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INTERNATIONAL SUPPORT GROUP

# ISG NEWSLETTER

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT - INTERNATIONAL COOPERATION DEVELOPMENT

MONTHLY NEWSLETTER 5/2015

## IN THIS BULLETIN:

- Measures to promote the agricultural sector restructuring
- Cooperation and international economic integration
- Agricultural Trade
- Legal documents in Agricultural and Rural Development issued in May 2015

## MEASURES TO PROMOTE THE AGRICULTURAL SECTOR RESTRUCTURING

The restructuring of the agricultural sector towards greater added value and sustainable development in the context of domestic and international difficulties, the Ministry of Agriculture and Rural Development has made many efforts to direct and determine to implement numerous activities and measures. That has posed positive impacts on production efficiency, as well as improving people's income and life.



To date, there have been 24 plannings designed for restructuring the agricultural sector. Therein, 17 plannings are on national-scale, while 7 other plans are on regional, sectional and local scale. Especially, through the implementation of this scheme, regional hi-tech agriculture plannings in the whole country were completed.

### Remarkable achievements in 2014:

The sector's growth rate is higher. Production value rises to 3.9%, while the sector's GDP growth rate reaches to 3.49%;

Total export turnover of agricultural, forestry and fishery products reaches approximately 31 billion USD, increased by 11.2% compared to that in 2013.

The quality of the growth has been constantly improved. The added-value share of the agricultural production rises from 57% in 2010 to 67.8% in 2014.

Besides the initial achievements, Minister Cao Duc Phat pointed out shortcomings in the implementation: "The perception on the sector restructuring, and the approach to some fields slowly changed. Old thinking negatively influenced a group of local officials. Furthermore, the implementation of the restructuring policy was neither consistent nor equal between local authorities. Many local authorities have not paid enough attention, which resulted to limited outcomes in the practice".

One of the most important keys of the agricultural sector restructuring is the innovation and development of forms of production organization however this progress remains slow, particularly in the forestry and livestock production sectors. Economic cooperation and cooperatives have not promoted strong enough. The small and scattered household-scale production has exposed more and more limitations and weaknesses, that is the cause of low income and living conditions of the people, especially those of farmers in remote areas.

Restructuring the agriculture sector is a major policy, a long-term process in associated with the restructuring of the national economy. Its objective is to sustainably improve the efficiency of the agricultural production, and to contribute to improving people's life. Therefore, the study and application of restructuring measures

should be regularly conducted. Institutes, universities and professional bodies should have mechanism for setting up close collaboration between them which enables the development of solutions or group of solutions for directing and implementing of the sector restructuring smoothly and effectively.

## INTER-SECTORAL STEERING COMMITTEE ON THE AGRICULTURAL SECTOR RESTRUCTURING TOWARD GREATER ADDED VALUE AND SUSTAINABLE DEVELOPMENT, 2015 - 2020

Decision No. 508/QĐ-Ttg dated on 17th April 2015 issued by the Prime Minister was about the establishment of the Inter-sectoral Steering Committee on the agricultural sector restructuring in the period 2015 - 2020 chaired by Deputy Prime Minister Hoang Trung Hai following the proposal of the Minister of Agriculture and Rural Development. The Committee's functions are to assist the Prime Minister in directing and promoting the implementation of the Scheme on the agricultural sector restructuring toward greater added value and sustainable development, advising orientations and solutions for inter-sectoral and important issues in the implementation of the Scheme.

At the meeting, Deputy Prime Minister Hoang Trung Hai said: "to see the influences of the Scheme, the change in thinking way and perception of leaders of ministries, sectors and local governments are really needed".

Deputy Prime Minister stressed that market must be determined as a key element. Along with this element, the understanding of laws, particularly laws on commerce among population and businesses must be enhanced. In the context of international integration, it is crucial that population and businesses must proactively access to both Vietnamese and its partner's laws. Agreed with the activities of the Inter-sectoral Steering Committee in the time to come, Deputy Prime Minister urged to strengthen the communication. The program must be implemented from commune level upwards and focus should be on farmers. People and businesses should be communicated the competition pressure in the



*Deputy Prime Minister Hoang Trung Hai chaired the first meeting of the Inter-sectoral Steering Committee on the agricultural sector restructuring on May 19th 2015.*

future, which motivates them to establish linkage among them and to change production relations.

Market research and analysis, especially competition and niche market opportunities, must be paid more attention. Deputy Prime Minister requested the Ministry of Industry and Trade and the Ministry of Agriculture and Rural Development to make further collaboration in order for improving the market information and forecast capability as basis of production orientations.

"We should promote intensive processing in agriculture focusing on the products, which have advantages to increase the proportion of processing industry. Only large-scale and intensive processing could help mastering agricultural products", said Deputy Prime Minister. (VA)

## REINFORCEMENT OF THE SECTOR'S MANAGEMENT SYSTEM AND IMPROVEMENT OF HUMAN RESOURCES

The Ministry of Agriculture and Rural Development and the Ministry of Home Affairs agreed to promulgate the Joint Circular No. 14/2015/TTLT-BNNPTNT-BNV dated on 25th March 2015 providing functions, duties, powers and organizational structure of functional agencies responsible for agriculture and rural development under the management of provincial and district's People's Committees. The Ministry of Agriculture and Rural Development issued Circular No. 15/2015/TT-BNNPTNT dated on 26th March 2015 on

providing the guidelines on the duties of subsidiaries and non-business agencies under the management of Department of Agriculture and Rural Development. This is the key legal basis for provinces and cities to reinforce the organizational management system of the agricultural and rural development sector from central to grassroots level in a more consistent manner.

At the same time, the Minister of Agriculture and Rural Development issued Decision No. 695/QĐ-BNN-TCCB

dated on 4th March 2015 regarding the workplan in 2015 on the implementation of the Plan for reinforcement of the state administration system and public service organizations under the Ministry, and Decision No. 713/QĐ-BNN-TCCB dated on 4th March 2015 regarding the workplan in 2015 on the implementation of the Plan for the improvement of the human resource of the agricultural and rural development sector in the period 2014 - 2020 for serving the agricultural sector restructuring toward greater added value and sustainable development in associated with the new rural development.

Conference on the implementation of Joint Circular was organized by the Ministry of Agriculture and Rural Development aiming at providing the provincial departments of agriculture and rural development guidance on how to implement the mentioned circulars and plans, which are expected to reinforce the organizational structure of the agricultural and rural development sector towards smartness, consistency, thorough understanding, and effectiveness; improving



*Conference on the implementation of Joint Circular No. 14/2015/TTLT-BNNPTNT-BNV*

the efficiency and effectiveness of the sector management and being in line with the government's policies on state administration reform, public service and civil servant reform. This process, in turn, will provide better services to tens of millions of farm holders, contribute to building an advanced agriculture and to the development and prosperity of Vietnam. (TV)

## INTERNATIONAL ECONOMIC INTEGRATION AND COOPERATION

### INTERNATIONAL INTEGRATION - OPPORTUNITY FOR THE AGRICULTURAL SECTOR DEVELOPMENT



*Minister Cao Duc Phat chaired the Meeting*

At the meeting themed "International economic integration of the agricultural and rural development sector", Minister Cao Duc Phat stressed that once integrating with regional and international economy, other countries have applied non-tariff barriers to protect their domestic production. In Vietnam, food safety assurance and phytosanitary are the measures to be applied. However, international rules, regulations and standards will be followed rather than each nation's ones in the near future.

International economic integration in general and in the agricultural sector in particular is an indispensable process. It is the opportunity for Viet Nam to move forward, and there is no way for us to step back or return to the protection mechanisms as in the past.

The Scheme of the agricultural sector restructuring toward greater added value and sustainable development must be well implemented. Local authorities must have a well understanding of the integration issues and mainstream the restructuring related issues into the workplan of commune, district and business, and prioritized areas should be selected to implement.

#### **The following measures should be consistently implemented:**

1. Strengthen trade promotion activities for all commodities, especially agricultural, forestry and fishery products in both domestic market and key export markets in the world.
2. Ensure bio-security and establish value-chain based production forms.
3. Implement the reform of production structure of agricultural product commodities for export; strengthen the application of science and technology in the product value chain in order to successfully compete with imported goods in domestic market and meet technical requirements of import markets.
4. Provide information on key products and major markets to businesses for making investments plan, business strategy, and partnership development. (HH)

## FIRST FTAs IN 2015 TO PROMOTE AGRICULTURAL DEVELOPMENT

### VIET NAM – KOREA FREE TRADE AGREEMENT (VKFTA)

Authorized by the Government, Minister of Industry and Trade of Vietnam Vu Huy Hoang and Minister of Commerce, Industry and Energy of the Republic of Korea Yoon Sang-jik signed Vietnam - Korea Free Trade Agreement (VKFTA) in Hanoi, Vietnam on 5th May 2015 witnessed by Viet Nam's Prime Minister Nguyen Tan Dung, representatives of relevant ministries and agencies of the two countries.

This FTA is one of the first bilateral free trade agreements between Vietnam and other economic partners completed its negotiation process in 2014 and officially signed in 2015.

Under the agreement, this FTA is expected to bring positive impacts to all aspects of Vietnam. In the regards of economy, trade and investment, similar to commitments when joining WTO or other FTAs, of which Viet Nam has joined or is under negotiation, the signing of VKFTA will contribute to the improvement of trade business environment, effective allocation and use of social resources, promoting the economic restructuring toward better added value and sustainable development.

According to the Minister of Industry and Trade Vu Huy Hoang, in overall, beneficiaries of this FTA are firstly the agriculture sector, farmers, rural areas, processing industry, and the industries that need a large number of laborers such as textiles and footwear.

Besides the signing of the FTA, measures to promote



*Signing ceremony of Vietnam – Korea Free Trade Agreement (VKFTA) on 5th May 2015 in Hanoi*

the trade cooperation between the two countries were discussed by leaders of both sides. Accordingly, the Republic of Korea committed to assist Viet Nam in (i) developing supporting industries that Vietnam is still weak; (ii) creating favorable conditions for the exports of agricultural products, including seafood, fruits and vegetables to Korea with the increasing volume and preferential tariff; and (iii) promoting the projects in the fields of energy, especially electric power energy and gas and oil energy as well.

Upon this comprehensive framework, the deal is expected to bring positive benefits to the society by creating more jobs for Vietnamese laborers, improving income for laborers and low-skilled labor groups contributing to the hunger eradication and poverty reduction in rural areas. (HNN)

## VIET NAM - EAEU FREE TRADE AGREEMENT



*Prime Minister Nguyen Tan Dung, Prime Minister of 5 member-States of the Eurasian Economic Union, Leaders of Permanent Bureau of Eurasian Economic Union at the signing ceremony of the Free Trade Agreement. Photo: VGP/Nhat Bac*

Speaking at the Signing Ceremony, Prime Minister Nguyen Tan Dung affirmed that Vietnam, as a dynamic member of ASEAN, will make the best efforts to develop the cooperation between EAEU and ASEAN community - this is a uniformed and dynamic market with over 600 million people and GDP of approximate 2,500 billion USD. At the same time, the Prime Minister said that Vietnam is speeding up to finish negotiations with many major partners on FTAs, therefore, once EAEU member-States invest and open business in Viet Nam, they will have good opportunity to access to the markets of major economies (such

as US, Japan, EU, China, Canada, Australia, New Zealand, the Republic of Korea, etc.).

The Agreement covers main chapters on goods trade, rules of origins, trade remedies, service trade, investment, intellectual property, sanitary and phytosanitary measures (SPS), customs facilitation, technical barriers to trade (TBT), e-commerce, competition, institution and legislation.

In terms of goods trade, EAEU will provide Viet Nam incentive policy, important export opportunities for the goods that Vietnam has competitive advantages, such as agricultural products and industrial goods like textiles, footwear, wood furniture and other processed goods.

An important point of this deal is that the tariff will be applied at the level of 0% by EAEU for all fishery products of Vietnam as soon as the Agreement takes effect. Along with the removal of tariffs, both sides will proactively operate SPS programs, including equivalent treatment towards measures or management systems in the relevant fields, and mutual recognition on the concept

of adaptation to regional conditions and the use of audit results and information from major international organizations; to boost cooperation, implement initiatives on trade facilitation and technical support, and establish effective consultancy mechanisms between the two sides.

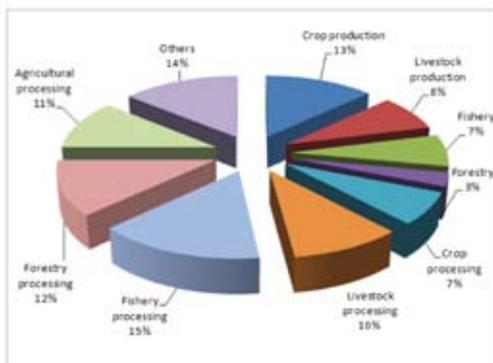
Vietnam agrees to open the market for EAEU, on the basis of roadmap concept, for some livestock products and industrial goods, including machinery, equipment, vehicles, etc. These goods generally do not compete with Vietnamese products but partly make the diversification of the domestic market. Agricultural products such as milk and dairy products, cereals, etc., in particular, are considered as the EAEU's priorities and have been agreed by Vietnam to open its market immediately however Vietnam agricultural sector is forecasted not to be largely affected by agricultural products exported by this Union in the first 5 years of the Agreement while agricultural products of EAEU member-States are produced to mainly meet their domestic demands, not for export.

## FDI IN AGRICULTURE: CURRENT SITUATION AND MEASURES

**F**DI role is realized with a great contribution to the recent success of the agricultural and rural development sector over the past time. This resource contributed to increase the total investment capital of the sector; promote agricultural goods production toward greater added value and exports; improve productivity, quality, efficiency and competitiveness of agricultural products; and create jobs and income for rural workers.

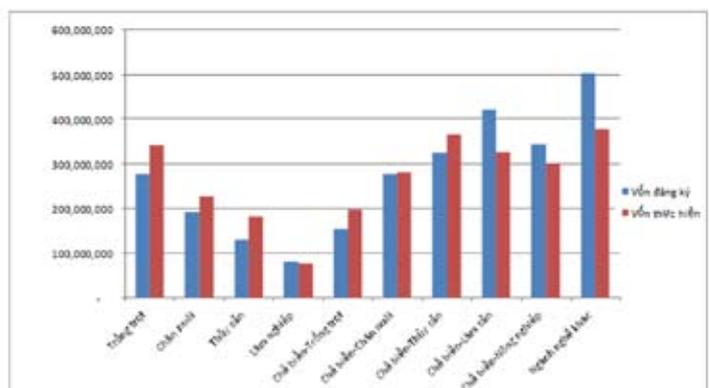
According to statistic data of Ministry of Planning and Investment, as of 2014, the total accumulated valid projects in the fields of agriculture, forestry and fisheries is 512 projects with the registered investment capital of more than 3.43 billion USD (equivalent to 70,000 billion VND). Of which, agriculture, forestry and fishery processing projects are the most attractive of FDI.

### The structure of FDI projects in the agricultural and rural development sector (%)



Source: Ministry of Planning and Investment

### The structure of FDI allocation in the agricultural and rural development sector (USD)



Source: Ministry of Planning and Investment

Compared with other sectors, the inflows of FDI in the agriculture and rural development sector are still limited, accounted for only 3.06% of total FDI projects and 1.35% of total registered capital of FDI projects in the whole country.

- Objective reasons: It is due to small and scattered-scale production; weak and inadequate infrastructure and supporting services; low labor productivity and quality; potential risks of natural diseases, epidemics and market fluctuations.

- Subjective reasons: it is due to the inconsistent perception and policy on FDI investment; intransparent and changing policies; complicated administrative procedures; ineffective investment promotion activities.

## Measures to promote the attraction of foreign investment in Vietnam agricultural sector

### Specific goals from now till 2030

- (i) Increase the total FDI capital up to 4.5 billion USD in 2020 and 6 billion USD in 2030, increase the capital share of FDI in agriculture to that in the whole economy to approximately 4 - 5% in 2020;
- (ii) Promote the attraction of FDI on the basis of high quality and better added value, better use and protection of natural resources, advanced and smart technologies, job creation and improvement of weak steps in the agricultural value chain, trade promotion of FDI in agriculture in a effective and consistent manner;
- (iii) Increase the agricultural products export value from FDI projects in the agricultural sector to 10-15% in 2020 compared with that in 2015, and 30-40% in 2030;
- (iv) Expand and complete FDI attraction forms that are suitable for the agricultural sector, such as public-private partnership (PPP), joint venture, association, contract with farmers along with the form of 100%

foreign investment capital.

### Prioritized investment fields:

- Science and technology to increase added value of the commodity value chains;
- Application of high technology in processing industry, strengthening of food quality and safety control, and development of agricultural, forestry and fishery products brand.

### Measures:

- Raise awareness on the importance of FDI attraction in the agriculture sector;
- Improve the quality of investment promotion;
- Investment incentive policy;
- Strengthen the effective coordination between the central and local level in term of calling for investment.

(DPH-LTV)

## AGRICULTURAL TRADE VIETNAMESE RICE TARGETS TO BECOME "THE WORLD'S LEADING" BRAND



The Plan for the development of Vietnamese rice brand by 2020 and vision to 2030 was approved by Prime Minister targeting to build Vietnamese rice to become the world leading brand in terms of food quality and safety. The plan aims Vietnamese rice to reach 50% of total exports, where 30% of the total rice export are Aromatic rice and specialty rice.

Accordingly, the plan's goal is to build brand for Vietnamese rice which helps determine the rice values and images; to raise awareness of manufacturers, importers, distributors, both national and international consumers on Vietnamese rice products; to enhance and develop markets; and to increase added value, market shares and competitiveness of Vietnam rice products in the international market.

By 2020, the image of Vietnamese rice will be introduced and communicated nation-wide and to at least 20 importing countries around the world. The intellectual property rights of the national rice brand will be protected in the form of a certification marked in Vietnam and in at least 50 countries. It is also expected that 20% of total rice export volume will be branded.

By 2030, the export rice production regions will be stable, effective and sustainable and enhance the Vietnamese rice to be the world leading brand in terms of food quality and safety, and expected that 50% of total rice export volume will be branded, and 30% of which will be Aromatic and specialty rice.

It is essential to develop policy to support businesses, who use the national rice brand for building material production zone, value chain linkage, improvement of seed quality, supporting technology, quality assurance, development of rice quality standards; It is also necessary to build and develop regional and local rice brands for local specialty rice products in line with the national rice branding policy; to select preferably 03 typical varieties in the Mekong Delta for building and developing to become the local and regional brand name towards the national brand name, which are jasmine, fragrant and typical glutinous rice varieties. (NTT)

## LEGAL DOCUMENTS IN AGRICULTURE AND RURAL DEVELOPMENT ISSUED IN MAY 2015

Issuance date	Detail
<b>Prime Minister</b>	
January 6 <sup>th</sup> , 2015	Decision No. 08/QĐ-TTg on the promulgation of the plan on the simplification of administrative procedures in 2015
May 21 <sup>st</sup> , 2015	Decision No. 706/QĐ-TTg approving the plan for the development of Vietnamese rice brand by 2020 and vision till 2030
May 20 <sup>th</sup> , 2015	Directive No. 08/CT-TTg of the Prime Minister regarding the adjustment of the land use planning by 2020 and the land use plan as the last phase (2016 - 2020) at the national level.
May 13 <sup>th</sup> , 2015	Decision No. 636/QĐ-TTg approving the equitisation plan of the parent company - Viet Nam National vegetables, fruits and agricultural products Corporation
May 13 <sup>th</sup> , 2015	Decision No. 624/QĐ-TTg approving the list of technical assistance project on “Building Capacity of Professional Project Management Board” funded by Asia Development Bank (ADB)
May 4 <sup>th</sup> , 2015	Decision No. 575/QĐ-TTg approving Master Plan for Hi-tech Agriculture Areas and Regions by 2020 and vision till 2030
April 27 <sup>th</sup> , 2015	Decree No. 40/2015/NĐ-CP regarding the amendment and supplement of some articles of the Government’s Decree No. 157/2013/NĐ-CP dated on November
<b>Government</b>	
January 3 <sup>rd</sup> , 2015	Resolution No. 01/NQ-CP on major duties and measures for the direction, management and implementation of the socio-economic development plan and the State budget plan in 2015.
May 14 <sup>th</sup> , 2015	Decree No. 47/2015/NĐ-CP regarding the organization and operation of MARD’s official inspection.
April 27 <sup>th</sup> , 2015	Decree No. 40/2015/NĐ-CP regarding the amendment and supplement of some articles of Decree No. 157/2013/NĐ-CP dated on November 11th, 2013 providing regulations on administrative violation handling in forest management, development, protection and forest product management.
<b>Government Office</b>	
January 5 <sup>th</sup> , 2015	Notification No. 01/TB-VPCP on the conclusions made by Deputy Prime Minister Vu Duc Dam at the meeting of the Central Inter-sectoral Steering Committee on food safety.
May 27 <sup>th</sup> , 2015	Notification No. 180/TB-VPCP on the conclusions of Deputy Prime Minister Hoang Trung Hai at the meeting of Inter-sectoral Steering Committee for the agricultural sector restructuring.
May 21 <sup>st</sup> , 2015	Notification No. 175/TB-VPCP on the conclusions of the Prime Minister Nguyen Tan Dung at the Online Preliminary Conference - the 6 years (2009 - 2014) of the implementation of the Government’s Resolution No. 30a/2008/NQ-CP dated on December 27th, 2008 on rapid and sustainable poverty reduction support program for the poor districts.
May 20 <sup>th</sup> , 2015	Notification No. 173/TB-VPCP on the conclusions of Deputy Prime Minister Vu Van Ninh at the National Conference on the implementation of the Government’s Decree No. 67/2014/NĐ-CP about some policies on fishery development.

May 18 <sup>th</sup> , 2015	Document No. 3522/VPCP-KTN on the alternative forest plantation to the areas switched to other usage purposes.
<b>Ministry of Agriculture and Rural Development</b>	
May 18 <sup>th</sup> , 2015	Decision No. 1786/QĐ-BNN-CB on the annulment of some articles of the MARD's Circular No. 04/2015/TT-BNNPTNT dated on February 12 <sup>th</sup> , 2015 guiding the implementation of the Government's Decree No. 187/2013/NĐ-CP dated on November 20 <sup>th</sup> , 2013 detailing the implementation of the Commercial Law regarding international goods sale and purchase and goods purchase, processing and transit agency activities with foreign countries in the field of agriculture, forestry and fisheries.
May 21 <sup>st</sup> , 2015	Notification No. 3589/TB-BNN-VP on the conclusions of Deputy Minister Vu Van Tam at the Conference on "the management of boars and the inspection of animal feed."
May 21 <sup>st</sup> , 2015	Notification No. 3941/TB-BNN-VP on Minister Cao Duc Phat's conclusions at the Conference on "Solutions for the difficulties of livestock producers and traders"
April 24 <sup>th</sup> , 2015	Circulation No. 18/2015/TT-BNNPTNT about the provision of the scientific and technological duties management of the Ministry of Agriculture and Rural Development.
April 22 <sup>nd</sup> , 2015	Joint Circulation No. 17/2015/TTLT-BNNPTNT-BTC providing guidance on how to measure the value of planted forests and gardens for restructuring and transforming agricultural and forestry companies.
<b>Ministry of Industry and Trading</b>	
May 14 <sup>th</sup> , 2015	Decision no. 4665/QĐ-BCT approving "Viet Nam Rubber production and development Master Plan by 2025 and vision till 2035".
<b>Ministry of Foreign Affairs</b>	
March 13 <sup>th</sup> , 2015	Notification No. 10/2015/TB-LPQT regarding the validity of the Letter of Exchange on the first amendment of the Agreement between the Government of the Socialist Republic of Vietnam and the Government of Switzerland on the Project "the Establishment of monitoring and evaluation in support of management in the agricultural and rural development sector, phase 2"
<b>Other relevant documents</b>	
May 13 <sup>th</sup> , 2015	Decision No. 17/2015/QĐ-UBND issued by Phu Yen Provincial People's Committee providing regulations on incentive and supporting policies for the investment in Phu Yen Hi-tech Agriculture Areas.
May 14 <sup>th</sup> , 2015	Decision No. 21/2015/QĐ-UBND issued by Ho Chi Minh City's People's Committee providing regulations on incentive policies to encourage the application of VietGAP in agricultural and fishery production in Ho Chi Minh city.