

Rural Development Policies in Vietnam

Transitioning from Central Planning to a Market Economy

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Acronyms

CEM	Committee for Ethnic Minorities
CPRGS	Comprehensive Poverty Reduction and Growth Strategy
CPV	Communist Party of Vietnam
GDPRD	Global Donor Partnership for Rural Development
GoV	Government of Vietnam
HCS	Hanoi Core Statement
NP	Nation Programme
NRD	New Rural Development
NTP	National Target Programme
MARD	Ministry of Agriculture and Rural Development
MoF	Ministry of Finance
MoLISA	Ministry of Labour Invalids and Social Affairs
MPI	Ministry of Planning and Investment
O&M	Operation and Maintenance
PAR	Public Administration Reform
RD	Rural Development
R&D	Research and Development
SEDP	Second Economic Development Plan

Problems in Rural Areas in Vietnam

Since the introduction of the Doi Moi policy in 1986, Vietnam has experienced development unparalleled in the country's history with robust and rapid economic growth. This has been accompanied by strong urbanisation, however with growing inequalities, particularly between the very rich and those remaining in poverty in rural areas. In spite of this positive economic growth, the country experiences macro-economic imbalances, manifested in several ways, including high inflation rates.

More than 70 percent of the population in Vietnam lives in rural areas. The past and present economic development has benefited the rural population as evidenced by Vietnam's rapidly reducing poverty rate. But recent surveys show that the gap between the rural and urban poor has widened. Development in rural areas has been unequal with certain groups lagging behind, especially groups living in the mountainous areas and ethnic minority groups.

There are more challenges facing rural Vietnam in agricultural, forestry and fisheries development. Although Vietnam is a large exporter of rice, coffee and aquaculture products, agricultural production is still based on small fragmentary land holdings, low-technology farming methods and limited access to new technologies and markets. Small land holdings are restricting opportunities to increase income through specialisation. Complicated land classification systems lead to inefficient modes of production, which limits the development of the agriculture livestock and fishery sectors by restricting opportunities for specialisation. Furthermore, land regulation and classification are not only important factors influencing the widening income gap in expanding semi-urban areas, but also hinder the efficient and rational development of the forestry sector.

Other macro issues confronting development in rural areas concern pockets of high and endemic poverty, high rural unemployment rate, serious environmental pollution, diminishing agricultural land area caused by industrialisation and urbanisation, as well as depletion of resources. Underdeveloped rural services such as education and health are common features, combined with limited mobilisation of local financial resources, inept financial management subsystems, and fiscal policies for "people centred rural

development.” Regarding social capital, there is little motivation for development of rural economic voluntary groups.

A high rate of rural unemployment results in a “push” of migration to urban areas rather than a “pull” effect to big cities. The migrants are mostly directed towards the big cities, while at the same time there is no development of small towns that provide vital services in rural areas. Another obstacle is the insufficient interest in and performance of agriculture cooperatives, although an effort was made through the issuing of Decree 151 in 2007.¹ As a consequence, many different forms of informal cooperative groups, based on economic/social mutual interests and voluntary operation, are now replacing traditional Vietnamese cooperatives. The incentive policy related to the existence and operations of these new organisations – based on mutual benefit interest – has not been developed. This has caused major constraints for small household producers to find appropriate markets as well as possibilities to reduce their bargaining power. In the case of social development benefits, there is no “sense of ownership”, which is a hindrance to farmers to contribute financially to public service investment.

The challenges that Vietnam is facing in rural development call for new approaches and methods, which in turn requires new state management functions and roles of the Government of Vietnam (GoV). Vietnam is in transition from central planning to become a market economy, where the economy is now largely characterised by free markets while the GoV’s role and functions remain in the central planning modality. This duality can be seen in current rural development efforts and programmes in Vietnam. This paper analyses key aspects of rural development and set them in the duality context of Vietnam.

¹ It could be argued that Decree 151 and Law on Cooperatives and the law on civil organisation provide sufficient legal framework. The laws and decree are on paper only, while there are mechanism to implement the decrees and allow for Civil Organisation initiatives.

What is Rural Development?

Rural Development (RD) is a very broad concept and difficult to define. It refers generally to the process of improving the quality of life and economic wellbeing for people living in relatively isolated and sparsely populated areas. However, there is also a strong acknowledgment of the interdependence between rural and urban areas; referred to as rural-urban links. Rural development has traditionally focused on the exploitation of land-intensive natural resources such as agriculture and forestry. However, currently RD is a cross sector with a spatial rather than thematic approach, thus involving social, economic, demographic, legal, financial and governance, and administrative aspects. As a result of the complexity of rural development, a singular definition of the term is not widely discussed but rather it is assumed that RD and what it means is common knowledge. For example, the Global Donor Platform on Rural Development (GDPRD) does not define RD but instead talks about drivers in RD, which are: people-centred development, local governance, economic drivers, natural resources, rural infrastructure, rural service systems and economic governance from global to local levels.²

Furthermore, rural areas tend to differ widely within countries, regions and continents. Due to prevailing disparities, it is difficult to find a uniform approach that works in all cases. This problem is apparent in the difficulties of finding a common definition of what “rural” actually means. What is classified as “rural” in one country might be defined as “urban” in another; falsified statistics and differences in technical definitions make it difficult to form a common outlook on what rural development really is.

In this paper rural development is not defined. GDPRD will be used for the discussion of the drivers of development in a spatial context in relatively sparsely populated areas.

² GDPRD: On Common Ground: A joint donor Concept on Rural Development, p. 8.

Planning and Legal Environment in Rural Development in Vietnam

Rural Development remains fragmented in Vietnam, with many ministries and agencies being responsible. The effects of fragmentation is strengthened due to aid donors having their own programmes with various ministries and agencies with little or no coordination among different programmes and sectors. The **Comprehensive Poverty Reduction and Growth Strategy (CPRGS)**, launched in May 2002, did not manage to change this situation. This was due to several reasons, one being the “silo mentality” among the GoV, ministries and agencies, which in its turn was aggravated by competition between the donors. This competition occurred in spite of **Hanoi Core Statement 2005 (HCS)**, which is a development of the Paris Declaration presented by Vietnam. In reality, the HCS never played a role in development and coordination as well as harmonisation and alignment, and therefore never impacted on rural development although some attempts were made during the formulation of the Tam Nong concerning coordination between the GoV and the donors.

During the last decade several new plans, policies and legal documents have been presented in Vietnam and been implemented, and a number of them have had an impact on rural development. Among the most important are the Resolution 26 of the Communist Party – Tam Nong – the 2011-2020 Socio Economic Development Plan (SEDP), the Policy Framework for the Implementation of the five year plan 2006-2010, the Budget Law, the Public Administration Reform (PAR), Poverty resolution, GoV's Decision 800 on NTP-NRD and the Law on Government organisation. These will be described briefly below.

The CPRGS was the base for the **SEDP** (2006-2010) and SEDP (2011-2015) and their respective policy framework, which had many goals and policy solutions that affected rural development. They focused on investments. A law that had the potential to be the first step to fiscal decentralisation was the State **Budget Law**, which came into effect in 2004. This completed the decentralisation of development planning and budget control to the Provinces, but was not accompanied by real fiscal decentralisation.

The **Public Administration Reform** (PAR) Master Program, 2001-2010 has not addressed key policy issues of state management in rural development, although the objective of this program was to develop a public administration that is democratic, transparent, sustainable and modern.

Recent planning reform efforts encompassing a planning law have been worked out in Vietnam. Although the legal framework has not yet been approved, a pilot planning process, with a deeper decentralised approach, can be seen in the communal influence in planning. However, the planning process is lacking one key feature, which is *known and predictable resources*. Therefore, the SEDP planning process still results in a wish list, which the commune, district and province have to lobby for.

The **Prime Minister's Directive** "On enhancing the implementation of poverty reduction programs" specifically assigns the Ministry of Planning and Investment (MPI) to:

"take the lead and coordinate with Ministry of Finance (MoF), Ministry of Labour, Invalids and Social Affairs (MoLISA), Centre for Ethnic Minorities (CEM) and relevant ministries and agencies to quickly review programs, mechanism, policies related to poverty reduction and socio-economic development...."

The directive also highlights the need to:

"link the Poverty Reduction Programs with the implementation of grass-root level democracy, delegation of power to localities, proactiveness in planning process, governance and management of poverty reduction activities."

This decree concerns central features in rural development and could be an indication that the GoV is ready to adopt an approach to local development and governance.

The main policy document for rural development was issued in August 2008, when the Communist Party of Vietnam (CPV) adopted Resolution 26 on "Agriculture, Farmer and Rural Area" – Tam Nong. The document states that the development of agriculture and rural areas as well as improving living conditions of farmers is based on the market economy with socialist orientation. The resolution lays out both general and specific objectives to be attained by 2020. Based on these objectives, tasks and solutions are specified,

which involves all actors related to the three targets and also includes sensitive matters like land administration and state-owned enterprises. Based on the **Tam Nong** resolution/policy a national target programme was developed – the New Rural Development (NDP) – which encompasses many ministries and agencies and where the Ministry of Agricultural and Rural Development (MARD) is the leading institution.

The **National Target Programme-New Rural Development** (NTP-NRD) is nationwide and will run for the period 2010-2020. The programme is built on the following principles:

- Development based on new rural criteria;
- Promote community ownership;
- State plays the instructive and supportive role;
- Inherit from and integrated with other NTP programmes and projects.

The NTP-NRD is now still in its formative phase. Only some piloting and the organisational structure has been completed. Several by-laws have been promulgated by the Prime Minister to facilitate for implementation of the NTP-NRD, including:

- Decision 193/QD-TTg of Prime Minister on Planning new rural areas;
- Decree 02/2010/ND-CP of the government on Agricultural Extension policy in period 2010 – 2020;
- Decision 1956/QD-TTg of Prime Minister on approving project of vocational training for rural labours;
- Decision 28/QD-TTg of Prime Minister on Pilot of transferring young intelligentsia to work in difficult areas;
- Decree 41/ND-CP of Government on policy of credits to invest in agriculture and rural area;
- Decree 61/ND-CP of Government on policy for encouraging enterprises investments in agriculture and rural areas;
- MoF released Circular 174/2009/TT-BTC on guideline of mechanism for mobilising and managing funds and Circular 72/2010/TT-BTC on guideline of special mechanism for managing and

utilising investment projects in 11 sample model's communes of New Rural Development;

- MPI released the Circular 18/TT-BKH&DT on guideline of special mechanism for managing basic construction investment in 11 sample models of New Rural Development.

All these decisions, decrees and circulars attempt to create good conditions and policy environments for 11 piloting communes to implement the New Rural Development. However, the GoV has not yet decided how to implement this nationally with committed and allocated resources.

Other poverty reduction national target programmes affecting rural areas include: (i) the Socio-Economic Development Program for Ethnic Minorities and Mountainous Areas Phase II (or P135-II). However, as a result of diminishing donor support and the formulation and adoption of the NTP-NRD it has been decided to close down programme 135; (ii) The National Targeted Programme for Poverty Reduction (NTP-PR), which is a fusion of MoLISA programmes in support of the poor; (iii) The programme for the 62 poorest districts, which was launched in 2008 and also administered by MoLISA.

All policy work on RD is concerned with the fact that since the end of 2011, the Vietnam constitution has been under revision. The Law on the GoV's organisation will also be revised in accordance with the new constitution. These processes will create opportunities to improve the role of state management, the role of public investment and multi-sector coordination, which will have an impact on rural development.

Key Policy and Institutional Issues in Vietnam

Before discussing the Vietnamese policy context, it is necessary to mention a specific feature of the Vietnamese policy environment. The planning and implementation of rural development need to rest on government policies. However, policies in Vietnam do not have similar guiding statuses as in market economy countries – i.e. being the key document setting out the development directions. Rather the five-year plan and similar planning documents are of the highest order. This fact has implications for the status of e.g. Tam Nounng as a guiding policy, rather than planning through the National Target Programme on New Rural Development (NTP-NRD).

A policy serves as a tool to organise, mobilise, manage, and most importantly, give stakeholders incentives to move in a desired direction. Based on the policy, GoV ministries and agencies will allocate resources and formulate RD strategies. But actors outside the direct control of the GoV, such as state-owned enterprises, R&D institutions and private sector that will serve rural areas and process products, are also an integral part of the RD policy. The challenge is how to engage these actors. Since people are the focus, measuring how they can be motivated and supported to improve their livelihood is critical. A RD policy rests on several important features, which to a large extent are absent in Vietnam, imply the need for change in state management. Examples of this are discussed below.

Policy Approach

Rural development (RD) is complex, cutting across several sectors and involving various policies and actions that have direct or indirect impacts on the rural areas as well as the livelihood of the rural people. Although the MARD has the state management responsibility, the viewpoints and close coordination with other ministries and state agencies must be taken into consideration during the formulation of a rural development policy.

Besides the fact that rural development is complex in terms of sector and subject matters, it is also complex in terms of the great number and diversity of stakeholders involved. Not only does it involve millions of farmers, but non-farming households, civil societies and mass organisations,

cooperatives, private sector, central and local government, public sector authorities and service providers, etc.

The focus of rural development is people. Without a focus on improved livelihood in a broad context, RD has little meaning. Therefore, for the rural population to become actively participating in the development process they need empowerment and control of their resources. Moreover, people-centred means much more than provision of infrastructure. In fact “software”, like empowerment, information, knowledge, skills, etc., is critically important. Without these critical factors, improved infrastructure could mean increased exploitation of rural people rather than development. In consequence, a people-centred policy focusing on the genuine participation of people concerned and encouraging ownership and local empowerment is a prerequisite.

Reality Based Policy

In planning, developing and formulating a RD policy, clear and reliable data of the existing situation is vital, including impact assessments of existing and past policies. A new RD policy implies different roles and functions of state management focusing on policy formulation, policy implementation and monitoring. There is also a need for clear division of labour between central, provincial and local levels, where the GoV and the MARD will closely monitor local authorities and international/private investment in their work towards reducing poverty and developing the rural population.

Governance and Finance

Local governing institutions are essential in supporting RD. Close contact between the rural population and the governing bodies promote participation and realism of development initiatives. Local government must be accountable to the people first and foremost, which is realised through an active and vibrant civil society. Effective local government is crucial in resource mobilisation and the encouragement of investment in rural areas. Financial decentralisation, including effective fiscal policies, is an integral part of this process of strengthening local governing institutions. Financing of rural development will largely rest with the private sector and cooperatives. In this area, Foreign Direct Investment (FDI) will play an important

role, not only in terms of adding financial resources, but also in terms of introduction new technologies and management practice.

Scenario Based Policy

Rural development can only be effectively implemented in the long term if coherent legal and institutional frameworks and policies are in place at the national level. Vietnam's membership in the WTO highlights the need for the country to align to international agreements and adjust to international developments as an active member of the global economy. In the move to becoming an open economy, many groups, including those found in the rural areas, are likely not to benefit economically. It is essential that the new RD includes efforts to minimise the negative effects of globalisation on vulnerable groups.

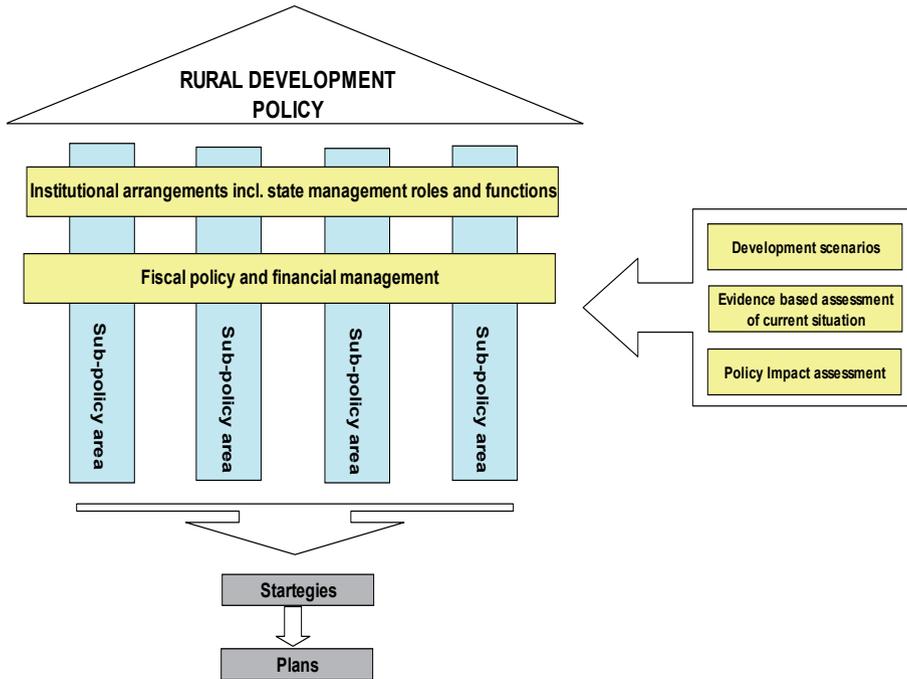
Vietnam's integration into the global economy calls for preparedness to address different possible development trends and directions. An effective tool for this is the development of various scenarios of possible short and medium term developments that may face Vietnam. These scenarios are essential inputs in the new RD policy as they highlight critical areas that the new RD should address. Rather than a new RD based on plans, the opposite is necessary; working out scenarios will open up the prospect for the new RD to be the base for strategies, and consequently, planning.

Rural Development Policy Framework

An RD policy can be conceptualised as a macro-umbrella of various GoVs initiatives, from which specific policies, strategies and plans in specific areas are developed as indicated in Figure 1 below. An essential part in this framework is the foundation that scenarios – information on current situation and policy impact assessment – provide. The framework policy rests on several more specific sub-policies. For example, in the case of Tam Nong, the sub-policies could be visualised as Farmers, Agriculture and Rural Areas where the latter includes infrastructure, services support systems, etc. However, what is missing is how to develop the private public sector linkages and the link between rural and urban areas; separate sub-policies will likely be required. It is important to realise that an RD policy framework has a spatial rather than thematic approach, which implies that ministries may not be

the natural base for rural development. Key to RD is capacity building and introduction of new technologies and skills, which by itself can constitute a sub-policy.

Figure 1: Rural development framework



Strategic Issues on Implementation of the New Rural Development

Tam Nong and its operationalisation in NTP-NRD is an attempt by the GoV to adopt some of the strategic policy and institutional framework as discussed above. However, there are many aspects of a policy framework where Vietnam does not have the capacity to incorporate. Two major ones are scenario building and reality based planning. The NTP-NRD is an approach to get a broad cross-sector RD implementation in Vietnam, but the context in which it has been developed is largely geared by a central planning attitude and method marred by a “silo mentality” along with competition between GoV institutions and agencies. The success of the NTP-NRD builds on the close cooperation and coordination of the agencies involved. Further critical elements of fiscal decentralisation and fund mobilisation outside the GoV and donor spheres have not been addressed. Finally, policies and strategies to encourage the private sector, including all the farmers, to take control and improve their livelihood, are basically missing and these cannot be addressed by investment plans.

Below we have listed several features on RD in Vietnam. We will provide comments on how these aspects have been included in Vietnam’s New Rural Development.

On rural development in Vietnam

- Rural development should include criteria on rural development planning, rural environment, sanitation, and culture (access to mass media), etc. In the NTP-NRD, criteria for 19 areas have been identified spanning all social, economic, culture and environmental aspects including RD planning. The criteria are specified as targets or that established standards should be met.
- Population planning projections, including village planning, are necessary to avoid depopulation, especially in the remote areas. NTP-NRD is neither based on planning projections nor any concepts on how to create small towns that function as

service centres for rural population and rural economies are included.

- The production capacity of the farmers is still low and needs improving. The state's assistance should be strengthened based on dialogues and studies, in order to define the farmers' need and their actual self-reliance capacity. This area is addressed but more on a top-down central planning modality than dialogues and new methods that will serve the rural population with relevant technologies, finance and off-farm income.
- Develop new models for rural development for effective coordination among stakeholders, especially private sector. NTP-NRD is moving in this direction, but operationalisation of Tam Nong in the target programme still builds primarily on old approaches and methods from the central planning perceptions. However, MARD is developing models on linkages between enterprises, farmers and cooperatives.
- The role of private sector should be further strengthened. Some steps in this direction are made in the models mentioned above.
- The role of civil society in rural development should be paid sufficient attention in view of its current contribution and involvement in rural development related activities. NTP-NRD mentions the role of civil society outside the traditional cooperatives. However, how it should be supported and allowed to actively participate in the huge task of rural development is not clearly defined.

On strategic vision for rural development

- Rural infrastructure is still insufficient. This issue needs great support/assistance of the GoV, international organisations and donors. This issue is addressed in the NTP-NRD.
- Industrialisation should be linked with the modernisation of living conditions and the improvement of livelihoods in rural areas. Attempts to create links between enterprises and farmers are made in the NTP-NRD, yet still with an old central planning approach.

- The development of the livestock sector needs to be strengthened. In fact there is no mention of forestry, fishery or livestock, crop production, etc. All are made implicit in one criterion – “doubling of incomes.”
- The new strategy for rural development takes its point of departure in integrated rural economy development, linking rural and urban economy development, and applying different RD development strategy to maximise the local resources mobilisation for RD. These issues are mentioned in the Tam Nong Resolution but not in the NTP-NRD.
- Climate changes will have a big impact on agriculture and rural development. This issue should be taken into consideration when studying the solutions in the strategic vision. Climate change is mentioned in the NTP-NRD.
- Development of the labour market for rural peoples should be included in the rural development strategy. This is done in Tam Nong as well as the NTP-NRD.
- Aspects such as gender, ethnic minorities, HIV, environment, food safety must be taken into account in the strategy. Learning from other RD programmes, the strategy should be flexible to accommodate different ethnic minority needs and priorities (hunger, education, natural disaster, clean water). These issues are mentioned in the NTP-NRD.
- The new strategic approach should improve stakeholder participation: participatory decision-making, infrastructure construction and management, O&M financing, and advance studies/investigation. Participatory approaches are not mentioned in the NTP-NRD except for commune people committees and other large party organisations.
- The development and implementation of the strategy should involve the coordination and assistance of different ministries/agencies, international communities, enterprises, individuals and localities. In implementing the NTP-NRD, new organisational structures have been created to coordinate the various involved ministries and agencies. However, time will show if these coordinating mechanism have sufficient clout to achieve the necessary level of coordination or if the fragmented patterns will continue.

On financing rural development

- The state budget for rural development is still small. The government, especially the Ministry of Finance and the Ministry of Planning and Investment, should consider larger allocation and call for further assistance from donors. However, there is no budget mentioned in the decision of the NTP-NRD. In 2011, the Prime Minister approved 16 NTPs including the NTP-NRD. The other 15 NTPs have received GoV's budget commitments, but not the NTP-NRD, which is significantly under-financed.
- O&M is very important because, at present, a lot of constructions are becoming seriously degraded. More maintenance allocations and attention to this issue are strongly requested. However, O&M is not mentioned in the NTP-NRD – there are only new investments.
- Financing and marketing for RD has not been given appropriate attention by the government. A new R&D programme responding to Tam Nong implementation was approved in early 2012, but there has been no mention of market matters.
- Finance planning for the rural development strategy needs to be made in advance to ensure necessary mobilisation of resources for implementation – a strategy that must include resources. This matter is still not addressed in Vietnam. The budget process is still non transparent and based on requests by various parties to central government.

On the realism of the NTP-NRD

Below we briefly list important factors that would influence the realisation of the NTP-NRD and its effective implementation:

- Strategic communication to different stakeholders for so that they better understand the NTP-NRD and Tam Nong policies, especially on their principles and approaches.
- A GoV holistic approach for RD by enhanced horizontal coordination with the GoV's other 15 NTPs, 8 NPs, MARD and other ministries. Coordination is especially important in planning and budgeting in order to achieve predictability and transparency of fund allocation.

- Facilitate coordination of donors in support of rural infrastructure development, international experiences and skills transfer under Tam Nong objectives and approaches.
- Focus on vertical results based the M&E system from commune to national levels. Reporting should not only be bottom-up, but also lower levels should get feed-back and information that is relevant for their development work.
- Capacity building on policy capacity, exposure and training of modern public administration management to national and local leaderships working in related rural development areas,
- Enhancing farmer's knowledge and technology transfer by increasing the farmer's access level to international and national good practices.
- Enhancing rural people's inclusion in the key processes in State management function, such as decision-making, planning, monitoring and evaluation, especially at an impact level.

Conclusions

We have seen from the above discussions and the recommendations that RD is complex. Vietnam has started to develop policies and programmes to address the poverty and backwardness of rural areas in a cross-sector manner. Tam Nong and the NTP-NRD are currently the key factors in this process. To be successful there must be a political commitment that allows voices in rural areas to express priorities and goals. RD is a political process involving a large number of stakeholders with at times conflicting goals. Thus, it cannot be seen as an investment programme implemented at the national level that will solve all problems in poverty, social issues, infrastructure and gainful livelihoods.

'People centred' imply a proper legal and institutional framework that will service the rural population and hinder exploitation from richer and more resourceful groups. Consequently, it is central to develop the livelihood, land tenure, rural finance, fiscal issues, social insurance, education, health care, culture and heritage, migration policy, etc. Governance and local democracy are key factors in this respect in which Vietnam is lagging behind.

RD has great implications regarding state management and the role of government at all levels. This means providing a level playing field for all groups – private as well as public – that the GoV is considered a partner in the development of a new working and management culture, where citizens are respected. Authorities should service the people, which would involve a considerable simplification of procedures. Funds should be predictable and allocations transparent for improving local planning and participation.

These broad macro aspects do not exclude more down-to-earth issues such as proper systems for market access for farmers, transfers of skills and knowledge, and training. Rural development also means diversified labour markets with the creation of off-farm income and access to health and education services, as well as good rural infrastructure.

