

VIETNAM | BACKGROUND

| | |
|--|-------------------------------------|
| Population¹ | 90 million |
| Of which in agriculture¹ | ~63 million (70%) |
| Of which smallholders² | ~55 million (2.4% of global total) |
| Funding flow % world | 2.6% of total funding captured |
| % Asia | 7.6% of total Asia funding captured |

Total Funding Captured 2009-onward:

\$311M

Total Number of Projects Captured:

37



Overview of Vietnam's agricultural sector

After implementing important market reforms in the late 1980's, Vietnam **experienced strong growth for two decades**. GDP grew by 5.3% in 2009 and the country is set to enter the ranks of middle-income countries (MIC) in the next few years.³

In **2008 agriculture** accounted for approximately **20% of GDP**, down from 40% in the early 1990s.⁴ Although agriculture's contribution to GDP has consistently decreased in recent decades, the **sector remains vibrant** and linked to food security and development goals. Agriculture **employs nearly 70% of the population** and accounts for 30% of the country's exports.⁵ **Livestock and aquaculture** production has grown by about 8% annually in recent years.⁵ The strong performance of agriculture explains the impressive progress that Vietnam has made in overall poverty reduction. However, after huge progress in the 1990's, agricultural **productivity** has been **stagnant** in recent years.⁶

Its importance to regional economies varies greatly. Only about **15% of the land in the north is arable**, and most of that is under cultivation.⁷ Excess grain from the **Mekong Delta** in the south – Vietnam's main rice-producing region – is shipped to northern parts of the country.

Becoming ever more diversified, the sector not only produces agricultural staples, but also raw materials such as **rubber** and cash crops. **Rice**, the main staple, occupies 60% of arable land.⁶ Extensive **irrigation systems** allow for two and sometimes three crops a year in some parts of the country. Since giving up the state monopoly on rice, Vietnam has become the world's second largest rice exporter. Other cash crops include **coffee, cotton, peanuts, rubber, sugarcane and tea**. Vietnamese farmers also cultivate corn, sorghum, cassava, sweet potatoes, beans, fruits, and vegetables.⁵ Vietnam's **fishing industry** has expanded in recent years due to vast resources given the country's long coastline and extensive network of lakes and rivers. Seafood exports quadrupled from 1990-2002, driven mainly by shrimp and catfish.

Given the dependency of a huge part of the population on land and water, it is critical that these natural resources are maintained. **Increased water scarcity** and pollution has become apparent in recent years.⁵ The allocation of water between agriculture and other uses has been the focus of government research efforts.

Challenges and opportunities of the agricultural sector

Vietnam's agricultural sector is confronted with several challenges and opportunities:

- Large-scale **deforestation** has increased over the past two decades and become a serious threat to the natural resource base.⁸
- The country's rural population generally has **small plots of low-quality land or is landless**, and its opportunities for off-farm employment are scarce. Often they live in remote villages and have **limited access to transportation**. Rural poor people also suffer from the unavailability of productive resources and basic **financial services** such as credit and savings.⁸
- Vietnam's agriculture is vulnerable to **natural disasters**. Regular flooding and storms in low-lying areas cause crop failure and livestock disease leading to loss of output and food insecurity.⁸
- Although some diversification has taken place, Vietnam continues to be **heavily dependent on rice**: it accounts for 45% of agricultural production and 60% of cultivated land. Crop failure or lack of market demand for rice can thus have huge negative impacts.⁶
- **Farmer diversification will be key**, so that they are not dependent on a single crop in case of crop failure or lack of market demand, and able to access markets to sell their products.
- **Infrastructure** is generally **outdated**, and **markets and institutions are underdeveloped**. Furthermore, market information does not flow in a timely way, resulting in high transaction costs.⁸
- Economic growth has not benefited all populations equally, which has led to a **widening income gap between urban and rural areas**. Poverty is increasingly concentrated among ethnic groups and the more remote northern uplands populations.⁶

The government has approved a **new plan on rural trade development for the period 2010-2015**. It aims to upgrade and build border and border-gate markets, as well as wholesale markets of agro-products in concentrated production zones.⁹

¹ World CIA Factbook

² Estimate extrapolated from "Small farms: current status and key trends", Oksana Nagayets, IFPRI, 2005

³ World Bank: "Vietnam – Country Overview" (World Bank Website)

⁴ Library of Congress: "Country Profile: Vietnam", 2005

⁵ IFPRI: "Improving Resource Allocation and Incomes in Vietnamese Agriculture", 2010

⁶ World Bank: "Accelerating Rural Development in Vietnam", 2005

⁷ Encyclopedia of the Nations: "Vietnam – Agriculture" (Encyclopedia of the Nations Website)

⁸ IFAD: "Rural Poverty in Viet Nam"

⁹ Ministry of Agriculture and Rural Development

VIETNAM | SMALLHOLDER FUNDING TRENDS

Funding trends by focus area

Nearly half of smallholder development funding in Vietnam focuses on inputs/training. Two thirds of this support is in the form of World Bank competitiveness efforts. The first, the **Livestock Competitiveness and Food Safety Project**, seeks to increase the production efficiency of household-based livestock producers, to reduce the environmental impact of livestock production, processing and marketing, and to improve food safety in livestock product supply chains. The second, the **Agricultural Competitiveness Project**, seeks to strengthen the competitiveness of smallholder farmers, with a focus on eight provinces in central Vietnam, through enhancement of agricultural technology, support to productive partnerships, and infrastructure development. AFD is supporting a large **rubber cultivation** development project.

In the finance/markets category, the majority of funding comes from three IFAD market development efforts, in particular the **Developing Business with the Rural Poor Programme** which helps empower poor households in targeted rural communities to organize themselves for profitable market participation along value chains, in an equitable and environmentally sustainable manner.

In terms of infrastructure/environment, nearly half of the funding relates to **water management and irrigation**, for example JICA's Phan Ri-Phan Thiet Irrigation Project. Further, the Mekong Transport Infrastructure Development Project aims to improve access to markets by businesses, farmers and the poor with lower logistics costs resulting from the alleviation of key physical and institutional bottlenecks of the main transport corridors in the important **Mekong Delta Region**.

The donor landscape

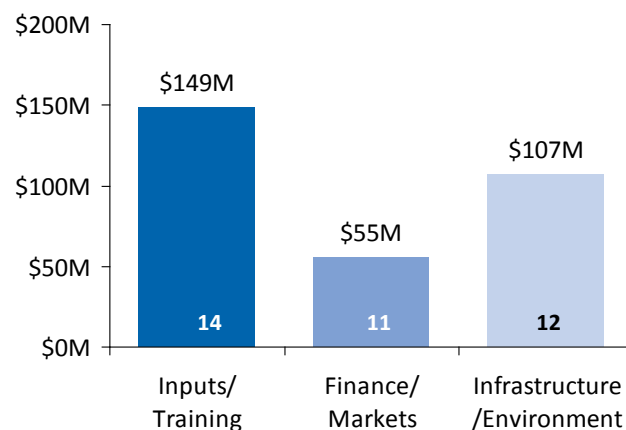
Both multilateral and bilateral agencies are very active in Vietnam. On the multilateral side, the **World Bank** is providing one third of funding in Vietnam captured in this analysis through **livestock and agricultural competitiveness** projects. As mentioned above, IFAD is funding several market development efforts.

In terms of bilateral activity:

- **AFD** is funding several large projects, ranging from rubber, to tea to water infrastructure.
- **AusAID** is supporting several infrastructure building efforts to ensure that roads and transport opportunities allow smallholders to link to markets.
- **CIDA** is funding both training and market access projects.
- **DANIDA** provides "Agricultural and Rural Development Sector Programme Support".
- **JICA**, as mentioned above, is funding a irrigation efforts.

Vietnam and **Sweden** (*not captured in this analysis*) have recently pledged to intensify the exchange of information, knowledge and experiences in various prioritized areas of agriculture and rural development.

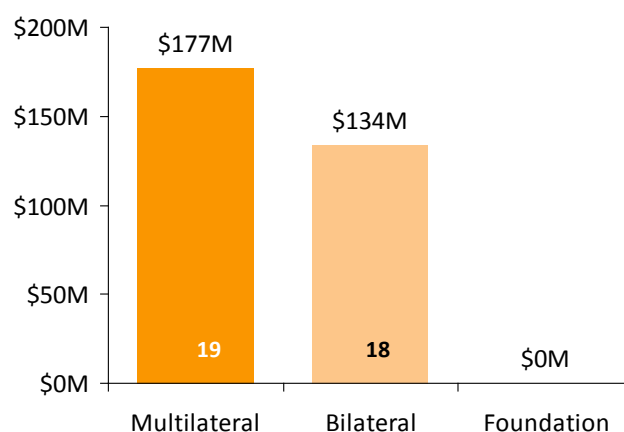
Funding & number of projects by main focus area



Representative projects

- | | | |
|---|--|--|
| <ul style="list-style-type: none"> • Livestock Competitiveness and Food Safety, WB • Agricultural Competitiveness Project, WB | <ul style="list-style-type: none"> • Developing Business with the Rural Poor Programme, IFAD • Food and Agriculture Products Quality, CIDA | <ul style="list-style-type: none"> • Rural infrastructure project, Central Vietnam, AFD • Mekong Transport Infrastructure Development Project, AusAID and WB |
|---|--|--|

Funding & number of projects by funder type



Active funders

| | | |
|------------|--------|-----|
| World Bank | AFD | --- |
| IFAD | CIDA | |
| ADB | AusAID | |
| | DANIDA | |
| | JICA | |