

# Smallholder Farmer Policy Support Review: Lessons from Vietnam

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## ABSTRACT

*Vietnamese agriculture reforms were embedded into general economic reforms (Doi Moi) in 1986, enabling the country's transition toward a market economy. Since 1988, they were implemented incrementally together with complementary instruments such as agricultural market liberalization and new economic incentives. Firstly, the de-collectivization of socialist producer cooperatives and assigning land use rights to its former members, developing and adapting a Land Law, and enhancing tenure security through gender-balanced inheritable land certificates. In addition to promoting individualized rights, recognized household economic, successive reforms have contributed to accelerating the agricultural transformation process by encouraging perennial crop and forestry systems, and allowing rural land rentals and land sales markets to re-emerge.*

*Since 2008, Vietnam's agricultural sector has made positive progress, realizing major gains in productivity and output and contributing to national goals related to food security, poverty reduction, social stability, and agricultural diversification. Vietnam is placing in the context of middle income countries and facing a challenging growth rate which is slowing down including the agricultural sector.*

*Vietnam's success in smallholder rice productivity and intensification are a source of learning experiences for many developing countries. Vietnam's rice production is dominated by small-scale farmers with 65 % of households cultivating rice in an area of less than 0.5 hectare. It can be said that its rice production scale is extremely small, compared with the average size of small-scale farms at 2 hectares as defined by the FAO. Small-scale farming has allowed access to land for household-level food security in recent years. However, it would present a big obstacle to mechanization if Vietnam were to choose that path to intensify its rice production. During the same period, Vietnam has emerged as one of the world's leading exporters of agro-food commodities, ranking in the top five for aquatic products, rice, coffee, tea, cashews, black pepper, rubber, and cassava. But in 2016, the rice exportation has started to reduce in terms of quantity due to low quality and the fruit and vegetable exportation has passed over the crude oil exportation in terms of value. Nevertheless, there are growing concerns related to the quality and sustainability of Vietnam's agricultural growth and related patterns of development (WB, 2016) because the 2016 is the year that agricultural GDP has a slight decrease after the consecutive growth period over last 25 years.*

*The lessons learnt from government support policy for a success story of small farm development in Vietnam since 30 years was divided into two phases. The first phase was the food security at different level during 1988-2008: after allocation, the land equally to farmers and market liberalization, the financial resources from government which mostly focused on investments for irrigation infrastructure with about 70%, the agronomic research on new varieties and technologies, and expansion of public extension system up to the communal level. The government also supported to protect the rice field from transformation to urbanization and industrialization. The income diversification was also an important part.*

*The impact was very positive in terms of poverty reduction, food security and agriculture exportation, but small farms have met some constraints: low competitiveness; quality and food safety do not match the standards, low income and sustainability.*

*The second phase policy to support small farm during 2008-2017, has several elements: structural adjustment of agricultural sector to high value; competitiveness enhanced; and farmers' income rising. New form of business cooperative, land concentration policy, climate change adaptation became important focus to support small farm. Beside this, the integrated rural development and multidimensional poverty reduction also has an impact on the sustainability of household economy.*

Keyword: smallholder, household economy, policy

## INTRODUCTION

### **Agricultural policy context based on household economic**

With an agricultural policy based on households and aiming to ensure food security, Vietnam's impressive economic growth over the last two decades stimulated demand for food and eased absorption of farm labor by other sectors of the economy. Vietnamese economy is moving from being heavily agricultural to a diverse mix of agriculture, services and industry. Still, agriculture accounted for 20% of Vietnam's GDP and 47% of its total employment in 2012.

To sustain high rates of economic growth and to improve agriculture's enabling environment structural reforms are needed. In particular, Vietnam's competitiveness has been undermined by weak institutions (including corruption and weak property rights), low quality infrastructure, underperforming higher education and training, weak financial market development, and slow adoption of the latest technologies by enterprises. The structural reform is a long transition, and up to now is not yet finished. The competitiveness of different sectors including industry and agriculture, have been assessed as a weak position in the context of globalization. Economy-wide reforms undertaken in the mid-1980s and sector-based reforms, including the de-collectivization of farms mandated in 1988 and the land rights issuance in 1993, created conditions for strong supply response to growing domestic demand and to commodity price boom in international markets in the 2000s. As a result, agricultural production almost doubled in volume terms between 1990 and 2012, outperforming all its major competitors in Asia.

By 2012, Vietnam had become the world's largest exporter of cashews and black pepper, the second largest exporter of rice, coffee and cassava, and the second or third largest exporter of rubber. The total value of agro-food exports increased six-fold between 2000 and 2012. This contributed to the positive balance of agro-food trade at almost US\$12 billion in 2012.

After a period of staple food intensification, so the national food security has been stabilized with an exportation volume of rice about 5-7 million of tons every year during period 2000-2017. Since 2000, government started to promote the agricultural diversification with the objective of increasing the value of agricultural product per hectare. In the irrigated area in delta, the land still has priority for rice, only a small part of land has been diversified to cash crops such as vegetables and flowers. But in the uplands the tendency of diversification with market oriented approach was clearly announced. There has been a shift from production of staple foods to perennial crops such as coffee, pepper, fruits and rubber

and to livestock production, in particular pig meat. This reflects export orientation of perennial crops and changing preferences of consumers to higher value products. However, rice remains the most important commodity accounting for 36% of total value of Vietnam's agricultural production.

Agricultural total factor productivity (TFP) growth has been strong and sustained in 1990-2010. However, while it was stronger than in Indonesia, India and the Philippines and equal to that in Thailand, it lagged behind China and in the 2000s also in Malaysia, reflecting a slowdown in the 2000s compared to the highest rates registered in the 1990s.

Total employment in agriculture was increasing up to 2009 and since then stabilized at around 24.5 million. Thus, Vietnam's agriculture is not yet at the stage of shedding labor in absolute terms, but it might be at the turning point and it is likely that farm employment will fall by the end of the 2010s. Since 2010 to date, the agricultural labor starts to decrease with strong migration out of the rural areas. The share of rural household number per total household was 73% in 2005, 67% in 2010 and 65% in 2015. The share of agricultural labor over 15-year-olds is 42% in 2016 (GSO, 2017). This will be one of the factors contributing to higher labor cost in agriculture and to accelerated substitution of capital for labor.

Agricultural land is very scarce in Vietnam at just 0.12 ha per capita, a sixth of the world's average. Vietnam has currently 4.2 million ha of paddy land with 8.5 million farms engaged in rice production, the most important food crop in Vietnam. A characteristic of Vietnam's rice production is small-scale farmers with 65 % of households cultivating rice in an area of less than 0.5 hectare (Nguyen Dinh Bong, 2017). It can be said that its rice production scale is extremely small, compared with the average size of small-scale farms at 2 hectares as defined by the FAO. Small-scale farming has allowed access to land for household-level food security in recent years. However, it would present a big obstacle to mechanization if Vietnam were to choose that path to intensify its rice production. In the Mekong Delta, where the adoption of mechanization is higher than other regions, only 13 % of farm households have more than 2 hectares of rice production area (Agricultural Survey in 2011, GSO). The comparative studies on farm structures between 2001 and 2011 don't observe significant changes in terms of rice farm sizes (WB, 2016). The net income level of monoculture rice producer was US\$485 /household/year, while the average rural income was US\$857 USD/household/year in 2012 (WB, 2016).

The Vietnam new land policy with Land law 2013 gives a long-term land-use right with 50 years for farmers. It is deemed good for small farms, but the rice land protection and maximum farm size with 3 ha per farm is now a limiting factor for rice growers in terms of diversification or land accumulation for applying mechanization. The limited land size and fragmented parcel is one of major constraints for mechanization beside the farmer's organization and credit constraint. The World Bank is asking Vietnam's government to adopt a more flexible approach to land use planning in order to support small rice producer (Jaffee, 2011).

The capital inputs remain relatively small fertilizer use per hectare which increased by 80% in 2010-12 compared to 1990-92 and is currently almost twice as high as the average in Southeast Asia. Annual data suggest that application rates stabilized in recent years which might indicate that arable land is becoming saturated with fertilizer applications and that, on average, higher rates are unlikely to generate substantially higher yields.

Real rural incomes have been increasing but are just half of those of urban residents. The average rural income in 2012 was US\$857 /household and urban income was US\$1708 /household/year (WB, 2016). This is also the main reason why the poverty rate in the rural areas are almost four times higher compared to the urban areas. . However, both rates

(defined nationally) have been falling and are in 2012 at 15% for rural and 4% for urban residents.

Vietnam has made astounding progress in fighting undernourishment. The proportion of undernourished in total population has fallen from 48.3% in 1990-92 to 8.3% in 2011-13. This is the second most rapid fall for all countries, just after Thailand and faster than in China. However, still 7.4 million people in Vietnam were undernourished in 2012-13. Most of them live in rural areas.

Rapid economic growth, combined with rising population and expanding agricultural production, is exerting massive pressures on the environment. Expansion of agricultural land has led to considerable deforestation which is only partly remedied by reforestation efforts undertaken over the last 15 years. While the overall forested area increased, primary forests continue to disappear. In the long term, climate change is likely to have strong negative impact on Vietnamese agriculture. The Vietnamese government is building a National action plan to adapt to climate change up to 2020, including applying sustainable community forest management.

Farming is dominated by micro farms of about 0.8 ha on average, each consisting of about 4 plots. Very few farms have grown to the “large scale” category of 2 ha or above. Farm consolidation in livestock production has been progressing, in particular in pig meat and poultry production.

All land is owned and administered by the State. The Land Law of 1993 gave farmers a wide range of rights, including the right to rent, buy, sell, and bequeath land and to use land as collateral with financial institutions for mortgages. Holders of these rights are entitled to Land Use Rights Certificates. In the context that Vietnam does not have any private land title for agriculture land, so this Land use right certificate is the unique collateral for small farms. By 2012, rights to 85% of agricultural land had been certified, but land disputes are frequent due to expropriations and low compensations for lost access to land.

While Vietnam has been successful in boosting exports of agricultural commodities, it suffers from low quality, low prices and low value-added component in its exports. This is partly due to the strong involvement of SOEs in the processing and exporting. The SOEs are mostly engaged in the rice value chain with large mill for exportation, representing about 12% of total mill capacity. The SOEs were mostly working based on G to G exportation contract with low quality rice. The priority of SOE in term of funding resource was the obstacle for private sector. Now the Vietnamese government is realizing the policy on privatization of SOE up to 2020.

Prices of many commodities exported by Vietnam declined over the period of 2014-2016 and are projected to fall further over the next decade. Most of easy sources for expansion (arable land, cheap labor, higher rates of fertilizer use) are exploited and negative environmental impacts are increasingly seen. These will become major challenges for the next decade, but will also open opportunities to adopt new technologies, to give incentives for larger farms and to focus attention on quality and higher value-added products.

## **II. Review of Agricultural policy supporting smallholders since Renovation**

### **2.1. Current Agricultural policy objectives**

The overall goals for agricultural policy as set out in the MARD plan for the five years 2011-15 are to achieve sustainable development with high quality output; improve the living standard of people living in rural areas, especially the poor; and protect and effectively utilize

natural resources and the environment. These high-level goals are refined into six key objectives, with specific targets and various actions and programmes for each objective.

1. Achieve sustainable, high quality growth of the sector with improvement in productivity, quality and competitiveness of products
2. Improve living standards and conditions of population living in rural areas, especially the poor
3. Develop infrastructure to meet requirements of the agricultural production and serve the people living in the rural areas
4. Strengthen competitive capacity and international integration of the sector
5. Use and protect natural resources and the environment in a sustainable and efficient manner
6. Improve the government's managerial capacity of the sector in an efficient and effective manner.

## **2.2. Different phases of agricultural and household economic policies development**

### ***Reunification of the country (1976-1986)***

In the initial years following reunification, the Communist Party of Vietnam (CPV) attempted to extend its socialist centrally planned system to the whole country. The government's priority goal was to develop heavy industry. Agriculture's role was to support this by providing goods at low prices while at the same time achieving food self-sufficiency in rice and other staple foods. Private farming was essentially abolished. Agricultural production was organised into co-operatives focusing on annual crops and state farms focusing, in general, on perennial crops. The upstream and downstream sectors were re-organised as state-owned enterprises (SOEs). Co-operatives managed production and distribution decisions in accordance with targets developed by central governing authorities. They also controlled marketing functions, collecting and selling surplus product either to the state at "negotiated prices" or in the unorganised free market. Inside the agricultural co-operatives, production targets were assigned to brigades who allocated labour supply to activities.

By the early 1980s it was obvious that these arrangements for organising agriculture were not working. Production levels were well below targets. Surpluses were sold on informal private markets rather than through the state procurement system that offered much lower prices. The government was forced to increase food imports at a time where Western and Chinese aid was declining. Drawing lessons from the spreading tendency of "underground contracts", the CPV Central Committee issued Directive No. 100 CT/TW (dated 13 January 1981) in an attempt to improve the efficiency of the collective economic system in agriculture and the rural areas. The Directive allowed households and cooperatives to enter into contracts that permitted households to farm land owned by the cooperative in exchange for delivering an annual production quota to the co-operative. Quotas were based on the productivity of the land during the previous three years. Households were responsible for planting, tending and harvesting. Cooperatives provided services such as preparing land and providing water, seeds, fertilisers and pesticides, paid for by the selling of contracted output (Dao The Anh, 2010). Any surplus produced by the household above the quota could be sold to SOEs or in the private market. So, the state procurement prices of agricultural goods were gradually increased to the same level as market prices.

At first this partial reform seemed promising: agricultural production grew 11% in 1982. Success, however, was short-lived. The reforms were not deep enough to give farmers real

incentives to produce more. The government maintained strict control over prices and trade for both inputs and outputs through SOEs and internal trade restrictions. Household quotas were sometimes raised by cooperatives following their observation of increased production. Due to supply shortages, the allocation of inputs from cooperatives to farmers fell far short of their requirements due to the lack of capacities. Many farmers did not obtain adequate output to pay their duty to cooperatives. In addition, the government issued the Agricultural Tax Ordinance in 1993 to unify and rationalise the tax base across the country. This introduced another product-based tax on farmers: 6-14% for paddy; 10-30% for fruit trees and 12% for industrial and other crops. Farmers started to give back land. The incentive to produce was lost. By the mid-1980s, large areas of the country were experiencing near-famine conditions, and food shortages were resulting in widespread suffering.

### ***Economic Renovation (1986-1993)***

The VI<sup>th</sup> CPV Congress in 1986 recognised that the centralised management mechanism was failing and began a process to renovate (*Doi Moi*) economic management institutions and policies. The reforms had sweeping goals: they sought to stabilise the economy, develop the private sector, increase and stabilise agricultural output, shift the focus of investments from heavy to light industry, focus on export-led growth, and attract foreign investments. Importantly, the development of agriculture, forestry and fisheries, and the rural economy in general, were elevated to the task of primary importance to stabilise the socio-economic situation.

Resolution No. 10/1988/NQ-TW on renovation of agricultural management dated 5 April 1988 shifted the focus of agriculture and rural development from cooperatives to farm households. Resolution No. 10 obliged agricultural cooperatives to contract all but 5% of farmland to households for 15 years for annual crops and 40 years for perennial crops.<sup>1</sup> Although the terms of the land allocation varied across Vietnam, in most instances land was allocated on the bases of family size to ensure that each household had enough land to meet its subsistence requirements. A further egalitarian feature was that land of different qualities was allocated to each household by number of main labor, meaning that, depending on the quality of land related to geographical features of the area households could be farming as many as 15 different parcels of land scattered throughout the village. In addition, households were allowed to buy and sell animals, equipment, and machinery. They still had to meet production quotas, but the production amounts and prices were fixed for five years. Farmers were given the ability to make their own decisions concerning production in response to market demand and the private sector was allowed to engage in food marketing (Dao The Anh, 2010). Cooperatives were limited to the roles of trading, mainly inputs and providing services such as irrigation, plant protection, extension to farmers.

A large number of reforms quickly followed. These relinquished government control over prices and opened markets to both greater domestic and international competition. The reforms increased the effectiveness of Resolution No. 10 by raising prices for agricultural outputs and lowering them for farm inputs. Import tariffs were introduced in 1988; the border trade with China was reopened in 1989; the ability of private enterprises to engage in foreign trade was authorised in 1991; and prices for most goods and services were opened to market determination in 1992. However, prices remained regulated for a limited number of commodities that had large effects on the whole economy, including fertiliser, sugar and rice.

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<sup>1</sup> As with the previous Directive 100 reform, many villages were already practicing “full contracts” (*khoan trang*), in which paddy fields were leased to households.

The government reduced its control on export and import activities to quotas applicable to 12 main commodities. The exchange rate regime switched from a fixed exchange rate regime to one in which the rate is permitted to float within a band determined by the State Bank of Vietnam (SBV). This resulted in a sharp devaluation of currency, making Vietnamese exports much more competitive on international markets. Agricultural production jumped. Vietnam, which had imported more than 460 000 tons of food in 1987 and again in 1988, to meet shortfalls in national production, became the world's third-largest exporter of rice in 1989, alleviating national food shortages and generating large amounts of agricultural products exportation.

### ***Household economic expansion by intensification (1993-2000)***

Having ensured food supplies at the national level, efforts were made to expand food production for exports. A number of limitations were recognised. Farmers did not have long-term rights to their land, making it difficult to grow commercial crops such as coffee, rubber, cashew nut, and pepper. Many rural households, especially poor smallholders, had difficulty obtaining access to production technologies, inputs, and capital for production even with the expansion of public extension system. Financial institutions refused to accept existing land-use rights as collateral, preventing households from acquiring loan funds for agricultural investments. The government promulgated a range of decrees aimed at institutional reform and improving investments and technological innovation including:

- Decree No. 13/1993/ND-CP on agricultural extension dated 2 March 1993 stipulated the establishment and development of agricultural extension to transfer technology to farmers
- Decree No. 14/1993/ND-CP on credit policy for family farms dated 2 March 1993 allowed rural households to borrow loans from commercial institutions
- Land Law 1993 extended land use rights to 20 years for annual crops and 50 years for perennial crops; granted households land use rights certificate (red book); and gave households the rights to exchange, transfer, lease, inherit and use land use rights certificate as a mortgage for loans.
- Law on Agricultural Land Use Tax 1993 replaced both the compulsory quota system and the agricultural output tax with a land use tax
- Law on Cooperatives 1996 clarified the cooperatives' role as service providers and established a legal framework for them within a multi-sectoral commercial economy
- Decision No. 151/1993/QD-TTg established the Price Stabilization Fund (PSF) to regulate and stabilize prices of essential commodities, including urea, paddy and rice, coffee and sugarcane.

Key agricultural markets were gradually liberalised. Most important was the relaxation of restrictions on rice exports. The export quota was increased from less than one million metric tons in 1992 to 4.5 million by 1998. The right to export was limited by quota, allocating to two central government established SOEs – Vinafood I and Vinafood II and a number of provincial SOEs. Internal barriers to trade in rice that had restricted the flow of rice from the south to north were relaxed. Especially important in this regard was Decree No. 140/1997/ND-TTg, implemented in March 1997, which lifted internal trade restrictions on rice, and eliminated some licenses and controls on transport. Vietnam signalled its commitment to trade liberalisation by entering into a large number of bilateral and regional trade agreements and partnerships.

The improved policy environment was supported by a rapid increase in budgetary expenditure for agriculture, which quadrupled in real terms during the 1990s. Increased

funding was provided to the Vietnam Bank for Agriculture and Rural Development (VBARD) to support the opening of commercial credit to farmers.

### ***Household economic diversification (2000 to 2008)***

In 2000, the government set the goal of becoming a modern industrialised country by 2020. The Ninth National Congress of the CPV held in April 2001 proposed to strengthen market price transmission and mobilise essential resources to step up agricultural and rural modernisation and industrialisation. In this period, agricultural production transformed from expansion phase toward objectives of diversification higher yield, better quality and higher value in order to create jobs and raise income for people in the rural areas. To achieve the national agricultural objectives, four broad policies were implemented: (1) encourage domestic production of primary and processed commodities, (2) encourage quality improvement, (3) encourage domestic and international trade, and (4) increase investments from various sources in physical and social infrastructure.

After 2000, through active support from the government, the livestock sector developed rapidly. The government intensified its investments in the sector, and at the same time, some major direct foreign investments were made in feed milling and livestock operations. The effort to satisfy high demand growth since 2000 triggered some selected government support to remedy the shortages. To overcome the challenges imposed by land fragmentation, the government issued Decision No. 150/2005/QD-TTg on 25 June 2005 urging land accumulation to be finished early so that large and modern commercial production areas can be developed to replace small-scale farm household production.

### ***Restructuring of Agriculture and Rural Development (2008 to 2017)***

Despite these successes, the government remains concerned about the unsustainable direction in which agriculture is headed. The competitiveness of the sector is low and relies on low labour cost and natural advantages; value added is limited. There is an excessive use of chemical inputs that are polluting the environment, and the large agricultural labour force remains unskilled and unstable. At the VII<sup>th</sup> Conference of Central Party Committee No. 10, the Central Committee issued Resolution No. 26/2008/NQ-TW on agriculture, farmers and rural areas dated 5 August 2008, commonly referred to as the *Tam Nong* (Rural area, Agriculture and Farmer) resolution. This is the CPV's current orienting document for agriculture, rural development and farmer livelihoods. It states that development in all three areas will be based on the market economy with socialist orientation. Both general and specific objectives to be attained by 2020 are laid out, including the following principal goals:

- to build up a comprehensively developed agriculture sector in a modern and stable manner with large-scale commodity production, high yield, good quality, better efficiency, high competitiveness, along with the development of industry and services in rural areas, to ensure food security.
- to build up new rural areas with modern socio-economic infrastructure; rational economic structure and production organizations, linking agriculture with the rapid industrial, service and urban development based on planning; stable rural society rich in traditional culture; enhancing the intellectual level and protecting the ecological environment
- to improve spiritual and physical life of rural residents; farmers are trained and act as the leaders in the rural community.



Alongside *Tam Nong* and prompted by the sharp rise in international food prices during 2007-09, Resolution No. 63/2009/NQ-CP to ensure national food security was issued on 23 December 2009. The objectives of the Resolution include: ensuring adequate food supply sources for immediate- and long-term national food security, meeting nutrition needs and putting an end to food shortage and hunger; improving food consumption structure and quality and stepping up intensive rice farming; and ensuring that rice producers earn higher profits. To meet these objectives, specific production targets for 2020 are set for a variety of products, such as protecting 3.8 million ha of rice land to yield 41-43 million tonnes of rice, covering all domestic demand along with exporting about 4 million tonnes of rice per year. The achievement of these targets will be done through food production planning and rice land planning; infrastructure, scientific and technological development including construction of irrigation works and new dyke systems, construction of warehouses for food reserve and preservation, selection, creation and production of adequate plant varieties and animal breeds of high yield and quality, etc.; human resource training; consolidation of food circulation and export system; renovation of the organisation of food production forms; etc. According to the policy perspective, these measures aim to reduce production costs, increase incomes for rice farmer, ensuring the profit from rice production of over 30% compared to the cost of production. The financial resource from government mostly focussed on investing for irrigation infrastructure with about 70%, the agronomic research on new varieties and technologies, and expansion of public extension system up to communal level. The government also supports to protect the rice field from transformation to urbanization and industrialization.

Concerning the current situation of Food security, there some updated statement. Growth of food production has increased food availability and assured food security for the whole country. Vietnam's proportion of undernourished population has decreased 79% comparing the period 2014-2016 with 1990-1992, the fastest in the region, along with Thailand and Myanmar (FAO, 2016). Vietnam's Food security has been characterized with self-sufficient food availability and improved food access but unsatisfactory food utilization in the past years. Stability of food security is challenged by climate extremes including flood and severe droughts. The calorie supply per capita, measuring the amount of food available for consumption in Vietnam, has steadily increased from 2269 kilocalories per person per day in year 2000 to 2690 kilocalories per person per day in year 2009. Rice dominantly provides 55 % of total dietary energy while consumption animal protein, egg, seafood per capita have also increased in both urban and rural areas between 2002 and 2010, according to Vietnam's Household Living Standard Survey (Dao The Anh, 2017).

Though food availability and consumption has improved substantially, the country still faces food utilization challenges which manifest itself in high rate of undernourishment. The intra-country differences among households in food access, dietary diversity and sanitary environment are hurdles to overcome together with other multi-sectional interventions to achieve the enhancement of all dimensions of food security.

Recently, under the climate change and disaster impact some regions have met the household food insecurity, even hunger such as North East Mountains, Nord and South Central Coastal, and Central Highland (MOLISA, 2017). Drought and salt water intrusion in 2015-2016 have stressed food access at household level due to reduced purchasing power, despite satisfactory food availability at markets. The vast majority (87%) of households reported undisturbed rice supply in nearby markets and 88% consumed rice at least once every two days. Poor rural families most commonly consume rice (88%), vegetables (86%),

oil (74%) and animal proteins (73%). One in four households does not have any protein intake from animal meat, pulses or meat, indicating a potential deficiency in energy intake.

The government's approach to economic development is set out in the ten-year Socio-Economic Development Strategy (SEDS) and the five-year Socio-Economic Development Plan (SEDP). The latest ten-year SEDS for the period 2011-20 approved in January 2011 reinforces the overall objective of making Vietnam a modern industrialised country by 2020 but has been developed to give effect to Resolution No. 26/2008/NQ-TW. Specific actions relating to agriculture include:

- increase investments in agricultural production and rural economy
- continue to improve mechanisms and policies to renovate the operation of collective economy, farm-based economy, and craft villages towards achieving sustainable development
- maintain rice cultivation area at 3.8 million ha while issuing specialized mechanisms and policies to support localities and rice growers to ensure national food security, especially in the context of climate change and sea level rise impacting the delta provinces
- continue to invest in agricultural products and locally advantageous products and products that can substitute imported ones
- attach importance to vocational training aimed at training one million rural laborers a year.

As a step towards implementing the SEDS and SEDP, Decision No. 124/2012/QD-TTg approving the master plan for agricultural production development through to 2020 with a vision toward 2030 was issued on 2 February 2012 and entered into force on the date of its signing. The master plan has four general objectives:

- to develop the agricultural sector towards modern, sustainable, large-scale commodity production on the basis of comparative advantage
- to apply science and technology to increase productivity, quality, effectiveness and competitiveness to ensure national food security in both the short and long term while adapting to the diverse needs of domestic and exports
- to improve the effectiveness of land use, water, labour and capital
- To raise incomes and living conditions of farmers, fishermen, salt producers and foresters.

As a further move towards implementing Resolution No. 26 and the SEDS, Decision No. 899/2013/QD-TTg approving the plan of restructuring the agricultural sector (often referenced to as Agricultural Restructuring Plan, ARP) towards improving value-added and sustainable development was issued on 10 June 2013. The long-term objectives for agriculture will be reflected in three sustainable pillars:

- economic: maintain robust agricultural growth and improve sectorial competitiveness, primarily via advances in productivity, efficiency, and value addition, and better meet the needs and preferences of consumers
- social: continue to raise farmer incomes and rural living standards, reduce the incidence and severity of rural poverty, and ensure household and national food and nutrition security
- environmental: improve natural resources management, reduce impacts, contribute to get environmental benefits and improve capacities to manage weather-related and other natural hazards in the context of Vietnam.

The restructuring plan is viewed as a major turning point in agricultural policy. It signals an important change in emphasis: from extensive development based on quantity to one focused on quality and efficiency improvement. It also identifies a changing role for the

government: from service provider to facilitator. Based on the perspective that sector restructuring should be in line with the overall national process of adopting the market mechanism and guaranteeing fundamental benefits for farmers and consumers, the state will play a supportive role in order to enable a favourable environment for the activities of social and economic sectors from central to local levels, promote public-private partnerships (PPP) and co-management mechanisms, and enhance the role of community organisations (Dao The Anh, 2017).

### ***Poverty reduction policy to reduce the inequality over the country***

The success of Vietnam in reducing poverty can be attributed to a variety of factors, including governance capacity, infrastructure investments, and early health and education policies that enabled demographic transitions and structural transformations. In Vietnam, early commitments to providing basic health, education, and other public services played an important role in rapidly rising incomes and living standards. In all cases, government policy should explicitly target poverty in multiple dimensions (health and nutrition, education, other hard and soft infrastructure, job creation) and combat the exclusion of certain groups (OECD, 2016b).

The lesson learned from rural poverty reduction program was a need to narrow inequality in poverty reduction. Despite the remarkable record of reducing poverty in absolute and nationwide terms, challenges remain. Poverty incidence varies significantly across regions. It is low in the southeast, Red River and Mekong deltas, and South-Central coast but high in the northern mountains, north central coast, and central highlands. While ethnic minority groups account for only 14.5% of the total population, they make up more than half of the poor. The risks, shocks, and vulnerability are the causes of poverty. Climate change may push more people into poverty. Vietnam is one of the five countries expected to suffer most from climate change. The south central coastal and Mekong Delta provinces have been strongly affected by climate change. People in the northwest, central highlands, and Red River delta, especially the poor, depend heavily on natural resources (ADB, 2015).

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