

## Chapter 2

# Trends and evaluation of Viet Nam's agricultural policy

*The focus of this chapter is on major developments in agricultural policy in Viet Nam since 2000. It describes the framework of agricultural policy with regard to key policy objectives, the major phases of policy development, and the legal and institutional arrangements for administering agricultural policy. Domestic agriculture-related policies are then described, with policies grouped in accordance with the indicators of agricultural support developed by the OECD. It is followed by a detailed examination of trade policies relating to the agro-food sector. Support provided to agriculture and the cost that these policies impose on Vietnamese consumers and taxpayers are then estimated. The final section summarises the main conclusions.*

## 2.1. Introduction

This chapter examines agricultural policy and the support provided to agricultural producers in Viet Nam since 2000. The current priorities of agricultural policy are to achieve high quality output and competitiveness, raise rural incomes and maintain food self-sufficiency. The Ministry of Agriculture and Rural Development (MARD) has the primary role in developing and implementing policies to achieve these objectives. Other central government ministries and agencies along with local government also have significant roles. A range of input subsidies on irrigation, seeds, credit, etc., is used to support producers. The budgetary cost of these measures has grown rapidly since the mid-2000s. A number of initiatives have been introduced to deal with disease outbreaks and natural disasters. In 2012 a direct payment per ha was introduced to encourage farmers to maintain land in rice production. Expenditure on irrigation, both capital works and operations and maintenance, accounts for a relatively large proportion of government spending on agriculture.

Tariffs have fallen significantly over the period. The average tariff on agricultural product imports has fallen from 24% in 2000 to 16% in 2013. Import monopolies, licensing requirements and export restrictions on agricultural products that were still remaining following the reforms of the 1990s were removed in the early 2000s. Import requirements imposed for food safety and quarantine purposes are becoming more stringent. They are often implemented in a non-transparent manner and add to the cost of importing. The current system for controlling rice exports reduces competition in the market.

The level of support to producers as measured by the ratio of policy-related transfers from taxpayers and consumers to gross farm revenues (percentage Producer Support Estimate, %PSE) averaged 7% in 2011-13, varying between -21% in 2008 and 16% in 2009. This variation reflects the government's efforts to stabilise domestic prices and to balance the interests of producers and consumers in the context of price volatility on international markets. The total value of transfers arising from support to agriculture was equivalent to 2.2% of GDP in 2011-13.

## 2.2. Agricultural policy framework

This section provides an overview of the agricultural policy framework in Viet Nam. A summary of the current key policy objectives for the sector is followed by a description of agricultural policy developments since reunification in 1976. These can be divided into five broad phases that follow the broader economic policy transition in Viet Nam from a centrally planned to a socialist-oriented market economy. The roles of various government agencies are then discussed. While MARD has the main responsibility for agricultural policy formation, a number of other ministries formulate policies directly affecting the sector. Local governments are primarily responsible for service delivery. State-owned enterprises (SOEs) and co-operatives have been used in the past to implement policies but their influence has fallen in recent times. In Viet Nam, the agricultural sector is broadly

defined to include forestry and fishery (both aquaculture and capture) production.<sup>1</sup> This study uses a narrower definition of the agricultural sector encompassing crop (annual and perennial) and livestock production only. Similarly, the study does not examine broader rural development initiatives.

### **Agricultural policy objectives: current**

The overall goals for agricultural policy as set out in the MARD plan for the five years 2011-15 are to achieve sustainable development with high quality output; improve the living standard of people living in rural areas, especially the poor; and protect and effectively utilise natural resources and the environment. These high-level goals are refined into the following **six key objectives**, with specific targets and various actions and programmes for each objective:

- achieve sustainable, high quality growth of the sector with improvement in productivity, quality and competitiveness of products
- improve living standards and conditions of population living in rural areas, especially the poor
- develop infrastructure to meet requirement of the agricultural production and serve people living in rural area
- strengthen competitive capacity and international integration of the sector
- use and protect natural resources and the environment in a sustainable and efficient manner
- improve the government's managerial capacity of the sector in an efficient and effective manner.

### **Phases of agricultural policy development**

#### **Reunification (1976-1986)**

In the initial years following reunification, the Communist Party of Viet Nam (CPV) attempted to extend its **socialist centrally planned system** to the whole country. The government's priority goal was to develop heavy industry. Agriculture's role was to support this by providing goods at low prices while at the same time achieving food self-sufficiency in rice and other staple foods (Nguyen and Grote, 2004; MARD, 2014a). Private farming was essentially abolished. Agricultural production was organised into co-operatives focusing on annual crops and state farms focusing, in general, on perennial crops. The upstream and downstream sectors were reorganised as SOEs. Co-operatives managed production and distribution decisions in accordance with targets developed by central governing authorities. They also controlled marketing functions, collecting and selling surplus product either to the state at "negotiated prices" or in the unorganised free market. Within co-operatives, production targets were assigned to brigades who allocated labour supply to activities (Kirk and Nguyen, 2009).

It was obvious by the early 1980s that these arrangements for organising agriculture were not working. Production levels were well below targets. Surpluses were sold on the informal private market rather than through the state procurement system that offered much lower prices. The government was forced to increase food imports at a time when Western and Chinese aid was declining.<sup>2</sup> Drawing lessons from the success of illegal "underground contracts" that were spreading throughout the country, the CPV Central

Committee issued Directive No. 100 CT/TW dated 13 January 1981 in an **attempt to improve the efficiency** of the collective system.<sup>3</sup> The Directive allowed households and co-operatives to enter into contracts that permitted households to farm land owned by the co-operative in exchange for delivering an annual production quota to the co-operative. Quotas were based on the productivity of the land during the previous three years. Households were responsible for planting, tending and harvesting. Co-operatives provided services such as preparing land and providing water, seeds, fertilisers and pesticides, paid for by the selling of contracted output (Dao et al., 2005). Any surplus produced by the household above the quota could be sold to the state via SOEs or in the private market. State procurement prices of agricultural goods were gradually increased to the same level as market prices (Nguyen, 2010).

At first this partial reform seemed promising: agricultural production grew 11% in 1982. Success, however, was short-lived. The reforms were not deep enough to give farmers real incentives to produce more. The government maintained strict control over prices and trade for both inputs and outputs through SOEs and internal trade restrictions. Household quotas were sometimes raised by co-operatives following their observation of increased production. Due to supply shortages, the allocation of inputs to farmers from co-operatives fell far short of their requirements (Kirk and Nguyen, 2009). Many farmers did not obtain adequate output to pay their duty to co-operatives. In addition, the government issued the Agricultural Tax Ordinance in 1993 to unify and rationalise the tax base across the country. This introduced another output-based tax on farmers: 6-14% for paddy; 10-30% for fruit trees and 12% for industrial and other crops (Barker et al., 2004). Farmers started to give back land. The **incentive to produce was lost**. By the mid-1980s, large areas of the country were experiencing near-famine conditions, and food shortages were resulting in widespread suffering. Inflation became a serious problem and the failure of the so-called “price-salary-money reform” initiated in 1985 led the economy into crisis with hyperinflation (Vo, 2008).

### **Renovation (1986-1993)**

The VIth National Congress of the CPV in 1986 recognised that the centralised management mechanism was failing and began a process to **renovate (Doi Moi)** economic management institutions and policies (Pham, 2006).<sup>4</sup> The reforms had sweeping goals: they sought to stabilise the economy, develop the private sector, increase and stabilise agricultural output, shift the focus of investment from heavy to light industry, focus on export-led growth, and attract foreign investment. Importantly, to stabilise the socio-economic situation, the development of agriculture, forestry and fisheries, and the rural economy in general, was elevated to the task of primary importance.

Resolution No. 10/1988/NQ-TW on renovation of agricultural management dated 5 April 1988 shifted the focus of agriculture and rural development **from co-operatives to farm households**. Resolution No. 10 obliged agricultural co-operatives to contract all but 5% of farmland to households for 15 years for annual crops and 40 years for perennial crops.<sup>5</sup> Although the terms of the land allocation varied across Viet Nam, in most instances land was allocated on the basis of family size. This was done to ensure that each household had enough land to meet its subsistence requirements. A further egalitarian feature was that land of different qualities was allocated to each household, meaning that, depending on the geographical features of the area, households could be farming as many as 15 different plots of land scattered throughout the village (Dang et al., 2006). In addition, households were allowed to buy and sell animals, equipment, and machinery. They still

had to meet production quotas, but the production amounts and prices were fixed for five years. Farmers were given the ability to make their own decisions concerning production in response to market demand and the private sector was allowed to engage in food marketing (Nguyen, 2010). Co-operatives were limited to the roles of trading (mainly inputs) and providing services (irrigation, plant protection, extension) to farmers (Dang et al., 2006). Many co-operatives simply disappeared in the wake of Resolution No. 10.

A large number of reforms quickly followed. These reduced government control over prices and **opened markets** to both greater domestic and international competition. The reforms increased the effectiveness of Resolution No. 10 by raising prices for agricultural outputs and lowering them for farm inputs. Import tariffs were introduced in 1988; the border trade with China was reopened in 1989; the ability of private enterprises to engage in foreign trade was authorised in 1991; and prices for most goods and services were opened to market determination in 1992. However, prices remained regulated for a limited number of products that were deemed to be economically and/or socially essential for the country, including fertiliser, sugar and rice. The government reduced its control on export and import activities to quotas applicable to 12 main commodities. Viet Nam switched from a fixed exchange rate regime to one in which the rate is permitted to float within a band determined by the State Bank of Viet Nam (SBV). This resulted in a sharp devaluation of the currency, making Vietnamese exports much more competitive on international markets. Agricultural production jumped. Viet Nam, which had imported more than 460 000 tonnes of food in both 1987 and 1988 to meet shortfalls in national production, became the world's third-largest exporter of rice in 1989 (Nguyen, 2010). Success in agriculture became a key driver of overall economic growth and led to a much stronger emphasis being placed on the role of agriculture (Pham, 2006).

### **Expansion (1993-2000)**

Having ensured food supplies at the national level, efforts were made to expand food production for export to generate foreign exchange earnings. A number of limitations were recognised. Farmers did not have long-term rights to their land, making it difficult to grow commercial crops such as coffee, rubber, cashew nut, and pepper. Many rural households, especially poor smallholders, had difficulty obtaining access to production technologies, inputs, and capital for production (Nguyen, 2010). Financial institutions refused to accept existing land-use rights as collateral, preventing households from acquiring loan funds for agricultural investment. The government promulgated a range of decrees aimed at **institutional reform and improving investment** and technological innovation including:

- Decree No. 13/1993/ND-CP on agricultural extension dated 2 March 1993 stipulated the establishment and development of agricultural extension to transfer technology to farmers
- Decree No. 14/1993/ND-CP on credit policy for family farms dated 2 March 1993 allowed rural households to borrow loans from commercial institutions
- Land Law 1993 extended land use rights to 20 years for annual crops and 50 years for perennial crops; granted households land use rights certificate (red book); and gave households the rights to exchange, transfer, lease, inherit and use land use rights certificate as a mortgage for loans
- Law on Agricultural Land Use Tax 1993 replaced both the compulsory quota system and the agricultural output tax with a land use tax

- Decision No. 151/1993/QĐ-TTg established the Price Stabilisation Fund (PSF) to regulate and stabilise prices of essential commodities, including urea, paddy and rice, coffee and sugarcane
- Law on Co-operatives 1996 clarified the co-operatives' role as service providers and established a legal framework for them within a multi-sectoral commercial economy.

The remaining market restrictions on key agricultural products were gradually liberalised. Most important was the relaxation of **restrictions on rice exports**. The export quota was increased from less than one million tonnes in 1992 to 4.5 million by 1998. However, the right to export was limited, allocated to two central government established SOEs – Vinafood I (also known as the Northern Food Corporation) and Vinafood II (Southern Food Corporation) – and a number of provincial SOEs (Kirk and Nguyen, 2009).<sup>6</sup> Internal barriers to trade in rice that had restricted the flow of rice from the south to the north were relaxed. Especially important in this regard was Decree No. 140/1997/ND-TTg, implemented in March 1997, which lifted internal trade restrictions on rice, and eliminated some licenses and controls on transport. Viet Nam signalled its commitment to trade liberalisation by entering into a large number of bilateral and regional trade agreements and partnerships.

The improved policy environment was supported by a rapid **increase in budgetary expenditure** for agriculture, which quadrupled in real terms during the 1990s (Baker et al., 2004). Increased funding was provided to the Viet Nam Bank for Agriculture and Rural Development (VBARD) to support the opening of commercial credit to farmers. Several large-scale state agricultural projects and programmes were implemented during this period, such as the *VND 50 Million/Hectare program*, the *One Million Tons/Year Sugar program*, and the *Building Canals for All Rice Fields program* (Phan, 2014; Ellis et al., 2010).

### **Consolidation (2000 to 2008)**

In 2000 the government set the goal of becoming a modern industrialised country by 2020. The IXth National Congress of the CPV held in April 2001 proposed to strengthen market price transmission and mobilise essential resources to step up agricultural and rural modernisation and industrialisation. In response the government issued Decree No. 5/2001/ND-CP on stimulating agricultural and rural **modernisation and industrialisation** in 2001-10 (Pham, 2006). In this period, agricultural production transformed from an expansion phase toward objectives of higher yield, better quality and higher value in order to create jobs and raise income for people in the rural areas. To achieve the national agricultural objectives, four broad policies were implemented: 1) encourage domestic production of primary and processed commodities, 2) encourage quality improvement, 3) encourage domestic and international trade, and 4) increase investments from various sources in physical and social infrastructure (Phan, 2014). Further international integration – bilateral (e.g. the United States-Vietnam Bilateral Trade Agreement signed in 2000 and in effect since late 2001), regional (e.g. adopting AFTA commitments) and multilateral (negotiations to become a WTO member) – both locked in previous reforms and obliged further actions (Vo, 2008).<sup>7</sup>

After 2000, through active support from the government, the **livestock sector** developed rapidly. The government intensified its investments in the sector, and at the same time some major direct foreign investments were made in feed milling and livestock operations. The effort to satisfy high demand growth since 2000 triggered some selected government support to remedy the shortages. For dairy this support was directed at

artificial insemination and the importation of dairy breeds to upgrade the traditional yellow Vietnamese cattle and increase its dairy potential (JICA, 2012). To overcome the challenges imposed by land fragmentation, the government issued Decision No. 150/2005/QĐ-TTg on 25 June 2005 urging land accumulation to be finished early so that large and modern commercial production areas can be developed to replace small-scale farm household production. However, difficulties in the land transfer procedure prevented this occurring (Tran et al., 2013).

### **Reorientation (2008 onwards)**

Despite these successes, the government remains concerned about the unsustainable direction in which agriculture is headed. The competitiveness of the sector is low and relies on low labour cost and natural advantages; value added is limited. There is a high dependence on some traditional export markets; excessive uses of chemical inputs are polluting the environment; and the large agricultural labour force remains unskilled and unstable (Tran and Dinh, 2014a). At the VIIth Conference of Central Party Committee No. 10, the Central Committee issued Resolution No. 26/2008/NQ-TW on agriculture, farmers and rural areas dated 5 August 2008, commonly referred to as the **Tam Nong** resolution. This is the CPV's current orienting document for agriculture, rural development and farmer livelihoods. It states that development in all three areas will be based on the market economy with socialist orientation. Both general and specific objectives to be attained by 2020 are laid out, including the following principal goals:

- to build up a comprehensively developed agriculture sector in a modern and stable manner with large-scale commodity production, high yield, good quality, better efficiency, high competitiveness, along with the development of industry and services in rural areas, to ensure food security
- to build up new rural areas with modern socio-economic infrastructure; rational economic structure and production organisations, linking agriculture with the rapid industrial, service and urban development based on planning; stable rural society rich in traditional culture; enhancing the intellectual level and protecting the ecological environment
- to improve spiritual and physical life of rural residents; farmers are trained and act as the leaders in the rural community.

Alongside *Tam Nong*, and prompted by the sharp rise in international food prices during 2007-09, Resolution No. 63/2009/NQ-CP to **ensure national food security** was issued on 23 December 2009. The objectives of the Resolution include: ensuring adequate food supply sources for immediate- and long-term national food security, meeting nutrition needs and putting an end to food shortage and hunger; improving food consumption structure and quality and stepping up intensive rice farming; and ensuring that rice producers earn higher profits. To meet these objectives, specific production targets for 2020 are set for a variety of products, such as protecting 3.8 million ha of rice land to yield 41-43 million tonnes of rice, covering all domestic demand along with exporting about 4 million tonnes of rice per year.<sup>8</sup> The achievement of these targets will be done through food production planning and rice land planning; infrastructure, scientific and technological development including construction of irrigation works and new dyke systems, construction of warehouses for food reserve and preservation, selection, creation and production of adequate plant varieties and animal breeds of high yield and quality, etc.; human resource training; consolidation of food circulation and export system;

renovation of the organisation of food production forms; etc. In addition, it includes a commitment to ensure farmers receive a profit from rice production of at least 30% above the cost of production (Tran and Dinh, 2014a).

### **Framework for policy implementation**

The broad guidelines and direction for all policy, including that for agriculture, are established by resolutions of the CPV made at their five-year national congresses and annual meetings of the Central Committee. The government develops legislation and regulation, and ten-year **Socio-Economic Development Strategy (SEDS)** and the five-year Socio-Economic Development Plan (SEDP) to implement these directions. The latest ten-year SEDS for the period 2011-20 approved in January 2011 reinforces the overall objective of making Viet Nam a modern industrialised country by 2020. It has been developed to give effect to Resolution No. 26/2008/NQ-TW and Resolution No. 63/2009/NQ-CP. Specific actions relating to agriculture include:

- increase investment in agricultural production and rural economy
- continue to improve mechanisms and policies to renovate the operation of collective economy, farm-based economy, and craft villages towards achieving sustainable development
- maintain rice cultivation area at 3.8 million ha while issuing specialised mechanisms and policies to support localities and rice growers to ensure national food security, especially in the context of climate change and sea level rise impacting the delta provinces
- continue to invest in agricultural products and locally advantageous products and products that can substitute imported ones
- attach importance to vocational training aimed at training one million rural labourers a year.

As a step towards implementing the SEDS and SEDP, Decision No. 124/2012/QĐ-TTg approving the **master plan for agricultural** production development through to 2020 with a vision toward 2030 was issued on 2 February 2012 and entered into force on the date of its signing. The master plan has four general objectives:

- to develop the agricultural sector towards modern, sustainable, large-scale commodity production on the basis of comparative advantage
- to apply science and technology to increase productivity, quality, effectiveness and competitiveness to ensure national food security in both the short and long term while adapting to the diverse needs of domestic and exports
- to improve the effectiveness of land use, water, labour and capital
- to raise incomes and living conditions of farmers, fishermen, salt producers and foresters.

As a further move towards implementing Resolution No. 26 and the SEDS, Decision No. 899/2013/QĐ-TTg approving the **plan of restructuring the agricultural sector** (often referred to as the Agricultural Restructuring Plan, ARP) towards improving value-added and sustainable development was issued on 10 June 2013. The long-term objectives for agriculture will be reflected in three sustainable pillars:

- economic: maintain robust agricultural growth and improve sectorial competitiveness, primarily via advances in productivity, efficiency, and value addition, and better meet the needs and preferences of consumers



- social: Continue to raise farmer incomes and rural living standards, reduce the incidence and severity of rural poverty, and ensure household and national food and nutrition security
- environmental: Improve natural resources management, reduce impacts, contribute to get environmental benefits and improve capacities to manage weather-related and other natural hazards in the context of Viet Nam.

The restructuring plan is viewed as a **major turning point** in agricultural policy. It signals an important change in emphasis: from extensive development based on quantity to one focused on quality and efficiency improvement. It also identifies a changing role for the government: from service provider to facilitator. Based on the perspective that sector restructuring should be in line with the overall national process of adopting the market mechanism and guaranteeing fundamental benefits for farmers and consumers, the state will play a supportive role in order to enable a favourable 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 organisations (FAO, 2013).

### ***Institutional arrangements for administering agricultural policy***

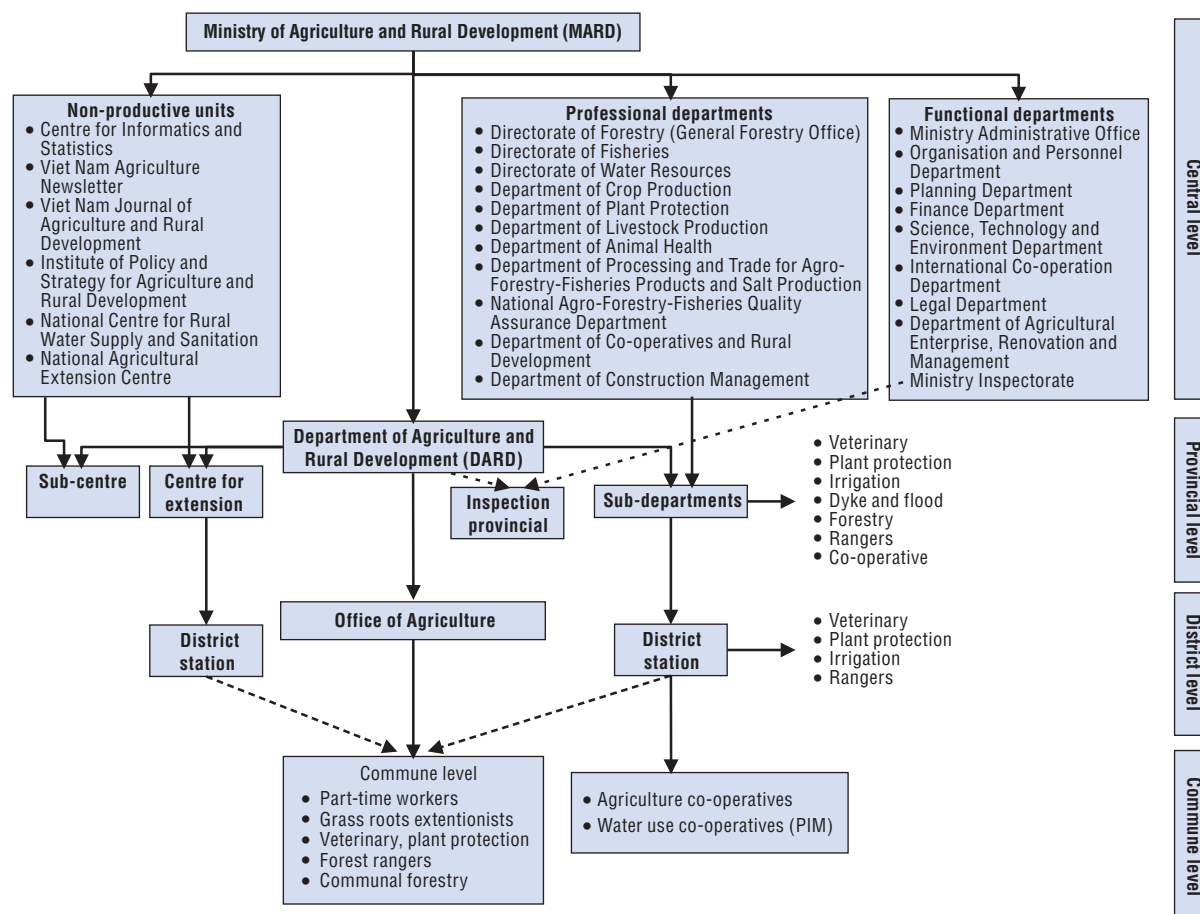
#### ***Central government ministries and agencies***

MARD has the **main responsibility** for formulating, implementing and administering agricultural policy.<sup>9</sup> It is also responsible for performing the state management functions in relation to the forestry, fisheries and salt production sectors, irrigation/water services and rural development nationwide. It was formed in 1995 with the merger of three ministries: Forestry, Water Resources, and Agriculture and Food Industries, with the aim of reducing policy overlap across the primary sectors. MARD has undergone considerable changes since its establishment as new responsibilities have been added (e.g. the Ministry of Fisheries was merged into MARD in 2008) and the process of decentralisation has been implemented. The main tasks of MARD are to:

- Submit to the government legal projects, draft resolutions of the National Assembly (NA), ordinances, draft resolutions of NA Standing Board; draft resolutions, decrees based on approved programmes, annual law plans of MARD and projects assigned by the government and the Prime Minister.
- Submit to the Prime Minister the development master plans and strategies; annual, five-year and long term plans as well as key programmes and projects within MARD's mandated areas.
- Issue decisions, directives, and circulars within MARD's mandated areas; guide how to implement these documents and inspect the implementation process.
- Guide, supervise and organise the implementation of legal documents, strategies, master plans, programmes, projects, standards, techno-economic norms relating to agriculture, forestry, salt industry, fishery, irrigation/water services and rural development. Disseminate information and raise public awareness about regulations within areas covered by MARD's mandated areas.

The **organisational structure** of MARD is arranged to carry out these responsibilities. MARD is comprised of 26 units, consisting of 11 professional departments/state management offices, 9 functional departments and 6 "non-productive" units (Figure 2.1). The main

Figure 2.1. Level flow chart of the Ministry of Agriculture and Rural Development, 2013



Source: MARD International Cooperation Department, <http://icd.mard.gov.vn/tabid/270/Default.aspx>.

functions of the 26 units are set out in Table 2.A1.2. Also directly under the umbrella of MARD are institutional agencies such as research institutions, universities, colleges, secondary schools, media organisations, etc.

There are 63 **Departments of Agriculture and Rural Development (DARD)**, one for each of the 58 provinces and 5 municipalities. Established in 1997, these operate as local branches of MARD, in conjunction with the respective Provincial People's Committee (PPC). DARD provides advice, administration and instruction at the provincial and district levels to plan and implement central government policies including agricultural land registration, land allocation, extension, irrigation and rural development planning. At the same time, DARD's also give effect to the socio-economic development plans of the PPC.

A large number of **other central government line ministries** or public institutions have responsibilities for policies that directly impact on the agricultural sector. For example, the annex to the *Tam Nong* resolution on agriculture and rural development lists almost 20 distinct government agencies with roles to play. The main ones include:

- **Ministry of Planning and Investment (MPI)** is responsible for the state management of planning, development investment and statistics. The Department of Agricultural Economy is in charge of allocating state investment in agriculture and the Central

Institute for Economic Management (CIEM) has a direct reporting role about economic policies, including food prices and agricultural policies.

- **Ministry of Industry and Trade (MOIT)** is responsible for the state management of industry and trade in both the domestic market and internationally. The Agency of Foreign Trade (Department of Export and Import) is responsible for issuing import, export, duty exemption and quota certificates, and managing tariff-rate quotas. The Domestic Market Department manages the rice trade in the domestic market. The Science and Technology Department is responsible for the food safety of products under MOIT jurisdiction.
- **Ministry of Finance (MOF)** is responsible for the finances of the state, including managing the national budget, tax revenue, state assets and the finances of state corporations. The Department of Price Management is responsible for monitoring and implementing appropriate policies to stabilise the domestic prices of selected commodities. The Department of Tax Policy is responsible for the agricultural land use tax and import/export taxes. The General Department of State Reserves is responsible for managing the state reserves of specific products, including rice, seeds, veterinary medicines and crop protection chemicals.
- **Ministry of Science and Technology (MOST)** is responsible for the state management of science and technology including research, intellectual property, standards and meteorology. The Department of Intellectual Property manages the registration of trademarks, origin branding such as geographic indication, and the collective branding of agricultural products.
- **Ministry of Health (MOH)** is responsible for the governance and guidance of the health, healthcare and health industry including nutrition. The Viet Nam Food Administration is responsible for the food safety of products under MOH jurisdiction.

### *Local government*

A complex structure of representation and responsibility, mirroring the national structure, exists at the subnational level. At each of the **three levels** (provincial, districts and communes),<sup>10</sup> inhabitants elect a local People's Council who in turn elect a local People's Committee. The local People's Committee is responsible for implementing the Constitution, laws, and documents issued by higher state organs and resolutions of the local People's Council, and for issuing and implementing decisions and directives within their areas of competence (WTO, 2013). A system of dual subordination operates at all subnational levels. The local People's Council is accountable to its electorate and to the upper level legislative body. Similarly, the local People's Committee is accountable to their respective legislative body at the same level and to the upper level executive body (Bjornstad, 2009).

Prior to the implementation in 2004 of Law No. 01/2002/QH11 on the State Budget dated 16 December 2002, the fiscal management of local budgets was highly centralised. Although local government in 2000 executed almost 40% of investment from the state budget, it was primarily a budget line distribution to the provincial level government to carry out central government policy (World Bank, 2012). The State Budget Law 2002 advanced **fiscal decentralisation** by assigning more authoritative responsibilities to provincial government and by guaranteeing revenue sources to commune governments. In particular, responsibility for service delivery was shifted from central government to the provincial level, leaving the organisation of expenditures at the subnational level up to the

provincial government. This provides a large amount of discretion to the provincial government to adapt to their specific conditions, but less so for sub-provincial level governments (Bjornstad, 2009).

As a result, some provinces issue additional policies to encourage agricultural production depending on their natural conditions or their own objectives for development. For example, in 2010 Nghe An province increased investments in transportation networks and irrigation system for tea production. The provinces of Lam Dong, Nghe An, Lao Cai, Phu Tho, Lang Son, Son La, Tuyen Quang, and Thai Nguyen encouraged farmers to plant new high-yielding tea varieties by subsidising about 20%-25% of the total new variety cost (Phan, 2014). However, **large differences in budget revenue** between provinces have begun to emerge as a result of the revenue sharing arrangements (Tran, 2014b).<sup>11</sup> These arrangements benefit locations where there are better social-economic conditions. Moreover, Viet Nam law currently applies the origin principle whereby the taxes, fees, etc. which enterprises pay are allocated to the provinces where the head office of the enterprise is located. This creates further inequality between provinces.

### **Parastatal institutions**

Prior to the Doi Moi reforms the economy was largely dominated by **SOEs**. SOEs were awarded effective monopolies in many key industries and service sector activities including agricultural input supply, the storage and marketing of outputs, and to the extent it existed, further processing. While markets have been progressively liberalised and reforms carried out to increase private ownership of SOEs, they remain an important and influential part of Viet Nam's agricultural sector. Although SOEs do not generally play a major role in agricultural production, there are some notable exceptions such as rubber, tea, coffee and to a less extent sugar, and several others are involved in processing and trade, as well as supplying inputs to farmers (Table 2.1). In addition, SOEs enjoy near-monopoly status in the production of several goods and services providing agricultural inputs, specifically fertiliser (99% of total output), electricity and gas (94%) and water supply (90%) (World Bank, 2012).

### **Farmer organisations**

Prior to Resolution No. 10, **co-operatives** were the primary entity around which agricultural policy was centred. With this reform, they subsequently lost their *raison d'être*. Their number fell from a peak of over 126 000 in the early 1980s to just under 14 000 in 1997. Recognising farmers, particularly small-scale producers, would still benefit from co-operative institutions to provide inputs and assist with marketing, the first Law on Co-operatives dated 20 March 1996 and effective 1 January 1997 was enacted to provide a new direction. The Law required existing co-operatives to be transformed into membership-oriented service co-operatives promoting the income of their members rather than as a delivery mechanism for government; otherwise they had to be dissolved. It also provided the option for farmers to establish new agricultural service co-operatives from scratch and broadened the scope of activities that could be undertaken (Wolz and Pham, 2010). Despite these changes, the number of agricultural co-operatives has continued to fall to around 10 400 at the end of 2013. The vast are located in the northern half of the country: 36% in the Red River Delta (RRD), 19% in the Northern midlands and mountainous regions and 27% in the Northern Central and Central coastal areas (Table 2.2).

Table 2.1. **Major state-owned enterprises involved in agriculture**

| Name   | State ownership (%) | Activities  |
|--|---------------------|---|
| Viet Nam Northern Food Corporation (Vinafood I)                            | 100                 | Involved in the purchase, processing, import and export of a range of food, wood and salt products. Imports fertilisers, animal feed products and other agricultural inputs. Reformed into a limited liability company under Decision No. 1544/2009/QĐ-TTg dated 25 September 2009.   |
| Viet Nam Southern Food Corporation (Vinafood II)                           | 100                 | The largest exporter of rice, with capacity to process 3 million tonnes of rice per year, storage facilities for over one million tonnes, and exclusive supplier status for government-to-government contracts. It also processes and exports a range of other agricultural commodities including cassava, maize, beans, cashew nuts and coffee, as well as seafood and fish. It imports and processes wheat into consumer products, and operates a chain of retail stores and a hotel/resort system. Reformed into a limited liability company under Decision No. 979/2010/QĐ-TTg dated 25 June 2010.  |
| Viet Nam Rubber Group (VRG)  | 100                 | VRG is the largest natural rubber company in Viet Nam with 40 subsidiaries, 39 farms, and 30 processing plants. Through its subsidiaries VRG controls about 270 000 ha of rubber plantations, corresponding to 40% of the national total and 85% of total export production. Established in its current ownership structure by Decision No. 249/2006/QĐ-TTg dated 30 October 2006 following the restructuring of the Viet Nam Rubber Corporation as a multi-ownership Group. VRG is also involved in a livestock production, plantation forests, wood processing, electricity, engineering, managing seaports, etc.   |
| Viet Nam National Coffee Corporation (Vinacafe)                            | 100                 | Established by Decision No. 251/QĐ-TTg dated 29 April 1995, Vinacafe is the biggest state-owned corporation specialising in coffee production, processing, exporting in Viet Nam, and carrying out general business operations. It is made up of 56 companies, enterprises and agricultural fields. It produces 50 000 tonnes of coffee beans and exports 250 000-300 000 tonnes of coffee beans per year – accounting for 20-25% of Vietnamese coffee bean exports. Vinacafe also exports peppers and cashew nuts, imports fertilisers and facilities for the coffee industry, undertakes research into coffee production, and assists producers by providing seeds and advice.  |
| Viet Nam National Tea Corporation (Vinatea)                                | 100                 | The biggest state-owned producer, manufacturer and marketer of tea, exporting around 70 000 tonnes each year to more than 50 countries. It owns more than 100 000 ha of tea plantations, manages over 60 tea enterprises and 6 joint ventures with foreign partners. Involved in tea research and providing extension services.   |
| Sugarcane and Sugar Corporation No. 1 – Joint-stock Company (Vinasugar I)  | 64                  | Growing sugar cane and production of sugar products, confectionary, spices and beverages. Trading in fertiliser, agrochemicals, food products, and machinery and spare parts for the sugar industry. Provision of construction and investment services for sugar mills and business warehousing. Capital invested into a number of other sugar processing companies. Reformed into a joint-stock company under Decision No. 1913/2012/QĐ-TTg dated 21 December 2012.  |
| Sugarcane and Sugar Corporation No. 2 – Joint-stock Company (Vinasugar II) | 64                  | Growing sugar cane and production of molasses, refined sugar, confectionary, alcohol, soft drink, wine, beer, micro-organic fertiliser, plywood MDF, cattle feed; sugar technical services, providing goods for material areas. Producing food containers/wrapping, textile industry. Manufacturing the mechanical products and tools for sugar industry. Investment consulting and construction for sugar industry. Building, repairing, developing and expanding sugar factory. Wholesale and retail of the products of food manufacturing, the specialised machines and spare-parts, materials, and consumer products. Hostel business, office leasing, warehouse leasing and house trading. Capital invested into a number of other sugar processing companies. Reformed into a joint-stock company under Decision No. 1914/2012/QĐ-TTg dated 21 December 2012. |

Source: Data collected from a variety of websites including the home pages of the listed SOEs and financial investment company reports.

In addition to formal agricultural co-operatives, there also exist more informal **collaborative groups** among farmers. There were almost 62 500 such groups in 2013, up from about 50 000 in 1996. In comparison to formal co-operatives, many of these are located in the Mekong River Delta (MRD) region (29%). Collaborative groups are registered at the commune level only. In general, they focus on organising soil preparation and irrigation, as they are not allowed to conduct business activities (e.g. marketing) on their own.

Table 2.2. **Agricultural co-operatives by sector and region, 2013**

| Sector                | Region   |   |   |                   |            |                    | Total  |
|-----------------------|--|---|---|-------------------|------------|--------------------|--------|
|                       | Red River Delta                                      | Northern midlands and mountainous areas | North Central and Central coastal areas | Central Highlands | South East | Mekong River Delta |        |
|                       | <b>Number</b>  |   |   |                   |            |                    |        |
| Agricultural services | 3 633  | 1 842                                   | 2 691                                   | 412               | 282        | 917                | 9 777  |
| Forestry              | 4  | 31                                      | 8                                       | 0                 | 0          | 10                 | 53     |
| Aquaculture           | 101  | 105                                     | 48                                      | 6                 | 20         | 211                | 491    |
| Fisheries capture     | 1  | 1                                       | 23                                      | 0                 | 2          | 6                  | 33     |
| Salt industry         | 25   | 0                                       | 24                                      | 0                 | 1          | 2                  | 52     |
| Total                 | 3 764  | 1 979                                   | 2 794                                   | 418               | 305        | 1 146              | 10 406 |
|                       | <b>Share of total agricultural co-operatives (%)</b> |   |   |                   |            |                    |        |
| Agricultural services | 34.9   | 17.7                                    | 25.9                                    | 4.0               | 2.7        | 8.8                | 94.0   |
| Forestry              | 0.0  | 0.3                                     | 0.1                                     | 0.0               | 0.0        | 0.1                | 0.5    |
| Aquaculture           | 1.0  | 1.0                                     | 0.5                                     | 0.1               | 0.2        | 2.0                | 4.7    |
| Fisheries capture     | 0.0  | 0.0                                     | 0.2                                     | 0.0               | 0.0        | 0.1                | 0.3    |
| Salt industry         | 0.2  | 0.0                                     | 0.2                                     | 0.0               | 0.0        | 0.0                | 0.5    |
| Total                 | 36.2   | 19.0                                    | 26.8                                    | 4.0               | 2.9        | 11.0               | 100.0  |

Source: Ministry of Agriculture and Rural Development (2014), *Statistical Yearbook of Agriculture and Rural Development 2013*.

While this might be a disadvantage, these entities can work fairly flexibly on an ad hoc basis, need only a simple management structure and do not have to pay taxes (Wolz and Pham, 2010).

Despite government support, the role of co-operatives **remains insignificant**. A revised Law on Co-operatives was introduced in 2013.<sup>12</sup> The new Law is intended to support the innovation and development of co-operatives through the training of personnel management, provision of technical assistance and technology transfer, and assistance with market development and trade promotion. However, many agricultural co-operatives are still passive in reforming and adapting to the market economy and economic integration (Tran, 2014b). Many farmers are reluctant to participate in co-operatives because of their past experience when co-operatives were forced on them, preferring autonomy over dependence on others. Consequently, many rural households do not act collaboratively in terms of commercial matters, e.g. negotiate contracts, lodge complaints or settle disputes, despite potentially being better off by doing so.

The Viet Nam Farmers Union (VFU) is a **socio-political organisation** of the CPV established in 1930. However it is very weak at the grassroots level, and only operates in an administrative manner at the central level. Its main roles are to dissemination and explain new policies and mobilise the farmers in general. According to a survey conducted in 2005, the impact of the VFU on rural life ranks third out of four, which clearly shows that it has not really become an organisation supported by farmers, effectively acting in their interest. Although rural residents account for almost 70% of the total population they are yet to play an important role in socio-economic life and in the policy making process (Nguyen, 2010).

### 2.3. Domestic policies

This section discusses in detail the domestic policy measures that **provide support** to agriculture in Viet Nam. It begins by examining the policies through which transfers are directly received by producers, i.e. included in the measurement of the Producer Support

Estimate (PSE), from price support measures and input subsidies through to disaster relief. Trade policies can also provide support to producers and these are discussed in Section 2.4. Three important policies providing support to the agricultural sector as a whole are then discussed: extension, research and development and infrastructure. These are included in the General Services Support Estimate (GSSE). The final sub-section discusses policies that are provided to consumers specifically for the purposes of reducing the price of the goods they consume. These are included in the Consumer Support Estimate (CSE).

### **Price support measures**

The government has operated a **State Reserve** system for certain products since reunification.<sup>13</sup> Agricultural-related goods held in the reserve are rice and various production inputs. The strategy for the State Reserve out to 2020 has set the following annual reserve targets to be held by 2015: 500 000 tonnes of paddy and rice (paddy equivalent); 10 000 tonnes of rice seed; 1 500 tonnes of maize seeds; 130 tonnes of vegetable seeds; 600 tonnes of pesticides; 10 million doses of vaccines, and 1 million litres of antiseptics for the prevention and suppression of cattle diseases.<sup>14</sup> The current reserve is maintained for the purposes of preventing and overcoming the consequences of natural disasters and epidemics affecting people, plants or animals, and ensuring economic, social and national security. Stocks are held throughout the country under the responsibility of 22 Department of State Reserves, each covering 2-3 provinces. The annual quantity of paddy/rice to be brought into the reserve is set by Prime Ministerial decision. This can be brought from farmers or traders, with a maximum price set by MOF.

In 1992, the government **deregulated prices** for most goods and services in the economy.<sup>15</sup> Some exceptions, however, remained. These goods and services were divided into two lists: one for which the state determined fixed prices and one subject to framed (floor or ceiling) prices. Fixed prices were set for electricity, postal fees, domestic telephone, water, natural resource; land rent and residential premises owned by the government. Framed prices for agricultural-related commodities included: maximum prices for selling rice in major domestic markets, for transporting food from the south to the north and to mountainous areas, for transporting fertiliser from the north to the south, for importing urea (fertiliser) in foreign currencies; and minimum prices for buying paddy from farmers and for exporting rice in foreign currencies.

A **Price Stabilisation Fund** (PSF) was established in 1993 with the objective of regulating and stabilising domestic prices.<sup>16</sup> There was no set list of goods and services subject to price stabilisation, but it was generally applicable to essential goods such as paddy and rice, coffee, rubber, sugarcane, cashew nuts, petroleum-related products, iron and steel, and fertiliser (WTO, 2006). Customs surcharges were used as an instrument to both finance the PSF and stabilise domestic prices. The government determined when commodities would be subject to a surcharge, the application period and the surcharge rate (which was based on the difference between external and domestic prices). Surcharges applied to both exports (e.g. unprocessed cashew nuts, rubber latex and coffee) and imports (e.g. petroleum, iron and steel for construction purposes, DAP fertiliser and sheet steel). In addition to surcharges, stocks held by SOEs were used to stabilise prices. The PSF, together with Export Reward Fund, was transformed into the Export Promotion Fund (EPF) in 1999.<sup>17</sup>

In 2004 the policy of setting framed prices was abandoned and replaced with a more general commitment to **stabilise market prices** for essential goods and services when their prices “abnormally fluctuate”.<sup>18</sup> Policy measures that could be employed to achieve price

stabilisation were: a) adjusting the demand and supply of domestic goods and export/import goods, and/or adjusting the allocation of commodities between regions or localities in the country; b) purchasing or selling out of the state reserve; c) controlling goods in stock; d) setting maximum prices, minimum prices or price brackets; e) controlling price components; f) subsidising farm produce prices when the market prices drop too low, thus causing damage to the producers; and g) subsidising prices of other important and essential commodities and services. While changes were made in relation to framed prices, the state continued setting fixed prices for electricity, postal fees, etc.

Agricultural-related products on the price stabilisation list included inputs, outputs and final consumer products (Table 2.3). Specific conditions that defined **abnormal fluctuations** were set by regulation.<sup>19</sup> For paddy this was set at a 15% or greater fall in the purchase price over a 30 day period; for coffee beans, seed cotton and sugarcane it was a fall of 20% or more. An abnormal fluctuation for rice was considered to be a rise in the retail price of 25% or more over a 30 day period. For urea it occurred if the price of one kg of urea fertiliser exceeded the price of two kg of paddy within 30 days.

Table 2.3. **Agricultural-related products subject to price stabilisation**

| Market level      | 1993-99 <sup>1</sup>  | 2004-08 <sup>2</sup>                              | 2008-14 <sup>3</sup>   | 2014 onwards <sup>4</sup>   |
|-------------------|---|---|--|---|
| Inputs            | Fertilisers   | Urea  | Chemical fertilisers<br>Plant protection chemicals<br>Certain veterinary products <sup>5</sup><br>Certain animal feeds | Nitrogenous fertiliser, urea, NPK fertiliser<br>Plant protection chemicals<br>Prophylactic vaccines for livestock and poultry |
| Farm level output | Paddy<br>Sugarcane<br>Coffee beans<br>Rubber<br>Cashew nuts | Paddy<br>Sugarcane<br>Coffee beans<br>Cotton seed | Paddy  | Paddy   |
| Final consumption | Rice  | Rice<br>Ginned cotton                             | Rice<br>Edible sugar<br>Milk products  | Rice<br>Edible sugar<br>Milk formula for children under 6 years of age  |

1. Decision No. 151/QĐ-TTg dated 12 April 1993.

2. Decree No. 170/2003/ND-CP dated 25 December 2003.

3. Decree No. 75/2008/ND-CP dated 9 June 2008.

4. Decree No. 177/2013/ND-CP dated 14 November 2013.

5. Foot-and-Mouth Disease vaccine; Avian Influenza vaccine; and antibiotics Oxytetracycline, Ampicilline Tylosin and Enrofloxacin.

A number of **amendments** were made in 2008.<sup>20</sup> First, changes were made to the price stabilisation list. Sugarcane, coffee beans and cotton seed were removed, leaving only paddy; the range of agricultural inputs covered increased; and edible sugar and milk products were added to join rice while ginned cotton was removed. Second, alternations were made to the specific conditions defining abnormal fluctuations. For all goods and services covered, it reduced the period over which prices were allowed to vary from 30 to 15 days, allowing greater market flexibility. For the new goods subject to price stabilisation, a 15% or greater increase was considered abnormal for animal feeds and plant protection drugs and a 20% or greater limit was set for chemical fertilisers and certain veterinary drugs. Finally, a third list of goods and services subject to price registration was established. Producers and traders of goods and services on this list were required to register their prices with the relevant state management agencies. Permission to change a registered price must be obtained from the relevant state management agencies before doing so,



showing evidence as to why the change is required. Agricultural-related products on the price registration list were very similar to those subject to price stabilisation. It covered specific chemical fertilisers (urea, DAP, NPK and phosphate), specific plant protection products, certain veterinary drugs, table sugar (white sugar and refined sugar), the same types of animal feeds, rice and formula milk for children under 6.

The obligation to **register prices** was initially limited to just SOEs. In 2010 this obligation was extended to all private enterprises producing, importing, distributing and/or selling goods on the price registration list.<sup>21</sup> Moreover, the conditions under which price stabilisation measures were to be implemented also changed. The specific conditions were removed and greater discretion was given to government officials. State management agencies could now introduce measures when the price of a good increases or decreases faster than changes in production costs as determined by the agencies, or if price fluctuations are considered “groundless”, or because a producer or trade abuses their market position. No changes were made to the lists of goods and services subject to price stabilisation or price registration.

Effective 1 January 2014 certain animal feeds and veterinary medicines have been removed from the list of products subject to price stabilisation while milk products has been refined to milk products for children under 6 years old.<sup>22</sup> To simplify matters, goods and services subject to price stabilisation also became those subject to price registration. Further, price registration requirements have been restricted to the time when price stabilisation is enacted which in turn has been limited to no more than six months. However, the conditions for implementing price stabilisation measures remain at the **discretion of officials**. These can be imposed when a market price increase or decrease is “unreasonable” compared to the change in production costs, or is “unreasonable” in the case of natural disasters, epidemics, economic crises, etc., or negatively affects economic and social stability. In addition to price registration, other policies that can be implemented include buying into or selling goods from the State Reserve, financial support (e.g. tax concessions and interest rate subsidies) and price support in accordance with international commitments, and regulating demand and supply of domestic goods and exports and imports. A price stabilisation fund has also been re-established, but can only be used to stabilise the prices of a limited range of the goods and services subject to price stabilisation: gas and oil products for domestic consumption; electricity retailing and rice.

Aside from these broader price policy instruments, two specific policies have been introduced to support the **farm gate price for paddy**. Since 2009 the government has subsidised the temporary storage of rice during harvest for the purpose of increasing demand and avoiding price reductions. Under these interventions, the government subsidises all the interest payment on loans taken out by exporting enterprises to purchase rice for temporary storage (usually 3 to 4 months). Enterprises must procure rice at the target paddy price introduced in 2011 to receive the subsidy. MOF and SBV are responsible for allocating funds from the state budget to support these interventions. These interventions are made annually based on the changes in market price of rice, often at the point of lowest price. These procurement policies are a popular intervention by the government and have been used a number of times in recent years (Table 2.4).

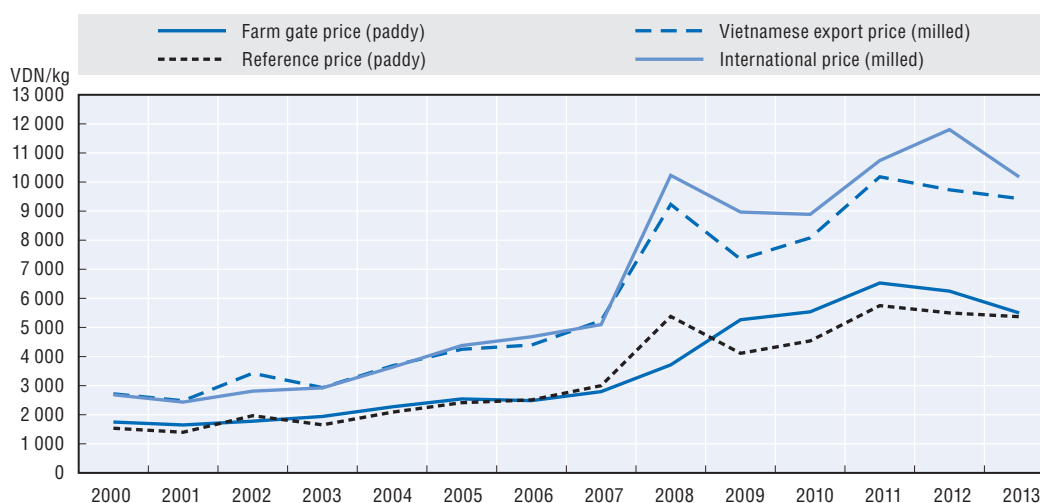
In order to meet the commitment made under Resolution No. 63/NQ-CP on food security dated 23 December 2009 to ensure the farm gate price for rice is at a level that provides growers with a profit of more than 30%, **target paddy prices** have been established

Table 2.4. **Temporary storage procurement policy timing and volume, 2009-13**

| Decision                      | Time for rice purchase           | Time for storage                     | Volume (tonnes) |
|-------------------------------|----------------------------------|--------------------------------------|-----------------|
| Decision No. 1518/2009/QĐ-TTg | 20 September to 20 November 2009 | 20 September 2009 to 20 January 2010 | 0.5 million     |
| Decision No. 993/2010/QĐ-TTg  | 15 July to 15 September 2010     | 15 July to 15 November 2010          | 1 million       |
| Decision No. 287/2012/QĐ-TTg  | 15 March to 30 April 2012        | 15 March to 15 June 2012             | 1 million       |
| Decision No. 311/2013/QĐ-TTg  | 20 February to 31 March 2013     | 20 February to 20 May 2013           | 1 million       |
| Decision No. 850/2013/QĐ-TTg  | 15 June to 31 July 2013          | 15 June to 15 September 2013         | 1 million       |


since 2011.<sup>23</sup> Under this policy, production survey data is collected for each province and for each rice season. From this data MOF and MARD calculate an average production cost for eight regions that cover the whole country. Provincial People's Committees use these average costs to determine and proclaim rice paddy floor prices at which enterprises are encouraged to buy rice from farmers, i.e. target paddy prices. Separate target paddy prices (production cost plus 30% profit) are therefore set for each region and for each season (MARD, 2014b).

These interventions have had a positive impact on rice prices, with the average farm gate price lifting above the average export price when measured on an equivalent basis (Figure 2.2). However, the impact has been limited because of the short duration of the subsidised loan coupled with the variation in harvesting time among provinces. A number of factors further **weaken the effectiveness** of this policy measure. First, exporting enterprises often buy rice from local traders or assemblers so they have no direct control over the price farmers receive. Second, there can be large differences in production costs within each of the eight regions, particularly in relation to land lease fees and loan interest rates. Consequently, the target price based on the average will benefit some and disadvantage others. Finally, MOF/MARD are often late in determining production costs, which is supposed to be given at the beginning of each crop season (MARD, 2014b). Consequently, many farmers and state officials agree that most of the **benefits of the interest subsidy is captured by rice exporters**, mainly state-owned enterprises (SOEs), rather than by farmers.<sup>24</sup>

Figure 2.2. **Comparison of different types of rice prices in Viet Nam, 2000-13**

Note: International price is Thailand 15% broken, f.o.b. Bangkok.

Source: Agroinfo, Ministry of Agriculture and Rural Development; USDA Rice Year Book 2014, [www.ers.usda.gov/data-products/rice-yearbook-2014.aspx](http://www.ers.usda.gov/data-products/rice-yearbook-2014.aspx).

StatLink  <http://dx.doi.org/10.1787/888933223757>

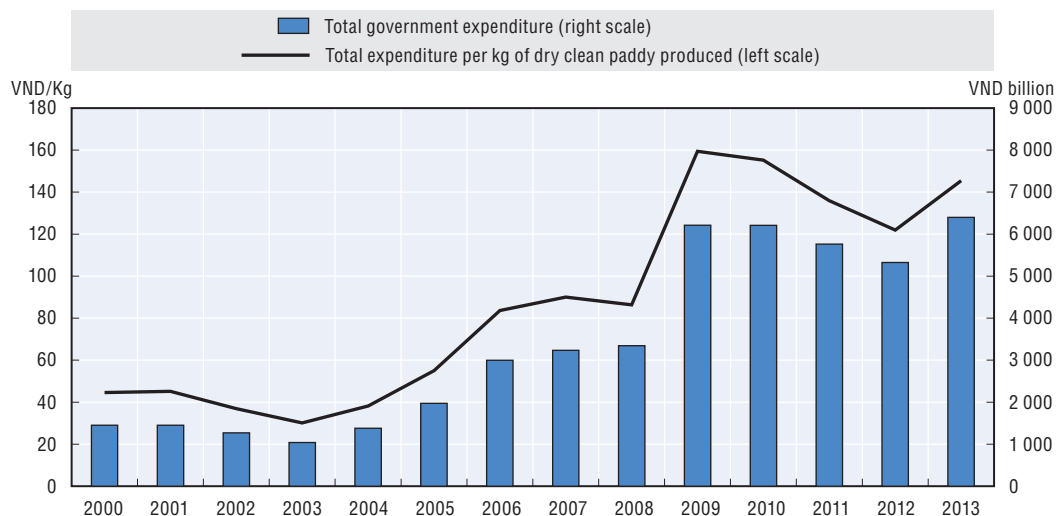
For example, to support the temporary procurement of one million tonnes of rice in 2013 the government spent at least VND 200 billion (USD 9.5 million) to cover the 7 612 loans that had been taken out at interest rates of 10-10.5%. However, the impact of this was to increase farm gate prices by only VND 100-200 kg (less than USD 0.01 kg). To improve the effectiveness of these policies, MARD is drafting a new policy on paddy/rice procurement in which subsidised loans will be provided to both farmers and enterprises who signed contracts to buy paddy from farmers. With these changes, farmers are expected to have greater ability to store paddy at home and sell whenever they want (MARD, 2014b).

### **Irrigation service fee exemption**

An **irrigation service fee** (ISF) has been collected from farmers and other water users since 1963 to contribute to the expense of managing, maintaining and protecting irrigation works above the “canal gate”, i.e. the upper-level systems comprising diversions or pump stations, and primary and secondary canals that lead into tertiary canals. The ISF is collected from farmers on behalf of the irrigation and drainage management companies (IDMC) that manage the upper-level system by water user groups (WUG), which are responsible for administrating the distribution of water to farmers and maintaining the infrastructure below the upper-level system. It was originally collected in the form of paddy production, but from 1995 onwards it has been collected in monetary units. For land in paddy production, it is a fixed charge per ha that varies by region and method of irrigation (motor, gravity or combination). Other users pay a volume charge (VND per m<sup>3</sup>) that varies according to the output produced, e.g. animal husbandry, permanent crops, aquaculture and industrial.<sup>25</sup>

Since 2009 individuals and households in agricultural, forestry, salt and aquaculture production have been **exempt from payment of the ISF**.<sup>26</sup> For individuals and households in areas subject to socio-economic difficulties, the exemption covered all areas of land and water used; for all others the exemption covered only the land and water used for which they had a land use right certificate (LURC). Funding from central and local government to IDMCs has been increased to offset the fall in ISF revenue, which previously covered about half their costs (Baker et al., 2004). While the exemption applied to the ISF, farmers are still responsible for supporting the management of the tertiary and field canals under the responsibility of WUG through the provision of labour, in-kind contributions and finance. The rationale behind the exemption for farmers is that irrigation canals, bunds and dykes perform a range of public good functions and are widely used for transport. Furthermore, a large portion of the maintenance requirements such as dredging are caused by impacts upstream of particular irrigation systems, and their costs should not necessarily be borne by farmers.

A review of the exemption decision identified a number of positive and negative **outcomes** (Cook et al., 2013). Farmers gained on average a VND 400 000 (USD 20) increase in annual net farm income. Using an average agricultural household income of VND 1.458 million (USD 70) per month, the saving represents 2% of annual income. IDMCs gained from having a more consistent source of funding as previously the collection of the ISF from farmers had varied considerably from commune to commune. However, total central and local government expenditure on supporting operations and maintenance increased from VND 3.3 trillion (USD 203 million) in 2008 to over VND 6.2 trillion (USD 350 million) from 2009 onwards (Figure 2.3). Further, it has weakened the link

Figure 2.3. **Expenditure on supporting irrigation operations and maintenance, 2000-13**

Source: Own tabulation based on OECD (2014), "Producer and Consumer Support Estimates", OECD Agriculture Statistics Database.

StatLink  <http://dx.doi.org/10.1787/888933223763>

between farmers, WUGs and IDMCs in managing the resource. Finally, removing the ISF reduces the incentive for farmers to use water efficiently and for IDMCs to provide a quality irrigation service.

### Plant genetic and livestock breeding support

There are many programmes through which plant genetic or livestock breeding material are provided to farmers at **subsidised rates**. Many of these are conducted at the provincial level and thus are difficult to quantify. However, the limited information available suggests that the amount of money spent on doing so is not that large. For example, in the two year period 2003-04 the provincial government of Tay Ninh spent VND 150 million (USD 9 500) on providing 80 000 cashew seedlings to growers (Que and Manh, nda). These forms of support have historically been introduced to encourage product diversification or to improve the quality of production. In more recent years, they have been used for disaster recovery to support farmers in response to natural disasters and disease outbreaks.

In particular, the frequency, intensity and diversity of **livestock disease outbreaks**, that has accompanied the expansion of the livestock industry, has created a number of policy challenges. Since 2003 the country's livestock sector has experienced multiple rounds of avian influenza, H5N1 bird flu virus, foot-and-mouth disease (FMD) and Porcine Reproductive and Respiratory Syndrome (PRRS), also known as blue ear disease. Over 49 million birds were culled between 2003 and 2010 due to avian influenza. In 2010 a further 36 272 birds were culled as a result of avian influenza, 371 animals were culled due to FMD, and 77 158 pigs were culled in response to PRRS (OECD, 2012). The domestic livestock industry comprises mainly small-scale or backyard farm operations, which have poor hygiene standards and are susceptible to epidemics. Disease outbreaks will constantly feature as a challenge to the industry as long as it remains fragmented and low in technology and health standards (BMI, 2011).

Following the onset of avian influenza in 2003, the *Emergency Centre for Transboundary Animal Diseases (ECTAD)* was established (Box 2.1). Aiming to control and eradicate these outbreaks, the government established emergency support policies. Following the initial relevant government decisions in 2004 and 2005, several decisions on **compensation** were approved.<sup>27</sup> The rationale is to encourage farmers to declare disease outbreaks at an early stage so that it can be contained among the livestock population. A key component of the support policy is a compensation level that encourages farmers to cull animals rather than sell them illegally on the market. The government's compensation rate for birds culled during stamping-out procedures was raised from 10-15% of the market value of the destroyed/slaughtered livestock in 2004 to 50% in June 2005 and 70% in June 2008 (OECD, 2012).

### Box 2.1. Involvement of the FAO in Vietnamese agriculture

The FAO first started working in Viet Nam in 1978 and a representation was established in Hanoi one year later. FAO quickly became an important partner and the main contributor of technical assistance in the agricultural sector. In the early 1980s, FAO's programme in Viet Nam was its third largest in the world after India and China. A large part of FAO's initial assistance was in the field of institutional and capacity development. Help was provided to establish a number of new institutions, including the Institute of Agricultural Science, the Soils and Fertiliser Institute and the National Plant Protection Service, as well as to strengthen existing organisations. Through such technical assistance projects, Viet Nam gained access to up-to-date technologies, equipment and techniques.

The focus of FAO's involvement changed during the 1990s towards a concentration on the provision of policy advice. FAO contributed its knowledge and expertise to policy development and planning, including the formulation of key policy and programme documents such as the National Plan of Action for Nutrition, the National Strategy for Rural Development and the National Strategy for Agriculture towards the year 2010. At the same time, FAO contributed to the formulation of legislation aimed at enhancing the ability of the agricultural sector to respond to the challenges and opportunities posed by the new market environment.

During the 2000s, a major focus was on ECTAD. The programme works under four major multi-sectoral initiatives, including the *Joint Government-UN Programme*, the World Bank's VAHIP Project, the One UN Initiative with the largest contribution to FAO coming from United States Agency for International Development (USAID) projects. FAO has worked closely with Viet Nam's government to develop robust, coherent disease control strategies including outbreak detection, investigation, response, laboratory support, epidemiological investigation and capacity building. FAO has also assisted with laboratory support to encourage the transition from detection of agents to diagnosis of diseases. FAO has continued and expanded the ECTAD programme for the prevention and control of highly pathogenic avian influenza (HPAI), including the UN Joint Programme and two USAID projects. FAO is also collaborating with the World Bank on the Viet Nam Avian and Human Influenza Control and Preparedness Project.

Over the five-year period 2006-11 supporting activities to animal health (control of HPAI and other disease control) received the majority of FAO funding (USD 24.5 million out of USD 43.5 million). The second highest was food safety which received USD 3.8 million for 13 projects. Other areas receiving USD 3 million or more were pesticide risk reduction and irrigation and water management and rural development (including strengthening farmer organisations, nutrition, gender aspects and pro-poor risk reduction). Within these areas, the most common activities within projects are capacity building, including training extension

**Box 2.1. Involvement of the FAO in Vietnamese agriculture (cont.)**

and technical assistance. This is usually delivered to farmers and local authorities, followed by provincial, district and central government staff. Other activities include analysing and assessing emerging problems, projects and policy interventions. The third area of activities in the FAO projects are supporting state management at all levels such as: developing legal documents, strategies, action plans, policy mechanisms, governance mechanisms as well as agricultural product standards, quality management and food safety, as well as introducing and complying with international norms and standards.

The four priorities in the current five-year Country Programming Framework 2012-16 are: support for effective policies and legal framework on rural livelihood, food and nutrition security and food safety; support for climate change adaptation and mitigation; support for improving the provision of goods and services from agriculture, forestry and fisheries in a sustainable manner; and support for enabling more inclusive and efficient agricultural and food system for the rural vulnerable groups. The financial requirement for implementing CPF 2012-16 is USD 62.5 million.

Source: FAO (2011) and FAO (2013).

In addition to compensating animals, the government has introduced two policies to control disease outbreak and to reduce the costs of preventing and curing diseases affecting porcine production.<sup>28</sup> These **provide veterinary medicines**, for example blue-ear pig and hog cholera vaccines, in response to animal diseases. MARD provides vaccines to deal with diseases with the funds of MOF. Provincial People's Committees implement the support at local level (Tran and Dinh, 2014a).

Since 2009 the government has also taken steps to broaden its support for facilitating the **recovery of agricultural production** after disease outbreaks and natural disasters.<sup>29</sup> The level of support provided is based on the damaged planted area, the number of damaged livestock and the extent of damage. Central government provides up to 80% of this for farmers in mountainous provinces and the Central Highlands, and up to 70% for farmers in other provinces. The remaining part is supplied from provincial budget. MARD is responsible for determining the natural disasters and diseases that are supported; MOF provides funding from the state budget; and Provincial People's Committees implement the support and actively use local funds (Tran and Dinh, 2014a).

Input subsidies have recently been introduced to **support the development of paddy land**.<sup>30</sup> Since 1 July 2012 the government has offered assistance to cover:

- 70% of the expenses for reclaiming and improving unused land into rice-farming land and improving other paddy planting land to specialised land for wet-paddy
- 100% of expenses for paddy seeds in the first year to produce paddy in land that is reclaimed and 70% of expenses for paddy seeds in the first year to produce paddy in other paddy planting land, which is improved to specialised paddy planting land
- 70% of expenses for fertiliser and plant protection products for over 70% of damage and 50% of expenses for fertiliser and plant protection products for 30-70% of damage.

**Programme 135**

The Socio-economic Development Programme for Ethnic Minorities and Mountainous Areas (known as Programme 135) is the largest and most important **poverty reduction**

**programme** targeted on ethnic minorities and remote areas. When initially approved in 1998 it was scheduled to last seven years.<sup>31</sup> The programme was extended in 2006 for a further five years (Phase II) and has recently been extended into a third phase from 2011 to 2015.<sup>32</sup> The initial phase consisted of four major components: infrastructure development, e.g. roads, health centres, irrigation systems, water supply systems, markets, etc. at both the village and commune level and at the inter-commune level; training for commune/village staff in remote and mountainous areas, agricultural and forestry extension (linked to processing industries) and relocation planning. Emphasis was given to developing village, communal and inter-communal infrastructure, with over VND 9 142 billion (USD 600 million) spent during Phase I from 1998 to 2005.

In Phase II, the programme gave greater emphasis to **supporting agricultural production**, capacity building and improved livelihood. Activities in support of market-oriented agricultural production and income generation included: providing agriculture, forestry and fishery extension; establishing demonstration models; distributing agricultural inputs; and delivering equipment and extension services for post-harvest and processing activities. A total of VND 14 trillion (USD 832 million) was spent over the five years on building 4 125 demonstration models of agricultural development and fisheries production, purchasing 42 000 machines for production and post-harvest processing, and running 12 000 capacity building training projects for local officials among other things. Phase III is building on this by improving access for poor and disadvantaged communes to preferential loans for investment in production. The programme will classify each commune according to the difficulties they face, which have different coefficients for the allocation of capital.

### **Credit policies for farmers**

Up until early 2000s, the government controlled credit availability and interest rates in all sectors of the financial market through the activities and regulation of the State Bank of Viet Nam (SBV), and regulations controlling access to credit. The ability for farm households to access **commercial credit** commenced in 1993; previously loans had only been available to households through institutions such as co-operatives.<sup>33</sup> This was supported by the 1993 Land Law, which allocated LURCs to households and gave them the right to use these as collateral for bank loans, and the establishment of the state-owned Viet Nam Bank for Agriculture and Rural Development (VBARD), also known as Agribank. VBARD has been strongly supported by the government through the provision of statutory capital and operating facilities. To further expand access to credit, the concept of “trustable mortgage” (*tin chap*) was introduced in 1999, allowing farm households to borrow up to VND 10 million (USD 700) without collateral.<sup>34</sup> This was quickly raised to VND 20 million (USD 1 400) in 2000. Major changes in interest rate policy were implemented in May 2002 allowing banks to determine interest rates based on the supply and demand of capital, and the level of trust or confidence they have in the customer or customer group (Marsh, Ahn and MacAulay, 2006).<sup>35</sup>

A further financial reform directly affecting the agricultural sector was the establishment of the stand alone, non-profit **Viet Nam Bank for Social Policies** (VBSP), which commenced operation in January 2003.<sup>36</sup> The primary objective of VBSP is to support the government’s poverty alleviation efforts through the provision of credit. It achieves this by providing accessible financial services and low interest loans to people living in remote areas, members of ethnic minority groups, students, etc. Loans from the VBSP are subsidised with low interest rates (ranging from 0.0-0.8% per month) and are generally for small amounts. The maximum loan depends on the particular programme but is typically VND 30 million

(USD 1 400). Prior to the establishment of VBSP, these activities were provided by the Viet Nam Bank for the Poor (VBP), which operated through VBARD. Subsequent to the establishment of the VBSP, the provision of preferential credit has been completely removed from VBARD's remit.

As part of the economy-wide demand stimulation package, the government introduced in 2009 a policy to provide agricultural producers with short-term **concessional interest rate** loans to purchase machines, mechanical equipment, facilities and materials.<sup>37</sup> The objective was to reduce investment costs, improve production capacity and promote industrial development in rural areas. For machines, the loans could be equal to 100% of the value of goods, but not exceeding VND 5 million (USD 293) in the case of computers. These loans are exempt from interest payment for at most 24 months. With regard to fertilisers and pesticides, the loans could also be equal to 100% of the value of goods, but not exceeding VND 7 million (USD 410) per ha. The interest rates for these loans were 4% lower than that of commercial loans. The preferential support lasts for at most 12 months (Tran and Dinh, 2014a). These preferential interest rates were available on loans taken out in 2009 and 2010. Just over one million farmers borrowed VND 776 billion (USD 40.8 million) under the programme during 2009 and another VND 147 billion (USD 7.7 million) was lent to 6 424 farmers in the first four months of 2010.

To spur agriculture and rural development and implement the *Tam Nong* Resolution, in 2010 the government increased the limits for **loans without asset security**: to VND 50 million (USD 2 686) for individuals and households engaged in agricultural activities; VND 200 million (USD 10 745) for households carrying out business or production activities or providing services for agriculture and rural areas; and VND 500 million (USD 26 863) for co-operatives and farm owners.<sup>38</sup> These loans can be used for production costs in the field of agriculture, forestry, fishery and salt production; development of rural production and business lines; construction of rural infrastructure; processing and consumption of agriculture, forestry, fishery and salt products; and trading in products and services for agriculture, forestry, fishery and salt production.

Under a separate policy initiative, access to subsidised credit has been provided since 2010 for the purposes of **mitigating losses** in agricultural production.<sup>39</sup> Post-harvest losses are high in Viet Nam: 11-12% for paddy, 13-15% for maize, 20-22% for vegetable and fruits, 15% for coffee and 18-20% for cassava (MARD, 2014b). Preferential loans can be used to buy machinery and equipment to reduce post-harvest losses including dryers; machines used for the cultivation and harvest of rice, coffee tea and sugarcane; and machines used for aquatic production and cold storage. The machines have to be new, legally standard and have a local content value of at least 60%. The loans could be up to 100% of the cost. The state subsidises 100% of the interest rates for these loans in the first two years and 50% from the third year onwards. They also offer preferential loans to develop projects of production and storage facilities for such purpose. These loans could be up to 70% of project value and last at most 12 years. The financial support provided for these loans is the difference of payment between interest rate of commercial loans and that of state credit for development (currently 10.8% per annum). These preferential loans are channelled through five designated state-owned commercial banks, namely VBARD, Mekong Housing Bank, Joint Stock Commercial Bank for Investment and Development of Viet Nam, Viet Nam Joint Stock Commercial Bank for Industry and Trade and Joint Stock Commercial Bank for Foreign Trade of Viet Nam (MARD, 2014b).



As at April 2014 the total preferential interest loans reached only VND 1 340 billion (USD 64 million). The policies are **not as effective as anticipated** for many reasons. Many farmers cannot access the credit support because of complicated and inconsistent procedures such as the requirement of submitting an invoice. The minimum local content requirement for machines is not realistic. To access the concession loans, enterprises have to sign contracts for production linkages, consumption of agricultural products and usage of agricultural mechanical services with co-operatives, households and individuals (Tran and Dinh, 2014a).

### **Direct payments**

As part of a broad policy package to protect and support the development of paddy land, the government introduced for the first time a **direct per ha payment** to rice farmers in 2012.<sup>40</sup> Over the period 2012-15 the following annual payments will be made:

- VND 500 000 (USD 24) per ha to associations, households and individuals cultivating paddy on wet-paddy farming land (defined as land currently under wet-paddy cultivation or having the conditions for growing two or more wet-paddy crops a year)
- VND 100 000 (USD 5) per ha to associations, households and individuals cultivating paddy on other paddy farming land (land for growing only one wet-paddy crop a year and land for growing upland rice), except upland fields not under paddy planting land-use plans.

This policy has raised the level of transparency and clarity of support for rice because farmers know the exact value of the transfer they are receiving as it is provided directly and not through any intermediate stakeholders. However, there are some **challenges to implementing and monitoring** the programme because of the large number of farmer households – approximately 10 million. There are also difficulties with identifying whether the upland rice field is in planning area or not. However, approximately 95% of current paddy land meets the wet-paddy land definition. Using an average agricultural household income of VND 1.458 million (USD 70) per month and assuming the household farms 2 ha of wet-paddy land, the payment represents almost 6% of annual income. MARD officials wonder whether this is enough to meet the government's objective to stop the switch to other crops or to non-farm activities (MARD, 2014b).

Prior to the introduction of the per ha payment for paddy land, direct support was provided through the “661 Programme” (also called the “5 Million Hectares Reforestation Programme”).<sup>41</sup> This programme, which began in 1998, had the objective to **reforest 5 million ha** of land by 2010: 2 million ha of special use and protected forests including natural regeneration, and 3 million ha of production forests (2 million to produce raw materials for wood processing and 1 million to be planted in fruit trees and other perennial crops). A further objective of the programme was to create employment for 2 million people and increase incomes of people in forest areas as a contribution to poverty alleviation, hunger eradication and the development of rural mountainous areas. A number of policy measures were implemented under this programme including loans to large SOEs involved in forestry and direct support to households to establish forest plantations. This latter measure took the form of small grants to households planting trees at a nationwide cost norm of VND 2 million (USD 104) per ha, out of which the costs of seedlings, fertiliser and extension services, etc. had to be paid. Households did not need a LURC to be eligible, but they did have to prepare the land before they could receive support. The minimum plot size was 0.5 ha; the minimum area per household was 1 ha (Sikor, 2011).

### Agricultural insurance

Agricultural insurance markets are undeveloped in Viet Nam. For example, premiums from agricultural producers, mainly large-scale rubber plantations and dairy operations, make up only 1% of revenue for the state-owned Bao Viet Group (Tran, 2014c). The high risk of natural disasters and epidemics mean that insurance premiums are quite high, out of reach for many farm households. At the same time insurance offers an attractive policy option for dealing with risk and thereby encouraging production. To overcome this dilemma, a three-year **pilot insurance programme** was introduced in 2011 and provided through two state-owned insurance companies, Bao Viet and Bao Minh.<sup>42</sup> The established insurance premium is subsidised by the government on a progressive scale: 100% for poor farming households; 80% for farming households just above the poverty line; 60% for other farming households; and 20% for agricultural production organisations. In 2013 the pilot period was extended out to 30 June 2014 and the subsidy for farming households just above the poverty line was raised to 90%.<sup>43</sup>

The pilot programme was implemented in **21 provinces**, opened to paddy, livestock (buffalo, cows, pigs and poultry) and aquaculture (catfish and shrimps) producers, and covered a specific list of risks (e.g. storms, floods, blue-ear pig disease and foot-and-mouth disease). In the case of paddy, the programme avoided the complexity associated with ascertaining individual loss by using an index system. A committee of county officials establishes the natural disaster conditions and extent of loss based on area wide surveys. Livestock and fishery coverage is based on assessment of individual loss. Payments of subsidies are handled directly by MOF with the insurance company and loss coverage payments are handled directly by insurance company with the insured party (JICA, 2012).

Just over 304 000 households and one agricultural production organisation participated in the pilot insurance programme (Table 2.5). Poor households accounted for 77% of participants with near poor households accounting for a further 15%. The vast majority of participants (78%) were involved in paddy production. A total of VND 7 748 billion (USD 370 million) was insured under the programme with a total direct insurance fee revenue of VND 394 billion (USD 19 million). Just over VND 700 billion (USD 33 million) had been paid out to producers, 95% of which had been received by aquaculture producers. While a full evaluation of the pilot programme is underway, a number of problems have contributed to the **relatively low take up** of the scheme. These include the fact that many common diseases are not covered, the process of disease certification is confusing and the loss coverage payments are not high enough (Tran, 2014c).

Table 2.5. **Outcomes from the pilot agricultural insurance programme as at June 2014**

|  | Number of participants <sup>1</sup> | Value insured                          | Insurance fee paid by government    | Compensation provided               |
|--|-------------------------------------|--|-------------------------------------|-------------------------------------|
| Total                                  | 304 018                             | VND 7 748 billion<br>(USD 370 million) | VND 394 billion<br>(USD 19 million) | VND 702 billion<br>(USD 33 million) |
| By type of agricultural production (%) |                                     |  |                                     |                                     |
| Paddy                                  | 78                                  | 28                                     | 23                                  | 3                                   |
| Livestock                              | 20                                  | 35                                     | 21                                  | 2                                   |
| Aquaculture                            | 2                                   | 37                                     | 55                                  | 95                                  |

1. The number of participants comprises 304 017 households and one agricultural production organisation (involved in paddy production).

Source: Ministry of Agriculture and Rural Development, 2014.

### Income support measures

In July 1993 an **agricultural land use tax** was introduced as the main mechanism of central government to tax farm income, replacing the previous agricultural output tax that dated from 1983. The per hectare tax liability varies according to the land class category (based on land fertility, location, topography, climatic conditions and irrigation) and the type of production (annual versus long-term) (Table 2.6). The liability is set in terms of a fixed quantity of rice per ha and is collected in cash by using a rice price determined by the provincial government based on local market prices. An additional 20% is charged on land held over the land use limit to dissuade land accumulation (Le, 2006).

Table 2.6. **Agricultural land use tax**

| Land class category | Land for annual harvest and aquaculture (kg rice/ha) | Land for long-term production (kg rice/ha) |
|---------------------|--|--|
| 1                   | 550  | 650  |
| 2                   | 460  | 550  |
| 3                   | 370  | 400  |
| 4                   | 280  | 200  |
| 5                   | 180  | 80   |
| 6                   | 50   | n.a.                                       |

n.a. not applicable.

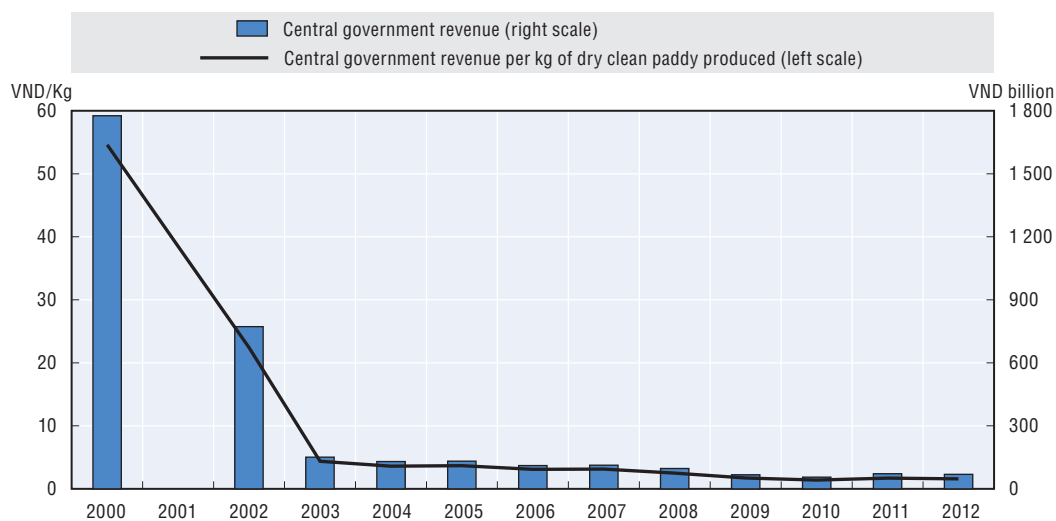
Note: The annual harvest relates to short-term seasonal agricultural production. Long-term production is related to recurrent crops that do not require replanting annually such as palm oil.

Source: Hong-Loan and McClusky, 2012.


In order to encourage agricultural production and support farmers, **exemptions and reductions** to the agricultural land use tax were introduced in 2003.<sup>44</sup> The rationale was to remove the difficulties and inequities associated with a tax based on a standard rice quantity and where payments in cash are determined by the rice price (Le, 2006 and Tran et al., 2013). For example, in poor-yield years or when the rice price is high, the tax collection is high relative to those years with a good harvest or a lower rice price. Further, for the same land class, the price of rice may be higher in some poor regions than in richer regions, resulting in a higher absolute tax amount for the poor.

The exemptions and reductions were initially provided for a seven-year period but were extended in 2010 out to 2020.<sup>45</sup> Exemptions from the agricultural land use tax is provided for: agricultural land under the land limits assigned by the government to both farm households and individuals; agro-forestry land under the land limits allocated to households from state-owned enterprises; and agricultural land, both under and above the land limits, for poor households and households located areas classified as having “special difficulties”. Reductions in the agricultural land use tax by 50% is provided for: organisations which manage and use agricultural land; and land holdings in excess of the land limits which are used for agriculture and forestry by households and individuals, including land allocated by state-owned enterprises. Reductions in land use taxes have also been used to encourage commercial investment in agriculture and incentivise infrastructure development.<sup>46</sup> The 2003 policy change resulted in most farm households and organisations either being exempt from paying agricultural land use tax or having the amount they pay reduced (Figure 2.4).

Figure 2.4. Revenue from agricultural land use tax, 2000-12



Source: General Statistic Office, National Accounts, State budget revenue final accounts, [www.gso.gov.vn/default\\_en.aspx?tabid=468&idmid=3&ItemID=15443](http://www.gso.gov.vn/default_en.aspx?tabid=468&idmid=3&ItemID=15443).

StatLink  <http://dx.doi.org/10.1787/888933223776>

### Extension services

The government's agricultural extension system was officially **established in 1993**.<sup>47</sup> The main objectives of the current system are to: raise producers' awareness through training in production and business knowledge and skills; provision of services to assist farmers in carrying out effective production and business activities adapted to ecological, climate and market conditions; contribute to restructuring the agricultural economy towards commodity production, higher productivity and quality as well as food hygiene and safety; and accelerate agricultural and rural industrialisation, ensuring national food security, socio-economic stability and environmental protection.<sup>48</sup>

The public extension system is organised into 5 levels: a central-level National Agriculture Extension Centre (NAEC) within MARD; provincial agricultural extension centres within their respective DARDs; district agricultural extension stations under the control of the provincial extension centre or the district peoples committee); commune agricultural extension cadres; and village-level agricultural extension collaborators and clubs. According to the current regulations, NAEC has the following responsibilities: developing policies and mechanisms of management for extension in agriculture, forestry, fishery, rural industry; developing economic-technical cost-norms for extension works; leading, organising and guiding the transfer of advanced techniques through setting up demonstration models, disseminating information, training, providing services and international collaboration in related fields.<sup>49</sup>

All 63 provincial governments have their own extension centres with a total of 2 694 staff, an average of 43 persons per centre (Table 2.7). Extension stations exist in 641 out of 703 districts. Almost all of the districts without a station are completely urban. There are 3 335 people employed at the district level, an average of five persons per station. At the commune level, there are 7 804 extension workers, about one person per commune. In total there are about 30 000 people working below the national level, making on average **one public extension worker per 300 farming households** or three workers per

Table 2.7. **Government extension system by region, 2013**

| Variable                           | Region          |   |   |                   |            |                    | Total   |
|------------------------------------|-----------------|---|---|-------------------|------------|--------------------|---------|
|                                    | Red River Delta | Northern midlands and mountainous areas | North Central and Central coastal areas | Central Highlands | South East | Mekong River Delta |         |
| Agricultural land (000 ha)         | 771             | 1 596                                   | 1 882                                   | 2 000             | 1 355      | 2 607              | 10 211  |
| Agricultural households (000)      | 1 750           | 1 789                                   | 2 215                                   | 743               | 537        | 1 833              | 8 867   |
| Districts in region                | 129             | 141                                     | 172                                     | 61                | 69         | 131                | 703     |
| Communes in region                 | 1 946           | 2 254                                   | 2 416                                   | 593               | 468        | 1 270              | 8 947   |
| Stations at the district level     | 107             | 135                                     | 158                                     | 58                | 53         | 130                | 641     |
| Investment (million VND)           | 220 058         | 113 537                                 | 99 849                                  | 38 197            | 81 360     | 153 506            | 706 507 |
| Central budget                     | 19 753          | 27 697                                  | 16 797                                  | 5 717             | 3 052      | 18 346             | 91 362  |
| Local budget                       | 198 519         | 69 652                                  | 78 828                                  | 27 222            | 77 496     | 123 907            | 575 624 |
| ODA                                | 1 786           | 16 188                                  | 4 224                                   | 5 258             | 812        | 11 253             | 39 521  |
| Staff                              | 2 828           | 14 624                                  | 4 635                                   | 5 269             | 511        | 2 141              | 30 008  |
| Provincial                         | 799             | 376                                     | 535                                     | 180               | 222        | 582                | 2 694   |
| District                           | 440             | 1 032                                   | 647                                     | 413               | 178        | 625                | 3 335   |
| Commune                            | 1 589           | 3 102                                   | 1 403                                   | 701               | 111        | 934                | 7 840   |
| Village/Hamlet                     | n.a.            | 10 114                                  | 2 050                                   | 3 975             | n.a.       | n.a.               | 16 139  |
| Investment per household (USD)     | 5.97            | 3.01                                    | 2.14                                    | 2.44              | 7.19       | 3.97               | 3.78    |
| Central budget per household (USD) | 0.54            | 0.73                                    | 0.36                                    | 0.37              | 0.27       | 0.47               | 0.49    |
| Local budget per household (USD)   | 5.38            | 1.85                                    | 1.69                                    | 1.74              | 6.85       | 3.21               | 3.08    |
| ODA per household (USD)            | 0.05            | 0.43                                    | 0.09                                    | 0.34              | 0.07       | 0.29               | 0.21    |
| Households per staff               | 619             | 122                                     | 478                                     | 141               | 1,050      | 856                | 295     |
| Staff per commune                  | 1.5             | 6.5                                     | 1.9                                     | 8.9               | 1.1        | 1.7                | 3.4     |


1. Agricultural land in 2011.

2. Agricultural households taken from GSO (2012), Results of the 2011 Rural, Agricultural and Fisheries Census.

3. Investment includes central and local government budget plus ODA.

4. Expenditure and staff include those involved with forestry and fisheries extension.

Source: MARD (2014), *Statistical Yearbook of Agriculture and Rural Development*, 2013.

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commune. Expenditure on extension services amounts to about USD 3.80 per farming household, of which 80% comes from the local government.

Since 2001 central government funding for agricultural extension has been allocated through an **open bidding process**. The Science, Technology and Environment Department of MARD is responsible for administering the bidding process for national level projects, and provincial People's Committees' for local level projects. Consequently, in addition to the government extension service, a large number of research institutions, universities, enterprises and NGOs are also involved in the provision of public extension activities. For example, of the 20 national level projects awarded in 2014 only five were awarded to NAEC; the remaining 15 were awarded to universities, research institutes, etc. In many cases, these other providers' sub-contract government extension workers, particularly at the provincial level, to implement projects awarded to them. NAEC supervises the implementation of the projects awarded through this process.

Agricultural extension projects have a strong production focus, which can be described as **top-down, supply-driven** model. They are usually associated with the introduction of new varieties (e.g. hybrids of rice, corn, cotton, sugarcane) or special production techniques (e.g. changing cropping pattern, integrated pest and nutrient management). The extension system also provides farmers information related to new policies and market prices. Projects are delivered through the use of demonstration sites and field days, training farmers, and

organising science-technology forums in the fields of crops, livestock, veterinary care, forestry, water resource management, agro-forestry processing and engineering. When participating in extension events, farmers engaged in small-scale production or from poor households are given free access to materials, travel, accommodation and meals. Other farmers receive free materials and are funded for half the cost of travel, accommodation and meals. The future direction for extension in Viet Nam is to promote “socialising the extension program”. The intention is to encourage two-way information flow and build farmer-led and demand-driven extension (Nguyen, 2012).

### **Research and development**

The impressive increases in agriculture production since the mid-1980s have been supported by national research efforts that have resulted in scientific solutions to help **improve agricultural production**. Research has contributed to the introduction of new plant breeds, diversification of crops, and improved pest and disease management (JICA, 2012).

Prior to 2005 there were 30 different research agencies within MARD (28 research institutes and 2 universities), each with their own budget and often with overlapping mandates. In order to achieve **greater co-ordination** these institutes were merged and reorganised in 2005 into 16 agencies, comprising 12 research institutes and four universities:

- Vietnamese Academy of Agricultural Sciences (VAAS), including 18 institutes and centres
- Vietnamese Academy of Forest Sciences (VAFS), including 13 institutes and centres
- Vietnam Academy for Water Resources (VAWR), including 15 institutes and centres
- National Institute of Animal Sciences (NIAS)
- National Institute of Veterinary Research (NIVR)
- Vietnam Institute of Agricultural Engineering and Post-harvest Technology (VIAEP)
- Research Institute of Aquaculture I (RIA1)
- Research Institute of Aquaculture II (RIA2)
- Research Institute of Aquaculture III (RIA3)
- Research Institute of Marine Fisheries (RIMF)
- National Institute of Agricultural Planning and Projection (NIAPP)
- Vietnam Institute of Fisheries Economics and Planning (VIFEP)
- Vietnam National University of Agriculture (VNUA)
- Vietnam Forestry University (VFU)
- Water Resource University (WRU)
- Bac Giang Agriculture and Forestry University (BAFU).

VASS is the biggest research institute under MARD.<sup>50</sup> The three-fold purpose of VAAS is to provide a comprehensive vision, strategic direction and oversight of agriculture research and development programmes; to conduct basic and applied research and foster the transfer of new technologies; and to provide post-graduate and professional training. In terms of **research strategies**, VAAS is focusing on the following eleven areas: develop basic research approaches that conserve and effectively utilise plant and animal genetic and other agricultural resources; efficiently apply agricultural biotechnology; select and develop animal breeds and crop varieties with high productivity, good quality, high resistance to biotic and abiotic stresses; implement Integrated Crop Management, Good

Agricultural Practice and Hi-tech production technologies for the major cropping systems; ensure appropriate solutions to meet society's demand for food safety and food security; reduce postharvest losses; effectively use natural resources – soil, water and biodiversity; improve the agricultural environment; study on mitigation and adaptation to climate change; develop suitable agrarian systems based on integrated socio-economic approaches, household farming production, and appropriate policies; and study rural development.

**Government funding** for agricultural research is provided through MARD, MOST and provincial governments. Between 2000 and 2012 government expenditure on agricultural research increased from VND 153 billion (USD 10 million) to VND 822 billion (USD 40 million), an annual average increase of 11% per annum in USD terms. Despite the impressive increase, funding as a percentage of GDP remains relatively low at around 0.03% of GDP. The limited funding means that much of the research has not met the practical requirements of farmers, business and science. Further, the rigid application of common policies and technologies across the country without considering local circumstances has wasted financial and human resources and discouraged product diversification. Finally, the lack of autonomy for and within research institutes does not create incentives for scientific research personnel, leading to a serious brain drain of agricultural scientists in Viet Nam (Tran and Dinh, 2014a).

In recent years, Viet Nam has introduced policies to develop research and development activities in agriculture that are **consistent with the goal of modernising** the sector. First of all, the NA enacted the Resolution No. 26/2012/QH13 on continuously raising the effectiveness and efficiency of public investment for agriculture, farmers and rural areas. Its main focus is on identifying the prioritised agricultural investment portfolio. To be more concise, the priority is science and technology in biotechnology, post-harvest processing, crop seeds, livestock and fishery breeds (Box 2.2).

#### Box 2.2. **Biotechnology in Viet Nam**

The commercialisation of agricultural biotechnology has been a goal of the government for many years and is an integral part of the restructuring agenda that seeks to increase the utilisation of high technologies in agriculture and reduce the country's dependence on maize imports. All of the necessary regulations required for commercialising agricultural biotechnology were completed in early 2014.

Decision No. 14/2008/QD-TTg on approving the master plan on biotechnology development and application in Viet Nam up to 2020, dated 22 January 2008, entered into force on 17 February 2008. Two of the key aims of the plan are to research, develop and apply biotechnology in a wide and effective manner to production and life; and to concentrate resources on and diversify forms and the effectiveness of investment in biotechnology. This was followed in 2010 by the first-ever biotech regulation: Decree No. 69/2010/ND-CP dated 21 June 2010 and effective 10 August 2010. This was revised by Decree No. 108/2011/ND-CP dated 30 November 2011, which changed the Ministry responsible for food use certification from MOH to MARD. Together these decrees provide the legal framework for both food and bio-safety management of genetically modified organisms (GMO), genetic specimens, and products derived from GMOs. As the next step in the process, implementation circulars have been issued by MONRE and MARD.

Circular No. 8/2013/TT-BTNMT, dated 16 May 2013 and effective 1 July 2013 provides the procedure for granting and revoking Certificates of Biosafety, and the regulatory structure for evaluating the biosafety of agricultural traits derived from biotechnology.

**Box 2.2. Biotechnology in Viet Nam (cont.)**

Circular No. 2/2014/TT-BNNPTNT, dated 24 January 2014 and effective 10 March 2014 provides the procedure for granting and revoking Certificates for Food and Feed Safety for GMO plants. As part of the process MARD has established a Feed and Food Safety Committee, consisting of 11 experts and scientists representing different Ministries including MONRE, MARD, MOH, MOIT, the Vietnam Academy of Sciences and Technology, VASS, and Ho Chi Minh City's Biotechnology Centre, to review and evaluate applications.

Bio-tech developers submitted applications for registration as soon as these Circulars entered into force. On 11 August 2014 the Minister of Agriculture and Rural Development signed the first four Certificates for Food and Feed Safety for four genetically modified maize traits; one of which is glyphosate tolerant and the remaining three are insect resistant. A number of additional traits are currently under review at MARD for feed/food use approval, including one soybean trait. On 27 August 2014, following just over a year review by Vietnam's Biosafety Committee, the Minister of Natural Resources and Environment issued the first Certificate of Biosafety for one of the insect resistant maize traits previously approved by MARD for food and feed use. The additional three traits have been subsequently received a Certificate of Biosafety. These traits will be able to be commercially grown in Vietnam following variety registration that will take one season to complete. All four genetically modified maize traits went through confined and multi-location field trials conducted by MARD during 2010-12.

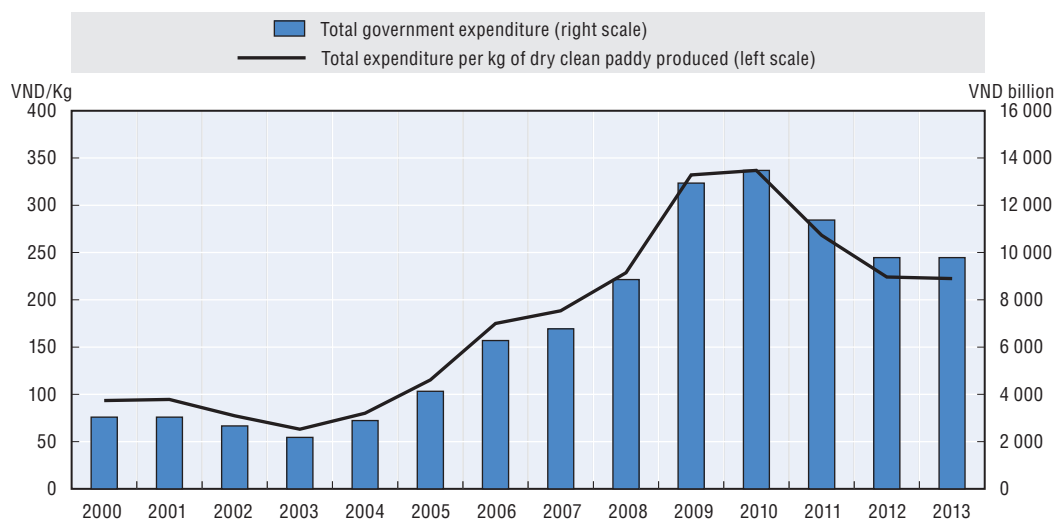
Source: GAIN-VM4047 (2014), "Vietnam: Agricultural Biotechnology Annual", USDA FAS, 6 August and GAIN-VM4047 (2014), "GVN approves first biotech traits for cultivation and feed food use", USDA FAS, 5 September.

In December 2012 MARD set in place a strategy for the development of science and technology for agriculture and rural development over the period 2013-20.<sup>51</sup> It sets **specific targets** for science and technology to become a key driving force for the industrialisation and modernisation of agriculture and rural development; contributing 40% to the value-added agriculture in 2015 and 50% in 2020; high technology products of will represents 15% of the agricultural product value in 2015 and 35 % by 2020. The programme of activities to support these strategies was approved in 2013 including research and development of staple crops, livestock husbandry and animal health, agricultural engineering and post-harvest technology, irrigation technology and research of policies on agriculture and rural development.<sup>52</sup>


**Irrigation and flood protection**

Irrigation has played an important part in the success of Viet Nam's efforts to raise agricultural production. According to FAO, the irrigation potential in Viet Nam is 9.4 million ha, of which close to 50% (4.6 million ha) has been developed. Investment in irrigation and flood protection has been a **major focus of the government** since the 1970s, with some 80% of the capital investment funds available to the agriculture sector allocated to improving and expanding irrigation, and protecting flood prone areas from damage. The rapid expansion in agricultural production in response to the Doi Moi reforms was enabled by earlier investments in irrigation systems (Tsukada, 2011).<sup>53</sup> Total central and local government expenditure on capital development increased from around VND 3 trillion (USD 200 million) in the early 2000s to over VND 13.5 trillion (USD 700 million) in 2010 before reducing to just under VND 10 trillion (USD 460 million) in recent years (Figure 2.5).



Figure 2.5. **Expenditure on irrigation capital development, 2000-13**

Source: Own tabulation based on OECD (2014), "Producer and Consumer Support Estimates", OECD Agriculture Statistics Database.

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The actual area currently equipped for irrigation, the state of repair of the irrigation systems and other **statistics on irrigation are uncertain** because of confusion surrounding definitions and weaknesses in data collection. To remedy this, the government has commenced a new nationwide census of irrigation but results are not yet available. There are 1 014 separate irrigation schemes throughout the country, of which the vast majority (904) service less than 2 000 ha. FAO estimate that 1.6 million ha are serviced by small irrigation systems (< 5 000 ha), 1.2 million ha by medium irrigation schemes (5 000-50 000 ha) and 1.7 million ha by large irrigation schemes (> 50 000 ha). Around half of the total irrigation area is located in the MRD with a further 16% in the RRD. Supporting these irrigation networks are an estimated 5 600 reservoirs which store and supply water when needed, supplementing water diverted directly from rivers. About 2.1 million ha is pump irrigated, with over 11 500 pumps lifting water to higher ground when water levels are too low to reach fields (JICA, 2012).

MARD has the primary responsibility for **irrigation management**. In carrying out this role, MARD works with the Ministry of Natural Resources and Environment (MONRE) and the National Water Resources Committee (NWRC). Since its establishment in 2002 MONRE has taken over responsibly from MARD for the management of water resources in general including the allocation of interprovincial water resources. The NWRC was established in 2000 to solve conflicts over water resource management between ministries and between ministries and provinces. In addition to irrigation, MARD is responsible for dykes, flood and storm management, and rural water supply. Funding of large capital projects, including investment for main canals of large irrigation and flood-control projects, is largely carried out by the central government.

Provincial People's Committees are responsible for the public irrigation systems within their boundaries. Under the guidance of the respective PPCs, provincial DARDs are administratively responsible for operating, maintaining and repairing public irrigation, drainage and flood-control systems, and for survey, design and construction of minor new works within their respective provinces. IDMCs are responsible for the actual operation

and maintenance of irrigation and flood control systems. Small-scale structures (such as dams and reservoirs or pumping stations) that irrigate or drain areas within one commune or co-operative are administered at that level.

The 2009 Viet Nam Water Sector Review launched by a group of donors led by ADB lists many **issues facing irrigation** including the need to i) balance trade-offs between the economic efficiency of improving existing infrastructure versus expansion of new irrigated areas; ii) the need to rehabilitate existing infrastructure, much of which is 30-40 years old and suffers from inadequate expenditure on O&M; iii) achieve sustainable financing for O&M and rehabilitation of irrigation facilities, given that central and provincial government budgets are insufficient for major refurbishment and the current government subsidy for irrigation service fees limits the ability of IDMCs to fully cover O&M; iv) the need to improve irrigation service coverage, given that an average of only about 68% of irrigation design areas are currently serviced; v) manage water quality and reduce nonpoint source pollution from fertilisers and pesticides, which pose a public health risk in many areas; and vi) effectively manage multipurpose reservoirs for irrigation, hydropower, and water supply (JICA, 2012).

In 2014 an **irrigation restructuring scheme** was introduced with the following objectives: improving efficiency in the irrigation sector to contribute to agricultural restructuring towards greater added value and sustainable development; meeting the development requirements of socioeconomic sectors; building capacity for disaster prevention and response to climate change; and contributing to the modernisation of agricultural and rural infrastructure and new rural development.<sup>54</sup> The major solutions that are being implemented are innovations in planning, including irrigation planning associated with agricultural restructuring, the application of water-saving irrigation technologies, and the reorganisation of agricultural production. Further solutions are innovations in technology, including research on equipment integration; forecast capacity enhancement; flood warnings, drought and saltwater intrusion, as well as research on hydrological regimes and flows to improve the quality of reservoir operation processes, particularly in emergency situations.

In addition to irrigation, an extensive system of dykes provides flood protection. There is over 8 000 km of dykes in Viet Nam, of which roughly three-quarters are river dykes and one-quarter sea dykes. In order to provide greater protection from forecast sea level rises associated with climate change, the government has embarked on a programme of maintaining and upgrading the MRD sea dyke system.<sup>55</sup>

### **Storage infrastructure**

To support the temporary storage policy, the government has encouraged the expansion of **rice storage capacity** of enterprises. Considering its importance both to national food security and export revenues, rice warehouse infrastructure is poor. In 2009 the warehouse storage capacity was only 1.5 million tonnes compared with annual paddy production of over 20 million tonnes. Of this capacity, less than one-third was regularly used because it was often decrepit and inconveniently located (BMI, 2011). To enhance the warehouse system, the government set a target of building a four million tonne storage system in the MRD by the end of 2011: upgrading the existing 1.5 million tonne storage system and building new warehouses with capacity for 2.5 million tonnes.<sup>56</sup> The objective of these improvements was to increase the returns from rice exports by giving enterprises more flexibility as to the timing of shipment and lifting the quality of stored rice. To

stimulate the USD 400 million investment required a variety of incentives were provided by the government including low interest loans and business income tax exemptions (MARD, 2014b). By the end of 2011 less than 50% of the new warehouse capacity target had been constructed. And this was primarily due to the actions of the two largest SOEs, Vinafood 1 and Vinafood 2, who had completed 66% and 58% of their proposed investments (Tran, 2014a). Consequently, the target date for completion of the expansion was pushed back until the end of 2013. As at 31 July 2013 the warehouse storage capacity had reached 5.4 million tonnes, consisting of 4.4 million tonnes for rice and 1 million tonnes for paddy.

### **Consumer support**

State Reserves of rice are used to provide **direct food support** to households through a number of different programmes. Poor households involved in forestation and forest protection are provided 15 kg rice per capita per month during the period when they are not able to provide themselves with staple food (for not longer than seven years).<sup>57</sup> Poor households in the border areas are granted 15 kg rice/person/month until they can be self-sufficient in food. The government also uses rice from the State Reserve to support households in food-deficit provinces before the harvest and in provinces suffering natural disasters. This is one of the direct support policies for the poor but the government lack of measures to identify the right beneficiaries and provide the necessary quantity (MARD, 2014b).

In addition to direct food aid, the government also intervenes to prevent sharp rises in the price of essential food products purchased by households. Support is implemented through tax concessions and interest rate subsidies for retail enterprises. Consequently, it is mainly food that is distributed through more formal marketing channels such as the supermarket system that receive this support.

## **2.4. Trade policies affecting agro-food trade flows and agricultural commodity prices**

Strongly connected to the reforms in domestic agriculture policy was the gradual integration of domestic markets with the global economy. This section summarises **key developments in trade policy** since the mid-1970s. It details the important trade measures currently affecting imports and exports of agro-food, including price based instruments (e.g. tariffs and other import duties, and export taxes), quantitative restrictions (e.g. import quotas and export bans) and regulatory requirements (e.g. licensing and quarantine arrangements). Multilateral, regional and bilateral trade relations are also discussed.

### **Overall reforms of the trade system**

Prior to the late 1980s, Viet Nam was a **relatively closed country**. Foreign trade was severely constrained: controlled by central decision makers and carried out by a small number of SOEs with monopoly rights. Exports were discouraged by an overvalued exchange rate and the use of export duties. Obligations to partners within the Council for Mutual Economic Assistance had to be met before product could be sold to the convertible currency area. Imports had to proceed through an extensive system of quotas and licenses. Additionally, Viet Nam faced a trade embargo with the United States that was only lifted in 1994 (McCaig and Pavcnik, 2013).

Market oriented **trade reforms began in 1989** as part of the broader *Doi Moi* reforms that commenced in 1986. Initial reforms included the unification and devaluation of the

exchange rate, relaxations on import and export quotas, simplification of licensing procedures for import and export shipments, and delisting items from export duties and reducing the rates for remaining products. Permission for private as well as SOEs to establish direct links with foreign markets was given in 1991. Import tariffs were first introduced on 1 January 1988. The original tariff schedule covered only 130 commodity categories with tariff rates of 0% to 60%. This was replaced in 1992 by a detailed, consolidated schedule based on the Harmonised System (HS) of tariff nomenclature. It provided tariff coverage for all commodities and established both normal and preferential tariffs. Preferential rates (50% of the normal tariff) were applied to exported/imported goods to/from countries that signed bilateral trade agreements with Viet Nam.

Although these initial reforms were extensive, they did not necessary go far enough and were sometimes reversed. While the private sector was granted the ability to engage directly in international trade, in order to obtain an import or export licence, enterprises were required to have a foreign contract and a shipping license, sufficient working capital, and trade experience. With the removal of trading right monopolies, other forms of protection were sometimes provided to **support domestic industries**. For example, the tariff on meat increased from 10% in 1992 to 30% in 1999, and for sugar from 10% in 1992 to 45% in 1999 (Nguyen, 2006). Similarly, non-tariff barriers (NTBs) such as quantitative restrictions and foreign exchange management were used to balance “supply and demand of the economy” to protect domestic production and regulate consumption. The number of goods under this form of quantitative control increased from five in 1996, to eight in 1997 and 1998, 16 in 1999, and 12 in 2000 (petroleum, fertiliser, steel, cement, paper, sugar, liquors, motorcycles, passenger cars, ceramic and granite tiles, and refined vegetable oil) (Vo, 2005).

A further series of trade reforms occurred towards the end of the 1990s and early 2000s. The monopoly position of SOEs in foreign trading activities was gradually weakened and the **abolishment of trade licenses** in 1998 was a most significant step forward in trade liberalisation.<sup>58</sup> Since then all domestic enterprises have been allowed to freely trade in commodities except those prohibited or under specialised management (Vo, 2005). In April 2001 a trade policy roadmap for the five-year period 2001-05 was announced for the first time.<sup>59</sup> This replaced the practice of announcing one-year regimes, making a more transparent and predictable export-import environment. Effective 1 May 2001 most quantitative restrictions on imports remaining in place were removed (Vo, 2005). Those remaining, including for products such as dairy, birds eggs and sugar, have been subsequently eliminated and replaced in some cases with tariff quotas.

Reforms to trade policy were complemented by a concerted effort to enter into **international trade agreements and partnerships**. In 1995 Viet Nam became a member of the Association of Southeast Asian Nations (ASEAN) and its associated ASEAN Free Trade Area (AFTA). Viet Nam was formally admitted as a member of the Asia Pacific Economic Community (APEC) in November 1998. In December 2001 the US-Viet Nam Bilateral Trade Agreement<sup>60</sup> came into effect. This led to a huge increase in Vietnamese exports to the US, predominantly in light manufactured products such as clothing, textiles, and footwear (McCaig and Pavcnik, 2013). Viet Nam used these bilateral and regional agreements to promote exports, cement in reforms and prepare for engagement with world (Abbott et al., 2006).<sup>61</sup> The culminating act was obtaining WTO membership in 2007. The WTO's binding and transparent rules are considered by Viet Nam to be the most efficient mechanism to guard against protectionism and to address global trade issues (WTO, 2013). Viet Nam is

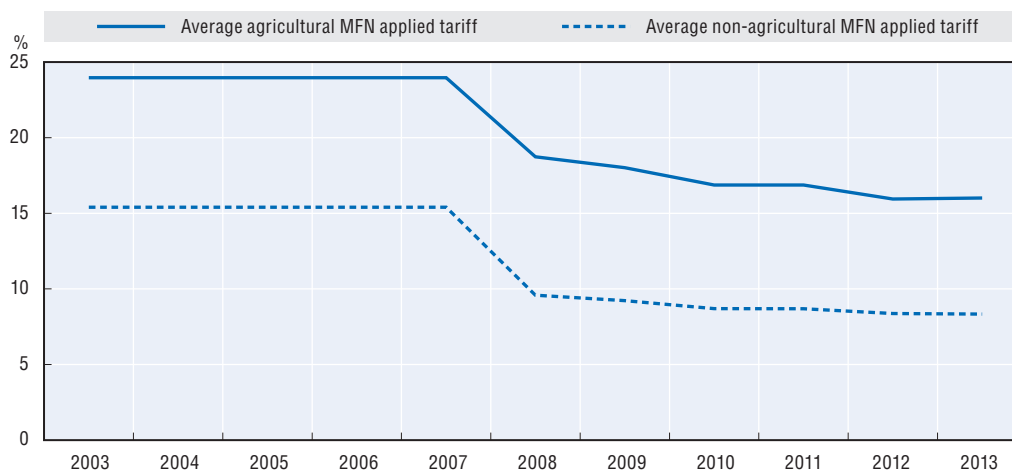
working to bring its regulatory environment into conformity with international rules, e.g. bringing its sanitary and phytosanitary (SPS) requirements into compliance with CODEX Alimentarius (Tran and Dinh, 2014a).

## Import policy measures

### Tariffs


During the 1990s and through to the mid-2000s, agricultural production was protected with an **average applied tariff** of around 25%. Since WTO accession in 2007 the simple average Most Favoured Nation (MFN) applied tariff on agricultural products (WTO definition) has declined by one-third to reach 16.2% in 2013 (Figure 2.6). While tariff protection for agricultural products has fallen, it is higher than the overall simple average MFN applied tariff of 9.5% and almost double the 8.3% average for non-agricultural products. Viet Nam agreed to bind all tariff lines as part of its WTO accession process. Further, all agricultural tariffs are *ad valorem*, making the regime very transparent.

Figure 2.6. **Average MFN applied tariffs for agricultural and non-agricultural commodities, 2003-13**



Note: Simple average tariffs based on pre-aggregated HS six digit averages. Pre-aggregated means that duties at the tariff line level are first averaged to six digit subheadings. Subsequent calculations are based on these pre-aggregated averages.

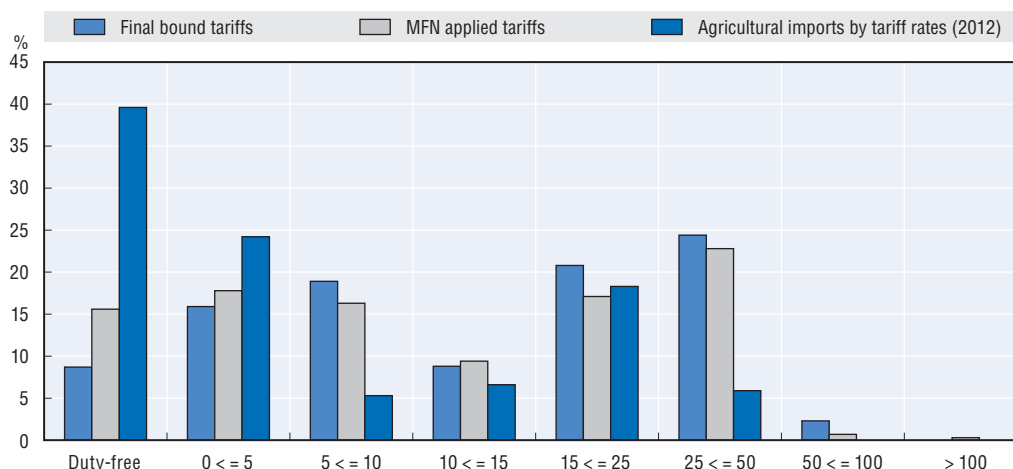
Source: WTO Tariff Download Facility, <http://tariffdata.wto.org/Default.aspx>.

StatLink  <http://dx.doi.org/10.1787/888933223801>

One-third of agricultural MFN applied tariffs fall within the range of 0-5% (Figure 2.7). Almost two-thirds of agricultural imports enter Viet Nam at these **low tariff rates**, with almost 40% entering duty-free. At the other extreme, around one-quarter of MFN applied and final bound agricultural tariffs are 25% or more. Only 6% of imports in 2012 entered Viet Nam through these higher tariff lines.

Among the agricultural product categories attracting the **highest MFN applied tariffs** are beverages and tobacco; coffee, tea and cocoa; and fruit, vegetables, plants (Figure 2.8). Within these product groups, MFN applied tariffs are highest for cigarettes and cigars (100-135%) and wine and spirits (45-55%). An MFN applied tariff of 40% applies to a range of commodities including meat of poultry, turkey and duck, tea (green and black), grapefruit, milled rice, refined sugar, and many types of prepared or preserved fruits and vegetables.

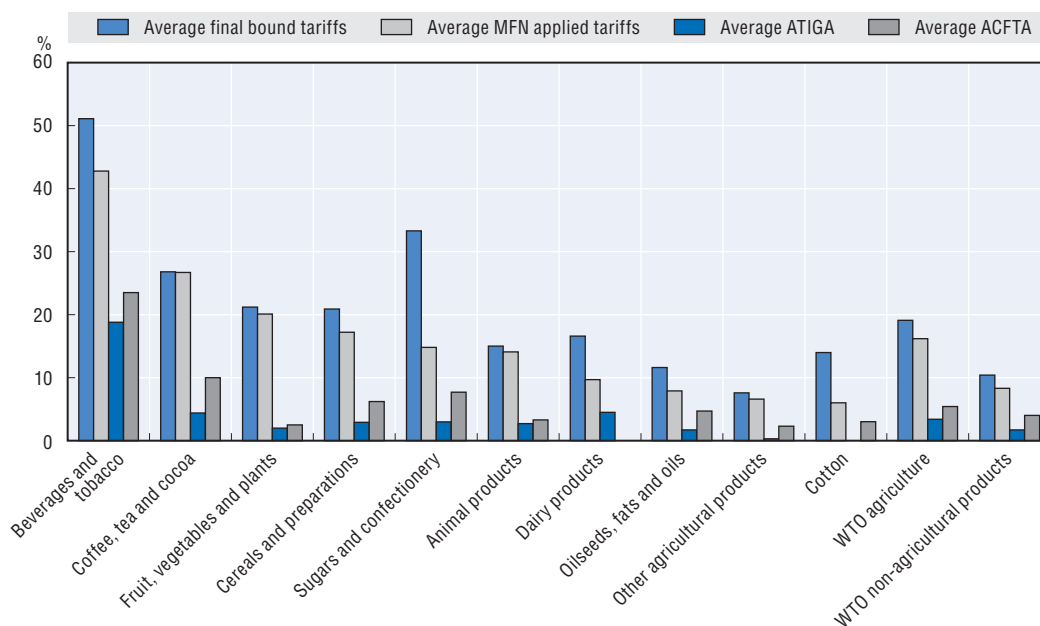
Figure 2.7. **Frequency distribution of agricultural final bound and MFN applied tariff lines and imports by tariff rates, 2013**



Source: WTO Tariff Profile of Viet Nam 2014, <http://stat.wto.org>.

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Figure 2.8. **Average bound, MFN applied, ATIGA and ACFTA tariffs by product groups, 2013**



ATIGA – ASEAN Trade in Goods Agreement; ACFTA – ASEAN China Free Trade Agreement.

Note: Simple average tariffs based on pre-aggregated HS six digit averages. Pre-aggregated means that duties at the tariff line level are first averaged to six digit subheadings. Subsequent calculations are based on these pre-aggregated averages. Product groupings are ordered according to average MFN applied tariff.

Source: Final bound and MFN applied tariffs: WTO Tariff Profile of Viet Nam 2014, <http://stat.wto.org>; ATIGA and ACFTA: World Trade Organisation (2013) Trade Policy Review of Vietnam: Report by the Secretariat, WT/TPR/S/287/Rev.1.

StatLink <http://dx.doi.org/10.1787/888933223823>

Viet Nam accords tariff preferences under regional and bilateral preferential trade agreements, i.e. to its ASEAN partners, Korea, China, Australia and New Zealand, India, and Japan. The **preferential tariff treatment** in Viet Nam's market is generally substantial for ASEAN and China, and somewhat less pronounced for Viet Nam's other FTA partners

(Table 2.A1.3). The simple average applied tariff on agricultural commodities imported from ASEAN members and China is just 3.4% and 5.4% respectively.

The average MFN applied tariffs for agriculture and industrial goods are lower than the average WTO bound rates of 19% and 10% respectively. The difference between bound and currently applied MFN rates leaves some **scope for flexibility** in Viet Nam's tariff policy. In some instances, Viet Nam has implemented tariff reductions ahead of the committed timetable. Tariff cuts may also have been employed on occasion to reduce inflationary pressures in the domestic economy or to mitigate fluctuations in domestic energy prices. However, a number of tariff rate increases since 2008 seem primarily motivated by a willingness to afford higher protection to certain domestic sectors, e.g. meat producers. Although all tariff rate increases have been within the WTO bound limits set by Viet Nam's tariff commitments, frequent changes in the applied tariff introduce uncertainty and may undermine the predictability of access to the Vietnamese market (WTO, 2013).

The import tariff is 0% for most materials and inputs associated with agricultural production, such as fertilisers, corn and rice seeds. The MFN applied tariff rate for most agricultural machinery (tractors, harvesting machines, seeders, manure spreaders, machines for cleaning, sorting or grading, etc.) is 5%, with the exception of ploughs and harrows (20%). All agricultural machinery is duty-free from ASEAN members. The government has implemented these **low import taxes for agricultural inputs** with the purpose of supporting farm production.

### Tariff-rate quotas

Under its WTO accession commitments for agriculture, Viet Nam provides **tariff-rate quotas** (TRQs) for eggs, sugar (raw and refined), and unmanufactured tobacco and tobacco refuse (Table 2.8).<sup>62</sup> The TRQ for sugar was first introduced in 2007 to replace an import licensing regime. TRQs for eggs and unmanufactured tobacco and tobacco refuse have been in place since 2003 when they were established along with TRQs for salt, cotton, dairy products and maize.<sup>63</sup> These had been introduced as a step in the process of increasing market access, replacing non-tariff measures such as prohibitions, licenses or import quotas affecting the same products. TRQs on dairy products, cotton and maize were eliminated on 1 April 2005 (WTO, 2006).<sup>64</sup>

Table 2.8. **Tariff-rate quota commitments for eggs, sugar and tobacco**

| Product  | Initial quota quantity 2007 | Volume commitment    | Final quota quantity | In-quota tariff rate                                 | Out-of quota final tariff rate                  | Administration method  |
|--|-----------------------------|----------------------|----------------------|--|---|--|
| Birds' eggs, in shell, fresh, preserved or cooked <sup>1</sup>             | 30 000 dozen                | 5% increase per year | Infinity             | 40%  | 80%   | Quotas allocated to firms that own a business registration certificate and who have actual import demand |
| Cane or beet sugar and chemically pure sucrose, in solid form <sup>2</sup> | 55 000 tonnes               | 5% increase per year | Infinity             | 25% for cane; 50% for beet sugar and 60% for sucrose | 85% for cane; 100% for beet and 85% for sucrose | Allocated to end-users based on past performance; portion of TRQ allocated to new importers              |
| Unmanufactured tobacco, tobacco refuse <sup>3</sup>                        | 31 000 tonnes               | 5% increase per year | Infinity             | 30% except 15% for tobacco stems                     | 80-90%  | Quotas allocated to end-users who have cigarette-producing permits                                       |

1. 04070091; 04070092; 04070099.

2. 17011100; 17011200; 17019100; 17019911; 17019919; 17019990.

3. 24011010; 24011020; 24011030; 24011090; 24012010; 24012020; 24012030; 24012050; 24012090; 24013010; 24013090.

Source: World Trade Organisation (2013), *Trade Policy Review of Vietnam: Report by the Secretariat*, WT/TPR/S/287/Rev.1.

According to Viet Nam's WTO Goods Schedule, the TRQ volumes for all three groups of products must increase by 5% annually without any upper time limit. The size of the annual import TRQ is fixed by MOIT, whereas the tariff rates for out-of-quota imports are determined by MOF. TRQs are allocated to end-users (WTO, 2013). The most recent notification on imports under TRQs for 2010 shows no imports of eggs under the TRQ and only about half the tobacco TRQ was used.<sup>65</sup> According to the authorities, there are no imports of eggs due to a lack of demand. The TRQ volume for sugar in 2010 was set at 250 000 tonnes, well above the accession commitment level.

In addition to its WTO commitments, Viet Nam has opened **TRQs for preferential imports** of rice and dried tobacco leaves from Cambodia and Lao People's Democratic Republic (PDR) (Table 2.9). The regime is regulated in accordance with bilateral memoranda concluded in 2005 (Lao PDR) and 2007 (Cambodia). TRQ volumes are subject to 0% import duty. The TRQs, which are announced by MOIT, may be stipulated for one or two years at a time (WTO, 2013).

Table 2.9. **Preferential tariff-rate quotas for Cambodia and Lao PDR, 2008-13**

| Product                                    | Country  | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|----------|------|------|------|------|------|------|
| Rice <sup>1</sup><br>(000 tonnes)          | Cambodia | 150  | 150  | 250  | 250  | 300  | 300  |
|  | Lao PDR  | 40   | 40   | 40   | 40   | 70   | 70   |
| Dried tobacco <sup>2</sup><br>(000 tonnes) | Cambodia | n.a. | n.a. | 3    | 3    | 3    | 3    |
|  | Lao PDR  | 3    | 3    | 3    | 3    | 3    | 3    |

1. 1006100090; 1006301900; 1006303000.

2. 2401101000; 2401102000; 2401103000; 2401109000 for both Cambodia and Lao PDR plus 2401201000; 2401204000 and 2401301000 for Lao PDR.

Source: World Trade Organisation (2013), Trade Policy Review of Vietnam: Report by the Secretariat, WT/TPR/S/287/Rev.1.

### VAT rates and other duties on imports

Viet Nam passed its first Law on Value Added Tax (VAT) in 1999.<sup>66</sup> There are **three VAT rates**: 0%, 5% or 10%, with 10% being the standard rate.<sup>67</sup> The zero rate applies to exports of goods and services, and international transportation. The reduced (5%) rate applies to a select group of "essential" goods and services including many related to agricultural production: clean water; fertilisers, insecticides and pesticides; feed for cattle, poultry and poultry; special purpose machinery for agricultural production such as ploughs, harrows and harvesters; unprocessed products of cultivation, husbandry and forestry; sugar and sugar by-products; semi-processed cotton; preliminary processed rubber latex; and fresh food (World Bank, 2014).<sup>68</sup> VAT is applied on the duty-paid value of imports, and is due at the same time as the payment of import duties. For domestic producers, VAT is collected monthly and settled at the end of the calendar year. VAT constitutes almost one-third of the total tax revenue, while trade taxes account for about 10% (WTO, 2013).

A number of agricultural related goods and service are **VAT exempt** including the main outputs from farming, i.e. products of cultivation, husbandry, fishery or aquaculture which have not yet been processed into other products or which have only been semi-processed by organisations or individuals self-producing and selling such products, and products at the stage of importation. Domestic raw and semi-processed agricultural production has been VAT exempt since the tax was first introduced in 1999. As part of its WTO commitments, Viet Nam extended the exemption to include imports from 1 January 2006, i.e. prior to this date imports of these products were subject to 5% VAT (WTO, 2006). Other



goods and service not subject to VAT of relevance to agriculture include certain inputs, specifically animal breeds and plant variety products, including breeding eggs, breeding animals, seedlings, seeds, sperm, embryos and genetic materials; irrigation and drainage; soil ploughing and harrowing; dredging of intra-field canals and ditches for agricultural production; services of harvesting farm produce (World Bank, 2014).

### *Import licensing and state trading*

The importation of various goods is subject to “line management”, i.e. import licences are issued by MOIT but other **ministries regulate imports**.<sup>69</sup> In such cases, neither the value nor the quantity of imports is restricted. The purpose of this system is, inter alia, to enforce minimum quality or performance standards for goods related to human, animal, or plant health; local network compatibility (telecommunications equipment); monetary security; or cultural sensitivities. According to Vietnamese authorities, the “line management” system includes automatic and non-automatic licensing procedures. Under this system, MARD regulates the importation of veterinary medicines, pesticides, plant and animal strains, animal feeds, fertilisers and genetic sources of plants, animals and micro-organisms used for scientific purposes (Table 2.A1.4).

Prior to the current arrangements, various agricultural commodity groups including dairy products, refined vegetable oil and sugar as well as fertiliser had been subject to quantitative restrictions through **import licensing**. These had been introduced at various stages during the 1990s and removed at various points during the 2000s (Table 2.10).

Some restrictions remain. Goods identified as subject to “**state trading**” may only be imported by designated enterprises. Thus, cigars and cigarettes; crude oil and petroleum products; newspapers, journals and periodicals; recorded media for sound or pictures; and aircraft and spacecraft, may only be brought into Viet Nam by designated importers. The Viet Nam Tobacco Import Export Company (VinatabaIMEX), a subsidiary of the Viet Nam National Tobacco Corporation (Vinataba), is the leading importer of machinery, tobacco and materials for the tobacco industry in Viet Nam, and is an exporter of tobacco leaf, cut rag, and cigarettes (WTO, 2013).

In 2008 Viet Nam introduced what it considers to be an **automatic licensing system** for a wide range of consumer products and agricultural items.<sup>70</sup> Licences are valid for 30 days from the date of issue, and are not transferable among importers. Importers must apply for a new licence when the old licence has expired. The measure was introduced to gather more detailed statistics and trade data for import assessment. In 2010 the product coverage was extended to include additional agriculture and food items, textiles, and clothing.<sup>71</sup> At that time, the measure affected imports of meat and meat products; certain fish and fish products; sugar confectionary, including chocolate; certain vegetable, fruit, cereal, and flour preparations; beverages, spirits and vinegar; plastic products; textiles and apparel; footwear; cosmetics; home electrical appliances; motor vehicles and motorcycles; furniture; toys; and steel products. The product coverage was subsequently reduced somewhat in 2011 and a temporary suspension of this “automatic” licensing arrangement has been in place since late 2012 for all products except certain steel products (WTO, 2013).<sup>72</sup>

Prior to WTO accession, Viet Nam had eliminated foreign exchange restrictions on “dispensable and non-essential” import items and consumer goods, and “payment method” restrictions. However, in April 2010 MOIT promulgated a long list of “non-essential” imported commodities and consumer goods **not encouraged** for import.<sup>73</sup> The SBV subsequently

Table 2.10. **Agricultural related products subject to quantitative import restrictions and phasing out schedule**

| Product description  | HS tariff lines  | Established       | Phasing out  |
|--|--|-------------------|--|
| Milk and dairy products  | 0401, 0402, 0403, 0404                                   | 1994 <sup>1</sup> | Replaced with a TRQ in May 2003 <sup>2</sup> which was abolished on 1 April 2005 |
| Live animals for breeding  | Chapter 1  | 1996 <sup>3</sup> | Removed 1 May 2001 <sup>4</sup>  |
| Birds' eggs, in shell, fresh, preserved or cooked  | 040700   | 1996 <sup>3</sup> | Replaced with a TRQ in May 2003 <sup>2</sup>                                     |
| Human hair, unworked, whether or not washed or scoured; waste of human hair  | 050100   | 1996 <sup>3</sup> | Removed 1 May 2001 <sup>4</sup>  |
| Pigs', hogs' or boars' bristles and hair; badger hair and other brush making hair; waste of such bristles or hair  | 502000   |                   |  |
| Bulbs, tubers, tuberous roots, corms, crowns and rhizomes, dormant, in growth or in flower; chicory plants and roots other than roots of heading No. 12.12                     | 060100   | 1996 <sup>3</sup> | Removed 1 May 2001 <sup>4</sup>  |
| Other live plants (including their roots), cuttings and slips; mushroom spawn  | 060200   |                   |  |
| Maize (corn) for sowing  | 10050010   | 1996 <sup>3</sup> | Removed 1 May 2001 <sup>4</sup>  |
| Rice in the husk (paddy of rough) for sowing   | 10061010   |                   |  |
| Seeds, fruit and spores, of a kind used for sowing   | 120900   | 1996 <sup>3</sup> | Removed 1 May 2001 <sup>4</sup>  |
| Vegetable materials of a kind used primarily for plaiting (for example, bamboos, rattans, reeds, rushes, osier, raffia, cleaned, bleached or dyed cereal straw, and lime bark) | 140100   | 1996 <sup>3</sup> | Removed 1 May 2001 <sup>4</sup>  |
| Residues and waste from the food industries; prepared animal fodder  | Chapter 23   | 1996 <sup>3</sup> | Removed 1 May 2001 <sup>4</sup>  |
| Sugar  | 1701   | 1997 <sup>5</sup> | Replaced with a TRQ on 1 January 2007 <sup>6</sup>                               |
| Fertiliser   | 3102<br>3103<br>3105                                     | 1997 <sup>5</sup> | Removed 1 May 2001 <sup>4</sup>  |
| Refined vegetable oil  | 15079010<br>15089010<br>15119090<br>15131910<br>15155090 | 1999 <sup>7</sup> | Removed 1 January 2002 <sup>4</sup>  |

1. Circular No. 04/TM-XNK dated 4 April 1994 guiding the implementation of Decision No. 78/TTg dated 28 February 1994 on the management of importation and exportation.
  2. Decision No. 91/2003/QD-TTg dated 9 May 2003 on the application of tariff quota on imports to Viet Nam.
  3. Decree No. 89/ND-CP dated 15 December 1995.
  4. Decision No. 46/2001/QD-TTg dated 4 April 2001 on the management of importation and exportation during the period of 2001-05.
  5. Decision No. 28/QD-TTg dated 13 January 1997 on the management of importation and exportation in 1997.
  6. Decision No. 19/2006/QD-BTM dated 20 April 2006.
  7. Decision No. 242/1999/QD-TTg dated 30 December 1999 on the management of importation and exportation in 2000.
- Source: WTO (2004).

instructed credit institutions to consider carefully or restrict the provision of foreign currency loans to finance imports of the listed items. In 2011 the list was expanded.<sup>74</sup> Among the discouraged items are live animals, dairy products, sugar confectionary, fish and crustaceans, and table salt (WTO, 2013).

### **Food safety and quarantine measures**

Viet Nam undertook to comply with the requirements of the **Sanitary and Phytosanitary (SPS) Agreement** upon its accession to the WTO without recourse to any transitional arrangements. The national enquiry point for SPS matters is the SPS Office located within

the International Cooperation Department of MARD, although several government agencies are responsible for SPS-related matters. Decision No. 147/2008/QĐ-TTg sets out the process Viet Nam will follow to meet its obligations under the SPS Agreement, such as harmonising its food hygiene and safety and sanitary and phytosanitary standards with those of international organisation such as Codex Alimentarius, the World Organisation for Animal Health (OIE) and the Commission on Phytosanitary Measures. This Decision also sets out objectives for risk assessment, control measures, and institutional capacity, and states that the same standard should be used for exports and domestic consumption.

Since joining the WTO, Viet Nam has imposed different SPS measures on meats, fresh fruits and vegetables, feed, dairy, processed foods, and other food imports from different countries. Further, while Viet Nam has agreed to equivalence of foreign food safety measures, it has not fully adopted standards provided by international organisations. For example, Viet Nam maintained protective measures against bovine spongiform encephalopathy (BSE) on beef imports from the United States that contained stricter restrictions than the science-guided measures recommended by the OIE (Arita and Dyck, 2014).

The umbrella law guiding **food safety** provides organisations and individuals with rights and obligations to ensure food safety; conditions for food safety; food production and trading; food import and export; food advertisement and labelling; food testing; food risk analysis; prevention and dealing with food safety incidents; information, education and communication on food safety; and state management of food safety.<sup>75</sup> Responsibility for state management of food safety rests with MARD, MOIT and MOH. Together they oversee: i) the conformity to technical regulations for food safety regulations, ii) safety requirements for genetically modified foods, iii) granting and withdrawing food safety certificates for establishments that meet food safety requirements, iv) state inspection on food safety for imported and exported foods, and v) labelling of food products.<sup>76</sup> The three ministries are currently developing Circulars and Technical Regulations to enforce sections of the Decree. Among those developed to date, is one that provides additional clarification regarding which Ministry is responsible for what set of food products. Responsibility covers both domestically produced food as well as imported food products.<sup>77</sup>

The National **Strategy on Food Safety** for 2011-20 sets a general objective of implementing master plans on food safety from production to consumption by 2015, and controlling food safety over the entire food supply chain by 2020. Specific objectives of the strategy are: awareness raising and food safety practicing for target groups; capacity building for food safety management system; significantly improvement of food safety assurance in manufacture, processing, selling facilities; actively prevention of acute food poisoning. One of the key programmes is assigned to MARD. In collaboration with the provincial people committees, MARD will draft and lead the “Development on safe food supply chain model”.

Despite these efforts to set in place a legal framework and structure for quarantine and food safety that conforms to international obligations, further work is required to effectively implement the regulatory regime. There are issues associated with the system of legal documentation and technical regulations, the organisational system and human resources (Dao T.A., 2014). The large number of legal documents relating to food safety, about 400 documents issued by the central government and ministries and about 1 000 documents issued by local governments, result in overlap and lack a clear focus. There is poor co-ordination between agencies, risk analysis and identification systems, both at the central government level and between central and local government (Tran and

Dinh, 2014a). The capacity of testing agencies is limited, leading to inconsistent enforcement that adds to uncertainty for foreign producers (Arita and Dyck, 2014).

In addition to quarantine and food safety documentation, importers of food and agricultural products are often required to provide authorities with **other supporting documents**. Depending on the product, these may include a certificate of free sale (CFS) from the competent authorities of the exporting country, stating that the product is produced and freely sold in the country of origin. In terms of agriculture, the goods affected are mostly non-food agriculture and fishery products but all products containing genetically modified materials, products that were irradiated, and products that were produced by new technologies require a CFS when imported to Viet Nam (WTO, 2013).

### **Standards and labelling**

Viet Nam undertook to comply with the obligations of the Technical Barriers to Trade (TBT) Agreement from the date of its accession to the WTO. Since WTO's accession, Viet Nam has sent over 50 TBT notifications of regular measures covering a variety of products. At the end of 2012 there were 6 800 Vietnamese standards, of which 40% were harmonised with international, regional and foreign standards (up from 25% in 2005) (Tran and Dinh, 2014a).

Under Law No. 05/2007/QH12 on Products and Goods Quality, products and goods are divided into two groups: Group 1 are goods which are “incapable of causing unsafety” and Group 2 are goods which are “capable of causing unsafety” (defined as “those products and goods which, under rational conditions of transportation, storage, preservation and use for proper purposes, can latently cause harms to humans, animals, plants, assets or the environment”). Producers control products in Group 1 on the basis of applicable standards. The competent state agency controls products in Group 2 on the basis of relevant technical regulations as well as by producers on the basis of applicable standards. Different ministries are responsible for the control of quality of products and goods under their responsibility, and for issuing lists of products and goods that can cause “unsafety” and are subject to mandatory inspection. A wide range of goods are subject to **mandatory inspection and quality control by MARD**: plants, animals, fertilisers, animal feeds, plant protection drugs, veterinary drugs, bio-products for use in agriculture, forestry and aquaculture, and irrigation works and dykes (WTO, 2013).<sup>78</sup>

### **Export policy measures**

#### **Export licences and quotas**

Prior to 1995 several key agricultural products, namely rice, tea and coffee beans, were subject to export quotas. These were removed for tea and coffee in 1995. However, coffee beans remained subject to line management by MARD requiring their approval before export. **Export quotas on rice** were introduced in 1992 to ensure food security and price stability. The total quantity of rice exports as well as the allocation of export quotas was determined by the government in two phases on the basis of rice production and consumption estimates: an initial allocation for the period up to September and then for the rest of the year after the September crop (CIE, 1998). Initially the government directly assigned an export quota to each company. While the number of companies approved to export rice varied year-by-year (15-40), they were all SOEs, either established at the national level, e.g. Vinafood 1 and Vinafood 2 or by provincial governments. In order to increase competition, from 1997 the government allocated 60-70% of rice export quotas to

provincial governments, based on their province's share of national commercial paddy production, for allocation to enterprises. The export quota for rice rose from less than one million tonnes in 1992 to 4.5 million tonnes in 1998 (Nguyen and Grote, 2004). The intense lobbying by these enterprises to share in the export quotas during the early years of rice exports suggests that the quotas were binding and ensured that the domestic price was below the relevant border price (Athukorala et al., 2009).

In 1998, partly in response to growing concerns about trade deficits and a slowdown in foreign financing, export licensing controls were abolished (WTO, 2006).<sup>79</sup> This gave permission for all domestic private companies, SOEs and co-operatives to export their production without requiring further licensing or approval. This initiative applied to all but a narrow list of commodities. An even greater relaxation of controls was extended earlier that year to foreign owned enterprises, which were now authorised to export products above and beyond those identified in their investment license.<sup>80</sup> Prohibited exports, quota controlled exports and commodities subject to specialised export regulation were excluded from this change. For agriculture this meant rice and coffee (CIE, 1998). One consequence of these changes was that a share of the rice export quota was allocated to private firms, but they accounted for just 4% of total rice exports in 1999 (Nielsen, 2002).<sup>81</sup>

The rice export quota system was formally abandoned in 2001.<sup>82</sup> Enterprises were from then on permitted to export rice provided they had obtained general business licenses to trade in rice or other agricultural products. However, a **flexible control system** has developed in its place (WTO, 2006). This has been formalised most recently in Decree No. 109/2010/ND-CP on rice export business dated 4 November 2010. The role of various agencies in rice export management is divided as follows: MARD is responsible for forecasting the quantity of rice available for commercial export based on domestic production and consumption estimates and reserve volumes; MOIT for seeking markets and negotiating government-to-government (G2G) food exporting agreements; and the Viet Nam Food Association (VFA) is in charge of operating contract registration of rice exporting enterprises and allocating G2G contracts among exporters (Box 2.3).

### Box 2.3. Viet Nam Food Association

The Viet Nam Food Association (VFA), formerly known as the Viet Nam Food Import and Export Association, was established in 1989 (Decision No. 727/KDDN-QD dated 13 November 1989). VFA is a social organisation of enterprises involved in producing, processing and trading of agricultural produce, food and other processed food products. It is organised and operates under a charter ratified by the Minister of the Interior and under state management of MARD. Members of VFA work together to co-ordinate food trading activities for the protection of legitimate interests of its members; to contribute to food security; to import, export food in the international market in compliance with the state policies. It receives no government funding to carry out these activities.

In recent years, there have been more than 200 registered exporters with VFA. Nevertheless, the trade remains highly concentrated, with the ten largest exporters accounting for 70% or more of the total trade. VINAFOOD I and II are the two main SOEs and account for 44% of the volume and 53% of the value of Viet Nam's rice trade over the 2007 to 2009 period. Each of these is affiliated – through full or partial ownership – to a range of other companies many of which are themselves specialised rice milling and trading companies. Interactions among these companies involve some combination of competition

**Box 2.3. Viet Nam Food Association (cont.)**

and co-operation. In 2008 majority or fully state-owned enterprises accounted for 79% of the value of the trade, the private sector and companies with a minority state ownership stake accounted for 19%, and co-operatives for 2%. Most private companies are very small, but there are now a few which can export in excess of 100 000 tonnes per year. Many companies that are eligible to join VFA and export are also often denied membership.

Source: VFA website ([www.vietfood.org.vn](http://www.vietfood.org.vn)) and Tran et al. (2013).

At the beginning of each year, the government announces an indicative total export volume available to all enterprises; there is no indicative export volume of rice allocated to individual enterprises. All traders having legally registered their business are free to sign rice export contracts at their own discretion. However, companies must first submit the export contract to the VFA for approval. In the usual case, this approval is automatic. However, when the government believes that export restrictions are needed, the VFA is asked by the government to stop approving new rice-export contracts. Without the approval from the VFA, enterprises cannot export. Through this mechanism the government is able to adjust indirectly the progress of total rice exports whenever needed. The government used this instruction mechanism to limit rice exports during 2007 and 2008 (Tran et al., 2013; Nguyen and Talbot, 2013).

On 1 January 2011 two important modifications to this system occurred. First, the right to export rice from Viet Nam, which had been reserved up till that point for Vietnamese individuals with registered business and enterprises, was extended to foreigners in line with Viet Nam's WTO commitment. However, to enhance the competitiveness and bargaining power of Vietnamese rice exporters in comparison to foreign partners and competitors, effective from the same date, exporters have been required to meet stricter requirements regarding storage and processing facilities. According to Decree No. 109/2010/ND-CP dated 4 December 2010 **rice exporters require a certificate from MOTI**.<sup>83</sup> To qualify for a certificate an enterprise must own at least one specialised warehouse with a minimum capacity of 5 000 tonnes of paddy and a rice milling facility with a minimum capacity of 10 tonnes of paddy per hour, and meet other technical requirements intended to improve the value added of rice exports. Enterprises are also required to maintain a minimum volume of reserves equivalent to 10% of their rice exports in the preceding six months. The government is able to request traders to sell product from these reserve volumes into the domestic market to stabilise any sudden price increase (Tran and Dinh, 2014a).

**Minimum export prices** for various grades of rice have been announced since commercial trade resumed in 2008 to limit price declines. Decree No. 109 provides the current legal basis for setting these prices.<sup>84</sup> The VFA again plays a key role in the administration of this policy. Specifically, rice-exporting enterprises determine their individual floor prices based on purchase costs, taxes, etc. and report this to VFA.<sup>85</sup> VFA uses the submitted floor prices of enterprises to determine the average floor prices of export rice nationwide at the beginning of each season.

While there is a greater degree of competition among export companies under the current arrangements in comparison to the former export quota system, the rice export market is far from being competitive. The VFA exerts a **large degree of control** over the export market and largely favours SOEs, in particular Vinafood 1 and Vinafood II and their

subsidiaries, with credit and G2G contract allocation that results in unfair trading privileges (Tran et al., 2013). The recent capacity requirements have pushed small-scale exporters out of the market. The current system also creates an element of market uncertainty because an export company cannot predict precisely when total exports will hit the policy target. This creates the incentive for export companies to submit their export contracts to the VFA as soon as they can to avoid facing the possible suspension of rice exports. Since the strategic motivation for exporting earlier than others is valid for all the export companies, this eventually leads to the actual early suspension of rice exports. The strategic uncertainty may result in suboptimal timing and quantity of rice exports for an individual company, since the quantity and timing of rice exports should be ideally determined based on global and domestic market conditions rather than on the strategic motivation induced by the first-come, first-served basis (Tsukada, 2011). It also reduces the incentive to develop or expand market opportunities (Tran, 2014a). Finally, the sudden termination of contracts when the export volume is reached reduces the prestige of Viet Nam enterprises with their partners. All these factors mean that the current system keeps Viet Nam in the vicious cycle of supplying low-quality rice, and the market expects this from Viet Nam.

### **State trading**

Before 1989 the **state held the monopoly position** in foreign trade.<sup>86</sup> In the period 1975-80 the Ministry of Foreign Trade established Import and Export Companies, and only these companies were allowed to trade. Major partners were the Soviet Union and centrally-planned economies of central and eastern Europe. During 1981-88 foreign trade was decentralised. As a result not only import and export companies which belonged to the Ministry of Foreign Trade were allowed to import and export, but also those belonging to other ministries or local governments. In 1989 the monopoly of the SOEs was broken. Private trading companies were allowed to engage in trade but their activities were severely impeded because import and export licenses were required. Private companies that produced exports were allowed to choose state-owned exporting companies as trustees while those with annual export revenues above USD 5 million could apply for export licenses.<sup>87</sup> Since 1991 all private companies with licences were allowed to export directly, not through trustees. In 1998 the licensing requirements for trading were largely abolished, and since 2001 private companies as well as SOEs have been allowed to export most products without any licence.<sup>88</sup>

While the legal control of SOEs over exports may have been eliminated, SOEs still **exert a high degree of influence** over the export of important agricultural commodities like rice, coffee, rubber and tea. Although there are about 200 registered rice exporters, most export less than 1 000 tonnes per year. Eleven companies account for 70% of the rice trade. SOEs, which are responsible for G2G transactions, account for about 80% of exported rice and distribute the exported rice through concessional government programmes in the Philippines, Indonesia, and Cuba (Phan et. al., 2013). Viet Nam National Coffee Corporation (Vinacafe), through its subsidiaries, member companies, and associated companies, has interests in all stages of the coffee chain (WTO, 2013). Subsidiaries of the Viet Nam Rubber Group (VRG) control about 270 thousand ha of total rubber plantations in 2009, corresponding to 40% of total nationwide area and 85% of export production (VietCapital Securities, 2011). SOEs at the national level still account for 60% of tea export with SOEs at the provincial level, private enterprises and joint-venture enterprises account for the remaining 40% (Nguyen and Grote, 2004).

### *Export taxes and charges*

**Export taxes** were first introduced as part of the early market-orientated reforms through the Law on Export and Import Duties dated 29 December 1987 (Nguyen and Grote, 2004). The duties were justified at the time by the need to raise revenue, protect the environment, conserve natural resources and retain inputs for domestic production (Athukorala et al., 2009). In terms of agricultural products, an initial export tax of 10% was levied on rice, peanut, cashew nut, coffee, tea, rubber and raw hides and skins. The tax rates were gradually reduced over time. For example, they were reduced in 1989 to 5% on rice, 4% on rubber and 3% on cashew nut, tea, coffee and pepper.<sup>89</sup> Rates on some products, such as rice and coffee, were changed quite frequently (CIE, 1998). For example, the export tax on rice was revised twice in 1995, once in September (from 0% to 2%) and again in October (from 2% to 3%). Export taxes applying to most agricultural products were removed in the late 1990s/early 2000s. In accordance with the current Law on Export and Import Duties, in effect since 1 January 2006, export taxes are levied on just a few agricultural related products (WTO, 2013).<sup>90</sup> Cashew nuts in shell are currently zero-rated, while duty rates of 0-10% apply to raw hides and skins, and 0-5% to rubber.

During the period of sharply rising international prices for rice in 2008, the government imposed **export taxes on rice** for a six-month period as part of broad range of policy measures to limit price increases on the domestic market. On 21 July 2008 the government announced the introduction of a progressive export tax, ranging from a minimum VND 500 000 (USD 30) tonne for an export price of USD 600 tonne to a maximum VND 2.9 million (USD 160) tonne for export prices of USD 1 300 tonne and higher.<sup>91</sup> This announcement, made in the context of increasing world rice prices, served to slow purchases by exporters and lower domestic prices (Pham, 2010). As prices fell, the minimum taxable price was raised to USD 800 tonne on 15 August. When domestic prices returned to pre-crisis levels, the export tax on rice was removed in November 2008.

In addition to export taxes, **customs surcharges** had historically applied to the export of certain products. For agricultural-related products, these affected unprocessed cashew nut, unprocessed rubber latex and coffee. An export surcharge applied to coffee during the early 1990s but was removed in 1995 (WTO, 1996). For unprocessed cashew nut, an export surcharge had applied since 1995 and from 2001 in the case of rubber latex. Revenue from customs surcharges was used to finance first the Price Stabilisation Fund (PSF) and then the Export Promotion Fund (EPF). Viet Nam removed these surcharges from the date of its WTO accession as part of negotiated commitments.

### *Export subsidies and promotion*

Viet Nam has not provided direct **export subsidies** to agricultural products since the mid-2000s. In 1998 export subsidies were first provided to canned pineapple, and in addition, an Export Reward Fund (ERF) was established. It provided financial support and preferential loans to enterprises exporting fruits and vegetables as well as meat products. In 1999 the ERF together with the PSF was transformed into the EPF.<sup>92</sup> The EPF provided subsidised interest payments relating to agricultural exports when their international prices decline, assisted some exports which faced losses due to their weak competitiveness or other reasons, and rewarded exporters who promoted new exports, accessed new foreign markets or enlarged their exports to foreign markets. Bonuses contingent on export performance were paid to enterprises exporting rice, coffee, pork, canned fruit and canned vegetables in 2001. The export bonus programme was extended in 2002 to also cover beef



and poultry meat; fresh, dried and semi-processed fruit and vegetables; tea; peanuts; pepper; and cashew nuts (WTO, 2006). However, as Viet Nam joined the WTO with a commitment to not maintain agricultural export subsidies from the date of accession, these types of direct payments were discontinued. The EPF was closed down in 2008, with the remaining funds made available for general trade promotion activities (WTO, 2013).<sup>93</sup>

A national **trade promotion programme** has been in operation since 2005.<sup>94</sup> The programme provides funds for a wide range of trade promotion activities, such as the hiring of domestic and foreign experts for advice and assistance on export development or product quality improvements; the organisation of trade fairs, exhibitions; sponsorship to participate in trade events; and to carry out surveys or market investigation (Tran and Dinh, 2014a). In addition, the Viet Nam Development Bank (VDB), established in 2006, provides export credits, investment credit guarantees, and export project performance security along with implementing state policies with respect to the financing of investments, post-investment assistance, and investment credit guarantees (WTO, 2013).

In recent times the government has launched some **agricultural specific measures** to facilitate greater access to commodity markets and trade promotion. Since 2011 the government has provided credit facilities for exporters of tea, pepper, cashew nuts, processed vegetables (box, fresh, dried, pre-processing, fruit juice), sugar, meat, poultry, coffee, seafood and handicrafts such as rattan, bamboo and wicker products.<sup>95</sup> Effective from 1 January 2014 the government supports 50% of the cost of advertising on the mass media; 50% of the cost for fair exhibitors in the country; and 50% of the cost for obtaining market information and other services from the state promotion agencies.<sup>96</sup>

## **Trade relations**

### **Bilateral trade agreements**

Prior to WTO accession, Viet Nam had concluded bilateral trade agreements with 40 partners. The principal aim of these agreements was to establish trade relations based on reciprocal MFN treatment.<sup>97</sup> The agreements were typically short documents with fairly standard text. The exception was the **US-Viet Nam Bilateral Trade Agreement**, signed on 13 July 2000 and entered into force on 10 December 2001. Viet Nam was granted MFN trade status, providing it with substantially better access to the United States: average tariffs fell from 40% to less than 3%. In return, Viet Nam agreed to open up some of its services sectors (banking, insurance, and telecommunications), enhance protection of intellectual property rights and improve its foreign investment regime (WTO, 2013). The Agreement was prepared on the basis of WTO principles and was regarded as a very important step towards WTO membership (Vo, 2005).

**Bilateral negotiations have continued** following Viet Nam's accession to the WTO. In June 2007 Viet Nam and the United States signed a Trade and Investment Framework Agreement. While this did not introduce additional specific concessions or commitments, it established the US-Viet Nam Council on Trade and Investment, *inter alia*, for the monitoring of implementation of obligations under the WTO Agreement and the bilateral trade agreement. The Viet Nam-Japan Economic Partnership Agreement entered into force on 1 October 2009. It is a comprehensive agreement covering goods, services and investment, as well as issues such as business environment, labour mobility and co-operation on technical standards. A bilateral Free Trade Agreement (FTA) with Chile was signed in November 2011 and entered into force on February 2014. The Agreement, which is focused

on market access, will provide tariff free entry for 90% of Chilean exports to Viet Nam including beef, pork, dairy products and fruits. Negotiations for bilateral FTAs with Korea and the customs union of Belarus, Kazakhstan and the Russian Federation, which began in 2012 and 2013 respectively, were concluded in December 2014. Both are expected to come into force during 2015. Bilateral negotiations are continuing with EFTA (Iceland, Liechtenstein, Norway, and Switzerland) and the EU, both of which began in 2012.

### Regional trade agreements

Viet Nam became the **seventh member of ASEAN** on 28 July 1995, joining the ASEAN-6 comprising the five founding members: Indonesia, Malaysia, Philippines, Singapore and Thailand, plus Brunei, which joined in 1984.<sup>98</sup> As a requirement of membership, it signed the ASEAN Free Trade Area (AFTA) Agreement that the ASEAN-6 had concluded on 28 January 1992. Viet Nam began granting preferential treatment for goods to its ASEAN partners under the Common Effective Preferential Tariff (CEPT) scheme on 1 January 1996.<sup>99</sup> Reduction commitments were completed in 2013, although commitments were finished on 96% of tariff lines in 2006.

Under CEPT there were four product lists, each with a different tariff reduction period (Table 2.11). Members could decide which tariff lines were included in each list. New ASEAN members were given the same time period for tariff reduction as the ASEAN-6 with the starting point determined by the date of joining. Products on the Inclusion List (IL) had tariffs reducing to 0-5% over ten years under the Normal Track and seven years under the Fast Track; those on the Temporary Exclusion List (TEL) had tariffs reducing to 0-5% by the same end date but with a delayed start; while those on the Sensitive List (SL) had a longer delayed start period, a ten-year implementation period and higher end rates. Once a product is included in the CEPT, quantitative restrictions were to be eliminated immediately and other NTBs were to be removed within five years (Tantraporn and Tuchinda, 2012). Agricultural products on Viet Nam's sensitive list included bird's eggs, certain citrus (grapefruit and lemons), rice (paddy and husked), and sausages and other prepared or preserved meat. Unmanufactured tobacco, cigarettes and other products manufactured from tobacco are on the General Exception List (GEL) not subject to reduction commitments.

Table 2.11. **CEPT time frame for ASEAN member states**

| Country             | Manufactured and processed agricultural goods |                             |                          | Unprocessed agricultural goods |                          |                |
|---------------------|---|-----------------------------|--------------------------|--------------------------------|--------------------------|----------------|
|                     | Inclusion List Fast Track                     | Inclusion List Normal Track | Temporary Exclusion List | Inclusion List                 | Temporary Exclusion List | Sensitive List |
| ASEAN-6             | 1993-2000                                     | 1993-2003                   | 1996-2003                | 1996-2003                      | 1997-2003                | 2001-10        |
| Viet Nam            | 1996-2003                                     | 1996-2006                   | 1999-2006                | 1999-2006                      | 2000-06                  | 2004-13        |
| Lao PDR and Myanmar | 1998-2005                                     | 1998-2008                   | 2001-08                  | 2001-08                        | 2002-08                  | 2006-15        |
| Cambodia            | 2000-07                                       | 2000-10                     | 2003-10                  | 2003-10                        | 2004-10                  | 2008-17        |

Note: CEPT stands for Common Effective Preferential Tariff.

Source: Information gathered from the official ASEAN website, [www.asean.org](http://www.asean.org).

At the ninth ASEAN Ministerial Summit held from 7-8 October 2003 in Bali, the ten members of ASEAN signed an ambitious accord to establish an **ASEAN Economic Community** (AEC). The agreement, called the "Bali Concord II", aims to create a community in Southeast Asia based on three pillars: economic co-operation, political and security co-operation, and socio-cultural co-operation. The ultimate goal of the agreement is to create a competitive

region with a free flow of investment, goods, services and skilled labour, combined with a freer flow of capital, stable and equitable economic development, and reduced poverty and socio-economic disparities by the year 2020. As a step to achieving this goal, ASEAN members signed the ASEAN Trade in Goods Agreement (ATIGA) in February 2009, consolidating all existing ASEAN initiatives, obligations, and commitments on trade in goods into a single document. ATIGA entered into force on 17 May 2010 (WTO, 2013). Under ATIGA, end tariff rates on the Sensitive List products were reduced to a common standard of 5%.

In the terms of food and agriculture, the underlying objectives of **co-operation between ASEAN countries** have been to strengthen food security and ensure food safety in the region. ASEAN Ministers of Agriculture and Forestry have established a Ministerial Understanding (MU) on ASEAN Cooperation in Food, Agriculture and Forestry, signed in October 1993, to facilitate and promote trade in the region. In response to the high fluctuation of food prices coupled with the global financial crisis that started in 2008, ASEAN Leaders adopted the ASEAN Integrated Food Security (AIFS) Framework and the Strategic Plan of Action on ASEAN Food Security (SPA-FS) for 2009-13 at the 14th ASEAN Summit in 2009. Its goals were to strengthen and expand existing regional initiatives in the areas of food security, sustainable food trade, integrated food security information and agricultural innovation. One of major activities was the establishment of the ASEAN Plus Three Emergency Rice Reserve (APTERR), which entered into force on 12 July 2012.<sup>100</sup> Member countries have pledged to stockpile 787 000 tonnes of rice, of which Viet Nam has committed 14 000 tonnes, for disposal under the collective scheme. Research suggests that this volume is not large enough to alone deal with a 5% production shock in China and Indonesia, with governments having to also rely on domestic measures (Briones et al., 2012). A revised AIFS and SPA-FS covering the period 2015-18 has been developed.

In addition to trade liberalisation among its own members, ASEAN has also been actively negotiating trade agreements with its major regional trading partners in what are **termed ASEAN+ agreements** (Table 2.12). The coverage of these agreements has evolved from traditional measures (e.g. tariffs on goods) to non-traditional elements (e.g. trade in services, and investment) and more recently (e.g. AANZFTA) to measures including rules on investment and competition that go beyond its WTO commitments (Vu, 2014). All of these agreements acknowledge the differences in the levels of development within ASEAN by allowing the four non-ASEAN-6 member states extended dates for total compliance

Table 2.12. **Viet Nam's tariff reduction commitments under ASEAN+ agreements**

| FTA  | Date signed <sup>1</sup> | Implementation begins <sup>2</sup> | Full implementation deadline           | Tariff lines liberalised                  |
|--|--------------------------|------------------------------------|--|---|
| ASEAN-China Free Trade Agreement (ACFTA)                         | 29 November 2004         | 1 January 2005                     | NT 1: 2015<br>NT 2: 2018               | 90% tariff lines<br>(HS-6 digit level)    |
| ASEAN-Japan Comprehensive Economic Partnership Agreement (AJCEP) | 1 April 2008             | 1 December 2008                    | NT 1: 2018<br>NT 2: 2023<br>NT 3: 2024 | 88.6% tariff lines<br>(HS 10-digit level) |
| ASEAN-Korea Free Trade Agreement (AKFTA)                         | 24 August 2006           | 1 January 2010                     | NT 1: 2015<br>NT 2: 2018               | 90% tariff lines<br>(HS-6 digit level)    |
| ASEAN-India Free Trade Agreement (AIFTA)                         | 13 August 2009           | 1 January 2010                     | NT 1: 2018<br>NT 2: 2021               | 80% tariff lines<br>(HS 6-digit level)    |
| ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA)       | 27 February 2009         | 1 January 2010                     | NT: 2018<br>NT: 2020                   | 90% tariff lines<br>(HS 8-digit level)    |

1. Date on which the agreement on trade in goods signed by Viet Nam.

2. Normal Track (NT) reductions commence for Viet Nam.

Source: Vu (2014); WTO RTA Database, <http://rtais.wto.org/UI/PublicAllRTAList.aspx>.

(usually five years) and requiring a commitment to liberalise fewer tariff lines. Negotiations on a Regional Comprehensive Economic Partnership (RCEP) between the ten ASEAN member states and the six states with which ASEAN has existing FTAs were formally launched in November 2012. The aim is to conclude an agreement establishing an open trade and investment environment in the region to facilitate the expansion of regional trade and investment and contribute to global economic growth and development by the end of 2015.

Having initially participated as an “associate member”, Viet Nam announced its decision to be a full participant in the negotiations on a **Trans-Pacific Partnership (TPP) Agreement** in November 2010. While the final scope of the agreement is still being negotiated, trade gains for Vietnamese agriculture are likely to be limited to smaller export sectors such as cassava starch, processed food and honey. This is because its major exports, e.g. coffee, rubber, cashews and pepper, already benefit from existing low or duty-free rates with many of the TPP partners with the exception of rice to Japan and Korea (Arita and Dyck, 2014).

## WTO

Viet Nam became the **WTO's 150th Member** on 11 January 2007. This was the result of eleven years of preparation, including eight years of negotiations (OECD, 2009). Viet Nam agreed to comply with key WTO Agreements such as the Agreements on Trade-Related Aspects of Intellectual Property Rights, Technical Barriers to Trade, the Application of Sanitary and Phytosanitary Measures, and customs valuation from the date of accession without recourse to any transitional period (WTO, 2013). Anchoring domestic reforms to the requirements of WTO membership has created a uniform basis for important advances in many areas of the national economy (OECD, 2009). As part of its accession commitments, Viet Nam agreed to bind 100% of its entire tariff schedule including all agricultural tariff lines.<sup>101</sup> Other key agricultural commitments were to:

- implement tariff reductions over a 3-5 year period
- eliminate all non-tariff barriers at accession and establish import quotas for birds eggs, sugar, unmanufactured tobacco and salt
- grant trading rights (the right to import and export) for all goods to all foreign individuals and organisations at accession with an adjustment period for fertiliser (1 January 2010) and rice (1 January 2011)
- maintain domestic support within the *de minimis* ceiling for developing countries, i.e. not above 10% of production values
- eliminate export subsidies immediately at accession.

In the current WTO **Doha Round** of negotiations, Viet Nam has been stressing the importance of the development dimension. In the rules area, anti-dumping and countervailing measures in the fisheries sector are of particular interest (WTO, 2013). Viet Nam joined the Recently Acceded Members (RAMs) group immediately on accession and became the 20th member of the Cairns Group on 2 December 2013.

## 2.5. Evaluation of support to agriculture

This section presents a **quantitative evaluation of support** provided to agriculture in Viet Nam through the domestic and trade policies discussed in detail in the previous sections of this chapter. The evaluation is based on the indicators of agricultural support developed by the OECD, including the Producer Support Estimate (PSE), Consumer Support

Estimate (CSE), General Services Support Estimate (GSSE), Total Support Estimate (TSE) and others (Box 2.4). Evaluation of agricultural support for Viet Nam covers the period between 2000 and 2013.

#### Box 2.4. OECD indicators of support to agriculture

##### INDICATORS OF SUPPORT FOR PRODUCERS

**Producer Support Estimate (PSE):** The annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, measured at the farm gate level, arising from policy measures that support agriculture, regardless of their nature, objectives or impacts on farm production or income.

**Percentage PSE (%PSE):** PSE transfers as a share of gross farm receipts (including support).

**Producer Nominal Assistance Coefficient (producer NAC):** The ratio between the value of gross farm receipts (including support) and gross farm receipts valued at border prices (measured at farm gate).

**Producer Nominal Protection Coefficient (producer NPC):** The ratio between the average price received by producers at farm gate (including payments per tonne of current output), and the border price (measured at farm gate). The producer NPC is also available by commodity.

**Producer Single Commodity Transfers (producer SCT):** The annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, measured at the farm gate level, arising from policy measures directly linked to the production of a single commodity such that the producer must produce the designated commodity in order to receive the transfer.

**Producer Percentage Single Commodity Transfers (producer %SCT):** The commodity SCT expressed as a share of gross farm receipts for the specific commodity (including support).

##### INDICATORS OF SUPPORT TO CONSUMERS

**Consumer Support Estimate (CSE):** The annual monetary value of gross transfers from (to) consumers of agricultural commodities, measured at the farm gate level, arising from policy measures that support agriculture, regardless of their nature, objectives or impacts on consumption of farm products. If negative, the CSE measures the burden (implicit tax) on consumers through market price support (higher prices), that more than offsets consumer subsidies that lower prices to consumers.

**Percentage CSE (%CSE):** CSE transfers as a share of consumption expenditure on agricultural commodities (measured at farm gate), net of taxpayer transfers to consumers.

**Consumer Nominal Assistance Coefficient (consumer NAC):** The ratio between the value of consumption expenditure on agricultural commodities (at farm gate) and that valued at border prices (measured at farm gate).

**Consumer Nominal Protection Coefficient (consumer NPC):** The ratio between the average price paid by consumers (at farm gate) and the border price (measured at farm gate).

**Consumer Single Commodity Transfers (consumer SCT):** The annual monetary value of gross transfers from (to) consumers of agricultural commodities, measured at the farm gate level, arising from policy measures directly linked to the production of a single commodity.

##### INDICATORS OF SUPPORT TO GENERAL SERVICES FOR AGRICULTURE

**General Services Support Estimate (GSSE):** The annual monetary value of gross transfers to general services provided to agricultural producers collectively (such as research, development, training, inspection, marketing and promotion), arising from policy measures

**Box 2.4. OECD indicators of support to agriculture (cont.)**

that support agriculture regardless of their nature, objectives and impacts on farm production, income, or consumption. The GSSE does not include any transfers to individual producers.

**Percentage GSSE (%GSSE):** GSSE transfers as a share of Total Support Estimate (TSE).

**INDICATORS OF TOTAL SUPPORT TO AGRICULTURE**

**Total Support Estimate (TSE):** The annual monetary value of all gross transfers from taxpayers and consumers arising from policy measures that support agriculture, net of associated budgetary receipts, regardless of their objectives and impacts on farm production and income, or consumption of farm products.

**Percentage TSE (%TSE):** TSE transfers as a percentage of GDP.

A detailed description of the **OECD methodology** to estimate agricultural support (the “PSE Manual”) and a comprehensive database for OECD and selected non-OECD countries including Viet Nam are available from [www.oecd.org/tad/agricultural-policies/producerandconsumersupportestimatesdatabase.htm](http://www.oecd.org/tad/agricultural-policies/producerandconsumersupportestimatesdatabase.htm). The methodology applied in this study is fully consistent with that used for other countries as presented in OECD reports that monitor and evaluate agricultural policies (OECD, 2014). Box 2.5 provides basic information on how this methodology has been applied in the case of Viet Nam.

**Box 2.5. Viet Nam’s PSEs: What and how?****Period covered: 2000-13**

**Products covered:** Rice, natural rubber, coffee (green), maize, cashew nuts (with shell), sugar cane, pepper, tea, beef and veal, pigmeat, poultry and eggs. These 12 commodities account for 81% of the total value of gross agricultural output (GAO) in Viet Nam during the entire thirteen-year period 2000-13 and 83% in 2011-13. The eight crop products account for 80% of the value of total crop production in 2011-13 while the four livestock products represent on average 95% of total livestock production. For the purposes of calculating market price gaps, six are treated as exportables: rice, natural rubber, coffee, cashew nuts, pepper, pigmeat and tea. The remaining five are considered importables.

**Market Price Support**

**Producer prices:** Average prices received by producers, sourced from MARD.

**Price gap estimates:** For all the above listed products with the exception of pork, relevant data have been collected and price gaps calculated. For pork, which is a marginally exported commodity subject to import tariffs, the price gap has been set to zero.

**External reference prices:** For the six exportable commodities, the average export unit values registered at the Vietnamese border are used. The average import unit value at the Vietnamese border is used for maize. For the remaining four commodities, a variety of alternative reference prices are used because of the limited volume of imports into Viet Nam: the average Thailand FOB price for refined sugar; the average Australian FOB price for beef and veal; the average Chinese FOB price for poultry and the Chinese farm gate price for eggs.

**Marketing margins:** The marketing margin indicates processing, handling and transportation costs for a given commodity. For all but one product, coffee, margins were calculated as a fixed percentage of the farm gate price based on discussion with MARD.

**Box 2.5. Viet Nam's PSEs: What and how? (cont.)**

These ranged from 8% in the case of beef to 32% in the case of natural rubber. A fixed price of USD 17 per tonne was used for coffee.

**Quality adjustments:** No quality adjustments were made.

**Budgetary Support**

Budgetary information for the period 2000-13 originates from MARD and covers budgetary expenditure undertaken by MARD and MOF. It incorporates transfers to provincial governments for agricultural programmes and where possible local government expenditure. However, the value of local government expenditure is underrepresented in the budgetary data. The cost to the government of subsidising fertiliser production in Viet Nam is not included as evidence suggests that this support is not passed on to farmers in terms of lower fertiliser prices.

**Support to agricultural producers****Level of producer support**

The **percentage Producer Support Estimate** (%PSE) is the OECD's key indicator to measure the level of support provided to the agricultural sector. It expresses the monetary value of support transfers to agricultural producers as a share of gross farm receipts. Because it is not affected by inflation or the size of the sector, it allows comparisons in the level of support to be made over time and between countries. The level of support is important because it provides insights into the burden that agricultural support policies place on consumers (MPS) and taxpayers (budgetary transfers).

Viet Nam's %PSE averaged 7% in the three-year period 2010-13 indicating that less than one tenth of gross receipts of agricultural producers were generated by support policies (Table 2.13 and 2.14). Producer support was estimated to be at a similar level in 2000-02. No distinct long term-term trend in producer support can be observed over the period 2000-13 (Figure 2.9). However, the %PSE fluctuated considerably, reaching a low of minus 21% in 2008 and a peak of 16% in 2009. With the exception of 2002 and 2008, fluctuations in support were within a positive range, indicating that overall policies were **supportive of domestic producers**.

Like a lot of other countries, changes in the level of support in Viet Nam are driven by fluctuations in MPS. For example, the 55% decrease in producer support between 2012 and 2013 is due to a 67% fall in MPS. This is because transfers from consumers are relatively large as compared to transfers from taxpayers. The share of budgetary transfers in the total PSE was 20% on average in 2011-13, a similar level as in 2001-03. These swings are relatively greater in Viet Nam and often produce negative values because of the government's efforts to **balance the interests between producers and consumers**. On the one hand, the government wishes to increase prices received by producers to encourage production and improve farmer incomes. On the other, it wants to keep prices paid by final consumers at an affordable level to help alleviate poverty and avoid social tension. A similar pattern of support is observed in Indonesia.

In comparison with OECD and selected non-OECD countries, the average level of producer support in Viet Nam of 7% measured over 2011-13 is considerably **lower than the OECD** average of 18% (Figure 2.10). It is the lowest of the five Asian economies for which

Table 2.13. Estimates of support to agriculture in Viet Nam, VND million

|   | 2000-02            | 2011-13            | 2011               | 2012               | 2013p              |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Total value of production (at farm gate)</b>                 | <b>128 610 574</b> | <b>749 037 505</b> | <b>776 920 800</b> | <b>735 134 000</b> | <b>735 057 714</b> |
| <i>of which share of MPS commodities (%)</i>                    | <i>81.6</i>        | <i>83.5</i>        | <i>82.5</i>        | <i>88.2</i>        | <i>79.7</i>        |
| <b>Total value of consumption (at farm gate)</b>                | <b>112 148 440</b> | <b>628 416 550</b> | <b>653 749 282</b> | <b>605 641 081</b> | <b>625 859 286</b> |
| <b>Producer Support Estimate (PSE)</b>                          | <b>8 878 569</b>   | <b>53 663 299</b>  | <b>60 990 064</b>  | <b>68 762 051</b>  | <b>31 237 781</b>  |
| Support based on commodity output                               | 7 057 707          | 43 104 503         | 51 970 395         | 58 388 303         | 18 954 812         |
| <i>Market Price Support<sup>1</sup></i>                         | <i>7 057 707</i>   | <i>43 104 503</i>  | <i>51 970 395</i>  | <i>58 388 303</i>  | <i>18 954 812</i>  |
| <i>Payments based on output</i>                                 | <i>0</i>           | <i>0</i>           | <i>0</i>           | <i>0</i>           | <i>0</i>           |
| Payments based on input use                                     | 1 510 528          | 6 462 651          | 6 347 335          | 5 950 149          | 7 090 469          |
| <i>Based on variable input use</i>                              | <i>1 510 528</i>   | <i>6 448 671</i>   | <i>6 326 365</i>   | <i>5 939 664</i>   | <i>7 079 984</i>   |
| <i>with input constraints</i>                                   | <i>0</i>           | <i>0</i>           | <i>0</i>           | <i>0</i>           | <i>0</i>           |
| <i>Based on fixed capital formation</i>                         | <i>0</i>           | <i>13 980</i>      | <i>20 970</i>      | <i>10 485</i>      | <i>10 485</i>      |
| <i>with input constraints</i>                                   | <i>0</i>           | <i>0</i>           | <i>0</i>           | <i>0</i>           | <i>0</i>           |
| <i>Based on on-farm services</i>                                | <i>0</i>           | <i>0</i>           | <i>0</i>           | <i>0</i>           | <i>0</i>           |
| <i>with input constraints</i>                                   | <i>0</i>           | <i>0</i>           | <i>0</i>           | <i>0</i>           | <i>0</i>           |
| Payments based on current A/An/R/I, production required         | 0                  | 4 096 144          | 2 672 333          | 4 423 600          | 5 192 500          |
| <i>Based on Receipts/Income</i>                                 | <i>0</i>           | <i>131 111</i>     | <i>83 333</i>      | <i>176 000</i>     | <i>134 000</i>     |
| <i>Based on Area planted/Animal numbers</i>                     | <i>0</i>           | <i>3 965 033</i>   | <i>2 589 000</i>   | <i>4 247 600</i>   | <i>5 058 500</i>   |
| <i>with input constraints</i>                                   | <i>0</i>           | <i>3 965 033</i>   | <i>2 589 000</i>   | <i>4 247 600</i>   | <i>5 058 500</i>   |
| Payments based on non-current A/An/R/I, production required     | 0                  | 0                  | 0                  | 0                  | 0                  |
| Payments based on non-current A/An/R/I, production not required | 0                  | 0                  | 0                  | 0                  | 0                  |
| <i>With variable payment rates</i>                              | <i>0</i>           | <i>0</i>           | <i>0</i>           | <i>0</i>           | <i>0</i>           |
| <i>with commodity exceptions</i>                                | <i>0</i>           | <i>0</i>           | <i>0</i>           | <i>0</i>           | <i>0</i>           |
| <i>With fixed payment rates</i>                                 | <i>0</i>           | <i>0</i>           | <i>0</i>           | <i>0</i>           | <i>0</i>           |
| <i>with commodity exceptions</i>                                | <i>0</i>           | <i>0</i>           | <i>0</i>           | <i>0</i>           | <i>0</i>           |
| Payments based on non-commodity criteria                        | 310 333            | 0                  | 0                  | 0                  | 0                  |
| <i>Based on long-term resource retirement</i>                   | <i>310 333</i>     | <i>0</i>           | <i>0</i>           | <i>0</i>           | <i>0</i>           |
| <i>Based on a specific non-commodity output</i>                 | <i>0</i>           | <i>0</i>           | <i>0</i>           | <i>0</i>           | <i>0</i>           |
| <i>Based on other non-commodity criteria</i>                    | <i>0</i>           | <i>0</i>           | <i>0</i>           | <i>0</i>           | <i>0</i>           |
| Miscellaneous payments  | 0                  | 0                  | 0                  | 0                  | 0                  |
| <b>Percentage PSE (%)</b>                                       | <b>7.3</b>         | <b>7.1</b>         | <b>7.8</b>         | <b>9.2</b>         | <b>4.2</b>         |
| <b>Producer NPC (coeff.)</b>                                    | <b>1.09</b>        | <b>1.10</b>        | <b>1.12</b>        | <b>1.12</b>        | <b>1.06</b>        |
| <b>Producer NAC (coeff.)</b>                                    | <b>1.08</b>        | <b>1.08</b>        | <b>1.08</b>        | <b>1.10</b>        | <b>1.04</b>        |
| <b>General Services Support Estimate (GSSE)</b>                 | <b>4 235 433</b>   | <b>15 401 235</b>  | <b>16 138 827</b>  | <b>14 830 699</b>  | <b>15 234 180</b>  |
| Agricultural knowledge and innovation system                    | 349 070            | 1 641 978          | 1 545 605          | 1 680 665          | 1 699 665          |
| Inspection and control  | 51 601             | 73 477             | 72 298             | 74 354             | 73 780             |
| Development and maintenance of infrastructure                   | 3 735 025          | 13 043 445         | 13 888 071         | 12 467 880         | 12 774 385         |
| Marketing and promotion   | 18 429             | 26 242             | 25 821             | 26 555             | 26 350             |
| Cost of public stockholding                                     | 81 308             | 616 093            | 607 032            | 581 245            | 660 000            |
| Miscellaneous   | 0                  | 0                  | 0                  | 0                  | 0                  |
| <b>Percentage GSSE (% of TSE)</b>                               | <b>n.a.</b>        | <b>23.8</b>        | <b>20.9</b>        | <b>17.7</b>        | <b>32.8</b>        |
| <b>Consumer Support Estimate (CSE)</b>                          | <b>-9 376 321</b>  | <b>-69 540 643</b> | <b>-85 176 047</b> | <b>-74 080 534</b> | <b>-49 365 347</b> |
| Transfers to producers from consumers                           | -9 459 449         | -62 424 742        | -78 155 141        | -70 495 069        | -38 624 017        |
| Other transfers from consumers                                  | -292 172           | -9 415 262         | -9 246 835         | -8 692 452         | -10 306 499        |
| Transfers to consumers from taxpayers                           | 0                  | 0                  | 0                  | 0                  | 0                  |
| Excess feed cost  | 375 300            | 2 299 361          | 2 225 929          | 5 106 987          | -434 831           |
| <b>Percentage CSE (%)</b>                                       | <b>-8.9</b>        | <b>-11.0</b>       | <b>-13.0</b>       | <b>-12.2</b>       | <b>-7.9</b>        |
| <b>Consumer NPC (coeff.)</b>                                    | <b>1.11</b>        | <b>1.13</b>        | <b>1.15</b>        | <b>1.15</b>        | <b>1.08</b>        |
| <b>Consumer NAC (coeff.)</b>                                    | <b>1.10</b>        | <b>1.12</b>        | <b>1.15</b>        | <b>1.14</b>        | <b>1.09</b>        |
| <b>Total Support Estimate (TSE)</b>                             | <b>13 114 002</b>  | <b>69 064 534</b>  | <b>77 128 890</b>  | <b>83 592 750</b>  | <b>46 471 961</b>  |
| Transfers from consumers  | 9 751 621          | 71 840 004         | 87 401 976         | 79 187 520         | 48 930 516         |
| Transfers from taxpayers  | 3 654 553          | 6 639 791          | -1 026 251         | 13 097 681         | 7 847 944          |
| Budget revenues   | -292 172           | -9 415 262         | -9 246 835         | -8 692 452         | -10 306 499        |
| <b>Percentage TSE (% of GDP)</b>                                | <b>2.8</b>         | <b>2.2</b>         | <b>2.8</b>         | <b>2.6</b>         | <b>1.4</b>         |
| <b>GDP deflator (2000-02 = 100)</b>                             | <b>100</b>         | <b>305</b>         | <b>280</b>         | <b>310</b>         | <b>325</b>         |

p. provisional, n.a.: not available.

NPC: Nominal Protection Coefficient.

NAC: Nominal Assistance Coefficient.

A (area planted), An (animal numbers), R (receipts), I (income).

1. MPS commodities for Viet Nam are: rice, natural rubber, coffee, maize, cashew nuts, sugar cane, pepper, tea, beef and veal, pigmeat, poultry and eggs. Market Price Support is net of producer levies and Excess Feed Cost.

Source: OECD (2014), "Producer and Consumer Support Estimates", OECD Agriculture Statistics Database.

StatLink  <http://dx.doi.org/10.1787/888933223844>



Table 2.14. Estimates of support to agriculture in Viet Nam, USD million

|   | 2000-02      | 2011-13       | 2011          | 2012          | 2013p         |
|---|--------------|---------------|---------------|---------------|---------------|
| <b>Total value of production (at farm gate)</b>                 | <b>8 719</b> | <b>35 695</b> | <b>37 611</b> | <b>34 604</b> | <b>34 870</b> |
| <i>of which share of MPS commodities (%)</i>                    | <i>81.6</i>  | <i>83.5</i>   | <i>82.5</i>   | <i>88.2</i>   | <i>79.7</i>   |
| <b>Total value of consumption (at farm gate)</b>                | <b>7 600</b> | <b>29 949</b> | <b>31 649</b> | <b>28 509</b> | <b>29 690</b> |
| <b>Producer Support Estimate (PSE)</b>                          | <b>614</b>   | <b>2 557</b>  | <b>2 953</b>  | <b>3 237</b>  | <b>1 482</b>  |
| Support based on commodity output                               | 490          | 2 055         | 2 516         | 2 748         | 899           |
| <i>Market Price Support<sup>1</sup></i>                         | <i>490</i>   | <i>2 055</i>  | <i>2 516</i>  | <i>2 748</i>  | <i>899</i>    |
| <i>Payments based on output</i>                                 | <i>0</i>     | <i>0</i>      | <i>0</i>      | <i>0</i>      | <i>0</i>      |
| Payments based on input use                                     | 103          | 308           | 307           | 280           | 336           |
| <i>Based on variable input use</i>                              | <i>103</i>   | <i>307</i>    | <i>306</i>    | <i>280</i>    | <i>336</i>    |
| <i>with input constraints</i>                                   | <i>0</i>     | <i>0</i>      | <i>0</i>      | <i>0</i>      | <i>0</i>      |
| <i>Based on fixed capital formation</i>                         | <i>0</i>     | <i>1</i>      | <i>1</i>      | <i>0</i>      | <i>0</i>      |
| <i>with input constraints</i>                                   | <i>0</i>     | <i>0</i>      | <i>0</i>      | <i>0</i>      | <i>0</i>      |
| <i>Based on on-farm services</i>                                | <i>0</i>     | <i>0</i>      | <i>0</i>      | <i>0</i>      | <i>0</i>      |
| <i>with input constraints</i>                                   | <i>0</i>     | <i>0</i>      | <i>0</i>      | <i>0</i>      | <i>0</i>      |
| Payments based on current A/An/R/I, production required         | 0            | 195           | 129           | 208           | 246           |
| <i>Based on Receipts/Income</i>                                 | <i>0</i>     | <i>6</i>      | <i>4</i>      | <i>8</i>      | <i>6</i>      |
| <i>Based on Area planted/Animal numbers</i>                     | <i>0</i>     | <i>188</i>    | <i>125</i>    | <i>200</i>    | <i>240</i>    |
| <i>with input constraints</i>                                   | <i>0</i>     | <i>188</i>    | <i>125</i>    | <i>200</i>    | <i>240</i>    |
| Payments based on non-current A/An/R/I, production required     | 0            | 0             | 0             | 0             | 0             |
| Payments based on non-current A/An/R/I, production not required | 0            | 0             | 0             | 0             | 0             |
| <i>With variable payment rates</i>                              | <i>0</i>     | <i>0</i>      | <i>0</i>      | <i>0</i>      | <i>0</i>      |
| <i>with commodity exceptions</i>                                | <i>0</i>     | <i>0</i>      | <i>0</i>      | <i>0</i>      | <i>0</i>      |
| <i>With fixed payment rates</i>                                 | <i>0</i>     | <i>0</i>      | <i>0</i>      | <i>0</i>      | <i>0</i>      |
| <i>with commodity exceptions</i>                                | <i>0</i>     | <i>0</i>      | <i>0</i>      | <i>0</i>      | <i>0</i>      |
| Payments based on non-commodity criteria                        | 21           | 0             | 0             | 0             | 0             |
| <i>Based on long-term resource retirement</i>                   | <i>21</i>    | <i>0</i>      | <i>0</i>      | <i>0</i>      | <i>0</i>      |
| <i>Based on a specific non-commodity output</i>                 | <i>0</i>     | <i>0</i>      | <i>0</i>      | <i>0</i>      | <i>0</i>      |
| <i>Based on other non-commodity criteria</i>                    | <i>0</i>     | <i>0</i>      | <i>0</i>      | <i>0</i>      | <i>0</i>      |
| Miscellaneous payments  | 0            | 0             | 0             | 0             | 0             |
| <b>Percentage PSE (%)</b>                                       | <b>7.3</b>   | <b>7.1</b>    | <b>7.8</b>    | <b>9.2</b>    | <b>4.2</b>    |
| <b>Producer NPC (coeff.)</b>                                    | <b>1.09</b>  | <b>1.10</b>   | <b>1.12</b>   | <b>1.12</b>   | <b>1.06</b>   |
| <b>Producer NAC (coeff.)</b>                                    | <b>1.08</b>  | <b>1.08</b>   | <b>1.08</b>   | <b>1.10</b>   | <b>1.04</b>   |
| <b>General Services Support Estimate (GSSE)</b>                 | <b>288</b>   | <b>734</b>    | <b>781</b>    | <b>698</b>    | <b>723</b>    |
| Agricultural knowledge and innovation system                    | 24           | 78            | 75            | 79            | 81            |
| Inspection and control  | 4            | 4             | 4             | 4             | 4             |
| Development and maintenance of infrastructure                   | 254          | 622           | 672           | 587           | 606           |
| Marketing and promotion   | 1            | 1             | 1             | 1             | 1             |
| Cost of public stockholding                                     | 6            | 29            | 29            | 27            | 31            |
| Miscellaneous   | 0            | 0             | 0             | 0             | 0             |
| <b>Percentage GSSE (% of TSE)</b>                               | <i>n.a.</i>  | <b>23.8</b>   | <b>20.9</b>   | <b>17.7</b>   | <b>32.8</b>   |
| <b>Consumer Support Estimate (CSE)</b>                          | <b>-646</b>  | <b>-3 317</b> | <b>-4 123</b> | <b>-3 487</b> | <b>-2 342</b> |
| Transfers to producers from consumers                           | -652         | -2 978        | -3 784        | -3 318        | -1 832        |
| Other transfers from consumers                                  | -20          | -449          | -448          | -409          | -489          |
| Transfers to consumers from taxpayers                           | 0            | 0             | 0             | 0             | 0             |
| Excess feed cost  | 26           | 109           | 108           | 240           | -21           |
| <b>Percentage CSE (%)</b>                                       | <b>-8.9</b>  | <b>-11.0</b>  | <b>-13.0</b>  | <b>-12.2</b>  | <b>-7.9</b>   |
| <b>Consumer NPC (coeff.)</b>                                    | <b>1.11</b>  | <b>1.13</b>   | <b>1.15</b>   | <b>1.15</b>   | <b>1.08</b>   |
| <b>Consumer NAC (coeff.)</b>                                    | <b>1.10</b>  | <b>1.12</b>   | <b>1.15</b>   | <b>1.14</b>   | <b>1.09</b>   |
| <b>Total Support Estimate (TSE)</b>                             | <b>902</b>   | <b>3 291</b>  | <b>3 734</b>  | <b>3 935</b>  | <b>2 205</b>  |
| Transfers from consumers  | 672          | 3 427         | 4 231         | 3 728         | 2 321         |
| Transfers from taxpayers  | 249          | 313           | -50           | 617           | 372           |
| Budget revenues   | -20          | -449          | -448          | -409          | -489          |
| <b>Percentage TSE (% of GDP)</b>                                | <b>2.8</b>   | <b>2.2</b>    | <b>2.8</b>    | <b>2.6</b>    | <b>1.4</b>    |
| <b>GDP deflator (2000-02 = 100)</b>                             | <b>100</b>   | <b>305</b>    | <b>280</b>    | <b>310</b>    | <b>325</b>    |

p. provisional, n.a.: not available.

NPC: Nominal Protection Coefficient.

NAC: Nominal Assistance Coefficient.

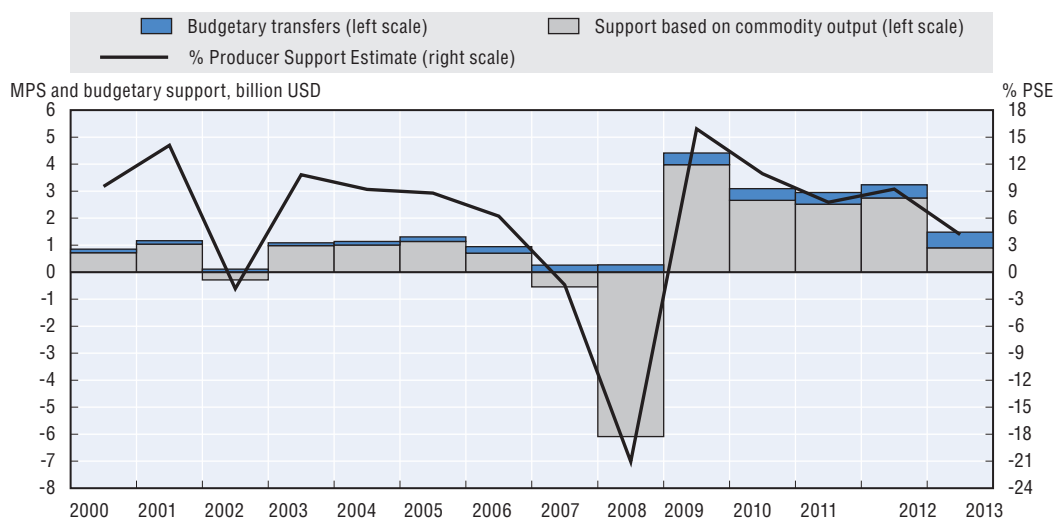
A (area planted), An (animal numbers), R (receipts), I (income).

1. MPS commodities for Viet Nam are: rice, natural rubber, coffee, maize, cashew nuts, sugar cane, pepper, tea, beef and veal, pigmeat, poultry and eggs. Market Price Support is net of producer levies and Excess Feed Cost.

Source: OECD (2014), "Producer and Consumer Support Estimates", OECD Agriculture Statistics Database.

StatLink  <http://dx.doi.org/10.1787/888933223852>

Figure 2.9. **Level and composition of Producer Support Estimate in Viet Nam, 2000-13**



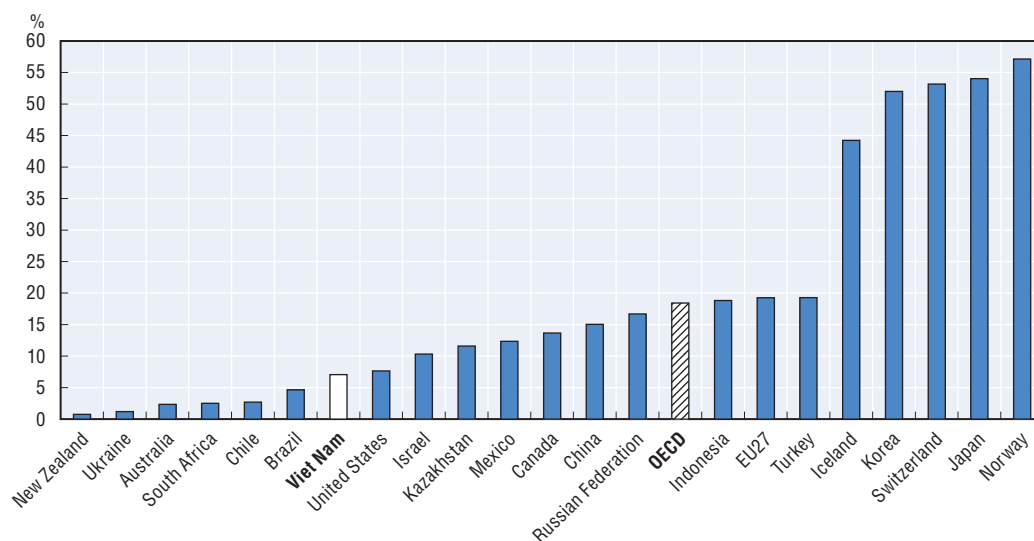
Note: Percentage PSE (%PSE) is the monetary value of support transfers to agricultural producers as a share of gross farm receipts.

Source: OECD (2014), "Producer and Consumer Support Estimates", OECD Agriculture Statistics Database.

StatLink <http://dx.doi.org/10.1787/888933223832>

Figure 2.10. **Producer Support Estimate in Viet Nam and selected countries, 2011-13 average**

Per cent of gross farm receipts



1. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

2. The OECD total does not include the non-OECD EU member states.

3. 2010-12 for Brazil, China, Indonesia, Kazakhstan, Russia, South Africa and Ukraine.

Source: OECD (2014), "Producer and Consumer Support Estimates", OECD Agriculture Statistics Database.

StatLink <http://dx.doi.org/10.1787/888933223865>

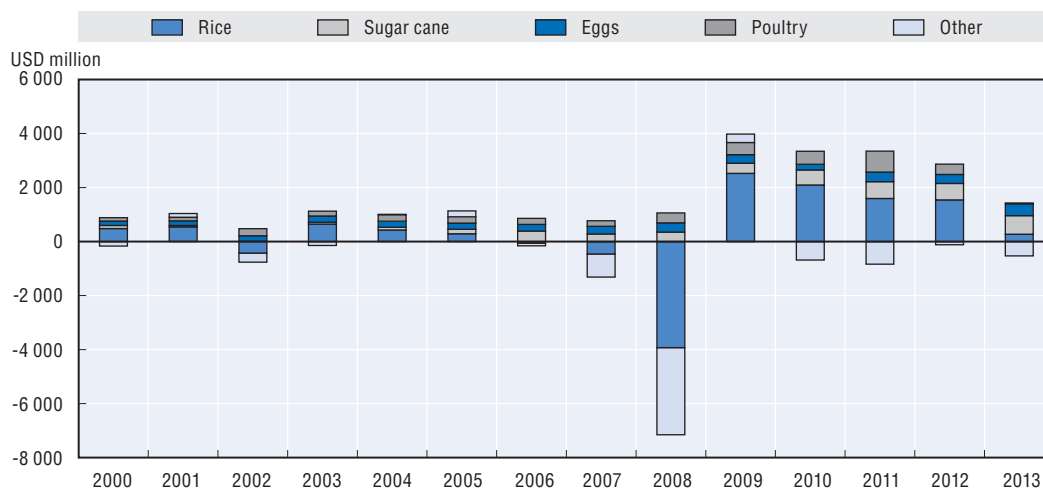
indicators of support are calculated: less than half the level of support provided to producers in China and Indonesia, and much lower than the two OECD members Korea (52%) and Japan (54%).

### Composition of producer support by policy category


In addition to the level of support, it is also necessary to analyse the way in which that support is provided to producers. The **composition of support** is important because how support is provided determines its impact on the agricultural sector and the distribution of benefits to society as a whole. For example, market price support can have a large effect on production and trade, but it imposes additional and regressive costs on domestic consumers, is not effective in improving farm income and can have negative effects on the environment. On the other hand, income support not based on current commodity production is much more effective at improving farm income with less spill-over effects. Policies that directly target non-commodity criteria such as landscape elements, environmental performance or traditional breeds of animals are also typically more effective at reaching these societal objectives. While targeted policies are likely to be more politically sustainable as they can be clearly explained, higher implementation costs (the costs associated with designing, implementing, monitoring and evaluating policy measures) make the move towards targeted policies more challenging (van Tongeren, 2008; Martini, 2011).

**MPS is the dominant component** of producer support in Viet Nam. Its aggregate value is the outcome of implicit taxation through negative price gaps for some commodities (a negative MPS) and price support of others (a positive MPS) (Figure 2.11). Annual variations depend on movements in world prices, domestic prices and exchange rates, as well as changes in production levels. For example, at the aggregate level, the 61% decrease MPS between 2012 and 2013 was caused by a narrowing of the price gap between domestic and border prices which more than offset the 3% increase in total production. In general, producer prices fell faster than the decrease in border prices.

Figure 2.11. **Level and composition of Market Price Support in Viet Nam, 2000-13**



Source: OECD (2014), "Producer and Consumer Support Estimates", OECD Agriculture Statistics Database.

StatLink  <http://dx.doi.org/10.1787/888933223878>

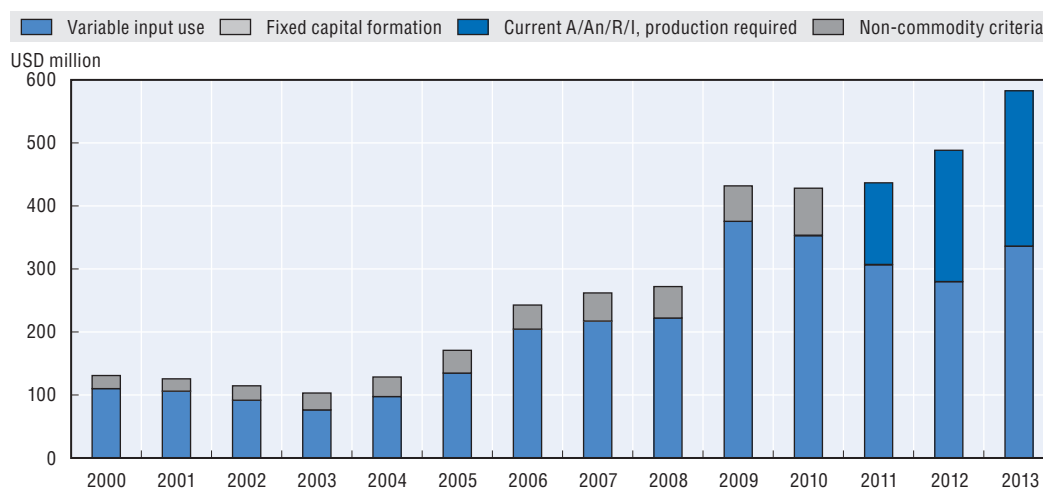
Because rice represents around one-third of the total value of production, changes in the **MPS for rice** have a significant influence on changes in total MPS. The gap between domestic and border prices for rice was kept fairly close during the period 2000-08; sometimes positive, sometimes negative. In 2008 international prices for rice and other

grains rose dramatically. Concerned about the impact of rising prices on poor households, the Vietnamese government responded with a number of policies to increase supply on the domestic market, e.g. tightened export controls and imposed an export tax. Farm gate prices rose but not as fast as border prices, leading to significant negative MPS for rice. Following this event, additional policies were put in place to support farm gate prices for rice. With the subsequent fall in international prices, a large positive gap emerged. However, as a major net exporter of rice this positive gap could only be sustained for a period of time and it has subsequently fallen year by year.

Sugar cane and livestock products, illustrated in Figure 2.11 by eggs and poultry, are the two principal agricultural commodities/sectors that receive market price support. These sectors produce **import-competing commodities** and are protected through import tariffs and stringent food safety import regulations. In comparison, export-competing commodities, such as natural rubber, coffee, cashew nuts and tea, generally have negative market price support, i.e. farm gate producer prices are lower than border prices measured at the farm gate. The presence of SOEs involved in the processing of these products may explain this outcome.


Budgetary support to agricultural producers has increased since 2000, rising from just over USD 131 million in 2000 to USD 583 million in 2013 (Figure 2.12). As a share of gross farm receipts, it has however **remained relatively constant** over the period at about 1.5%. Budgetary support is primarily given in the form of payments based on variable input use. Expenditure associated with subsidising the irrigation fee exemption is the dominant payment in this category. Prior to 2011 the government was providing support through the reforestation programme to take land out of agriculture production (non-commodity criteria). Since 2011 it has been providing a per hectare payment with the objective of keeping about 4 million ha in paddy production. The interest concession programmes that have been introduced since 2010 to assist with the purchase of machinery (payments based on fixed capital formation) have been limited in the extent to which they have provided support to farmers.

Figure 2.12. **Level and composition of budgetary transfers in Viet Nam, 2000-13**



A (area planted), An (animal numbers), R (receipts), I (income).

Source: OECD (2014), "Producer and Consumer Support Estimates", OECD Agriculture Statistics Database.

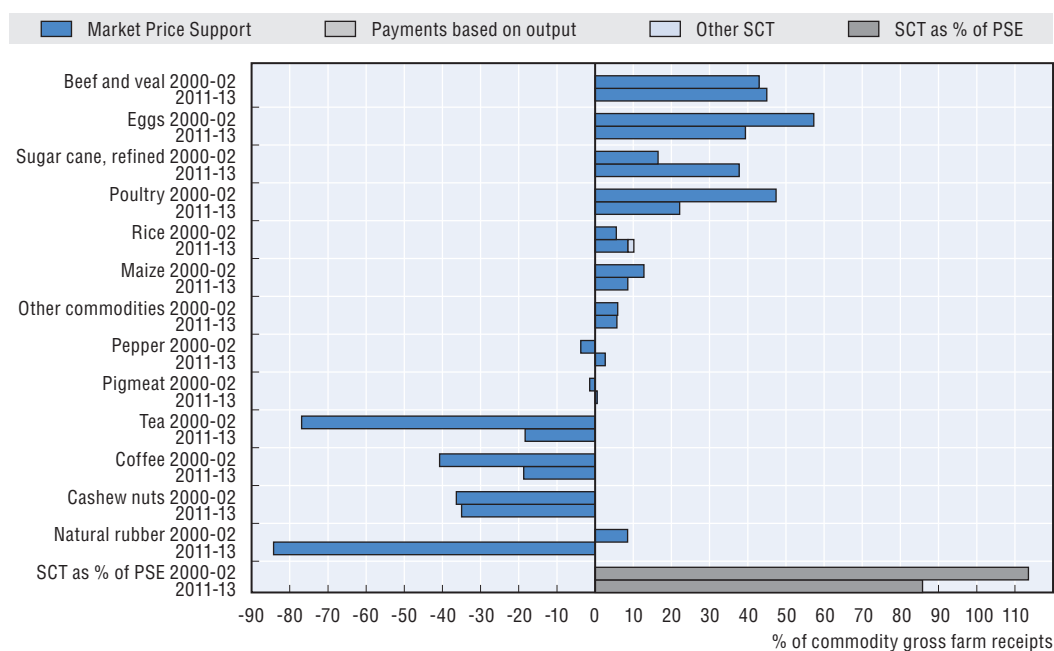
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### Commodity profile of producer support

Producer Single Commodity Transfers (SCT) is an indicator that shows the extent to which agricultural policies are **commodity specific**. It indicates the flexibility that policies accord to producers in their choices of product mixes. For example, a payment designated for only one specific commodity implies that in order to receive payment, a farmer must produce that commodity. Alternatively, payment may be provided for any commodity in a designated group (for example, any crop within a cereal group), or simply to any commodity without distinction. The latter payments progressively give freedom to those who receive support to define their production mix, and producers become more responsive to market signals. The SCT corresponds to the first type of support and includes MPS and payments provided for the production of only a specified individual commodity. The SCT can be expressed in relative terms as a percentage of gross receipts for a given commodity. A figure of 33%, for example, indicates that the value of transfers that are specific to that commodity is equivalent to one-third of gross farm receipts for that commodity.


Producer SCT as a share of commodity gross farm receipts (%SCT) is highest for certain livestock products (beef and veal, poultry and eggs) and sugar cane, with the value of transfers to these commodities representing **20% or more of gross farm receipts** (Figure 2.13). In Viet Nam these indicators principally reflect the market price support for these commodities as the only other single-commodity payments provided are per hectare payments for rice (Other SCT). These commodities also had the highest %SCT in 2000-02. Although there has been a decrease in the %SCT indicator for eggs and poultry, it has risen marginally for beef and veal, and substantially in the case of sugar cane.

Figure 2.13. **Producer SCTs by commodity in Viet Nam, averages 2000-02 and 2011-13**



Note: Commodities are ranked according to 2011-13 levels. SCT: Single Commodity Transfers.

Source: OECD (2014), "Producer and Consumer Support Estimates", OECD Agriculture Statistics Database.

StatLink  <http://dx.doi.org/10.1787/888933223890>

The **negative producer SCT** for tea, coffee, cashew nuts and natural rubber indicates implicit losses in receipts that producers of these commodities incur because they receive prices that are below world prices. In the case of tea, coffee and cashew nuts, the negative producer SCT has become smaller over the period under review indicating an improvement in their situation. However, natural rubber has switched from being supported in 2000-02 to having the highest negative SCT of any commodity evaluated. It should be noted that in all cases it would be incorrect to interpret implicit taxation of crop products exclusively as a policy outcome. For example, poor infrastructure can impede market adjustment and exacerbate any policy impact on prices, and therefore contributing to the negative results.

### **Support to consumers of agricultural products**

The Consumer Support Estimate (CSE) is a related indicator measuring the **cost to consumers** arising from policies that support agricultural producers by raising domestic prices. In the OECD methodology, the consumer is understood as the first buyer of these products. A negative CSE indicates that consumers are paying more than they would in comparison to border prices (an implicit tax); when it is positive, consumers are able to purchase product cheaper on the domestic market (an implicit subsidy). In the majority of countries monitored by OECD, consumers are taxed but may be partly compensated, e.g. through direct budgetary subsidies to processors, various forms of food assistance. In the absence of consumer support policies, such as in Viet Nam, the CSE mirrors the developments in MPS (Tables 2.13 and 2.14).

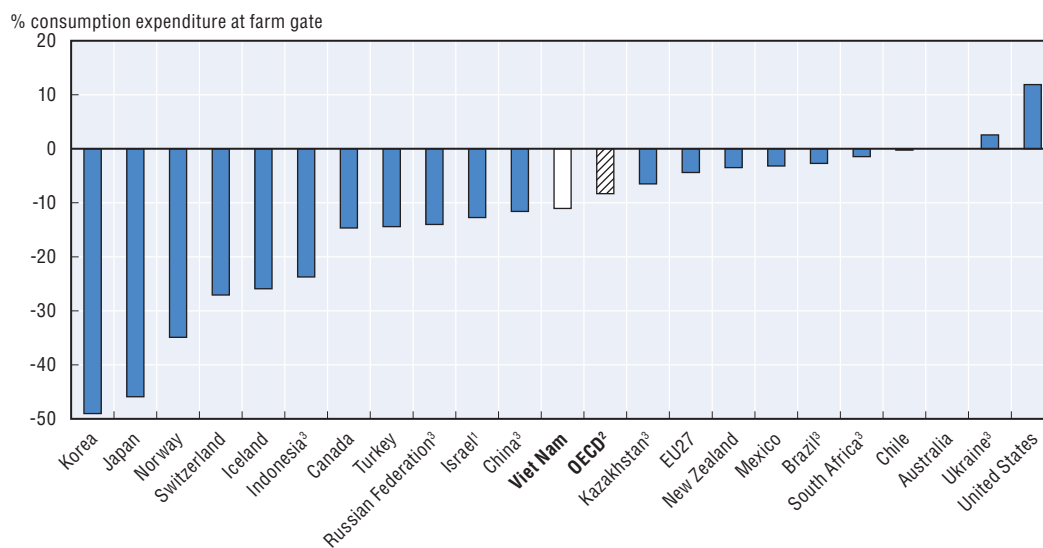
Similar to the PSE, the CSE can be expressed in relative terms as a percentage of consumption expenditures (%CSE). In 2000-02, consumers were implicitly taxed through agricultural policies at a moderately high level with a %CSE of -9%, indicating that policies to support agricultural prices increased consumption expenditure by 9% on aggregate. By 2011-13 the cost imposed on consumers had risen, with a %CSE of -11% (Figure 2.14). Comparing across countries, this aggregate tax on consumers is **above the OECD average** of -8%. It is similar to the level in China but half the level imposed on consumers in Indonesia. Nevertheless, low aggregate level of consumer taxation in Viet Nam disguises differences across products. Consumers of sugar cane and livestock products are taxed, while consumers of export crops are typically subsidised.

### **Support to general services for agriculture**

In addition to support provided to producers individually, the agricultural sector is assisted through the financing of activities that provide **general benefits**, such as agricultural research and development, training, inspection, marketing and promotion, and public stockholding. The General Services Support Estimate (GSSE) indicator measures this support. The provision of common, as opposed to individual, benefit is what distinguishes the general services support from that measured by the PSE.

Expenditures on general services for agriculture in Viet Nam **rose sharply** from the mid-2000s to the end of the decade, rising 25% per annum between 2003 and 2009 in USD terms (Figure 2.15). Budgetary constraints imposed in the wake of the global financial crisis resulted in a 20% reduction from the peak. The most important GSSE category is development and maintenance of infrastructure, which is dominated by expenditure on irrigation systems. Over the period from 2000 to 2010 this category represented around 90% of GSSE expenditure but has fallen to around 85% since 2010. The next most important GSSE category is agricultural knowledge and innovation systems. This comprises

Figure 2.14. **Consumer Support Estimate in Viet Nam and selected countries, 2011-13 average**

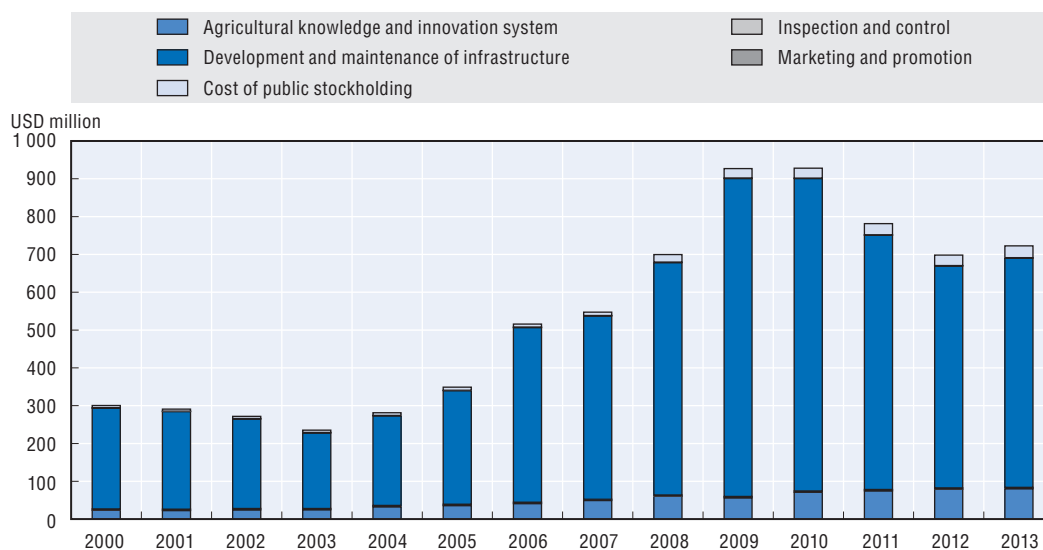


1. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.
2. The OECD total does not include the non-OECD EU member states.
3. 2010-12 for Brazil, China, Indonesia, Kazakhstan, Russian Federation, South Africa and Ukraine.

Source: OECD (2014), "Producer and Consumer Support Estimates", OECD Agriculture Statistics Database.

StatLink <http://dx.doi.org/10.1787/888933223904>

Figure 2.15. **Level and composition of General Services Support Estimate in Viet Nam, 2000-13**



Source: OECD (2014), "Producer and Consumer Support Estimates", OECD Agriculture Statistics Database.

StatLink <http://dx.doi.org/10.1787/888933223918>

expenditure on agricultural research and development, extension and advisory services, and agricultural education. Government spending on these services has grown steadily since 2003. The category experiencing the most rapid increase is the cost of public stockholding. A noticeable increase in expenditure on this category has occurred since the

food price crisis in 2008-09 and the issuing of Resolution No. 63/2009/NQ-CP on food security dated 23 December 2009. Some areas that are critical for lifting the quality of agricultural production and per unit returns received by farmers, such as inspection and control and marketing and promotion, receive relatively little support.

The share of GSSE in total support (%GSSE) indicates the relative importance of these transfers within support to the agricultural sector. The growing share of support that is provided to the agricultural sector as a whole rather than to individual producers is an important re-orientation of agricultural support spending to forms that can bring significant benefits to producers and consumers, with potentially less production and trade distortions. Despite the large increase in expenditure on irrigation, and to a less extent agricultural knowledge and innovation system, the **%GSSE has remained small** at 23% in 2011-13 (Tables 2.13 and 2.14). This is similar to the level in 2000-01.

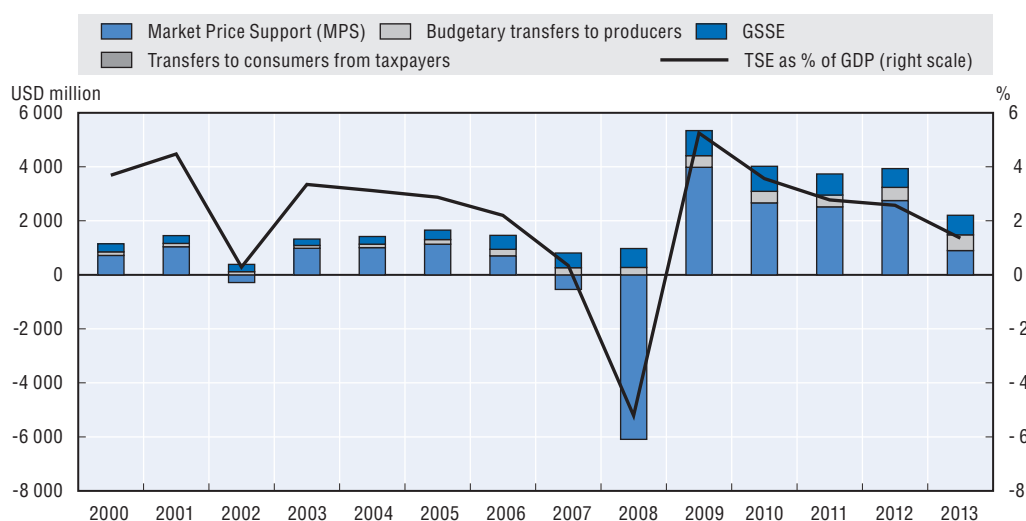
### Support to the agricultural sector as a whole

The Total Support Estimate (TSE) is the broadest indicator of support, representing the sum of transfers to agricultural producers individually (PSE) and collectively (GSSE), and direct budgetary transfers to consumers. Expressed as a percentage of GDP, the %TSE provides an indication of the cost that support to the agricultural sector places **on the overall economy**. Its value depends on the degree to which the agricultural sector is supported in a country, the size of this sector and its importance relative to the overall economy.

Viet Nam's TSE averaged VND 69 trillion (USD 3.3 billion) per year in 2011-13, representing 2.2% of GDP. Between 2000 and 2013 the %TSE in Viet Nam fluctuated considerably due to large variations in MPS (Figure 2.16). However, since peaking in 2009 at VND 95 trillion (USD 5.3 billion), equivalent to 5% of GDP, the TSE has **steadily declined** to reach 1.36% in 2013. The fall in MPS, along with budgetary reductions for irrigation, are the main contributors to this decrease.

Measured as a share of GDP, the level of total support to the Vietnamese agricultural sector in 2011-13 is almost **three times the OECD** average of 0.78% (Figure 2.17). At 2.2%, it

Figure 2.16. **Level and composition of Total Support Estimate in Viet Nam, 2000-13**



Note: GSSE: General Services Support Estimate; TSE: Total Support Estimate.

Source: OECD (2014), "Producer and Consumer Support Estimates", OECD Agriculture Statistics Database.


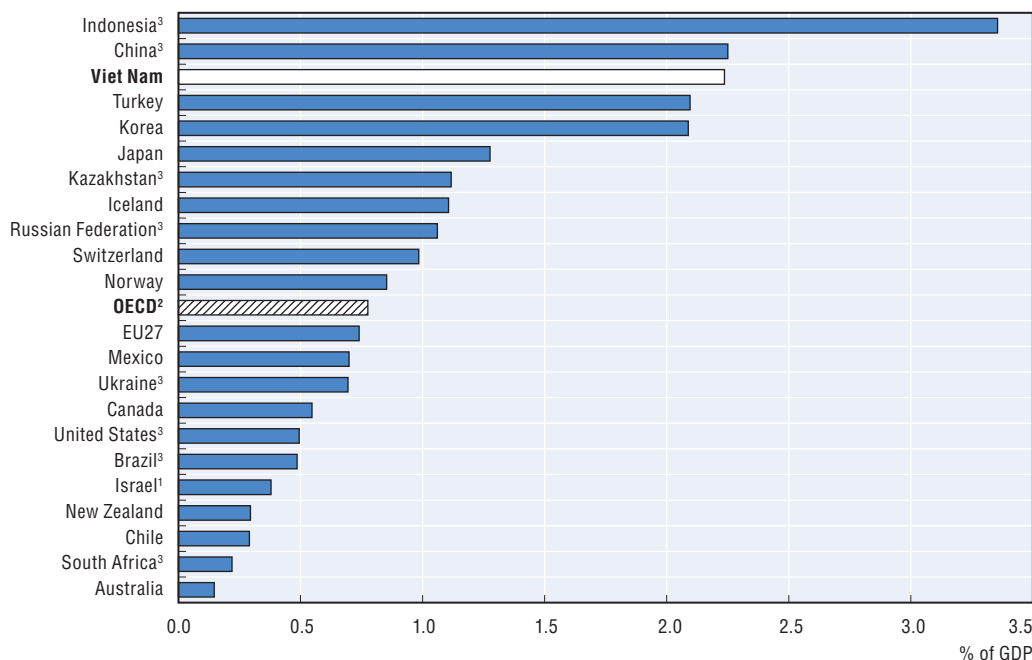
StatLink  <http://dx.doi.org/10.1787/888933223928>




Figure 2.17. **Total Support Estimate in Viet Nam and selected countries, 2011-13 average**



1. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.
2. The OECD total does not include the non-OECD EU member states.
3. 2010-12 for Brazil, China, Indonesia, Kazakhstan, Russia, South Africa and Ukraine.

Source: OECD (2014), "Producer and Consumer Support Estimates", OECD Agriculture Statistics Database.

StatLink  <http://dx.doi.org/10.1787/888933223933>

is similar to the level of support provided in China, Turkey and Korea but below that of Indonesia. Given that Viet Nam had the lowest %PSE among these five countries, the high %TSE shows that for a developing country with a large agricultural sector and still low GDP, the cost of support to the economy can be relatively high even if the level of agricultural support as measured by the PSE is low. A %TSE of 2.2% highlights the potential burden of the current policy mix and the need to ensure that the money is spent effectively.

## 2.6. Summary

- The main **priorities** of Viet Nam's agricultural policy are to lift the quality and competitiveness of output, raise the income of the rural population, develop an adequate level of infrastructure, strengthen the capacity of the sector to integrate with international markets, use natural resources in a sustainable manner, and improve the management efficiency of the sector.
- Two **key resolutions** are driving current policy initiatives: Resolution No. 26/2008/NQ-TW on agriculture, farmers and rural areas dated 5 August 2008 and Resolution No. 63/2009/NQ-CP to ensure national food security dated 23 December 2009. The first seeks to increase the market orientation of the sector; the second to guarantee adequate food supplies sourced from domestic production, particularly for rice. There is potential for conflict in achieving both at the same time.

- **Government intervention** is of two general types: long-term policies to increase yields/production and short-term policies to respond to price fluctuations. While investment incentives and other fiscal policies are designed to increase agricultural output, the focus of short-term policies is to influence market prices. The incompatible objectives of keeping prices low to benefit consumers while keeping them high to guarantee rural incomes gives rise to inconsistent price stabilisation policies that combine procurement and price interventions with quotas. When rice prices are low, the central government provides interest rate support to enterprise to buy rice from producers, putting upward pressure on prices. Conversely, when world prices are high, the government is able to limit exports, putting downward pressure on prices, harming farming households while benefiting net rice consumers.
- The agricultural policy framework is characterised by a high degree of fragmentation across different departments in various ministries. As a consequence of **weak co-ordination** among these departments, there is a lot of overlap and gaps in policies and regulations. These emerge in areas such as food safety, disease control and water management.
- Notwithstanding changes to policy objectives, little has changed in terms of the **management and funding mechanisms** for agricultural research and there has been limited transfer of irrigation management responsibilities to local communities and producer groups. These and other changes are required to the function of MARD if it is going to serve a more market-based agricultural sector. Certain functions such as international co-operation, policy analysis, sectoral monitoring and standard setting will need to be done at a much higher level, while others such as undertaking commercial activities and certain licensing practices will need to be reduced.
- While **SOEs** now operate in a more competitive market place and have been opened to private ownership, they still have a considerable degree of influence over certain agricultural sectors, particularly in relation to input supply and further processing. Moving forward the government will have to ensure a level playing field if it expects the private sector to participate fully in the development of the agricultural sector.
- Similarly, the use of **industry associations** such as VFA to implement policy needs to be fully reviewed, as there is a strong possibility for vested interests to limit competition in the market place.
- **Co-operatives** and other forms of “farmer groups” play a relatively small role in the sector, despite various government attempts to revitalise these forms of organisation. Consequently, many farmers are failing to obtain the benefits from acting collaboratively to secure better inputs and outputs.
- The commitment to ensure that farmers receive a **30% profit on rice production** is not sustainable. It does not encourage production efficiency and reduces the incentive for farmers to consider alternative products. As a major trader, export prices are more influenced by world market conditions than by domestic production costs. There is a large possibility that Viet Nam will either lose market share or require government support to make up the difference, at the possible cost to other economic and social priorities.
- The exemption of most individual and households involved in agricultural production from the payment of the **irrigation service fee** is a backward step. It was implemented as simple method to raise farm income with low transaction costs. However, removing the charge for water does not support the objective of improving resource efficiency and supporting environmental sustainability.

- The use of a competitive bidding process in the selection of **extension projects** creates the possibility of efficient allocation. However, there appears to be potential for overlap in projects awarded at the central and local government level. Moreover, extension projects have a strong production focus with less attention paid to meeting demand requirements, e.g. how to market, engage in contracts, meet food safety requirements, etc.
- **Tariff protection** has fallen by one-third over the period as a result of regional and unilateral tariff reduction commitments. The simple average MFN applied tariff on agricultural products was 16% in 2013. The average agricultural tariff is just 3.4% and 5.4% on imports from ASEAN members and China respectively. However, an MFN applied tariff of 40% applies to a range of commodities including meat or poultry, turkey and duck, tea (green and black), grapefruit, milled rice, refined sugar, and many types of prepared or preserved fruits and vegetables.
- There is an on-going need to **strengthen the capacity of policy-making and implementation** to ensure the protection of human, plant and animal health, improve regulatory reputation and support the export of value-added agricultural goods. It is important that import requirements for food safety, quarantine, and standards and labelling purposes are implemented in a transparent manner, consistent with international guidelines and practice.
- The current system for **controlling rice exports** needs to be overhauled. It is where the conflict between the objectives of improving the market orientation of the sector and ensuring food security comes to the fore. The system limits competition in the market place and reduces the incentive to develop long-term market arrangements.
- The **level of producer support** as measured by the %PSE averaged 7% in 2011-13; less than half the level of support provided to producers in China and Indonesia.
- Over the period 2000-13 the level of support was quite variable without revealing any distinct long-term trend. Nevertheless, the **%PSE remained positive** over most of this period, indicating that producers generally received moderate support.
- The variations in producer support were driven mainly by sharp fluctuations of its **market price support** component. Budgetary transfers have remained relatively constant at about 20% of producer support on average over the period 2000-13.
- **Budgetary transfers** supporting producers are mainly in the form of payments based on variable input use. Direct payments have switched from retiring agricultural land from production to maintaining land in paddy production.
- Producer support in Viet Nam is based predominantly on the most **distorting forms** of support, although their share in total support has declined compared to the early 2000s.
- Producers of **import-competing commodities** such as beef and veal, poultry, eggs and sugar cane are highly supported, receiving prices for their outputs above international prices. In contrast, producers of export-competing commodities such as natural rubber, coffee, cashew nuts and tea are implicitly taxed in that are paid prices for their outputs that are lower than international prices.
- There has been considerable variation in the level of **support provided to rice production**. Rice has moved from being a commodity with little support, to being highly taxed, to receiving support, to seeing this fall back to a low level again. This reflects the challenge of trying to support producers while protecting consumers. Further efforts to move away from using the price of rice as the mechanism to achieve both goals are needed.

- **General services** for the agricultural sector have remained relatively constant as a share of total support transfers, suggesting there has been little re-orientation of policies towards those that can benefit both producers and consumers. Expenditure on some general services such as inspection and control and marketing and promotion receive relatively limited support.
- **Total support** to agriculture is high relative to the overall economy and is comparable to that in China, Turkey and Korea, and much smaller than in Indonesia.

### Notes

1. Decision 10-2007-QD-TTg dated 23 January 2007 on the system of economic branches in Viet Nam.
2. In 1978 the United States imposed a trade and investment embargo in response to Viet Nam sending troops into Cambodia. Aid from China terminated in 1979 due to border conflict.
3. Based on agricultural initiatives, the same reform also proceeded in the industrial sector. Table 2.A1.1 contains a guide to understanding the hierarchy, content, numbering and coding of Vietnamese legal documents.
4. The momentum for economic reform was further strengthened by the success of economic reforms experienced in China and the Soviet perestroika movement, and the decision of the Soviet Union to cease its economic aid to Viet Nam.
5. As with the previous Directive 100 reform, many villages had already been practising “full contracts” (*khoan trang*), in which paddy fields were leased to households.
6. Vinafood I and Vinafood II were established in 1995 for the purposes of setting up food businesses, buying farmers’ produce, assisting with regional food balance and contributing to the stabilisation of food prices.
7. The US-Viet Nam bilateral trade agreement provided substantial new impetus for legal reform in Viet Nam. The commercial code was almost entirely rewritten, with significant new Enterprise, Competition, and Investment Laws all introduced. The final negotiations for Viet Nam’s WTO accession were enabled by significant additional legal reforms undertaken particularly in 2005 as the US and other WTO members insisted that Viet Nam implement reforms before accession would be granted (Abbot et al., 2006).
8. The other specific production targets are: increasing corn acreage to 1.3 million ha and the quantity of corn up to 7.5 million tonnes; ensuring fruit trees planted area of 1.2 million ha to yield 12 million tonnes of fruits; 1.2 million ha of vegetables to yield 20 million tonnes of vegetable, producing 8 million tonnes livestock meat; 1 million tonnes of fresh milk, 14 billion units of poultry’s eggs.
9. According to Decree No. 199/2013/ND-CP on defining the functions, tasks, powers and organisational structure of MARD dated 26 November 2013 and which entered into force on 15 January 2014. This replaced Decree No. 01/2008/ND-CP of 3 January 2008 and Decree No. 75/2009/ND-CP of 10 September 2009 which amended Decree No. 01/2008/ND-CP by substituting Article 3 with a new article on the organisational structure of the Ministry.
10. There are 63 “provincial” governments (58 provinces and 5 municipalities), 662 “districts” (536 rural districts, 25 provincial cities, 59 district level towns and 42 urban districts) and 10 776 “communes” (9 012 communes, 583 commune-level towns and 1 181 wards).
11. All revenues collected from taxes and fees related to international trade must be transferred to the central budget. Local governments retain 100% of the revenues they collected from land (e.g. renting, tax on land use transfers and land use tax), from natural resource tax, registration fees and from lottery. Another source of revenue for provinces is part of the revenues collected from VAT, corporate income tax, personal income tax, and gasoline fee. There exists a sharing mechanism between central and provincial government for these revenues, but the majority of provinces can retain 100% for their own budget. Richer provinces (HCMC, Hanoi, Quang Ninh, etc.) have to transfer a part of these revenues to the central budget (World Bank, 2012). However, current regulations state that the revenue sources can only be allocated between central state budgets to the local agencies where the revenues are collected, say VAT or corporate income taxes.
12. Law No. 23/2012/QH13 on Co-operatives dated 20 November 2012 came into effect on 1 July 2013, repealing Law No. 18/2003/QH11 on Co-operatives dated 26 November 2003, which entered into force on 1 July 2004. This in turn repealed the Law on Co-operatives dated 20 March 1996.

13. The State Reserve system first began in North Vietnam on 7 August 1956.
14. Decision No. 2091/2012/QĐ-TTg dated 28 December 2012.
15. Decision No. 137/1992/HĐBT of the Committee of Ministers (now known as the government) on prices dated 27 April 1992.
16. Decision No. 151/1993/QĐ-TTg dated 12 April 1993.
17. Decision No. 195/1999/QĐ-TTg dated 27 September 1999.
18. Decree No. 170/2003/NĐ-CP dated 25 December 2003 and in effect from 9 January 2004 annulled Decision No. 137. Decree No. 170 was passed to implement Ordinance No. 40/2002/PL-UBTVQH10 on Prices, dated 26 April 2002, which provided the legal framework for market price regulation.
19. Circular No. 15/2004/TT-BTC dated 9 March 2004 guiding the implementation of Decree No. 170/2003/NĐ-CP.
20. Decree No. 75/2008/NĐ-CP dated 9 June 2008 and in effect from 24 June 2008, and Circular No. 104/2008/TT-BTC dated 13 November 2008 and in effect from 28 November 2008 guided the implementation of Decree No. 75 and replaced Circular No. 15/2004/TT-BTC.
21. Circular No. 122/2010/TT-BTC amending and supplementing Circular No. 104, dated 12 August 2010 and in effect from 1 October 2010.
22. Decree No. 177/2013 NĐ-CP dated 14 November 2013 detailing and guiding the implementation of some articles of the Law No. 11/2012/QH12 on Price dated 20 June 2012 and in effect since 1 January 2013 replaced Ordinance No. 40/2002 which was considered out-dated and inconsistent with certain WTO obligations.
23. Circular No. 430/TTg-KTN on product consumption for farmers dated 12 March 2010 and Decree No. 109/NĐ-CP on export management dated 4 November 2010.
24. Similarly, although the government has policies in place to impact fertiliser prices, both price stabilisation measures and input subsidies to fertiliser manufacturers (Chapter 1), evidence suggests that domestic prices in Viet Nam are normally 5-10% higher than import prices (Tran, 2014). The subsidy on raw materials therefore does not appear to be passed on to farmers. Instead producers of fertiliser, main SOEs, enjoy the benefits. For this reason, the report does not include an estimate of the value of fertiliser subsidies in the calculation of support to agriculture.
25. Decree No. 143/2003/NĐ-CP dated 28 November 2003 provides the general provisions for the current system for funding irrigation including the setting of ISFs.
26. Decree No. 115/2008/NĐ-CP dated 14 November 2008 and effective 1 January 2009 amending and supplementing a number of articles of Decree No. 143/2003/NĐ-CP. These exemptions were continued by Decree No. 67/2012/NĐ-CP dated 10 September 2012 to amend Decree No. 143/2003/NĐ-CP and replace Decree No. 115/2008/NĐ-CP.
27. Decisions No. 132/2007/QĐ-TTg (15 August 2007), No. 1037/QĐ-TTg (15 August 2007), No. 738/QĐ-TTg (18 May 2006), No. 719/QĐ-TTg (5 June 2008), No. 80/2008/TT-BTC (18 September 2008), No. 142/2009/QĐ-TTg (31 December 2009), and, most recently, No. 1442/QĐ-TTg (23 August 2011).
28. Decision No. 1681/QĐ-TTg dated 11 September 2010 on supplying germicide from State Reserves for local areas to handle blue-ear pig disease and Decision No. 1791/QĐ-TTg dated 15 October 2011 on mechanism and policy to support vaccines for blue-ear pig disease and hog cholera in order to boost livestock production, ensure supply and stabilise market prices.
29. Decision No. 142/2009/QĐ-TTg dated 31 December 2009 and its amendment Decision No. 49/2012/QĐ-TTg dated 8 November 2012.
30. Decree No. 42/2012/NĐ-CP dated 11 May 2012 on management and use of paddy land, and in effect since 1 July 2012, and implemented by MOF Circular No. 205/2012/TT-BTC.
31. Decision No. 135/1998/QĐ-TTg dated 31 July 1998.
32. Decision No. 07/2006/QĐ-TTg dated 10 January 2006.
33. Decree No. 14/1993/NĐ-CP.
34. Decision No. 67/1999/QĐ-TTg dated 30 March 1999.
35. Decision No. 546/2002/QĐ-NHNN dated 30 May 2002.
36. Decision No. 131/2002/QĐ-TTg dated 4 October 2002.

37. Resolution No. 12/2009/NQ-CP dated 6 April 2009, and implemented through Decision No. 497/2009/QD-TTg dated 17 April 2009, and its amending Decision No. 2213/QD-TTg dated 21 December 2009, and Circular No. 02/2010/TT-NHNN dated 22 January 2010.
38. Decree No. 41/2010/ND-CP dated 12 April 2010 on credit policies for agricultural and rural development, which entered into force on 1 June 2010.
39. Resolution No. 48/2009/NQ-CP dated 23 September 2009, and implemented by Decisions No. 63/2010/QD-TTg of 15 October 2010, No. 65/2011/QD-TTg of 2 December 2011 and No. 68/2013/QD-TTg of 14 November 2013.
40. Decree No. 42/2012/ND-CP on management and use of paddy land dated 11 May 2012 and in effect since 1 July 2012, and implemented by MOF Circular No. 205/2012/TT-BTC
41. Decision No. 661/QD-TTg dated 29 July 1998.
42. Decision No. 315/2011/QD-TTg on the pilot provision of agriculture insurance during 2011-13, dated 1 March 2011 and which entered into force on the date of its signing. Circular No. 47/2011/TT-NNPTNT lists the natural disasters and diseases that are insured for each type of agricultural product.
43. Decision No. 358/2013/QD-TTg dated 27 February 2013.
44. Resolution No. 15/2003/QH11 on agricultural land use tax exemption and reduction dated 17 June 2003 and implemented by Decree No. 129/2003/ND-CP dated 3 November 2003, effective from 21 November 2003.
45. Resolution No. 55/2010/QH12 on exemption and tax reduction on agricultural land use in the period 2011-20 dated 24 November 2010 and implemented by Decree 20/2011/ND-CP dated 23 March 2011.
46. For example, Decree No. 61/2010/ND-CP on incentive policies for enterprises investing in agriculture and rural development dated 4 June 2010 and Decision No. 57/2010/QD-TTg on exemption from land rents for projects on construction of warehouses to store 4 million tonnes of rice or maize, refrigerated warehouses for preservation of fishery products, vegetables and fruits and coffee temporary reserve warehouses. Difficulties in implementing Decree No. 61 has meant that it has been replaced by Decree No. 210/2013/ND-CP.
47. Decree No. 13/1993/ND-CP on agricultural extension dated 2 March 1993.
48. Decree No. 02/2010/ND-CP on agricultural extension dated 8 January 2010, effective from 1 March 2010. This repealed Decree No. 56/2005/ND-CP of 26 April 2005 on agricultural promotion and fisheries promotion which in turn repealed Decree No. 13/1993/ND-CP of 2 March.
49. NAEC was created in 2005. Prior to this a Department of Agriculture and Forestry Extension (DAFE) within the MARD held the functions of both the state governing organisation managing production as well as the technology transfer body. However, due to difficulties in serving these two assignments, the government divided DAFE into two departments: Department of Crop Production and NAEC.
50. The 18 research institutes and centres that operate under VASS include: Cuu Long Delta Rice Research Institute (CLRRI); Southern Horticultural Research Institute (SOFRI); Institute of Agricultural Science for Southern Viet Nam (IAS); Sugarcane Research Institute (SRI); Plant Resources Centre (PRC); Institute for Agricultural Environment (IAE); Soil and Fertiliser Research Institute (SFRI); Plant Protection Research Institute (PPRI); Agricultural Genetics Institute (AGI); Northern Mountainous Agriculture and Forestry Science Institute (NOMAFSI); Fruits and Vegetables Research Institute (FAVRI); Maize Research Institute (MRI); Viet Nam Sericulture Research Centre (Vietseri); Centre for Technology Development and Agricultural Extension (GETDAE); Field Crops Research Institute (FCRI); Agricultural Science Institute of Northern Central Viet Nam (ASINCV); Agricultural Science Institute of Southern Coastal Central of Viet Nam (ASISOV); and Western Highlands Agro-Forestry Scientific & Technical Institute (WASI).
51. Decision No. 3246/QD-BNN-KHCN dated 27 December 2012, which was based on Decision No. 418/QD-TTg dated 4 November 2012 that set the overall strategy of science and technology in Viet Nam for the period of 2011-20.
52. Decision No. 1259/QD-BNN-KHCN dated 4 June 2013.
53. Although long-running time-series data on the ratio of irrigated rice fields is not available, it is evident that the irrigation of rice fields had expanded to a considerable extent, roughly 60%, by the mid-1980s. This was partly the result of the favourable initial conditions in the RRD, which has a long history of irrigation and water management. In addition to the advantage from history, the government had tried since reunification to renovate and rehabilitate the large-scale irrigation

systems both in the RRD and MRD. These earlier investments can help explain how a series of agricultural reforms could be put into practice without severe constraint from the poorly developed infrastructure (Tsukada, 2011).

54. Decision No. 794/2014/QĐ-BNN-TCTL on the restructuring scheme of irrigation sector dated 21 April 2014.
55. Decree No. 667/2009/QĐ-TTg dated March 2009.
56. Decree No. 48/2009/ND-CP for storage development in MRD dated 23 September 2009 followed by Decision No. 3242/2010/QĐ-BNN-CB dated 2 December 2010.
57. Resolution No. 30/NQ-CP.
58. Decree No. 57/1998/ND-CP dated 31 July 1998.
59. Decision No. 46/2001/QĐ-TTg dated 4 April 2001.
60. Officially titled as the “Agreement between the United States of America and the Socialist Republic of Viet Nam on Trade Relations”.
61. Joining ASEAN has been described as a “fitness gym” which allowed Viet Nam to conduct training “work out” in preparation for the serious exercise of competing in the global economy (Vo, 2005).
62. Under Viet Nam’s WTO Goods Schedule commitments, it also operates a TRQ for salt, with an initial quota of 150 000 tonnes increasing by 5% annually. While outside the WTO definition of agriculture, salt production is considered an agricultural activity in Viet Nam. Salt production is an important source of income for hundreds of thousands of poor farmers living in coastal areas where it can be difficult to use land for agriculture. The TRQ aimed at securing employment and ensuring income stability for these farmers (WTO, 2006).
63. Decision No. 91/2003/QĐ-TTg dated 9 May 2003.
64. Decision No. 46/2005/QĐ-TTg dated 3 March 2005.
65. G/AG/N/VNM/2 of 3 November 2011.
66. At present, VAT is levied on goods and services according to the Law No. 13/2008/QH12 on VAT dated 3 June 2008 and applied since 1 January 2009.
67. A fourth rate of 20% applicable to some specific services was also established as part of the original VAT structure but this was abolished on 1 January 2004.
68. Other categories subject to a 5% VAT rate are medical equipment and medicines; teaching and learning aids; children’s toys and books; scientific and technological services; special purpose machinery and equipment for newsprint; products made from jute and bamboo; and cultural exhibits and sports activities (World Bank, 2014).
69. Decree No. 12/2006/ND-CP dated 23 January 2006.
70. Decision No. 24/2008/QĐ-BCT and Circular No. 17/2008/TT-BCT dated 12 December 2008.
71. Circular No. 24/2010/TT-BCT dated 28 May 2010 replaced Circular No. 17/2008/TT-BCT.
72. Circular No. 32/2011/TT-BCT dated 5 September 2011 and Circular No. 27/2012/TT-BCT dated 26 September 2012 respectively.
73. Decision No. 1899/2010/QĐ-BCT dated 16 April 2010.
74. Decision No. 1380/2011/QĐ-BCT dated 25 March 2011.
75. Law No. 55/2010/QH12 on Food Safety dated 17 June 2010 and entered into force on 1 July 2011. It supersedes the Viet Nam Food Ordinance approved in 2003.
76. Decree No. 38/2010/ND-CP detailing implementation of a number of articles of the Law on Food Safety dated 25 April 2012 and effective 11 June 2012.
77. Joint Circular No. 13/2014/TTLB-BYT-BNNPTNT-BCT dated 9 April 2014 and effective 26 May 2014.
78. Circular No. 50/2009/TT-MARD.
79. Decree No. 57/1998/ND-CP dated 31 July 1998.
80. Decision No. 10/1998/QĐ-TTg dated 23 January 1998.
81. Export quota was offered to private traders on the basis of four criteria: previous experience in rice trade, ownership of milling facilities, capacity to export at least 5 000 tonnes per shipment and proof of financial security (Nielsen, 2002).

82. Decision No. 46/2001/QD-TTg dated 4 April 2001 on the management of goods export and import in the 2001-05 period.
83. Implemented by Circular No. 44/2010/TT-BCT dated 31 December 2010.
84. Implemented by Circular No. 89/2011/TT-BTC dated 17 June 2011.
85. Floor price of export rice = average costs of export rice (for each kind of rice) + expected margin + related taxes and fees, where the average cost of export rice is to be at least equal to the target paddy price plus preliminary processing costs and logistic costs for export.
86. Circular No. 53/BNG-P dated 2 October 1982.
87. Circular No. 10/1989/KTDN/XNK dated 7 August 1989.
88. Decree 57/1998/ND-CP dated 31 July 1998.
89. Decision No. 222/TC-CTN dated 29 December 1989.
90. Law No. 45/2005/QH11 dated 14 June 2005. Metals, including mineral ores and metal scraps, and wood products are the goods most subject to export taxation by Viet Nam.
91. Decision No. 104/2008/QD-TTg dated 21 July 2008.
92. Decision No. 195/1999/QD-TTg dated 27 September 1999.
93. Decision No. 124/2008/QD-TTg dated 8 September 2008.
94. Decision No. 279/2005/QD-TTg dated 3 November 2005 and currently operating in accordance with Decision No. 72/2010/QD-TTg dated 14 November 2010.
95. Decree No. 75/2011/ND-CP dated 30 August 2011.
96. Decree No. 210/2013/ND-CP dated 19 December 2013.
97. Since its WTO accession, Viet Nam has concluded only one further bilateral agreement in the same format, i.e. with Angola (2008).
98. Lao PDR and Myanmar (Burma) joined two years later on 23 July 1997 and Cambodia on 30 April 1999.
99. Despite the word "Common" in the CEPT, it should be noted that AFTA is not a customs union, but merely a free trade agreement, meaning that while ASEAN member states have common effective tariffs among themselves in AFTA, the level of tariffs with non-ASEAN countries will continue to be determined individually. The time frame for tariff reductions was originally set at 15 years commencing 1 January 1993, but two years after its initial implementation ASEAN members agreed to shorten the time period to ten years, i.e. from 2008 to 2003.
100. This reserve builds on the East Asia Emergency Rice Reserve (EAERR), the pilot project of the ASEAN Ministers of Agriculture and Forestry and the Ministers of Agriculture of the PRC, Japan, and the Republic of Korea. The EAERR in turn is a revitalisation and expansion of the ASEAN Emergency Rice Reserve (AERR) that was established in 1979.
101. The full texts of Viet Nam's commitments and related documents can be found on the WTO website [www.wto.org](http://www.wto.org).



## ANNEX 2.A1

## Policy tables

Table 2.A1.1. **Hierarchy, content, and numbering and coding of legal documents***Hierarchy of legal documents*

1. Constitution, laws and resolutions of the National Assembly (NA).
2. Ordinances and resolutions of the Standing Committee of the NA.
3. Orders and decisions of the State President.
4. Decrees of the Government.
5. Decisions of the Prime Minister.
6. Resolutions of the Justices' Council of the Supreme People's Court and circulars of the Chief Justice of the Supreme People's Court.
7. Circulars of the President of the Supreme People's Procuracy.
8. Circulars of Ministers or Heads of Ministry-equivalent Agencies.
9. Decisions of the State Auditor General.
10. Joint resolutions of the Standing Committee of the NA or the Government and the central offices of socio-political organisations.
11. Joint circulars of the Chief Justice of the Supreme People's Court and the President of the Supreme People's Procuracy; those of Ministers or Heads of Ministry-equivalent Agencies and the Chief Justice of the Supreme People's Court, the President of the Supreme People's Procuracy; those of Ministers or Heads of Ministry-equivalent Agencies.
12. Legal documents of People's Councils and People's Committees.

*Content of relevant legal documents*

- **Laws of the NA** address fundamental issues across a wide range of fields as well as rights and obligations.
- **Resolutions of the NA** focus on socio-economic development tasks and state budget issues.
- **Ordinances of the Standing Committee** contain regulations explaining the constitution and laws.
- **Resolutions of the Standing Committee** provide interpretation of the constitution, laws and ordinances.
- **Decrees by the government** provide guidelines on the implementation of higher legal documents including specific action to implement policy, allocation of specific tasks to ministries and identifying areas which are not mature enough to develop into laws or ordinances.
- **Decisions of the Prime Minister** focus on ways to lead, manage and administer the government's operations and public administration system.
- **Circulars of Ministers** provide detail guidelines on the implementation of higher legal documents, regulations on technical processes and standards and ways to exercise management of the sector/area.

*Numbering and coding*

Alphabetical letters at the end of each policy's name include two parts connected by the hyphen "-". They represent the abbreviated names for the type of document and the promulgating agency in Vietnamese. For example, in the case of the Circular No. 120/2011/TT-BTC, TT is the acronym for Circular in Vietnamese (*Thông tư*), and BTC is the acronym for the Ministry of Finance in Vietnamese (*Bộ Tài Chính*). The following is a list of abbreviations for the types of documents and issuers listed in this report:

|                 |                |       |   |
|-----------------|----------------|-------|---|
| NQ (Nghị quyết) | Resolution     | QH13  | National Assembly (in this case the 13th National Assembly) |
| PL (Pháp lệnh)  | Ordinance      | UBTV  | Standing Committee of NA                                    |
| ND (Nghị định)  | Decree         | TW    | CPV Executive Committee                                     |
| QD (Quyết định) | Decision       | CP    | Government  |
| TT (Thông tư)   | Circular       | TTg   | Prime Minister  |
| TTLB            | Joint Circular | BCT   | Ministry of Industry and Trade                              |
|                 |                | BNN   | Ministry of Agriculture and Rural Development               |
|                 |                | BTC   | Ministry of Finance   |
|                 |                | BTNMT | Ministry of Natural Resources and Environment               |
|                 |                | BYT   | Ministry of Health  |
|                 |                | NHNN  | State Bank of Vietnam                                       |

Source: Law No. 17/2008/QH12 on the Promulgation of Legal Documents dated 3 June 2008.

Table 2.A1.2. **Main tasks of units under the Ministry of Agriculture and Rural Development**

| Category                              | Units   | Activities  |
|---------------------------------------|---|---|
| Functional departments                | Ministry Administrative Office (Office of the Ministry)   | Integrates and co-ordinates the operation of the entities within the Ministry.  |
|                                       | Organisation and Personnel Department   | Responsible for staffing and training of public servants.   |
|                                       | Planning Department   | Oversees the integrated management of strategies, master plans, plans and investment for the agricultural and rural development sector as regulated by the law. In charge of public budget planning and allocation for different sectors.   |
|                                       | Finance Department  | Responsible for the integrated management of financing, accounting, and pricing.  |
|                                       | Science, Technology and Environment Department  | Oversees the integrated management of agriculture and rural sector science and technology, including research, standards, measurement and results, including the planning and allocation of funding for research and extension.   |
|                                       | International Cooperation Department  | Oversees the integrated management of international co-operation and international economic integration. It takes the leading role in co-ordinating with donors and other relevant agencies and NGOs in preparing, appraising and negotiating ODA and FDI projects and programmes in Vietnam's ARD Sector. It also contains the SPS Office.   |
|                                       | Legislation/Legal Department  | Responsible for the integrated management of MARD's governance of law-related activities and tasks. Ensures the legality of policies developed by other MARD departments before issuing.  |
|                                       | Ministry Inspectorate   | Inspects, verifies and recommends solutions to complaints and denunciations. Steers and guides on organisation and professional processes of administrative and specialised inspections.  |
| General Offices                       | Division of Agricultural Enterprise, Renovation and Management  | Assists the Minister in setting up, steering, instructing, monitoring and checking the implementation of re-structuring, renovation and development of state-owned enterprises within the domains of MARD.  |
|                                       | General Forestry Office (Directorate of Forestry)   | Policy for public investment and management of forestry sector.   |
|                                       | General Fisheries Office (Fisheries Directorate)  | Policy for public investment and management of aquaculture sector.  |
| Professional Departments              | General Irrigation and Water Management Office (Water Resource Directorate)   | Policy for public investment and management of irrigation system.   |
|                                       | Department of Crop Production (Cultivation Department)  | Responsible for policy and management of crop production including inputs such as seeds and fertilisers, and setting quality standards. Manage cultivation techniques, quality and utilisation of fertilisers. Steer the cultivation and production plans Set up the strategies, schemes, plans, procedures, norms, techniques and technologies for species of plants and fertilisers. Manage the attestation, corroboration of quality, field-testing, recognition and trademark protection of new species of plants and new fertilisers. Grant and revoke licenses and certificates. Set up the export/import lists of plant species and fertilisers. Incorporate the management over the plant gene stock. |
|                                       | Department of Plant Protection  | Works on legislation review, plant protection, plant quarantine, and pesticide/chemical control. It plays an advisory role for MARD and can propose policies related to its sphere of responsibilities. It has provincial branches known as the Plant Protection Department (PPD)   |
|                                       | Department of Livestock Husbandry   | Performs professional functions related to the governance of the animal husbandry and livestock sector including draft laws, strategies and plans, quality certification and licensing. Responsible for inputs such as breeding and animal feed, and quality standards.   |
|                                       | Department of Animal Health   | Performs professional functions related to the governance and inspection of veterinary activities nationwide.   |
|                                       | Department of Processing and Trade for Agro-forestry-fisheries Products and Salt Production   | Performs the professional functions related to the governance of preservation and processing of agricultural, fishery and forest products and salt production, including managing the mechanisation and industrialisation of sectoral production.   |
|                                       | National Agro-Forestry-Fisheries Quality Assurance Department   | Responsible for food safety administration for the products under MARD jurisdiction and the development of food safety policies in general in co-ordination with MOIT and MOH.  |
|                                       | Department of Collective Economics and Rural Development  | Performs governance functions over co-operatives, farmer organisations and other agricultural production entities, including integration of policies and rural development programmes. Has responsibility for poverty reduction.  |
| Department of Construction Management | Submits to the Ministry proposals for capital construction programmes and projects, and investment decisions. Appraises the technical designs and cost estimates for projected building items. Approves construction designs and detailed cost estimates. Appraises biddings and selection of contractors, and perform the consultant role for investment and bidding for construction and assembly work. Certifies the quality of constructed works. Monitors and accelerates the progress of investment activities. Holds the position of standing member in the Council of Hand-and-Take-over of Ministerial and State-Level Works and Projects of the Sector. |   |

Table 2.A1.2. **Main tasks of units under the Ministry of Agriculture and Rural Development (cont.)**

| Category             | Units   | Activities   |
|----------------------|---|--|
| Non-productive units | Centre for Informatics and Statistics   | Responsible for implementing all statistical activities (collecting, analysing and reporting) in the agricultural sector (within MARD, under MARD, and local state agricultural authorities) and provision of market information systems for agricultural products.                              |
|                      | National Agricultural Extension Centre  | Follows MARD guidelines and strategies with demonstration models, information dissemination, training, service delivery and international co-operation in the fields of agricultural, forestry and fishery.  |
|                      | National Centre for Rural Water Supply and Sanitation                                 | Responsible for implementing the National Target Program on Rural Water Supply and Sanitation. The program involves installing community and household water systems, public latrines and water supply in schools and clinics, and training and capacity building.                               |
|                      | Vietnam Agriculture Newspaper<br>Vietnam Journal of Agriculture and Rural Development |  |
|                      | Institute of Policy and Strategy for Agriculture and Rural Development (IPSARD)       | The policy think-tank, providing analysis and results supporting strategy and policy formulation process in agriculture and rural development. Established by Decision 9/2006/WQD-TTg dated 9 September 2006 – initially as a separate, independent agency but became a line department in 2013. |

Source: Ministry of Agriculture and Rural Development, 2014.

Table 2.A1.3. **Selected final bound, MFN applied and preferential tariffs for MPS commodities, 2013**

| Product  | HS tariff line | Final bound | MFN applied | ATIGA | ACFTA | AJCEP | AKFTA | AANZFTA |
|--|----------------|-------------|-------------|-------|-------|-------|-------|---------|
| <b>Beef and veal</b>   |                |             |             |       |       |       |       |         |
| Carcasses and half-carcasses of bovine animals, fresh or chilled               | 0201.10        | 30          | 30          | 5     | 0     | 13    | 7     | 10      |
| Fresh or chilled bovine cuts, with bone in (excl. carcasses and 1/2 carcasses) | 0201.20        | 20          | 20          | 5     | 0     | 13    | 7     | 10      |
| Fresh or chilled bovine meat, boneless   | 0201.30        | 14          | 14          | 5     | 0     | 13    | 7     | 10      |
| Carcasses and half-carcasses of bovine animals, frozen                         | 0202.10        | 20          | 20          | 5     | 0     | 13    | 7     | 10      |
| Frozen bovine cuts, with bone in (excl. carcasses and half-carcasses)          | 0202.20        | 20          | 20          | 5     | 0     | 13    | 7     | 10      |
| Frozen, boneless meat of bovine animals  | 0202.30        | 14          | 14          | 5     | 0     | 13    | 7     | 10      |
| <b>Pigmeat</b>   |                |             |             |       |       |       |       |         |
| Fresh or chilled carcasses and half-carcasses of swine                         | 0203.11        | 25          | 25          | 5     | 0     | 19    | 10    | 20      |
| Fresh or chilled hams, shoulders and cuts thereof of swine, with bone in       | 0203.12        | 25          | 25          | 5     | 0     | 19    | 10    | 20      |
| Swine, carcasses and half-carcasses, frozen                                    | 0203.21        | 15          | 15          | 5     | 0     | n.a.  | 10    | n.a.    |
| <b>Poultry</b>   |                |             |             |       |       |       |       |         |
| Poultry, not cut in pieces, fresh or chilled                                   | 0207.11        | 40          | 40          | 5     | 5     | 13    | 7     | 20      |
| Poultry, not cut in pieces, frozen   | 0207.12        | 40          | 40          | 5     | 5     | 13    | 7     | 20      |
| Poultry, cuts and offal, frozen  | 0207.14        | 20          | 20          | 5     | 5     | 11    | 7     | 20      |
| <b>Eggs</b>  |                |             |             |       |       |       |       |         |
| Fresh eggs of domestic fowls, in shell (excluding fertilised for incubation)   | 0407.21        | 40          | 30          | 5     | n.a.  | 25    | n.a.  | 20      |
| Birds' eggs, in shell, preserved or cooked                                     | 0407.90        | 40          | 30          | 5     | n.a.  | 25    | n.a.  | 20      |
| <b>Cashew nuts</b>   |                |             |             |       |       |       |       |         |
| Fresh or dried cashew nuts, in shell   | 0801.31        | 30          | 3           | n.a.  | 0     | n.a.  | n.a.  | n.a.    |
| Fresh or dried cashew nuts, shelled  | 0801.32        | 25          | 25          | 5     | 0     | n.a.  | 15    | 20      |
| <b>Coffee</b>  |                |             |             |       |       |       |       |         |
| Coffee (excl. roasted and decaffeinated)                                       | 0901.11        | 15          | 15          | 5     | 5     | 13    | 7     | 10      |
| Roasted coffee (excl. decaffeinated)   | 0901.21        | 30          | 30          | 5     | 10    | 25    | 15    | 20      |

Table 2.A1.3. **Selected final bound, MFN applied and preferential tariffs for MPS commodities, 2013 (cont.)**

| Product  | HS tariff line     | Final bound | MFN applied | ATIGA | ACFTA | AJCEP | AKFTA | AANZFTA |
|--|--------------------|-------------|-------------|-------|-------|-------|-------|---------|
| <b>Tea</b>   |                    |             |             |       |       |       |       |         |
| Green tea in immediate packings of <= 3 kg   | 0902.10            | 40          | 40          | 5     | 10    | 25    | 15    | 20      |
| Green tea in immediate packings of > 3 kg  | 0902.20            | 40          | 40          | 5     | 10    | 25    | 15    | 20      |
| Black fermented tea and partly fermented tea, whether or not flavoured, in immediate packings of <= 3 kg   | 0902.30            | 40          | 40          | 5     | 10    | 25    | 15    | 20      |
| Black fermented tea and partly fermented tea, whether or not flavoured, in immediate packings of > 3 kg  | 0902.40            | 40          | 40          | 5     | 10    | 25    | 15    | 20      |
| <b>Pepper</b>  |                    |             |             |       |       |       |       |         |
| Pepper of the genus Piper, neither crushed nor ground  | 0904.11            | 20          | 20          | 0     | 5     | 19    | 10    | n.a.    |
| Pepper of the genus Piper, crushed or ground   | 0904.12            | 20          | 20          | 0     | 5     | 19    | 10    | n.a.    |
| <b>Maize</b>   |                    |             |             |       |       |       |       |         |
| Maize (excl. seed for sowing)  | 1005.90            | 30          | 30          | 0     | 7.5   | 12    | 10    | 12.5    |
| <b>Rice</b>  |                    |             |             |       |       |       |       |         |
| Rice in the husk, "paddy" or rough   | 1006.10            | 0-40        | 0-40        | 2.5   | 0     | 0     | 7.5   | 0       |
| Husked or brown rice   | 1006.20            | 40          | 40          | 5     | n.a.  | 25    | 15    | 20      |
| Semi-milled or wholly milled rice, whether or not polished or glazed   | 1006.30            | 40-50       | 40          | 5     | 5-10  | 25-31 | 15    | 20      |
| Broken rice  | 1006.40            | 40          | 40          | 5     | 5     | 25    | 15    | 20      |
| <b>Sugar</b>   |                    |             |             |       |       |       |       |         |
| Raw beet sugar (excl. added flavouring or colouring)   | 1701.12            | 100         | 25          | 5     | n.a.  | n.a.  | n.a.  | 20      |
| Raw cane sugar (excl. added flavouring or colouring)   | 1701.13<br>1701.14 | 85          | 25          | 5     | n.a.  | n.a.  | n.a.  | 20      |
| Refined cane or beet sugar, containing added flavouring or colouring, in solid form  | 1701.91            | 100         | 40          | 5     | n.a.  | n.a.  | n.a.  | 20      |
| Cane or beet sugar and chemically pure sucrose, in solid form (excl. cane and beet sugar containing added flavouring or colouring and raw sugar) | 1701.99            | 85          | 40          | 5     | n.a.  | n.a.  | n.a.  | 20      |
| <b>Rubber</b>  |                    |             |             |       |       |       |       |         |
| Natural rubber latex   | 4001.10            | 5           | 3           | 0     | 0     | n.a.  | n.a.  | n.a.    |
| Smoked sheets  | 4001.21            | 5           | 3           | 0     | 0     | n.a.  | n.a.  | n.a.    |
| Technically specified natural rubber (TSNR)  | 4001.22            | 5           | 3           | 0     | 0     | n.a.  | n.a.  | n.a.    |

n.a. not applicable, i.e. no preferential tariff rate is provided.

MFN applied tariff is applicable.

ATIGA: ASEAN Trade In Goods Agreement; ACFTA: ASEAN-China Free Trade Agreement; AJCEP: ASEAN-Japan Comprehensive Economic Partnership Agreement; AKFTA: ASEAN-Korea Free Trade Agreement; AANZFTA: ASEAN-Australia New Zealand Free Trade Agreement.

Source: WTO Tariff Download Facility, <http://tariffdata.wto.org/Default.aspx>.

Table 2.A1.4. **Imported goods subject to line management licensing by MARD**

| HS tariff lines              | Description   | Form of management |
|------------------------------|---|--------------------|
| ex 3004; 30062000            | Veterinary medicines and materials for making veterinary medicines  | TBT/SPS licence    |
| N.A.                         | Biological products for veterinary use registered for first-time use in Viet Nam  | TBT/SPS licence    |
| ex 3808                      | Pesticides and materials for making pesticides excluded in the List of pesticides allowed to be used in Viet Nam        | Automatic licence  |
| ex 3808                      | Pesticides and materials for making pesticides included in the List of pesticides subject to restricted use in Viet Nam | Automatic licence  |
| ex 0106; 06; 07; 08; 09; 12  | Plants and animal strains, and various types of insects not available in Viet Nam                                       | TBT/SPS licence    |
| ex 23                        | Animal feeds and materials for producing animal feeds newly used in Viet Nam  | TBT/SPS licence    |
| 3101; 3102; 3103; 3104; 3105 | Fertilisers newly used in Viet Nam  | TBT/SPS licence    |
| 3001; 3002                   | Genetic sources of plants, animals and micro-organs used for scientific purposes  | TBT/SPS licence    |
| ex 01                        | Wild animals and plants subject to import control according to CITES Convention   | Automatic licence  |

Source: WTO (2013), *Trade Policy Review of Vietnam: Report by the Secretariat*, WT/TPR/S/287/Rev.1, 4 November.

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