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through Agriculture and  
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# Country Paper from Viet Nam\*

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## Overview

### Overview of Viet Nam's economy in 2006

In 2006, along with fundamental advantages brought about by 20 years of development, the Vietnamese economy faced a number of natural calamities: drought in the early months of the year followed by mega typhoons and torrential rains and floods in the remaining months devastated the country's economy. Anthrax broke out over a large area. Different kinds of insects devastated rice crops in the Mekong River Delta causing great losses. Prices of some key commodities in the world markets such as gasoline, fertilizers, and pesticides fluctuated greatly. The EU market for leather shoes shrunk. However, thanks to the close direction of the Government with appropriate solutions and measures, and the efforts of enterprises and the business community, the Vietnamese economy still developed strongly in 2006.

The economy attained a high growth rate in 2006. Most key economic targets set by the National Assembly were achieved or exceeded. gross domestic product (GDP) grew at 8.17 per cent (planned at 8 per cent), of which the agricultural, forestry and aquatic sectors grew at 3.4 per cent (against the planned 3.8 per cent), the industrial and construction sectors grew at 10.37 per cent (planned at 10.2 per cent), with industry growing at 10.28 per cent. The services sector's growth was 8.29 per cent higher than the planned 8 per cent target.

GDP per capita reached more than VND 11.5 million, equivalent to US\$ 722 which is US\$ 80 higher than the 2005 figure.

Viet Nam's rural sector with 9.3 million hectare of productive agricultural land, 76 per cent of the population and 72 per cent of the labour force is an important economic sector.

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In 2006, the production value of agricultural, forest products and rural trade grew at 4.4 per cent, up from 3.6 per cent in 2005 (crops production value rose: by 2.7 per cent, livestock: by 7.3 per cent), forestry increased by 1.2 per cent, and rural services increased by 2.7 per cent. The added value of agro-forestry sector increased 2.77 per cent (agriculture up by 2.84 per cent, forestry up by 1.14 per cent). The proportion of agro-forestry reduced from 21.2 per cent in 2005 to 20.4 per cent in 2006 and contributed 0.67 per cent to GDP growth.

**Table 1. Socio-economic statistical data, 2005-2006**

Items	Unit	2005	2006
1. Gross domestic product (at current prices)	billion Dong	839 211	973 790
2. GDP growth		8.4	8.17
- Agriculture forestry & fishery	percentage	4	3.4
- Industry and construction		10.6	10.37
- Service		8.5	8.29
3. Economic structure			
- Agriculture forestry & fishery	percentage	21.2	20.4
- Industry and construction		40.97	41.52
- Service		38.01	38.08
4. Contribution to GDP growth			
- Agriculture forestry & fishery	percentage	0.8	0.67
- Industry and construction		4.2	4.16
- Service		3.4	3.34
5. GDP per capita	USD	639	722
6. Exported goods and services	billion USD	36.49	44.7
7. Imported goods and services	billion USD	41.92	49.53
8. Population	million	83.2	84.11
9. Labour and employment	million	42.71	43.44

**Table 2. Agriculture statistical data, 2006**

Items	Unit	2006
1. Increasing of Agriculture output values:	percentage	4.4
- Agriculture	percentage	3.6
- Forestry	percentage	1.2
- Fishery	percentage	7.7
2. Total area of whole country	thousand ha	33 121.2
3. Total area of Agricultural land	thousand ha	24 583.8
- Agricultural production land	thousand ha	9 412.2
- Forestry land	thousand ha	14 437.3
- Water surface land for fishing	thousand ha	701.6
- Land for salt production	thousand ha	14.1
- Others	thousand ha	18.6
3. Cereal production	million tons	39.65
4. Fishery production	thousand tons	3 697.9

Total exports of agro-forestry products in 2006 gained VND 7.16 billion, an increase of 19.7 per cent over 2005. Such key products as rice, coffee, pepper, cashew nut and rubber continued keeping their position in the world market. Production of wood and wood-made products rapidly increased.

**Table 3. Turnover and volume of exported agriculture products, 2006**

Items	Exported volume		Turnover	
	2006 (tons)	2005 (%)	2006 (USD)	2005 (%)
Rice	4.7 million	-10	1.3 billion	-8.3
Coffee	887 thousand	-0.6	1.08 billion	47.8
Rubber	717 thousand	22	1.3 billion	62.5
Cashew nut	126 thousand	16.2	504 million	0.5
Tea	103 thousand	17	108 million	12
Pepper	119 thousand	9.3	198 million	31.5
Forestry products			2.16 billion	21

However, at present the quality of agro-forestry products for export is still limited reducing the competitiveness of Viet Nam's agro products. Especially in the context of Viet Nam becoming an official member of WTO, big opportunities and challenges face the country's producers and exporters. The Ministry of Agriculture and Rural Development is co-ordinating with other ministries and localities to prepare active methods and develop and improve production and trading policies of agro-products to meet WTO regulations.

### Poverty reduction – overview

Viet Nam has succeeded in reducing poverty rates from over 30 per cent in 1992, to under 7 per cent in 2005 (according to the former poverty standards (period 2001-2005), income per person per month was VND 80,000 in mountain areas, VND 100,000 in rural areas and VND 150,000 in urban areas). The current standard is VND 200,000 in rural and VND 260,000 in urban areas. Using current standards the poverty rate fell from 23 per cent in 2002 to 22 per cent in 2005 and again to 15 per cent in 2007, largely due to rapid annual economic growth, averaging 8-9 per cent annually. Viet Nam has made remarkable progress, but lifting the remaining one-fifth of the population out of poverty will not be easy. People living in remote and mountainous areas, particularly ethnic minorities, now comprise a growing proportion of the population in poverty. Despite declining poverty, child malnutrition remains widespread. Increasing out-of-pocket expenditures for health and education represent a serious challenge to social equity. Rising inequality is another risk of rapid economic change as it can slow the rate of poverty reduction and erode social cohesion.

## **Poverty reduction activities**

Viet Nam has many policies, programmes and projects to eradicate hunger and alleviate poverty. Poverty reduction activities planned for the period 2006-2010 include:

- The Prime Minister issued the Decision No.07/2006/QDD-TTg dated 10/01/2006 approving the Social-economic Development Programme for Extremely Difficult Communes in Ethnic Minority and Mountainous Areas for the period of 2006-2010 (Programme 135 phase II)
- The National Targeted Programme on Poverty Reduction (NTP-PR) (2006-2010) (P20 – launched by February)

The National Targeted Programme on Poverty Reduction and Programme 135 (2006-2010) has been playing an important role in reducing poverty and addressing inequalities by delivering additional resources and services to poor areas and poor households. By approving these two programmes, the Government has reconfirmed its commitment to reduce poverty further and to achieve both the Millennium Development Goals (MDGs) and the Viet Nam Development Goals (VDGs).

There are other related projects and programmes such as the national extension programme, compulsory primary education programme, rural clean water supply programme and the rural electricity supply programme.

### **Programme for Extremely Difficult Communes in Ethnic Minority and Mountainous Areas for the Period of 2006-2010 (Programme 135 phase II):**

#### *Objectives*

Overall objective: Radically accelerate production and promote the agro-economic structural shift in the direction of market-driven production; sustain the improvement of spiritual and material living conditions of the ethnic people in extremely isolated communes and villages, and narrow the development gap between ethnic groups and other regions. By 2010, basically there will be no hunger-stricken households in the targeted areas, the number of poor households will drop below 30 per cent based on the poverty line specified in the Prime Minister's Decision No 170/2005/QD/TTg dated 08 July 2005.

Specific objectives include:

- *Production development:* improve skills and train the people of ethnic minorities in new production practices, accelerate the agro-economic structural shift, increase income and implement sustainable poverty reduction systems. By 2010, over 70 per cent of households will have obtained an average income per capita of over VND 3.5 million per year.
- *Infrastructure development:* Essential infrastructure facilities shall be provided to villages in line with population and production planning for improvement of living conditions of the people, production development and income generation.
- *Specific targets:* 80 per cent of communes will have car road connections to the village's centre; over 80 per cent of communes will have small-sized irrigation works to water 85 per cent of the total acreages of paddy fields; 100 per cent of villages will have enough schools, classrooms and semi-boardings schools where necessary; 80 per cent of communes will be provided with electricity in residential areas; demand for communal houses will be basically met; 100 per cent of villages will have health clinics with adequate facilities.
- *Improvement of the socio-cultural life of the people in extremely difficult villages:* over 80 per cent of households will use clean water; 80 per cent of households will have electricity; fatal diseases will be prevented and controlled; over 50 per cent of households will use hygienic latrines; over 95 per cent of school age children will be enrolled at primary schools and 75 per cent will be enrolled at secondary schools; over 95 per cent of people in need of legal assistance will receive free legal assistance.
- *Capacity strengthening:* village cadres and commune heads will be provided with skills and knowledge on professional and administrative management, poverty reduction; legal awareness will be raised, as will knowledge on investment management and operation management skills needed to fulfil their assigned tasks. Community capacity will be strengthened to promote effective community participation in the supervision of investments and other activities implemented in the areas.

#### *Scope and targets of the programme*

Scope of the programme: all mountainous and highland provinces, ethnic minority areas in the Southern provinces. Targets of the programme include:

- extremely isolated/difficult villages
- border villages, former revolutionary zones
- extremely difficult communes, hamlets of villages in Zone II.

From 2006 onward, uncompleted Programme 135 villages shall be reviewed to be included for investments; consideration shall be given to further inclusion in 2007 of extremely difficult villages and communes in Zone II in accordance with the criteria for classification of ethnic minority and mountainous areas based on development levels.

*Criteria for being an extremely poor village*

Living standards

- 70 per cent of households are poor households
- Three out of four hamlets having the following conditions: 25 per cent of dwellings are cottages; 50 per cent lack adequate water supply; 50 per cent lack electricity supply; 10 per cent of farmers use slash and burn agriculture

Production conditions

- Two out of three villages having the following conditions: 20 per cent are below average land tenure of commune; 50 per cent of land is rainfed land;
- Traditional production practices are used: no extension services; low level of market oriented production

Infrastructure

- No vehicle roads to commune centres
- Two out of three villages having the following conditions: lack of rooms for primary school; no radio system connected with commune; no community house in village.

*Criteria for being an extremely difficult commune:*

- One out of three extremely poor villages
- Poverty rate: 55 per cent or more
- Basic infrastructure: lack of six out of ten types of basic infrastructure
- Social conditions: three out of four villages having the following conditions:
  - Below compulsory primary education standards
  - Lack of normal health care; 50 per cent having no village health care staff



- 50 per cent no access to mass media
- 50 per cent local government staff having primary level job training

*Main tasks of programme*

- a) Support production development and economic structural shift, enhancing production levels of the ethnic minority people
- b) Provide essential infrastructure facilities to extremely difficult villages and communes
- c) Train and foster grassroots cadres, improve administrative and economic management skills and train community to strengthen capacity
- d) Provide services, improve people's living conditions and provide legal assistance to enhance awareness of laws.

*Funding*

- a) The State Government Budget provides provinces with financial support to achieve the targets defined in Item 2, Article 1 of the Decision. These funds are channelled to local provincial government annual budgets
- b) Annual local government budget
- c) Voluntary contributions to be mobilized through various modes from enterprises of all economic sectors, international organizations, individuals and international organizations and domestic sources.

*Project and policy implementation*

Programme 135 (Phase II) has four components implemented through specific projects and policies.

***Project to support production development***

The full name of this is the Project to Support Production Development and Economic Re-Structuring, Skills Improvement and Training on New Production Practices for Ethnic Minorities. The target beneficiaries are:

- a) Poor households – (identified according to the Prime Minister's Decision No. 170/2005/QĐ-TTg dated 08/07/2005 to issue a poverty line for the 2006-2010 period) are provided, on a priority basis, with additional service support by the project.
- b) Groups of households: Beneficiary groups of households shall meet the following criteria: groups consist of poor households and others living in the same village, having a common interest in production development and volunteering to help one

another; groups have a commitment or regulations defining clear responsibilities, rights and contributions (in labour, kind and cash) of each group member to implement the component and have a plan to use the allocated budget to improve incomes and generate jobs for group members; groups have a group leader appointed by the group to manage the group; and the proportion of poor households is determined by the Commune People's Committee (CPC) based on local conditions.

The households and groups of households shall be selected on a transparent, democratic and participatory manner where priority will be given to the poorest to receive investment first. The CPC chairman shall prepare a list of households and groups of households through the Standing People's Council to submit to the DPC for approval.

The Project to Support Production Development includes the following *Specific investment projects*:

- a. Support for agricultural, forestry, aqua-culture and industrial extension services. This includes: (i) disseminating advanced technologies, techniques, market information and prices; and printing, publishing and disseminating production procedures for crops, domestic stocks, post-harvesting, processing of agro-forestry products; (ii) providing training and vocational training to improve rural and agricultural economic management skills and knowledge; organize study tours to learn good practices in the area or in other areas; and developing demonstration models of advanced technologies in agricultural, forestry and fishery production.
- b. Support development and replication of production models. This includes: models of advanced technology transfer in: farming, livestock, aquaculture and agro-forestry and fishery processing; models of production-based processing and post-harvesting market-demand for agro-forestry and fishery products; and models of rural agricultural economic structural shift.
- c. Support for supply of plant seed, young animals and production materials (applicable to poor households). This entails: animal inputs (cattle, small livestock, poultry and fish species), food crops, industrial, forestry and fruit trees and medicinal plants of high productivity and appropriate quality to local conditions; and chemical fertilizers, veterinary medicine, insecticides, pesticides and other materials.
- d. Support procurement of equipment for processing and post-harvesting. This involves: dryers, equipment for post-harvesting and processing of agro-forestry products; and equipment and tools for processing and post-harvesting of agro-forestry and fishery products.

### ***Project to support infrastructure development***

Target Investment projects in communes are targeted at: (a) transport networks connecting communes and villages to one another (no funds from Programme 135 are allocated for construction of roads to the commune centre); (b) small irrigation works to be used within the commune or its clusters of villages; (c) commune to village electricity supply systems (no funds from Programme 135 are allocated for building of electricity lines to the commune centre); (d) construction of new schools and classrooms and upgrading old ones at the commune centre together with provision of electricity, clean water, benches, desks, facilities for semi-boarded students, accommodation for teachers; as well as construct primary and nursery school classrooms and kindergartens, accommodation for teachers and other needed accompanying facilities in villages where necessary; (e) building new commune health stations and upgrading old ones together with providing clean water, electricity and essential medical equipment and supplies as standardized for commune level health facilities; (f) market places: support construction of housing structures only and initial site clearance of less than 5,000 m<sup>2</sup>; (g) community houses for villages of 50 households or more; and (h) centralized water supply systems.

Investment projects in villages of communes in Region II are targeted at: (a) transport networks connecting villages with commune centres; (b) small irrigation systems – construction of culverts, dams, pumping stations, canals and structures on canals within the village and other irrigation schemes costing less than VND 500 million; (c) commune to village electricity supply systems; (d) construction of primary and nursery school classrooms, kindergartens and accommodation for teachers together with provision of benches, desks, clean water and electricity; (e) community houses in villages of 50 households or more; and (f) centralized water supply systems.

### ***Training and capacity building projects for commune, village and community officials***

The target beneficiaries of these projects are: (a) civil servants and full-time/part-time officials at the commune level and part-time officials at the village level as specified in the Government's Decree No. 121/2003/NĐ-CP dated 21/10/2003 on entitlements and policies for civil servants and officials in communes, wards and towns; (b) officials assigned by higher levels to assist communes; (c) members of the PMU and Commune Supervisory Board; (d) persons of repute in villages; (e) advanced producers actively involved in poverty reduction and rural development activities in communes and villages; (f) potential officials included in the commune plan for future leadership development; (g) legal aid co-operators

and members of legal aid clubs at the commune level; (h) ethnic minority youth aged between 16 and 25. Priority is given to ethnic minority officials and women cadres among the above target beneficiaries.

***Support policy for services, improvement of living standards and legal aid to raise legal awareness***

The beneficiaries of these policies are poor households in P135 (selected by community). The types of support include: education support for children of poor households (VND 70,000 per student in nurseries; VND 140,000 per student in primary schools); legal awareness for villages (VND 2 million per year per commune); living environment: (VND 1 million per household); construction of animal barns (away from house); construction and improvement of toilets; and package support for social and communication activities of village (VND 2 million per village).

**National Poverty Targeted Programme (2006-2010) (P20 – Issued by Decision No. 20 of Prime Ministers)**

***Objectives (at year 2010)***

The targets are to decrease poor households from 22 per cent in 2005 to 10-11 per cent. This means that in five years the number of poor households will decrease by 50 per cent. The income of poor households will increase 1.45 times over 2005 levels. About 50 per cent of island and coastal communes will see significant improvements.

***Beneficiaries***

The targets of the 2006-2010 programme are poor people, poor households, poor communes and extremely difficult communes. Priority is given to poor households having a female head, ethnic minorities and poor households having social support person (disabled, special status children).

***Outcomes***

The outcomes of the programme include:

- a) basic infrastructure will be built in extremely difficult communes in coastal sandy communes, island communes;
- b) about six million poor households will get credit loans;
- c) extension services for 4.2 million poor persons;
- d) reduction, free tuition for job training for 150,000 poor labourers;
- e) 100 per cent of poor persons given health care insurance cards;

- f) free tuition for 19 million poor pupils including 9 million primary pupils;
- g) training for 170,000 staff involved in poverty reduction activities, of which 95 per cent are local staff;
- h) support to substitute cottages of 500,000 poor households; and
- i) free legal services for 98 per cent of poor persons upon demand.

*Project and policy implementation of the programme*

***Groups of policies, projects to support production, income generation***

These include: preferential credit policy to the poor; projects on agricultural land for poor ethnic minorities; projects on extension services and production support; projects on basic infrastructure for extremely difficult communes in sandy coastal areas; job training projects for the poor; and poverty reduction model expansion projects.

***Group of policies, projects to support the poor to have access to social services***

These include: policy on health care services to the poor; policy on education support to the poor; policy on housing construction and water supply support to the poor; and policy on legal services support to the poor.

***Group of projects for capacity building***

These include: the project on capacity building for poverty reduction activities (TOT, mass media); and monitoring and evaluation.

*Sources of funding*

The total funding available is VND 43,488 billion and it comprises:

- a) Central budget: VND 12,472 billion (28.7 per cent)
- b) Local budget: VND 2,260 billion (5.2 per cent)
- c) Community contribution: VND 2,460 billion (5.7 per cent)
- d) International funding: VND 296 billion (0.68 per cent)
- e) Credit: 26,000 VND billion (59.79 per cent)
- f) Direct targeted fund: VND 3,456 billion
- g) Fund co-ordinated from other remaining projects: VND 40,032 billion