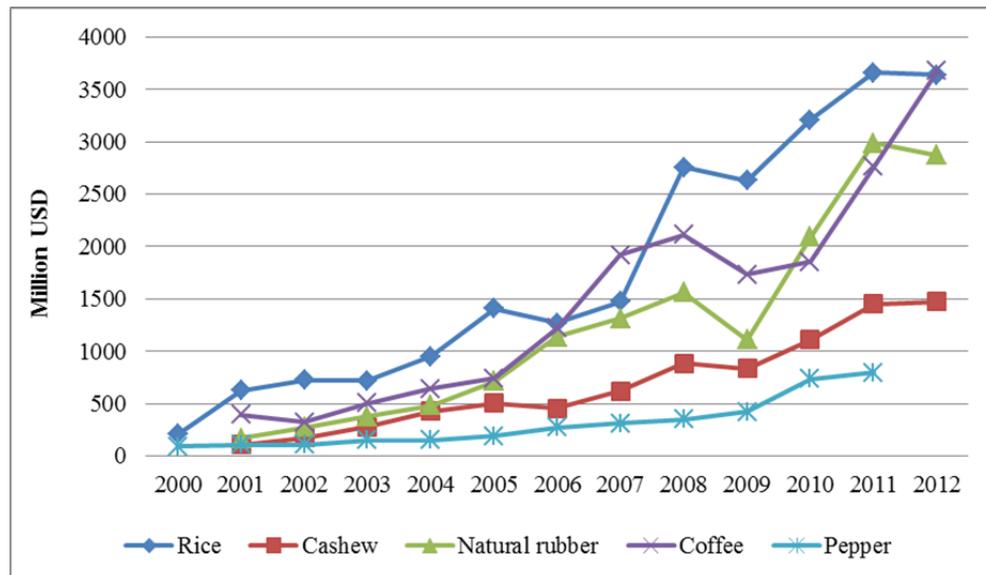
**Fig. 4. Trade balance of agricultural sector and the whole country**



Source: GSO, 2012

Growth in exports of the agricultural sector bases mainly on export of 5 major commodities including rice, coffee, pepper, cashew and rubber. The rice export turnover keeps on increasing for a long time and has rocketed since 2007, reaching the peak in 2012. The exports of coffee and rubber have also increased rapidly since 2009 as illustrated below.

**Fig. 5. Export turnover of some major agricultural products (2000 – 2012)**

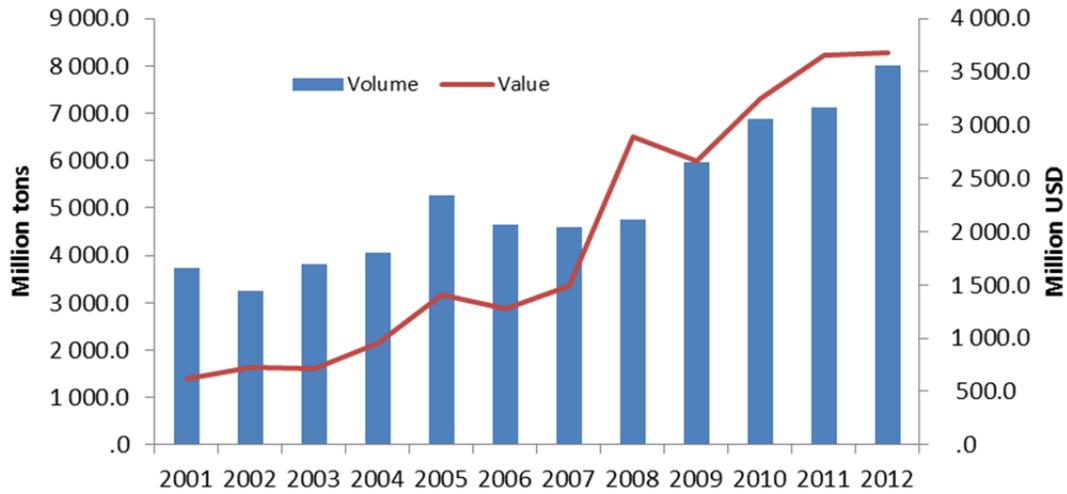


Source: ITC, 2012

However, it should be noted that low starting points (export turnover of less than 2000 million USD in 2000) partly leads to the high growth rates. Moreover, high growth rates result from quantity increases instead of unit price increases, proving the decrease in competitiveness and low value added of agricultural products.

For instance, exporting turnover of rice in 2012 increased by only 0.4% while its exporting quantity increased by 12.7%. Similarly, coffee exporting turnover in 2012 saw an increase of 33.4% while the export volume rose by 37.8%, reflecting decreases in unit prices which should receive high attention.

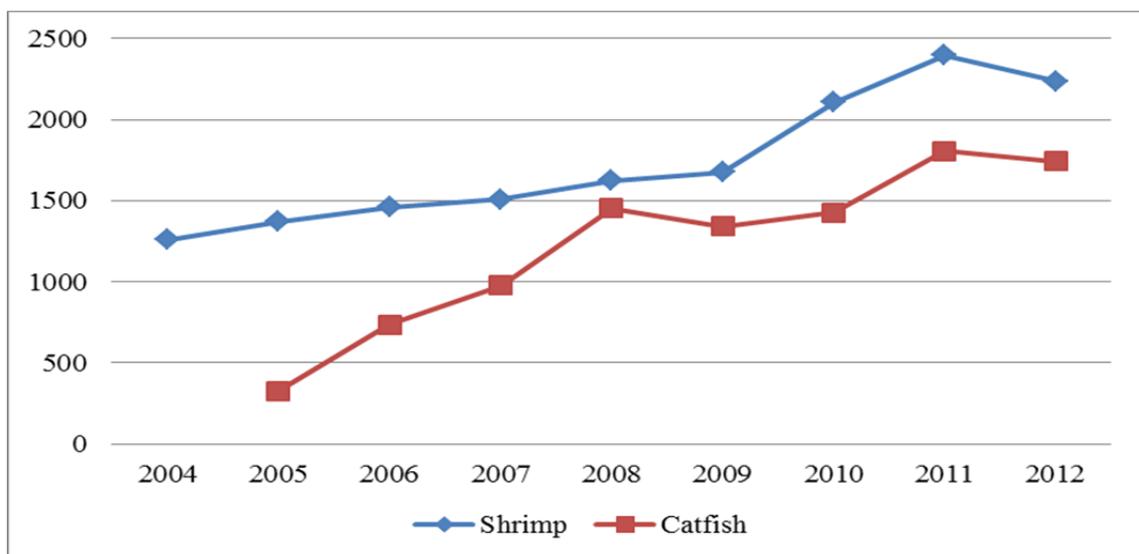
**Fig. 6. Rice export value and volume (2001-2012)**



Source: General Department of Vietnam Customs, 2012

Furthermore, some sub-sectors which are considered as high competitiveness such as pangasius or shrimps are now experiencing a decreasing trend of export turnover because of lower export prices. The export turnover of pangasius in the period 2005-2012, for example, dramatically increased at the rate of 23% annually compared to only 10.4%/year of aquaculture sector. However, export turnover of pangasius in 2012 saw a sharp decline though Vietnam has an absolute advantage in producing this commodity and is the world biggest exporter of pangasius, accounting for 98% of the world market. Similar trend is occurring with shrimp export.

**Fig. 7. Shrimp and pangasius export turnover, 2004-2012**



Source: VASEP, 2012

## HISTORICAL PERSPECTIVES AND CHANGE OF AGRICULTURAL POLICY

### **A brief review of agricultural policy in the period of 1986-2008**

The key reform in agricultural policy of Vietnam dated in the late 1980s, after the “Doimoi” of the economy, with the enactment of the Directive No. 10. This directive enacted in April 1988, replaced the “Contract 100 systems” with the new “Contract 10 System”. The Directive including new bill to replace the compulsory quota system with a land tax indexed to productivity, has created big incentives to agricultural producers because it recognized farming families as the main units of agricultural production instead of maintaining the central role of ineffective cooperatives and state farms. This reform enabled Vietnam from a rice deficit country to become one of the largest rice exporters today.

According to Dang Kim Son and Nguyen Do Anh Tuan (2011), reforms in land policy have become the center of economic recovery with the issuance of the Land Act in 1988. The Communist Party and the State of Vietnam have issued hundreds of documents and policies related to land and have made certain achievements. Land allocation to households has been among the key incentives for enhancing productivity, thereby contributing to ending widespread food shortages. This policy, combined with new efforts in production and trade reform, has created higher agricultural growth, rising incomes and welfare of farmers. In addition, agricultural land conversion to inefficient agricultural land has contributed to provide a foundation for growth and prosperity.

However, even after the “Contract 10 system”, the farmers were allowed land use rights only no more than 03 hectare sizes and hinder the development of production on a large scale. A significant amount of resources for agricultural production has been wasted due to land reallocation for industrialization. The imbalance between rural and urban public investment makes the income gap more expanded. Limitation in the land redistribution right of farmers is among the reasons for lower agricultural growth and potential. In fact, growth rate of agricultural production in the 2009-2013 period was lower than the previous 5 years. The export value of agricultural products were also lower than its potential due to the rigid use of agricultural land. The environmental management is neglected and led to the pollution and erosion of land.

In terms of administrative management, the Government reduced direct control of its central institutions and of some local authorities over agricultural production decisions and management and cooperatives in the whole country were forced to reform their organization and activities. Many of SOEs have been equitized, in order to become more competitive and efficient.

### **Agricultural policies from 2008<sup>2</sup>**

#### *Agricultural and rural planning*

To formally determine the primary balance and spatial layout of the main organizations for agriculture in Vietnam, avoiding overproduction and meeting the new requirements of international integration, the “strategic planning of agriculture” has been issued in recent years. On May 02, 2012, the Prime Minister issued the Decision No.124/QĐ-TTg approving the master plan to develop agricultural production by 2020, vision to 2030 with the goal of building an

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<sup>2</sup> From the Resolution 26/NQ-TW dated August 26, 2008 of the Communist Party of Vietnam

agricultural comprehensive development towards a modern, sustainable, large-scale commodity production on the basis of promoting comparative advantage, applying science and technology to increase productivity, quality efficiency and high competitiveness, ensuring strong national food security for the short-and-long-term period, while adapting to the diverse needs of domestic and exports, improving the efficiency of land use, water resources, labor and capital for agricultural production.

In term of General planning, the Government has issued development strategies and development plans for each specific sub-sector as follows:

- In order to synchronize the development of forestry management, protection, development, rational use of resource from forest, forest regeneration and improve the efficiency, exploitation and processing of forest products as well as the environmental services and tourism ecology, on May 02, 2007, the Prime Minister issued the Decision No.18/2007/QĐ-TTg approving the forestry development strategy in Vietnam during 2008-2020;
- With the objective of enhancing the livestock industry to become a goods manufacturing industry meeting the domestic demand, on 16 January, 2008, the Prime Minister issued Decision No. 10/2008/QĐ-TTg approving the livestock development strategy by 2020. The decision also encourages organizations and individuals to invest towards developing livestock farms and processing companies;
- With the goal of "Developing cultivation towards modern, sustainable, large-scale commodity production, increasing productivity, quality, efficiency and competitiveness in order to meet the diverse needs of domestic and export; improve the efficiency of land use, water, labor and capital, increase income and livelihood of farmers ", on April 16, 2012, the Ministry of Agriculture and Rural Development has issued the project to develop the cultivation industry by 2020, vision to 2030. Key measures are approved to promote and apply high yielding varieties and manufacturing process, high quality irrigation system; accelerate mechanization of the production contract; modernize industrial storage, processing , enhance the quality, hygiene and food safety and value - added agriculture;
- In order to organize the development of sustainable aquaculture in the direction of enhancing the value added and sustainable development and adaptation to climate change as well as to ensuring the environmental and ecological protection and the aquatic resources, on August 16, 2013, the Prime Minister issued the Decision No. 1445/QĐ-TTg approving the master plan for aquaculture development by 2020, vision to 2030;
- To build efficient and sustainable irrigation systems, serving agricultural production in the condition of gradually adapting the climate change and sea level rise, on May 25, 2012 the Prime Minister government has signed the Decision No. 1397/QĐ-TTg approving irrigation planning in the Mekong river delta from 2012 to 2020 and orientations to 2050 under the conditions of climate change and sea level rise. The Prime Minister also signed the Decision No.1554/QĐ-TTg approving the irrigation planning in the Red river delta from 2012 to 2020 and orientations to 2050 under the conditions of climate change and sea level rise and the Decision No.1588/QĐ-TTg approving irrigation planning in the Red river delta from 2012 to 2020 and orientations to 2050 under the conditions of climate change and sea level rise.

Although the plans have been issued, some limitations exist as follows:

- (i) The plans lack enough powerful policies and solutions to develop and implement them in a mandatory mode; lacking of measures to assess and determine effectiveness;

- (ii) The dissemination of information on planning for people and stakeholders are not effective , many people do not know about the plans programs and measures for agricultural development at the local level are not mentioned at the planning phase;
- (iii) There is no coherence between plans and no regional and, industry links;
- (iv) From sectoral planning to a switch economic development plan, there is no mechanism local social cohesion for leading to difficulties in switching to new rural planning.

To deal with these limitations, on June 10, 2013, the Prime Minister of Vietnam issued the Decision No. 899/QĐ-TTg approving the plan of restructuring the agricultural sector towards improving value added and sustainable development (Agricultural restructuring plan-ARP). The Plan is aimed at maintaining growth, raising efficiency and competitive capacity through productivity, quality and value addition; meeting better the requirement and taste of domestic consumers and boost export. Objectives are to reach GDP growth of 2.6% to 3% in the 2011-2015 stage and 3.5% to 4% in the 2016-2020 stage.

### ***Policies for investment promotion in the agricultural sector***

#### *Facilitating the access to commodity markets and trade promotion*

In recent times, the Government has launched some new measures to facilitate the access to commodity markets and support producers, business in terms of trade promotion, According to the Decree No.210/2013/NĐ-CP (issued on December 19, 2013 and effective from January 01, 2014)) replacing the Decree No. 61/2010/NĐ-CP on policy for encouraging investment on agriculture and rural development, the Government will support 50% of the cost of advertising on the mass media; 50% of cost for fair exhibitors in the country; 50% of cost market information and service fees from trade promotion agency of the State; contributing to encouraging investment on agricultural development through incentives on advertising, market information access and service from trade promotion agency. However, the policy lacks powerful regulation on supporting producers and/or business of safe/organic or agricultural products based on standards of sustainable production to access markets.

Most recently, the Government has approved the Resolution No.01/NQ-CP on January 01, 2014) on the tasks and solutions to implement plans of economic and social development and state budget. This Resolution gives more priorities for trade promotion activities, especially export promotion of key agricultural commodities such as rice, coffee, pepper, cashew nuts, seafood, fruits to potential markets.

#### *Supporting to access input factors:*

Input factors play an important role in the agricultural production and processing.

Since 2008 the Government has issued many policies to support management and agricultural materials and agricultural services. To facilitate the cultivation, livestock and aquaculture production recovery after disease, natural disasters, the Prime Minister signed the Decision No. 142/2009/QĐ-TTg on December 31, 2009 and the Decision No. 49/2012/QĐ-TTg on November 08, 2012 amending the Decision No 142/2009/QĐ-TTg. According to these policies, the central budget supports 80% of input cost for mountainous provinces and the Central Highlands, 70% for other provinces and cities). The level of support is based on the damaged planting area, the number of damaged livestock and the extent of damage. However, the support is still based only

on the quantity of inputs but not yet on the quality and the efficiency of the input support and lack of regulation for assuring transparency and the equality of the support

For cultivation, in order to enhance quality assurance of fertilizers for agricultural production, on June 24, 2010, the Ministry of Agriculture and Rural Development issued the Circular No. 36/2010/TT-BNNPTNT on production rules, business and the use of fertilizers, which rules on disclosure of the applicable standards and certification, conformity announcement of the list of fertilizers and regulations on the production, processing, trading, import and use of fertilizers. In addition, there is also support measures on fertilizers and plant protection chemicals to farmers in some specific cases. For example the Circular No. 205/2012/TT-BTC on November 23, 2012 of the Ministry of Finance guiding the implementation of policies to protect and support the development of paddy land under the Decree No. 42/2012/ND-CP on May 11, 2012 of the Government on management and use of land for rice cultivation , the case of rice production losses due to natural disasters , epidemics , the state budget supports fertilizer and plant protection products .

To support fuel, machinery and communications equipment for offshore fishermen, in 2010, the Prime Minister signed the Decision No. 48/2010/QĐ-TTg on policies to encourage and support aquaculture and marine services operators for offshore fishermen. The supporting amount ranges from 18.000.000-60.000.000 VND depending on vessel capacity. To support cost of hull insurance, accident insurance for seafarers; funding to purchase communications equipment for ships. This policy has supported fishermen from 1365 ships of 90CV, with the total amount of about 1.300 billion; 7,000 lookouts receivers for fishermen were installed;. At the end of 2013, the country installed a satellite device connecting to 1,150 vessels and provided associated devices (chips) for 3000 fishing vessels to collect signals from satellites. However, administrative procedures for accessing support are very complicated and inadequate. The level of support is not consistent with the real fuel consumption and there is no differences between ships of large capacity and small capacity vessels. Fishermen with low level of education cannot meet the requirements of complex report schedule, so that many of them cannot access the support package. The policy only supports for offshore fishing boats, not to fleet providing logistic services for offshore vessels, so that they cannot push up the whole supply chain.

For the livestock sector, the state supports veterinary drugs in response to animal diseases (the Decision No. 1681/QĐ-TTg on September 11, 2010 opening a national reserves to support local prevention of blue ear disease, the Decision No. 1791/QĐ-TTg on October 15, 2011 on mechanisms and policies to support green ear vaccine, hog cholera vaccine to boost livestock production to ensure adequate supplies of food supply and to stabilize the market.). Policy on animal feeds is also interesting. From 2008 to date, many policies have been enacted to ensure the supply of feed both in terms of quality and quantity such as the Decree No. 8/2010/ND-CP dated on February 5, 2010 on the management of feeds, the Decree No. 8/2011/ND-CP on January 25, 2011 regulating administrative penalties in the feeds sector. In addition, the State has advocated socialized unit or individual breeds eligible to enter and support the research unit of the State to create high-yielding varieties given to the livestock industry.

In addition, to ensure good seeds and animal varieties for agriculture, aquaculture, livestock before the wave of genetically modified products (GMO), on January 21, 2010, the Government issued the Decree No. 69/2010/ND-CP on bio-safety for genetically modified organisms. In this Decree, there are regulations on risk assessment of genetically modified organisms, the scientific research and technological development of genetically modified organisms, safety certification of genetically modified organisms. In addition, the decree also specifies the conditions for genetically modified organisms, which are used as animal feeds.

In general, these policies have gradually improved the agricultural inputs market both in terms of price stability and quality, food safety management, helping to reduce strokes price

shock, provide adequate and timely information for farmers. However, weaknesses in current policy is not to mobilize the domestic enterprises to develop production and supply of agricultural materials, and logistics for agriculture. There are many key sectors such as animal feeds, plant protection drugs, vaccines, that just remain in the hands of foreign enterprises and are at risk of price control. Due to lack of distribution system reliability, quality of agricultural supplies and prices have not been well controlled. There have not yet been significant breakthroughs in science and technologies policy. Policy on facilitating the autonomy for the institute is backwards, so they do not create incentives for scientific research personnel, leading to serious brain drain in many research institutes in Vietnam.

#### *Support to infrastructure building*

According to the decree No.210/2013/NĐ-CP (dated December 19, 2013) replacing the Decree No. 61/2010/NĐ-CP on policy for encouraging investment on agriculture and rural development, the Government supports 20% of land rent, water rent in the first 5 years after the basic constructions, contribute to improving infrastructure for agricultural production and encouraging investors to build infrastructure for agricultural production. The limitation of the policy is the lack of incentives (tax, management mechanism) for the socialization of infrastructure investment and management (the participation of private investors is still limited).

#### *Land use limit*

In terms of regulation on the limitation of land use for agriculture, forestry and aquaculture, according to the Revised Land Law (adopted version, Nov, 2013)<sup>3</sup>, the Government extends the limit of agricultural land use for families and individuals to 50 years from the previous 20 years. For paddy land, the State has policies to support infrastructure investment, science and modern technology application for the paddy rice to increase yield and quality. Individuals or organizations who are allocated land for non-agricultural purposes from land used for growing rice have to pay a sum of money to supplement land for rice cultivation or to increase efficient paddy land under the provisions of the Government.

However, the limit of agricultural land is still small and does not support the production on a large scale basis as follows:

- Limits of annual crop land allocated for each household/individual, aquaculture land, salt land: no more than 03ha for each type of land in provinces and cities in the North Southeast region and in the Mekong delta region; no more 02ha in other provinces and cities;
- Limits of perennial crop land per household: no more than 10 ha in the plains; no more than 30ha in the midland and mountainous region;
- Limit of forest land: no more than 30ha for protection of forest land and production of forest land;
- Limit of aquaculture land, salt land no more than 03ha

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<sup>3</sup> on the way of issuing under law documents

### *R&D and technology*

With the orientation of modernization of the agricultural sector in the past five years, the government has issued different policies to invest in research and practical applications of science and technology in agriculture. According to the Decree No. 210/2013/NĐ-CP (dated December 19, 2013), the Government supports 70% of funding for implementation research to create new technologies; 30% of the funding to carry pilot production applying new technology. These efforts tend to encourage investment in applying high technology in agriculture. However, lack of policy for developing the technology market, most research have been carried out by the state research agencies, with limited fund (inadequate fund), so it cannot meet the practical requirements of farmers and agribusinessmen.

According to the Decision No 01/2012/QĐ-TTg on January 9, 2012 on policies supporting the adoption of Viet Gap in agriculture, forestry and fisheries (replacing the Decision No. 107/2008/QĐ-TTg dated July 30, 2008), the Government supports 100% of cost for baseline surveys, topographical surveys, soil analysis, water samples, air samples to determine the production areas to focus on implementing the agro-forestry production applying Viet GAP. This policy has contributed to increasing productivity, output, accelerating the process of changing farming practices and contribute over 30% of value-added agricultural production. The total funds for research and technology transfer was VND 3930.445 billion in the period of 2008-2013. The MARD also promulgated accreditation for 162 cultivated technological processes and applications; 266 Vietnamese standards of producing agricultural, aquaculture and forest products.

Research on seeds, crops and livestock are focused. In order to enhance the research capacity of the system, selection, delivery, manufacture and supply of plant varieties and animal breeds, plant varieties forestry, aquatic breeding towards industrialization and modernization, to increase productivity, quality, competitiveness and efficiency of agricultural production, forestry, fisheries and farmers' income in a sustainable way, on December 25, 2009, the Prime Minister signed the Decision No.2194/QĐ-TTg approving the development of agricultural crops, forestry, livestock breeding and fisheries by 2020. Schemes under the Decision offering specific solutions for (i) improvement of the system of planning research, production and seed supply from the central to the grassroots levels associated with the production of agriculture, forestry, fisheries, (ii) investment in research on seed, (iii) the credit support, (iv) the state-owned commercial banks to create favorable conditions for organizations and individuals borrowing money to invest in production, and seed processing.

The MARD also issued a number of policies on science and technology. Based on the Decision No. 418/QĐ-TTg of the Prime Minister on November 04, 2012 approving the strategy of science and technology for the period of 2011-2020, on December 27, 2012, the Ministry of Agriculture and rural Development has approved the Decision No. 3246/QĐ-BNN-KHCN on the Strategy of development of Science and technology of agriculture and rural development in the period 2013-2020. The Strategy sets specific targets of developing science and technology in agriculture and rural development to actually become a key driving force for the industrialization and modernization of agriculture and rural development; contributing 40% to the value-added agriculture in 2015 and 50% in 2020; high technology products of will represents 15% of the agricultural product value in 2015 and 35 % by 2020.

The policy of strengthening science and technology in agriculture has made certain achievements. According to the Department of Science - Technology and Environment (Ministry of Agriculture and Rural Development), in the past 5 years, more than 4,380 scientific research projects and pilot production levels were deployed in the field of agriculture. The effectiveness of science and technology projects in the agricultural sector over time is limited. Many research

results are not useful to the real production because research did not come from practical requirements.

#### *Credit support*

##### ***Investment credit***

To support investment credit, the Government issued a series of decrees including the Decree No. 133/2013/NĐ-CP (dated August 30, 2011), the Decree No. 54/2013/NĐ-CP; the Decree No. 75/2011/NĐ-CP; then the Ministry of Finance issued circulars to guide the implementation of these decrees including the Circular No.77/2013/TT-BTC; the Circular No. 52/2008/QĐ-BTC. According to these policies, loan rate for each project does not exceed 70% of the total investment of the project. The loan term is 12 years. Lending rates is not lower than average rate of the Agricultural and Rural Development bank. Overdue interest for each disbursement is 150% of loan interest rate. But the scope of the current support is still narrow, not covering all sub-sectors of investment needs in agriculture.

***Credit policy for purchasing input of agricultural production*** (including the Decision No. 497/2009/QĐ-TTg dated April 17, 2009, the Decision No. 2213/QĐ-TTg dated December 21, 2009 amending the Decision No. 497/2009/QĐ-TTg, the Circular No. 09/2009/TT-NHNN and the Circular No. 02/2010/TT-NHNN); has supported credit access and interest rate to producers to buy agricultural inputs (chemical fertilizers, plant protection drugs) with the maximum loan amount equal to 100% of the value of goods (but not exceeding VND 07 million per ha ) and interest rate of 4%. Nevertheless, in reality, in many places, farmers cannot access credit support because of complicated and inconsistent procedures. For example, the requirement of submitting bill prescribed by the MOF or ex warehouse is inappropriate for many farmers. Requirement of localization rate of 40% or more of the machines is not suitable for practical low localization rate of the devices. For businesses, the policy requires registration together with the listed price while market prices always fluctuate.

##### ***Credit policy for investment in machinery and equipment***

Most of polices for investment in machinery and equipment went over (Decision No. 497/QĐ-TTg; Decision No. 2213/QĐ-TTg; Circular No. 09/2009/TT-NHNN; Circular No. 02/2010/TT-NHNN) because it provides only temporary support), and in fact, these policies had not spread effect because there were many policy gaps, mostly in determining criteria for identifying beneficiary.

***Credit support for agricultural export*** (including Decree No. 133/2013/NĐ-CP, Decree No. 54/2013/NĐ-CP; Decree No. 75/2011/NĐ-CP; Circular No. 77/2013/TT-BTC; Decision No.52/2008/QĐ-BTC). According to Decree No. 75/2011/ND-CP, the Government support credit for exporting tea, pepper, cashew nuts, processed vegetables (box, fresh, dried , pre-processing, fruit juice), sugar, meat, poultry, coffee, seafood and handicrafts (rattan, bamboo and wicker products, handmade by plaiting the other ingredients; ceramic, porcelain, wood product exports). The maximum lending rates is 85% of the export contract value. Then the Decree No. 54/2013/ND-CP added buyer of feed seafood for export purpose to the list of beneficiary, the Decree No. 133/2013/ND-CP extended export credit loans up to 36 months for the case of processed coffee, cashew nuts, which are exported or bought for the export purposes.

### *Tax and fee policy*

To reduce the burden on agricultural production, contributing to raising incomes and increasing competitiveness for the industry, since 2008, the National Assembly, the Government has issued many policies on taxes, fees and other financial support such as land tax, irrigation fees, etc..

#### ***Exemption and reduction of tax on agricultural land use***

The National Assembly enacted Resolution No. 55/2010/QH12 on exemption and tax reduction on agricultural land use in the period 2011-2020. Then the Government issued the Decree 20/2011/ND-CP on March 23, 2011 detailing and guiding the implementation of Resolution 55. On August 31, 2011 Ministry of Finance issued the Circular No. 120/2011/TT-BTC guiding the implementation of this Decree. Tax exemption for agricultural land: (i) The total area of agricultural land for research, pilot production, (ii) agricultural land allocated by the State or recognized for the poor; (iii) households and individuals are farmers or state recognized land allocation to agriculture, households and individuals have participated in land production cooperatives. Reduce 50% of tax on: (i) agricultural land in excess of quota allocation of agricultural land. Before this decree, according to the Decision No. 57/2010/QĐ-TTg on exemption from land rents for projects on construction of warehouses to store 4 million tons of rice or maize, refrigerated warehouses for preservation of fishery products, vegetables and fruits and coffee temporary reserve warehouses under planning, enterprises of all economic sectors, that invest in projects on construction of warehouses to store 4 million tons of rice or maize, refrigerated warehouses for preservation of fishery products, vegetables and fruits and coffee temporary reserve warehouses under approved planning, are exempted from land rents for 5 years.

#### ***Irrigation fee exemption***

In order to support farmers in agricultural production of irrigation, the Government issued the Decree No. 115/2008/ND-CP dated November 14, 2008 amending and supplementing a number of articles of the Decree No. 143/2003/ND-CP of the Government detailing the implementation of a number of articles of the Ordinance on Exploitation and Protection of irrigation, which approved water fee exemption for families and individuals with land, the water used in agricultural production.

#### ***Reduce the corporate income tax for companies producing machinery and equipment for agriculture and irrigation***

According to the Law No. 32/2013/QH13 dated June 19, 2013, amending and supplementing a number of articles of the Law on Enterprise Income Tax, corporate benefit from preferential tax rate of 20% in 10 years, the maximum tax-free for 2 years and a 50% reduction of the total tax amount for the next 4 years for corporate manufacturing machinery and equipment for production in agriculture, forestry, fishery and salt; irrigation equipment manufacturing, production, refining animal feeds, poultry, fisheries, development of traditional industries. But still now, there are legal documents guiding the implementation of Law No. 32/2013/QH13 yet and procedures for accessing corporate incentives are complex and inconsistent between different documents.

### ***VAT preferential for exported products***

Most of exported agricultural products are entitled to VAT of 0%. The VAT rate for agricultural products traded in the domestic market range between 3 and 10% (depending on items).

Since July, 2013, the Department of Tax has applied the scheme “check first, reimburse later”: The Tax department examine bill from the first seller, if the companies meet all conditions, they will be refunded for VAT

Reimbursement procedure is complicated because the exporters have to purchase through many intermediaries. Lack of policy to avoid the VAT fraud in collecting and exporting agricultural products, VAT fraud is an obstacle to agricultural supply requiring sales invoice (for example, sustainable coffee producers have more difficulty to sell their products because they have to submit invoices to receive financial support but buyers want to avoid invoices for the purpose of VAT fraud).

### **Effort to take away extra and irrational fees**

According to the list of charges and fees issued together with the Ordinance on Charges and fees, currently there is a total of 301, 171 accounts with 130 charges and fees. There are now legal documents guiding the implementation 280 fees and charges. Farmers have to pay 93 types of fees and charges prescribed by the state and 38 other social contributions. In addition to the above fees and charges, average annual pay from VND 250,000-800,000 for other contributions. Low profit while many charge, farmers in some provinces gave back agricultural land to the State. (up to September, 2013, there are nearly 43,000 farmer who households not planting in 6,680 ha and 3,400 farm households returned 433 thousand ha<sup>4</sup>). The Ministry of Agriculture and Rural Development and the Ministry of Finance are collaborating to review and eliminate charges in form of “contributions” in rural development, in order to encourage farmers to maintain production.

In general, taxes, fees in agriculture has decreased to a minimum level. This is not an important source of revenue for the budget, the actual state is looking for ways to support agricultural production. The decrease of taxes and feeds has contributed to enabling farmers and enterprise to increase their income from agriculture. However, it did not assign beneficiary ‘responsibility for the quality of agricultural inputs. Due to low agricultural income and tax free, producers are not interested in efficient use of resources, and also discourage producers to increase the effectiveness of land and other resources using.

### ***Risk management***

In order to help farmers to reduce risks in agricultural production, on March 1, 2011, the Prime Minister issued the Decision 315/QD-TTg on implementing pilot agricultural insurance in 21 provinces, in the period of 2011-2013. The Decision No. 315/2011/QD-TTg supports 80% of the premium. Then on 27 February 2013, the Prime Minister issued the Decision No. 358/2013/QD-TTg to raise support for poor households from 80% to 90% of premium, allowing farmers, individuals and organizations engaging in agricultural insurance pilots still benefiting from mechanisms and policies support according to the decisions of the Prime Minister: No. 719/QD-TTg, No. 1442/QD-TTg, No 142/2009/QD-TTg , Decision No. 49/2012/QD-TTg.

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<sup>4</sup>“Difficult to resolve the farm leaving trend of farmers”. *Đại đoàn kết Newspaper*, 25/11/2013.

These policies allow beneficiaries to eliminate damages in agricultural production, assuring profit of producers, so producers and businessmen are encouraged to invest more in agriculture. As of 31/08/2013, the insurance pilots have deployed in 20 provinces and cities with 3 selected products including rice, livestock, aquaculture (shrimps, fish). The pilot program has attracted 316,545 households to participate, with the premium revenue of 339.5 billion; total compensated amount of 588.5 billion.

However, some limitations may be considered, including lack of clear guidelines on determining the actual extent of damages, especially for seafood; lack of regulations and sanctions to prevent profiteering from agricultural Insurance and lack of powerful assistance for insurance companies (Due to very high risk of agricultural insurance, few of insurance companies are willing to provide that insurance service)

### ***Public investment reform***

#### ***State budget decentralization***

The Law No. 01/2002/QH11 (dated December 16, 2002) on the Stated Budget was approved by the National Assembly on 16 December, 2002 and entered into force in 2004. Then in June 2003, the Government issued the Decree No. 60/2003/NĐ-CP guiding the implementation of the State-Budget law 2002 and then the Decree No. 73/2003/NĐ-CP dated June 23, 2003 specifying detailed regulations relating to local budget estimates, allocation and local budget settlement approval.

The State Budget Law (SBL) was approved by the National Assembly in 2002 and came into effect in 2004, stipulating the formulation, execution, final account and monitoring state budget as well as responsibilities and power of State agencies at all levels in the state budget sector. According to the Committee of Finance and Budget of the National Assembly (2013)<sup>5</sup>, the Budget Law are in the process of adjustment to better fit the new context of Vietnam, towards harmonization with international standards and practices. The policy makers will continue to implement decentralized revenue and expenditure assignments between central and local to ensure financial resources to perform the tasks of local budget expenditures, actively promoting the capacity of local authorities in the management and use of state budget, while ensuring consistency of budget policy and the key role of the central budget.

To unify the management of state budget revenues, the Ministry of Finance stipulated criteria hierarchy and division of revenues between budget revenues of the local governments. On November 22, 2010, the Ministry of Finance issued the Circular No.188/2010/TT-BTC specifying regulations on decentralizing revenue source of the state budget and allocating the revenue source of local agencies at all levels: scope, objects, and jurisdiction. These regulations are based on the principle of linking the revenues with the responsibility of expenditures management of each local government level, to ensure the resources for local authorities to actively implement the mission of economic - social development.

Given Vietnam's market-oriented economic outlook and reform requirements for integration and development, the State Budget Law has shown some shortcomings. As a result, the State Budget system is blighted by disproportionate power structures, complicated budget processes, an undefined budget revenue and expenditure scope, inappropriate decentralization of revenue and expenditure budget levels, failed state budget estimates to be linked to outcomes and

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<sup>5</sup> According to the report of Committee of Finance and Budget of the National Assembly the on the Workshop: "Orientation amending the state budget - International Experience" by the Committee of Finance and Budget of the National Assembly in coordination with the Ministry of Finance, on 23 and 24 September, 2013 in Ninh Binh province.

opaque State Budget management standards inconsistent with international practices. In the Draft of Amending Law on the State Budget, there are some potential changes including:

- ✓ Expand/define scope of state budget
- ✓ Budget classification: make relevant for policy-making and make consistent with international standards.
- ✓ Preparation of Budget Plan: Add authority of National Assembly (NA), CFBA, PM, Ministry of Finance, line ministries,
- ✓ People's Council, local bodies, etc. in preparing and approving the budget
- ✓ Content, period coverage, and presentation of state budget document to be submitted by the Prime Minister and approved by the National Assembly
- ✓ Define accompanying and supporting budget documents
- ✓ Prescribe due dates.
- ✓ Options in case of non-approval of state budget within designated time (Article 41
- ✓ Specify the role, and authority of MoF on budget execution, not only budget entities; include stages of allocation, and fund release. Add a provision on budget reallocations and on responsibilities of budget entities to monitor and report budget commitments on a quarterly basis to the MoF
- ✓ Consider taking items out of the Law articles from 33 to 39 & articles 45 to 48.

The fiscal management of local budgets in Vietnam was highly centralized before the implementation of the State Budget Laws 2002. Approval of the law further advances fiscal decentralization, by assigning more authoritative responsibilities to provincial government and also by guaranteeing revenue sources to commune governments. The responsibilities and powers of various Government agencies at different levels in the management and execution of the budgetary system, to some extent, have been clearly defined, while the overall position of central and local budgets has also been adequately maintained

Especially, the tasks and powers of People's Assembly and People Committee at all levels have been amended with the orientation of improving the autonomy and creativity of local agencies in terms of state budget decentralization. Some typical regulations can be named including the revenue division percentages and the additional allocations from the superior budgets to the subordinate budgets can be kept stable for 3 to 5 years; authorizing local agencies to borrow within the specified limits.

Amending State Budget Law which is in Line with International Standards. For instance, there are no specific and transparent regulations dictating the accountability of State management agencies before the elective agencies. The rules have yet to suit international standards as well.

The amending law tries to address the biggest problem which is the wide difference between budget estimates and final settlement. The State budget estimate is usually made and presented to the National Assembly (NA) at year-end and final settlement is made 18 months later for NA approval.

Lawyers also try to narrow the difference between estimated budget revenue and the final figure which has always stood at over 60%.

Beside these efforts, the autonomy of local agencies in deciding their revenue sources of state budget is limited because of:

The revenue sources which allocate 100% to local agencies are low and unstable, mainly from the revenue sources of land. All taxes are stipulated as national taxes so local discretions to establish one's own funding resources are strictly limited in Vietnam and, when issuing the regulations to reduce taxes without consideration of the current situation of local agencies may lead to the reduction the revenue sources of local bodies while their expenditure tasks do not change.

The local agencies are authorized to decide some types of the fees and charges but the revenue proportion from the sources is very small.

Current regulations state that the revenue sources can only be allocated between central state budgets to the local agencies where the revenues are collected, say VAT or corporate income taxes. This regulations lead to the inequality among the provinces because they benefit locations where there are better social -economic conditions.

Moreover, Vietnam law currently applies the origin principle (the state budget revenue sources which enterprises pay will be allocated to the provinces where head office of the enterprise locate in), this also creates inequality between provinces.

The difference in total local state budget of provinces is now very large, showing the different fiscal capacity among provinces which may lead to horizontal inequality.

- ✓ Inadequacies in expenditure tasks of local agencies: The principle of efficiency in providing public services has not been paid enough attention when allocating state budget expenditure tasks. Moreover, the state budget law allows local agencies to decide the state budget decentralization of their subordinate units. However, it also has many specific regulations on decentralizing state budget related to expenditure tasks of education, transportation, public welfare projects... at the subordinate units of local agencies. Thus, the autonomy of local governments has been limited.
- ✓ The state budget allocation function is not consistent with the general targets. Thus, it does not encourage local agencies to increase their state budget revenue sources and improve the efficiency of expenditure tasks.
- ✓ Although the law allows local agencies borrowing to make up the state budget deficits, it also limits the borrowing amount by a maximum percentage of 30% of the provincial-level budget's annual investment capital for domestic capital construction. The fix percentage applied for all provinces is not, to some extent, sufficient.

#### *Public investment allocation and management*

Public investment using State capital sources has led to some problems in the past, such as the approval of investment plans and decisions without considering capital balance ability and scattered investment allocation, thus leading to prolonged implementation, ineffective investment and wastefulness.

In general, most of financial sources for the investment priorities in agriculture come from the central budget, but in recent times, the contribution of localities has increased. In addition, the Government encourages also the socialization of public investment and attract the participation of the private sector in order to reduce the burden for the central budget.

These policies contribute to strengthening the management of investment capital from the state budget and government bonds, to overcome the shortcomings in the selection process of public investment projects and improve the loosely managing process of these funds.

There are guidance on management and handling of assets of state budget-funded programs and projects, covering also projects funded with ODA and nonrefundable aid sources, which are included in the state budget balance upon the completion of projects.

The Investment Law (drafted version only) is intended to be corrected has weaknesses in the state management of public investment.

This draft law focuses on managing the entire process of using the investment capital from budget, the state's securities, government bonds, local government bonds, official development assistance (ODA) and concessional loans from donors, investment and development credit by the State and any other investment capital in the state budget, loans from local government's build infrastructure.

Under the Investment Law, and Construction Law, the ministries always approve the capital from the budget, but do not consider the efficiency and ability to payback capital budget. To resolve the biggest risk, which is widespread approval of investment projects, the draft law contains strict regulations from the stage of determining investment goals.

The lack of comprehensive legal system on Public investment has led to many problems, such as the approval of investment plans and decisions without considering capital balance ability and scattered investment allocation, thus leading to prolonged implementation, ineffective investment and wastefulness

The implementation of projects exceeding their capital allocation plans still occur, causing outstanding debts in infrastructure construction, thereby putting pressure on the State budget at all levels.

The orientations of public investment within current legal documents in Vietnam are not clear; too many key targets and priorities lead to the situation of widespread investment with less efficiency. Moreover, the priorities' order of public investment is not consistent with the priorities 'order of resources.

The authority and procedures for approval of public investment programs so far are unclear. The current legal documents do not effectively deal with the weaknesses in the state management of public investment, rampant approval of ineffective projects which caused losses, corruption and waste, and increased debt burden.

There is the interest of conflict in project evaluation activities: for example, when the project evaluation agency and the decision agency are the same. Or the project evaluation agency was the adviser for investors.

Quality of project evaluation process is negatively affected because of the time pressure.

There are still conflicts between appraisal procedures and regulations of Vietnam and international standards. This is one of the important reasons affecting the project appraisal process, especially for ODA projects.

Vietnam still does not have a unified framework for comprehensive audit activities of Public investment projects. This task is currently assigned to the State Auditor. However, the State Auditor has no functional assessment of public investment, so the audit results do not indicate the quality and outcomes of investment projects as expected and achieve original goals.

In fact, the Ministry of Planning and Investment is the lead agency taking the responsibility to monitor and evaluate public investment. Thus, similar to the project appraisal problem, project assessment tasks were delivered to the investor, and this obviously creates the risk of a conflict of interest.

#### *Investment priorities for agricultural sector*

Investment priorities for the agricultural sector focus on infrastructure building, science and technology application, agricultural and aquacultural extension. These policies provide financial support for the development and modernization of agriculture in Vietnam. There is also lack of link between key national projects and programs. However, there are not yet strong and efficient priorities for the market development of agricultural market

### ***Institutions reform***

#### *Administrative reform*

In terms of administrative reform, the Decree No.63/2010/ND-CP (dated 08/6/2010) of the Government on controlling the administration and Decree No. 48/2013/ND-CP (dated 14/5/2013) amending the Decree No. 63/2010/ND-CP, specify regulations on administration procedures, rights and responsibilities of stated administrative agencies on administrative control and publication. These policies contribute to simplify administration in business and investment. But in general, administrative procedures in the field of business registration, investment certificates, tax, land, natural resources, construction, customs, social security are big obstacles to the environment business and need to be removed to facilitate the business and investment

*Policies enhancing linkage between stakeholders (vertical and horizontal linkages)*

In order to encourage the co-operation and linkages between production and business in agricultural sector, on October 25, 2013, the Prime Minister signed the Decision No. 62/2013-QD-TTg<sup>6</sup> on the policy encouraging development of the co-operation and the linkage between production and the consumption of agricultural products and the construction of large field (replacing the Decision No. 80/2002/QD-TTg) provide various kinds of support to the linkage between stakeholders and the agent including Sanctions in case there is a the breach of contract.

The Decision No. 62/2013-QD-TTg regulates a number of preferential and support policies of the State aiming to encourage the production coordination between the processing and consumption of agricultural products which belong to large field projects under the planning and approved by competent authorities.

According to this decision, the large field is a form of production organization on the basis of cooperation and association between farmers and enterprises; it is the representative organization of farmers in the production linked with the processing and consumption of agricultural products in localities; has the large scale of fields aiming to create centralized commodity farm product productivity with high quality for increasing the competitiveness of agricultural products on markets in order to improve the production effectiveness, increased incomes of famers and the attendants.

Forms of cooperation and association regulated in this Decision include: the cooperation and association between farmers, representative organizations of famers and enterprises are performed under input service supply contracts linked with the agricultural product processing and consumption of projects of the large field approved by competent authorities.

These policies contribute to creating incentives for both enterprises and farmers in agricultural production and business:

For enterprises (on land use charge, land rents, participation in the implementation of priority agricultural export contract or temporary storage program of the Government; infrastructure funding for the project, training farmers in the project),

For representative organizations of farmers (in addition to the above there is also support of the actual cost of pesticides, labor, machine rentals ...); For farmers, focusing on training and technical guidance, supporting costs of seedlings and storage.

The policy gap is policy to support “household economy” to become “farm economy” so do not accumulate land and capital to improve production scale

*Reform of agricultural SOEs*

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<sup>6</sup> This Decision takes effect on December 10, 2013

In terms of SOEs reform, the most important policy may be referred to the Decree No.99/2012/NĐ-CP dated November 25, 2012 on the assignment and decentralization of the exercise of the rights and the performance of the responsibilities and obligations of the state owner toward state enterprises and state capital invested in enterprises. This Decree provides more specific regulations on the decentralization of rights, responsibilities and obligations of all SOEs and state capital investment in SOEs.

This policy contributes to the reorganization and renovation of state-owned enterprises in agriculture

In 2012, MARD carried out equitization of 5 General companies and 6 company; financial restructuring of 3 company to transfer them into 3 joint stock companies, merge of 2 companies into in the Vietnam Forestry General company. In 2013, the MARD continues to complete the equitization of 6 companies which equitization plans were approved before.

Lack of regulation on responsibilities and obligation of agricultural SOEs on the economic contribution to the agricultural restructuring and development.

#### *Reform of agricultural cooperatives*

In 2013, the government issued Decree. No 193/NĐ-CP detailing the implementation of a number of articles of the Law on Cooperatives 2012 and the implementation of a number of articles of the Law on Cooperatives 2012. The new decree is indented to support innovation and development of cooperatives, cooperative groups in accordance with the principles of cooperative institutions and market mechanisms; support collective economic activities through training of personnel management, labor, capital, technical assistance and technology transfer, market development, trade promotion and development projects in rural areas. However, the policy lacks of concrete regulation on pushing up the reform of cooperatives, both in terms of resources allocation and restructuring process.

Weak cooperative is a significant bottleneck to agricultural development in Vietnam. Lack of concrete regulation on pushing up the reform of cooperatives, mostly in term of resources allocation and restructuring process, many agricultural cooperatives are still passive in reforming and adapting to the market economy and economic integration.

In the coming time, careful attention should be paid to bigger policy effort on reforming agricultural cooperatives. The Government should consider removing the difficulties and some complex procedures in resources allocation, making more clear legal position and structure of cooperatives. In 2014, enacting under law legal documents to guide the implementation of the Law on Cooperatives 2012 should be pushed.

#### *Reform of agricultural associations*

Over the past years, agricultural associations together with relevant ministries, sectors and craft associations have actively engaged in the process of building laws and economic policies and served as a bridge for agri-businesses to deal with pending issues. In order to provide a legal basis to the organization and operation of associations in Vietnam, in 2010, the Government issued the Decree No. 45/2010/NĐ-CP on the organization, operation and management of union/associations; then on April 13, 2013, the Government issued the Decree. No 33/2012/NĐ-CP amending the Decree No. 45/2010/NĐ-CP. However, in terms of agricultural production and trade, some gaps in policy on associations should be considered as follows:

It lacks a law or a separate Decree on the operation of economic association (now there is only Decree on the union/ association)

Many FDI enterprises are potential in terms of both capital and technology but they "hesitate" to participate in Vietnamese associations because they were not considered as official members but associated members only. While foreign-invested enterprises have to fulfill all obligations as official members, they are not allowed to participate in voting, running for leadership positions in the association.

To handle these problems, according to agricultural associations, the Government needs to enact a Law or a separate Decree governing the operation of the industry/economic associations; in order to manage as well as to recognize the position and role of agricultural associations

## **CONCLUSION AND FUTURE TASKS OF AGRICULTURAL POLICY**

In general, Vietnam has made remarkable efforts in innovating agricultural policies in the recent decade. Stronger policies may be seen in terms of production supporting agricultural infrastructure building, credit, while weak policies may include science and technology policies, policies for creating real incentives for farmers and producers; policies on linkages between production and businesses and policies on institutional reforms. The main reasons for limitations of policies consist in the lack of reasoning in policy making, typically in developing policies on farmers and institution building; lack of monitoring and evaluation of policies impact, lack of mechanisms to collect and process feedback from beneficiaries.

For future task of agricultural policy, in the short term bases, the Government should provide an overall rescue package for the financial debt rescheduling, in order to prevent the agricultural sector from a serious decline in the near future. (*The annual growth rate of agricultural GDP decreased from nearly 4% in the period of 2004-2008 to 3% in the period of 2009-2013*)

The credit policy should be more flexible in order to ensure access to credit on the time involved in the production and trading in the agricultural sector. Ensure transparency in the credit markets, reduce and eventually eliminate the lubrication costs and credit risks.

The policy supporting development and application of science and high technology in agricultural production need more important breakthroughs, take into account the balance between the production conditions of each locality (on natural resources, climatic characteristics and the level of the farmer) and the effectiveness of the technology. Practical evidence shows that the rigid application of common policies and technologies applied in a number of localities have not only wasted financial and human resources, but also led to gaps in the paradigm shift production.

In the medium and long terms, Vietnam need new and stronger reforms to accelerate the agricultural restructuring, so policy making in the future should focus more on:

- (i) Promoting the investment activities of science, technology support people through seeds, fertilizers, plant protection products, applications directly on agricultural production and farmers selling products for agriculture for the best price through the reorganization of modern and efficiency production, (business development, affiliate, capital investment ...)
- (ii) Promulgating mechanisms and policies to encourage enterprises associated with the initiative of farmers in production, helping the scientific achievements that are replicated to help protect farmers' rights initiative.
- (iii) Enhancing innovation in organization of production and services in rural areas need more breakthroughs towards boosting households to create potential for the formation and development of the large farm, to accelerate the process of innovation in rural enterprises, the innovation of state farms, cooperatives.

(iv) Creating mechanisms and feasible incentives to encourage all economic stakeholders to participate in developing agricultural production goods. The policies on establishing the commodity producing region and large sample field should have consistent support for the actors in the value chain from production, processing, trade promotion market development consumption. In addition, the Government should enact policies and mechanisms to support agricultural insurance.

Especially, in the long term bases, innovation of public investment in the sector should receive more attention and should be the key to improving the productivity of agriculture and assuring the sustainable development of this sector, consisting on investment on R&D and trade promotion instead of giving cash to farmers and traders. This is also one of recommendations of OECD (2013) on the agricultural policy in order to obtain the sustainable development of agriculture.

Efficient policy on food safety, food quality assurance systems, strategic rural and market infrastructure should be considered a package of policies for long term competitiveness, and profitability of Vietnam's agriculture.

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