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## SECTOR RESTRUCTURING FOR THE DEVELOPMENT OF NEW AGRICULTURE



**O**n June 10th 2013, the Prime Minister issued Decision No. 899/QĐ-TTg approving Restructuring scheme for agricultural sector towards greater added value and sustainable development (Scheme 899).

Accordingly, the objectives, views, contents and specific solutions for agricultural development during the coming period are officially announced, aiming at achieving sustainable development in all fields.

The Decision took effect as of the date of signature. (Full text of Decision 899/QĐ-TTg on website [www.isgmard.org.vn](http://www.isgmard.org.vn)).

Restructuring the whole sector aims at combining socioeconomic development with environmental protection and assuring sustainable development. With the implementation of agricultural restructuring, the sector has undertaken a strong and solid move from extensive development with the aim of quantity to quality and efficiency improvement, expressed

in profit value and focus on meeting social requirements.

Based on the perspective that sector restructuring should be in line with an overall restructuring of the national economy, adopt the market mechanism and guarantee fundamental benefits for farmers and consumers, the state will play a supportive role in order to enable a favorable environment for

the activities of social and economic sectors from central to local levels, promote public-private partnerships (PPP) and co-management mechanisms, and enhance the role of community organizations. It should be agreed that restructuring is a complex, difficult and prolonged process that needs regular evaluation and review to adjust when required and ultimately achieve high efficiency.

At the Conference on Restructuring scheme for agriculture sector of Vietnam on June 6th 2013 in Hanoi, the Minister of Agriculture and Rural Development Cao Duc Phat stated "Agricultural restructuring is not about planning how many tons of rice or fish to produce, but establishing a system that can dynamically respond to fluctuations and challenges of the market. The agriculture sector needs to build the appropriate machinery for making specific products. Agricultural restructuring means adjusting the machinery to make products that meet socioeconomic and environmental goals. Product quantity does not

*matter. All areas including farming, animal husbandry, fisheries... must be restructured. Rice land is not necessarily only for rice cultivation. According to market demand, it can be adapted to grow other crops..."*

On June 18th 2013, the Minister of Agriculture and Rural Development issued Decision 1384/QD-BNN-KH on the issuance of Action program for the implementation of Scheme 899, with specific tasks assignment, completion time and reporting and monitoring mechanism. (Full text of Decision 1384/QD-BNN-KH on website [www.isgmard.org.vn](http://www.isgmard.org.vn))

On June 20th 2013, the Minister of Agriculture and Rural Development issued Directive 2039/CT-BNN-KH on the implementation of the sector restructuring scheme recently approved by the Prime Minister. The Minister requested the leaders of subordinate units and Departments of Agriculture and Rural Development to propagate the information and contents of the scheme to all public officers and employees of the sector prepare the implementation plan of the units in accordance with the project, and report to the Ministry. (Full text of Directive 2039/CT-BNN-KH on website [www.isgmard.org.vn](http://www.isgmard.org.vn))

## FOCUS ON 5 MAJOR SOLUTIONS



To implement agricultural restructuring towards greater added value and sustainable development, the Ministry of Agriculture and Rural Development presents 5 major groups of solutions:

1. To improve quality of planning associated with monitoring, to enhance State management effectiveness;
2. To encourage and attract private investment;
3. To improve efficiency of management and utilization of public investment;
4. To introduce institutional reforms that focus on continuous restructuring and innovation of State enterprises and capacity improvement for economic cooperation; development of public-private partnership/cooperation and innovation of research systems and public services;
5. To improve agricultural policy system related to land and trade, motivating agricultural production.

## THE PRIORITY AREAS OF PUBLIC INVESTMENT

- **Fisheries:** infrastructures for concentrated aquaculture, safety aquaculture zones; aquatic seeds; environmental warning and monitoring systems, aquatic animal health and disease management; fishing ports, sheltering harbors; food preservation, processing and safety...

- **Agriculture:** programs and projects of seeds and breeds of high productivity and quality and resistant to pests, diseases and climate change; projects of monitoring, prevention and control of pests and diseases; investment on storage, processing and post-harvest loss reduction and food safety.

- **Forestry:** forestry seeds, economic forestry plantation encouragement; capacity improvement for forest fire prevention and control, community forest management models and forest environmental service development.

- **Irrigation:** multi-functional and concentrated aquaculture irrigation works; focal irrigation works; dyke systems, reservoir safety projects; reservoirs in drought regions, projects of small irrigation works combined with hydroelectricity in mountainous areas, water-saving projects...

- Science, technology, human



resources and market: research institutes, personnel training facilities, establishment of research groups - training - high-tech manufacturing, infrastructures and human resources for information and market forecast systems, marketing, promotion, market development and technology transfer.

# STARTING POINT OF AGRICULTURAL RESTRUCTURING



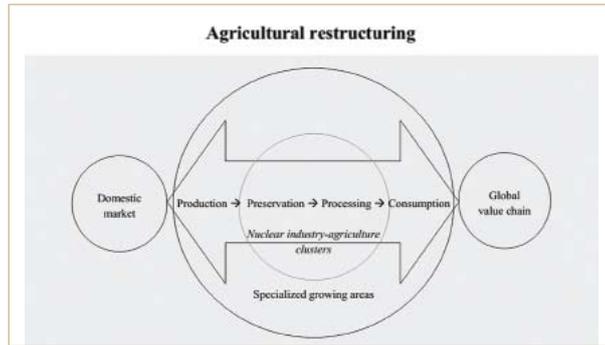
Former Deputy Prime Minister Nguyen Cong Tan: “the impasses in agriculture need to be changed, firstly in the way of thinking. Food security is like a magic charm that makes people not dare to change”.

How to make agriculture worth 100 billion dollars? He said, in the first place, farmers’ income must be deemed as the most important and humane sustainability factor. Meanwhile, science and technology, and value chain completion from production to processing must be considered as the property of agriculture.

Currently, agricultural GDP is about 20 billion USD but the target is 100 billion. To achieve that figure, we must rely on science and technology, and processing is the key factor to complete the value chain for agricultural production.



Mr Steven Jaffee, Rural Development Coordinator of World Bank (WB) in Vietnam: “Farmers in Vietnam need to sell products with higher value.”



The stages of production, preservation, processing and consumption will be fitted in the agricultural complexes, which are nuclear industry-agriculture clusters. These clusters are surrounded by closely-linked specialized growing regions. The area and output of specialized growing regions is limited and managed at a reasonable level that balances supply and demand. The development of these industry-agriculture clusters will solve the problem of catfish and rice consumption.

The sector restructuring scheme approved by the Government will be the key to all the difficulties of agriculture. With ready support from the government, sector production should be re-established to eliminate bottlenecks in the value chain from material input, production, processing and preservation of agricultural products to trade and consumption. The policy framework should be renovated to encourage domestic and foreign enterprises to invest in agriculture and rural areas. The Ministry of Agriculture and Rural Development also needs to coordinate with concerned ministries and sectors to implement these renovations. (Dr. Dang Kim Son)



Dr. Nguyen Lan Huong, program coordinator of FAO: The agricultural restructuring scheme planned by the Ministry of Agriculture and Rural Development with the support of international organizations is the step of “breakthrough in thinking” and “showing a way to create the drive for sector growth”. Agricultural restructuring also includes the fundamental changes in focuses, patterns of production and investment, state management functions and government interventions.



Dr Dang Kim Son (photo), Director of Institute of Policy and Strategy for Agriculture and Rural Development (IPSARD): “Restructuring is the only way to save agriculture.”

Linking the global value chain is the main solution to agricultural development of the sector restructuring scheme. The product will be linked from the stage of production, preservation and processing to consumption and finally linked to the global value chain in case the product has good export competitiveness. If the product only has average competitiveness, it will be transferred to domestic consumption.



Dr. Nguyen Do Anh Tuan - Director of Center for Agricultural Policy (IPSARD): (i) improve quality and increase value of agricultural products, (ii) specialize and expand production scale.

# INTERNATIONAL SUPPORT FOR AGRICULTURAL RESTRUCTURING IN VIETNAM

Since 2012, the Planning Department, the International Cooperation Department and ISG Task Force on “Agriculture restructuring” with members from FAO, WB, IFAD, JICA, the Netherlands, USDA, DANIDA, Canadian CIDA, Oxfam Israel, UN organizations, NGOs, etc... have performed several consultation activities to finalize the scheme, later approved by the Government.

To implement agricultural restructuring, the Food and Agriculture Organization of the United Nations (FAO) supports the Ministry of Agriculture and Rural Development (MARD) in TCP Facility project including: (i) Analysing development strategies for commodity sectors towards greater value, (ii) Developing an action plan for three sub-sectors: crop production, livestock husbandry and fisheries. Particularly, conferences on consultation and training have been organized to raise awareness and capacity of key Ministerial staff in the process of sector restructuring implementation.



*International Consultation Conference on agricultural restructuring scheme*

## PUBLIC-PRIVATE PARTNERSHIP – THE WAY TO ENHANCE AGRICULTURAL RESTRUCTURING



On June 20th 2013, the Ministry of Agriculture and Rural Development (MARD) through the International Support Group (ISG) and in collaboration with the Food and Agriculture Organization of the United Nations (FAO) organized a workshop on “The role of the State in public-private partnership in agricultural sector –international experiences”.

Over 80 participants attended the workshop, including leaders of ministerial units, experts and

researchers on PPP and representatives of international organizations

The main content of the workshop focused on clarifying issues related to PPPs in agricultural sector, namely: (i) concept, characteristics of PPP in agriculture, (ii) experiences in adjusting management function of the State to facilitate PPPs, (iii) public policy experiences in the implementation of PPP in 3 groups (commercial infrastructures, PPP and agricultural value chain; PPP in scientific research and industry-agriculture services); (iv)

the implementation process of PPP in Vietnam and proposed amendments of current policies.

The Minister of Agriculture and Rural Development, Mr Cao Duc Phat has assigned a PPP drafting group to prepare PPP projects in agriculture, with a view to promoting the development of PPP as strategic solutions supporting the restructuring of agriculture and rural development.

Opening the workshop, the Deputy Minister of Agriculture and Rural Development, Mr Hoang Van Thang affirmed that in the context of limited Government resources, PPP would contribute to develop modern agriculture on the basis of investment and resource mobilization from the whole society, to overcome the challenges of market risks, particularly in the situation of increasingly severe climate change. Developing PPP forms in agriculture will contribute to achieve the fundamental objectives of sustainable agricultural development (social-economic-environment) quicker and more efficiently. Learning

from experiences of attracting international PPP projects and recent experimental models will be important in developing the model broadly and firmly.

Dr. Marlo Rankin, PPPs expert of FAO commented: "agriculture in Vietnam only focuses on building production infrastructure instead of market infrastructure. This is the "imbalance" in public investment, since market development for agricultural commodity sector should be carried out first, then production plans should be made accordingly to avoid the scene of higher yields but lower prices. Apart from transport and irrigation infrastructure, agricultural growth and competitiveness of agricultural product chains also requires well-developed market infrastructure to help establish effective marketing channels.



All PPP have the objectives of raising farmers' income, rural poverty reduction and market access improvement; as well as chemical input reduction and soil conservation. In many other countries such as India and China, private sector investment has risen to respectively 19% and 16% of total agricultural research spending."

Market infrastructure includes collection areas of agricultural products, wholesale market systems, agricultural product exchanges, agricultural trade centers, warehouses and facilities for preliminary processing and storage. Market infrastructure development is complex and requires additional skills and knowledge from both, public and private actors, to ultimately be able to bring various benefits to the state, enterprises and farmers.

Ms. Nguyen Thi Hong, Director General of Planning Department of the Ministry of Agriculture and Rural Development, stated that the recently implemented PPP program in agriculture has shown that with the same amount of state investment, more projects can be funded and investment efficiency improves as a



result of the exploitation of capital, experiences, reputation and markets of the private sector. However, the current major challenge for PPP in agriculture is that all projects are unable to propose a mechanism of post-investment profit distribution between public and private sector or state investment recovery.

According to Ms. Hong, the restructuring plan of the Ministry of Agriculture and Rural Development emphasized the need to develop comprehensive agricultural market infrastructure. Investments in market infrastructure are not just about physical changes or works construction, but about the introduction of innovative ways of marketing and financial practices for the development, management and corresponding operations (including maintenance) of market infrastructure.

According to Decision No. 899/QD-TTg, the role of the State in promoting private investment is clearly mentioned: The State shall adopt support policies for economic sectors investing in agriculture and rural development; gradually transfer the provision of some public services to the private sector and civil society organizations; increase the ratio of investment from non-state sectors in the total investment in agriculture; and develop investment forms with the participation of both public and private sector, etc... 9 fields for which the State takes responsibility include: land use planning, land use certificate granting; negotiations and signings of trade and international cooperation agreements, establishment of standards of public service provision; support for basic infrastructures, management of dams, focal irrigation works and main channels; agricultural science research; market management to ensure fair competition, provision of quarantine services, protection of intellectual property rights; imposition of

national management rules and standards on the basis of scientific information, assurance of essential food supply with stable prices to create favorable conditions for private investment.

PPP investment has been successfully implemented in many countries, but it is still new in Vietnam, especially in the agricultural sector. Decision 71/2010/QD-TTg of the Prime Minister on promulgating the Regulation on pilot public-private partnership investment applied to one field. Ms Jenny Chao, Hogan Lovells Company - PPP Consultant for Vietnam Government, said international organizations were currently supporting Vietnam in amending Decision 71/2010. Many new regulations are being introduced, i.e. state assistance capital limited to 49% of total investment capital of each PPP project; PPP investors gain profits from their investment activities; investment recovery mainly derives from the revenue of service-using parties, etc...

## NEW POLICIES TO PROMOTE AGRICULTURAL RESTRUCTURING

### APPROVAL OF SCIENCE AND TECHNOLOGY RESEARCH FRAMEWORK IN AGRICULTURE AND RURAL DEVELOPMENT IN 2013-2020



The Minister of Agriculture and Rural Development approved the program of science and technology research framework in agriculture for 2013-2020 (Decision 1259/QĐ-BNN-KHCN dated June 4th 2013) including:

- Research and development on staple crops
- Research and development on livestock husbandry and animal health
- Research and development on forestry
- Research and development on staple fisheries products
- Research and development on agricultural engineering and post-harvest technology.
- Research and development on irrigation technology.
- Research of policies on agriculture and rural development.

### APPROVAL OF KEY CENTRAL AGRICULTURAL EXTENSION PROGRAM IN 2013-2020

The Minister of Agriculture and Rural Development signed Decision 1258/QĐ-BNN-KHCN dated June 4th 2013 on the approval of a key agricultural extension program in 2013-2020. This is an important direction for the activities of the agricultural extension system in the country and the implementation of tasks in the next period.

- Crop production: development toward modernization, sustainability, efficiency and competitiveness enhancement...
- Transfer of new technologies, advanced management process, animal health hygiene and disease prevention, sustainable livestock husbandry development.
- Application of technical advances in farming, exploitation, preservation... economic efficiency enhancement, income raising and environmental impact mitigation, aquatic resource protection
- Sustainable forest development and management,



*Disease-free poultry farming development and environmental pollution reduction in farm-households and farms*

environmental protection and adaptation to climate change.

- Mechanization in agricultural production, salt production and rural industries.

# INTERNATIONAL COOPERATION AND INTEGRATION

## VIETNAM – JAPAN COOPERATION: PRIORITY ON AGRICULTURAL MACHINES AND AGRICULTURAL AND FISHERIES PROCESSING



**O**n July 1st 2013, the Prime Minister signed Decision 1043/QĐ-TTg on the approval of the industrialization strategy of Vietnam in the framework of Vietnam – Japan cooperation toward 2020, vision to 2030.

The strategy outlined breakthrough directions for 6 priority industries including electronics; agricultural machinery; processing of agricultural and fisheries products; shipbuilding; environment and energy saving; and automobile and auto parts production, as the major industries of the economy with high added value and

international competitive capacity. These priority industries will play the leading role in attracting investments from domestic and foreign enterprises, firstly Japanese enterprises, creating technology and skill spillover for the industries in particular and Vietnam economy in general.

According to the target toward 2020, the priority industries will take the lead in applying high and clean technologies in rational consideration of the economic conditions in Vietnam. The production value of the priority industries should increase at least 20% each year and contribute at least 35% of the total industrial production value; in addition, these industries should be on the list of the 10 industries with the highest growth rate of labor productivity. To achieve these goals, it is necessary to enhance the production capacity of the mentioned priority industries; create and expand markets for products; concentrate on development of supporting industries through technology transfer and high-quality human resources training; and accelerate the operation of major projects in the upstream areas (petrochemicals, steel manufacturing, electricity, gas, energy...). This Decision took effect from the date of signature.

## RESULTS OF IMPLEMENTATION PLAN OF THE FIRST SEMESTER AND PREPARATION OF TASKS FOR THE SECOND SEMESTER OF 2013 IN AGRICULTURE AND RURAL DEVELOPMENT

**A**ccording to estimates by the General Statistics Office, the whole sector still maintained a growth rate within the first semester of 2013: GDP growth rate of agriculture, forestry and fisheries reached 2.14%; the production value of agricultural, forestry and fisheries (in fixed prices of 2010) increased by 2.4% compared to the same period last year. In particular, agricultural production value increased by 2.2%; forestry production value increased by 5.68%, and fisheries production value increased by 2.53%.

Major tasks of the sector for the second semester: Gathering resources for the implementation of measures to promote production (crop production, livestock husbandry, fisheries, forestry...) towards quality and efficiency; solving difficulties, assurance of timely and effective consumption of agricultural commodities and profits for farmers and fishermen; Enhancement of irrigation, dikes and flood prevention; implementation of rural development and poverty reduction programs, with focus on the National



Target Program on new rural development; Enhancement of quality management of agricultural products and supplies and assurance of food safety; Improving the role, management efficiency, restructuring and innovation of enterprises; Enhancement of research activities, technology transfer and training; promoting international cooperation activities; improving capacity and policy of sector management, saving practices, anti-corruption...

## LEGAL DOCUMENTS IN AGRICULTURE AND RURAL DEVELOPMENT ISSUED IN MARCH 2013

Date of issuance	Contents
<b>The Prime Minister</b>	
07/01/2013	Decision 1043/QĐ-TTg on approval of the industrialization strategy of Vietnam in the framework of Vietnam - Japan cooperation toward 2020, vision to 2030
06/27/2013	Decision 1017/QĐ-TTg on approval and signing of the "Memorandum of Understanding between the Government of the Socialist Republic of Vietnam and the Government of the Republic of Indonesia on Agricultural commodity cooperation"
06/27/2013	Resolution 81/NQ-CP on land use planning until 2020 and the land use plan in 5 years (2011-2015) of Ba Ria - Vung Tau province.
06/26/2013	Dispatch 936/TTg-KTN on the land-use change of rice fields to implement the projects and works in Soc Trang province
06/24/2013	Dispatch 912/TTg-KTN on the land-use change of rice fields to implement the projects and works in Ha Nam province
06/24/2013	Dispatch 907/TTg-KTN on the land-use change of rice fields to implement the projects and works in Nghe An province.
06/21/2013	Decision 980/QĐ-TTg on approval of the construction plan in Northern midland and mountainous areas until 2030.
06/10/2013	Decision 899/QĐ-TTg on approval of the agricultural restructuring scheme towards greater added value and sustainable development
<b>The Government</b>	
06/25/2013	Decree 61/2013/ND-CP on promulgating the Regulation on financial supervision, performance evaluation and financial disclosure of State-owned and State-invested enterprises.
04/23/2013	Decree 38/2013/ND-CP on management and use of official development assistance (ODA) and concessional loans from donors
<b>Government Office</b>	
07/01/2013	Notice 224/TB-VPCP on the conclusion of Deputy Prime Minister Hoang Trung Hai, Chairman of National Steering Committee on Forest protection and development plan in 2011-2020
06/25/2013	Dispatch 5102/VPCP-QHQT on the governance mechanisms of Combined Action Initiative in cooperation with UN organizations
06/25/2013	Dispatch 5150/VPCP-QHQT on the amendments of IFAD Grant Agreement for the project "Pilot poverty reduction in Ia Pa district"
06/20/2013	Dispatch 5005/VPCP-KGVX on summary report of the pilot model of vocational training in agriculture for rural labors by granting apprenticeship card in agriculture.
03/26/2013	Dispatch 2336/VPCP-QHQT on approval of the negotiation results of the Loan agreement "Water Sector Development Programme in Vietnam" (Loan 2).
03/07/2013	Dispatch 1812/VPCP-KGVX on approval of the Implementation Plan of the National environmental protection strategy towards 2020, vision to 2030.
<b>Ministry of Agriculture and Rural Development</b>	
06/26/2013	Decision 932/QĐ-BNN-KHCN on approval of the proposal in 2013 for the task "Building the model of crop production waste collection and treatment to reduce rural greenhouse gas emissions in the Red River delta".
06/26/2013	Decision 933/QĐ-BNN-KHCN on approval of the proposal in 2013 for the task "Building the model of coastal aquaculture in response to climate change"
06/26/2013	Decision 934/QĐ-BNN-KHCN on approval of the proposal in 2013 for the task "Assessing the impact of saltwater intrusion on the livelihoods of the communities in Northern coastal areas and proposing response solutions" .
06/26/2013	Decision 935/QĐ-BNN-KHCN on approval of the proposal in 2013 for the task "Building the model of rice cultivation to reduce greenhouse gas emissions by water-saving irrigation techniques"
06/26/2013	Decision 936/QĐ-BNN-KHCN on approval of the proposal in 2013 for the task "Integration of climate change issues with overall irrigation planning examination in Northern midland and mountainous areas"
06/26/2013	Decision 937/QĐ-BNN-KHCN on approval of the proposal in 2013 for the task "Development of integrated technical solutions for sustainable management and development of coastal mangrove protection forest in response to climate change".
06/20/2013	Directive 2039/CT-BNN-KH dated June 20th 2013 on the implementation of the agricultural restructuring scheme towards greater added value and sustainable development
06/17/2013	Document No. 1997/BNN-QLCL on the implementation of quality management and food safety in agriculture, forestry and fisheries
06/14/2013	Circular 32/2013/TT-BNNPTNT on the issuance of National Technical Regulations on Plant Quarantine and Protection.
06/04/2013	Decision 1259/QĐ-BNN-KHCN on approval of the Framework program on science and technology research in agriculture and rural development in 2013-2020
06/04/2013	Decision 1258/QĐ-BNN-KHCN on approval of key Central agricultural extension program in 2013-2020
<b>Ministry of Planning and Investment</b>	
03/27/2013	Circular 02/2013/TT-BKHDT on guidance of the implementation of some contents of the Sustainable Development Strategy in Vietnam in 2011-2020
<b>Committee for Ethnic Minority Affairs</b>	
06/24/2013	Circular 02/2013/TT-UBDT on guidance of the implementation of some articles of Decision 54/2012/QĐ-TTg dated December 4th 2012 by the Prime Minister on promulgation of policy on production development loans for ethnic minorities households with extreme difficulties in 2012-2015.
<b>Ministry of Finance</b>	
06/19/2013	Circular 81/2013/TT-BTC on the amendments of Circular 201/2012/TT-BTC dated November 16th 2012 of the Ministry of Finance on guidance of tax policy for unprocessed agricultural products invested by Vietnam, grown in Cambodia and imported back to Vietnam.
03/21/2013	Circular 33/2013/TT-BTC on the amendments of Circular 187/2010/TT-BTC dated November 22th 2010 of the Ministry of Finance on support policies for varieties of plants, animals and fisheries to recover production in areas damaged by natural disasters and epidemics.
02/25/2013	Circular 22/2013/TT-BTC on the regulations of import, export and storage fees of national reserve pesticides managed by the Ministry of Agriculture and Rural Development.

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

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