

Vietnam aspires to a sustainable agricultural transformation

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Vietnam's Agriculture Restructuring Plan (ARP)

Vietnam has achieved remarkable progress in economic growth and poverty reduction over the past two decades. Between 1993 and 2013, economic growth averaged 7-8 percent per year and the national poverty headcount rate fell from 58 percent to 21 percent. Agricultural growth in particular has assured food security and made a key contribution to economic and social development and stability.

Today Vietnam's rural areas still provide the major sources of livelihood for some two-thirds of the population and are home to more than 90 percent of the country's poor. While the share of primary agricultural activity in GDP has fallen to about 18 percent, compared with 31 percent two decades ago, the 'agricultural complex' – including agro-industry and food-related business services – accounts for one-third of Vietnam's GDP and a similar share of merchandise exports.



photo: <http://www.mard.gov.vn>

This growth story, however, is unlikely to continue in the future. Increasing competition for resources from other sectors, changing demand in national as well as international markets, and rising costs will force the agriculture sector to produce more while using less. Producers no longer compete on price alone; now they need

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to compete on the bases of quality, standards compliance, reliability and sustainability. The agricultural sector will have to learn to adapt to changing demands, upgrade capacities, and become more skilled at innovation.

To cope with these emerging challenges, the Vietnamese government in June 2013 approved a comprehensive Agricultural Restructuring Plan (ARP) that shifts emphasis from heavy reliance on central planning to an approach in which decision-making is increasingly devolved to market actors responding to market opportunities and forces. The ARP seeks to accomplish this transition, however, while safeguarding the rights and livelihoods of its largely small producers. A primary objective is to assure the long-term welfare of farmers and consumers. Green growth and sustainable development are also central concepts behind the Plan.

Six core principles drive the ARP³. First, the objectives for agriculture and rural development will be set within the conceptual framework of sustainable development. Second, Vietnamese agriculture will be increasingly market-based, even as broader rural development continues to be socially guided. Third, in many spheres of activity, the role of government will progressively shift from being the (primary) provider of investments and services to becoming the facilitator of such activities undertaken by others. Fourth, the government will apply the concepts of partnership and co-management to define new relations with both the private sector and community organizations. Fifth, all segments of society, at central and local levels, will have distinctive roles to play in the restructuring process. And sixth, restructuring will be regarded as an incremental, evolving process allowing adjustments and adaptations along the way.

Translating vision in practice

Translating this vision into practice is now the major challenge. To be effective in pursuing a more market-oriented development strategy, the [Ministry of Agriculture and Rural Development](#) (MARD) will have to *change the way it works in many ways*. A critical area of change will be to redefine the way that MARD departments specify and provide new services in the sector. Based on the revised functions and services, MARD will have to review and adjust organizational processes, eliminating gaps and overlaps and developing a more pronounced service orientation. To be effective, decision-making will need to become more collaborative; some key responsibilities will need to be devolved to and assumed by producers, who will need to accept risks in exchange for the potential to gain increased rewards. Given these ambitious objectives, the agriculture restructuring agenda will entail a continuous process of experimentation and adaptation unfolding over many years.

Implementing the Plan effectively, will also require a comprehensive *human resource capacity building programme*. MARD staff and their collaborators will have to be enabled to understand and carry out the rather different responsibilities of governments under market-oriented systems and processes. They will need assistance assimilating the concepts of green growth and sustainable development

³ Under Prime Minister Decision 899 of 10 June, 2013

and their implications, and will need to become adept at using the simple but fundamental tools of project analysis, financial and economic analysis, and monitoring and evaluation (M&E). They also will have to invest significant efforts over time to acquire the necessary soft skills related to the new facilitation role of MARD.

An ambitious restructuring process as the ARP finally needs a comprehensive communication and outreach programme. All stakeholders related to the ARP, government and non-government, need to be fully informed about the objectives of the programme, and about the roles and (new) tasks of everyone involved. This has to happen at all stages of the restructuring process. International experiences show that the lack of an effective communication programme is a major source of the failure of many relevant change or restructuring initiatives.

Required: New ways of agricultural investment planning and sector monitoring

Two areas where work processes need to be revised, redefined and possibly broadened in order to make the ARP effective in practice are agricultural investment planning and agriculture sector monitoring. In both these areas, the changes needed are substantial and involve a realignment of responsibilities, extensive information sharing between government and private actors, and new institutional arrangements for the co-production of services.

Currently, public investment in agriculture lacks strategic focus and is not sufficiently adapted to support agricultural innovation. It does not support development of the enabling environment to stimulate private sector investment in agriculture or to enable flows to where capital recovery is low or to disadvantaged areas, where private investment cannot yet be mobilized. The restructuring plan of the government foresees a shift towards investments that support productivity increases of enterprises along the value chain and attract more private investment in agriculture, including foreign direct investment (FDI). This new priority needs to be reflected in the public investment plan and its investment budget. To change long-standing patterns of public investment – for example, to promote a stronger emphasis on investment supporting the creation and implementation of agricultural innovations – is not something that can be done from one day to the other. To foster and enable adoption of knowledge accumulated in the rest of the world requires the establishment of decentralized, demand-driven agricultural innovation systems. And it also requires challenging entrenched practices (and privileges).

Similarly, agriculture sector monitoring needs to be adapted to the needs of the new policy. Currently, decisions regarding farm enterprises and support policies are mainly based on technical indicators, while considerations of financial and economic indicators such as profitability and marginal costs are not common. However, it is these indicators that mainly determine farmers' willingness to adopt technical advice and new technologies, and thereby shape future performance and sustainability of farm practices. Moreover these indicators also provide information on progress in implementing the ARP.

Current sector monitoring covers reporting of quantitative information, such as acreage planted or quantities produced, and focuses mainly on the achievements of

government set macro-targets for those indicators. With the restructuring envisaged, sector M&E shifts its focus to sector performance indicators such as contribution to the improvement of livelihoods, competitiveness of different crops within but also outside of Vietnam, effectiveness of public policy and investments and the sustainable and effective use of natural resources. This requires a profound understanding of farm enterprises and their economics. New data sources, actors and methodologies of joint analysis (farmer/extensionist or expert and researcher) will need to be incorporated into the sector M&E to ensure that future policy reforms and decisions on investments are based on sound information and are supported by all actors affected by the policies.

In summary, the ARP is highly ambitious. Implementation will play out at the levels of particular MARD departments, provinces and districts, value chains, and individual farms and enterprises – through a combination of organizational and behavioural changes, and through associated efforts to strengthen access to relevant knowledge, skills, and other capacities. As with most change management processes, progress is likely to be uneven over time and space and among different institutions – which introduces additional challenges where uncertainty and risk are the price of greater reliance on market processes.

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