



Pro-Poor  
Livestock  
Policy  
Initiative

# The Political Economy of Pro-Poor Livestock Policymaking in Vietnam

Tuong Vu

Research Director: David K. Leonard  
University of California, Berkeley

## TABLE OF CONTENTS

Preface .....	ii
Abbreviations .....	ii
Executive Summary .....	iv
Introduction .....	v
Livestock Sector as a Tool for Poverty Reduction .....	1
Land Policies and the Legacies of Collectivization .....	3
Overview .....	3
Collectivization .....	3
Land Policies after Decollectivization .....	4
Rural Unrest and Rural Development Policies .....	6
The Thai Binh Protests .....	6
New Rural Development Policies .....	6
Conclusion .....	8
Coping with Growth: State Agencies and the Livestock Sector .....	10
Extension Services .....	10
Veterinary Services .....	11
Research and Breeding Centers .....	13
The Declining Importance of Draught Power .....	14
Summary .....	14
Policymaking and Implementation: The Case of the National Dairy Cattle Program .....	16
Policymaking .....	16
Policy Implementation .....	17
The Changing Concept of 'Poverty' and Experiments in Credit Programs .....	19
'Poverty' Reconceptualized .....	19
Government Poverty Reduction Campaigns and the Role of Mass Organizations .....	19
Government Credit Programs .....	20
International NGOs' Microfinancing Projects .....	21
The Comprehensive Poverty Reduction and Growth Strategy (CPRGS) .....	21
Trade Policies and the Interests of the Poor .....	23
Alternative Strategies to Develop Livestock Production .....	23
Strategies to Meet Domestic Demands of Livestock Products .....	24
Summary and Recommendations for Strategic Entry Points .....	27
Summary .....	27
Strategic Entry Points .....	28
References .....	30
Newspapers .....	30
Books, Monographs and Reports .....	30

## PREFACE

This is the fifth of a series of “Working Papers” prepared for the Pro-Poor Livestock Policy Initiative (PPLPI). The purpose of these papers is to explore issues related to livestock development in the context of poverty alleviation.

Livestock is vital to the economies of many developing countries. Animals are a source of food, more specifically protein for human diets, income, employment and possibly foreign exchange. For low income producers, livestock can serve as a store of wealth, provide draught power and organic fertiliser for crop production and a means of transport. Consumption of livestock and livestock products in developing countries, though starting from a low base, is growing rapidly.

This paper presents a case study of how livestock policies are made and implemented in a national context, and how they can be improved to better serve the interests of the poor in Vietnam. The study used the key informant method supplemented with official documents, newspaper sources and recently published research on the livestock sector. Interviews helped reveal policymakers’ concerns, whereas field trips allowed the researcher to talk to a few peasants and learn their perspectives from the bottom. Four strategic entry points are recommended that can both improve the performance of the sector and the participation of the poor in productive activities.

We hope this paper will provide useful information to its readers and any feedback is welcome by the author, PPLPI and the Livestock Information, Sector Analysis and Policy Branch (AGAL) of the Food and Agriculture Organization (FAO).

### Disclaimer

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### Author

Tuong Vu, under the direction of David K. Leonard. Institute of International Studies, University of California, Berkeley. Email: [vhtuong@yahoo.com](mailto:vhtuong@yahoo.com).

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### Keywords

Vietnam, policymaking, livestock, rural development, poverty.

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## ABBREVIATIONS

ASEAN	Association of Southeast Asian Nations
BP	Bank for the Poor
BSP	Bank for Social Policies
CPRGS	Comprehensive Poverty Reduction and Growth Strategy
DAFE	Department of Agricultural and Forestry Extension
FA	Farmers' Union
GCL	General Corporation of Livestock
HERP	Hunger Eradication and Poverty Reduction
IFPRI	International Food Policy Research Institute
MARD	Ministry of Agriculture and Rural Development
MOF	Ministry of Finance
PCF	People's Credit Fund
T.Y.M	<i>Tao Yeu May</i> [I love you] Fund
VCP	Vietnamese Communist Party
VSF	Veterinaires Sans Frontieres
WTO	World Trade Organization
WU	Women's Union

## EXECUTIVE SUMMARY

Livestock production has great potential in Vietnam. Despite government negligence and paltry investment, the growth rates of the livestock sector have been steady in the last decade and are about the same as those in the crop sector. Decollectivization has returned to farmers land use rights and better access to markets, although access is still difficult for farmers in remote areas. Market reforms have increased domestic demands for livestock products and services, and government agencies and private businesses have responded well to the new opportunities. Foreign donors have introduced a new understanding of and policy concern for (rural) poverty. Both the government and international NGOs have set up various programs to provide credits and training to rural producers, especially poor ones.

On the negative side, policymaking and implementation is still hindered by a political ambivalence about rural development in general. This results in a restrictive land policy that inhibits the potential of rural producers while restricting the growth of off-farm employment opportunities that may benefit the poor. Despite official rhetoric that calls for increased assistance to the poor, policies lack effective mechanisms to realize their participation in productive activities. Livestock extension and veterinary services have been strengthened and received increased funding but are still woefully inadequate. Food hygiene is poor and can cause a disaster if not timely addressed. Credit institutions to serve the poor operate like charities and lack sound financial and legal bases. In general, policymaking is for the most part still in the centrally planning mode. Great emphasis is placed on ambitious targets with little attention to efficiency, market or social demands, or real impact on the poor and the disadvantaged. Policymakers tend to favor large-scale production for exports at the expense of small-scale producers and domestic consumers, especially poor ones.

Four strategic entry points are recommended that can both improve the performance of the sector and the participation of the poor in productive activities:

- Rural development strategy: There is latent political support to be mobilized for a vision of rural industrialization and modernization through small-scale household production as the means both to reduce rural poverty and to avoid exploitation. Poor producers stand to benefit greatly if the current large-scale, export-oriented strategy is modified. In addition, the Comprehensive Poverty Reduction and Growth Strategy (CPRGS) is now being implemented and an opportunity exists to channel more resources into livestock development projects.
- Trade policy: The effects of trade liberalization on domestic markets for livestock products and on poor consumers and producers are not known and need to be studied. A more balanced trade policy in livestock products that encourages not only domestic production but also domestic consumption may benefit both poor consumers and producers without additional investment.
- Governance capacity: Policymakers support pro-poor programs but may not understand the nature of rural poverty, know the sophisticated techniques of program design, or expect the difficulties of organizing production in ways that favor poor producers. Training seminars in the rural economy, program designs and the operation and organization of rural productive units are recommended.
- Livestock service provision and credit institutions that target the poor: Greater autonomy for local government service units, the reorganization of these units to create a better synergy in service provision, the strengthening of services in remote areas, and the establishment of a legal framework to regulate and protect microfinancing institutions are recommended.

## INTRODUCTION

This paper presents a case study of how livestock policies are made and implemented in a national context, and how they can be improved to better serve the interests of the poor. Livestock is a sector with a great potential for growth compared to other sectors in agriculture. However, appropriate policies and institutions that allow the poor to tap this growth potential may not exist or may be inadequate. In some cases, existing policies may actually hinder the poor from doing so. This is the concern that motivates this paper.

The case is Vietnam, a low-income developing country yet having one of the most dynamic economies in the region. Since 15 years ago, Vietnam's communist leaders have embarked on reforming its Soviet-style centrally planned economy. This has doubled Vietnam's GDP per capita to about \$400.<sup>1</sup> As will be clear later, however, the historical legacy is still critical for the understanding of policy making and implementation in Vietnam today.

This study uses the key informant method supplemented with official documents, newspaper sources and recently published research on the livestock sector. Overall, 25 formal interviews (mostly using open-ended questions) and four field trips<sup>2</sup> were conducted. Interviews helped reveal policymakers' concerns, whereas field trips allowed the researcher to talk to a few peasants and learn their perspectives from the bottom. Newspapers contained many lively stories of how well intentioned policies went awry at the implementation stage, while published research analyzed various political, institutional and technical aspects of policymaking in the sector. There were far more sources to consult than time permitted; still, efforts were made to approach and incorporate the views of all the stakeholders in the livestock sector: government officials, international donors, academics, and the few peasants with whom the author had the opportunity to speak.

The paper will have the following structure. The first section will discuss why livestock is useful but may also be difficult as a tool for poverty reduction in the particular context of Vietnam today. Since livestock production does not exist in a vacuum but is a part of the rural economy, the broader political economic context will be analyzed next through two key areas: land and rural development policies. This context both facilitates and constrains livestock development in particular ways. Policies as discussed here are viewed not as the sole domain of state leaders but as the result of both top-down and bottom-up processes. The fourth and fifth sections will focus on more specific aspects of livestock production and poverty reduction. These include service and input provision and the recent program of dairy cattle development as a case study of policy making and implementation. Poverty reduction and microfinancing programs are the topic discussed in the sixth section. The seventh section will discuss import/export policies with regard to livestock products. In the final section, the strategic entry points aimed at effectively influencing Vietnam's livestock policymaking will be identified.

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1 This paper uses an exchange rate of VND15,000 for US\$1.

2 These trips included three daylong trips to Son Tay in Ha Tay province, Thanh Ha district in Hai Duong province and Thanh Son district in Phu Tho province, and a three-day visit to Dong Hung district in Thai Binh province. These locations are all about 100 km from Hanoi. Son Tay and Phu Tho are upland areas northwest of Hanoi, whereas Hai Duong and Thai Binh are in the Red River Delta. A planned trip to visit a small livestock project managed by ActionAid in Dien Bien Phu, Lai Chau province, a mountainous area adjacent to Laos, was canceled at the last minute because permission was not granted by provincial authorities.

## LIVESTOCK SECTOR AS A TOOL FOR POVERTY REDUCTION

Although livestock is a promising sector, its potential may vary among countries with different economic structures and institutional histories. Different kinds of advantages as well as barriers exist, molding the future of the sector in each country in particular ways. Distinct features of Vietnam's livestock sector show that the potential is great but difficulties may also be huge, if it is to be used as a tool for poverty production.<sup>3</sup>

Vietnam's livestock sector is underdeveloped. This sector accounts for less than 20% of agricultural production.<sup>4</sup> Growth in livestock had been about the same (5%) as that in the crop sector in the 10 years before last year (2002), when it nearly (and suddenly) doubled to 10%. Growth has largely come from increases in inputs rather than in productivity.<sup>5</sup> Production is far from meeting domestic demands while products are of poor quality and expensive by regional and world standards.<sup>6</sup>

An advantage of underdevelopment is that no large commercial interests yet dominate the sector. Household production predominates although a few large commercial farms near Hanoi and Ho Chi Minh City have emerged recently.<sup>7</sup> Unlike the crop sector, the livestock sector is largely free from direct government intervention.<sup>8</sup> The state-owned corporations involved in livestock production are not as powerful as those monopolizing key crops.<sup>9</sup> Therefore policies to promote growth can be made to favor smallholder production with little obstruction from vested interests. In the same vein, trade liberalization (if necessary) would face less opposition and its benefits can be spread more evenly.

Underdevelopment certainly has its disadvantages. A major one that many reports by foreign researchers have identified is that Vietnamese farmers are good rice growers but poor livestock keepers. Vietnam has little tradition of intensive commercial livestock keeping. As will be discussed in later sections, extension and veterinary services are limited. Government regulations of hygiene are few and weakly enforced, which means the potential for environmental and public health disasters is high. No organized markets for livestock exist: most products are sold at farm gates to local traders for local consumption.<sup>10</sup>

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3 Here it is not implied that difficulties are greater for programs that serve poor farmers and small-scale production compared to those that serve richer farmers and more intensive production. What I mean is livestock programs may face more difficulties in a particular context than other kinds of programs to help the poor.

4 Agricultural contribution to GDP has decreased from one-third to one-quarter in the last decade.

5 The size of the herd in Vietnam has increased about 5% annually for pigs and poultry, and about 3% for oxen; whereas offtake growth rates have been much less, at 2.5, 2, and 0.5% for oxen, pigs and poultry, respectively, IFPRI (2001: 1-10).

6 See the section on export/import policies for more specific information and sources.

7 IFPRI (2001: 4-4).

8 Animal Sector Program Support (2001: 7).

9 See footnote #39.

10 Between 72 and 97% of sales, depending on regions (IFPRI 2001: tables 4.64 and 4.66).

In any case, livestock is only one way to help the rural poor out of poverty.<sup>11</sup> Other important ways are industrial crops and off-farm jobs, including overseas jobs<sup>12</sup> and local construction work. Even policies aimed at developing large farms can be said to benefit the poor through job creation.<sup>13</sup> As I argue in a later section, abolishing taxes on imported livestock products may also help reduce poverty. In particular contexts, livestock projects must be evaluated together with other alternatives.

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11 David Leonard has warned that “the international aid merchant who travels from country to country with only one brand of assistance for the poor does a disservice by installing programs that cannot provide them with benefits in that context and by diverting attention from program possibilities that would” (Leonard 1982: 202).

12 The Farmers’ Association operates a company that sends farmers to foreign countries (e.g. Japan, Taiwan and Malaysia) on long-term contracts (interview with a Farmers’ Association official, June 6, 2003). The work often requires little skills but the wages are often several times those in Vietnamese cities for equivalent work. In 2003, Vietnam plans to send 50,000 workers abroad but the overall effects of these migrant workers on Vietnam’s economy have not been studied (Duy Thong, “Hua hen nhieu thi trung moi” [Many new labor markets to emerge], Tuoi Tre, July 10, 2003, pp. 8).

13 This argument was made to me by a Ministry of Planning and Investment official, June 27, 2003.



### Overview

Vietnam's population density is among the highest in the world, especially in its two main deltas: the Red River and the Mekong.<sup>14</sup> Yet, population pressure and land shortage in the deltas may make livestock production more profitable than crops per unit of land. Livestock policies in Vietnam, however, have seldom been made based on this fact. Rather, livestock activities have played a distantly secondary role to the production of rice.<sup>15</sup> Throughout the period of central planning (since 1955 for North Vietnam and since 1975 for the entire country, up to 1988), livestock was primarily for draught power. Water buffaloes, as a "means of production," were national treasures to be placed strictly under the control of cooperatives. This view of livestock as auxiliary to food crops has changed in recent years thanks to the "miraculous" growth of rice production that has made Vietnam the second largest rice exporter in the world. Hunger is no longer imminent, which has made the obsession with rice and other food crops less powerful.<sup>16</sup> However, land remains an extremely sensitive issue, constraining all current rural development policies.

### Collectivization

The political sensitivity towards land is partly a legacy of collectivization. North Vietnam in the late 1950s launched a national campaign to collectivize its agriculture according to the Soviet and Chinese models.<sup>17</sup> More than 90% of the peasant population turned in their land, tools and draught animals to form cooperatives. Many volunteered, but many more acted under immense state pressure. The mission of collectives was to raise agricultural production and it was believed that collective ownership of the means of production would make that happen. However, peasants were allowed to raise pigs and chickens for private income. Recognizing the importance of draught animals, the state also permitted cooperatives to retain 5% of the harvest for livestock.

For various reasons, the most important of which was the lack of incentives for cooperative members to work hard, rice production declined under collectivization. Family-raised livestock became a site of resistance between the state and peasant households, and the 5% of the harvest for livestock became another site of struggle between cooperatives and the state. Peasants sold their pigs and chickens to the black market rather than to the state trading corporation that paid them lower prices. When the government made them deliver certain weight of animals and pig manure annually to their cooperatives, they sold only inferior pigs to the state while the best ones were sold on the free market. To minimize the actual amount of manure sold to the state, they mixed it with sand and gravel.

Surveys of the 1960s showed that private earning accounted for more than half of an average peasant's income while private productive activities took less than 25% of his

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14 Cultivated land area per capita is 0.1 ha (Le Viet Ly 2003).

15 The total budget for the livestock sector and veterinary services amounts to less than 5% of the total state budget for agriculture (compared to crops with 61% and forestry with 24%) (IFPRI 2001: 3-4).

16 Still, the resolution by the Vietnamese Communist Party on rural economic diversification warns that "food security" [read: rice self-sufficiency] has to be "guaranteed under all circumstances" (Resolution no. 06-NQ/TW, November 10, 1998 by the Vietnamese Communist Party's Politburo).

17 The following discussion of collectivization is based mostly on Kerkvliet (forthcoming: 139-167), and my own dissertation research.

time.<sup>18</sup> The battle between private and collective interests was best captured in the number of draught animals and that of pigs. The latter increased by about 67% between 1960 and 1974, while the former declined in the 1960s. In 1958 there were 1.637 million draught animals. This dropped to 1.589 million in 1963.<sup>19</sup> Meanwhile, on another site of resistance, many cooperatives that did not raise any livestock retained the 5% of the harvest for their members' consumption instead of turning it in to the state.

## Land Policies after Decollectivization

By the late 1970s, the failure of collectivization became increasingly clear to state and Party leaders. After numerous unsuccessful efforts to meddle with the cooperatives, the government in the 1980s decided to return the land to farmers under the form of long-term contracts to individual households. Cooperatives were allowed to gradually dissolve.<sup>20</sup> As with the case of decollectivization in China, this is an example of everyday politics that had national policy consequences (Kelliher 1992). In resisting the state in their everyday activities, peasants did not act collectively or even openly. Although on the surface it appeared that the state initiated reform, in reality it was bottom-up pressure coming from a disempowered but resistant peasantry that forced the state to accept reform. At the time the national leadership enacted reform, many local and provincial leaders had already condoned household contracts among local cooperatives.<sup>21</sup>

The redistribution of land after decollectivization has not been smooth. One problem is land fragmentation:<sup>22</sup> collective land is divided (and re-divided every 10 years) into many types based on land quality. To ensure fairness, a household may be given several small pieces of land far apart from one another, each of a different quality.<sup>23</sup> Another problem is if local cadres are corrupt and keep the best land for themselves or their relatives, or if peasant households demand the return of the particular pieces of land that they turned in when they joined the cooperatives decades ago. Some disputes are serious enough for the villagers involved to travel all the way to Hanoi and camp for months in front of the houses of top government leaders, requesting central intervention on their behalf. With "the reputation of the Party and the state badly affected," the Prime Minister had to issue a decree in 1998 that ordered

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18 This also includes his work on the 5% family plot, which was typical for all collective agricultural systems, including those in the USSR and China.

19 In response, many local authorities returned care (not ownership) of these animals to individual households and this helped reverse or partially stabilize the trend (ibid. 152-3).

20 Many remain, although the scope of their activities has been vastly reduced to the provision of a few services (electricity, water) or inputs (fertilizer, seeds) to villagers. Today many cooperatives still monopolize the provision of these services in their communes but the inputs are competitively provided by the free market.

21 Kerkvliet; also interviews in Thanh Ha district, Hai Duong province, June 25, 2003.

22 Fragmentation may be rational if it reduces risks by giving farmers plots suited to a variety of crops and weather conditions (I am indebted to Prof. David Leonard for this insight).

23 According to a recent government study, the average number of pieces of land cultivated by a peasant household in decollectivized Red River delta is 8.5. There were households that cultivated up to 25 separate pieces, and the smallest pieces were around 10-20 sq. meters. The average distance for a peasant who cultivated 9 pieces of land to travel to all these pieces was 6 kilometers. Many local governments have tried to correct this fragmentation of land use (Van Hoai, "Xoa tinh trang dat manh mun," [To reduce land fragmentation] and Nam Hai, "Don doi ruong o Nhan Hoa, My Hao, Hung Yen," [Land exchanges in Hung Yen], Nong Thon Ngay Nay, February 25, 2003 and January 21, 2003, respectively).

provincial leaders to speed up solving peasants' complaints and not to let them queue up in front of his and other leaders' homes and offices.<sup>24</sup>

Since the early 1990s, the state has granted land use rights, including the rights to transfer and inherit land.<sup>25</sup> In all the laws involving land issued in the last decade, state leaders' most important concern has been land accumulation. They may fear the rise of a new class of landlords and rural capitalists—their ideological enemies, or they may just be concerned for landless peasants and fear the political implication of widespread landlessness.<sup>26</sup> The 1993 Land Law, which is basically still in force today, stipulates that households are not allowed to own more than 3 hectares in the Mekong delta and 2 hectares in the rest of the country. Faced with recent demands by cash crop, salt and fish farmers who needed stable long-term land use rights and larger pieces of land, the state has cautiously extended the terms of land use and removed some restrictions. The term now is 50 years for cash crops and 20 years for salt production and fish farming. The land use limits are still the same. Common lands are not for everyone who wants to rent. Local authorities are instructed to give first priority to retired state employees, police and military personnel who live there. Farmers who have reached the land use limits are next, and then people who are not farmers but who are living there, and finally, people who live outside the area.<sup>27</sup>

Restrictive land policies have clearly discriminated against the rich but they are not necessarily pro-poor. Retired state employees may not be rich but they are not the poorest and probably wealthier than the average peasant. Landlessness does not always imply poverty, as off-farm jobs may offer several times more income than farming does. In addition, land use limits may not prevent landlessness; they only make the transactions go unreported and landlessness hard to measure.<sup>28</sup> The national government has only recently started to study the problem of land fragmentation, while land disputes have risen sharply in recent years due to encroachment by development projects that failed to compensate peasants adequately for their land.<sup>29</sup>

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24 Order no. 35/1998/CT-TTg (9/10/1998). Some petitioning peasants were still seen camping there in May 2003 (personal observation).

25 The rights are granted to heads of households, and there are no clear provisions to include women's names in land certificates either as heads (in the case of female-headed households) or as co-heads (in the majority of cases when there are male heads) (Merkelbach 2000). Bank loans often require land certificates and women may not have equal access to these loans as men do. In the draft of the revised Land Law currently being debated, land use rights are to be given to both husband and wife (information provided by Mr. Do Huu Dung).

26 How widespread is landlessness is not known. For a case of a village in Central Vietnam, see Pham Ngoc Thai, "Khi nong dan phai ban ruong," [When peasants have to sell their lands] Nong Thon Ngay Nay, March 19, 2001. As this case indicates, it is hard to know the extent of the problem because both sellers and buyers hide the transfers of the assets involved from the authorities, which ban such transfers.

27 Decree no. 85/1999/ND-CP (28/8/1999).

28 See "Khi nong dan phai ban ruong..." op. cit.

29 Thanh Loan, "Vi sao cac tranh chap lien quan den dat dai ngay cang gia tang?" [Why the increasing number of land disputes?] Tap chi Nong Thon Moi, no. 87, February 27, 2003, pp. 11-12.

## The Thai Binh Protests

Decollectivization transformed Vietnam from a rice-importing country to becoming the third and then second largest rice exporter in the world in only a few years. Unfortunately, this fast and remarkable success with the rice crop created bureaucratic complacency and inertia in agrarian policies. The state in the mid-1990s turned its entire attention to the cities, where billions in foreign investment was fueling a huge boom.

A critical event that took place in May 1997 in Thai Binh province in the Red River Delta 80 kilometers southeast of Hanoi marked a turning point in state policies. In this month, about 3,000 peasants converged on the provincial capital to protest new taxes and corruption by local officials, with a commune chief reportedly beaten to death by angry demonstrators.<sup>30</sup> An investigation by the central government later found that, in some cases, peasants were required to pay 30 kinds of taxes and forced contributions to central and local governments. In the meantime, corrupt officials from the provincial level down kept ignoring villagers' complaints. The protest was the largest known in Vietnam since the unification of the country and troops had to be sent in to quell it.

The disturbance prompted the Party to launch a number of new rural initiatives, including limited political reforms at the local level. Calling for increased "grassroots democracy," new Party resolutions and state decrees ordered the regular elections of village chiefs and the organization of village meetings every six months. Local governments were now required to, in a timely manner, publicize policies, development and land use plans, annual budget auditing results, loans and popular contributions for construction, and the results of corruption investigations. The people were also given the right to participate and vote for any public works plans that would require their contributions, to determine the amount of such contributions, to establish funds for these purposes and to monitor all relevant activities.<sup>31</sup>

## New Rural Development Policies

Thai Binh generated other changes. Six months after the event, the Party's Central Committee issued a resolution that called for increased investment in agriculture and for the development of farming 'estates' [*trang trai*].<sup>32</sup> This resolution was followed nearly a year later by a Politburo resolution, which acknowledged that party policies and state investment in agriculture in the past had been inadequate. From now on, "rural industrialization and modernization" was considered a "top priority." This was

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30 The protests first began in Quynh Coi and Quynh Phu districts and spread to neighboring areas. In Dong Cac commune, Dong Hung district, angry protesters detained the Commune Chief while the Chief Accountant of the Commune Cooperative fled to Ho Chi Minh City to avoid reprisals (interviews in Dong Hung district, Thai Binh Province, July 25, 2003). See also Todd Crowell and Ken Stier, "Trouble in Thai Binh: The peasants are getting restless," Reuters, October 10, 1997.

31 Decree no. 29/1998/ND-CP (11/5/1998).

32 Resolution of the Central Committee's Fourth Plenum (29/12/1997) and Politburo Resolution no. 06-NQ/TW (10/11/1998) on rural and agricultural development. 'Estate' in American English would mean farms of hundred hectares that employ a substantial labor force. 'Trang trai' in Vietnamese could also mean farms of any large size, similar to 'nong truong'; their difference is that 'trang trai' is an old term now resurrected to designate privately owned large farms, whereas 'nong truong' has been consistently used for state farms. As will be clear later, what most Party leaders had in mind when they discussed this resolution was a kind of 'trang trai' with only limited size and scale. The use of the English term 'estate' here must be understood within this particular context.

to achieve the following goals: (1) food security under all circumstances, (2) the structural transformation of the rural economy to produce and process more goods for export, (3) increased employment opportunities and poverty reduction through public works and public health programs, (4) environmental and forest protection, (5) the expansion of fisheries for Vietnam to become one of the top fish exporters in the world, and finally (6) political stability and rural solidarity. Overall, the strategy focused on large-scale production for export accompanied by increased investment in rural infrastructure and some social programs. Besides rice, cash crops and fisheries, livestock was honored with a separate paragraph. Medium- and large-sized livestock 'estates' were to be encouraged to produce for export. The goal was to raise productivity, to lower the prices of livestock products, and ultimately to make livestock the main sector in agriculture. Also to be promoted was cooperation between 'estates' and households in which the latter would receive capital, seeds or breeds, and land from the former in return for products.

The Politburo resolution indicated that the Party harbored a grand vision of rural development but was still held back by three major reservations. One was the issue of Party members owning large farms in excess of the land use limits. The concern was that Party members might abuse their power and take land from peasants by unfair or illegal means. The other reservations involved landlessness and the conversion of wet rice land for other purposes. In other words, large 'estates' were allowed to develop only if these three issues were closely monitored and tightly controlled. These reservations explained why the resolution was ambiguous on the acceptable size and scale of 'estates:' at one point it supported large- and medium-scale farming 'estates' [*trang trai vua va lon*], at other points it appeared that only household-based large 'estates' [*trang trai ho gia dinh*] were encouraged.

While the Party was clearly slow in reaching consensus, things didn't move faster in the government quarters either. It took the Prime Minister's office (based on recommendations by the Ministry of Agriculture and Rural Development or MARD) one year to produce a resolution that transformed the Politburo's resolution into more specific state policies for implementation. As if to alleviate the concerns of some groups in the Party, the Prime Minister's resolution began by observing that most of these 'estates' were still within the land use limits, that most relied on household labor, and that a significant proportion were owned by retired cadres, police and soldiers.<sup>33</sup> Due to many "controversial issues yet to be settled," the resolution explained, the development of these farms had been limited. For example, 30% of 'estate' owners hadn't been granted their land use certificates.<sup>34</sup> The government is now committed to guaranteeing investment and properties of large farmers against future nationalization, to granting land use rights and rights to employ labor, and to providing tax breaks and access to state credits to 'estate' farmers.

Another four months passed before MARD issued general guidelines for national land use planning to facilitate 'estate' development.<sup>35</sup> MARD and the General Department of Statistics issued another notice that raised the land use limits to 3 and 5 hectares as opposed to the 2 and 3 hectares in previous laws. This notice also specified the numbers of animals or the amounts of annual revenues needed for a farm to qualify as a livestock 'estate.'<sup>36</sup> Two months later, the Ministry of Finance and the Governor of

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33 Government Resolution no. 03/2000/NQ-CP (02/02/2000) on 'estate' farming.

34 This suggests that these owners were accumulating or appropriating land illegally.

35 MARD Circular no. 61/2000/TT.BNN/KH (06/06/2000).

36 Inter-ministry Circular no. 69/2000/TTLT/BNN-TCTK (23/06/2000). An 'estate' must meet either of the two following conditions. First, its annual revenues must exceed 40 million dong (\$2,700) for those located in northern and coastal central Vietnam, and 50 million dong

State Bank issued circulars that offered tax incentives and better access to state credits for large farmers.<sup>37</sup> This drawn-out process indicates that state bureaucrats, like Party leaders, were not resolute in their decisions to promote large-scale farming. According to an informant, this policy was bogged down at the Ministry level because officials could not agree on the specific qualifications of farm sizes.<sup>38</sup> There was a boom of larger farms in the late 1990s but by the time this policy was issued, “the momentum had been lost.”

## Conclusion

To sum up, a clear conclusion emerging from interviews with many central officials is that official views of rural development have gradually but irreversibly changed since the days of collectivization. However, the case of estate legislation suggests that the rural rich still face a ceiling unless they belong to the groups of retired state employees that the state can trust. With this ceiling, the prospects for rural job creation that can keep the poor from migrating to the cities may be limited. The poor<sup>39</sup> are ostensibly in favor: there is a separate component in the Prime Minister’s resolution devoted to social programs and poverty reduction. How this component will be integrated into rural industrialization programs is unclear, however.

In general, the current vision of the Party is still ambiguous with many unresolved issues. Rural industrialization is viewed with both desire and fear. To some extent this reflects the nature of the current transition in Vietnam from a centrally planned to a “market economy with a socialist orientation.” Elements of the old system, such as the ideological antagonism towards the private sector, the heavily subsidized state sector<sup>40</sup> and the unwieldy consensus-seeking Party-State bureaucracy, are in constant struggles with restless peasants and a dynamic albeit nascent market economy.

We have also seen that bottom-up pressure may influence policymaking through both cumulative everyday politics and spontaneous violent protests. Yet this pressure does not guarantee that the poor will get the attention they deserve, or programs that serve them. While there are now regular village elections, former cooperative cadres still monopolize village and commune administration. Agricultural policies are still

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(\$3,200) for other regions. Second, its herd must exceed 10/50 cattle (10 if dairy and breeding/50 if only for meat), 20/100 for pigs, and 100/200 for goats and sheep.

37 Ministry of Finance Circular no. 82/2000/TT-BTC (14/8/2000) and State Bank Governor’s Decision no. 423/2000/QD-NHNN1 (22/09/2000).

38 Confidential interview at MARD, May 30, 2003.

39 The concept of “the poor” or “poverty” without any reference to the theory of class struggle is a new concept in government policy; this point will be returned later.

40 In 2000, MARD oversaw 32 general corporations with total assets accounting for 5% of all assets in the state sector. These corporations, each with dozens of subsidiaries, monopolized or dominated the production and trade of many key agricultural products, including rice, coffee, tea, salt, sugarcane, vegetables and rubber. The performance of state corporations under MARD was poor. They owned debts that accounted for 8% of all overdue debts to the state sector (highest among all ministries except the State Bank itself with 52% of overdue debts). MARD’s corporations themselves had defaulted on an amount equal to 22% of all loans owed by the state sector. One of MARD’s corporations is the General Corporation of Livestock that owned 30 subsidiaries, 3 breeding centers and 5 state farms in 2000; most of these subsidiaries had assets less than US\$1 million (Bo Tai Chinh 2001: 26, 29, 33). Two Deputy Ministers and a General Director of MARD have recently been prosecuted for their involvement in a corrupt MARD’s corporation (Nong Thon Ngay Nay, January 17, 2003). No data on the performance of the General Corporation of Livestock exists, and the writer ran out of time in his interview with its Chairman of the Board of Management to ask about this (interview on June 30, 2003). However, my informant at the Ministry of Investment and Planning said that the corporation had incompetent management, was among the loss-making enterprises in MARD and might be a candidate in the next round of “equitization” [read: privatization] (confidential interview, June 26, 2003). The Livestock Corporation has never been powerful compared to its counterparts in rice, coffee, sugarcane and rubber production. This is not surprising given that livestock has always been the junior brother to crops.

formulated at the top with a commitment to serve the poor but lack specific mechanisms for effective implementation. While bureaucrats argued about the taxonomies of farms, there has been no effort since 2000 to facilitate cooperation between large farms and small peasant households, although the Party did make a general call for the organization of such cooperation.

### Extension Services

As with land and rural development policies, in the past decade important changes have taken place inside state agencies that oversee livestock production. In the days of collectivization, service and input provision was mainly the business of cooperatives. There was no national system of state extension although there was a national network of research centers and veterinary service units. In the early 1990s, the government established the Department of Agricultural and Forestry Extension Service (DAFE) in MARD and reorganized the network of research centers and veterinary service units. Currently, DAFE includes 61 extension centers at the provincial level and 522 extension stations at the district level, which employ more than 3,500 technicians.<sup>41</sup> In some provinces, there are also part-time contract extension workers at the commune level.<sup>42</sup> Extension budget for the central level has increased from \$150,000 in 1993 to about \$5 million in 2003.<sup>43</sup> DAFE runs 19 extension programs every year to introduce to peasants "new economic models" for forestry, crop and livestock. Programs are drafted by DAFE after consultations with provincial extension centers, but governments from provincial level down have to pay for their own extension workers.

Private providers play an important role in the supply of extension services. According to a recent survey, government extension workers account for only 21% of all services provided to surveyed farmers, compared to 23% by private companies. These two are followed by state-owned enterprises (16%) and cooperatives (15%).<sup>44</sup> The latter two (totaling 31%) are what remains from the collectivization era. There is a clear division in the kinds of extension services among the providers: while DAFE is the major supplier of crop management and animal husbandry, private companies are the dominant suppliers of animal nutrition and marketing advice. On the other hand, state-owned enterprises and cooperatives together account for nearly half of the breeding services provided. These percentages point to the strong emphasis of government extension programs on general and technical assistance, especially for crops, and a lack of attention to marketing and animal feed issues. The dominance of state-owned enterprises and cooperatives in breeding services is not surprising: they once monopolized this business in the centrally planned economy.

Only a small portion of surveyed producers (28%) used extension services during the previous year.<sup>45</sup> This low level of service utilization indicates either a shallow reach of the extension network or an access problem (if services were mostly used by wealthier farmers), or both. There is some evidence that an access problem exists. In a different survey, extension service providers (both government and private) visited large farms much more often than smaller ones.<sup>46</sup>

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41 Dang Tran Tinh 2003.

42 45% of communes still have no extension workers, however (ibid.).

43 About 40% of DAFE's annual budget is spent on research and the public dissemination of information. Interview with a DAFE official, June 6, 2003.

44 IFPRI (2001: table 10-5).

45 IFPRI (2001: table 10-1).

46 IFPRI-MARD Survey in 1999, quoted in IFPRI (2001: table 3-49).



Besides an access problem, extension services in Vietnam are heavily oriented towards the intensification of production. Extension workers (especially government ones) are of little help to producers when it comes to non-technical aspects of production. For livestock producers, extension agents are the sources of less than 2% of price and market information (compared to 75% supplied by personal contacts and traders), and about 8% of regulatory information (compared to 74% provided by radio and television).<sup>47</sup> This institutional bias reflects the underdevelopment of livestock production in Vietnam in the sense that most production is very small scale for immediate local consumption (to be consumed fresh with little processing). In this context, market and regulatory information is not crucial to the smallholders. But for DAFE and for regions of Vietnam where economic reform has been slow to reach, this bias may stem from decades of central planning when market activities were suppressed while public means of communication was heavily relied on to transmit government policies to remote areas.

Whether this bias has negative implications for poor farmers is not obvious since no research has been done to find out whether personal contacts and traders may *not* provide the best information about the market to these farmers. According to an informant at MARD, the government has hesitated to organize markets specializing in livestock trading for smallholders because such markets would be “sabotaged” by well-organized networks of private traders.<sup>48</sup> No specific information about these networks exists, however, to draw any conclusion. When asked, farmers in a village in the Red River Delta said that private traders either travel around to look for cattle keepers (who may be seen herding their animals along the roads) or, in the case of pigs, pay a commission to someone in every village so that they will be informed when there are pigs for sale in the village.<sup>49</sup> Some farmers asked did not feel that they had received unfair prices from those private traders, while others felt the opposite.<sup>50</sup> How much power farmers have vis-à-vis traders appears to depend on many local factors, including access to roads and markets, and local competition and demand for particular livestock products.

## Veterinary Services

Unlike extension services, a national system of veterinary service agencies is not a new thing in Vietnam.<sup>51</sup> Nevertheless, the system was reorganized and greatly expanded in the 1990s at the same time with new state regulations concerning veterinary services, animal quarantine, vaccination for animals and slaughterhouse inspections.<sup>52</sup> There are actually two separate systems at present: one includes the Veterinary Department in MARD and six subordinate regional centers (each covering an average 10 provinces), and the other includes provincial and district veterinary stations which are funded by and responsible only to provincial governments. At the commune level, the People’s Committee appoints a 3- or 4-person team of animal health workers who don’t receive any salary and basically work as private providers of

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47 Ibid., table 10-9.

48 Interview with a DAFE official, op. cit.

49 Interviews with farmers in Dong Cac commune, Dong Hung, Thai Binh province, July 25-26, 2003.

50 Interviews in Thai Binh and Phu Tho provinces, July 25 and August 4, 2003, respectively.

51 In its long history, the Department of Veterinary Services for certain periods belonged to a general Department of Livestock and Veterinary Services, and for other periods was placed directly under the Ministry as a separate agency (personal communication with Mr. Do Huu Dung of the Department of Veterinary Services).

52 The most important regulations were the Veterinary Ordinance and the accompanying Prime Minister’s decree no. 93/CP (27/11/93).

veterinary services in their commune.<sup>53</sup> The Veterinary Department and regional centers are authorized with disease and veterinary drugs control, the inspections of cross-border transactions, the maintenance of laboratories, and the drafting of veterinary regulations. The provincial and lower levels of veterinary agencies deliver services and enforce national regulations at local levels. Both systems are responsible for the inspection of slaughterhouses and food processing facilities.

As many reports have pointed out, the problems of the current systems are many, including the inability of the center to collect complete and reliable information about disease incidence,<sup>54</sup> the uneven performance of veterinary stations across provinces with different fiscal capacities, the weak enforcement of hygiene regulations,<sup>55</sup> and the inadequate provision of many services.<sup>56</sup> People who have worked with veterinarians expressed great disappointment at their lack of practical experience in livestock keeping, their poor knowledge of diseases and their limited ability to communicate to farmers.<sup>57</sup> It was also reported that these doctors had low reputation in the system, and top ministry officials only cared about animal health issues when the central government wanted to increase meat exports or when a disease outbreak had just taken place somewhere. On the positive side, veterinary treatments were reported to be effective in around 76% of the cases.<sup>58</sup>

Veterinary services are not provided free of charge. More than 90% of provincial and district stations charge farmers for the vaccines used in government vaccination programs and for the application of the vaccines by a veterinarian. While improved veterinary services can reduce the risks and costs to smallholders, it is not known how much better services would contribute to an average farmer's income from livestock. There is also no data concerning the access of poor farmers to veterinary services compared to rich farmers. The fees charged for veterinary services may create an access problem for poorer farmers and the deaths of animals are much more devastating to them. Costs of vaccinations are only a small part of production costs,

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53 Bollinger (1998: 11-17). During the last few years, some provinces have started to give monthly allowances for animal health workers or livestock extension workers, varying from 30,000 to 120,000 dong (\$2-\$8), for them to carry out some livestock extension work in their commune, and to report animal disease incidents to the district. These workers can therefore be described as semi-private or semi-public (personal communication with Mr. Patrice Gautier).

54 The Veterinary Department's Epidemiology Division receives reports from only half of the provincial stations. These stations are accountable only to provincial governments, and it's up to these governments to pass on information to the central level. Reports are often inaccurate. This problem is worsened because livestock smallholders tend to sell their sick or dead animals to recover part of their capital, while commune-level veterinary workers are often not paid and have no incentive to report diseases (Bollinger 1998: 25-26).

55 According to an official of the Veterinary Department, only one out of 61 provinces are able to enforce hygiene regulations in its slaughterhouses. Food hygiene regulations are enforced by five ministries: Ministry of Public Health, Ministry of Commerce, MARD, Ministry of Fisheries, and Ministry of Science, Technology and Environment (Veterinary Ordinance op. cit.). According to official statistics of food poisoning incidence in Ho Chi Minh city (the largest city in Vietnam with more than 5 million people) in the last five years, the highest was recorded in 2002 (29 cases involving 930 people with 2 deaths) and the lowest was in 2000 (7 cases involving 295 people with no death) ("Thuc pham gay ngo doc," [Food poisoning cases] Tuoi Tre Chu Nhat, July 27, 2003, pp. 12). Ministry of Public Health data shows that in 2000-01, more than 2 million Vietnamese were sick and 65 died because of food-related diseases such as cholera (ibid.). Actual numbers may be much higher. This is not surprising given that 33% of surveyed abattoirs and 46% of meat processors had never been inspected. Similarly alarming, 32% of surveyed abattoirs and 42% of meat processors dumped their wastes in the surrounding environment (IFPRI 2001: 6-18). This problem is not unknown to central policymakers. The National Assembly has just approved a Food Safety and Hygiene Ordinance on July 26, 2003, and it remains to be seen how the new law can overcome enforcement problems.

56 86% of surveyed producers received vaccinations for their animals in the previous year. The number for treatments of internal parasites was 47%, for castrations was 43%, for disinfection was 20%, for natural mating was less than 9%, and for regular stock examinations was less than 1% (IFPRI 2001: 9-10).

57 Interviews with a foreign consultant on June 13 and with an official of the Veterinary Department on June 26, 2003.

58 IFPRI (2001: 9-16).

however. The desirable measure now, for both rich and poor farmers, seems to be better service delivery and more reliable services, although free animal vaccinations and a wider distribution of services will help improve access to poor producers. The experience of the Veterinaires Sans Frontieres (VSF) in upland area of northern Vietnam indicates that poor farmers are willing to pay fees for both livestock extension and veterinary services provided by semi-private or private extension or animal health workers as long as these services are effective.<sup>59</sup>

## Research and Breeding Centers

Agricultural research centers are just as underfunded as other state service agencies. Total state budget for agricultural research in 1999 was about 1.7% of public expenditures in agriculture and 0.08% of agricultural GDP.<sup>60</sup> Funding for livestock research (US\$857,000 in 1999) accounted for about 15% of total funding for agricultural research. Half of this amount was spent on salaries. While "upstream" research activities do suffer, this lack of funding may have forced some research centers to play a more active role in "downstream" activities, such as breeding exotic animals (e.g. goats and snakes), accumulating experience and transferring knowledge in raising these animals to smallholders. The Goat and Rabbit Research Center in Son Tay, Ha Tay province is an example. This center trains farmers and provides goats to them for keeping. The center buys back goat milk (for making goat cheese and selling to restaurants that serve foreign customers) and goat kids (for distribution to other farmers). Goat meat is a valued product in Vietnam and the farmers who participate in this program expressed satisfaction even though it took many dead goats for them to learn the skills and it demanded a great part of their days.<sup>61</sup> In addition, this kind of programs can be developed only in certain areas where farmers have access to grazing land.

The abolition of state subsidies has also generated great changes in the breeding business that involves more common livestock such as pigs and poultry. Before economic reform, the government had set up a national network of cattle, pig and chicken breeding centers to coordinate the importation, maintenance and distribution of exotic animal breeds. This network spread from central to district levels in the form of a pyramid.<sup>62</sup> However, all the district centers had stopped operating by 1994 after subsidies were cut.<sup>63</sup> In their places now and with more active profiles are private companies and farms, including some foreign-owned ones. Central and provincial breeding centers still receive state subsidies but they are all now, together with private farms, competing for a share in the commercial market of piglets and chicks bought for fattening.<sup>64</sup> About 10% of all livestock farms now were specialized in breeding, compared to very few of them before.<sup>65</sup> Between 45 and 60% of customers of breeding centers and farms are smallholders.

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59 Personal communication with Mr. Patrice Gautier of the VSF.

60 IFPRI (2001: 1-32).

61 Interviews with Dr. Dinh Van Binh, Director of the Center, and with a goat-keeping household in Son Tay, Ha Tay province, June 4, 2003. In this family, the husband shared livestock-related work equally with his wife. This project was initially funded by FAO.

62 IFPRI (2001: 11-1).

63 The breeding centers for cattle remain rather intact but artificial insemination services have apparently become more accessible to farmers (interview with a cattle keeper in Dong Cac commune, Thai Binh province, July 26, 2003).

64 Sales of piglets accounted for at least half of the total annual revenue of most government pig breeding centers, while sales of chicks were the dominant revenue source for 5 of the 7 central chicken breeding centers (IFPRI 2001: 11-31). If state subsidies were not included, half of the surveyed chicken breeding centers and a few pig breeding ones made positive profits in recent years (ibid., 11-24).

65 IFPRI (2001: 11-8).

From a technical perspective, privatization has led to “the lack of a national effort in the domestic breed preservation, exotic breed introduction, cross breed development and genetic stock maintenance.”<sup>66</sup> While the collapse of the breeding pyramid is certainly lamentable as quoted above, the changes should be considered as positive in the sense that breeding activities are now geared more towards serving smallholders. The growth in the number of farms specialized in breeding indicates that on average farming households now have better access to breeds (exotic or not). This does not mean that access is equal among all farmers, however. The VSF’s experience in local pig breeds indicates that state extension and research centers, which are the largest suppliers of breeding animals, may be reluctant to deal directly with farmers coming from far away. Because these centers have no distribution network, it is therefore almost impossible for the individual smallholder living in remote areas to buy breeding animals.

## The Declining Importance of Draught Power

Recent changes in land use patterns and agricultural production have also greatly reduced the importance of draught power. After decollectivization and the availability of affordable small tractors imported from Taiwan and South Korea, water buffaloes have lost their previously coveted status and the size of the herd has not increased and even declined in recent years.<sup>67</sup> Now more than 50% of Vietnam’s buffaloes are kept in Northern upland areas. There buffaloes are more valued because more grazing land is available and farmers also own larger pieces. Draught power has become less important in most other areas probably because of two reasons. First, farming households (especially in the crowded Red River delta) now have access to so little land and the prices of rice have fallen so low that rice crops can bring a household only enough to pay taxes and to feed family members and a few animals. Interviewed rice farmers who also kept livestock said that a couple sows or cows could bring more annual income to them than their crops. In addition, land fragmentation often makes it less efficient to use buffaloes. According to a farmer, many pieces of his land were so small that a buffalo would not have enough space to turn around! In many places this has led to a situation in which a couple of households in the village keep a few buffaloes and rent them out to others. These households can specialize in keeping buffaloes because somehow they have more land of their own, their pieces may be less fragmented, or they own some pieces that are better used as grazing land. Otherwise, it’s often more profitable for farmers to own cows since 1) cows gestate longer than buffaloes; 2) they can also provide draught power, 3) they are easier to handle (buffaloes often destroy crops in their search for food), and 4) beef is more expensive than buffalo meat. Although draught power may be part of the calculations, the value of cows includes much more than draught power.

## Summary

In all the important areas of livestock services and research reviewed thus far, the overall picture is complex. Except for a new extension service system, the role of other state agencies has become less significant. As the livestock sector has expanded greatly during the last 10 years, private agencies are filling in the gap, meeting part but not all of the growth in demands. The underfunded and understaffed institutional structure in research and service provision indicates on the one hand missed opportunities for the facilitation of faster livestock production growth, and on the other hand a dangerous situation in food hygiene and public health. In contrast, the

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<sup>66</sup> Ibid. 11-30.

<sup>67</sup> Nguyen The Nha et al. (1999: 9-10).

privatization of many services at local levels has apparently been a positive development for household farms, which now have better access to a variety of services from many competing suppliers.

### Policymaking

At the top, policymaking in MARD has also changed significantly in the past decade. A new Department of International Cooperation has been set up, and several foreign aid agencies now have project offices located inside the MARD complex. Official development assistance loans at low interest rates now account for more than 60% of investment funds under MARD.<sup>68</sup> Nevertheless, continuity is strong. Despite a recent boost in the number of mid-level officials trained in the Western methods of economic management, MARD is still dominated by officials with engineering or technical background trained in the former Soviet bloc countries.<sup>69</sup> As knowledgeable and dedicated as they may be, these officials are used to the central planning method of policymaking, by which political leaders and state bureaucrats set targets in multi-year plans and allocate resources accordingly. Targets are determined by political needs, bureaucratic rationale and sometimes top leaders' personal whims, rather than by estimated social demands or careful market analyses.

This policymaking style can be specifically observed in a recent program aimed at promoting a domestic dairy industry to produce milk for import substitution. The program began with a Prime Minister's decision based on recommendations from MARD.<sup>70</sup> The decision asked MARD, provincial governments, the Ministry of Commerce, the State Bank and other ministries to collaborate in assisting farmers, households and foreign investors in expanding the national stock of exotic dairy cattle. The goals were 100,000 dairy cows by 2005 with milk production to meet 20% of domestic demand.<sup>71</sup> By 2010, domestic milk production should meet 40% of domestic demand and reach 1 million tons annually thereafter. The measures to be issued included land planning, the conversion of some land into grazing land, domestic breed improvement through importing of exotic breeds for crossbreeding, the building of more milk production factories, the free provision of vaccines and semen, the provision of tax breaks and credits at subsidized rates, and the establishment of an insurance fund and a professional association of livestock farmers. The first step was to build up, in 2-3 years, a pure line breeding stock.

The Prime Minister's decision especially encouraged households, including both poor ones and "household-based estates," to participate in the program. It called on milk processors to organize networks of household suppliers and to pay these suppliers a price that would allow them to have some profits. It told the Ministry of Commerce to regulate the import of milk products so that domestically produced milk would be protected. It supported the Women's Union and the Farmers' Association in organizing farmers into groups to help the poor borrow money for livestock keeping. It went into

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68 Interview with an official at the Department of International Cooperation, MARD, on June 25, 2003.

69 Interview with an official in the Policy Department, MARD, on May 30, 2003.

70 Prime Minister's Decision no. 167/2001/QĐ-TTĐ (26/10/2001). There was a similar program to promote pig production for export; see Prime Minister's Decision no. 166/2001/QĐ-TTĐ, issued on the same day with the Decision on dairy cattle. The goal was to increase the export of pork from 30,000 tons in 2000 to 80,000 tons per year by 2005. The two programs were quite similar as far as policymaking style was concerned. The following discussion will focus only on the dairy cattle program because more information about this program is available.

71 Vietnam is estimated to have 35,000 dairy cows in 2000. Note that the size of the herd in 1994 was 16,500; doubling the herd took 6 years. The Decision set the goal of tripling the size in 4 years ("Cau chuyen dai ve nhap bo sua, ky I" [The saga of imported dairy cows, part I], Van Hoai, Nong Thon Ngay Nay, November 22, 2002, pp. 6.

such details as to advise milk producers that they should conduct effective marketing so that they could sell all of their products!<sup>72</sup>

## Policy Implementation

To triple the size of the herd in four years, the authorities rushed to import exotic breeds from overseas. A year after the decision, nearly 3,000 cattle had been imported from the US and Australia.<sup>73</sup> Note that it took nearly two years for MARD to follow up on the estate farm legislation, but only two months for the first load of dairy cattle from the US to arrive based on the Prime Minister's Decision. By the end of 2002, the size of the herd had increased to 49,500. Import may be justified, but the importation of a large number of exotic dairy cattle required experienced technicians, extensive services and adequate feed, to a level that Vietnam could not supply. By the end of 2002, 10% of the imported cattle from the US and 3% from Australia had died. High-protein grass of the types suitable for these cattle quickly ran out. In a large estate in Tuyen Quang province, only 50% of the feed demand was met. Cattle sheds were not built appropriately and most had simply been converted from old sheds and even pigsties.<sup>74</sup>

Even for those provinces that bought exotic breeds that had been raised in domestic breeding centers, the program was clearly implemented in great haste. In Khoai Chau district, Hung Yen province, the pilot program for the province brought in and distributed to farmers 200 dairy cattle for keeping.<sup>75</sup> The target was 300 for 2003, and 200 or nearly 70% of the target was already fulfilled by April. The provincial People's Committee promised to give each farmer in the program 4 million *dong* (\$267) and one of the state-owned banks was committed to loan them another 10 million (\$667) each. None of these promises have been realized, and farmers had not been taught how to keep the exotic cattle that were already in their sheds. The farmers did have some experience keeping cattle of domestic breeds and fortunately no 'program cattle' had been sick.

MARD officials offered conflicting answers as to who ordered and funded such large imports of expensive dairy cattle with so little preparation. A MARD official claimed that the Ministry had warned against such a hasty implementation but it had no power to stop the provinces from rushing to import expensive exotic breeds.<sup>76</sup> Apparently it was provincial governments that designed specific programs for their own provinces based on the Prime Minister's Decision that MARD penned. Those specific programs in principle had to be cleared by MARD before being implemented but in many cases MARD might not have the veto power.<sup>77</sup> Some provincial chiefs might have had special relationships to top party or state leaders, which made it harder for MARD to veto their pet projects. With regard to funding, the provinces apparently used funds from

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72 In the old socialist days, state enterprises produced according to quotas allocated from above and didn't have to worry about the distribution or marketing of their products.

73 "Cau chuyen dai..., ky II" [The saga..., part II], Van Hoai, Nong Thon Ngay Nay, November 25, 2002, pp. 8. 192 exotic cattle of HF and Jersey breeds were imported from the US in December 2001, followed by 1492 of HF breed imported from Australia in March and May 2002. 2,000 more of HF breed were to come from Australia by the end of 2002.

74 Ibid. As the director of the Dairy Cattle Company in Ho Chi Minh City colorfully described one common experience of his, "The narrow way leading to the shed zigzagged as if it were taking me to a rat's hole. The shed was big enough for the cow to barely turn around. Hot. Dirty. I was surprised that this Australian cattle that cost us more than 20 million dong [\$1,400] was still alive."

75 Khoai Chau: Khi nong dan 'tay khong' bat bo sua" [When empty-handed farmers get free dairy cattle], Mai Phuong, Nong Thon Ngay Nay, May 5, 2003, pp. 10.

76 Interview with a DAFE official, op. cit.

77 Interview with an official at the Department of International Cooperation, MARD, op. cit.

different sources at their discretion, including general-purpose funds, funds for poverty reduction, funds for infrastructure development, and funds from foreign donors.<sup>78</sup> A plausible explanation for the rush to implement the program, often described by officials as “Vietnam’s white revolution,” is that provincial chiefs had short terms in office and they yearned for some large projects to boost their political careers.<sup>79</sup>

The Prime Minister’s Decision explicitly stressed the need to organize smallholders for production. As the Decision was carried out, this simply meant that each farmer received three or four cattle with some promises of future assistance. The thrust of the program when it was being implemented was not on the organization of production, which would have been hard and time-consuming, but was on import, which was easy and involved lucrative overseas trips.<sup>80</sup> The analysis thus far suggests that centrally planned policymaking and implementation needs not be slow. When there are material and political benefits that can be shared across bureaucratic levels, the speed of policymaking and implementation can be astounding.

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78 For many provinces, these funds originally came from or will be paid out of the central government’s budget. Currently only 5 or 6 cities and provinces are rich enough to contribute funds to the central budget; the rest (55 or 56 provinces) either can’t contribute or have to be assisted by the central government, which has been called the “big breast.” It is hoped that 7 or 8 more provinces will be able to contribute by the end of this year, however. Dam Luan, “Them tinh, thanh dieu tiet ve trung uong” [More provinces and cities to contribute to the central budget], *Thoi Bao Kinh Te Viet Nam*, June 28, 2003.

79 Interview at MARD on June 26, 2003. Readers who are familiar with agricultural policymaking in Vietnam can see the parallel of this case to the disastrous national sugarcane program, which was also a national scandal at the time this paper was being written. The amount of losses incurred by state enterprises in this program was estimated to be 2,400 billion dong (\$160 million). In a frank interview, the former Minister of MARD Nguyen Cong Tan described how provincial chiefs had used all kinds of pressure and tricks to make him approve a sugarcane factory for their provinces even in cases when the climate of their provinces was not suitable for sugarcane farming. Some of the tricks were to request approval for a small factory but to build a much bigger one, or to pay foreign suppliers first for the equipment and then request approval (“Tra loi ve Chuong trinh Mia Duong, nguyen Pho Thu Tuong Nguyen Cong Tan,” [Comments of the National Sugarcane Program], *Tuoi Tre*, July 5, 2003, pp. 11). It should be kept in mind, however, that Mr. Tan had been the champion and supervisor of the program. He might just be trying to defend himself by blaming provincial chiefs now that the program became a disaster.

80 In at least one case, I was informed that MARD officials went to the US to check the cattle before shipping. It is almost certain that this took place with other shipments.



### 'Poverty' Reconceptualized

To make livestock policies pro-poor, it is important to understand how the government is committed to poverty reduction. In the old socialist days, poverty did not exist officially. To acknowledge that poverty existed would have been tantamount to doubting the legitimacy of the ruling communist party, which claimed to represent the interests of Vietnam's working classes. There were of course charity programs to help the invalids and the poor, especially those who lost family members during the wars against foreign powers. In any case, education and health care were provided free to all citizens, thus lessening the needs for anti-poverty programs. As protracted wars and the centrally planned economy that lasted for three decades reduced national living standards to near subsistence level for the majority of the population, everybody was poor in the absolute sense. Yet nobody was poor in the relative sense because very few people were rich and these lucky few were also not that rich.

With the end of the Cold War and the arrival *en mass* of many NGOs and international donors in the early 1990s, "poverty" as a technical concept divested of political implications has been accepted. As economic reform proceeded, government free services were cut just as *relative* inequality increased. International donors brought in new ways to measure poverty, new measures to reduce it, and funding for new government programs. An informant at the Ministry of Investment and Planning explained that the new approach to reduce poverty that Vietnamese learned from international donors was a comprehensive one: charity was not the only way or even the main way to reduce poverty. Instead, poverty could be reduced by expanded productive opportunities and by social and macroeconomic stability.<sup>81</sup>

### Government Poverty Reduction Campaigns and the Role of Mass Organizations

In 1992, the central government launched a large campaign for hunger eradication and poverty reduction (HEPR). Committees for HEPR were established from national to local levels to coordinate this campaign with the help of mass organizations, especially the Women's Union (WU) and the Farmers' Association (FA). Mass organizations like the FA and the WU have a long history in Vietnam. Organized around the Communist Party, they serve as "transmission belts" and mobilize the masses to support the Party's political programs. The WU has cadres down to the village level in most provinces and has been most active in poverty reduction programs. The FA was resurrected in the late 1980s after decollectivization and has become more prominent in recent years after the events in Thai Binh. It claims to have eight million members in 10,000 out of 12,000 communes in Vietnam.<sup>82</sup> While their extensive network is a plus, the effectiveness of mass organizations at local levels varies widely and is unstable over time. This is first because their cadres are few at local level, often inactive in remote areas, and as a rule are paid very little for their work. Secondly, WU and FA cadres may have to manage many other social and political programs besides poverty reduction ones, such as family planning, women's and children's health and continuing education. Thirdly, mass organizations often have little control over their cadres. The FA has complained that its local organizations are often the

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81 Interview with a Ministry of Planning and Investment official, op. cit.

82 Interview with a Farmers' Association official, op. cit.

landing place for incompetent Party cadres waiting for retirement. On the other hand, when it has trained competent cadres, they are often transferred out to important positions to serve the Party.<sup>83</sup>

## Government Credit Programs

Besides job training and public works programs for poverty reduction, two government credit programs were authorized in the early 1990s. Partly funded and assisted by the State Bank, the People's Credit Fund (PCF) was established with nearly 1,000 branches throughout Vietnam. Only members who contributed to PCF's capital were allowed to borrow money. They elected a board that managed the fund. Despite an ostensible goal to help reduce poverty, the requirement of bank deposits made the PCF a club of better-off households.<sup>84</sup> By 2000, 400 out of 1,000 PCF branches had gone bankrupt. After three years of consolidating, 31 billion *dong* (\$2.4 million) is yet to be recovered.<sup>85</sup>

The second government credit program was the Bank for the Poor (BP), founded in 1995 to lend at subsidized rates specifically to the poor.<sup>86</sup> Borrowers were organized into small groups and certified by the local Committee for HEPR and the commune chairman. The BP was ostensibly an independent institution but in fact was only a subsidiary of the state-owned Bank for Agriculture, which lent staff to the BP and controlled its lending policies and activities. It is therefore not surprising if the BP's lending procedures were cumbersome, similar to those for the State Bank, and could take as long as six months.<sup>87</sup> It is also no wonder if farmers often complained that the claims by BP's executives about their farmer-friendly lending policies as heard on television were not practiced by their staff at the district level who were seconded from the State Bank.<sup>88</sup>

In early 2003, the government revamped the BP with new funding, a broader mandate and a new name, the Bank for Social Policies (BSP).<sup>89</sup> This bank claims to have the largest amount of capital among all Vietnamese banks, but like the BP, at the district level its loan decisions are still made by staff seconded from the state-owned commercial Bank for Agriculture and Rural Development. The BSP maintains that its loans do reach the poor with little hassle: no collateral is required; applications must be processed within five working days; and loans are announced through public loudspeakers and disbursed publicly to prevent village officials or villagers with special connections from secretly taking out loans designated only for the poor. It is still too early to evaluate the effectiveness of the BSP, however.

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83 Minh Tam, "Tran tro, ban khoan tu co so" [Problems at the local level], *Nong Thon Ngay Nay*, June 11, 2001.

84 Nguyen Vu Binh, "Nang cao hieu qua cua he thong Quy Tin Dung Nhan Dan" [Improving the PCF's Effectiveness], *Tap Chi Ngan Hang*, 09/2003, pp. 48-50.

85 Xuan Hong, "Thuc trang cac Quy Tin Dung Nhan Dan" [The current situation of PCF branches], *Kinh Te va Do Thi*, June 9, 2003.

86 The bank was never intended to be financially solvent as its lending rate of 0.5% per month was lower than its borrowing rate (mostly from the State Bank) of 0.7%.

87 In Ho Chi Minh City's rural suburbs, the typical procedure was as follows. The local branch of the Farmers' Association made a list of poor farmers in need of capital and told them to apply. An application had to be certified first by the commune's People's Committee and was forwarded to the district level for consideration. A district committee evaluated the application and sent the approved list to the State Bank, which forwarded it to the City People's Committee. After this Committee evaluated and approved the application, it was sent back to the district government and the bank for processing. The applicant would be notified when the paperwork was ready. "Gian nan chuyen nong dan vay von" [Hurdles for farmers to borrow money], *Nong Thon Viet Nam*, May 7, 2003, pp. 3.

88 Interview with a researcher at the Institute of Agricultural Sciences and Technologies, May 31, 2003.

89 Interview with officials at the Bank for Social Policies, Hanoi, July 11, 2003.

## International NGOs' Microfinancing Projects

Parallel to new government credit institutions are a wide variety of microfinance projects managed by international NGOs. Most of these schemes lend at competitive market rates and require forced savings and immediate repayment by small but regular installments.<sup>90</sup> Borrowed money may be used for all kinds of productive activities, not limited to crops or livestock. Many schemes employ and train local WU's cadres to manage their programs and have been able to expand to neighboring sites. Sooner or later, however, international NGOs will have to transfer the management of their microfinance programs to villagers. Although these programs have been financially sound so far and the number of the poor they serve is impressive, managers are concerned that they may not survive for long after the foreign consultants have left.<sup>91</sup> The concern is that the funds have no legal status. There are also no regulations concerning the organization and financial control of this kind of institutions.

The WU itself has set up its own fund to be managed and financed as an independent institution.<sup>92</sup> This is modeled after Bangladesh's Grameen Bank and appears to be doing well. After 11 years of operation, it currently has 15 branches in 7 provinces. It generally requires five years for a branch to be financially independent, which explains the slow expansion of the fund. Unlike the international NGOs, the WU's own fund is saved from the problem of management transfer. This does not mean that its fund has a solid legal status, and this may become an issue when it operates on a larger scale.

## The Comprehensive Poverty Reduction and Growth Strategy (CPRGS)

In 1998, urged and partly funded by international donors, a committee was formed with the participation of 52 central government agencies. This committee was entrusted with drafting a comprehensive poverty reduction and growth strategy (CPRGS), while the entire project was coordinated by a Government-Donor-NGO Poverty Task Force.<sup>93</sup> Many ministries were directly funded by foreign donors to assemble and train staff, who would write the part related to their ministries.<sup>94</sup> The first draft of this document was brought to six sites across Vietnam to be discussed with poor communities and local officials (a total of 1,800 people were consulted).<sup>95</sup> The Prime Minister approved the final document in May 2002, and currently provincial authorities are submitting projects for consideration under the scope of the document. In the CPRGS, the share of agriculture, forestry and fisheries in public investment capital is to increase from 11% to 13% during 2001-2005. Government expenditures on the sector remain at about 10% of total expenditures.

The CPRGS is perhaps the only case of a policy in which bottom-up participation was implemented systematically and methodically. It is true that the government routinely

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90 Fallavier 2000.

91 Interview with Ms. Trinh thi Huong, Save the Children-UK, Hanoi, June 3, 2003.

92 Interview with an official of the Women's Union T.Y.M Fund, Hanoi, July 17, 2003.

93 An informant in an international NGO told me that the enactment of the CPRGS was a condition for the disbursement of foreign official development assistance to Vietnam. Interview on June 4, 2003.

94 FAO granted MARD \$200,000 for this purpose (interview with an official at the Department of International Cooperation, MARD, op.cit.).

95 Oxfam Vietnam, 2002.

sends its draft laws or policies out for consultations with the public. However, almost always "the public" is limited only to incumbent and retired government officials.<sup>96</sup>

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<sup>96</sup> According to the Vice Chairman of the National Assembly's Office, generally 70% of public comments on draft laws come from state cadres and employees, and most of the rest are from retired state cadres. Le Ba & Da Trang, "Gop y du thao luat dat dai va bo luat o tung hinh su," Tuoi Tre, August 1, 2003, pp. 3. The National Assembly has just announced a plan to publicize draft laws on the Internet to get more participation, but this plan obviously does not serve the poor.

Economic reform has gradually opened up Vietnam to the forces of the global economy. Vietnam's economic policies since have aimed at promoting export while encouraging domestic producers to produce for import substitution. Under these policies, the government seeks to concentrate agricultural production on exportable crops such as rice, coffee and rubber. At the same time, cheaper foreign agricultural products are heavily taxed to prevent their importation. This appears to benefit farmers as producers of agricultural products. As a recent study has shown, however, state-owned companies monopolize the foreign trade of key agricultural products and capture most of the benefits of the trade.<sup>97</sup> Farmers do benefit, and this explains the 5% annual growth rate of agriculture, although growth could have been faster. The livestock sector has followed the same direction as crops. We have seen that recent livestock policies called for the large-scale production of lean pork for export and for increased milk production to meet domestic demands. In 2002, Vietnam exported 30,000 tons of pork to Russia, Hong Kong and Taiwan.<sup>98</sup>

### Alternative Strategies to Develop Livestock Production

There are two issues that need to be separated in discussing the implications of current policies for poor farmers. One involves the choice between different strategies to develop the livestock sector as the economy transforms from a closed to an open one. Livestock raising in Vietnam is primarily a small household-based production system using local breeds and low cost feed products such as household wastes and agricultural residues. The sector produces meat of low quality but expensive by international standards. To produce exportable products of high quality and competitive prices (or products that can compete with and substitute for imports in the domestic market under a free trade system), there are basically two options. One is to build the modern sector from scratch: large-scale, intensive commercial farms are to be organized in selective areas with heavy investment in exotic breeds, commercial feed and modern equipment. This option can generate exportable products in a short time, and competitive prices in theory can be achieved if production reaches a certain economy of scale. As the legislation on 'estate' farming indicates, this option is more appealing to Vietnamese policymakers.<sup>99</sup>

The other option is to upgrade the traditional sector and hopefully develop a modern sector alongside it in the process. In this option, households are to be organized, trained, and linked to form regional networks of production and marketing primarily for domestic consumption. In the process, exotic breeds are to be gradually introduced together with adequate services and advanced techniques of production. After domestic demands have been met and product quality has improved, an export target may be considered. Neither option guarantees that Vietnam's livestock products will be competitive in the world market.<sup>100</sup> The second option, however, is

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97 State-owned export quota holders and export agents collect 59% of estimated profit from processing and exporting one farmer's crop of rice. The farmer receives 16%, the wholesaler 16%, small trader 9%, and taxes account for 17%. (Hainsworth 65).

98 Dang Kim Son, "Thi trường cho chăn nuôi ở Việt Nam" [Markets for livestock products in Vietnam]. *Dau Tu*, July 30, 2003, pp. 11.

99 This is also confirmed in Animal Sector Program Support (2001). See also a recent interview of the Minister of Agriculture and Rural Development Le Huy Ngo, *Dau Tu*, July 30, 2003, pp. 11.

100 Prices of livestock products are high mostly because of the high cost of feed, which accounts for 70% of total costs. Feed in turn is more expensive in Vietnam than in other countries because of the insufficient production of corn and other ingredients, whose prices are also higher than international prices (it should be kept in mind, however, that corn feed is most relevant to industrial production, except probably for pigs). Imported corn faces a tax of 10%, and the Ministry of Finance (MOF) has refused to abolish this tax despite pleas from MARD. The MOF's desire for tax revenues is only one reason. The General Corporation of Livestock (GCL) apparently does not support the

clearly pro-poor in the sense that it does not require special skills and a large amount of capital from farmers. The first option in theory can be carried out with the participation of household farms, including poor ones, through household out-rearing for large private or state-owned farms. This is easier said than done, however, given the low level of household professionalism in relation to animal feed and management.<sup>101</sup>

## Strategies to Meet Domestic Demands of Livestock Products

Above are two options concerning strategies for livestock *production*. Just as important are strategies to meet domestic livestock *consumption*. First, the supply of livestock products in Vietnam is low relative to domestic demand. Domestic milk production meets less than 10% of demand.<sup>102</sup> Meat consumption per capita has increased from 15 kg in 1990 to 25 kg in 2002 but is still low compared to China (35 kg) and Hong Kong (55 kg).<sup>103</sup> If the Chinese level of meat consumption can be used as a benchmark, current Vietnam's production probably meets less than 60% of domestic demand. Second, the prices of Vietnamese meat are much higher than world and regional prices. Prices of lean pork in Vietnam are 1.3-1.6 times higher than those in Chicago. In 2002, prices of Vietnamese pork exported were 1.5 times higher than those of China with similar quality. Chicken meat is 30-40% more expensive than that in Thailand. The milk price in Vietnam is \$0.25 per liter whereas those in New Zealand and Australia are \$0.14 and \$0.17, respectively.<sup>104</sup> Finally, livestock products account for a large proportion of household expenditures<sup>105</sup> and are important to improve the health of the malnourished poor and their children. According to UN data, 18% of Vietnamese are undernourished or malnourished compared to the regional average of 10%.<sup>106</sup> Currently imported livestock products are heavily taxed, from 15 to 100%.<sup>107</sup> Therefore, it may be more beneficial to poor consumers if imported livestock products are encouraged alongside with efforts to increase production. Trade liberalization may immediately benefit the poor's budget and health without any increased investment in production.

However, agricultural officials are exclusively devoted to make Vietnamese products more competitive so that they can be exported.<sup>108</sup> International consultants are not blind to the issue but have pointed out some good reasons why trade liberalization may not generate higher consumption. Imported meat, it is believed, might not sell in

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repealing of the tax because this would favor the 100% foreign-invested feed companies. These companies dominate the feed industry and would benefit much more from the tax cut than the subsidiaries of the GCL (Interview with an official at the Ministry of Investment and Planning, June 26, 2003). See also Tran Kim Anh, "Nganh chan nuoi: thuan loi va thach thuc" [Livestock production: advantages and difficulties], *Dau tu*, July 30, 2003, pp. 12.

101 Animal Sector Program Support (2001: 10). Household professionalism is low because few Vietnamese farmers have specialized in livestock production.

102 In 1998, the average annual fresh milk consumption was 5-6 liters per capita while domestic production only supplied 0.4 liter (Nguyen The Nha et al. 1999: 17).

103 Dang Kim Son, op. cit.

104 Interview with a DAFE official, op. cit.

105 For example, household expenditures on livestock products account for 25% of their total expenditures in Hanoi (Dang Kim Son, op. cit.). It certainly accounts for a larger proportion of households' budgets in rural areas, if consumed at the same level.

106 "Bao cao phat trien con nguoi nam 2003" [Human Development Report of 2003], Tuoi Tre, July 10, 2003.

107 Import taxes and value-added taxes for pork are about 40%, frozen meat 15-25%, frozen fish 40%, milk products 40-100% (Decree no. 14/1999/ND-CP (23/3/1999)).

108 There are exceptions. A professor of the National Institute of Animal Husbandry suggested to me that the government should pay for a program that distributes free milk to students so that the next generation would have better health. Interview on June 4, 2003.

Vietnam because Vietnamese like fresh and not frozen meat.<sup>109</sup> Yet there has been no study of the possible effects of trade liberalization on the domestic market. Culture may be mistaken for prices, quality and availability. First, if the prices of frozen meat are reduced and if it becomes more available thanks to the removal of import taxes, the (urban) poor may accept it.<sup>110</sup> An analysis of price elasticities of meat products indicates that consumers will respond strongly to price cuts.<sup>111</sup> With occasional outbreaks of food poisoning, well-preserved frozen meat has its own appeal. Second, if imported frozen meat is viewed as inferior and is consumed only by the urban poor, this may have no effect or even help raise the prices of locally produced *fresh* meat, now perhaps to be consumed only by the wealthier.<sup>112</sup> Imported meat in this case may not affect and even benefit poor farmers as producers. Finally, imported meat can be processed to make canned meat, (Chinese-style) sausage and frozen eggrolls that Vietnamese favor.<sup>113</sup>

In the case of milk, perhaps more research is needed to make the case for trade liberalization. While prices of fresh milk are higher in Vietnam than in Australia, this does not mean that Australian fresh milk would be cheaper if it were sold on the Vietnamese market. This fact alone, however, does not eliminate the potential benefits of trade liberalization to the poor. Some data in the late 1990s, however, indicate that milk importing and processing were highly profitable for Vinamilk, the state-owned company with a near monopoly of the business. In 1998, for example, Vinamilk bought about 30,000 tons of domestic fresh milk and imported around 3,500 tons of milk powder and 20,000 tons of fresh milk. Imported powdered milk was mainly the low-quality category at \$1,200-1,500/ton FOB (compared to category A of good quality at \$1,800-2,000/ton). Annually Vinamilk contributed to the state budget a sizable sum of about 170 billion *dong* (\$11 million).<sup>114</sup> As imports came at subsidized prices from Australia and EU countries, most of the mark-up would therefore go to Vinamilk's coffer.

There is currently a viable market for locally produced fresh milk, and perhaps there will still be one (to serve middle-class consumers) even with trade liberalization. This is because domestically produced fresh milk may still be cheaper than imported fresh milk. There are thus two issues worthy of concern: on the one hand poor producers need to be protected from subsidized (and thus unfair) foreign competition, and on the other hand, state monopolies must be prevented from reaping all the benefits of foreign subsidization and trade protection at the expense of poor consumers. It may take a long time for domestic producers to meet domestic demands, so the second issue is just as important as the first.

It should be kept in mind that trade liberalization will not help poor farmers (mostly of ethnic minorities) in remote and upland areas. Neither will programs to promote dairy cattle and lean pigs for export. These farmers need special programs tailored to

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109 See IFPRI (2001: 3-8). In addition, it is also argued that transport and marketing costs might make the importation of foreign meat not profitable.

110 Many shops that serve cheap pho bo (the popular Vietnamese beef noodle dish) on the streets in Hanoi are now substituting horse and water buffalo meat for beef (which is more expensive but tastier). This case suggests that price may be more important than taste.

111 Dang Kim Son, op. cit.

112 This phenomenon is observable among Vietnamese immigrant communities in the US. Vietnamese immigrants who can afford it prefer to buy "walking chicken" raised in traditional farms than commercially produced chicken, even though the latter is generally 3 times cheaper (personal observation).

113 There are only a few large meat-processing factories in Vietnam with modern equipment (Nguyen The Nha et al. (2001: 15-17).

114 Ibid. 17-18.

their specific localities,<sup>115</sup> and the right animals for them may be goats, ducks, pigs of local breeds, or water buffaloes.<sup>116</sup>

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115 Mr. Patrice Gautier of the Veterinaires Sans Frontieres suggested to me an apt motto, "think locally, act locally."

116 For a review of the main livestock in Vietnam, see "Mission Report" (2003: 6-8).



## Summary

Vietnam has a dynamic economy in transition with a strong and continuing legacy of central planning. The livestock sector is blessed with less direct government intervention and a weak state-owned corporation. The sector has made regular gains in the last decade. Both the relevant state agencies and private businesses have responded well to rising demands and changes in government policies. There is great potential for pro-poor policies to have an impact and the government has shown increasing interest in developing the livestock sector. The sector still faces many constraints, including a restrictive and ambiguous land policy, severely inadequate service provision, limited capacity in the government sector to make, evaluate and enforce policies, continued policymaking in the central planning style, and an excessive emphasis on export at the expense of the development of domestic markets for livestock products. Domestic markets may be far easier for poor producers to access than foreign ones.

The political system is still characterized by the typical weaknesses of a centrally planned economy: too much top-down control and a soft budget constraint.<sup>117</sup> The state still intervenes heavily into and seeks to control productive activities at the expense of private initiatives. State agents also collect huge amounts of rents from producers and consumers mainly through their monopolization of trade access. As indicated in the case of the dairy cattle program, investment decisions were often hastily made and fiscal discipline was only weakly enforced. Provincial politicians who scrambled to get a share of the central budget faced only weak constraints. Their ability to get what they wanted was often determined less by the financial and technical soundness of their investment project proposals than by the political capital they could muster or the tricks they could play.

Bottom-up inputs into the policymaking process are not systematically encouraged, which has occasionally led to rural unrest and other spontaneous protests.<sup>118</sup> The state is committed to poverty reduction, and *absolute* poverty has been effectively reduced in the last decade thanks to rapid broad-based economic growth. Nevertheless, rural development is encouraged only with great caution. While there is strong political resistance to large private farms, livestock policies have not directly and specifically addressed the role of the poor. Nor have specific measures been designed to assist them. Overall, the rich are to be restrained, the poor to be feared, only retired cadres to be trusted. This insufficient commitment to poor producers stems from a bureaucratic ignorance of their needs, from an official vision of rural industrialization that only values large-scale industrial production for export, and from the influence of ambitious provincial politicians and well-connected state corporations.

Foreign donors have increasingly intervened into the policymaking process with new concepts, methods and money, on behalf of the poor. There are currently donor-funded projects to upgrade governance capacity in MARD, to strengthen the capacity of veterinary workers and the system of disease reports, to organize microfinancing schemes for poor communities, and to create best practices and models for replication.<sup>119</sup> The government's desire to join trade pacts (such as ASEAN Free Trade

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117 See Kornai (1992).

118 Vietnamese peasants do have a tradition of resistance to unwelcome state policies. See, for example, Scott (1976) and Ngo Vinh Long (1991).

119 The donors involved in these projects are, for example, the Danish Official Assistance Agency, the Veterinaires Sans Frontieres, Save the Children-UK, and ActionAid.

Agreement and WTO) will also force it to liberalize trade, which could benefit poor livestock consumers and possibly producers. The influence of foreign donors has its limits, however. Government agencies may sign project documents to start the fund disbursement process but later may renege on certain items they don't like.<sup>120</sup>

## Strategic Entry Points

The analysis thus far suggests a number of strategic entry points to make livestock policies better serve the interests of poor farmers. As discussed below, the first point addresses the political constraints imposed on the general direction of rural development in Vietnam today. The other points deal with the orientation of trade and livestock development policy, policymaking capacity, and institutional weaknesses specifically related to the livestock sector.

First, as seen in its current rural development policies, the Party cherishes grand ideas but there is an ingrained mistrust of rich farmers and large-scale private production among certain political constituencies. Such negative sentiments can be turned into positive use, however.<sup>121</sup> Foreign donors stand to gain important domestic allies if they promote a vision of rural industrialization and modernization through small-scale household production as the means both to reduce rural poverty and to avoid exploitation. This vision offers Party leaders what they like (industrialization) while allaying what they fear (rural capitalism or rebellion). The language of "modernization" and "industrialization" may be alien and even repulsive to donors but Party leaders would be strongly interested in ideas and programs that offer rural modernization without the creation of a new rural capitalist class or rural proletariat. Stronger efforts to discredit the still prevalent view that associates small-scale production with backwardness and poverty reduction with charity are also particularly helpful. On a more practical level, the Comprehensive Poverty Reduction and Growth Strategy is being implemented and there is an opportunity to channel more resources into livestock development projects.

Second, development policy in Vietnam is in general to promote exports while limiting imports in agricultural products. Policy is not sufficiently sophisticated to distinguish among various commodities, for some of which import restrictions are helpful but for others such restrictions may do more harm than good. There is currently a serious lack of understanding of how the market works, in all areas but also in particular livestock production. This lack of understanding has led to national programs to develop exportable livestock products that Vietnam apparently has little comparative advantage while demands from domestic markets for these products go unmet. This points to the need for donors to assist the government in studying the effects of trade liberalization on livestock production and the domestic markets for livestock products in relation to the interests of not only poor producers but also those of poor consumers. This should be part of an effort to study and analyze the domestic markets for livestock products with varying degrees of processing involved. This effort is currently missing. Vietnam has a large domestic market of 80 million people but the potential of this market is not known with clarity for making appropriate policies.

Another area where limited outside assistance can go a long way is in the designing of livestock programs that target poor producers. Current government policies throw some rhetoric of poverty reduction into ambitious dairy cattle and lean pork production programs and expect these programs to serve the poor. Policymakers, especially those at the top level, are in general supportive of pro-poor programs but they may not understand the nature of rural poverty, may not know the sophisticated

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<sup>120</sup> This is the experience of a foreign donor interviewed.

<sup>121</sup> I am indebted to Professor Leonard for this insight.

techniques of program design, or may not expect the difficulties of organizing production in ways that can benefit poor producers. With donors' assistance, they may be able to craft new programs with specific instructions about, and investment into, establishing linkages between household farms, service centers, and the markets for their products. Donors may also help the government realize the importance to have separate programs for peri-urban poor producers and those in upland or remote areas.

Two institutional weaknesses stand out that also need more attention than they have now. First, provincial research and breeding centers currently lack the autonomy needed for faster adaptation to market demands. Also, the separate service agencies (extension, veterinary and breeding) lack the needed synergy to operate more effectively.<sup>122</sup> Stronger linkages between state agencies and private service providers must be helped to form with the long-term goal of developing them into comprehensive service centers for their provinces. These may include subcontracts or the partial privatization of research centers. In general, donors should make sure that their funds and capacity assistance be directed more towards upland and remote regions where the poorest producers are found and where the private sector may not be interested in.

A second institutional bottleneck involves the lack of a legal framework for the operation and monitor of microfinancing institutions. There is currently strong bureaucratic and political resistance to the methods of microfinancing (commercial interest rates, forced saving and immediate repayment with regular but small amounts) among state bank managers and other bureaucrats who argue that these methods would require too much of the poor. This is either because they don't understand the poor or because they hate to abandon a patronage relationship in which they are the people who distribute goodies on which others depend. Donors' loans or grants to the State Bank should include the condition that Ministry of Finance officials be committed to the establishment of microfinancing institutions. There is currently some support, if still latent or inarticulate, for microfinancing among those who work directly with the poor. Donors may identify and approach strong provincial branches of the Women's Union or the Farmers' Association and assist them in forming independent microfinancing agencies like the T.Y.M. Fund discussed above. The current Bank for Social Policies may be persuaded to establish an independent subsidiary *with its own staff* specialized in lending for livestock projects. This subsidiary does not need to be present in every province but must concentrate its activities in provinces with a large poor population and some potential for livestock production.

Politics in Vietnam is currently in a state of flux. The old ideological framework has fallen apart and been abandoned but has not been replaced. Political interests are thus the key to determining policymaking and implementation. Livestock production and poverty reduction, however, are marginal policy areas and the stake is generally low for top-level leaders. All the above recommendations are thus politically feasible in the sense that opposition to them is more from mid-level bureaucrats and thus surmountable. This does not mean that they will be easily accepted, but with sufficient resources to back up programs and efforts to identify political allies for the cause, donors may be able to make livestock policies better serve the interests of the poor.

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122 I am indebted to Mr. Patrice Gautier for this point.

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