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# 1 Acknowledgments

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## 2 Executive Summary

Agriculture is a key focus of Vietnam's economic development; however, private businesses have been reluctant to strongly engage with the agricultural sector. The number of registered enterprises operating in agriculture is disproportionately small, as is private investment into the sector. This is negatively affecting total factor productivity growth in agriculture, which is expected to decline further. The Vietnamese government has introduced a series of policy initiatives aimed at promoting private investments and business activity in agriculture. The most recent initiative, articulated through the Decree 57, was designed to support the development of emerging agricultural entrepreneurs, in order to harness the inventiveness and competitiveness of private enterprises. The aim of the present policy evaluation document is to evaluate the operational effectiveness and adequacy of Decree 57, to identify any misalignment between the policy design and the behavioural responses by the private sector, to recommend possible improvements to the decree, and to propose future policy directions for evidence-based agricultural policy in Vietnam.

The evaluation of the Decree 57 was undertaken through various methodological approaches. This included interviews with key central government stakeholders, such as relevant ministries, agencies and research institutes; a comprehensive review of scholarly literature on policies for promoting investment and business activity in the agricultural sector of developing economies; focus group discussion and formal questionnaires with representatives from the provincial Departments of Planning and Investment, who are responsible for practical implementation of the Decree 57; focus group discussion and formal questionnaires with entrepreneurs/business people engaged in the agricultural sector; policy foresight workshop and policy evaluation training workshop.

Key findings from these methodological approaches are:

- Price volatility and mismatch between market demand and supply are identified as major challenges in investing and doing business in agriculture.
- There exist weak linkages within the supply chains that often leads to dishonouring contracts.
- Investments in agriculture are viewed as very risky, probably riskier than investments in other sectors. The risk is composed of production risk, price risk and investment risk.
- Land fragmentation, which has been a long-term problem in Vietnam, is identified as one of the key impediments to increased investment and business activity in agriculture.
- There is a lack of physical and social infrastructure along the agricultural supply chains, and in rural areas more broadly, which reduces the attractiveness of investing in rural areas.
- Administrative, implementation and regulatory procedures to access government support programs, such as Decree 57, are still burdensome, and are hindering investment in the sector.

The effectiveness of the Decree 57 was evaluated based on these findings. Overall, it was found that the Decree 57 in general offers substantial investment support to enterprises in the short run. The Decree offers support under several categories specified in the Articles of the Decree. Enterprises whose projects qualify for multiple categories of support will receive multiple support benefits. The private sector has a generally positive perception of the Decree.

On the other hand, several shortcomings were also identified. These include:

- While the Decree offers some support for reduction of levy on rental land, it does not fundamentally address the problem of land fragmentation and existing complexities around land use rights, which are key questions when it comes to investment in agriculture;
- While the Decree offers support in terms of lowering the effective interest rates paid on loans raised for agricultural investment, it does not address the problem of access to credit. It is very likely that many investment opportunities created by small and upcoming enterprises do not proceed due to inability to access credit or qualify for bank loans. Therefore, lowering the effective interest rate on loans is more likely to benefit established businesses who already enjoy adequate access to credit.
- The payments under the Decree are ‘post-investment’, which demands up-front investment from private enterprises who are reimbursed later on. This creates heavy financial burden, especially on smaller and upcoming enterprises who might not have means to provide up-front investment and thus might forego investment opportunities.
- While the Decree offers support for technical education and training, it does not specify support for training in agribusiness and entrepreneurship, which are critical skills lacking in rural areas of Vietnam.

Consequently, the following policy recommendations are proposed:

- 1) Proposed improvements to Decree 57:
  - More staged disbursement of support payments: it should be considered that payments under Decree 57 are disbursed throughout different stages of a project’s life, rather than the currently proposed two stages (70% + 30%). This will reduce the financial burden for enterprises and encourage more investments, ease the burden of access to credit, and smooth out the government budget outlays over time.
  - Training and guidance on the Decree’s content and procedures should be provided regularly to the provincial officials in order to improve their understanding of the Decree 57. This will reduce the turnaround time in the application process and allow provinces to give priorities to projects targeting their broader economic and social goals.

- Consideration should be given to the possibility of providing support for an online digital platform facilitating land rentals. This will significantly reduce transaction costs in the land rental market.
  - Provide support for training in agribusiness and entrepreneurship in agriculture.
- 2) Conduct ex-post evaluation of the Decree 57 in medium term: Continual monitoring of Decree 57's progress at the provincial level, in addition to the collection of relevant data in order to establish a baseline and isolate the effects of Decree 57 in a few years, is strongly recommended. Clear objectives and quantifiable targets should be set, against which the effectiveness of Decree 57 can be measured in comparison to the established baseline. The mid-term review on the effectiveness of Decree 57 should also consider the effects of the policy mix affecting the agricultural sector.
- 3) Long-term policy avenues
- Create an overall more favourable business environment in the rural areas of Vietnam: future policy efforts should focus on strengthening the role of market and private enterprises, which will require broader changes to legislation, regulation and even culture. Policy goals should emphasize improving property rights, reinforcement of legal protection of market participants, and greater investments in public infrastructure and education.
  - Re-orientate agricultural policies: Future agricultural policy design should create a 'level playing field' among various crops and agricultural activities by acknowledging market trends and developments and avoid "picking winners" ahead of the private sector.
  - Greater public investments in physical and social infrastructure: it is recommended the Government increase public investment in the crucial areas of transportation, healthcare and education, particularly in rural, agricultural and disadvantaged areas.
  - Incorporation of explicit evaluation points and sunset clauses for agricultural support programs, in order to avoid putting the agricultural sector at cost disadvantage due to program-induced asset appreciation.

### 3 Introduction

Since its transition from a centrally-planned economy towards a “socialist-oriented” market economy in 1986 (otherwise known as the “Doi Moi” reform), Vietnam has undergone significant structural changes which has placed the country on the path of gradual integration into the global trading system. The economy as a whole has been growing at an annualised average of 6.7%. Manufacturing and services have been growing at 8% and 7.4% respectively in 2017. Agriculture however has experienced a much slower pace of growth, at 2.9% in 2017 (*Results of the 2017 Economic Census*, 2018).

The evolution of agricultural production in Vietnam has undergone significant policy and directional changes in the period following independence in 1945, and reunification in 1975. The newly established government of the Democratic Republic of Vietnam in 1945 implemented major land reforms, including the nationalisation of agricultural land previously held by French and Vietnamese landlords and redistribution to landless farmers and peasants (Hung and Duong, 2017). Agricultural production in northern Vietnam was managed through a system of collectivisation from 1958-1960 followed by “high-level” co-operatives through to the 1980s. The southern agricultural region followed a different path of development since 1956, with the municipal government placing emphasis on rent control and “land-ownership ceiling program” (Pingali and Xuan, 1992). Subsequent national reforms in agriculture include “output contracts” policy in 1981, the economy-wide reorientation “Doi Moi” policy in 1986 and “Khoan 10” in 1988 which recognised agricultural households as the unit of production and granted them the rights to market their outputs. The Land Law implemented in 1993 further granted households and individuals land-use rights that can be traded or leased, including agricultural land (Hung and Duong, 2017).

While aggregate agricultural output has soared since the implementation of these reforms, total factor productivity and efficiency of the sector have lagged behind compared to its regional peers (World Bank, 2016). Most agricultural products in Vietnam are traded as low-value commodities, with no visible branding or product differentiation even within the domestic market. The majority of agricultural producers are still organised as smallholders, largely producing food for household consumption and having their surpluses marketed. The sector lacks business activity, and investments from the private sector seen elsewhere in the economy - particularly in manufacturing and services - have not been present in agriculture. Low level of investments and factor productivity also mean that the majority of agricultural growth has come from more intensive inputs use, with detrimental effects on the environment (World Bank, 2016).

Recognising the challenges facing agriculture, the Vietnamese government has introduced a series of regulatory incentives aimed at promoting private investments in agriculture, greater commercialization of agriculture as well as rural infrastructure development. Decrees 147, 38, 210



and most recently, Decree 57 implemented in 2018 put forward several investment incentives and mechanisms aimed at increasing the engagement of the private sector in agriculture, along with supporting agri-business enterprise development. The incentives and mechanisms under the Decree 57 include: investment subsidies, reduced land and water surface rents, preferential interest rates, marketing and training, to name a few (translated text of the Decree 57 is provided in Appendix V of this report). The government has however expressed concerns that these regulatory measures have not resulted in desirable outcomes. Agricultural businesses and enterprises still only make up about 1% of total registered enterprises in Vietnam, producing about 7% of agricultural output (Enterprises Statistics, 2017). Several key issues affecting agricultural investments were identified, with access to credit, land consolidation and ownership, human capital and technological adoption being the major concerns.

Decree 57 was promulgated in 2018 and was preceded by Decree 210/2013/ND-CP, both of which aim to promote greater investments and business activities in the agricultural sector. Decree 57's main support mechanisms consist of post-investment payments (including rebates of land consolidation costs, land and water-surface rental reduction and exemption, building of processing and storage facilities, workers training, research and technological transfer subsidies), concessional and commercial interest rate differential payments, reduction and exemption of taxes, fees and charges, in addition to the simplification of administrative procedures. Its main beneficiaries are enterprises engaged in business and investment activities in agriculture, aquaculture, forestry, dairy, horticulture and salt production. New small-and-medium enterprises (SMEs) with less than 5 years of operations and enterprises joining a value-chain via purchase agreements of agricultural products also enjoy specific benefits and support under the Decree. Particular emphasis is given to investments in under-developed provinces, with the highest level of support provided to investment projects located in extremely disadvantaged areas. The central government budget is supposed to allocate at least 5% of its annual funding for "investment and development" to the provincial governments in relations to Decree 57, with the provincial governments allocating 5% of their annual budget in funding local projects that meet the specified requirements. The Ministry of Planning and Investment and the Ministry of Finance play a key role in determining the annual level of funding being provided to provincial governments, while the provincial-level Departments of Planning and Investments (DPIs) and People's Committee are responsible for the approval of investment proposals and the implementation of support items. A notable feature of Decree 57 is it provides post-investment support, so that 70% of the approved payments are disbursed once an investment item has been completed and accepted, with the remaining 30% being disbursed when the investment project is fully operational. The subsequent sections detail the methodological approaches utilised in analysing the effectiveness of Decree 57.

This project is designed to complement the activities that the Ministry of Planning and Investment will be undertaking in reviewing the relevant agricultural policies and in proposing changes to those policies. The aim of the project was to determine policy directions and changes that would facilitate more robust business activity in the agricultural sector in Vietnam and increased investment in agriculture by the private sector, over the longer-term. A well-structured and targeted set of policies is an essential prerequisite for attracting private enterprises to more meaningfully engage with the agricultural sector. The project had the following objectives:

1. To evaluate the Decree No 57/2018/ND-CP entitled “Incentive policies for enterprise investing in agriculture and rural areas”, including its predecessor policies, and other relevant and related policies for increasing investment and business activity in the agricultural sector;
2. To determine the operational effectiveness and appropriateness of the existing set of policies with a focus on policy implementation ability, including enforcement and monitoring;
3. To identify the incentives provided and any misalignment between the policy design and the expectations and behavioural criteria that are determining the response of the business sector to these policies;
4. To provide the required evidence for modification of the existing set of policies or to propose changes in policy or new policies that will improve the current policy portfolio for increasing investment and business activity in the agricultural sector in Vietnam; and
5. To build capacity in evidence-based agricultural policy analysis in Vietnam.

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## 4 Literature Review

This section presents the review of the existing work presented in the scholarly literature concerning government policies in promoting investment in agriculture, as well as surveying similar policies in other countries and drawing on their experience. This involved an examination of the existing scholarly work on promoting greater investment in agriculture, the empirical research regarding the evolution of agricultural policy in Vietnam, as well as studies documenting the experiences of other countries in pursuing the same goal. The search on scholarly work was conducted using the University of Sydney library databases which resulted in the identification of approximately 40 relevant journal articles, books, reports and official government statistics. The review proceeds as follows: sub-section 4.1 looks at the process of agricultural commercialisation as the necessary pre-condition for promoting private investment in agriculture. Sub-section 4.2 defines the major drivers for greater commercialisation in agriculture, while sub-section 4.3 discusses the factors facilitating investments and agricultural policy response. Section 4.4 summarises the experiences of other countries in pursuing similar agricultural investment policy reforms and lessons that could be learned from them. Section 4.5 offers a summary of the review.

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### 4.1 The commercialisation of agriculture

The process of commercialisation of agriculture can be characterised as the transition from subsistence and surplus farming system – where production choices are largely determined by individual producers concerned with securing their household’s food supply with their surpluses being marketed – towards a completely market-based commercial agriculture system, where production and investment choices are made entirely on the motivation of profitability. Pingali and Rosegrant (1995) developed an analytical framework of agricultural commercialisation based on the model of comprehensive market-based activities throughout the production process – from the increasing scale of farming, strategic crop choices and rotation, to the predominant use of hired labour and traded inputs instead of household-generated/supplied ones, as well as the development of processing facilities and transportation to markets. This process creates a system or network of input producers, farmers and marketers operating as agri-businesses, and involves entrepreneurs that are very responsive to market trends. Several studies have expanded this framework both theoretically and empirically. Timmer (1997) examined the process of agricultural adjustment moving towards a commercial system and the associated risk and adaption strategy during the transition period. Agricultural policy, he argued, should achieve the ultimate goal of providing those working in the sector a level of income comparable to other industries, which can then decelerate the rate of urban migration. The role of government in this process, is to assist producers

in mitigating the risks involved in this transition, via policy measures such as price stabilization programs and versatile skills training.

In relation to measuring the level of commercialisation in agriculture, von Braun and Kennedy (1994) proposed three different methods: marketed input and output ratio relative to the total value of agricultural production, the value of purchased goods and services ratio relative to total household income, and the total value of goods and services purchased by cash relative to total household income. These indices measure the degree at which agricultural producers are integrated into the market economy, as opposed to other non-cash or payment-in-kind systems. Bernard et al. (2007) developed similar indices, measuring the level of specialisation in agricultural production and thus the ability of producers to leverage on their comparative advantage, producing what they are best at. Agricultural products are categorised in the literature as either bulk staple commodities (such as rice, maize, cereal, etc.) or high-value cash crops (such as vegetables, fragrant rice varieties, etc.) and meat products (Pingali and Rosegrant, 1995). The production decisions regarding crop choices can lead to competition for scarce farm resources, with producers often opting to produce staple crops for household consumption instead of the higher-return cash crops, especially under the impact of imperfect market information (de Janvry et al. 1991). Greater production efficiency and better access to markets gained from increasing specialisation and commercialisation will encourage producers to undertake strategic decisions concerning investment, production and marketing of their products in the medium to longer term. The next two sections look at the dynamics of this process, the facilitating factors and policy implications.

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## **4.2 Drivers influencing the transition to commercial agriculture**

Pingali and Rosegrant (1995) identified economic growth and demographic changes as the major forces driving the shift towards greater commercialisation of agriculture. As economies grow, rising income level and better off-farm employment opportunities drive up the labour cost of agriculture. This is paralleled with increasing opportunity cost of family labour, hence making fragmented smallholder production economically unviable. At the same time, the positive shift in food demand and consumption patterns of the growing middle-class increases the demand for food products, rendering small-scale production that lacks economies of scale completely inadequate. This process is irreversible as these economic forces are exogenous to the sector's internal adjustment (von Braun and Kennedy, 1994). As such, they will eventually lead to greater commercialisation, economies-of-scale agricultural production and technological adoption, subject to the existence of appropriate physical, market and social infrastructures to facilitate such processes.

This view is consistent with the experience of Vietnamese producers since the implementation of Doi Moi reforms. Structural changes such as market liberalisation, support for private enterprises and industrialisation of the economy provide significant employment opportunities outside the agricultural sector. Better economic opportunities and job prospects in the industrial zones across the country have resulted in large number of urban migrations out of rural and agricultural areas (Coxhead et al. 2015). The cities of Hanoi and Ho Chi Minh City now account for a majority of economic activities in Vietnam. Wages and income have steadily risen in the decades after reforms (Gore, 2017). Without further advancement in technological progress and rising wages, Vietnam's model of smallholder production and its competitive advantage of low-value commodities exports are unsustainable in the long run (World Bank, 2016). Furthermore, Vietnam's integration into the global trading system – via its entry into the WTO in 2007 and its successive trade agreements – has dismantled trade barriers and exposed agricultural producers to commercial competition from foreign producers, even within the domestic market (World Bank, 2016). Food safety and product origin have also become a major concern. These challenges exacerbate the need for greater reform of the sector.

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### 4.3 Factors facilitating commercialisation and investment

A common theme in the literature has been the emphasis on the promotion of market-oriented behaviours among producers, in addition to the importance of institutional, physical, market and social infrastructures facilitating and supporting such behaviours. As a result, it makes an important distinction between government *leading* the development of the sector and the government *facilitating* such development. In this view, governments should engage in sectoral capacity-building via public investments and policies - such as the establishment of well-functioning markets, secure and tradable property rights, the elimination of market distortions, policies promoting market-participation of producers, the construction of well-connected transportation and communication infrastructures - and leave the industry-specific investment choices to the private sector. In doing so, governments can avoid “picking the winner” ahead of the private sector and ensure resources are efficiently allocated (Pingali and Rosegrant, 1995). This places the emphasis on creating *market* incentives such as greater support for entrepreneurial development, favourable business environments and human capital growth, rather than *monetary* incentives such as subsidies. This view is supported throughout the literature, with several studies expanding this concept, such as Gow and Swinnen (1998), Swinnen et al. (2000), Fenske (2011) and OECD (2014). The next few sections look at some of the specific factors, and their policy implications.

a. Promoting entrepreneurial behaviours among agricultural producers:

A number of studies have focused on the promotion of farm-based entrepreneurship and market-oriented behaviours among agricultural producers. A crucial study by Alsos et al. (2003) examined the different motivations of farmers in starting a business, using survey data from Norwegian farm households. The study classifies farmers into three different categories based on their lifestyle choices, their goals in starting a business and their relations to the farms: a) the pluriactive farmers who have a strong affiliation to the land and the farm lifestyle; hence they generate business activities in order to supplement incomes from farming and to sustain their farm lifestyle (Efstratoglou-Todoulou, 1990). As such, the pluriactive business activities undertaken are relatively small and often closely related to the primary farming activities. b) the resource-exploiting entrepreneurs who leverage on their existing unique resources to generate substantial additional incomes (Greene et al. 1999), which could be related to their main farming tasks. c) the portfolio entrepreneurs who exhibit the strongest market-based approach to starting a business. These entrepreneurs start a business in order to exploit a commercial idea and thus are very responsive to changing business opportunities. These ideas can come from the perception of a market imperfection which the idea attempts to address (Hattwick, 1979), or an effort to create product “uniqueness”, such as product differentiation, marketing and design. They tend to have a weaker connection to the farm lifestyle and are willing to shift resources away from farming if necessary. They are also more willing to take risks and invest more heavily in their business ventures, which may not be related to farming at all. The critical result from this heterogeneity of behaviour from a policy perspective would be the differential effects on the level of business activities and investment generated by farm households, were a broad policy be implemented without accounting for this heterogeneity (Alsos et al., 2003).

Building further on this concept, a study by Abafita et al. (2016) discusses the distinction between market-orientation and market-participation and examined whether greater degree of market-orientation translates into market-participation, using a sample of farmers in Ethiopia. Market-orientation is defined as the production and marketing choices that are based on market signals such as prices and demand, rather than household consumption. Market-participation in this study is then defined as a function of household characteristics, access to transportation and ownership of transport equipment, access to extension services and credit, and the value of production. The findings from this study show that the degree of market-orientation strongly influences market-participation by producers, in terms of the proportion of output being marketed. Ownership of transport equipment and better access to roads are found to significantly reduce marketing cost – similar to the results by Key et al. (2000) and Pender et al. (2001) – thereby boosting market-participation. Higher level of crop production was also found to encourage greater marketed outputs. Consequently, policies should aim at improving household production capacity and economies of scale, such as land consolidation and mechanization. Other factors such as land size,

access to credit and extension services also have a substantial impact on increasing market-participation. Similar results were obtained by Omiti et al. (2009) who studied the factors influencing agricultural producers' engagement in commercial activities in Kenya. They found that proximity to urban markets greatly influences the intensity of market-participation, with farmers in "peri-urban" areas selling a higher proportion of their output compared to those living in more remote areas. Better access to market information and prices also plays a critical role in encouraging commercial production and investment in high-value commodities and crops. The study thus stresses the importance of developing and maintaining rural transport infrastructure, along with building an efficient market information delivery system. Unless the benefits of such infrastructure can be exclusively accrued to a single producer, it is likely that investment in this area will need to come from public investment rather than the private sector.

b. The establishment of well-functioning markets and tradable rights

As the agricultural sector seeks to increase commercialisation and attract investments from the private sector, strengthening property rights as well as the establishment of efficient markets for the purpose of trading these rights can drastically improve sectoral response to policy signals and changes. Secured rights that can be traded in a relatively frictionless way will increase the incentives for producers and investors to invest, as the return on such investments and benefits can securely flow to investors.

Of particular importance and focus in the context of agricultural investment is land ownership. Land is arguably the most important factor of production in agriculture, yet land reform has also been one of the most contentious issues globally. Secured land rights strengthen the incentives for both smallholder and larger producers to invest in various value-creating projects, from land consolidation purchases to improvement of existing landholdings, as well as to investment in new technologies and mechanization (Barrows and Roth, 1990). These investments in turn increase total factor productivity and generate better returns through the development of economies of scale (Lawry et al., 2017). Besley (1995) proposed three frameworks in which secured land rights impact investment incentives: "security of tenure, using land as collateral, and obtaining gains from trade". Interestingly, the same study uses empirical data from Ghana to determine whether the relationship between land rights and investments is endogenous, in which farmers undertaking investments in order to strengthen their land rights. Inefficient or unsecured land rights on the other hand prove costly in terms of efficiency, as restrictive land rights and transfers traps resources in inefficient uses (Deininger and Ali, 2008). Similarly, Kompas et al. (2012) showed that larger paddy plots in Vietnam with secured land-use rights have better irrigation, higher quality soil and higher total factor productivity.

The duration of land tenure likewise features extensively in the literature in regards to its effects on investment in agriculture. Binswanger (1989) showed that aggregate agricultural outputs can take a

much longer time to respond to policy incentives (between 10 to 20 years), even if the responses of individual crops are high. This is due to the fact that agricultural factors of production (land, capital and labour) remain relatively fixed in the short-run. Farmers can respond to individual crops price incentives by shifting resources to the particular crops in the short-run, but *aggregate* output will not increase without additional resources or changes in technology. Growth in agricultural output therefore will need to come from greater investments in technology, land acquisitions or increased use of inputs. And since agricultural investments take much longer to realise a return while requiring high capital expenditure, the duration and security of land rights is a critical factor. Li et al. (1998) found that longer period of land tenure induces more land-saving investments in China. Likewise, Gebremedhin and Swinton (2003) found that stable and longer land tenure encourages investment in the construction of stone terraces in northern Ethiopia – a more costly and durable method of soil conservation. Deininger and Jin (2006) obtained similar results looking at other land-related investments in Ethiopia.

Such findings are consistent with the difficulties facing Vietnamese agricultural producers. One issue identified by Hung et al. (2007) in regard to agricultural investments was land fragmentation and the duration of tenure. The 1993 Land Law stipulated that the Vietnamese State (the People) remains the lawful owner of land, however the land can be leased to individuals and corporations who then can use, sell, mortgage, transfer the land of which they hold via the transfer of the Land Use Certificate (LUCs), colloquially known as the ‘Red Book’. Land designated for agricultural use had a lease period of 20 years for annual crops and 50 years for perennial crops (Markussen, 2016). Recent changes made to the Land Law in 2013 extended the lease period to 50 years for all categories of land. This still proves to be problematic as 50 years are considered to be one to two agricultural cycles, which may not be enough for producers to recoup the initial investment.

The administrative process of land-use rights transfer and land-use conversion is perceived as complicated and sometimes very costly for small farmers (Kompas et al. 2012). The process of certification itself has been inadequate, with only 76% of agricultural land having been granted LUCs (World Bank, 2009). In addition to hindering investment incentives, this also creates problems accessing credit for farmers, since the LUCs are often treated as bank loan collaterals. Further adding to the issue, some plots also have crop choice restrictions in place, which limits the ability of producers to respond to market signals or diversify risks (Markussen, 2016). Kompas et al. (2012) looked at the total factor productivity (TFP) in all of the rice-producing provinces in Vietnam and found the Red River Delta and the Mekong River Delta to have considerably higher TFP, due to their geographical and topographical advantages. Restricting crop choices with an over-emphasis on rice at the expense of other high-value cash crops thus render agricultural production in provinces other than these two deltas inefficient and costly in the long run. Similarly, a study looking at soil conservation adoption in the northern uplands of Vietnam found that the perceived threat of land reallocation by the local government, even when households are in



possession of LUCs discouraged them from adopting soil conservation technologies (Saint-Macary et al. 2010).

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#### **4.4. Evidence from other countries**

Several studies report on the experiences of other countries in designing and implementing policies aimed at improving investment and entrepreneurship in agriculture. Manyong et al., (2004) documented the experience of Nigeria's agricultural policy in attracting private investment into the sector. Over the study period, Nigeria's agricultural policies had shifted from a relatively laissez-faire economic attitude (minimum government intervention) before the 1970s towards an almost maximum interventionist approach from the Federal Government after the 1980s, due to falling crop exports and several bouts of food shortages. Boosted by income from the oil boom, the Nigerian government invested heavily in agricultural policies, projects and institutions, such as input price subsidy, commodity marketing and pricing, establishment of national commodity boards, irrigation development, agricultural research and extension, to name just a few. Similar to Vietnam, the Land Use Decree in 1978 stipulated that agricultural land use rights were to be granted by local government councils. The fiscal policy at the time allowed for "accelerated depreciation on agricultural capital investments" and tax relief for newly incorporated agricultural enterprises. Monetary policies were also deployed to support the sector, with the imposition of a minimum percentage of commercial and investment bank loans reserved for agriculture. However, the contradicting policies of cheap food imports and an overvalued currency rendered local food production uncompetitive. Production fell as a result. The constraints to agricultural investments identified in this period were the conflicting policies of agricultural promotion and cheap food imports, in addition to frequent policy changes and ineffective implementation. Subsequent periods of economic and political instability again saw Nigeria undergoing structural adjustments aimed at "diversifying the industrial base", which included the removal of market distortions, strengthening property rights as well as devaluation of the currency. A new agricultural policy adopted in 2001 carried much of the features in the old ones but was better formulated in its objective of food security and smallholders' wellbeing. An important feature of previous governmental interventions was the state-led investments in "large-scale commercial enterprises" (such as fertilizers), similar to state-owned enterprises (SOEs) in Vietnam. Rather than providing complementary and support services to the private sector such as infrastructure, human capital or utilities, these enterprises indirectly engaged in competition with private producers, who were not prepared to compete with the public-enterprises' vast resources and network (Iwayemi, 1995) which proved disincentivising for private investments. The level of investments in Nigeria in general and the agricultural sector specifically in this period exhibited large volatility, though it is hard to separate the effect of political instability from policy effectiveness. Other constraints such as the lack of technical skills,

as well as business and managerial skills, financial and infrastructure constraints were found to have also adversely affected investments.

Chaddad and Jank (2006) summarised the experience of Brazil in transforming its agricultural sector, from the unproductive sector based on large landholdings (latifundios) to one of its most dynamic sectors, with Brazil now having the third largest agri-food exports – only behind the European Union and the US. Its agricultural policy goals have evolved from safeguarding food security in the 1980s to deregulation and liberalisation in the 1990s, land reforms and promotion of family farming in the 2000s, to the current agenda of food competitiveness and environmental sustainability. Clearly defined policy goals, well-formulated and complementary policies as well as relative macroeconomic stability were credited as the factors in Brazil's success. Agricultural research and lending to agriculture received favourable support from the government, resulting in an annual total factor productivity growth rate of 3.3% between 1975-2002. Significant reduction in government intervention between 1985-1995 also encouraged private investments into the sector, particularly foreign direct investments.

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#### **4.5 Summary of the literature**

The transition from surplus farming towards a commercial system is an agricultural development process observed across economies, driven largely as a result of demographic changes, economic growth and technological advancements. The shift towards profit driven production in agriculture promises not only to foster improvements in income and livelihoods for farmers, but also the sustainability of the sector and the environment by allocating resources to their most efficient use. The literature emphasizes the role of government in this transition period, with many findings emphasising that the best approach that government can take is not by leading the sector but by facilitating a favourable business environment where enterprises can thrive. This includes a range of factors from public investments in infrastructure and human capital, to the establishment of well-function social institutions such as secured property rights, as well as the promotion of entrepreneurial behaviour in agriculture via training and development. Recent experiences from other countries suggest that agricultural investment policies should be well-formulated and complementary in its objectives rather than solving problems in isolation, often leading to conflicting policy goals. Governments should also refrain from engaging in costly interventions that may prove distortive and counterproductive to efficiency.

The reviewed literature can offer some important implications for the further development of policies that promote investment and entrepreneurships in agriculture in Vietnam. Key messages that can be learned from the literature are:

- The transition from semi-commercial agriculture towards a fully commercial agricultural sector is a process that is influenced by many factors;

- Government could do best by designing and implementing policies that facilitate this process, rather than policies that attempt to direct the process explicitly;
- Policies that create a favourable business environment seem to work more effectively and produce long lasting positive effects, as opposed to policies that rely on pure monetary incentives, which are very costly and often exacerbate the fiscal position of the implementing country.
- Implemented policies should have measurable goals against defined policy objectives.
- There are significant spill-over effects from other legislation that might affect the agricultural sector.
- Property rights, such as land tenure and security, are key for strong private investment in agriculture and for developing entrepreneurship in the sector.

## 5 Methodology

The project aimed to evaluate the effectiveness of Decree 57 using several methodological approaches. Firstly, we endeavoured to determine the intention behind the formulation of Decree 57 and what the government was trying to achieve, by holding preliminary meetings with the relevant ministries responsible for the drafting of Decree 57. With these objectives in mind, we then conducted a scholarly literature review of the theoretical and empirical research on promoting investments and business activity in agriculture; previous policies that shaped the landscape of Vietnam's agriculture today, and the experiences of other countries pursuing similar goals (Section 4). Workshops with the representatives from the agri-business community and the provincial officials responsible for Decree 57's implementation were then held, for the purpose of identifying the issues in attracting investment in agriculture and examining the business community's assessment of Decree 57 and the provincial officials' views on Decree 57's implementation procedure. In this process, the common themes that emerged from across the various activities are contrasted against the design of Decree 57 in order to determine whether Decree 57 can effectively address the challenges faced by agricultural enterprises, and to identify areas for possible improvement.

Once a draft policy evaluation document for Decree 57 was produced, we conducted a policy foresight workshop, where representatives from key ministries and other government and non-government institutions were informed about key project findings. In turn, they provided feedback and suggestions for further work. In order to strengthen the capacity in Vietnam to conduct policy evaluation studies, a one-day training workshop was held at the Vietnam National University of Agriculture, with around seventy participants from Universities, research institutions, and government agencies

### 5.1 Initial meetings and discussions with the relevant institutions

In August 2018, the project team organised meetings with representatives from the key ministries and research organisations involved in the preparation of Decree 57. This included the Ministry of Planning and Investments (MPI), Ministry of Finance (MOF), Ministry of Agriculture and Rural Development (MARD), Ministry of Natural Resources and Environment (MNRE), the Central Institute for Economic Management (CIEM), and the Institute for Policy and Strategy for Agriculture and Rural Development (IPSARD). The purpose of these meetings was to form an understanding of the government's aims and policy goals in formulating Decree 57. The meetings were structured around pre-determined discussion points relevant to the ministries or research organisation visited. Detailed notes and minutes were taken during the meetings and transcribed into a written document. The document is provided in Appendix I of this report. These notes were

then analysed for various trends and views from the government representatives in order to understand the intentions behind Decree 57.

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## **5.2 Workshop with policy implementation officials and business representatives**

In February 2019, the project team organised a separate workshop with representatives from the provincial DPIs who are responsible for implementing Decree 57 at the local level. Representatives from more than ten provinces were present. A separate workshop was organised for about 30 representatives from the agri-business community who stand to benefit from Decree 57. The workshops were run in the format of focused group discussions (FGD). Six questions were designed to guide the discussion, which were distributed to the participants prior to the workshop. Each question was followed by more detailed discussion from individual participants, with all participants recording their responses to the questions using separate paper cards provided. In addition, key points raised throughout the discussions were recorded on the white board. At the end of each workshop, questionnaires regarding participant assessment of Decree 57 were distributed. The results from the responses to the FGD and responses to the questionnaire were then collated, graphed and analysed (the prepared document is provided as an Appendix II to this report) to form an assessment of the local administration representatives and business community's perception of Decree 57, its benefits and shortcomings in addition to the status of its implementation.

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## **5.3 Policy foresight workshop**

In June 2019, a policy foresight workshop was organised, with a purpose to present the preliminary project findings to relevant stakeholders in Vietnam, and to seek feedback and suggestions on the draft Policy Evaluation Document produced based on the project findings. Representatives from key ministries, research institutes, and non-government organisations were present at the workshop.

The workshop was conducted by first presenting the key project findings, and then inviting and moderating discussions from participants. A document summarising the discussion points in provided in Appendix III of this report. The discussion session was very lively and productive, with several key suggestions provided by the discussants. These suggestions were incorporated in the final Policy Evaluation Document which was delivered to the MPI as per the planned output.

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## **5.4 Policy evaluation training**

In June 2019, a Policy Evaluation Training Workshop was held at the Vietnam National University of Agriculture. The training workshop was attended by over seventy researchers from several universities, research institutes and government agencies. The workshop consisted of five presentations (two by Australian researchers and three by Vietnamese researchers). The presentations focused on the theory and practice of policy evaluation, with individual presentations providing examples of empirical policy evaluation studies conducted in Vietnam, Australia and

elsewhere. Individual presentations were followed by discussion sessions, where participants engaged in discussion with presenters. The workshop was wrapped up with a session where the five presenters formed a panel and participants posed questions that were discussed by the panel. Participant feedback on the training workshop is summarised in Appendix IV of this report.

## 6 Key Project Findings

### 6.1 Findings from the methodological approaches

There is strong consistency between the responses recorded for private enterprises and policy implementation officials, reflecting a broad consensus and mutual understanding of the current challenges. These findings also correspond to the common themes identified in the existing scholarly literature, and those that emerged from the discussions conducted with Ministries, Institutes and Government departments. These common themes are discussed below.

**Price volatility was recognised as a major challenge in investing and doing business in agriculture by the largest proportion of private-sector respondents surveyed.** While price fluctuation is considered a common feature in commodity output markets due to low degree of product differentiation and inelastic demand (Moschini & Hennessy, 2001), Vietnam currently has limited mechanisms in place to mitigate price volatility (Dinh & Tran, 2016). Price-hedging instruments such as forward-pricing contracts, options and futures remain relatively poorly used in Vietnam, and especially in the agricultural sector, as they involve sophisticated information technology infrastructure, efficient trading platforms and market information delivery systems, in addition to effective legal enforcement. A recent resolution of the Vietnamese Government (Resolution No 01/NQ-CP dated 1 Jan 2019) encourages the development of a market for derivative contracts. Such development will bring Vietnam broadly in line with the price-risk management practices of other agri-industrial economies, which places greater demand on regulatory and institutional commitments to market principles, property rights protection and contractual enforcement. Similarly, insurance products such as price insurance, yield or revenue insurance offer producers the ability to insure against financial losses in the events of extreme price movement or crop failures (Kang & Mahajan, 2006). **Weak linkages within the supply chains** could nevertheless hinder the effective operation of managing price volatility. Farmers are found to often breach their supply contracts with agri-processing enterprises and instead sell to third-party direct buyers, who can offer higher prices at certain times. Again, this reflects a lack of adequate legal protection and contractual enforcement between market participants.

**The problem of limited consumer markets**, which was strongly voiced by business representatives, originates from the broader problem of liberalising agricultural markets and promoting entrepreneurial behaviours among producers. Vietnam's food imports and exports figures suggest that the problem does not seem to be a lack of demand, but rather a mismatch between supply and demand. Shifting demographics and changing consumer preferences such as the dietary shift from carbohydrate staples to protein-rich animal products require agricultural producers to be well-positioned to respond to market trends and price signals (Pingali & Rosegrant, 1995). Moreover, the state-directed over-concentration of resources on certain commodities inhibits

the ability of producers to exploit new opportunities and transition to higher value agricultural products. The disconnect between demand and supply appears to also exist in export markets. In recent years, Vietnamese cuisine has gained international recognition and popularity, thanks to its large overseas diaspora and a growing tourism industry; yet no recognisable Vietnamese food and beverage brands exist abroad. The initial discussion with the relevant ministries highlighted the lack of product differentiation and national brand building as a major policy challenge. In particular, this entails coordinated regulatory efforts in production standards and certification, geographical classification of key agricultural products, marketing and legal protection of national brands and trademarks.

**Investments in agriculture are viewed as high-risk ventures.** This view was echoed by the business community in their workshop responses as well as in discussions with representative from ministries. While risk is a fundamental feature of investment decisions in uncertain commercial settings, certain risks are uniquely significant to agricultural producers (Moschini and Hennessy, 2001). **Production risk** refers to the significant difference between the expected quantity of output and the actual quantity produced. Uncontrollable factors such as weather, changes in climatic conditions and crops/livestock diseases contribute to such uncertainty. Advances in smart farming technology such as precision irrigation, climate control and pest and disease management can significantly reduce production risks, however, they require substantial investments in technological research, commercialisation and adoption (OECD, 2014). **Price risks** refer to substantial difference between expected prices at the time of production and actual prices that materialise when aggregate supply enters the market. Production planning and investment decisions are made based on expected prices, which are typically estimated based on past prices yet might deviate considerably from the spot prices, with the lower end of the price spectrum severely affecting producers' earnings. The longer production lags intrinsic to livestock and some perennial crops further exacerbate this problem. Lastly, **investment risks** were described by enterprises as the large up-front capital required when investing in large-scale agricultural projects – such as land consolidation, purchases of machinery and equipment, and the construction of processing plants – in addition to long investment recovery period. Furthermore, the uncertainty regarding the regulatory and business environment discourages enterprises from undertaking costly but potentially profitable ventures. For example, raw material zones planning requires large capital investment and long production cycle, however, the short-term and inflexible policy regarding agricultural land-use increases long-term financial risks and reduces the commercial attractiveness of such projects.

**Land fragmentation** constitutes another significant barrier to investment in agriculture. Private-sector respondents expressed their concerns in finding suitable land for a variety of purposes, ranging from raw material cultivation zones, processing and production zones to commercial real estate. The lack of secured land-rights and fragmented agricultural-land ownership as a result of



past land reforms means that efforts to consolidate land have been slow and very costly to businesses. This process typically involves negotiation with tens, or even hundreds of farming households with scattered plots, some of which have unresolved legal disputes. The administrative procedures relating to land leasing and transfer are complex and time-consuming. Determining the land compensation price is another contentious issue that lacks transparency, with the official rate set by the provincial government often being in large disparity with the market rate. This creates serious social conflict and is one of the main factors hindering the process of land consolidation. Without further progress on land consolidation, fragmented plots continue to restrict planning and organising production areas as well as utilisation of modern machinery, which results in low land-use efficiency and high production costs. The lack of certified land-ownership in the form of land-use certificates (LUCs) also leads to difficulties in accessing credit and financing, since LUCs are often used as collateral for bank loans. Small and medium-sized enterprises are particularly vulnerable, as larger businesses tend to have easier access to credit due to their ability to provide higher value collaterals (VCCI, 2018). The ministries' representatives acknowledged the issues of land-use rights and land fragmentation as major obstacles in the commercialisation process, which require not only monetary support from the government in the current periods, but also broader changes to relevant legislations such as the Land Law.

**Inadequate physical and social infrastructure** along the supply chain is imposing significant cost for enterprises to process and market their products. An example was given during project workshops: large land areas in Ha Tinh province are far away from the urban centre and lack transport infrastructure, thus raising the costs incurred by farmers in transporting their products to markets. Physical infrastructure supporting harvesting, processing and storage activities such as processing plants and industrial waste treatment are insufficient. Policy implementation officials have highlighted the increasing demand from the business community for more public investment in infrastructure. The benefits from this investment will be distributed broadly across rural and disadvantaged areas in Vietnam. Furthermore, insufficient public investment in entrepreneurial skills training has resulted in enterprises encountering difficulties in recruiting and retaining workers with the necessary business and financial skills. Small farming households also lack entrepreneurial capacity. These should not be confused with technical farming skills, but rather the ability to successfully exploit and develop a business idea, and to manage the day-to-day operation of a business, including cashflow management, marketing, product and quality management (Mcelwee, 2006). Finally, **administrative, implementation and regulatory procedures** in relation to various decrees concerning commercial enterprises, are perceived as time consuming, cumbersome and costly to businesses, which sometimes can lead to missed investment opportunities. Even though Decree 57 has dedicated a whole article (Article 16) to reduction of paperwork and administrative procedures, this problem is still highlighted in the responses to questionnaires as a concern for private enterprises and policy implementation officials. The main

issues include weak coordination between the central ministries, provincial departments and agencies in implementing the Decree, limited funding and resources as well as lack of clear policy priorities.

In general, the agri-business community has a favourable view of Decree 57 and its support mechanisms. Enterprises believe Decree 57 is well-targeted and offers encouraging investment incentives. The actual application rate is low. The following six support categories under Decree 57 received the most applications from businesses, in descending order: **credit subsidies** (Article 8), **land levy reduction** (Article 5), **research and technological transfer** (Article 9), **land/water surface rental exemption/reduction** (Article 6), **training and market development** (Article 10) and **land consolidation subsidies** (Article 7). This finding is in line with the common themes identified above, thereby emphasizing the need for investment policies to effectively address these issues. The following section looks at the main support mechanisms offered by Decree 57 and assesses their effectiveness in tackling the current challenges facing agricultural enterprises as identified by the discussed common themes. This followed by policy recommendations.

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## 6.2 Evaluation of Decree 57

In relations to the common themes identified above, Decree 57 in general offers substantial investment support to enterprises in the short run. Enterprises whose projects qualify for multiple categories of support will receive multiple support benefits. Land-related issues are given significant consideration, with Article 5, 6 and 7 specifically designed to support land consolidation efforts. **Article 5 (Exemption or reduction of land levy)** offers land levy exemption as well as land-use conversion fees exemption for agricultural investment projects involving the construction of workers housing. **Article 6 (Exemption or reduction of land rental and water surface rental payable to the Government)** provides a range of land and water-surface rentals reduction, preferential rental rates or exemption, with the level of supports varying based on geographical classification of the projects under consideration. **Article 7 (Subsidies for land consolidation)** offers subsidies for raw material zones projects requiring the consolidation of large land areas. In addition, the Government will not alter land-use planning during the lease period to avoid adverse effects on the projects' planning. These support measures will undoubtedly alleviate some of the financial pressures facing enterprises in accessing land for their projects and thus generate more investment activities. Nonetheless, they do not address the underlying problems of unsecured land rights and fragmented land-holdings. Moreover, similar to other support items offered in Decree 57, the payments are disbursed when the projects are fully operational, rather than during their planning or development phase. This will still place financial burden on certain enterprises who will need to source additional capital to commence projects.

**Article 8 (Credit subsidies)** seeks to assist enterprises in accessing credit via interest rate subsidies, with the interest differentials between the commercial bank lending rate and the

Government's concessional rate on the outstanding balance payable to enterprises. Additionally, existing land structures such as greenhouses will be considered as collaterals on commercial loan applications. These payments will also not be included in the taxable income of the recipients. While the interest differential payments will certainly ease the loan servicing burden for enterprises, it does not tackle the issue of accessing credit. Another issue discussed in relations to access to credit is the lack of clarity on the valuation of on-land structures and assets as collaterals. The main beneficiaries of this provision are likely to be enterprises and farming households already having access to credit and financing. In the long term, access to credit remains dependent on the commercial viability of investment projects, the associated risks and quality of collaterals, all of which are determined by creditors. This thus stresses the importance of developing business management skills, commercial knowledge and entrepreneurial behaviour of farmers and enterprises, in terms of their ability to successfully interact with lenders. Moreover, Article 8 does not have a provision for financing agricultural value chains, which can assist in the development of horizontal and vertical linkages among enterprises engaging in production, post-harvest processing, transportation, and marketing of agricultural products.

**Article 9 (Subsidies on research, transfer and application of hi-tech to agriculture) and Article 10 (Subsidies on personnel training and market development)** provide a number of supports for enterprises in acquiring patents, conducting production trials utilising new technologies, products or genetic materials, in addition to supporting in-house technical training, research and development. Overall, the level of support is generous and covers a wide range of research activities, such as production technologies, new animal and plants genetic materials, as well as marketing and brand-building expenses. Article 10 further specifies a provision for the subsidised development of an electronic marketplace for agricultural products (eNAM portal), with the subsidies being disbursed when there are at least 500 enterprises listing their products on the portal. The creation of an online marketplace can provide producers and buyers with more visibility on pricing and market trends, thereby delivering market information to producers more efficiently. However, the feasibility assessment of this objective is not explicitly included in Decree 57. In addition, Articles 9 and 10 do not specify provisions for training in entrepreneurship or support for innovative agricultural start-ups. Entrepreneurship skills will be essential in the current transformation of Vietnam's agriculture and will play an important role in facilitating more investments and private sector engagement in the sector.

**Article 11 (Subsidies on investment in agricultural product processing and storage facilities, slaughterhouses, manufacturing of agricultural machinery, equipment and parts, and production of auxiliary products) and Article 13 (Subsidies given to enterprises providing public services and investing in infrastructure facilities in rural areas)** seek to address the lack of inadequate infrastructure in rural areas by providing additional subsidies to projects involving

the construction of processing facilities, water supply and drainage system, collection and treatment of municipal solid waste, and social housing for workers.

**Article 14 – 20** specifies the application, approval, and funding process for enterprises as well as the responsibility of the relevant central and provincial authorities. Overall, the policy implementation officials and business representatives expressed the view that Decree 57's implementation and application procedures are cumbersome and time-consuming, taking at least 25 working days from the application submission to approval. Enterprises first submit support applications to their local provincial DPI, who considers the application and reports to the local Provincial People's Committee. If the initial proposal is approved, the Committee produces a written decision to commit funding. The proposal is then submitted to the local Department of Agriculture and Rural Development, who forms a commissioning council along with other relevant agencies to examine the proposal. The commissioning council subsequently produces the commissioning report which details the funding allocation to the project. Enterprises will finally submit funding disbursement applications to the State Treasury. There is little consultation with enterprises during the process. Furthermore, this process requires well-organized coordination between relevant departments and agencies, which according to the implementation officials, is currently lacking. Training and support in preparing applications for proposals under the Decree 57 are also insufficient. There would be benefit in assisting applicants through the application process with the possibility of revision and resubmission of projects. Alternatively, the possibility of outsourcing the application, approval, and funding process under the Decree 57 could be considered, where specialised organisations and agencies could be engaged to conduct this process on behalf of the provincial DPIs.

Overall, Decree 57 seeks to address the issue of underinvestment in agriculture by providing monetary incentives to enterprises in order to stimulate business activities in the sector. Looking beyond monetary support from the government in the long term however, there is an urgent need to develop the entrepreneurial spirit and market-oriented behaviour among producers and marketers, as well as creating a more favourable business environment. When asked whether the subsidies provided by Decree 57 would have a crucial impact on their investment decisions in agriculture in the next 2 years, 100 percent of the business respondents gave the answer "yes". While this result is a welcoming indication that the policy design is achieving desirable policy goals, it also signals a worrying trend of over-reliance on subsidies and government supports. In the long run, the tendency of over-reliance on state support not only proves costly for the state and provincial budgets, affects Vietnam's standing in the international trade community, but also compromises the efficient allocation of resources and hinders the development of entrepreneurial behaviours, such as competition, innovation, productivity and efficiency. As Vietnam continues its integration into the global economy, intensifying inter- and intra-sectoral competition will necessitate the need for

capacity-building and resilience policies that can assist agricultural producers in their response to changing market conditions as well as leveraging new opportunities.

## 7 Conclusions and Recommendations

Based on the evidence gathered through project activities, a key conclusion is that Decree 57 offers significant assistance to enterprises looking to invest in agriculture and generate business activities in the sector. Nevertheless, there are some shortcomings that might impact its effectiveness and its implementation process. To address some of these shortcomings, the following section details our recommendations in supporting Decree 57's implementation, monitoring and evaluation in the medium term as well as future directions for policies to support investment and business activity in agriculture, which the government can undertake in order to complement Decree 57 and amplify its impacts.

### 7.1. Proposed improvements to Decree 57

- a. **Disbursement of support payments.** A notable feature of Decree 57 is its post-investment payment schedule, such that 70% of the approved funding is released once an investment item has been completed and accepted, with the remaining 30% being disbursed when the project is fully operational.<sup>1</sup> Certain projects with high capital requirement could find this schedule of payment particularly risky and discouraging, especially when enterprises need to source upfront capital. It is proposed that the payment schedule be amended such that funding is released at different stages in the project's development, rather than large lump-sum payments at the end of its completion. This can be achieved through requiring enterprises to submit detailed planning proposal when applying for supports under Decree 57, with clearly set objectives and timeline. Funding can then be disbursed at the completion of each objective / milestone, which will be verified by a report submitted by the recipient. The reports should be subject to random audit to ensure integrity. Not only will this reduce the financial risks for firms and encourage more investments, but also ease the burden of access to credit, as well as smooth out the outlays from the government budget over time. The possible downside of this approach is the risk of providing funds to projects that, in one way or another, fail. This could be ameliorated by thorough monitoring throughout the project's life cycle, and by exploring the possibility of insuring risks through the indemnity insurance markets.

<sup>1</sup> There exist some possibilities for payments in several stages, where the 70% of the cost for a specific stage are reimbursed. However, these possibilities are limited to physical projects where construction can be managed in stages, and overall are of relatively little significance.

- b. Improvements in the implementation process:** the provincial DPIs and People's Committees play a crucial role in the implementation of Decree 57 due to their provision of funding at the local level. As such, training and guidance on the Decree's content and procedures should be provided regularly to the provincial officials in order to improve their understanding of Decree 57. The provinces should also be given more decision-making power in the approval process as well as greater flexibility in their interpretation of the Decree. This can reduce the turnaround time in the application process and allow provinces to give priorities to projects targeting their broader economic and social goals. In addition, further promotion of the Decree 57 is recommended, as the visibility of the Decree among the targeted business community could be further improved.
- c. Consider providing support for an online digital platform that will facilitate land rentals.** Findings from our project indicate that renting land is still very difficult for those who would like to rent land, and those who would like to lease their land. One of the problems is the lack of an easily accessible market place where the interested parties can interact. This hinders efforts in reducing land fragmentation and promoting larger investments in agriculture. Consequently, it is proposed that some support under the Decree 57 or its subsequent revisions be provided for the creation of an online agricultural land rental marketplace or application, where individuals can advertise their offers and requirements. This will significantly reduce the currently high transaction costs embedded in the process.
- d. Provide support for training in entrepreneurship in agriculture.** Commercial knowledge and entrepreneurship skills such as financial management, accounting and forecasting are increasingly becoming critical in promoting investment and business activities in agriculture, which however are currently lacking in rural Vietnam. It is proposed that supports under Decree 57 be specifically provided for training in agricultural entrepreneurship and agribusiness. This will address the shortage of skilled personnel and improve capacity building along the value chains. It is also proposed that small number of entrepreneurs who undertake such training to be supported in developing their agricultural start-up business initiatives. This recommendation is in line with the broader orientation of the Vietnamese Government, and of the Ministry of Planning and Investment specifically (Interview with the Minister of Planning and Investment, Vietnam News, Number 9921, 15 June 2019).
- e. Strengthen the political commitment in attracting businesses to invest in rural agriculture.** Vietnam's policies on all levels have shown a great determination towards

further development of agricultural and rural investment. However, prioritizing investment resources for agriculture has not been commensurate with the role and importance of the industry. One of the main reasons for the ineffectiveness of the Decree 61/2010 / ND-CP and Decree 210/2013 / ND-CP is that they did not manage to allocate funds as stated in the policies. Decree 57 has been in effect for more than a year, but no project has received central budget support (except for those previously approved projects, included in the medium-term plan 2016-2020). This creates an important challenge that may lead to reduced investor confidence.

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## 7.2 Ex-post evaluation in the medium term

Since Decree 57 has not yet been widely implemented, its effects on agricultural investments cannot be observed at present. We recommend the continual monitoring of Decree 57's progress at the provincial level, in addition to the collection of relevant data in order to isolate the effects of Decree 57 in a few years. The key is to establish a baseline that reflects the situation when Decree 57 was not in force. Without a baseline, it will be very difficult to identify and isolate Decree 57's effectiveness. Establishing the baseline will involve setting clear objectives and quantifiable targets against which the effectiveness of Decree 57 can be measured – such as the growth in number of agricultural enterprises, changes in the level of investments, growth in total factor productivity, to name just a few possible indicators – and will require closer collaboration with the General Statistics Office. The effects of Decree 57 on the state and provincial fiscal sustainability should also be given consideration, with economic efficiency and cost effectiveness assessments being conducted periodically. In addition, the effect of other related policies that affect the agricultural sector and interact with the effects of the Decree 57 should also be investigated in the mid-term review.

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## 7.3 Long-term policy avenues

- a. **Creating more favourable business environment, and further reform of administrative procedures:** future policy efforts should be directed towards strengthening the role of market and private enterprises in the economy, which will require broader changes to existing legislations such as the Land Law and SMEs law. Policy goals should emphasize the greater protection of property rights (including land-use, water rights, and intellectual property rights), reinforcement of legal protection of market participants, and greater investments in public infrastructure and education.



- b. **Strengthening quality monitoring, verification and certification of agricultural, forestry and fishery products** in order to create stronger consumer confidence, improve food safety, and to increase the brand recognition of Vietnamese agricultural products. Consequently, this will promote greater competition in quality attributes of agricultural products, as well as protecting the legitimate interests of genuine businesses and attracting more agricultural enterprises. Administrative procedures in manufacturing and processing agricultural products need to be adjusted and become further simplified.
- c. **Investigate further possibilities for reducing the tax burden on enterprises** that invest in the agricultural sector: Instead of direct payments, incentives for investment can be achieved by reducing the tax liability via tax write-offs for investment or similar mechanisms, which would reduce the administrative burden and simplify the investment process. It is also recommended that the possibility of private-public co-funding of projects - where the government matches the investment funds put up by private enterprises - be considered as a future policy option.
- d. **Re-orientate agricultural policies:** Future agricultural policy design should create a 'level playing field' among various crops and agricultural activities by acknowledging market trends and developments and avoid "picking winners". In the past, policies have focused on key commodities such as rice. However, market trends have pointed towards the increasing market share of higher value, processed and branded products. Agricultural policies therefore should be designed to accommodate private enterprises in responding to those trends. This will allow factor productivity and efficiency to be maximised and resources allocated to their most efficient use.
- c. **Greater public investments in physical and social infrastructure:** a common theme in the literature has been the emphasis on the promotion of market-oriented behaviour among producers, in addition to the importance of institutional, physical, market and social infrastructures facilitating and supporting such behaviour. With this view, we recommend the Government increase public investments in the crucial areas of transportation, healthcare and education, particularly in rural, agricultural zones and disadvantaged areas. This may be a preferred long-term policy approach as opposed to providing short-term supports, such as that under Decree 57. Rural areas should prove to be attractive for private investment, in which investors and entrepreneurs would not only obtain returns on their investment comparable to the other sectors but also find rural areas to offer amenities (health, education, transportation, communication) comparable to those in urban areas.

Without broader investment in rural areas, the trend of investment and more capable human capital flowing to urban areas is likely to continue.

- e. **The incorporation of explicit evaluation points and sunset clauses** for the program would seem to be appropriate as experience from around the world has shown that the benefits of subsidy programs gradually become capitalised into relatively fixed assets such as land. The consequence of this is to raise these assets' long-term prices and thus increase the production costs of the very products to which the subsidies were targeted. Sunset clauses can alleviate this problem and are also a way of reducing regulatory uncertainty.
- f. **Developing institutions and policies to encourage enterprises to invest in agriculture and rural areas.** The scope of Decree 57 is limited because it is bounded by the provisions of the other laws that have legal supremacy over the Decree. If the Vietnamese government intends to further pursue the goal of strengthening investment and business activity in agriculture, it is worth considering changes to the existing Laws, or to submit to the National Assembly a Law on encouraging enterprises to invest in agriculture and rural areas. This will ensure that the issue of agricultural investment receives the same level of legal significance as other matters enshrined in the existing laws. Recent initiatives made in this direction within the National Assembly are an encouraging sign.

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## 9 Appendixes

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### 9.1 Appendix I:

#### **ACIAR Project Inception Meeting and Initial Country Visit Notes**

**27 August 2018**

ACIAR Project Inception Meeting at MPI

27 August 2018

Present:

#### **Ministry of Planning and Investment**

Dr Nguyen Thanh Duong, Director

Mr Dinh Ngoc Minh, Deputy Director

Mrs Vu Hoang Yen

Mr Uong Dinh Hoang, Official, Department of Agricultural Economy

Mr Luu Ngoc Luong

Mr Cao Lam Anh

Ms Trinh Thi Huong, Head of Division, Policy & General Affairs

#### **Vietnam National University of Agriculture**

Dr Pham Bao Duong, Acting Dean, Economics

Ms Nguyen Thiem, Faculty of Agricultural Economics

Dr. Nguyen Minh Duc (PhD student of Tiho, 2016)

#### **ACIAR**

Ms Nguyen Thi Thanh An, Country Manager, ACIAR Vietnam

Mr Tran Nam Anh, Assistant Country Manager, ACIAR, Vietnam

#### ***Summary of Issues***

In relation to investment in agriculture the following areas were seen as issues:

- Credit
- Investment
- Marketing and supply chains
- Market linkages
- Fishing
- Processing
- Agricultural risk
- Transactions costs
- Land acquisition

The view was given that through new approaches the performance of agriculture could be significantly lifted. This was seen to be largely through investment of various types.

### **Decree 57**

Decree is preceded by PM decision 147, 38; Decree 61, 210.

This decree contained details on the following:

- Reductions in administrative costs
- The building of a national e-market; Marketing support
- Encourage businesses to invest in processing in rural areas.
- The socialisation of public works
- The development of research activity within enterprises
- Aimed to decrease administrative hurdles in approving projects proposal by enterprises. Cutting 'red tape'.
- Rural infrastructure Development (incl. workers housing)
- Establishing public-private partnerships: help more enterprises to approach government
- Preferential credit
- Land acquisition
- Human Resources Development
- Land approach (Exemption, reduction of land rent, land use)

In discussing the ACIAR project it was noted that the focus was on Decree 57 and should not be spread too wide. However, there may be a set of peripheral issues connected with other decrees and legislation which impact investment decisions. These might include things such as depreciation (excluding tax incentives), other conflicting or supplementing incentives.

There was discussion on the need for evidence-based policy evaluation and design. Information was provided that MPI is producing an annual report on Decree 57 in March every year.

### ***Activities and timelines***

The project is a one-year project and therefore time is short, and the project needs to be focused. An allocation of leadership responsibilities by partner Institutions (contained in a Table 1) for achieving key milestones and producing outputs was prepared.

### ***Techniques of analysis***

It was recognised that there may be many techniques of analysing Decree 57 and amongst these were:

- Surveys and focus groups for understanding the issues and data collection.
- An analysis of the incentives and support involved in the decree
- Benchmarking against other similar policies in relation to performance
- Economic modelling techniques.
- The collection of information may involve online surveys, semi-structured interviews /focus group discussions, letters and telephone contacts.

### ***Communication***

- Reports will be prepared to ACIAR, as per project description. Policy evaluation document will be also submitted to the MPI. These documents will contain our research findings and recommendations

- Policy brief: this is targeted to higher level Government officials. It will be designed to provide succinct info on our findings (couple of pages)
- Newspaper articles: MPI newsletter, ACIAR newsletter, VNUA's website, Nam Anh ACIAR- can help with this.
- Academic refereed journals (domestic and international) and conferences.

#### Discussion on approaches towards evaluating policies

- Consistency of the policy with regards to the goals of the policy
- Performance of the policy against these goals
- Examination of the factors determining performance
- Analysis of the power of the incentives within the policies
- Analysis of counteracting and supplementing incentives
- Political commitment of authorities



## **Notes from the meeting with the Enterprises Development Agency—Ministry of Planning and Investment**

Mrs Trinh Thi Huong, Head, Office for SME Assistance

The enterprise development agency has supported SME's since 2001. This support does not seem to have achieved very much in terms of growth of SMEs. Decree 90, promulgated in 2001, provided the first set of support and then Degree 56 in 2009 was preliminary to the National Assembly SME law which was effective January 1, 2018. Nationally, there are about 600,000 registered and active Enterprises and 98% of these are SMEs. They operate in all sectors of the economy including agriculture, services, trade, and industry and construction. There are three different categories of SME: micro, small and medium. Medium SMEs have less than 300 employees. Decree 39 provides definitions. Some of these are based on capital assets.

A weakness of the SMEs is that they lack qualified human resources. This is potentially an issue for the implementation of the Decree 57, as there are no developed human resources with entrepreneurial skills that could leverage the provisions under the Decree 57 and develop strong businesses in agriculture. Other identified problems are limited access to credit, limited access to land (not developed land markets), and limited information on markets.

Business associations are generally not that well organised, with some notable exceptions, such as aquaculture.

There are two parts to the SME law. These are basic support and human development. Government can provide training (say half the cost) in improving administrative capabilities and various programs in running businesses and also some technical courses. Business associations are also part of the process but they are not very strong in agriculture.

### ***SME law 2017***

This law provides:

- Basic support in relation to markets, etc
- Three focal objectives –
  - a) Support for individuals to transfer to business SMEs
  - b) Support for innovative start-ups, e.g. through tax incentives, matching funds, intellectual property development, information, special interest rates, block chain for traceability in agriculture and transparency
  - c) Support for supply chains and clusters and support for the provinces.
- Specialized taxes and accounting Method

Businesses may choose to use the Enterprise Law or Decree 57, whichever is best.

Relevant decrees that were mentioned:

1. Decree 39
2. Decree 38: start-ups
3. Decree 34: guaranteed fund for SMEs
4. Decree (not yet issued): SME development fund

Circulars on human capital development and consultancy (setting up a network for SMEs) are under development.

The factors affecting decisions in relation to SMEs are:

- Profit
- Time for return
- Capital rationing and capital constraints

Some 98% of businesses are SMEs and 66% of these are micro-enterprises.

The commercial interest rate is somewhere between 6 to 10%. In agriculture, there is a problem because often farmers cannot offer a collateral. However, land (Red book) is becoming popular collateral.

Characteristics of SME: Most owners of SMEs do not have a higher education and often no long-term vision. Many owners of SMEs are only focused on short term profitability, but that is not sustainable. This is why a training programme is necessary. The SME law is designed to improve these capabilities so that SMEs are better able to work with foreign investors. The law gives this a legal framework.

In July 2018 there was a National conference on Investment in Agriculture (Chaired by the PM; Co-chaired by two Vice PM). At the conference, it was discussed that agriculture is seen as:

- A high-risk sector
- Requiring high capital investment
- Having long waiting periods to cover the cost of the capital
- Having requirements for land and suppliers that are difficult to obtain.

In agriculture, SMEs are generally in the supplier stages of the supply chain and there are few leading firms. The catfish industry is an exception.

In relation to taxation, households have a very simple tax return form, while SMEs are more difficult and more complex. A simpler SME tax system is now being created along with a simpler registration process for SMEs.

MPI conducts surveys on enterprises and the General Statistical Office holds various databases from which it may be possible to generate panel data.

Co-operatives follow the Decrees 107 and 193. Co-operatives also receive incentives and are important in the value chain. Enterprises often co-operate with the SMEs.

In relation to branding there is only a few well-known Vietnamese brands in international markets.

There is a copy of a report on SMEs at the rear of the SME Law.

Ms Lam

In relation to state owned enterprises (SOEs), the government owns 100% of the capital. Decree 58 was developed in 2006 and relates to SOEs. Privatisation of these SOEs is now underway, including those in agriculture. By 2020 it is hoped this process will be complete. Most large SOEs in agriculture are privatised. Most state farms are now privatised. And, many SOEs are in difficult financial situations. There are not many SOEs in agriculture but some in forestry (state farm).

## **Notes from the meeting with the Rural Economic Development Department, Central Institute for Economic Management (CIEM)**

Mr Nguyen Hu Tho, Deputy Director, Department of Agricultural and Rural Development

Mr Luu Ngoc Luong

Mr Tho mentioned that he was involved in the drafting Decree 57.

Investment in agriculture is facing a lot of difficulties. Only about 1 per cent of all registered enterprises in VN, or 5,600, are agricultural operations. They produce about 7% of agricultural production.

CIEM suggests there are two reasons for investment problems in agriculture:

### 1) Accessing suitable land locations

There are a number of issues in regard to accessing land:

- Paddy land, in particular, has a maximum lease period of 50 years and this is only one to two investment cycles. The Land Law has a 50 year limit. There are also very significant transactions costs in consolidating land due to fragmented plots. To lease 20 ha it may be necessary to talk to something like 130 households, each of which may hold different views and value land in different ways and have very scattered plots (an average of 3.9 parcels per household with up to 24 pieces).  
Note: an idea here might be to create a register / market for land leasing. This could be an internet-based service where those who want to lease land can get in touch with those who want to rent out their land.
- There are two types of leases, the first being a 100% lease, and the second where the investment is made by buying back production.
- Decree 98 that replaced Decree 62 is about the linkages between farmers and enterprises and investing in part of the supply chain. Decree 98 is a bit like Decree 57 and provides for a master plan formulation, some training and planning costs.  
Note: it might be important for the project to consider the relation between these two decrees.
- Decree 57 has only a little bit in relation to land fragmentation. A new programme is being developed that focuses on this area and relationships to provinces. A lot of effort has gone into land consolidation over 10 years through land switching and reducing the number of plots from about 7 to 1.8 per household.
- Options to offer shares in enterprises is provided for in Decree 98 (predecessor Decree 62).
- From 2011 to 2016 the number of agricultural households has been reduced by about 1 million with much land not used as householders do not want to let the land go. So, there is supply of land for rent, but for some reason land right-holders are holding out. Some reasons for this are as follows:
  - About 20% of households do not have land entitlements documented in a Red Book, so if they leave/ rent out? the land they may not be able to get it back.
  - There are concerns that even when the land may be claimed back after renting out, there might be issues around degraded land quality and productivity as a result of possible mismanagement during rental period.
  - There are perceived risks in off-farm employment, and therefore land is perceived as a safety net, like an insurance policy.
  - Other relevant Decrees are 55 (replacing Decree 41 on agri-credit).

### 2) Legal conditions and administrative costs

Since 2014 the government has been aware of the problem for all enterprises of the burden of administrative cost and restrictive conditions. There have been significant efforts to cut and simplify administration and its costs. CIEM has been managing and reporting on these costs and efforts to reduce red tape. There are some 5,700 requirements for businesses and 7,200 activities from a start-up position. Not all firms would face all these requirements. The government is not seen as business friendly and taxing and assessing of land creates an unfriendly environment. There has not been much success in reducing the levels of administration.

It is recognised that a number of businesses try to find shortcuts in relation to the rules. A few enterprises have been through the whole process.

The most active enterprises relate to husbandry and fisheries, e.g. shrimp.

Foreign direct investment enterprises in agriculture represent about 1%, i.e. very small.

A willingness to share data with MPI, and Mr Luong in particular, was expressed.

Note: This is extremely important. It appears that CIEM has very relevant data for our project, and it is a critical that they are approached by our project team members in order to get access to that data.

## **Notes from the meeting with the Institute of Policy and Strategy for Agriculture and Rural Development (IPSARD)**

Dr Nguyen Do Anh Tuan, Director General, Institute of Policy and Strategy for Agriculture and Rural Development (IPSARD)

1. The number of related enterprises in Vietnam in agriculture is currently about 7,600. The number of enterprises related to services to agriculture is about 49,000, that is about 7 to 8% the total registered enterprises. Including input supply and distribution enterprises gives a total of about 20 to 25%. Of the employed population in the countryside about 40% is employed in agriculture and the rural share of the total population is about 62%. The number of enterprises is growing with there being about 4,000 in 2014 and 3 to 4 years later we now have about 7,600. The enterprises are surveyed yearly. Recently there have been some big investors in agriculture, for example, the Vin Group, TNT, etc. These are often diverse businesses seeking growth in agribusiness. Overall, agribusiness has been growing.
2. Currently there is about 2.5 million self-employed businesses in the countryside, mostly non-farm, and not registered. There would seem to be real potential for growth if the way is sufficiently open for this activity.
3. Agribusiness policy is slowly but surely being improved and the environment for agribusiness is also being improved. The Enterprise Law has been revised along with the Investment Law. Red tape has been reduced and import-export procedures and fees have been reduced for agribusiness. The legal framework for agriculture is being improved and new laws on aquaculture, irrigation, forestry, crops and livestock are being developed. The focus is to provide a more level playing field.
4. Land law – in principle, for businesses and farmers land should go to the most efficient user. The party and policy makers are thinking about social stability and the level of inequality.
5. Promotion of the land leasing market is seen as important. There are two main ways to do this:
  - The government hires land from the farmer at a rate of, say 35 million dong per hectare per year, for say 35 years. This is an easy solution if the farmer still has the Redbook. However, government buying the land is not acceptable within the Land Law since only economic organisations can rent and governments are not economic organisations. It would also be possible for some provinces to abuse this or to make changes after the arrangements have been made.
  - A real market mechanism could be used through a land development organisation and this would satisfy the Enterprise law. This could be used for agriculture but would need good guidelines.
  - There is a possibility of a land bank, as in Japan, but this would require a change in the Land Law.
6. The policy for investment promotion has changed significantly from Decree 210 to Decree 57.
7. There has been a change in agricultural insurance in Decree 58 from Decision 358, 315
8. Decree 41 to Decree 55 relate to credit in agriculture, The basic principle involved has been to reform the mechanisms for getting access to land, credit and insurance. This is focussed on changing the incentives.
9. It is also recognised that subsidies do not really work very well.
10. In relation to Decree 57, but not only Decree 57, it seems the following might be considered:
  - An effective land leasing market.
  - Support for the conversion of agricultural land to non-agricultural land.
  - Include a component on taxation reductions and exemptions (but this is in the Tax Law and difficult to change).

11. It is considered that agriculture has a strong comparative advantage in Vietnam, but it is risky and long-term thus it needs the right incentives for long-term investment to be profitable. Agricultural processing also has a comparative advantage.
12. Agriculture has about 63 per cent of the total population and 40 per cent of the work force. It is thus important that there is not a destructive movement of changes and that agriculture is worthy of specific government assistance.
13. The issue of branding of agricultural products including the processing sector is an issue as there seems to be no major recognisable brands for Vietnamese agriculture.
14. Two approaches to branding are as follows:
  - Work with leading businesses as they have the funds and technologies; and
  - Work with the commodity associations such as VASEP (Vietnam association of Seafood exporter and producers)
15. In relation to agri-processing and related industries the share of GDP is about 27 per cent (Thailand is about 87 per cent, Chile about 80 per cent).
16. It is worth noting that the private export sector has been growing.
17. It was also worth noting that the training system has been top down and needs restructuring.
18. Data in relation to the research project will be mainly from the Government Statistical Office and the enterprise data from MPI.

## **Notes from the meeting with the Department of Enterprise Management Ministry of Agriculture and Rural Development (MARD)**

Mr Nguyen Van Vu, Vice Director and Vu Duy Hung

The Enterprise Management Department in MARD is responsible for the following:

1. State-owned enterprise (SOE) management
2. Reforming and building policy in relation to State Farms
3. General support for agriculture and an active role in Decree 57.

It was indicated that MARD had three members of the team working on Decree 57 while other departments generally had one member. There was also a specific team in MARD to work on Decree 57.

### **Significance of State-Owned Enterprises**

It is expected that there will be about 1 million enterprises by 2020. This raises the problem of collaboration between enterprises and state-owned enterprises. SOEs have a lot of resources and many strengths, for example, the rubber SOE has about 40,000 ha of land (30% of the rubber land) and the rest is run largely by households. There are two very large rice exporters functioning as SOEs. There are no SOEs for livestock as they are mainly for crops. They are in the process of being equitized /privatised, for example, sugarcane and tea industries. Land under state ownership is about 1.8 million hectares which is mostly forestry. Forestry is generally planned production or subject to government protection. Decree 57 is only related to the private sector and has no bearing on SOEs

What were the circumstances that lead to Decree 57?

1. There was a need to replace Decree 210 (2013) due to its purpose and shortcomings
2. Government direct support in Decree 210 was small and with only a limited budget
3. The applications by enterprises for support under Decree 210 were complex and difficult
4. There was a need to be more flexible for small scale producers.

The focus of Decree 210 was very much on forestry and fishing which is now not so relevant. In Decree 57 more emphasis has been given to start-ups.

### **Workers Housing Support**

Support for workers housing is new in Decree 57 and is focused on the more difficult rural areas. It is not a decentralisation measure.

Note: We still need to understand this better. There seems to be emphasis on this in Decree 57, but it is not clear how important this problem really is.

### **The definition of 'enterprise'**

Decree 57 is focused on all enterprises related to agriculture, processing, marketing and inputs related to agriculture. As an example, development of GPS for tractors would get special support outside of Decree 57. It is difficult to specify the boundaries for support through this decree. There are lists of sectors and rules on various locations.



### The process of application for support

The process has been improved compared to Decree 210. In general, applications would go to the MPI provincial offices for appraisal, approvals, etc. Some larger enterprises may apply to the central government MPI.

### Publicity

MPI has held conferences for the private sector and various drafts of the proposed decree have been placed on the website, along with the final version. MARD has also organised various workshops.

Note: training workshops in entrepreneurship might be a good idea, as there may be lack of human capital with entrepreneurial skills, which may be another barrier for greater uptake of Decree 57.

### Consultancy

Any plans drawn by the enterprises need to meet the requirements of the Master Plan for agriculture. When that requirement is met it is then possible to hire consultants. It is also possible to get assistance from government under the SMEs law.

### Final Comments

Decree 57 is not a complete solution to the problem of investment in agriculture because of problems with the Land Law, with taxes and other regulations. Vietnam is an agricultural country with 60 to 70% of its GDP from agriculture. It would seem appropriate to have some big companies invest in agriculture so that smaller companies can follow them.

### Data availability

Some data has been generated in the process of moving from Decree 210 to Decree 57. The Department is happy to share any of this information with the Ministry of Planning and Investment.

Note: could project team members from MPI please follow this through.

## **Notes from the meeting with the The Investment Department, Ministry of finance**

Mrs Vu Thi Hanh, Deputy head, Investment Department

Mr Duc, Head, Investment Department

Mr Quang, Financial Planning

Mr Nam, Department of Tax

Mrs Ha, Banking Department

For a long period of time there has been an issue of attracting companies into agriculture. Degrees 61, 210, and 57 all focused on this issue. In addition, there are some concerns with taxation and with credit.

### ***Budgetary commitments***

In Decree 57 there is support in relation to taxes, which is not new, but it is fundamentally based on the Tax Law. For investment support there is a budgetary allocation from 2016 to 2020 that has been based on Decree 210. In relation to Decree 57 there is an issue as to where the resources will come from. It will be a burden for the budget. It is recognised that Decree 57 is important but there is a question about the financial resources that will be committed under the Decree

The Ministry of Planning and Investment has responsibility for allocating its resources to agriculture having been allocated a total of 13 trillion dong over the five years. This includes the programmes to create Decree 210 and Decree 57. The MPI decides on the allocation within this budget and there are no forward estimates.

In considering these programmes the reduction in the taxes should not be a problem as there will be tax gains from the growth in the enterprises, thus giving greater tax collections.

Note: but there does not seem to be any forward estimates of these effects.

In Article 2, Decree 57 land and water rents are considered. These rents go to the State budget as earmarked revenue. These rents can be paid on an annual basis or as a lump sum.

There is currently no, or very little information on the level of investment activity in the agricultural sector in the Ministry of Finance.

### ***Provincial impacts***

Provinces have very limited funds so that such programmes as Decree 57 become a burden for them. The provincial offices of the Ministry of Finance are not really interested in Decree 57 and so have not examined the impact of this decree. There has been limited coordination with the provinces as a top-down approach has been used.

***Depreciation schedules***

Decree 46) is a set of regulations in relation to the depreciation. These are not special for agriculture.

Decree 57 in general is a burden for the national budget. MPI works with MOF to balance expenditures in relation to the national budget.

Note: this makes it even more important to understand and potentially quantify the benefits from Decree 57, to be contrasted by the burden it imposes on national finances.

Decree 210 had a lot of weaknesses and a number of obstacles to its use. It was little used. Following development of Decree 57, MPI is now drafting a set of guidelines and working with MOF in their development.

## **Notes from the meeting with the The Department of Economy and Land Development Ministry of Natural Resources and Environment**

Ms Nguyen Thi Lo, Deputy Director

Mr Hien, Head, Land Development Section

Mr Cheong, Office of the Land Price Section

In different periods the land use rights have gone from 20 years to now 50 years. Decree 57 has created a more favourable environment for households in agriculture than in non-agriculture. There is also a different level of support for different agricultural zones. The government guarantees the land for agricultural households.

There is a reserve of about 5% of land for communal use and this is available as a priority to agriculture –a buffer available to facilitate land-use change.

The policy of transferring paddy land is for farmers only and conversion is not permitted to non-agricultural uses.

Consider an example of setting up a rice packing shed. There are many types of land but consider paddy land. In this case, a farmer would go to his local government. In the case of a big company the company may go to the central government. It is hard to say if a local government would approve such a development unless it fitted within the Master Plan which reserves a certain amount of land for agriculture. The Master Plan has been developed for about 10 years and has an adjustment process within it. This is indicated in Article 46 of the Land Law. There are exceptions under the broad categories of:

- Socio-economic change
- The impact of natural disasters such as typhoons
- Cases where provinces join together merge or separate.
- Firms going into non-agricultural operations.

There are four levels of master plans: national, provincial, local, and commune plans (100 to 200 ha). There are about 11,000 communes in Vietnam.

For domestic non-agricultural firms wishing to obtain land there is a bidding process, through auctions. These auctions are applied for any land except the land that used for public services or received land fee waiver

- The usage of land should be listed in provinces/districts Master Plan which approved by government agencies.
- Purchase of rights from a household
- Bids placed with the government

In relation to water surfaces all ponds are treated as land.

In the case of foreign direct investment for agricultural purpose a joint venture must be used so that there is a domestic holder of the land.

When a company wishes to use land, they can:

- Rent from the local government
  - a) Pay annually without the option to transfer/sell to others
  - b) Pay in a lump sum with the option to be able to sell to others.

Essentially, the Red Book land use fees are of two types: annual payments (rent) or lump sum payments for an implied period of 70 years. Each option has a different set of rights. The details of these transactions are held at the local level. There appears to be no data on land transaction or transfer prices. The Land Registration Department has a first-time register of land (in theory) but it is hard to collect this data. The buyer pays the registration fee and the seller pays the rent.

Under Decree 57 both the annual payment and the rent may, in various circumstances, be reduced, as well as the land conversion fees.

Decree 104 deals with land pricing and the value of land depends on the local government. As an example, land in the Red River area can range from 30,000 to 112,000 Dong per square metre.

There is no compensation for local areas when there are rent or payment reductions but there may be increased income from the economic development that takes place.

The Ministry is working on various projects on land consolidation and government resolutions are being prepared. Decree 57 does not directly relate to consolidation, but it can be implied through land transfers. The nature of the process still needs definition.

The difficulties with Decree 210 were practical difficulties in its application. Companies are happier with Decree 57, but it is still too soon to see the full benefits, and any difficulties.

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## 9.2 Appendix II:

### Second Country Visit Notes / Summaries of workshops with entrepreneurs and DPI officials

February 2019

#### 9.2.1 Notes from the meeting with Vietnam Chamber of Commerce, 20 February 2019

Pham Hoang Tien, Director

Tran Thi Thanh Tam, Deputy Director

Mr Pham (was part of the committees setting up Decree 57)

1. Noted that Decree 57 was just getting started and an assessment is early in relation to seeing how it will work. May need to focus more broadly in the context of Decrees 98, 116 and how they apply to agriculture.
2. It was pointed out that Decree 57 is really a framework decree for the allocation of government resources to get investment into agriculture. Local government may not have enough resources to allocate 5 per cent of its budget.
3. The issue of using subsidies as a means of development needs to be carefully treated because of WTO agreements. It was concluded that from a WTO point of view no subsidies were involved in Decree 57. The percentage subsidy involved is low and not particularly direct. MPI should remain vigilant of possible changes to WTO rules
4. Implementation of the decree is seen as a problem and in particular the coordination with MPI/MARD/MOF. Such coordination needs time and resources.
5. Agriculture contributed a lot to the Vietnamese economy but the investment from society is low. A key for agriculture is to improve the business environment.
6. A survey was undertaken of businesses in 2017 of 10,000 enterprises with 700 related to agriculture. Some 55% said it was difficult to find customers, 51% let financial resources and 40% faced market turbulence 31% found difficulty in seeking partners, and 27% faced problems with regulations.
7. Decree 57 is designed to help promote and develop access to land. Overlaying this is highly fragmented land ownership and it is difficult to mobilise.
8. If the business environment is improved, then the private sector will invest even though agriculture is a risky sector.
9. Vietnam needs to develop a system of branding and requires people with the knowledge, skills and expertise to do this. For example, rice has no significant brand, coffee also. MARD has a program to make a 'natural rice' brand.
10. Currently, there are not enough people trying to take advantage of the Decree 57 programme. Thus, capacity building in relation to the development of value chains is needed.
11. The linkage between business and farmers is weak and this also requires capacity building in the technologies of business. Farmers also have a responsibility to work more effectively with business. This may require stronger contract regulation and better penalties.
12. It was noted that bigger farms are needed and that they also need investment. The ability to be able to access land and at the same time get a share of the company is one way of tackling land consolidation.
13. Development of larger scale firms in the meat industry will require a change in consumer preferences away from fresh meat to chilled meat. This may be done through effective promotion programs.
14. The link of businesses to researchers is important and to encourage this there needs to be a link between research institutions and the participants in value chains. These links should

be business to university and university to businesses. It has been traditional to do research in universities and other research organisations and then put the research into the cupboard. The situation has recently been getting better and the research organisations been working with partners in the value chains and wanting to “sell” their solutions.

15. In relation to the strengths and weaknesses of Decree 57 it is apparent that it is framework legislation and therefore its success will depend very much on the role provinces take. In one sense it is an insurance policy designed to help minimise risk (real estate platform)
16. The idea of online markets has been included in the decree and this is designed to help businesses find customers. Such a system of e-commerce might also be used for land rental.

### 9.2.2 Notes on the workshop on Decree 57 and Investment in Vietnamese Agriculture - Provincial Focus with DPI officials

Held at the Ministry of Planning and Investment, Hanoi on 22 February 2019

Note: Session began at 9.00 am with approximately 24 attendees (provincial representatives)

Dr Nguyen Thanh Duong, Head of Agricultural Economics, Ministry of Planning and Investment welcomed attendees. He indicated there were several new policies to improve the environment for agriculture in Vietnam. He expressed his appreciation to ACIAR for the funding of the project. He indicated the project involved a review and a report to relevant agencies.

Dr Tiho Ancev, Project Leader, thanked ACIAR and welcomed attendees and the team working on the project. He indicated the project was about helping to increase investment in the agricultural sector and the policies that were being put in place to address this lack of investment. The intention of the project is to look at Decree 57 and at how effectively it replaces Decree 210, and to gain an understanding of how clients at the local level view the decree. In addition, areas for improvement will be considered.

Mr Uong Dinh Hoang, Department of Agricultural Economy, Ministry of Planning and Investment. Mr Hoang reviewed the various components of the decree. He indicated there are about 500,000 enterprises that provide growth in the economy.

**Decree 57** has five chapters. Chapter 1 is about the scope of the decree, Chapter 2 is on the incentives and support mechanisms, Chapter 3 is about funding, Chapter 4 is about investment administrative procedures and Chapter 5 is about reductions in the land use levy (this chapter is very much like that in Decree 210).

Decree 57/2018/ND-CP is broken into five Chapters and 20 Articles and these are attached in an English translation as an Appendix. The general outline is as follows:

#### Chapter I—General Provisions

Article 1—Scope

Article 2—Regulated entities

Article 3—Definition of terms

Article 4—Rules for investment incentives and subsidies

#### Chapter II—Policies on Investment Incentives and Subsidies

Article 5—Exemptions or reduction of the land levy for eligible projects

Article 6—Exemption or reduction of land rental and water surface rental and use of preferential land prices for various types of projects

Article 7—Subsidies for land consolidation

Article 8—Credit interest rate subsidies and collateral changes

Article 9—Subsidies in research, transfer and the application of hi-tech methods to agriculture



Generating new technologies and products

Trial production and advanced technologies

Projects with ownership of outputs from state-funded projects

Plant propagation and tissue culture

Infrastructure funding related to plant, animal and aquatic species

Infrastructure support for hi-tech agricultural park, zone or project

Article 10—Subsidies on personnel training and market development

Article 11—Subsidies for investment in processing, storage, machinery manufacturing, equipment and auxiliary parts

Article 12—Subsidies on investment in beef and dairy cattle farms

Article 13—Subsidies for providing public services and infrastructure in rural areas

Chapter III—Funding Sources and Subsidies Policies

Article 14—Funding sources

Article 15—Post-investment subsidies

Chapter IV—Investment Procedures and Formalities

Article 16—Investment procedure

Article 17—Application and procedures for getting subsidies

Chapter V—Implementation Provisions

Article 18—Responsibilities of Ministries

Article 19—Responsibility of provincial governments

Article 20—Transition and entry into force.

Associated with the Decree is Circular 04/2018/TT-BKHDT which is also added as an Appendix. The general outline of the Circular is as follows:

Chapter 1—General Provisions

Article 1—Scope of regulation and objects of applicants

Article 2—Exemption and reduction of land-use levies, land rents and water surface rents of the State

Article 3—Acceptance of items or whole of project (Acceptance Council)

Chapter II—Post Investment Support

Article 4—Guidance on promulgating investment policy decisions on the List of projects encouraging enterprises to invest in agriculture and rural areas is under the authority of the Provincial People's Committee for approval

Article 5—Capital sources and integration of capital sources to implement policies to encourage enterprises to invest in agriculture and rural areas

Article 6—Implementation of post-investment support for enterprises

Article 7—Summary and reporting

Chapter III—Terms Enforcement

Article 8—Implementation responsibilities

Article 9—Effect

### ***Discussion Session***

Dr Nguyen Thanh Duong, Department of Agricultural Economics, Ministry of Planning and Investment

Decree 57 depends on the Land Law and various other laws such as Decree 118 on forestry. Decree 57 is focussed on a well-connected supply chain. The budget is limited and poses limits on the effectiveness of Decree 57. There has been a lot of argument about the nature and level of the payments. There may also be a need to review and revise the law on enterprises.

Dr Pham Bao Duong, VNUA, welcomed the participants and led the discussion session. He indicated that in the process of implementation the Provincial Committees are working on the issue of eligibility for the program and so there is a need for a clearer understanding of the goals that have been set within Decree 57. The workshop will provide some help in this regard.

Note: Participants were asked to respond to each of the questions with key points on coloured cards and the summary points below represent a summary by Dr Duong of the set of cards

#### **Question 1:**

What are the shortcomings in existing policies targeted towards improving the business environment and entrepreneurship in the agricultural sector? How does Decree 57 address those gaps?

Note: 24 attendees

1. There are significant challenges in co-ordination as Provincial Committees consider the levels of support.
2. Decree 210 gave an indication of the levels of support but there is now a need to seek advice from MARD. In Decree 57 there are some indications of support levels such as with cattle and dairy but not for pigs and poultry.
3. Decree 57 is quite “open” but there is a need for plans for investment and for guidance.
4. Dr Pham Bao Duong provided a summary by indicating that synchronisation is needed and so far there has only been Circular #4 and other ministries will need to issue documents. He also noted the difficulties with the levels of support and the need to collect information from other Departments.
5. The process of appraisal, then sending to MPI and the eventual re-imburement means that the money may be available, but support cannot be given until the project has been completed.
6. It was noted that Norms (criteria) will be developed for projects so there is some consistency.

7. It was noted that Decrees 210 and 57 are not yet fully implemented and some enterprises have not yet benefitted. There is significant support for agriculture and there are some successes and some failures.

8. It was suggested that the focus should be on promoting agriculture and making sure the policies promote its development. Also, there is a need to focus on human development so that there is effectiveness of the investment. The priorities should be toward the poor provinces.

### **Question 2:**

What are the factors that promote and hinder investment in agriculture and rural areas? Do the objectives of Decree 57 address the factors that promote investment in the agricultural value chains?

1. Participation in the international value chains is becoming important but the scale of production must be large enough to compete in international markets. Decree 57 does not yet support large-scale production and the ability to get into international markets.
2. There is also a need to ensure access to global markets, so support is important rather than direct subsidies (WTO concerns). For reference see [https://www.wto.org/english/tratop\\_e/ag\\_intro03\\_domestic\\_e.htm](https://www.wto.org/english/tratop_e/ag_intro03_domestic_e.htm).
3. Agriculture is risky and the revenue is low. The challenges in agriculture in using Decree 210 or Decree 57 and Circular 4 are similar. However, the direction is clearer, more timely and more attention is being paid to agriculture.
4. Agriculture is facing “revolution number 4” with the development of hi-tech methods.
5. The question was raised as to whether the focus should be on large or small enterprises or both. It was then pointed out that an emphasis on collaboration and co-ordination may be needed.
6. The limit to the state budget was noted and thus the focus is on small to medium enterprises.

### **Question 3:**

What role do the constraints on land use rights, including the problem of land fragmentation, play in determining investment in Vietnamese agriculture? Does Decree 57 address these constraints?

1. It was noted that there is a lot of movement in relation to land such that a household can gather together land through co-operative use of land, through the land-use market and buying and selling and renting.
2. Regardless, it was pointed out that land consolidation is difficult. Large-scale enterprises require a lot of land. The land also often has very dispersed ownership. For example, if 50 hectares is required then this may represent 200 parcels of land and involve many local people. Some people may not be willing to sell.
3. Dr Duong summarised by indicating that dispersion of land was a problem, it is difficult to get leases and the use of leases is limited.

### **Question 4:**

What are the effects of infrastructure such as transportation, communication, water systems, education and health on the level of investment in the agricultural sector? How does Decree 57 address those effects?

1. Dr Duong noted that Article 13 is focussed on this area.
2. It was noted that Decree 57 is a good approach and a great support and that it is about the feasibility of development, but it needs to be put into the context of a new national plan for rural development. Rural development is happening in the National Action Plan, but it needs to be integrated with Decree 57.
3. Dr Duong summarised by indicating that roads are important and the support for them is small, electricity is generally satisfactory. In relation to farm area the major consideration should be the effectiveness of the scale of the enterprise. If productivity is low, then the level of support is decided at the Provincial level.
4. For Decree 57 there is a challenge in developing a “Norm” for fish in a lake as there are about 10,000 fishers under aquaculture support and fish breeding is on a hydro system. In Son La province there is no support for fishing.

**Question 5:**

What are the issues around human resource training in agribusiness and entrepreneurship? How does Decree 57 address these?

1. Dr Nguyen Thanh Duong, Department of Agricultural Economics MPI, suggested that MPI should hold training courses on Decree 57.
2. He also indicated that Decree 57 is close to a development strategy but there is a need to decentralise power to the provinces. So far, the provinces have been learning by doing. For example, the Norms and the List have been studied as they were in Decree 210. Also, the inflation rate has been taken into account.
3. He also indicated it is important to give the local level more open and more flexible powers.
4. He suggested some provinces have good revenue and maybe are in a better position than the central government—why wait? Lists of projects can be revised and updated.
5. He urged that the group develop a summary report on revisions and updating and a set of concise and specific recommendations.

Note: Session closed at 11.30 am

### **9.2.3 Notes from the workshop on Decree 57 and Investment in Vietnamese Agriculture—Focus on Private Enterprises**

Held at the Ministry of Planning and Investment, Hanoi on 22 February 2019

Note: Session began at 2.00 pm with approximately 37 attendees.

Dr Nguyen Thanh Duong, Head of Agricultural Economics, Ministry of Planning and Investment welcomed attendees. Dr Duong indicated that Decree 57 was developed as a framework and that it sits within the context of a number of other policies designed to attract investment into agriculture. He indicated that it was important to hear from enterprises so as to develop proposals for policy development and to improve the business environment.

Dr Tiho Ancev, University of Sydney welcomed participants and expressed his thanks to the Australian Centre for International Agricultural Research (ACIAR). He encouraged participants to think about the evaluation of Decree 57 and to the development of future recommendations and gaining a better understanding of the incentives developed within the decree.

Mr Uong Dinh Hoang, Department of Agricultural Economy, Ministry of Planning and Investment outlined the key elements of Decree 57 and Circular Number 4. English translations of the decree and the circular are attached as appendices. There is also a list of the titles for the five Chapters and 20 Articles detailed above in the session for Provincial Departments of Planning and Investment.

#### ***Discussion Session***

Dr Nguyen Thanh Duong, Department of Agricultural Economics, Ministry of Planning and Investment indicated that there were a number of challenges involved in implementing the decree and it is understood that people are still waiting for more guidance on Decree 57. He hoped that a greater understanding of the decree would come from the workshop.

#### **Question 1:**

What are the most important opportunities and challenges for enterprises investing and doing business in the agricultural sector?

1. Hoa Binh province has been investing in breeding and raising milk cows and has about 10,000 cows with some from Australia. About 70 per cent of the population work in or are related to agriculture. The province has had a long history but investment on a seasonal basis is not effective. Agriculture has big risks that include weather, markets and demand changes. Decree 57 is a big breakthrough.
2. It was noted that investment needs to be sustainable and much of agriculture such as fruit trees, vegetables and other enterprises in agriculture are sustainable. However, there is an issue in moving from small scale to large scale agriculture.
3. An illustration was given of starch processing as an example of investment in agriculture where demand is stable and there is an opportunity to sell internationally.
4. In the case of local businesses in the mountainous and remote areas it is difficult to attract people and investors.

5. Often new investors will change the plans and not be stable. Also, when government changes its mind this upsets the stability.
6. Another example of investment is in Son La where purple passionfruit are grown and the business collects the fruit from many growers and markets and distributes the fruit.
7. In summary, investment in agriculture is an opportunity and this should not be because of the decree. There are concerns regarding the levels of consumption in the markets and its stability. Also, there is a concern that firms may not follow government policy.

### **Question 2:**

What policies are creating more favourable business environment / opportunities in the agricultural and rural areas? Who are the main beneficiaries from those policies?

1. An example of investment is in 10,000 ha of oranges. Difficulties were found in the consumption of oranges so that investment was needed in the processing and juicing. After developing a plan for a manufacturing chain there was an investment in warehouses, but this needed the support of government. Support was given in relation to land leases but there seems to be a need to facilitate the finding of investors. Mechanisms are needed to find investors to connect to the markets.
2. It was noted that co-operative groups were not considered to be enterprises. Thus, there is a problem for co-operatives wanting to collect and market produce.
3. One participant indicated they had sought support under Decree 210 but were not successful.
4. Planting forests is long-term and so difficulties were experienced when funding did not come to support activities which had to be paid for up-front. Thus, there are few investments in forests as they are very risky.
5. It was noted that if land is leased from the Government then there are exemptions from payment and preferential lease rates for various lengths of years (Article 6).

### **Question 3:**

What specific benefits do you expect to be able to realise as a result of the Decree 57? How do you see those benefits affecting your business investment decisions?

1. It was indicated that Decree 57 was comprehensive in its provisions and it is expected there will be more investment. There is a need to study it along with the administrative procedures.
2. It was suggested that environmental and fire prevention reports are needed. There needs to be a clear platform.
3. It was noted that the support for transport in Decree 210 has been reduced in Decree 57 and this means it made using the support more difficult. There may be an article on transitional support made available in the future. It was also noted that Decree 57 is about capital and does not support items like transport costs. This may create some difficulties for mountainous areas.
4. It was also noted that in the case of support for a glue processing plant Decree 210 supported new waste treatment, but this was deleted in Decree 57. Having invested in 6,000 rubber trees removing waste treatment support provides a big challenge. Removal of support for transportation also has had an effect in this case.
5. In summary there is still a focus on administration and a bureaucratic process. Each province will have specific challenges.

#### **Question 4:**

In what specific ways do you expect Decree 57 and other related decrees can help you develop value chains and market connectivity for your business?

1. For example 15 years ago, Thai shrimp were very expensive and beautifully arranged. In Japan, there was the dangerous chemicals issue. Participation of all stakeholders in the value chain is needed to successfully improve quality and reputation.
2. It was noted again that Decree 57 is open and there is the potential to improve technology and thus the need to improve the mechanisms in the decree. For research and hi-tech agriculture maximum support is VND 300 million and requiring a revenue of 10 times the subsidy. This latter requirement is seen as large.
3. Moving to the global market will require improvements in technology.
4. It was noted that only “enterprises” benefit from Decree 57 and not other organisations.
5. To get to international markets there is a need to find the right partners. This July there is an effort to support ways to get to international markets. A program is needed to give high quality labels to products such as rice, aquaculture, forestry and many other products.
6. Decree 57 sets up a mechanism for good linkages between government and the people. However, the quality of products going to markets should be better.
7. An international vision is needed in relation to development of human resources and training.
8. Decree 57 does provide some capacity to mobilise resources.
9. Branding is important—for example in the case of coffee the Japanese label coffee as Japanese with only 7 per cent of Japanese produced coffee.
10. There is a real need for qualified consultants to develop trade names, trade-marks and other branding. Owners spending time on this is inefficient.
11. Training in entrepreneurship and business management seems to be needed. A greater business focus for enterprises is needed.
12. If produce high quality products then there is a need for better certification and more skilled certifiers. Waiting for long periods for such certification is costly and holds up the launch of products.
13. In summary, there was a strong view (8 responses) on the need for greater skills in building start-ups and entrepreneurial skills focussed on international markets. The issue of branding is important and there is a need for training of farmers.

#### **Question 5:**

Does the current land use right system, including the problem of land fragmentation, affect your investment decisions in the agricultural sector? If so, how?

1. The issue of accumulating land from different people is challenging as well as the collateral issue.
2. Land use is a sensitive matter and it is partly about planning (forestry was mentioned).
3. According to the Land Law there are preferential treatments for education, health and defence. For commercial uses this is not the case. The compensation amounts are difficult and have to make commitments when the project is completed. Assistance on the inception of a project would be welcome but there are a lot of complexities with this form of support.

4. The use of land for public purposes versus commercial purposes when building houses is hotly debated.
5. Some people wish to only lease land for one year and this is difficult for longer term developments.
6. Because of the dispersal of land there is a problem with people not agreeing to sell. In this case there are many unofficial expenses, wasted time and wasted expenses. This makes it difficult to industrialize agriculture. For collateral the bank needs land-use certificates.
7. In some cases it is possible to have 97 per cent of the needed land collected. For the final 3 per cent of parcels there is no basis for negotiation of a market price under the law. The only alternative is to pursue the issue in the courts.
8. In the case of 1200 hectares of macadamia nut plantings (and more to come) Decree 57 is not consistent between the environment and taxes and projects to plant macadamias. By way of illustration, a factory needing 7.4 hectares with the locals objecting finds the investors will be affected. As people are not getting adequate compensation they refuse to agree. The project is now under suspension and incurring unofficial fees.
9. It was pointed out that there are many challenges in how to compensate people and to provide the needed training.
10. It was pointed out by MPI that there have been revisions to Decree 210 and Decree 57 in the direction of using market prices. It was also noted that the power to acquire land was not as good as negotiation. If government uses its powers to acquire land, then this is not stable as a policy.
11. One of the reasons for the reaction from people is that enterprises want to buy the land as cheaply as possible and then sell it at higher prices—people rebel against this process. Agricultural land is considered to be different to that for real estate. The purpose of the land should not be shifted.
12. There is a need for strong policies, so negotiations are easier to undertake and that it is clear that land has different purposes.
13. In summary, there is a need for transparency and that Decree 57 is strong enough yet subject to the Land Law. There may currently be a mismatch.

#### **Question 6:**

What administrative difficulties do you expect to face in accessing the benefits of Decree 57? Do you see Decree 57 reducing paperwork and administrative burden on your business?

1. The case of medicinal plantings was illustrated as something that does not seem to be included in Decree 57. The business requires certification from the Ministry of Health and it then goes to MARD. More suitable regulations would seem to be necessary. Seafood also seems to be missing from the list of products. Note: It was later indicated that in Article 3.6 there is coverage of herbs, so medicines are similar to other agricultural products.
2. It was pointed out that as Decree 57 is new there may be overlapping procedures for inspection. However, revisions need to come quickly.
3. As the Decree provides post-investment support the question is: How do enterprises respond to such support? The Provinces may work in a different way. It would seem funds will need to be allocated specifically to each province. There also is a need for applications to be transparent.
4. It was suggested that the MPI needs to request the DPIs to have a group of experts to advise enterprises and that to get good advice a number of years of experience is essential. This is essential if entrepreneurs are to invest.



\*\*\* Noted as an important point that has been repeated a number of times. \*\*\*

Note by TGM: This would seem to be about the risk of making an investment on the expectation of funding and then not getting the support and then finding the business fails or the investment is lost. The support might need to be conditionally staged to resolve this problem.

5. In the case of post-investment support there seems there may be disparities with the tax authorities as enterprises may get taxed on the subsidies. An issue of overlapping authority (see 9 below).
6. In relation to the reduction in leases on land and water and the building of workers houses there would seem to be a need for a clearer specification of for how long the support applies and the timing. It was noted it is clearer in the Decree 57 than in the Circular No 4.
7. It was suggested that agriculture does not need a lot of support but that it must be feasible and clear for those at the local level.
8. In summary, Dr Duong indicated there are lots of limitations and ideas. Opinions and perspectives are good but there needs to be human resources to implement them—there would seem to be a need for a wider awareness of the Decree 57 and detailed training of officials. Enterprises will need to pay particular attention to the available documents such as the Action Plan relating to Decree 57 and Decision 23 and documents on industry, trade and commerce.
9. Mr Luong, MPI indicated that there are lots of opinions and there is an awareness of many of the difficulties. For example, Article 18 requires the getting of feedback, an annual review and simplification of administrative procedures. The decree is not a magic wand. There is a clear statement of the funding and from 2016 to 2020 the funding has been regulated taking into account the provinces and particularly the poor provinces. Have had a mismatch and now have a proposal for a new law to bring the policies into line. Have one legal support program available. It should also be noted that Article 15 in Decree 57 states that the funding from the state budget shall not be included in the taxable income of the receiving enterprise. It is apparent that Decree 57 cannot have full coverage and other Decrees such as 55 and modified by Decree 60 also play a role.
10. Thanks was expressed to all the participants by Dr Bao Duong and Dr Tiho Ancev.

Session closed at 5.15 pm.

### 9.2.4 Summary of responses by participants at the workshop on Decree 57: Provincial Focus (Department of Planning and Investment)

(Morning session)

#### Question 1:

*What are the shortcomings in existing policies targeted towards improving the business environment and entrepreneurship in the agricultural sector? How does Decree 57 address those gaps?*

	Responses	Number of responses
1	Too many investment priorities	1
2	Difficult to choose a portfolio because of the lack of clear criteria	3
3	Because of the lack of clear criteria for transparent selection of investment portfolios (family/relatives/friends' businesses are prioritized)	1
4	Lack of support funding	5
5	Lack of support resources	3
6	Weak coordination between departments and agencies at the provincial level	1
7	There is a lack of support policies for businesses to have access to land for implementing the project	1

Dr. Duong's note:

Suggestions: Should focus on supporting start-up in the agricultural sector.

#### Question 2:

*What are the factors that promote and hinder investment in agriculture and rural areas? Do the objectives of Decree 57 address the factors that promote investment in the agricultural value chains?*

	Responses	Number of responses
1	Limited consumption market	4
2	The linkages with cooperatives	2
3	Transport infrastructure is poor, especially in poor provinces	2
4	Most agricultural enterprises are small and medium-sized enterprises with limited qualifications and difficult access to policies	1
5	Lack of synchronization in policy implementation at district/provincial level.	1
6	Limited financial support (funding)	1

Dr. Duong's note:

Decree 57:

- The objective of Decree 57 addresses the factors that promote investment in agricultural value chains. However, it needs to depend on whether financial resources are available or not.
- Support covers multiple categories
- Scale: 20% rent land
- Resources (money) only focus on small and medium enterprises
- Bound by WTO subsidies
- Ha Tinh participant: Promoting investment because:
  - o Clearer mechanism/policy (investment, support)
  - o Focus on science and technology, R&D
  - o More feasible and timely sources from Decree 57.
- TIHO: Investing for small businesses or for large enterprises (Dragon-head enterprises to pull the whole chain along):
  - o Small businesses need capital support
  - o Large enterprises need mechanisms (especially land and infrastructure)

**Question 3:**

*What role do the constraints on land use rights, including the problem of land fragmentation, play in determining investment in Vietnamese agriculture? Does Decree 57 address these constraints?*

	Responses	Number of responses
1	Small, scattered land areas	3
2	Land renting is not popular	1
3	Difficulties in clearance and compensation	2
4	Difficult to land consolidation and land accumulation	3
5	The problem of land encroachment	1
6	Land disputes (land on papers is clean land, encroachment on the field), leading to difficulties in allocating land to enterprises	1
7	There is no policy to support businesses to access land for investment	1
8	Support about 20% of land rent??	1

Dr. Duong's note:

- Eg. Ha Tinh: It is difficult for enterprises to access land for investment because:
  - Land areas that are large are far from centre and transportation infrastructure is difficult
  - Land areas that are near the centre are scattered, difficult to accumulate, difficult in compensation and land clearance

**Question 4:**

*What are the effects of infrastructure such as transportation, communication, water systems, education and health on the level of investment in the agricultural sector? How does Decree 57 address those effects?*

	Responses	Number of responses
1	Poor infrastructure	5
2	The investment demand for infrastructure is huge	1
3	The level of infrastructure investment support under Decree 57 is not higher than 15 billion which is not enough to invest (the land areas that are big enough to carry out the investment is far away so it requires a big amount of investment in infrastructure).	1
4	Support from Decree 57 covers an only small part	1
5	It is the role of the state to invest in essential infrastructure	1
6	Decree 57 should integrate with the new rural development program	2
7	Support that address by Decree 57 is necessary to encourage projects to invest in agriculture	1

Dr. Duong's note:

The decree is great support for enterprise to invest in agriculture and rural areas, but:

- Can it be well implemented?
- Possibility to integrate with the National Target Program on New Rural Development is limited because:
  - Decree 57 target is enterprise
  - while, new rural development program targets on communities, and local people
- Criteria to support aquaculture should be clarified to avoid profiteering. For example, the project invested 7-8 ha, was supported by  $200 \times 7 = 1.4$  billion, but in fact, there is no need to invest much capital.

**Question 5:**

*No colour cards*

**Question 6:**

*Omitted*

**Question 7:**

*Omitted*

### 9.2.5 Summary of responses by participants of the workshop on Decree 57:

#### Focus on Private Enterprises

(Afternoon session)

#### Question 1:

*What are the most important opportunities and challenges for enterprises investing and doing business in the agricultural sector?*

	Responses	Number of responses
Opportunities		
1	Investment incentive policies in agriculture	2
2	Land availability	1
3	People have been attached to agricultural production for a long time, so they are very good at agricultural production	1
4	The state has many policies to support enterprises	3
5	Stable investment opportunities in agriculture (eg, agriculture is the main economic sector of Son La province with around 80% living on agriculture)	3
6	Stable and large input market for agricultural production (eg. organic fertilizer)	1
7	Wide product market with many segments	1
8	Stable output market for agricultural processed products (eg. cassava starch)	1
9	Abundant labour	1
10	Chance for social contribution (create jobs, improve local people income)	2
Challenges		
1	Require large investment	4
2	Slow and long investment recovery	2
3	High risk	2
4	Output market is unstable and difficult	8
5	Outdated production technology	2
6	Difficulties in development management in the long term	1
7	Unstable prices, high competition	2

8	Farmers have low awareness of professionally producing in high-quality standard	2
9	Short term policy on crop restructuring leads to unstable material areas	1
10	Farmers do not follow the planning of material planting areas (Son La cassava starch processing enterprise)	2
11	Difficulties in accessing land	1
12	Fee for advertisement, branch/image building	2
13	Fierce competition	1

Dr. Duong note:

Opportunities for investment in rural agriculture are still great. If Decree 57 is implemented it would be good to encourage investment in agriculture. In the process of implementation, there are many shortcomings for businesses: The change in policies from Decree 210 to Decree 57, enterprises face policy risks, some incentives of Decree 210 are reduced in Decree 57. In fact, investment procedures are still complicated and not as open as mentioned in Decree 57 (eg, the requirement of environmental impact assessment report).

Hoa Binh (beef cattle production company):

- Beef cattle production is a huge investment opportunity. Currently, it is extensive farming, more investment (capital, science and technology) will shift to large intensive farming. Challenges: high risks of weather and market.
- Decree 57 is very good to encourage investment

Xin Man, Ha Giang (Enterprise producing vermicelli, plum):

- Investing in agriculture is a sustainable investment, contributing to society (creating jobs and income for local people).
- The investment will shift from small production to commodity production
- Enterprises connect output markets for people

Son La (Cassava Starch Enterprise):

- People do not follow the planning of production areas
- Policies to attract investment are not long-term, leading to unsustainable material area planning, businesses compete on raw material areas.
- Decree 57 creates output market opportunities.

**Question 2:**

*What policies are creating more favourable business environment / opportunities in the agricultural and rural areas? Who are the main beneficiaries from those policies?*

**Question 3:**

*What specific benefits do you expect to be able to realise as a result of the Decree 57? How do you see those benefits affecting your business investment decisions?*

	Responses	Number of responses
1	Resolving financial difficulties (investment capital)	8
2	Resolving difficulties in administrative procedures	7
3	Reduce investment costs in infrastructure, factories and equipment (Son La)	1
4	Expanding production facilities	2
5	Exemption on land tax	3
6	Market promotion	3
8	Create opportunities for expanding investment scale	1
9	Tax exemption and reduction (production and business)	2
10	Create favourable and stable investment environment	1
11	Support technology innovation	1

**Question 4:**

*In what specific ways do you expect Decree 57 and other related decrees can help you develop value chains and market connectivity for your business?*

	Responses	Number of responses
1	Support for pre-processing and deep processing agricultural products	1
2	Developing the output market	5
3	Development logistic infrastructure for production and consumption	1
4	Increase linkages between businesses and households, scientists and the government	4
5	Support for connecting with domestic and foreign partners	1
6	Unity with businesses together	1
7	Stabilize/support value chain	2
8	Copyright protection	1
9	High-tech application	3



10	Attracting large investors into agriculture (dragon-head enterprises)	1
11	Support enterprises invest in production to improve product value chain	1
12	Training farmers (mindset on commodity production, market)	1
13	Branding	1
14	Increase productivity	2
15	Increase product quality	2
16	Increase revenue for businesses	2
17	Decree 57 does not have a policy to support enterprises exporting and distributing goods	1

Dr. Duong note:

Connecting value chains:

- Technology improvement (maximum support amount is VND 300 million)
- Organizing connection of agricultural product trading floor
- Market commitment

### Question 5:

*Does the current land use right system, including the problem of land fragmentation, affect your investment decisions in the agricultural sector? If so, how?*

	Responses	Number of responses
1	Great influence on enterprises: Difficulties, long time in handling procedures related to land: Loss of investment opportunities	2
2	High land acquisition costs → high production costs	2
3	Small, fragmented land → difficult to plan production areas, difficult to mechanize, difficult to apply modern machinery, difficult to organize, low efficiency of land-use, high production costs	4
4	Difficulties in land acquisition and clearance → difficulty in production planning, difficulty in large-scale production (large fields)	3
5	Difficulties in planning material areas → difficulties in input supply for processing	2
6	Procedures for land lease, land acquisition, land acquisition are difficult (short rental period, many procedures are difficult to resolve and manage asynchronously, hidden costs) → slow down investment, increase cost/loss investment opportunities	8
7	Difficulties related to land results in difficulties in production planning, access to credit, investment scale and time, affect the whole investment project and the sustainability of the enterprise	4

In general, land issues are emerging:

- Land use planning is not detailed
- Preferences for clean land? - In fact, the enterprise must solve it by itself.  
Commercial investment projects, economic development difficult to implement site clearance.
- 1-year land lease period is too short
- Land dispersed and fragmented related to a lot of owners - very difficult collection, complicated procedures, disputes, many unofficial expenses.
- Difficulties in determining compensation prices for land: Hidden corners in compensation and site clearance have not been clarified and transparent.  
Investment enterprises really have difficulties in accessing land.
- Difficult access to credit.
- The differences in understanding of preferential land-related policies for stakeholders' businesses lead to difficulty in policy implementation.

### Question 6:

*What administrative difficulties do you expect to face in accessing the benefits of Decree 57? Do you see Decree 57 reducing paperwork and administrative burden on your business?*

	Responses	Number of responses
1	The parties still understand differently about land rent exemption and reduction regulations (Clause 5, Article 6, Decree 57)	1
2	The actual implementation of local departments has many obstacles (Decree 57 has not really come to reality)	1
3	The process of organization and implementation with the participation of many departments and agencies leads to overlapping and incoherent in implementation	1
4	Relevant agencies have not paid attention to the application of Decree 57	1
5	Little implementation fund	2
6	Procedures for getting troublesome incentives	1
7	The application of land rent calculation by tax authorities is still different	1
8	Lack of transparency and consistency in handling and approving cases benefiting from Decree 57	1
9	Difficulties in agreement with farmers on land issues have not been resolved	2
Suggestion:	DPI should appoint an officer for guiding enterprises to complete procedures - shortens time for enterprises to receive post-investment support.	1

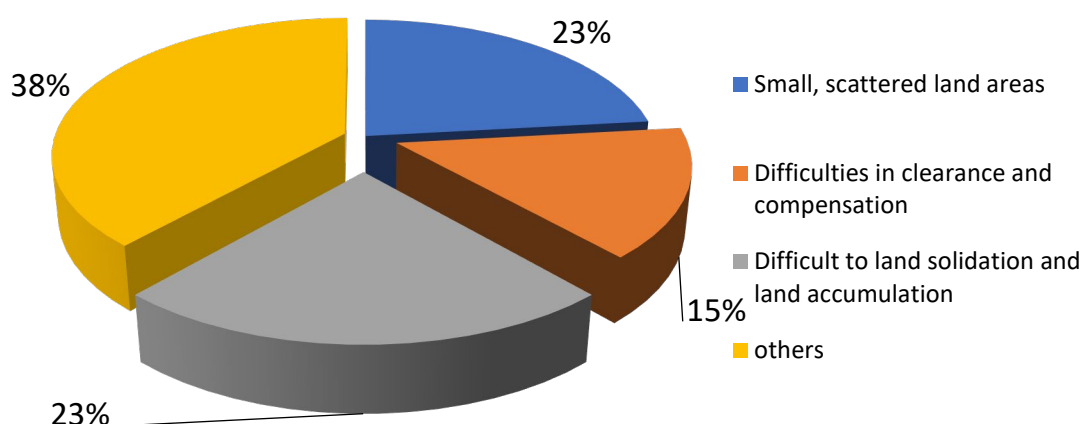
In general, Decree 57 is clearer and more specific than Decree 210. In order for Decree 57 to be implemented in practice, it is necessary to:

- Funding for investment support should be ready, the provinces should actively allocate and prioritize/disburse plans
- The procedure should be simple: MPI can guide and monitor
- Tax assistance (sensitive - easy to violate WTO)
- Communication, guidance on implementing the Decree to provinces, departments and related agencies, to the business community and enterprises and solving difficulties in the implementation process

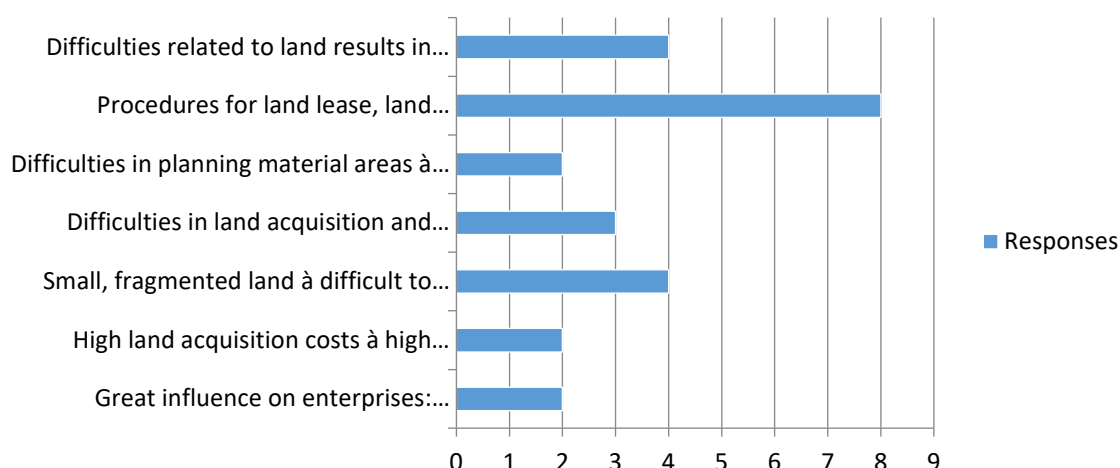
## 9.2.6 Graphical summary on the responses from the workshops with DPI officials and private entrepreneurs

### Responses by DPI officials

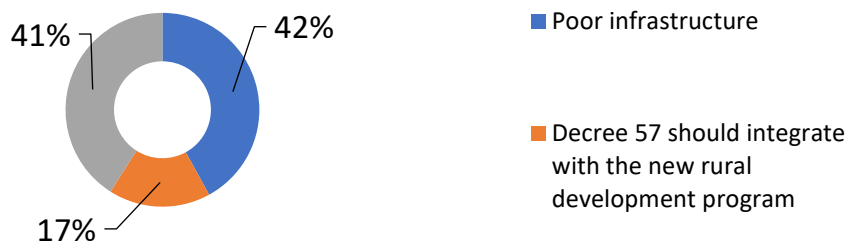
**Chart 1: What role do the constraints on land use rights, including the problem of land fragmentation, play in determining investment in Vietnamese agriculture? Does Decree 57 address these constraints?**



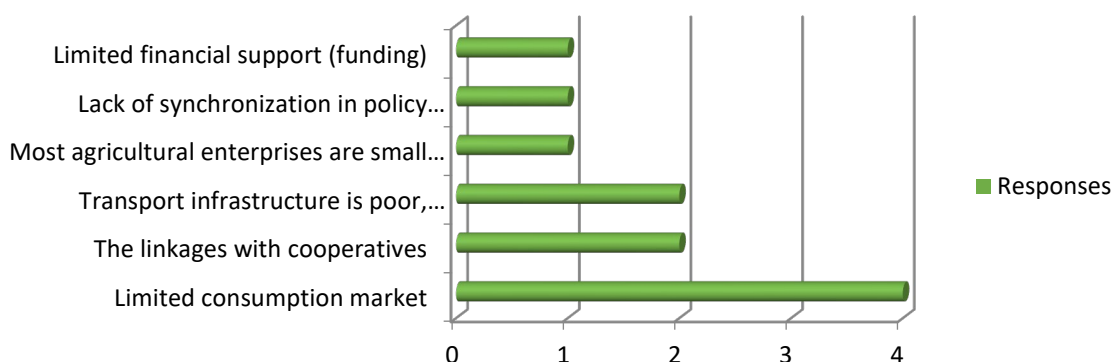
**Chart 2: Does the current land use right system, including the problem of land fragmentation, affect your investment decisions in the agricultural sector? If so, how?**



**Chart 3: What are the effects of infrastructure such as transportation, communication, water systems, education and health on the level of investment in the agricultural sector? How does Decree 57 address those effects?**

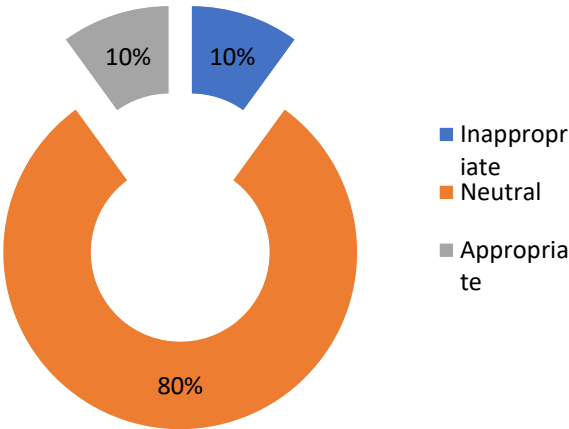


**Chart 4: What are the factors that promote and hinder investment in agriculture and rural areas? Do the objectives of Decree 57 address the factors that promote investment in the agricultural value chains?**

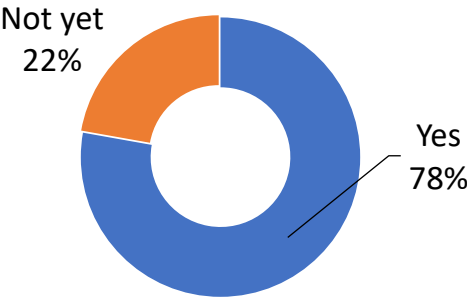


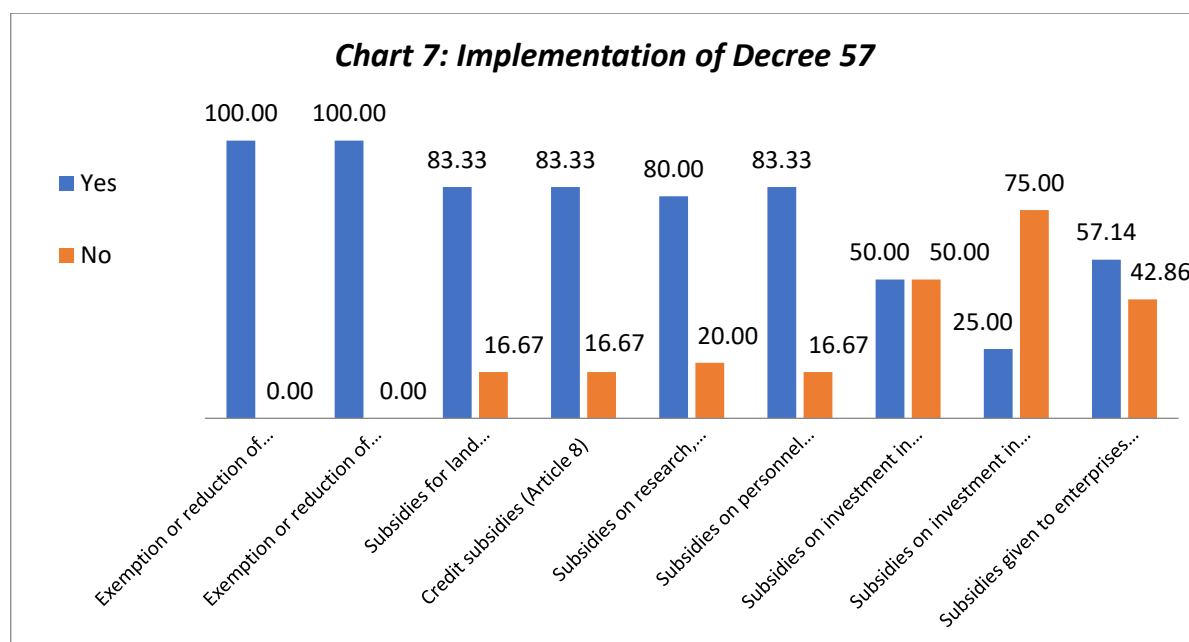
Source: Project's survey

**Chart 5: Assessment on appropriate level of the Decree**

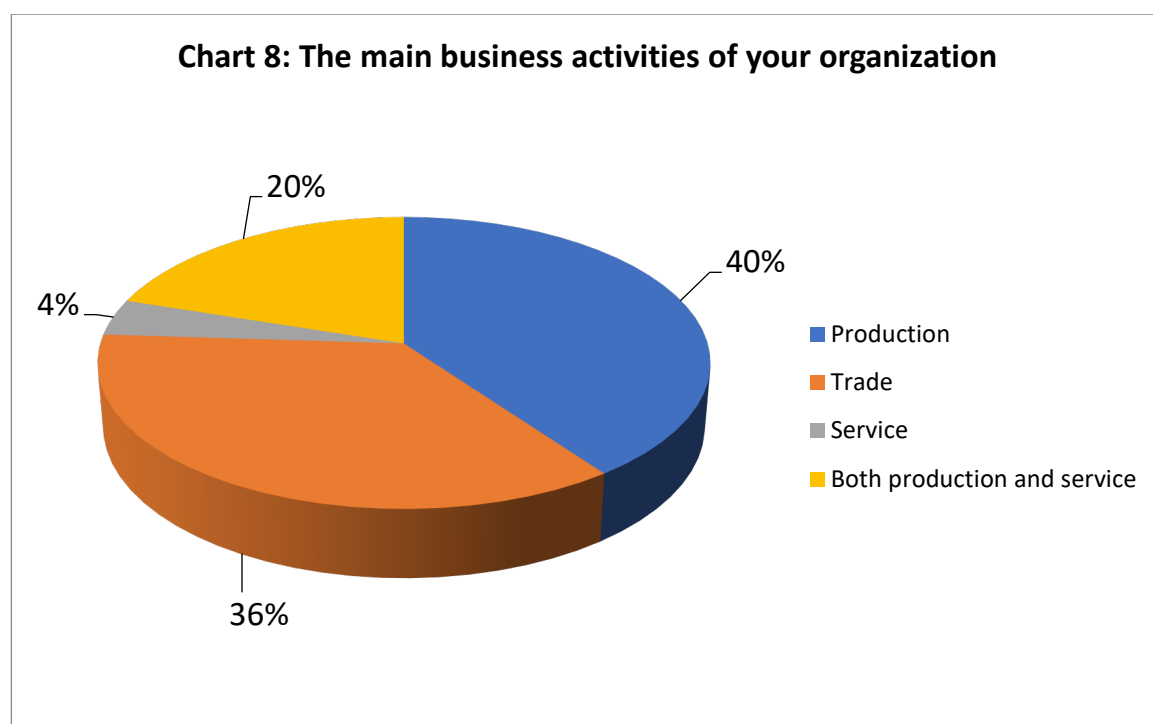


**Chart 6: Has your province government implemented support for enterprises under Decree 57**



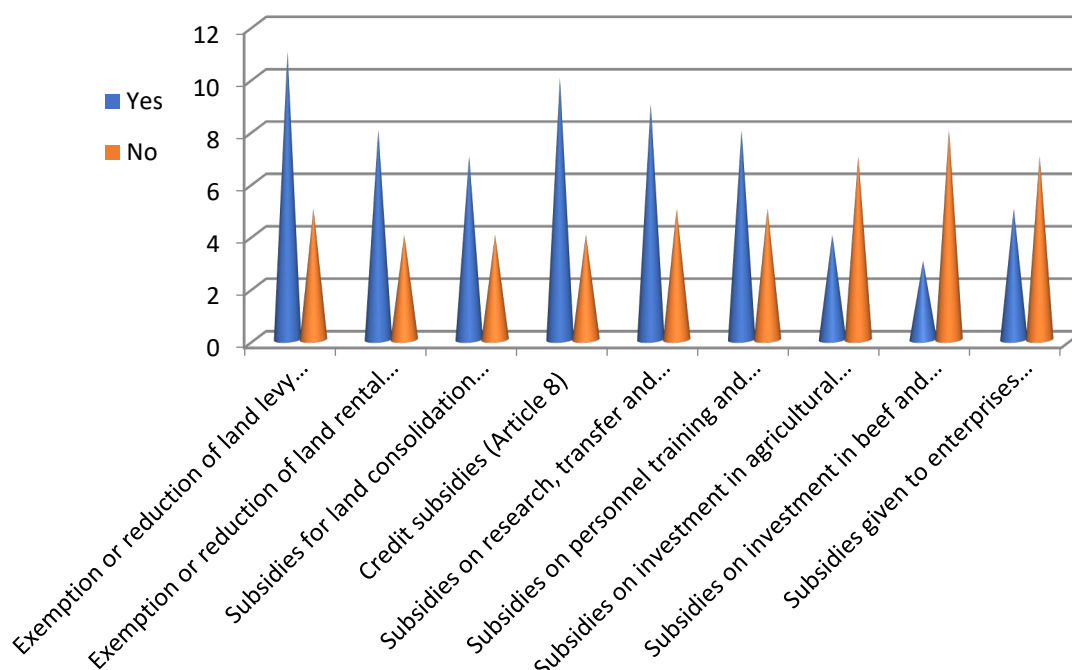


**Responses by private sector entrepreneurs:**

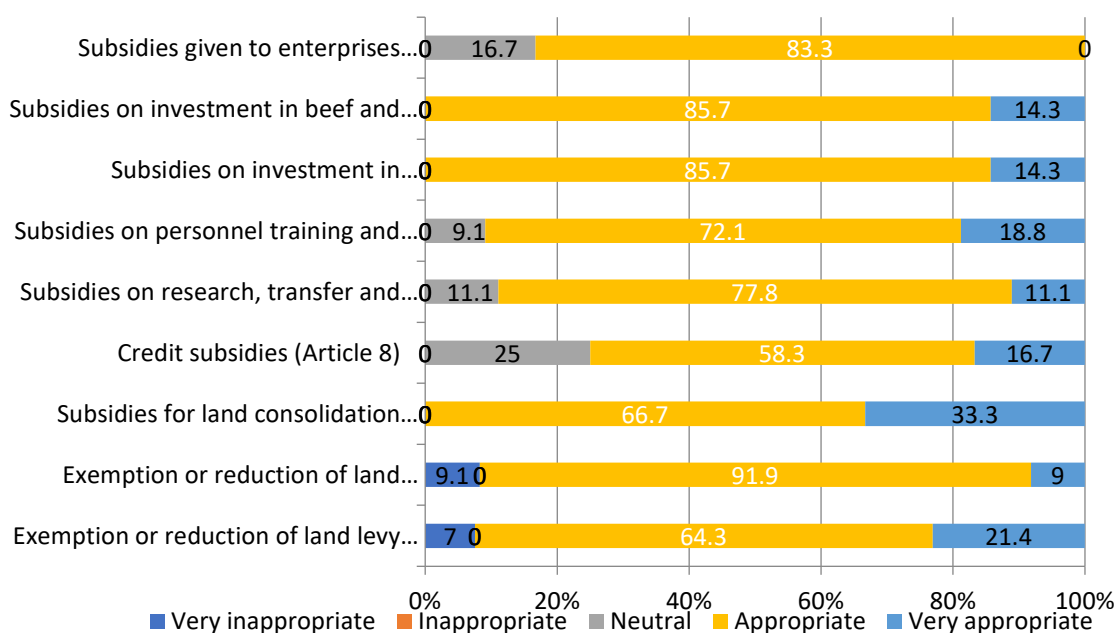


Source: Project's survey

**Chart 9: Applied for the supports/subsidies any following items of the Decree**



**Chart 10: Assessment on only contents which private sectors have been supported from the Decree**





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### **9.3 Appendix III: Notes on the Policy foresight workshop held in Hanoi on 17<sup>th</sup> June, 2019**

#### **Policy Foresight Workshop: Summary Notes**

Held at the Ministry of Planning and Investment, Hanoi

17 June 2019

#### **Workshop Opening**

Dr Nguyen Thanh Duong welcomed the 20 participants to the workshop including Mr Howard Hall the ACIAR Agribusiness Program Manager.

He noted the importance of attracting investment to Vietnam and looked forward to the recommendations to improve the policy reflected in Decree 57 so that best possible results can be obtained.

He also indicated that the policies have been discussed in various ministries, at workshops in February 2019 that included participants from the government and from the Provinces and from business.

Howard Hall, ACIAR, Agribusiness Program Manager indicated that the project is important to ACIAR and he was excited to see the results. He thanked the participants for taking their time to attend the workshop.

A/Prof Tiho Ancev presented the policy evaluation report, which is attached.

#### **Discussion Session**

##### **Dr Duong, MPI**

Dr Duong reported that MPI had submitted to the National Assembly a new Investment Law aiming to put the law into legislation in the near future. He indicated that there is a question as to how to treat Decree 57 as it now implemented. However, it may be possible to upgrade the decree to get more certainty and deal with the issue of post investment payments through local discussions. The Decree should benefit final products and lead to decentralisation of cities to local areas. More comments are needed about the idea of start-ups and also on infrastructure investment. More training is also apparent. There needs to be a balance between rural and urban area. It is possible that mega cities may hinder rural development.

##### **A/Prof Duong, VNUA**

Prof Duong pointed out that investment in agriculture is a very small percentage of total investment in Vietnam. The review of D57 came very soon after its promulgation. The purpose would seem to be a restructure in various ways of agriculture in Vietnam. He suggested the idea of more co-operation in investment in getting groups of small farmers together in value chains.

He noted that in Tokyo there are congestion charges and that the Japanese have a problem of unused agricultural land—it might be easier to get land consolidation in such an environment. He indicated that an online system of bringing land buyers and sellers together would be one way of reducing the transactions cost involved in land deals. Typically, developers negotiate with 2-300 owners and there is asymmetry of information between owners and farmers. Leaving land idle in Vietnam seems to be a problem of finding suitable and trusted lessees.

Entrepreneurship used to have negative connotations but is now taken to relate to governance, business management, start-up skills, etc. More and better courses are needed in this area.

Decree 57 needs ongoing monitoring and effective post-evaluation. Evaluation needs to take place immediately and then in five years time. This might be done using external providers to evaluate the success or otherwise of the decree.

### **Ms Qui, CIEM**

Ms Qui noted that credit access is very limited and post investment payments are convenient for government but difficult for businesses—this needs to change. It was suggested, that a Circular might be used to change it, but since it is specified in the Decree it may need to have the Decree changed. The key point is to impact the investment process or investment mechanism. It would be helpful to know more about what other countries are doing. Israel and Denmark are using a counter-funding mechanism (joint private and government investment?). This involves foundations funding the projects together.

### *Comment by Gordon MacAulay*

*The post investment payment system would seem to be partly about the avoiding payment for projects that might fail and government “loosing” funds as a consequence. Government departments that are responsible for the funding of projects might be able to take out insurance to cover such project failure. There would clearly need to be well-defined conditions for failure and a strong reporting regime to government and to insurance companies. Such insurance could then allow more of the payments to be upfront and possibly allow riskier and higher payoff projects to be undertaken.*

There needs to be more discussion of the collateral mechanism, such as allowing banks to use land plus non-land assets as collateral. In practice are sceptical about this issue.

Agricultural insurance is an important issue. Have been moving to commodification so that better agricultural insurance could make banks happier about lending to agriculture. Decree 58 is on agricultural insurance for the poor and near poor. Thus, it might be possible to get insurance into Decree 57.

Training of people in the implementation and project assessment requirements involved in Decree 57 is important. A separate fund might be set up so that experts could be hired to evaluate projects instead of using existing government officials.

### **Mr Phuong, IPSARD**

Mr Phuong worked on the development of Decree 57. Some of the issues raised in this discussion have become prominent in assessing Decree 57. Since the development of Decree 57 some other policies have been released in 2018. These include D116 and D55, which relate to credit and credit availability in the value chain. There is a need for participation of the banks to funnel funds to investors. Banks manage the flow of funds through the value chain and there is clearly a lack of infrastructure in the rural areas. What are most needed are logistics, transport, storage and particularly cold storage. There is little room for additional funding domestically for agriculture as it is restricted by the government debt ceiling. There is a real need for ODA (overseas development aid) funding. There may need to be special requests made to the Ministry of Finance (MOF).

It is also clear that changes to the Land Law will be delayed to 2020. At this time changes might be made to include on-land assets for use as collateral. Land use contracts that exceed 10 years might be used for collateral. This is supported by a lot of enterprises.

The issue of timing and the procedures for access to the benefits of Decree 57 are often complained about. Major efforts have been made to keep it simple so the question is what steps can be reduced, cut back or streamlined.

#### **Ms Tam**

Ms Tam indicated she was a member of the drafting team for Decree 57. As the current evaluation began one month after the decree was put in place there has not been enough time for sufficient data to be generated for a complete review. There will be a need to communicate the review to the implementers.

Many businesses in big cities make investments in agriculture. The Provinces also need to publish their support for agriculture.

There does seem to be a need for a technical platform for land markets but the role of local government in this is important.

A lot of training of agribusinesses has been carried out.

In terms of farm assets, the farmhouse plays an important part and so needs to be considered in relation to collateral but it is very difficult if this were to be taken by banks.

#### **Mr Tuan, Oxfam**

Mr Tuan reported that his worked involved supply chains in the Mekong delta. He has worked with small farms and access to credit is a real problem. The root cause of the problem may well be that risk is high rather than the interest rate cost. Climate change and diseases are a part of the risk.

The Agricultural Policy Institutes of Vietnam is developing a decree in a province to facilitate credit but the results are not sustainable in prawn production.

There seem to be issues of commitment and trust between government and business.

Capability development needs more than TAT (training and ???). Training is needed in developing skills to access markets.

The idea of counter-funding is a good idea as already there is Aus\$35m in investment in Northern Vietnam in such funding.

**Ms Hanh, Statistical Department**

The figures on investment in agriculture in Vietnam are limited and fragmented. It would be possible to collect more qualitative information. By 2025 there will be a master survey and this would facilitate and evaluation of Decree 57.

**A/Prof Tiho Ancev**

He indicated that it is apparent that there is already some processes for change in Decree 57. Prof Duong highlighted the importance of establishing baseline data to enable the decree to be evaluated and that this should have been prior to implementation of the decree and then in 3-5 years time.

He noted that around the world agricultural production insurance struggles to be profitable, essentially for technical reasons.

Outsourcing of the evaluation process would seem to be a good idea.

In relation to collateral and on-land investments it is really an issue for the banks to commercially evaluate the assets and also consider their degree of liquidity. Normally, with good proposals then the investment funds will flow. Co-funding and/or matching funding is also generally a positive idea and is worthwhile considering. This could be a better arrangement than direct subsidy payments and is more attractive in relation to 'policy neutrality' (government not influencing the commercial choice of investments).

Professor Ancev acknowledged, as positive, the development of Decree 116. It was then noted that Decree 57 sits within a mix of policies that all will influence investment in agriculture in various ways. In any ex-post evaluation it may be necessary to look at some of the other policies.

The streamlining of the application processes was seen as beyond the scope of the project. However, details of the previous workshops have documented some ideas and these are held by MPI.

It was also noted that Decree 57 may need more promotion.

The development of branding within value chains, so that Vietnam has more recognisable agricultural brands, might help to encourage investment in Vietnamese agriculture. For example, a strong international brand for coffee could be worth considering.

The building of commitment and trust between government and industry is clearly important and is likely to be a common goal. Projects need to get what they were promised and project developers need to deliver what they promised.

The request by Dr Duong, MPI, for more concrete and detailed recommendations is noted and some changes will be made following the workshop. However, some of the recommendations may require detailed co-operation between ministries and there will be need to circulate the material to those ministries.

### **Dr Duong, MPI**

In a final set of comments, Dr Duong thanked the team for its work. He noted that when developing Decree 57 a law was suggested but various ministries said that a number of policies related to the business environment should be considered when developing such a law and that the work on investment was too narrow for a law. A broader range of considerations is necessary and, as well, a separate fund may be required.

It was pointed out that in relation to taxes that organisations of a social nature are generally not taxable and that there is a constraint with taxation authorities. Also, the World Trade Organisation (WTO) limits the use of tax incentives.

In relation to the final report, it was suggested that the comments made be considered with refinements then made. The report will then be discussed in Agricultural Economics in MPI and circulated to other ministries for consideration. Specific recommendations were requested.

Finally, Dr Duong thanked the team for its work and also thanked the workshop participants for their time and participation.

Notes prepared by:

Emeritus Professor Gordon MacAulay, 20 June 2019.

### **Key dot points form the Policy Foresight Workshop, 17 June 2019**

1. New initiatives in relation to business a with the National Assembly.
2. Establish a baseline for Decree 57 is needed now and urgent—engage with Ms Hanh in Statistics for work on this
3. Outsourcing of the evaluation processes
4. Reform of the post payment system in the decree to across the life of the project—consider project failure as an insurable risk
5. Consider agricultural product insurance to reduce risk (see Decree 58)
6. Review use of on-land assets as collateral
7. Public-private co-funding of projects as loans or grants as an alternative to taxation based funding
8. Consider value chain funding rather than project funding (see Decree 116)
9. Consider impacts of other policies on Decree 57 (policy mix) in a mid-term review
10. Enhancing promotion and marketing in Decree 57

### **Key Workshop Ideas Discussed**

1. Consideration of post investment payment issues
2. Support for start-ups idea
3. More training for implementors and assessors
4. Grouping of farmers to create investment groups
5. Reducing costs of land consolidation
6. Courses in entrepreneurship
7. Collection of baseline data—urgent. Evaluate in 5 years time. Held of Statistics Department
8. Counter funding mechanism
9. Project failure as an insurable risk
10. Collateral for non-land assets
11. Agricultural insurance
12. Online platform for land sales
13. Enhanced tax breaks and depreciation allowances
14. Branding within supply chains
15. Commitment and trust

## Annex: List of attendees to the policy foresight workshop

TT	Đơn vị/ Agency	
1	Mr. Pham Xuan Hoan- Vụ Quản lý Doanh nghiệp- Bộ NN&PTNT/ Department of Enterprise Management- Ministry of Planning and Investment/	
2	Mrs. Nguyen Thi Ngoc- Vụ Đầu tư- Bộ Tài chính/ Investment Department-Ministry of Finance	
3	Mrs. Nguyen Thi Lo - Cục Kinh tế và Phát triển quỹ đất- Bộ Tài nguyên và Môi trường/ Economy and land development Department-Ministry of Natural Resources and Environment	
4	Mrs. Tran Thu Thuy- Cục phát triển doanh nghiệp –Bộ Kế hoạch và Đầu tư/ Deputy Secretary/ Enterprise Development Agency- Ministry of Planning and Investment	
5	Mr. Nguyen Huu Tho- Ban Phát triển chính sách kinh tế nông nghiệp- Viện nghiên cứu quản lý trung ương/ Department of industry research - Center Institute for economic development	
6	Mr. Trang Cong Thang- Phó viện trưởng-Viện nghiên cứu chiến lược và chính sách phát triển nông thôn/ Deputy Director- Institute of policy and strategy for agriculture and rural development	
7	Mrs. Doan Thi Hong Hanh-Vụ Nông lâm nghiệp thủy sản- Tổng Cục thống kê/ Department of Agriculture, Forestry and Aquaculture- General Office Statistic	
8	Mr. Tran Nam Anh-Trung tâm nghiên cứu nông nghiệp quốc tế Úc/ ACIAR	
9	Mr. Nguyen Quoc Tuan- Oxfam Vietnam	
10	Mrs. Le Thi Xuan Quynh- Department of industry research - Center Institute for economic development	
11	Mrs. Tran Thi Thanh Tam- Phòng Thương mại công nghiệp Việt Nam/ Vietnam Chamber of Commerce and Industry,	
12	Mr. Pham Bao Duong- Học viện Nông nghiệp Việt Nam/Vietnam National Agricultural University	
13	Mr. Nguyen Minh Duc- Học viện Nông nghiệp Việt Nam/Vietnam National Agricultural University	
14	Mrs. Nguyen Thi Minh Thoa- Vụ Tài chính tiền tệ/Monetary Department- Ministry of Planning and Investment	
15	Mrs. Le Thanh Nga- Vụ Tài chính tiền tệ/Monetary Department- Ministry of Planning and Investment	
16	Mrs. Do Thi Hong Bich- Vụ Tài chính tiền tệ/Monetary Department- Ministry of Planning and Investment	

17	Mrs. Do Thi Thanh Huyen- Vụ Tài chính tiền tệ/Monetary Department- Ministry of Planning and Investment	
18	Mr. Uong Dinh Hoang- Vụ Kinh tế Nông nghiệp/Department of Agricultural Economy-Ministry of Planning and Investment	
19	Mrs. Nguyen Hong Nhung- Vụ Kinh tế Nông nghiệp/Department of Agricultural Economy-Ministry of Planning and Investment	
20	Mr. Nguyen Thanh Duong- Vụ trưởng Vụ Kinh tế Nông nghiệp/ Director General- Department of Agricultural Economy-Ministry of Planning and Investment	
21	Mr. Nguyen Anh Phong- Institute of policy and strategy for agriculture and rural development	



## **9.4 Appendix IV:**

Summary of participant evaluations of the Training Workshop on Policy Evaluation held at VNUA on 19<sup>th</sup> June, 2019

### **Training Workshop on Economic Policy Evaluation VNUA, 19<sup>th</sup> June 2019**

#### **WORKSHOP REPORT**

### **1. General information about the project and training workshop**

#### **1.1 General information about the project**

##### **Project Objectives**

- To evaluate Government Decree 57/2018/NĐ-CP that provides incentives for enterprises investing in agriculture and rural development sector, and other related policies including previous policies, as well as policies related to attracting investment of enterprises in the agricultural sector.
- To determine the effectiveness of the policy which focuses on feasibility and M&E.
- To identify the mentioned priorities and gaps between the policy and the desire of enterprises to invest in agriculture
- To provide evidence to propose amendments to the policy from which to develop new ways to increase investment in agriculture and
- To strengthen the capacity of Vietnamese officials in policy analysis based on examples from practice (**this training workshop is conducted for this objective**).

#### **1.2. General information about the training workshop**

The International Training Workshop on Policy Analysis is an activity of the project that contributes to the fourth objective of the project. This training is implemented by the Vietnam National University of Agriculture in collaboration with the University of Sydney, Australia and Department of Agricultural Economics - Ministry of Planning and Investment.

##### **1.2.1. Objectives of the training workshop**

- To strengthen the ability of policy analysis based on practical evidence for government officials and researchers,
- To share experiences in conducting research and policy analysis among government officials, lecturers and researchers.

### 1.2.2 Training workshop methodology

The content of the workshop was determined based on consultations with lecturers and researchers from universities in and around Hanoi and the northern region of Vietnam. The training workshop was organized in an interactive way. After the presentations, a general discussion took place.

### 1.2.3 Training workshop contents

The training workshop had 5 presentations. The presentations were ordered from the general theoretical presentations to methods and then the specific examples from the practice of policy assessment in Vietnam (Table 1).

**Table1: Training workshop agenda.**

Time	Contents	Persons in charge
8.00 – 8.30	Registration	Assoc. Prof. Dr. Nguyễn Phương Lê Assoc. Prof. Dr Phạm Bảo Dương Vietnam National University of Agriculture
8.30- 8.40	Introduction	Assoc. Prof. Dr. Nguyễn Phương Lê Vietnam National University of Agriculture
8.40- 8.50	Welcome Speech	Prof. Dr. Phạm Văn Cường Vice Presedent, Vietnam National University of Agriculture
8.50- 9.30	Session one: Theory and Practice of Policy Evaluation	Prof. Dr. Tiho Ancev University of Sydney, Australia
9.30- 10.15	Session two: A theoretical framework for assessing impacts of a program intervention in agriculture: A case study on the impacts of community based education on pesticide risk reduction in vegetable production Viet Nam	Prof. Dr. Đỗ Kim Chung Vietnam National University of Agriculture
10.15- 10.30	Tea break	Workshop attendees
10.30- 11.10	Session three: Policy Evaluation Methods	Prof. Dr. Gordon University of Sydney, Australia
11.10 – 11.30	Discussion and questions	Workshop attendees

11.30- 13.30	Lunch at VNUA restaurant	Workshop attendees
13.30- 14.10	Session four: Cumulative impact assessment of national targeted programs on poverty reduction in the northwest region, Vietnam	Assoc. Prof. Dr. Nguyễn Phương Lê Vietnam National University of Agriculture
14.10- 14.50	Session five: Applying spatial gravity model for international trade and investment: evidence from Vietnam	Dr. Trần Toàn Thắng, Central Institute for Economic Management (CIEM)
14.50- 15.10	Tea break	Workshop attendees
15.10- 16.00	Discussion and questions	Workshop attendees
16.00- 16.30	Workshop ending and give certificates to participants	Assoc. Prof. Dr Nguyễn Phương Lê Assoc. Prof. Dr Phạm Bảo Dương Prof. Dr. Tiho Ancev Prof. Dr. Gordon

## 2. Results of the training workshop

The training workshop involved participation of officials, lecturers, and researchers from universities and research institutes. Moreover, the workshop also attracted the attention of VNUA leaders. At the Vietnam National University of Agriculture (VNUA), the Vice President of VNUA attended and delivered the opening speech, in which he emphasized the importance of capacity building in analyzing and evaluating policies, and highly appreciated the team's collaborative efforts with the coordinating institutions. The Vice President of VNUA also thanked the Australian Center for International Agricultural Research, University of Sydney, and the Ministry of Planning and Investment for their active coordination with VNUA in teaching and scientific research activities.

Participants of the workshop were introduced to the theoretical and methodological approaches of policy analysis and evaluation (presented by Prof. Tiho Ancev and Prof. Gordon MacAuley - University of Sydney); and practical application of different methods in policy analysis in Vietnam (presented by Prof. Do Kim Chung, Associate Professor Nguyen Phuong Le - Vietnam National University of Agriculture and Dr. Tran Toan Thang - Center for National Socio-Economic Forecasting, Ministry of Planning and Investment). After the presentations, discussions took place among speakers, researchers, and policy

officers. Many questions related to the experiences with the application of methods, and the use of specific tools in analyzing policies.

## **2.1. Workshop participants**

The training workshop involved 72 participants who are lecturers and graduate students from Agriculture and Forestry Universities including Vietnam National University of Agriculture, Thai Nguyen Agriculture and Forestry University, University of Economics and Management of Thai Nguyen, Thai Nguyen University of Information and Communication Technology, Bac Giang University of Agriculture and Forestry, Vietnam Forestry University, Hung Yen University of Finance and Business Administration, Thai Binh Agricultural Intermediate School, Institute Fisheries Economic and Planning Research, and Institute of Economics and Development. In particular, the workshop also got representatives from non-governmental organizations (World Vision), policy units such as Hanoi Department of Agriculture and Rural Development, Tho Xuan district, Thanh Hoa province (Please see the list in the attached Annex). Some characteristics of the workshop attendees are given in Table 2.

Of the 72 participants in the workshop, 58.3% responded that they conducted policy-related activities in the past. However, only 4.8% of participants felt confident in conducting policy analysis on their own. This means that the training workshop could meet the needs of attendees and help them to further improve their policy evaluation skills.

Most attendees said that policy analysis is a very difficult activity and that there are many challenges, including: (i) policy object identification; (ii) the authenticity and availability of data and how to collect data for evaluation; (iii) limitations on the policy content itself and policy implementation; (iv) policy assessment methods and resource constraints (Table 3).

**Talbe 2: Characteristics of workshop attendees**

<b>Indicators</b>	<b>Responded Attendees (n=72)</b>	<b>Percentage (%)</b>
<b>1. Participant's career</b>		
Lecturer	45	62.5
Researcher	2	2.8
Economic state authority	6	8.3
Development officers	1	1.4
Commune official	3	4.2
Student	14	19.4
Enterprise manager	1	1.4
<b>2. Participant's age</b>		
Under 20	14	19.4
20-30	20	27.8
30-40	23	31.9
40-50	15	20.8
<b>3. Participants have ever carried out activities related to policy assessment</b>		
Yet	42	58.3
Not yet	30	41.7
<b>4. The frequence of conducting policy evaluation activities</b>		
Often	17	40.5
Sometimes	21	50.0
Rarely	4	9.5
<b>5. Self-assessment of the ability to conduct policy analysis studies</b>		
Do well	2	4.8
Can do	17	40.5
Can do with instructions	23	54.8

Source: Participant Survey at the end of the workshop, 2019

**Table 3: Challenges in implementing policy analysis in Vietnam perceived by workshop participants**

<b>1. Related to the objectives of policy analysis</b>
Similar conditions between research subjects
Identify beneficiaries and people not benefit from policies
<b>2. Related to data and other information for policy assessment</b>
Lack of data source for policy assessment
Difficulty in information gathering
Information is not complete, accurate and reliable
People do not really understand the policy
<b>3. Limitations on policy contents and policy implementation</b>
Some policies are not effectively implemented
Some policies have not really met practical needs, not close to reality
Implementing policies is asynchronous between levels, and not clearly defining the obligations of the parties
The policy itself has many shortcomings
Overlapping policies
Lack of assessing the impact of policy before implementation
Limited supervision of policy implementation leads to lack of evidence for impact assessment
<b>4. About policy evaluation methods</b>
In a locality that can have impacts from many different factors, it is difficult to separate the impact of a specific policy
Evaluation tool, how to choose the object of investigation
Review policy before implementation
Policy analysis framework
Difficult to determine the outputs and impacts of policy
Develop quantitative indicators for evaluation
Control modesl for comparison and analysis
It is difficult to identify risks during policy implementation
Overall impact assessment
Evaluate social and environmental effectiveness of policy
<b>5. Other challenges</b>
Funding for policy evaluation is limited
Limited resources
Policy analysis has not been given adequate attention
Lack of specialized and good experts at policy assessment

Source: Participant Survey at the end of the workshop, 2019

## **2.3. Participants' assessment of content, quality, methods and workshop logistics**

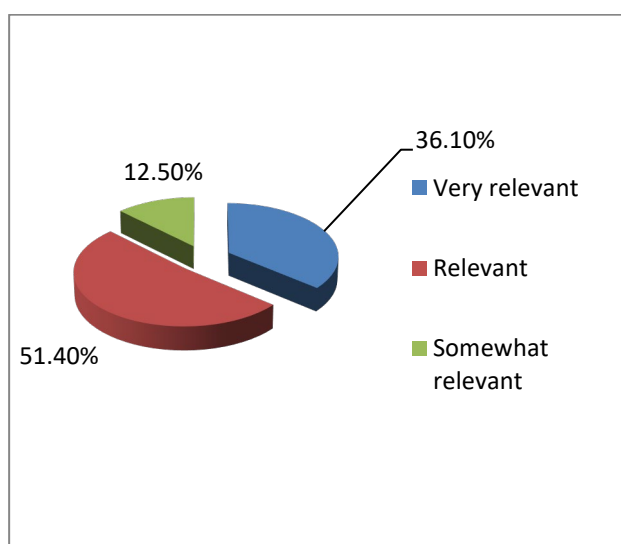
### **2.3.1 Participants' assessment of content**

The success of the workshop is reflected in the change in awareness and knowledge gained by participants. In their responses attendees acknowledged that

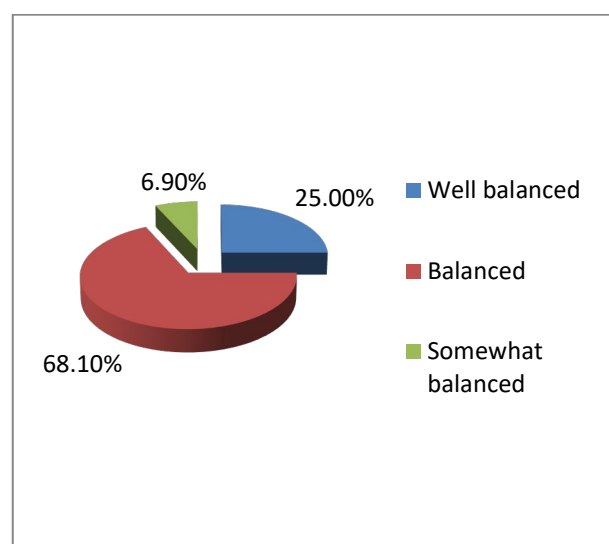
policy assessment study is very important for providing essential information to policy makers to design policy. Specially, the participants thought that policy analysis can lead to the following results:

- Select policies that are appropriate for solving problems in real live situations;
- Design and implement appropriate and effective policies;
- Review and adjust policies if necessary;
- Predict policy impacts before implementation ;
- Assess the impact of policies on economic, political, social, and environmental issues before implementing policies to avoid economic, social, and environmental costs and losses;
- Limit the risks of the policy, help the policy be appropriate and effective in practice
- Each policy has different target groups. Policy assessments determine the impact of policies on different groups, thereby making appropriate recommendations to improve, change, adjust policies, or confirm feasibility and effectiveness of policy for designing the next stage
- Find out the positive and negative impacts of policy
- Point out policy gaps to adjust accordingly

Based on the above gained understanding, participants assessed the contents of the workshop as being useful for their work and had a balance between theoretical contents and practical examples (Figure 1 and Figure 2).



**Figure 1: Relevance of the workshop content to the attendee's work**



**Figure2: Degree of balance between theory and practical examples of presentations**

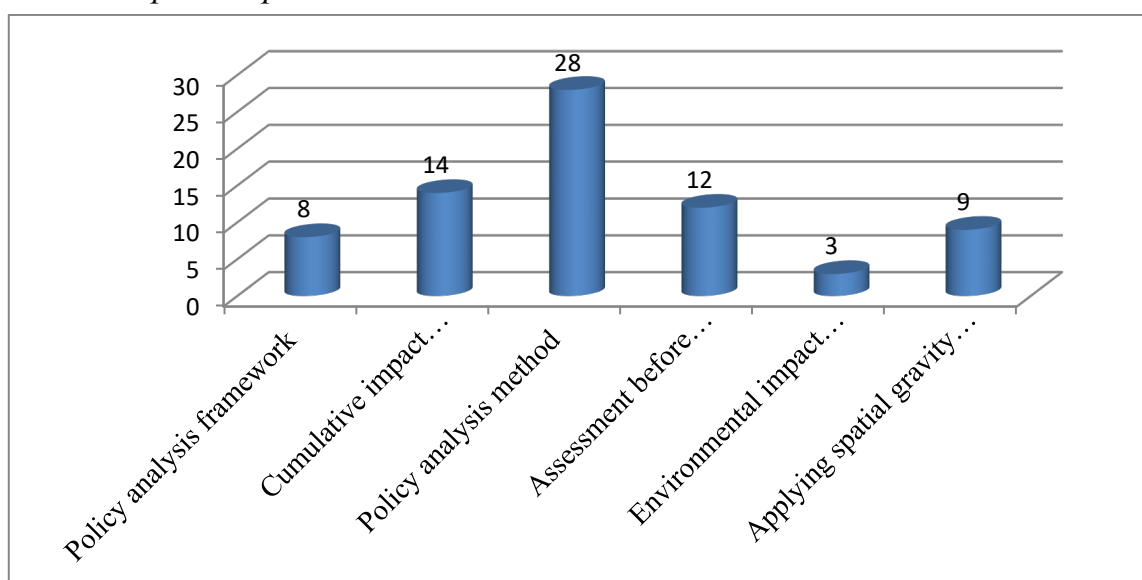
Source: Participant Survey at the end of the workshop, 2019

However, 6.79% of participants, responded that the content was not balanced because the time of the workshop was short, and the workshop was expected to be longer to extend the discussion and sharing of experiences among participants

The contents of the workshop that attendees intend to apply the most in their work in the future are the methods, tools for policy evaluation, and methods of impact assessment of policies (Figure 3). Thus, participants expected to receive more intensive training courses in the future on intensive policy analysis, intensive policy impact assessment, and policy analysis methods.

**Figure 3: The areas covered in the workshop that are intended to be applied by attendees' in their future work**

*Units: Responded persons*



Source: Participant Survey at the end of the workshop, 2019

### 2.3.2 Evaluation of the method of the training workshop

100% of the attendees reported that they were very satisfied with the workshop organizing method (Table 4).



**Table 4: Evaluation of the method of organizing the workshop**

Indicators	Responded Attendees	Percentage (%)
1. Satisfaction level of training workshop methods		
Very satisfied	64	88.89
Satisfied	8	11.11
2. The length of the workshop		
Very appropriate	23	31.94
Appropriate	47	65.28
Somewhat appropriate	2	2.78

Source: Participant Survey at the end of the workshop, 2019

### 2.3.3 Quality evaluation of workshops and logistics

All workshop participants were satisfied and very satisfied with the quality of the workshop in both the presentation (content and materials) and the logistics of the workshop (Table 5).

**Table 5: Attendees' evaluation of the quality of the workshop and logistics**

Indicators	Responded Attendees	Percentage (%)
1. The quality of the sessions offered		
High quality	51	70.8
Average quality	21	29.2
2. The quality of the supplied material: powerpoint and handouts		
Very Satisfied	30	41.7
Satisfied	42	58.3
3. The overall organisation of the workshop (facilities, catering, session times, etc.)		
Very Satisfied	39	54.2
Satisfied	33	45.8

Source: Participant Survey at the end of the workshop, 2019

Attendees indicated the areas where they gained the most from the training workshop. These are given in Table 6.

### 3. Conclusion

Attendees are very pleased with the content, methods also logistics of the workshop. They provide some suggestions as follows:

- + Organize additional intensive training courses on policy analysis
- + Support small experiment research to conduct policy evaluation in the organization of the participants
- + Provide training course on policy feedback and policy advocacy for policy enforcement officials at local levels (provincial, district and commune levels)
- + Design some long-term training courses with a study on empirical policy analysis between two training courses and share experiences in conducting these studies in the second training course.

**Table 6: Areas covered in the workshop that participants found most relevant**

Indicators	Responded Attendees	Percentage (%)
Policy assessment	3	1.7
Approaches and policy evaluation methods	34	19.4
Analytical framework in the evaluation	15	8.6
Theory of policy analysis	3	1.7
The research has been implemented about policy analysis, experience of speakers and participants	12	6.9
Theory and practice of policy assessment	21	12
Methods of cumulative impact assessment	45	25.7
Working methods, the way to organize training workshop	3	1.7
Reasons for impact assessment before implementing the policy	9	5.1
Spatial gravity model method	12	6.9
Characteristics of policy evaluation in Vietnam	6	3.4
Difficulties in policy analysis and evaluation	3	1.7
Policy objectives and implementation mechanism	6	3.4
Some new quantitative methods in policy assessment	3	2.4

Source: Participant Survey at the end of the workshop, 2019



**ANNEX: LIST OF ATTENDEES**

No.	Name	Possition	Institutions	Note
<b>I</b>	<b>Attendees from ouside Hanoi</b>			
1	Mai Quyên	Lecturer	Vietnam National University of Forestry.	
2	Luu Thị Thảo	Lecturer	Vietnam National University of Forestry.	
3	Nguyễn Thị Bích Diệp	Lecturer	Vietnam National University of Forestry.	
4	Trịnh Quang Thoại	Lecturer	Vietnam National University of Forestry.	
5	Nguyễn Thị Mai Hương	Lecturer	Vietnam National University of Forestry.	
6	Hồ Văn Bắc	Lecturer	Thai Nguyen University of Economics and Business Administration, Thai Nguyen	
7	Nguyễn Bích Hồng	Lecturer	Thai Nguyen University of Economics and Business Administration, Thai Nguyen	
8	Bùi Xuân Hồng	Lecturer	Thai Nguyen University of Economics and Business Administration, Thai Nguyen	
9	Nguyễn Thị Tâm	Lecturer	Thai Nguyen University of Economics and Business Administration, Thai Nguyen	
10	Nguyễn Thu Hà	Lecturer	Thai Nguyen University of Economics and Business Administration, Thai Nguyen	
11	Nguyễn Thị Thu Hà	Lecturer	Thai Nguyen University of Economics and Business Administration, Thai Nguyen	
12	Nguyễn Thị Hà	Lecturer	Thai Nguyen University of Economics and Business Administration, Thai Nguyen	
13	Phạm Thị Hồng	Lecturer	Thai Nguyen University of Economics and Business Administration, Thai Nguyen	
14	Trương Tuấn Linh	Head of Department	Thai Nguyen University of Economics and Business Administration, Thai Nguyen	
15	Vũ Thị Trà Mi	Lecturer	Thai Nguyen University of Economics and Business Administration, Thai Nguyen	
16	Phùng Trần Mỹ Hạnh	Lecturer	Thai Nguyen University of Economics and Business Administration, Thai Nguyen	
17	Võ Thị Khánh Linh	Lecturer	Bac Giang Agriculture and Forestry University	
18	Phạm Thị Dinh	Lecturer	Bac Giang Agriculture and Forestry University	

19	Nguyễn Thị Dung	Lecturer	Bac Giang Agriculture and Forestry University	
20	Nguyễn Đức Trung	Lecturer	The University of Finance and Business Administration, Hung Yen	
21	Nguyễn Văn Lượng	Lecturer	Thai Binh Agricultural College	
22	Nguyễn Xuân An	Program Manager	World Vision, Dien Bien	
23	Nguyễn Văn Sơn	Chairman of CPC	Xuân Minh Commune, Thọ Xuân District, Thanh Hóa Province	
24	Mai Văn Thương	Vice Chairman of CPC	Xuân Minh Commune, Thọ Xuân District, Thanh Hóa Province	
25	Trịnh Thị Nga	Commune Official	Xuân Minh Commune, Thọ Xuân District, Thanh Hóa Province	
<b>II</b>	<b>Attendees from Hanoi city</b>			
1	Nguyễn Minh Đức	Researcher	Department of Agriculture and Rural Development, Hanoi	
2	Trần Văn Tam	Official	Vietnam Institute of Fisheries Economics and Planning	
3	Tạ Văn Tường	Vice Director	Department of Agriculture and Rural Development, Hanoi	
4	Nguyễn Thị Thu Huyền	Official	Department of Agriculture and Rural Development, Hanoi	
5	Tạ Văn Duẩn	Official	Department of Agriculture and Rural Development, Hanoi	
6	Nguyễn Văn Minh	Official	Department of Agriculture and Rural Development, Hanoi	
7	Phạm Đức Khôi	Head of Department	Department of Agriculture and Rural Development, Hanoi	
8	Lương Minh Cường	Director	Baba Ao Que Enterprise	
<b>III</b>	<b>Attendees from Vietnam National University of Agriculture</b>			
1	Nguyễn Thanh Phong	Lecturer	Faculty of Economics and Rural Development, Vietnam National University of Agriculture	
2	Trương Thị Cẩm Anh	Researcher	Institute of Economics and Development, Vietnam National University of Agriculture	

3	Phạm Thị Thanh Thúy	Lecturer	Faculty of Economics and Rural Development, Vietnam National University of Agriculture	
4	Đặng Xuân Phi	Lecturer	Faculty of Economics and Rural Development, Vietnam National University of Agriculture	
5	Nguyễn Thị Thiêm	Lecturer	Faculty of Economics and Rural Development, Vietnam National University of Agriculture	
6	Thái Thị Nhung	Lecturer	Faculty of Economics and Rural Development, Vietnam National University of Agriculture	
7	Nguyễn Văn Phơ	Officer	Department of Education Management, Vietnam National University of Agriculture	
8	Đỗ Thị Diệp	Lecturer	Faculty of Economics and Rural Development, Vietnam National University of Agriculture	
9	Nguyễn Thị Minh Thu	Lecturer	Faculty of Economics and Rural Development, Vietnam National University of Agriculture	
10	Nguyễn Thị Thu Hà	Lecturer	Faculty of Economics and Rural Development, Vietnam National University of Agriculture	
11	Đỗ Thị Thanh Huyền	Lecturer	Faculty of Economics and Rural Development, Vietnam National University of Agriculture	
12	Lê Thị Thanh Loan	Lecturer	Faculty of Economics and Rural Development, Vietnam National University of Agriculture	
13	Đặng Thị Kim Hoa	Lecturer	Faculty of Economics and Rural Development, Vietnam National University of Agriculture	
14	Bạch Văn Thủy	Lecturer	Faculty of Economics and Rural Development, Vietnam National University of Agriculture	
15	Nguyễn Trọng Đắc	Lecturer	Faculty of Economics and Rural Development, Vietnam National University of Agriculture	

16	Nguyễn Mậu Dũng	Lecturer	Faculty of Economics and Rural Development, Vietnam National University of Agriculture	
17	Nguyễn Hữu Giáp	Lecturer	Faculty of Economics and Rural Development, Vietnam National University of Agriculture	
18	Nguyễn Thị Phương	Lecturer	Faculty of Economics and Rural Development, Vietnam National University of Agriculture	
19	Nguyễn Thị Thu Phương	Lecturer	Faculty of Economics and Rural Development, Vietnam National University of Agriculture	
20	Đỗ Thị Nhài	Lecturer	Faculty of Economics and Rural Development, Vietnam National University of Agriculture	
21	Nguyễn Thị Huyền Châm	Lecturer	Faculty of Economics and Rural Development, Vietnam National University of Agriculture	
22	Hoàng Thị Hằng	Lecturer	Faculty of Economics and Rural Development, Vietnam National University of Agriculture	
23	Nguyễn Thị Ngọc Mai	Lecturer	Faculty of Accounting and Business Management, Vietnam National University of Agriculture	
24	Nguyễn Hữu Giáp	Lecturer	Faculty of Economics and Rural Development, Vietnam National University of Agriculture	
25	Nguyễn Minh Đức	Lecturer	Faculty of Economics and Rural Development, Vietnam National University of Agriculture	
<b>IV</b>	<b>Students</b>			
1	Hoàng Trung Hiếu	Agricultural Economics Class	Vietnam National University of Agriculture	
2	Vũ Tiến Vượng	Agricultural Economics Class	Vietnam National University of Agriculture	

3	Lê Thu Hà	Agricultural Economics Class	Vietnam National University of Agriculture	
4	Hoàng Thị Thúy Hằng	Agricultural Economics Class	Vietnam National University of Agriculture	
5	Nguyễn Minh Hiệu	Agricultural Economics Class	Vietnam National University of Agriculture	
6	Nguyễn Hữu Hùng	Agricultural Economics Class	Vietnam National University of Agriculture	
7	Lương Khánh Huyền	Agricultural Economics Class	Vietnam National University of Agriculture	
8	Ngô Thị Hương	Agricultural Economics Class	Vietnam National University of Agriculture	
9	Nguyễn Thị Bích Ngọc	Agricultural Economics Class	Vietnam National University of Agriculture	
10	Nguyễn Thị Phương	Agricultural Economics Class	Vietnam National University of Agriculture	
11	Lê Minh Quang	Agricultural Economics Class	Vietnam National University of Agriculture	
12	Đàm Thị Thủy	Agricultural Economics Class	Vietnam National University of Agriculture	
13	Nguyễn Thị Trang	Agricultural Economics Class	Vietnam National University of Agriculture	
14	Mạc Thị Ánh Vân	Agricultural Economics Class	Vietnam National University of Agriculture	



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## 9.5 Appendix V:

Translated text of the Decree 57

GOVERNMENT-----

SOCIALIST REPUBLIC OF VIETNAM NAMDoc  
Independence - Freedom - Happiness -----

### 9.5.1 No. 57/2018 / ND-CP

Hanoi, April 17, 2018

#### DECREE

ON MECHANISMS BUSINESS PROMOTION POLICY INVESTMENT IN AGRICULTURE  
AND RURAL

*Pursuant to the Government Organization Law June 19, 2015;*

*Pursuant to the Law on state budget June 25, 2015;*

*Pursuant to the Investment Law November 26, 2014;*

*Pursuant to the Investment Law of June 18, 2014;*

*Pursuant building June 18, 2014;*

*Pursuant to the Enterprise Law November 26, 2014;*

*Pursuant support small and medium-sized enterprises June 12, 2017;*

*Pursuant to the Land Law, November 29, 2013;*

*Pursuant to the Law on Science and Technology June 18, 2013;*

*Pursuant to the Law on Technology Transfer June 19, 2017;*

*At the proposal of the Minister of Planning and Investment;*

*Government issued a Decree on mechanisms and policies to encourage enterprises to invest in  
agriculture and rural areas.*

#### Chapter I

#### GENERAL RULES

##### Article 1. Scope

This Decree provides for a number of mechanisms and incentives, support additional investment by the State and shall specify the order and procedures for implementing incentives and investment support for enterprises to invest in agriculture , countryside.

## **Article 2. Subjects of application**

1. This Decree shall apply to enterprises receive incentives and support are now being established, registered and operating under the Enterprise Law and investment projects defined in Clause 3, 4, 5, 3 of this Decree.
2. Agencies, organizations and individuals involved in the implementation of preferential policies and support under the provisions of this Decree.

## **Article 3. Definitions**

1. Rural areas are areas of administrative boundaries do not include wards of the town, county and city.
2. Lines of investment incentives in agriculture and rural areas including the lines are defined in Appendix issued together with this Decree (Annex I) and other lines under the decision of Prime Government in each period.
3. The special agricultural project investment incentives is a project in the list of lines specified in Annex I performed in areas with economic conditions - particularly difficult socially prescribed legislation invest.
4. Agricultural project investment incentives is a project in the list of lines specified in Annex I performed in areas with difficult socio - economic conditions in accordance with the law on investment.
5. Agricultural projects to encourage investment in the project is on the list of lines specified in Annex I carried out in rural areas, not in the areas specified in paragraph 3 and 4 of this Article.
6. Agriculture specified in this Decree include: Agriculture, forestry, aquaculture, salt (including pharmaceutical farming).
7. Agricultural products are products of agriculture, forestry, fishery and salt.
8. Agricultural enterprises newly established small and medium enterprises only invest in the agricultural sector and rural areas, with operating time not exceeding 05 years from the date of registration certificate and satisfy business the conditions stipulated by the Law on Support to small and medium-sized enterprises.
9. Enterprises participating in link value chain is now contracted purchase agricultural products stable (at least 36 months duration) with farmers or organizations representing farmers.

## **Article 4. Principles applicable incentives and investment support**

1. State investment incentives through tax reduction or exemption, charges, fees and reducing some of the administrative procedures for enterprises.
2. State support in the form of investment support part of the investment cost or subsidized interest rate difference for the business.

3. Enterprises with special agricultural project investment incentives, preferential agricultural project investment, agricultural projects to encourage investment are entitled to investment incentives, investment support under the provisions of this Decree.
4. Prioritize investment support for small and medium-sized enterprises entrepreneurship innovative provisions of Clause 2, Article 3 of the Law Supporting small and medium enterprises; Business building material area linked contracts with farmers.
5. In the same time, if the project investment incentives, support investment incentive levels, different support, enterprises are choosing to apply the incentives and investment support beneficial Best.
6. Enterprises own money, raise capital to implement investment projects on the lines of investment incentives in agriculture and rural areas. State support after investment in the level of support for each type of item, works by the provincial People's Committee issued; order and procedures for assistance under the provisions of this Decree.

## **Chapter II**

### **INCENTIVE POLICIES AND SUPPORT**

#### **Article 5. exemption and reduction of land use**

Enterprises with agricultural projects (special investment incentives, investment incentives and encourage investment) State allocation or change the purpose of land for housing for workers as defined in Article 55 land Law are exempt for changing the purpose of land use for the land transferred for the purpose of building housing for employees working in the project; be exempt from land use fees for land which after conversion.

#### **Article 6. Exemption or reduction of land rent and water surface rent of State**

1. Enterprises with agricultural projects and investment incentives to encourage investment in the lease of land and water surface rent of State shall apply the preferential land price by the provincial People's Committee, the central cities regulations and land rents, water surface rents stable minimum 05 years.
2. Enterprises with special agricultural project investment incentives, the project is exempt from land rent, water surface rent from the date of the State leases land and water surface rent.
3. Enterprises agricultural project investment incentives, the project is exempt from land rent, water surface rent for 15 years from the date the State leases land and surface water and 50% land rent, water rent in the next 07 years.
4. Enterprises with agricultural projects to encourage investment in the project is exempt from land rent, water surface rent for 11 years from the date the State leases land and surface water and 50% land rent, water rent in the next 05 years.
5. Enterprises with agricultural projects (special investment incentives, investment incentives, to encourage investment) by the State leases land for housing construction project workers, land production base non-agricultural (land for construction of factories, warehouses, drying yards, roads, trees) including land be allowed to change to the type of land specified in this paragraph to serve the project, shall be exempt lease.

6. Agricultural enterprises small and recently established are exempt from land rent, water surface rent of state in 05 years from the date of completed projects in operation and 50% reduction of land rents and water surface rents in the next 10 years.

#### **Article 7 Support for land consolidation**

1. Enterprises with special agricultural project investment incentives lease or sublease of land and water surface of households and individuals to carry out investment projects, the State financial support equivalent to 20% land rent, water rent for the first 05 years since the completion of the project put into operation; land rent, water surface rent as stipulated in Clause 1 of Article 6 of this Decree.
2. Enterprises with agricultural projects (special investment incentives, investment incentives and encourage investment) capital contribution using land use rights of households and individuals to form the raw material areas water supports building infrastructure material area with the support of 50 million / ha but not more than 10 billion / project and do not have to lease the land for the land contributed as capital with the right to use land.
3. Enterprises focusing land in the forms specified in Clause 1, Clause 2 of this Article, the State shall assist with the total support under the provisions of each item listed above.
4. During the period of land lease of enterprises to invest in agriculture and rural areas, the state does not regulate zoning, land use plans affecting the project. Except where the State recovers land under the provisions of Article 61, Article 62 of the Land Law and the special circumstances to adjust the plan, planning of land use as stipulated in Clause 1 and Clause 2 of Article 46 of the Law on Land band.
5. To encourage businesses to use agricultural land, land for aquaculture develop agricultural processing plants, accompanying infrastructure (warehouses, office buildings, internal roads, waste disposal system ). Procedures to change the purpose of land use, built according to the provisions of the Land Law and the Construction Law.

#### **Article 8. Access, credit support**

1. Enterprises with investment projects in agriculture and rural development budget to support local commercial lending rates after the project is completed as follows:
  - a) Support levels: By difference in interest rates for commercial loans versus credit interest rate of state investment incentives based on actual amounts outstanding at the time of review records support.
  - b) Duration of interest rate support from the starting date of disbursement under the credit agreement with commercial banks:
    - A maximum of 08 years for special agricultural project investment incentives; maximum 06 years for agricultural projects investment incentives; up to 05 years for agricultural projects to encourage investment. Where a project of agricultural enterprises small and start-up time, the interest subsidy is 08 years.
    - The project that links enterprises to participate in the value chain, the applicable interest rate support under the production cycle of the product.
  - c) Limits on loan with interest subsidy: Maximum 70% of the total investment of the project.

d) Policy support and specific method by the provincial People's Council issued in accordance with local conditions.

2. The construction work on the land (including the net house, greenhouse, the membrane and irrigation works) of investment enterprises are counted as assets for mortgage loans in commercial banks.

#### **Article 9. Support research enterprise, transfer and application of high-tech agriculture**

1. Financial support for implementation of scientific research projects, bought the rights to the technology, buy technology or buy the results of scientific research and technology development to create new products, improve technology, technology minimizes environmental pollution, saving technologies of raw materials, fuel, energy saving:

a) The level of support: 80% of the expenditures made, but not more than 300 million / topic / copyright / technology.

b) Conditions of support

- Enterprises with revenue last year by 10 times the minimum support level.

- The copyright, business technology purchase proposal must be consistent with the development of production-oriented enterprises' registered.

- Where scientific research is applied in practice, shall be covered by the level of support; case not be applied in practice, be paid 50% of support.

2. Support the project now production test serves apply new technology, high technology, manufacturing new products:

a) Priority participating enterprises, hosted projects, tasks (hereinafter called the Project) science and technology using the state budget.

- Enterprises are invited to coordinate implementation of the content of science and technology project or building a model of scientific and technological tasks locally deployed enterprise business registration;

- Recommended order of business projects to be considered for approval priorities implemented in the form of direct selection or assignment;

- Enterprises have rare genes priority project implementation national gene bank to develop into a commercial product.

b) The level of support: 70% of funds to perform the tasks of agricultural projects especially investment incentives and 50% of funding for the agricultural project investment incentives and agricultural projects to encourage investment but not more than 01 billion.

c) Conditions for support

- Project production test products, high-tech products, new products in writing of unified management body subordinate science or provincial People's Committee.

- The mission recommended assistance with content suitable for development-oriented production and business of enterprises.

3. The entire enterprise is assigned ownership of the results of scientific research, technological development after the mission science and technology priority acceptance and implementation of scientific and technological products:

- a) Enterprises chaired topics in science and technology, projects using the State budget choose, create plant varieties and animal breeds, the project completion and acceptance of the reach upwards allowed deployment replicated in 03 years from the project completion and acceptance.
- b) Enterprises chaired topics in science and technology projects that use state budget creates new products are accepted by the market, the end of the task acceptance from reaching upward permitted development replicated within 02 years from the project completion and acceptance.
- c) Enterprises chaired topics in science and technology, projects using the State budget, with laboratories to ISO / IEC 17025, the test results of the standard products business accepted when registering for product circulation in offices specialized functions.

4. Enterprises project by plant breeding and tissue culture technology is supported as follows:

- a) The level of support 80% of the investment cost for the construction of infrastructure, equipment and environmental treatment, but no more than 05 billion / project.
- b) Conditions of support: Scale from 01 million seedlings / year. Where the project size increases, the corresponding increase in the level of support, but not more than 10 billion / project.

5. Enterprises project production plant varieties and animal breeds, aquatic breeding, trials of new crops of high economic value by the provincial People's Committee for approval is supported 70% of the costs to construction of infrastructure, equipment and environmental treatment, seedlings but not more than 03 billion / project.

6. investment enterprise zones, areas, agricultural projects high-tech applications are supported up to 300 million / ha for the construction of infrastructure, equipment and environmental treatment.

#### **Article 10. To support the training of human resources, market development**

1. Enterprises with special agricultural project investment incentives, investment incentives, and encouraging investment by state budget support as follows:

- a) Support for direct corporate vocational training for workers to support 02 million / month / labor, 03 months support period.

Where the participating enterprise value chain links are supported funds for organizing training and technical guidance to farmers, support 500 thousand / farmers participating in link training. Support period is 03 months.

- b) support 50% of the cost of advertising, branding key products national and provincial levels; 50% of funds to participate in exhibitions and fairs and abroad are the competent authorities for approval.

2. The grants mentioned in paragraph 1 of this Article shall comply with the investment project. Total grants for a project shall not exceed 10% of total investment projects and not more than 01 billion.

3. Support an enterprise to build and manage an electronic information page "national agricultural markets".

a) Conditions of support:

- Enterprises with at least 05 years experience in the field of e-commerce and minimum collateral 10 billion.
- electronic information page "National Farmers' Market" was built at least in 03 languages (Vietnamese, English, Chinese) and is committed to maintain a minimum of 10 years of operation. Product Information of businesses be maintained for at least 03 years.
- State support started when at least 500 businesses have signed up information products electronically.

b) Support levels: State support for enterprises with electronic information pages are 05 million national / enterprise product was posted to the national electronic information. The total level of support does not exceed 05 billion.

c) Where there are many firms wishing to participate in the construction of electronic information pages agricultural trading nations, the selection of the form of tender.

4. Business investment in agriculture, rural autonomy purchasing agricultural products from animal raw materials, planted to put on preservation and processing of corporate standards.

Agricultural products from farming, grow freely circulated on the market, state agencies must be free of administrative procedures for certification of origin of raw materials and the administrative procedures causing difficulties for operators, transport transfer, consumption and export of agricultural products, except for cases involving national security and dangerous diseases to public health is defined in specialized law.

**Article 11. Support for infrastructure investment: storage and processing of agricultural products; slaughtering livestock and poultry; manufacturing equipment, components, agricultural machinery; manufacturing auxiliary products**

1. Enterprises with investment project agricultural processing facilities; slaughterhouse; establishments manufacturing equipment, components, agricultural machinery; production base auxiliary products are supported by the State budget as follows:

- a) support the processors of agricultural products, slaughterhouses and poultry: 60% of investment expenditure and not more than 15 billion / project to build infrastructure for waste treatment, transport , electricity, water, plant and equipment purchased in the fence project.
- b) Supporting production base factory mechanic equipment, components, agricultural machinery and factory auxiliary products: 60% of investment expenditure and not more than 05 billion / project to build building infrastructure for waste management, transport, electricity, water, plant and equipment purchased in the fence project.
- c) The investment project agricultural processing conditions to ensure product value after processing increased by at least 1.5 times the value of the original raw material.

2. Support for agriculture storing

Enterprises with investment projects in agricultural storage facilities (including drying, irradiation, sterilization, freezing, preserving bio) is to support the state budget as follows:

a) The level of support 70% of investment costs but no more than 02 billion / project to build infrastructure for transportation, electricity, water, waste disposal, plant and equipment purchases.

b) Conditions of support:

- Capacity of drying facilities rice, maize, potato, cassava, forest products must reach a minimum of 100 tons / day; dried seafood products at least 50 tons / day.

- Preserving vegetables, fresh fruit, tea, pepper, cashew nuts reached 1,000 tons warehouse; preserving stored seed reached 100 tons capacity warehouse.

3. Support for vessel purchase marine services: Enterprises buy train services on sea fisheries are the state budget 60% maximum support costs, support calculated according to capacity: 30 million / ton payload (DWT); Minimum load 200 DWT ships, the level of support must not exceed 10 billion / ship.

4. Where an enterprise formed under the provisions of Article 6 of Decree No. 118/2014 / ND-CP of December 17, 2014 of the Government on the restructuring, innovation and development, improve the operational efficiency of companies agriculture and forestry can build processing plants specified in paragraph 1 of this Article is additional support infrastructure to the material, the level of support was 50 million / ha and not more than 05 billion /project.

5. Where the processed agricultural products specified in paragraph 1 of this Article to be recognized as national key products, in addition to the support specified in the preceding paragraph, the project supported 03 additional billion for investment in infrastructure.

#### **Article 12 Investment support base of dairy, beef**

Enterprises with investment projects basis of dairy and beef cows are supporting the state budget as follows:

1. Support 05 billion / project to build infrastructure for waste disposal, transport, electricity, water, plant and equipment purchases.

2. In addition to infrastructure support specified in paragraph 1 of this Article, if the enterprise integration, high-yield cows to feed livestock directly or associated with households, the additional assistance of 10 million / child.

#### **Article 13. Support for businesses providing public services and investment in agricultural infrastructure, rural**

1. Enterprise project to provide clean water for rural areas are supported as follows:

a) Support for 03 million / m3 / day capacity for new construction or 02 million / m3 / day capacity for upgrading water production plant.

b) Supports up to 50% on the main pipe leading to the residential area with 10 households or more.

2. Enterprises project to collect and treat domestic solid waste; domestic wastewater in rural areas; Waste collectors villages and rural areas supported 60% of the cost of purchasing equipment, building processing system, the level of support does not exceed 05 billion / project.

3. Enterprises with aquaculture projects have a minimum size of 05 hectares or more supported 200 million VND / ha for the construction of infrastructure, water supply and drainage, environmental



treatment. Farming area increased level of support to be increased correspondingly. The level of support must not exceed 10 billion / project.

4. Enterprises with harbor construction project in service transporting agricultural products, forestry and fisheries, boat piers, advanced irrigation systems save water, irrigation schemes irrigation services for agricultural production now supported by 50% of funds invested in the project was approved by the competent authorities. The level of support must not exceed 20 billion / project.

5. Support the development of social housing for workers: Enterprise investment in agriculture and rural areas with 100 or more employees regularly working at the plant, supported construction of housing for workers the level of support was 01 million / m<sup>2</sup> built on the fourth level, supporting 02 million / m<sup>2</sup> building to house 02 storeys or more.

6. Support outside the fences: Enterprises with investment projects in agriculture and rural areas, according to the provisions of this Decree, if outside the fence project no substandard roads mountains grade V, System electricity, water supply to serve the project, supported additional cost of 70% and not more than 05 billion investment in the construction of items on.

### **Chapter III**

## **RESOURCES AND MECHANISM FOR SUPPORT**

### **Article 14. Funds support**

1. The central budget equivalent budget for at least 5% of annual investment in the development of the agricultural sector; budgets of the provinces and centrally-run cities to spend a minimum of 5% of the capital expenditures for the annual local agricultural sector to implement. In addition, ministries and localities to be funded from the program integration, economic development projects and social funds to carry out legitimate business support under the provisions of this Decree.

2. The Ministry of Planning and Investment, the Ministry of Finance to coordinate with the base's ability to balance capital and annual periods, the need for support of local businesses, reporting to the Government decision of funding for the implementation of this Decree.

### **Article 15. Mechanism support after investment**

1. The central budget:

Prime Minister assigned the total capital and medium-term support for local yearly under section: "Program to support enterprises to invest in agriculture and rural areas" in public investment plans. When the project is eligible, the Ministry of Planning and Investment Affairs portfolio and the level of detail to support capital projects in accordance with the Law on public investment.

2. Local budget: Support for local projects, satisfy the provisions of this Decree.

3. Decide on the investment policy approved list of projects defined in Article 16 paragraph 1 of this Decree and written commitment of capital assistance by competent authorities as a basis for allocation plan support state budget for enterprises.

4. Budget implementation support after investment: As the portfolio of completed projects and acceptance shall be disbursed 70% of capital support in the portfolio; after the project is completed, tested and put into production, trading shall be disbursed 30% of the remaining capital support.

5. Capital allocated to business not fully disbursed in year budget plan will be transferred to next year after disbursement. Case after 02 years that the business has not fully disbursed, the remaining capital being transferred to other enterprises under the provisions of this Decree.

6. Capital and investment support procedures for enterprises invested abroad (prescribed in Clause 1 of Article 23 of the Law on Investment) and state enterprises comply with separate provisions of law.

7. The capital support from the state budget not be included in the taxable income of the enterprise and the State undertakes to ensure this capital when businesses performing loans from commercial banks to implement the project.

## **Chapter IV**

### **ORDER AND PROCEDURES FOR INVESTMENT**

#### **Article 16. Investment Procedure**

1. Perform inter and simplified administrative procedures as follows:

a) The provincial People's Committee issued a decision on the investment policy the list of projects to encourage enterprises to invest in agriculture and rural development (Form No. 01 in Appendix II to this Decree).

b) The decision stipulated in clause is to decide the investment policy stipulated in clause 1 of Article 32 of the Law on investment.

Where there are now 02 or older and registered investment project on the same location, then make a selection investors under the provisions of law on bidding.

c) Enterprises with projects in the categories defined in this clause state agencies authorized to provide information or planning permit to establish 1/500. Time to provide information or zoning permit shall not exceed 15 working days from the date of receipt of the request of the enterprise.

d) The evaluation of the basic design projects in the categories defined in this clause shall comply with clause 4 of Article 57 b of the Building Act.

e) The construction work in the rural sector has not yet planned urban development or construction of industrial parks, export processing zones, high-tech zone, or in agricultural zones tech planned 1 / 500 approved the building permit are exempt under the provisions of Clause 2, Article 89 Law on construction.

e) All of the projects are not technology verification project unless the provisions of Article 30, Article 31 and paragraph 1 of Article 32 b of the Law Article 13 of the Law on Investment and Technology Transfer.

2. Allow investors parallel project implementation or integration of procedures on land, environment, construction and received investment support.

3. Investment projects on the list specified in paragraph 1 of this Article, when no production and business activities, the State agencies in localities not inspected, inspection and audit in any form unless there are provisions of law or signs of apparent violations of law.

#### **Article 17. Dossiers and procedures to receive support**

### 1. Profile, order requests for assistance

- a) Enterprises posts 03 set, comprising investment project, the written request of the business support to the Department of Planning and Investment (Form No. 02 in Appendix II to this Decree).
- b) Within a maximum of 10 working days, the Department of Planning and Investment and written examination and report of People's Committees at provincial level (Form No. 03 in Appendix II to this Decree), within 05 day provincial people's Committee a written commitment to provide capital support for enterprises (form No. 04 in Appendix II to this Decree). In case of refusal pledged support for enterprises, the provincial People's Committee shall send a document stating the reason now.
- c) Where the use of the central budget, the implementation of the provisions of the law on public investment.

### 2. Acceptance of investment items or entire projects

- a) Based on the request of the enterprise acceptance, within 05 working days the Department of Agriculture and Rural Development shall invite the relevant agencies to join the Council of acceptance.
- b) The contents of acceptance: Acceptance of items, the entire project supported under the norms applicable to each category, works by the provincial People's Committee issued.
- c) The minutes of the board's acceptance test (Form No. 05 in Appendix II to this Decree) is the basis for the disbursement of support for businesses. Besides the state agency is not required additional business other documents.

### 3. Procedures Receiving Support

Enterprises send dossiers requesting disbursement of support include: acceptance record, capital allocation decisions of the competent authorities sent the State Treasury to be disbursed grants within 05 working days.

## **Chapter V**

## **IMPLEMENTATION**

### **Article 18. Responsibilities of ministries and central agencies**

#### 1. The Ministry of Planning and Investment:

- a) coordinate with the Ministry of Finance, Ministry of Agriculture and Rural Development to guide the implementation of this Decree.
- b) Chair and coordinate with the Ministry of Finance synthesis, layout medium term capital and annual support local authorities according to the ability to balance the central budget to implement policies specified in this Decree, submit competent authority decision according to the Law on state budget and public investment Law.
- c) Develop a plan, deploy, monitor and inspect the implementation of the Decree.

#### 2. The Ministry of Finance:

a) coordinate with the Ministry of Planning and Investment to implement monitoring and inspection of the implementation of the Decree.

b) To coordinate with the Ministry of Planning and Investment, Ministry of Agriculture and Rural Development to guide the implementation of this Decree.

3. The Ministry of Agriculture and Rural Development:

a) Issuing lists key agricultural products national standards dairy cattle, beef cattle production high.

b) Chair and coordinate with the Ministry of Science and Technology project adopted criteria of agricultural high-tech applications.

c) To coordinate with the Ministry of Planning and Investment, Ministry of Finance guidelines for monitoring the implementation of this Decree.

4. The Ministry of Science and Technology: Issued technology product portfolio, subject to research, bought the rights specified in Article 9 of this Decree.

5. Ministry of Trade:

a) coordinate with the Ministry of Agriculture and Rural Development issued product portfolio mechanical components, agricultural machinery and auxiliary products to serve the development of agriculture and rural support investments according to Article 11 of this Decree.

b) To guide the implementation of Clause 3, Article 10 of this Decree.

6. The Ministry of Natural Resources and Environment guiding the implementation of the provisions of Clause 2, Article 8 of this Decree.

7. Each year, the Ministry of Agriculture and Rural Development, Industry and Trade, Natural Resources and Environment, Construction review and correction of administrative procedures in assigned areas to facilitate business investment in agriculture and rural development, reporting to the Prime Minister.

**Article 19. Responsibility of Local**

1. Provincial People's Council:

a) To review and enact specific policies to encourage enterprises to invest in agriculture and rural development at the local, which regulates credit policy locally defined in Article 8 of this Decree; capital interest subsidy support for projects and capital levels using local budget to ensure implementation of business support.

b) Issued mechanisms to promote land concentration, creating the land fund to attract businesses to invest in agriculture and rural development consistent with the competence and the provisions of law.

2. The People's Committees of provinces and centrally-run cities:

a) Issued investment policy decisions on the list of projects to encourage enterprises to invest in agriculture and rural areas in accordance with Clause 1 of Article 16 of this Decree. Period of 05 years; annual provincial People's Committee to review and adjust.

- b) Issuing lists key agricultural products of the province.
- c) Issuance of the level of support for each type of item, works in accordance with the level of support specified in this Decree.
- d) Direct the implementation and evaluation of the implementation of the Decree in localities previous year, reporting to the Ministry of Planning and Investment before March 31 every year.
- e) Communications and Department of Planning and Investment, in collaboration with the Department of Finance and the Department of Agriculture and Rural Development and the People's Committees at provincial level assigned portfolio and capital support for enterprises in each project.

3. Responsibilities of enterprises:

- a) Approve investment projects, approved technical designs and cost estimates, construction or hire contractors.
- b) The members of the business operations of State support under the provisions of this Decree in the charter capital under the Enterprise Law.

**Article 20. Transitional provisions and effective**

1. This Decree shall take effect from the date of its signing and replaces Decree No. 210/2013 / ND-CP of December 19, 2013 of the Government on policies to encourage enterprises to invest in agriculture rural (Decree 210/2013 / ND-CP).
2. Enterprises with investment projects meet the preferential conditions specified in this Decree, if already implemented projects after the Decree 210/2013 / ND-CP without incentives shall be entitled to the remaining duration of the project under the provisions of this Decree.
3. Enterprises which enjoy investment incentives stipulated in Decree No. 61/2010 / ND-CP of June 4, 2010 and Decree 210/2013 / ND-CP continues to be entitled to the incentives granted or preferential rights under the provisions of this Decree for the remaining duration of the project if they meet the conditions for preferential support under the provisions of this Decree.
4. Enterprises are implementing the project and meet the stipulated preferential support in Decree 210/2013 / ND-CP, continued preferential support under Decree 210/2013 / ND-CP or provisions of this Decree.
5. The project is implemented in accordance with Decree 210/2013 / ND-CP and unfinished procedures for investment, construction, land and environment are allowed to apply rules of procedure in Article 16 this Decree to implement investment projects.
6. Ministers, heads of ministerial-level agencies, heads of government agencies, the People's Council Chairman, Chairman of the provincial People's Committee, the central cities and the relevant agencies responsible implementation of this Decree. /.

**TM. MAIN PHUTHU TUONG**

**Nguyen Xuan Phuc**

***Recipients:***

- Secretariat of the Party Central Committee; - Prime Minister, Deputy Prime Minister; - The ministries, ministerial-level agencies, agencies attached to the Government - People's Committees of provinces and cities under central authority; - Van Central Committee and the Board of the Party; - Office of the General Secretary; - the Office of the President; - the Nationality Council and the Committees of the National Assembly - National Assembly Office; - people's Court and the Supreme; - Procuracy Supreme people; - state Audit; - Monitoring Committee National finance; - Bank of social policies; - the Development Bank of Vietnam - the central Committee of the Fatherland Front Vietnam; - the central Authority of the unions; - office: Chairman, Deputy Chairmen, Assistant TTg, CEO portal departments, subordinate units, the Gazette; - Save: VT, NN (2) .B

**ANNEX I**

**LIST OF LINES INVESTMENT INCENTIVES IN AGRICULTURE AND RURAL**  
*(Attached to Decree No. 57/2018 / ND-CP of April 17, 2018 of the Government)*

1. Afforestation, forest protection and planting of medicinal plants, non-timber forest products, organic agricultural production.
2. Investment and development focus areas for raw material processing industry. Build big field.
3. Livestock, poultry, seafood, seafood focus.
4. Production and development of plant varieties and animal breeds and plant varieties forestry, aquatic breeding.
5. The application of information technology, biotechnology, new materials technology, automation technology and high-tech investment and development priorities in agriculture, forestry, salt, water interests, fisheries.
6. Fishing in the offshore waters.
7. Production and refining of salt.
8. Production and processing of raw materials for animal feed, poultry, aquaculture, bio-products.
9. Processing and preservation of agricultural, forestry, fisheries, pharmaceuticals.
10. Manufacture of pulp, paper, paperboard and artificial boards directly from raw materials of agricultural and forestry products.

11. Production of medicines and plant protection drugs, veterinary drugs, products processing, environmental improvement in animal husbandry, aquaculture.

12. Production of crafts; Products of cultural and ethnic traditions.

13. Investment in water supply systems, drainage, irrigation works and advanced irrigation systems, water saving.

14. Investments, renovation and upgrading of slaughter, preservation and processing of livestock, poultry, centralized, industrial.

15. Collection and treatment of domestic solid waste, domestic waste water in rural areas; Waste collectors villages.

16. Investments in rural markets; investment housing for workers in rural areas.

17. Manufacture of machinery and equipment, additives, auxiliary service of agricultural, forestry, fishery, salt production, food processing plants.

18. Service plant protection, animal health in rural areas.

19. investment advisory services, scientific, technical agriculture, forestry, fisheries and salt production in rural areas. /.

## ANNEX II

### WRITTEN APPLICATION FORMS FOR USE SUPPORT AND INVESTMENT IN AGRICULTURE RURAL

*(Attached to Decree No. 57/2018 / ND-CP, April 17, 2018 of the Government)*

Sample 01	Investment policy decision on the list of projects to encourage enterprises to invest in agriculture and rural
Sample 02	Proposed investment support for enterprises to invest in agriculture and rural
Sample 03	Dispatch of the Department of Planning and Investment reported the results of verification incentives and investment support for enterprises
Sample 04	Dispatch is committed to supporting the people's committee now
Form 05	Test records completed investment projects or project items to invest in agriculture and rural
Form 06	Dispatch of business on the advance (payment) of funds

Sample 01

**COMMITTEE DAN**  
**TINH / CITY ... -----**

**SOCIALIST REPUBLIC OF VIETNAM NAM**  
**Independence - Freedom - Happiness -----**

*..., day month Year ...*

**INVESTMENT POLICY DECISIONS PROJECT LIST NOW ENCOURAGES  
INVESTMENT IN AGRICULTURE AND RURAL**  
*(Attached to Decision No. .... provincial / city ...)*

<b>TT</b>	<b>Name of project</b>	<b>Size / capacity (scheduled)</b>	<b>Location (expected)</b>	<b>Estimated investment (million VND)</b>	<b>Expected capital support (Decree - million VND)</b>	<b>Note</b>




Including the list of projects being implemented investments, meet the conditions for support under the provisions of this Decree but the state has enough capital to support the business; the "expected" when formal approval not exceed 20% difference. /.

***Recipients:***

- ... - The Ministry of Planning and Investment, TC, NN, CT; - Save:

**CHAIRMAN**

*(Signed and sealed)*

Sample 02

**COMPANY'S NAME...-----**                      **SOCIALIST REPUBLIC OF VIETNAM NAMDoc**  
**Independence - Freedom - Happiness -----**

Number: .....                      ...., *day month Year* ...

**RECOMMENDED INVESTMENT SUPPORT FOR BUSINESS INVESTMENT IN AGRICULTURE RURAL**

To: Department of Planning and Investment ....

Corporate (business name) .....;

Type of business: ..... (under the enterprise Law)

Business:.....;

Headquarters:.....;

Phone: ..... Fax.....;

Certificate of business registration / certificate of registration / license trading / investment certificate No. ... dated ... ..do ..... .. month ... .year

**I. PROJECT REGISTRATION WITH THE FOLLOWING CONTENT:**

1. Name of Project: .....
2. Investment activity: .....
3. Location of the Project: ..... ..
4. The objective and scope of the project: .....
5. Total investment of the project: ..... ..
6. The area of land proposed to use: .....
7. Number of employees The project uses the annual average: .....
8. Project Progress expected: .....

**II. PROPOSALS ELIGIBLE INVESTOR SUPPORT (Decree No. .... / 2018 / ND-CP dated ... .. 2018 of the Government):**

1. Pursuant support

2. Eligibility conditions support

3. Amounts awarded proposed investment support:

TT	content	Amount of money	Support period (years)	Note
first				
2				

**III. CALCULATION OF ELIGIBLE TERMS PROPOSED INVESTMENT SUPPORT:**

.....

**IV. CORPORATE COMMITMENT: Contents Investment Profile**

1. Regarding the accuracy of the information above.
2. To comply strictly with the provisions of the law of Vietnam.

**Recipients:**

....., day month Year ....  
**Title business representatives**  
*(Signed and sealed)*

Attached documents:....

**Note:** For projects already implemented before the decree ...../ 2018 / ND-CP dated ... month ... year .... Government is in effect, part of proposals to support investment specified in Section II for the remaining term of operation of the project (if any).

Sample 03

PEOPLE'S COMMITTEE ...  
 DEPARTMENT OF PLANNING  
 AND INVESTMENT -----

**SOCIALIST REPUBLIC OF VIETNAM NAMDoc**  
**Independence - Freedom - Happiness -----**

Number: ... ..

....., day month Year .....

To: People's Committee of .....

Pursuant to the proposal supports the ... day ... month ... year ... to ..... Enterprise Conference to support investment projects (project name) and the project file attached; Department of Planning and Investment reported the results of verification incentives and investment support for enterprises to invest in the project .... (Project) as prescribed in Decree ... ./2018/ND-CP as follows:

## **I. PROFILE DOCUMENT VERIFICATION**

1. The suggested number .....
2. Report ..... investment projects .....
3. Minutes of the actual inspection (For projects implemented prior to the proposed incentives and support):
4. Comments by the relevant bodies: .....
5. Other relevant documents (if any).

## **II. PROJECT INFORMATION**

1. Name of Project: .....
2. Investment activity: .....
3. Objective and scope of the project: (Target outputs of the project, the expected number of workers, categories of investment and land use ....)
4. Granting investment policy decisions project: (if applicable under the provisions of the Investment Law)
5. Level of project investment decision: (Company Name)
6. Location of the project: .....
7. Estimated total project investment: ..... (In which clarifies capital investment and capital for each specific enterprise funds mobilization)
8. The proposal is expected State capital support: .....
9. Duration: .....
10. Other information (if applicable): .....

## **III. GENERAL COMMENT OF COORDINATION UNITS**

Synthetic reviews of the coordinating agencies

## **IV. COMMENT VERIFICATION OF LEAD AGENCY**

1. Investment support:

- conditions met: .....

- Support level: .....

- Time support: .....

2. Other comments: .....

## V. CONCLUSION

Above is the examination opinions incentives and support for enterprises .....

..... project implementation, the glass .... People's Committees for consideration and decision ./.

### ***Recipients:***

- As above;
  - The participating agency verification; - other relevant agencies; -
- Save: .....

### **DIRECTOR OF PLANNING AND INVESTMENT**

*(Signature, full name and seal)*

Sample 04

**PEOPLE'S COMMITTEE .... ---SOCIALIST REPUBLIC OF VIETNAM NAM**

----

**Independence - Freedom - Happiness -----**

Number: ... ..V / v commitment to ....., *day month Year* ....  
support the implementation of  
Decree ..

Dear ..... .. (Enterprise)

Pursuant to Decree No. .... / 2018 / ND-CP on policies to encourage enterprises to invest in agriculture and rural areas;

Pursuant to the request for assistance in writing the ... day ... month ... year ... of the business .....  
propose incentives and investment support project ... ..;

Pursuant to the verification report of ... / BCTT-DPI day .... month ... year of the Department of Planning and Investment reported the results of verification incentives and investment support for enterprises .. .. investment in the project .....

Commission is committed to supporting the people's business ....., A certificate of business registration (or equivalent) issued on ... month ... year ... execution of projects .....

1. The level of support:

2. Time support:

3. Require businesses to comply with the content of the project has been registered. /.

***Recipients:***

- departments to implement support for enterprises: DPI, DOF, Department of Natural Resources and Environment, Department of Agriculture and Rural Development, Department of Science and Technology, the State Treasury provincial and district People's Committees; - Save: .....

**CHAIRMAN**

*(Signature, full name and seal)*

Form 05

**Council accepted -----**

**SOCIALIST REPUBLIC OF VIETNAM NAMDoc**  
**Independence - Freedom - Happiness -----**

Number: ... ..

..., *day* .... *months* .... *year* ....

## **TEST RECORDS**

### **COMPLETION OF INVESTMENT PROJECTS OR ITEMS ON INVESTMENT PROJECTS RURAL AGRICULTURAL**

1. Project (Project category): .....

2. Construction Location: .....

3. Participants acceptance:

a) The Council accepted (Full name, title, and some text bodies appointed to act as representatives)

b) The business (business name)

Legal representative and the person in charge of project investment, project categories:

c) Contractor

Legal representatives of the contractors and officials in charge of construction projects and project items:

4. Time for acceptance:

Start: ..... .. months ... days. year ...

Finish: ..... .. months ... days. year ...

In:.....

5. Evaluation of projects, project items:

a) document as a basis for acceptance:

.....

b) The size and quality of the project, project categories (with reference to the level of support, design and construction standards, technical instructions);

c) Other comments if any

6. Conclusion:

- acceptance of project completion, project items to meet the requirements and are supported from the state budget.

- Requires repair, improve or supplement and the other comments (if any).

The parties directly responsible acceptance of the law for acceptance of this decision. /.

***Recipients:***

- People's Committees at provincial level (to report); - The Department: TC, MPI, MARD, Science and Technology, Natural Resources and Environment (to know); - State Treasury provincial level; - Businesses receive support; - Contractor companies; - member of the Council of test; - other relevant agencies; - Save: ...

**COUNCIL ACCEPTANCE**

*(Member of the Council, the full name and seal of the DARD)*

**ENTERPRISE**

*(Signature, full name and seal)*

Form 06

**COMPANY'S NAME...-----**

**SOCIALIST REPUBLIC OF VIETNAM NAM**



**Independence - Freedom - Happiness -----**

V / V Advance (Billed) funding  
.....

To: State Treasury provinces and cities .....

Pursuant to Decree No. ... / 2018 / ND-CP dated ... .. 2018 by the Government.

Corporate (business name) .....

Headquarters: .....

Telephone: Fax: .....

Account No. .... at .....

- The reason for the advance (payment): .....  
.....

- Content incentives and support:

+ Support Category: .....

+ .....

The recommended amount of advance (payment): ..... .. (Write in words):  
.....

- Attached documents include: .....

***Recipients:***

**REPRESENTATIVE TITLES NOW**  
*(Signed and sealed)*