



CENTRE ON INTEGRATED RURAL DEVELOPMENT FOR ASIA AND THE PACIFIC

RURAL DEVELOPMENT AND POVERTY ALLEVIATION POLICY BRIEF

VIETNAM

Rural development in Vietnam is facing many challenges and opportunities of four concurrent issues i.e. industrialisation, urbanisation, international integration and market development. Though Vietnamese economic growth was high over the recent years, it remains unstable and ineffective. Under-developed infrastructure and poor socio-economic conditions are mostly responsible for separating rural areas from market and urban areas. Different regions and ethnic groups lack access to income and opportunities.

The Centre on Integrated Rural Development for Asia and the Pacific (CIRDAP) was established in 1979 to assist national action and promote regional cooperation relating to integrated rural development in the region, and to act as a catalyst for related activities among its member countries.

In the Sixteenth Governing Council Meeting in Manila in 2007, there was a discussion on the changing context of rural development (RD) initiatives and the need to review past policies and to identify policy-level issues and concerns. Accordingly, the CIRDAP Governing Council decided to commission a series of country studies for reviewing past policies and identifying policy issues and concerns with which CIRDAP can engage itself further through strengthening several actors at national and regional level for information generation, policy development and regional cooperation. The country studies as suggested should examine the role of the CIRDAP link institutions and also the need and scope for other linkages. Subsequently, each of the member countries nominated a researcher to work on the country studies. The researchers decided that each country would examine the RD initiatives from the point of future opportunities for CIRDAP.

Twelve countries have submitted the reports out of 14 countries. The country reports vary substantially in nature. Southeast Asian countries, especially Malaysia, Thailand and Vietnam, adopted market based reform policies much earlier than the South Asian countries. The focus in Malaysia and Thailand and now across all the Southeast Asian countries, was on the development of infrastructure, encouragement to foreign capital investment in manufacturing, and providing employment in organised enterprises as well as services catering to the market economy, tourism, restaurants and the like. The focus of development in the first four decades after independence in South Asia was quite different. It focused on the preservation of the rural economy, and attempted to increase employment opportunities in rural areas through public expenditure programmes, and essentially tried to maintain the rural character of these economies. The approach to poverty alleviation has thus been very different in the two regions. While South Asia focused on gains in agriculture and rural employment, Southeast Asia turned to commercialisation of agriculture and more market-oriented growth.

CIRDAP has published all the findings in a separate volume for each country. In this brief note, some of the important findings and policy issues for Vietnam are highlighted.

Major Findings

Vietnam today is proceeding to a new period of development through improving its market structure, enhancing industrialisation, modernisation, urbanisation and further integration into world economic system via the official adherence to WTO. These processes, in one hand, is expected to promote the development of production entities, the competitiveness of sectors and on the other hand, offer risks to less efficient sectors, such as small farmers, SMEs, traditional handicraft villages, etc. This may result in un-sustainability of rural socio-economy and environment. In this context, development of agricultural and rural sectors and farmers is the strategic priority of Vietnamese Government in the coming years. This process requires the participation and contribution of Vietnam as well as international individuals and organisations.

Rural development in Vietnam is currently facing many challenges and opportunities of four concurrent issues i.e. industrialisation, urbanisation, international integration and market development. Though Vietnamese economic growth was high over the recent years, it remains unstable and ineffective.

Following are the few challenges the government is currently facing with:

Slow, unsustainable and inefficient growth

In the recent years, shortage of natural resource base has led to an increase in price of land, water, labour and capital as well as agricultural inputs. From 2003 to 2005, price of materials and fertiliser on an average increased by 2-2.5 times, labour price was doubled or tripled and opportunity cost of agricultural workers also increased by several times. On the other hand, long-term price of agricultural products has been decreasing by 1.2-1.3 times and tends to slow down. This leads to slower growth of agricultural production and rural economy. Agricultural GDP growth in period of 1995-2000 was 4.0 per cent while in period of 2000-2005, it was 3.7 per cent and in 2006 it was only 2.84 per cent.

Ineffective use of resources

Agriculture land decreased sharply due to land transformation to urban and industrial zones as well as infrastructure development. In five-year period of 2000-2005, agricultural land which was transformed to non-agricultural land was 73,000 ha/year on an average. Rice cultivation area in 2005 of the country decreased by 302,000 ha in comparison with that in 2000. The process of agricultural land transformation to non-agricultural land makes people lose their land and become unemployed or have unstable income. Policies for living and production settlement as well as vocational training support remains inadequate due to limited support from local government.

Lack of equitability, threatening stability

Because of under-developed infrastructure and socio-economic conditions, rural areas are separated from market and urban areas. Different regions and ethnic groups lack access to income and opportunities. Rural areas nowadays have to face many challenges of the industrialisation and globalisation but lack new professional stakeholders and civil institutions. Otherwise, commune and village structure has experienced many changes in the past in economy planning; many places have lost its ability in traditional activity. Social and economical institutions remain slow in renovation and cannot meet the farmers' demand of a representative organisation for their right and expectation. Therefore, there is a lack of institution and stakeholder for adjusting social relations in rural society.

Policy Priorities

- Agricultural enterprises are priority policies of Vietnam aiming at enhancing added value of agricultural production;
- Employment generation for rural labour, and increasing income for households;
- Integration into international economy;
- Accession to WTO has impact on Vietnamese agriculture, rural areas and farmers. It's necessary for government to work out policies supporting agricultural sector, rural space and farmers and curbing adverse impacts and taking advantages of opportunities for development;
- Land policies need to be reformulated in order to raise efficiency of land use, and competitiveness of products;
- A specific model for rural development to be worked out; development direction to be determined; and
- New policies to be introduced to solve the problem of rural environment.