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INTERNATIONAL ECONOMIC INTEGRATION FOR AGRICULTURE IN VIET NAM NEW CHALLENGES AND OPPORTUNITIES



Minister of Agriculture and Rural Development Cao Duc Phat, Mr. David B. Shear, Ambassador of the United States in Viet Nam, Mr. Jong-Ha Bae, FAO Representative in Hanoi, Deputy Minister Nguyen Thi Xuan Thu and Mr. Tran Kim Long, ICD Director General presided over the meeting.

On December 12th 2013 in Hanoi, the Ministry of Agriculture and Rural Development, International Cooperation Department through International Support Program (ISG) with the support of the Food and Agriculture Organization of the United Nations (FAO) organized the 2013 ISG Plenary Meeting on the theme **“International Economic Integration for Agriculture in Viet Nam : New Challenges and Opportunities”**.

ISG Plenary Meeting is a forum for high-level policy dialogue of the Ministry of Agriculture and Rural Development and the donor

Panoramic view of the meeting. (Photo: Viet Cuong VPN
community, international organizations, non-governmental organizations, investors, enterprises, and associations.

The international economic integration of Viet Nam’s agricultural sector has established a new position, embracing new opportunities and coping with new challenges in the new global, regional and national context. The participation and full implementation of the trade commitments will enhance the position of Viet Nam in the world and in the region, being on equal terms with other countries in the implementation of trade policies. However, it is also difficult to avoid the adverse impacts
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and risks, and subsequently agriculture sector and farmers are still the most vulnerable.

The main issues in the dialogue focused on the goal of effective and sustainable international economic integration of the agricultural sector, and were divided into the following groups:

- Restructuring the sector, innovating production methods, changing labor structure, improving labor productivity, exploiting advantages of the sector, and maintaining reasonable and market-oriented development.
- Attracting and expanding forms of investment, developing public-private partnership (PPP) in order to improve quality competitiveness capacity – the key element in an effective integration process.
- Assuring the rights of poor farmers, small farm households, ethnic minorities, remote areas, and gender equality in the integration process.
- Exploiting the internal advantages of the free trade

agreements and the integration process to guarantee the benefits of the majority of the people.

The 2013 ISG Plenary Meeting concluded with the recognition of Minister Cao Duc Phat of the need of a more effective international economic integration process of the agriculture sector. This provides both, theoretical and practical basis, for the economic integration strategy of the sector until 2020 and vision to 2030 to be submitted to the Prime Minister for approval. The Minister expressed his special thanks for sharing and the willingness to help agriculture and farmers in Viet Nam be more proactive in the global integration of the international community.

After the 2013 ISG Plenary Meeting was held, many newspapers have published the results of the meeting from different perspectives on international economic integration for agriculture in Viet Nam. The links to these articles have been posted on the ISG website. All documents of the Meeting have been uploaded on the site www.isgmard.org.vn. (NTT)

THE IMPACT OF THE INTERNATIONAL ECONOMIC INTEGRATION ON SMALL AGRICULTURAL HOUSEHOLDS

Small agricultural households (agricultural households owning less than 2 hectares of agricultural land), accounting for about two thirds of the 3 billion people in rural areas of developing countries, are the backbone of the agricultural sector with large quantities of food produced and values generated from non-agricultural activities. However, due to the heterogeneous nature of this group, they have different opportunities for market access and connectivity. International economic integration also means that the supply chain will be “wider and longer” and thus small agricultural households will face more difficulties in market access. The government should play a role in providing favorable conditions and support for small agricultural households to participate in the global supply chains.

The adaptation to market changes in the integration process - official commercial market, high requirements for quality and minimum size of transactions – of these agricultural households are dissimilar, which is the “bottleneck” in the efforts to help small agricultural households participate in the globalization of markets, gain benefits and avoid risks from this process.

There are 3 main solution groups: (i) institutions for improving negotiation position and market linkages, (ii) investment in technology for increasing labor productivity associated with



Dr. Nguyen Thi Lan Huong- FAO Viet Nam delivered her presentation at the 2013 ISG Plenary Meeting (Photo: Viet Cuong VPN)

infrastructure improvements and agricultural extension and information services... and (iii) environment with the government as “catalyst” for a good legal system and favorable framework to attract private investment and international community. The State should provide support for small agricultural households in accessing market information (international, regional and neighboring markets), so that they can take decision on their best options.

Small-scale agricultural household model will still exist for a long time since people livelihoods still rely heavily on

agricultural production. This issue cannot be only resolved through administrative measures. People can only change if their market linkage capacity and negotiation position changes.

Assuring sustainable development and supporting small agricultural households in the international economic integration process is the common challenge of developing countries, and particularly a major challenge for Viet Nam, a country with 98% small agricultural households of the 10 million agricultural households, with 20 million labors directly engaged in agriculture. (NTLH).

THE ORIENTATION OF INTERNATIONAL ECONOMIC INTEGRATION OF AGRICULTURAL SECTOR UNTIL 2020 AND VISION TO 2030

The orientation of international economic integration of agricultural sector until 2020 and vision to 2030 is developed in accordance with the national integration policy, associated with Development strategy for agriculture and rural development until 2020 and vision to 2030, and consistent with the competitiveness and integration capacity of the sector. The orientation should assure all 3 aspects of multilateral, regional and bilateral integration, proactiveness, conformity with market mechanism and exploitation of comparative advantages. This aims to develop an effective and sustainable agriculture as the foundation for the industrialization and modernization process, poverty alleviation, protection of the environment and natural resources, rural development; market expansion, competitiveness enhancement, added value growth, investment attraction, science and technology development, improvement of management skills, and bring benefits for the economic sectors.

The orientation of international economic integration (IEI) strategy for agricultural sector:

- Expanding both domestic and foreign markets of agro-forestry-fisheries products, especially WTO and FTA members with the aim of assuring benefits of international economic integration and supporting sector growth and economic restructuring.
- Developing and acquiring new technologies in accordance with the practical condition of Viet Nam's agriculture, receiving services and management skills and attracting investment in the sector.
- Promoting institutional reform process and improving product competitiveness of the sector.



Mr. Tran Van Cong – ICD delivered his presentation at the meeting
(Photo: Duc Hiep.ICD)

- Involving agro-forestry-fisheries trade defence, preventing risks of market and biological safety, and providing appropriate protection of disadvantaged commodity sectors and vulnerable population groups with the aim of assuring fair distribution of benefits gained from integration.

- Developing according to the following conditions: a deeply open economy, changes of internal factors such as population size and extensive restructuring, climate change, green growth and extensive implementation of bilateral, regional and multilateral integration commitments...

Main solutions: (i) improvement of management capacity and policy; (ii) increase of investment on science and technology; (iii) market solutions (both domestic and foreign market), which is considered the key solution to overcome the disadvantages and exploit the advantages of integration; and (iv) enhancement of investment attraction. (Tran Van Cong - ICD/MARD)

SUPPORT POLICIES FOR FARMERS IN THE INTERNATIONAL ECONOMIC INTEGRATION PROCESS

The research of the Institute of Policy and Strategy for Agriculture and Rural Development on forecast of international economic integration impacts on agricultural sector and farmers in Viet Nam includes three aspects: (i) tariff; (ii) changes in input prices; and (iii) the complex progression of climate change, and shows: while tax cut under FTA makes poverty reduction rate in rural areas higher than urban areas, input price increase makes poverty reduction rate in rural areas lower than urban areas. Especially, poorer areas are predicted to reach higher poverty reduction rate under FTA impacts. Based on these results, three solution groups are suggested to support agriculture and farmers in the international economic integration process: (i) macroeconomic policies, (ii) development strategies and (iii) rural development policies. (CK)



Rural market.

ACHIEVEMENTS OF VIET NAM'S AGRICULTURE IN 2013 AND ORIENTATION FOR 2014

The Ministry of Agriculture and Rural Development has officially announced the results of tasks performed in 2013. Accordingly, despite having many difficulties, production maintained strong growth. Although exports of some key products showed a significant decline, export turnover of the whole sector still increased.

- ✓ New record of food: 44.1 million tons of rice
- ✓ Export turnover of agro-forestry-fishery products reached 27.4 billion USD
- ✓ Comprehensive changes with the restructuring scheme
- ✓ The highlight of fisheries sector: export value reached 6.7 billion USD
- ✓ Forest coverage rate in 2013 reached 41.1%.

Regarding the key solutions for 2014, according to the Minister, the whole sector must be determined to implement the restructuring scheme. "We have to make real changes, particularly economic development in rural areas. If the farmers do not have income, new rural development cannot be said to have been implemented. Such actions must be done practically in the provinces, communes and villages, rather than some general conclusions. To raise the income of farmers, the value must be increased, instead of



The joy of a good harvest. Photo: MC

the quantity of low-price products. We must continue with the restructuring of state-owned enterprises, reorganize economic cooperation activities and reconsider the operation of state farm and forest enterprises", said the Minister.

Regarding the issue of food safety, according to the Minister, this is the concern of the people and the National Assembly. Only when their trust in safe and clean production is earned, their quality of life can be guaranteed. Besides, corruption prevention, thrift practice and administrative reforms should also be implemented effectively. Saving 1% can help the State avoid the loss of hundreds of billion VND. (NTH)

NATIONAL TARGET PROGRAM ON NEW RURAL DEVELOPMENT – A MILESTONE OF SUCCESS



National Assembly Chairman Nguyen Sinh Hung, Deputy Prime Minister Vu Van Ninh and Minister of Agriculture and Rural Development Cao Duc Phat chaired the meeting

On December 25th 2013, the preliminary review meeting on 5-year implementation of Central Resolution 7 (X) on agriculture, farmers and rural areas was held in Hanoi. This is a meeting of special importance, aiming to gather and evaluate the results of the Central Resolution on Tam Nong, which will be used as the basis for research and rapid innovation of policies to promote agricultural and rural development and improve the efficiency of State management of agricultural sector.

New Rural Development (NRD) has become a strong movement, spreading throughout the country. First 3-year implementation of the program has contributed to change the appearance and improve the living conditions of many rural areas. Up to now, 93% of the communes completed the planning and nearly 80% of the communes had their NRD schemes. The provinces began to focus on propagation and campaign

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activities, had many good and creative ideas to integrate resource mobilization, including contributions of the people, which led to practical results.

In 3 years, the NRD program has raised more than 105 trillion VND, including nearly 5 trillion from the central budget, 30.6 trillion from the local budgets and integrated resources and the remaining amount contributed by the people. The State has focused on investment in rural infrastructure (irrigation systems, rural transport) and education and health system...

"One of the best sides of the Central Resolution 7 on Tam Nong is the rapid decline in poor household rate. By the end of 2013, this rate in rural areas is estimated to be 12.6%, which means an

average drop of 2%/year since 2008. The average income of the rural population has reached nearly 20 million VND/person/year, 2.18 times higher than in 2008. Excluding the inflation factor, the income of people increases by 36% compared to 2008. This proves that the Resolution has really become practical in real life", said Minister Cao Duc Phat.

Nevertheless, it is revealed that the growth rate of "Tam Nong" sector is slowing down, agriculture is developing mainly in width, many products still have low quality and competitiveness, and food safety remains a disturbing issue. "Besides, the rural population still has low income and poor living conditions. The gap between rural and urban areas and between different regions continues

to widen. Training for rural workers is delayed and the unemployment rate is still high", said the Minister.

Also according to the Minister, farmers in many areas have failed to prove their major role in NRD. Infrastructure is weak and inadequate, especially in mountainous areas. The targets of NRD until 2020 are hard to achieve without the strong support of the policy and resources...

"The Resolution pointed out: To implement industrialization and modernization, the first thing to do is starting from agricultural development, then spreading to other areas. So we must build a competitive and efficient agriculture", said National Assembly Chairman Nguyen Sinh Hung. (VA)

AGRICULTURAL RESTRUCTURING – CONTRADICTIONS TO BE SOLVED



Prof. Dr. Vuong Dinh Hue, Head of Economic TW

The agricultural restructuring scheme towards greater value added and sustainable development was approved by the Prime Minister, and the Ministry of Agriculture and Rural Development is promoting the implementation from central to local level, with many solution groups.

However, in the context of economic fluctuation, there are many opportunities as well as domestic and international challenges intertwining in the integration process. Discussing the agricultural restructuring, Prof. Dr. Vuong Dinh Hue, Head of Central Economic Commission, outlined the contradictions to be solved and proposed some necessary and urgent solutions, contributing to researches on comprehensive innovation of strategies, institutions and organization of the agricultural restructuring.

Presented below are excerpts from the speech of Prof. Vuong Dinh Hue:

TO BE SOLVED

With the aim of building a modern and sustainable agriculture with high added value, the implementation of agricultural restructuring needs to focus on these contradictions: (i) between the goal of building a team of modern and professional farmers and the current situation of low-income agricultural labors, (ii) between the development requirements of a modern, large-scale and competitive agriculture with high added value and the real context of land fragmentation, only suitable for small-scale agricultural production, (iii) between the great demand of investment capital for agricultural modernization and low efficiency of investments in agricultural sector with high risks.

The solutions are (i) policies on land, investment in agriculture and support for farmers; (ii) policies on the development of agricultural commodity chains, (iii) policies on comprehensive innovation of management system and public services in agriculture. The basic function of public services in agriculture need to change from service provision into forecast, coordination, management, monitoring, evaluation and support for agricultural production, market activities, quality management, legal services and commercial competition... Public service sector should develop into a service market.

Some notable contents for the implementation of agricultural restructuring: (i) restructuring of agricultural production space and agricultural commodity chains; (ii) restructuring of participants in agricultural production (farms, new agricultural cooperatives, large-scale agricultural household areas...).

(H.H: excerpts from the speech of Prof. Dr. Vuong Dinh Hue, Head of Central Economic Commission - Communist Review No. 854, December 2013)

SOCIOECONOMIC TARGETS OF 2014 AND IMPLEMENTATION SOLUTIONS

The Resolution 53/2013/QH13 of the National Assembly on the socioeconomic development plan in 2014 sets 14 socioeconomic development targets as follows:

1. Total domestic product (GDP) increases by about 5.8%.
2. Export turnover increases by about 10%.
3. Trade deficit accounts for about 6% of export turnover.
4. The growth rate of consumer prices (CPI) stays at about 7%.
5. Total investment capital for development accounts for about 30% of GDP.
6. The poverty rate reduces by 1.7 - 2%, particularly 4% in poor districts.
7. Creating jobs for about 1.6 million labors.
8. The unemployment rate in urban areas stays below 4%.
9. The rate of trained labors stays at 52%.
10. The percentage of malnourished under-five children falls below 15.5%.
11. The number of hospital beds per ten thousand of the population (excluding beds in CHCs) reaches 22.5 beds.
12. The rate of sanctioned facilities causing serious environmental pollution stays at 85%.
13. The rate of operating industrial zones and export processing zones with centralized wastewater treatment systems of environmental standards reaches 80%.
14. The rate of forest coverage reaches 41.5%.

The Government proposed 9 solution groups to accomplish the targets of 2014:

1. Maintaining macroeconomic stability and controlling inflation.
2. Focusing on solving difficulties and promoting the development of production and business.
3. Promoting the implementation of three groundbreaking strategies associated with economic restructuring and growth model innovation and enhancing the efficiency and competitiveness of the economy.
4. Assuring social security and social welfare and improving the living conditions of the people.
5. Maintaining appropriate and effective use of natural resources, protecting the environment and actively responding to climate change.
6. Promoting prevention of corruption and waste; settling complaints and denunciations.
7. Ensuring national defense and security, public order and safety
8. Expanding and improving the efficiency of foreign affairs and international integration
9. Further strengthening propagation activities and creating social consensus.

NEW POLICIES TO ENCOURAGE ENTERPRISES INVESTING IN AGRICULTURE AND RURAL AREAS

To encourage enterprises investing in agriculture and rural areas, on December 19th 2013, the Government issued Decree No. 210/2013/ND-CP, replacing Decree No. 61/2010/ND-CP dated June 4th 2010 and taking effect as from October 2nd 2014.

Under the new Decree, for agricultural projects with investment preferences or incentives, when investors lease land or water surface from the State, the lowest land prices of the respective types in the land price list specified by the People's Committees of provinces or cities directly under the Central Government shall be applied. For agricultural projects with special investment preferences and allocation of land by the State, investors shall be exempt from land use fees; for agricultural projects with investment preferences, land use fees are reduced by 70%; for agriculture projects with investment incentives, land use fees are reduced by 50%.

For investment projects of concentrated livestock husbandry facilities, investors are supported with 3 billion VND/project from the State budget. Particularly for high-yielding dairy farming, each project is supported with 5 billion VND to build infrastructure for waste treatment, transportation, electricity and water supply, factories and pasture and purchase equipment.



If there is no road, electrical system, water supply and drainage leading to the project fence, in addition to the support amount as stipulated, 70% of the cost (not exceeding 5 billion VND) of the construction of those items is also supported.

According to Decree 210, for investment projects of concentrated mariculture over 6 nautical miles away from the coastline or close to offshore islands, the State supported 100 million VND for every 100 m³ of cages; 40 million VND for every 100 m³ of cages for mariculture in nearshore waters... Full text of Decree 210/2013/ND-CP on www.isgmard.org.vn.

INTERNATIONAL COOPERATION AND INTEGRATION OF AGRICULTURE IN 2013 - THE HIGHLIGHTS

In 2013, despite many difficulties and fluctuations in the domestic and world economy, Viet Nam's agriculture continued to play its role as the pillar of the economy, contributing to improve the trade balance and maintain social stability, especially in rural and remote areas, with the contribution of international cooperation and economic integration of the sector.

The highlights of international cooperation and economic integration in 2013:

- ✓ Highest ODA amount ever (> 500 million USD);
- ✓ Enhanced bilateral cooperation with other countries and territories;
- ✓ Many international meetings and workshops successfully organized;
- ✓ Many important agreements signed;
- ✓ Development of FDI scheme and international economic integration strategy for the sector;
- ✓ Settlement of trade disputes, etc...

(LTV-ICD)



NEW LAWS TAKING EFFECT AS FROM 2014

The 2013 Constitution taking effect as of January 1st 2014

The 2013 Constitution consists of 11 chapters and 120 articles (1 chapter and 27 articles fewer than the 1992 Constitution). The 2013 Constitution has many new features, clearly stipulating the principles of assignment, coordination and control among state agencies, and fully reflecting the democratic and progressive nature of the State in the transition period to socialism.

The 2013 Land Law

The new Land Law has 14 chapters with 212 articles (7 chapters and 66 articles more than the 2003 Land Law). The Law clearly defines specific cases where the State must acquire lands (according to the Constitution recently approved) to rectify and eliminate the land acquisition cases affecting the rights and interests of land users and effectively resolve cases of acquired lands that became unused, cause waste and create bad public opinions in the society. The Law takes effect as of July 1st 2014.

The 2013 Employment Law

The Law provides policies to support job creation, labor market information; assessment and certification of national vocational skills; organization and operation of employment services; unemployment insurance and State management of employment. The Law takes effect as of January 1st 2015.

The 2013 Plant Protection and Quarantine Law

The Law regulates the activities of the prevention of organisms harmful to plants, plant quarantine and management of pesticides. The Law consists of 5 chapters and 77 articles and takes effect as of January 1st 2015, replacing the Ordinance on plant protection and quarantine No. 36/2001/PL-UBTVQH10

dated August 8th 2001.

The 2013 Citizen Reception Law

The Law specifies:

- The responsibility for citizen reception and the rights and obligations of the citizens submitting complaints, denunciations and petitions;
- The organization of citizen reception at the headquarters of the agencies.

The provisions on citizen reception in the 1998 Law on complaints and denunciations (2004 and 2005 amended version) and the 2011 Law on complaints are replaced by this Law, taking effect as of July 1st 2014.

The 2013 Procurement Law

Replacing the 2005 Procurement Law, the new Procurement Law also applies for projects using an amount of state capital which accounts for less than 30% of total capital but exceeds 500 billion VND. The Law respecifies the cases allowed to apply the form of contractor appointment, omitting the cases involving the appointment at the request of foreign donors. The Law takes effect as of July 1st 2014.

The 2013 Law on thrift practice and waste combat

According to this Law, if waste occurs in an agency or organization, the head directly in charge of the agency or organization, who does not directly violate, is also subject to explanation accountability and disciplinary action depending on the violation severity.

This Law replaces the 2005 Law on thrift practice and waste combat, taking effect as of July 1st 2014.

LEGAL DOCUMENTS IN AGRICULTURE AND RURAL DEVELOPMENT ISSUED IN THE 4TH QUARTER OF 2013

Published Date	Content
The Prime Minister	
23/12/2013	Decision No. 2550/QĐ-TTg on the approval of "The agreement on the recognition of the international legal status of International Rice Research Institute (IRRI)."
19/12/2013	Official Dispatch No. 2239/TTg-QHQT on the participation in the Regional project funded by the Food and Agriculture Organization of the United Nations (FAO).
16/12/2013	Decision 2448/QĐ-TTg on the approval of the International integration scheme on education and vocational training until 2020
12/12/2013	Decision 2420/QĐ-TTg on the approval of the results of the negotiation and signing the Financing Agreement with the International Development Association of the World Bank Group (WB) for the project "Mekong integrated water resources management"
27/11/2013	Decision 2292/QĐ-TTg in 2013 on the establishment and Operation regulation of Phu Yen high technology agricultural zone issued by the Prime Minister
The Government Office	
13/12/2013	Official Dispatch 10575/VPCP-TKBT on the implementation of tasks and solutions in the report of Government leaders presented at the 6th session of the National Assembly XIII
The Government	
19/12/2013	Decree 210/2013/ND-CP on policies to encourage enterprises to invest in agriculture and rural areas.
21/11/2013	Decree 193/2013/ND-CP on the detailed regulations of a number of articles of the Law on Cooperatives
Ministry of Agriculture and Rural Development	
26/12/2013	Decision 3065/QĐ-BNN-TCCB on the 2014 Administrative Reform Plan of the Ministry of Agriculture and Rural Development
23/12/2013	Notice 6099/TB-BNN-VP about the conclusion of Minister Cao Duc Phat at the meeting on the quality management of agricultural materials and food safety of agro-forestry-fisheries products in November 2013, and the plan implementation until Giap Ngo Tet 2014.
12/12/2013	Decision 2939/QĐ-BNN-TCCB on the establishment of the project management unit of "National forest survey and inventory for the period 2013-2016"
11/12/2013	Decision 2927/QĐ-BNN-TCCB on the establishment of the Steering Committee of coffee replanting
10/12/2013	Official Dispatch 5817/BNN-KH on the report of planning work and basic survey in 2013
9/12/2013	Decision 2904/QĐ-BNN-DMDN in 2013 on the charter of organization and operation of Bac Hung Hai irrigation management single-member limited liability company
General Department of Vietnam Customs	
18/12/2013	Official Dispatch 7813/TCHQ-TXNK in 2013 on imported goods for projects with investment preferences
17/12/2013	Official Dispatch 7764/TCHQ-TXNK in 2013 on the specification of areas with investment preferences
Ministry of Natural Resources and Environment	
02/12/2013	Circular 41/2013/TT-BTNMT on the specification of the certification procedures of eco-labels for environment-friendly products
Committee for Ethnic Minority Affairs, Ministry of Finance, Ministry of Natural Resources and Environment	
18/11/2013	Joint Circular 04/2013/TTLT-UBND-BTC-BTNMT on the guidance on the implementation of a number of articles of Decision 755/QĐ-TTg dated May 20th 2013 of the Prime Minister on the approval of support policies for residential land, production land and water for poor ethnic minority households and poor households in communes and villages with extreme difficulties.
Committee for Ethnic Minority Affairs	
18/12/2013	Decision 582/QĐ-UBND on the approval of the list of villages with extreme difficulties in ethnic minority and mountainous areas subject to investment of Program 135.

Publication permit No: 32/GP-XBBT, dated 19th July 2010 by the Press Department,
The Ministry of Information and Communication

Comments are welcome at ISG Secretariat - Room 102-104, BLD B4, No. 2 Ngoc Ha, Ba Dinh, Ha Noi
Tel: 04 37711 736 ❖ Email: isgmard@mard.gov.vn ❖ Website: www.isgmard.org.vn