

Critical Study of Agricultural Co-operatives and Informal Co-operative Groups in Vietnam

A STUDY REPORT

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Foreword

In Asia-Pacific region, agriculture is the mainstay of national economies. Cooperatives have been recognized as important institutional system for enhancing productivity of agriculture and promoting food security in the country. In some of the countries, co-operatives have completed a century of their fruitful contribution to agricultural development, particularly in the areas of input distribution, finance, marketing, processing, development of infrastructure development etc. The Government has adopted these cooperatives as its principal agency to implement the programmes of agricultural development. Although Government support resulted into noticeable growth and diversification of such cooperatives, it also adversely affected the democratic and autonomous character of cooperative enterprises and thereby blunting their competitive advantage. Effects of globalization and entry of multinationals in the agribusiness combined with lack of professionalism and member participation have further compounded the problems of agricultural cooperatives.

International Co-operative Alliance (ICA) in Asia-Pacific Region has been focusing on development of agricultural cooperatives through its Regional Office. It has adopted development of agricultural cooperatives as one of its Key Result Areas; in pursuance of which it has been implementing a number of projects for strengthening agricultural cooperatives in Asia-Pacific. One of such projects recently implemented by ICA Regional Office for Asia-Pacific (ICA ROAP) with the support of AGRITERRA of Netherlands targeted development of agricultural cooperatives in six countries of the region, namely: Bangladesh, India, Nepal, Laos, Thailand and Vietnam. The important outputs of the project were completion of critical studies of agricultural cooperatives in these countries and formulation of country specific action plans for development of agricultural cooperatives.

These studies were conducted through country consultants with the support of Mr. B.D. Sharma, Sr. Consultant, ICA Domus Trust. I hope, the study will provide good insight into the problems of agricultural co-operatives and guide points for strengthening them in the changing times.

SHIL KWAN LEE
Regional Director
ICA ROAP

GEOGRAPHICAL POSITION

The Socialist Republic of Vietnam seen in a map as an “S” shaped belt of lands, located in the center of the South-East Asian region extending along the East of Indochina peninsula.

Its Northern pole belongs to the Lung Cu village, Dong Van district, Ha Giang province, situated at 23°23' Northern latitude; the southern pole belongs to Da Le, Ca Mau province at 08°02' Northern latitude, the Eastern pole is Hon Doi belonging to Khanh Hoa province at 109°28' East longitude and western pole belongs to Sin Thau village, Muong Te district, Lao Chau province at 102°08' East longitude. Its length (Calculated according to the straight line in the mainland) from the North to the South is 1,650km. The width from the East to West is 600km at the widest point in the mainland and 50km at the narrowest. The border of Vietnam in the mainland is 3,730km long, it is bordered to the North by the People Republic of China with the length of 1,150km, to the West by the People Democratic Republic of Laos with the length of 1,650km and Cambodia with the length of 930km, to the East and South by the Pacific, the South - West faces Thailand Bay.

On May 12 1977, the Government of Vietnam declared that the territorial sea of Vietnam has got the width of 12 nautical miles, regions adjoining this territorial sea and the economic privileged region associating with the territorial sea have created a territorial waters with the width of 200 nautical miles, the shelf of Vietnam extends to the edge of the mainland and places which are out of the edge with less than 200 nautical miles will be extended to 200 nautical miles. Thus, the border of Vietnam has got the area of about 1 million square km.

The air space of Vietnam consists of the space in the mainland, internal water, and Sea Islands belonging to sovereignty of Vietnam.

Located in the tropical region, Vietnam is a meeting place of air currents rising from the continent and the equator ocean so the climate

is influenced by the Asian monsoon, mainly by the North – East and South- East monsoon. In the North (from Hai Van to the North), the climate is divided in 2 different seasons, winter from November to April, and the summer from May to October. The South is influenced mainly by the South- East monsoon so the climate is hot throughout the year, and it is also divided into 2 seasons, the dry from December to April, and the rainy from May to November.

Every year in Vietnam there are approximately 2,000 hours of sunshine on an average with 100kcal/square cm of heat radiating and about 100 days of raining with the amount of rainfall of approximately 2,000 mm/year; the humidity is about 85%, the average temperature in some areas such as Hanoi, Ho Chi Minh City, Hue and Da Lat is 24°C, 27°C, 25° and 17.6°C respectively. Every year, Vietnam gets 6 to 7 typhoons and tropical low atmosphere passes the mainland, mainly in the North and Central part. The typhoon season usually happens from June to November. However, strong typhoons are often in September or October. The wind power of the strong typhoons sometimes reaches to 12th level.

Vietnam's topography is very diverse with many mountains, rivers, plateaus, plains and coastlines. Hills and mountains occupy 2/3rd areas of the territory, mainly in the Northern part and a narrow range of mountains extends from the Northern and central to the southern parts. Mountains in some places are over 2,500 m high, there are many limestone ranges of mountains and most of them are closely connected with the forests.

Vietnam has got 2,860 large and tiny rivers. In the whole system of rivers, 2 biggest and most important rivers are the Red River (in the North) and the Cuu Long River (in the South). Since the topography in the North is sloping, the water of rivers in the north often-flows very swiftly, the currents being stormy especially in the rainy season. However, the rivers create very nice waterfalls and peaceful lakes on high mountainous regions and in the plateaus. In the Southern part, rivers flow through the deltas and therefore are more peaceful than in the Northern.

Vietnam has got 2 big deltas that are Northern delta (it is also called Red river Delta) which has been formed by Hong river and Thai Binh river through millions of year. This delta is of the triangle shape, of which the top is the Viet Tri City and the bottom is a coastal region

from Hai Phong to Ninh Binh and its area is about 15,000 square km. The Cuu Long river delta, belonging to the Southern part, has got the area of about 36,000 square km with fertile land. There is also a narrow range of plateau along Central coastline to the South, meeting Dong Nai river delta and Cuu Long river delta as a green silk belt connecting 2 rice bowls in the South and North of Vietnam.

The coastline of Vietnam from Mong Cai to Ha Tien is 3,260 km long with 112 river estuaries and many bay creating a lot of fine scenery and holiday places. It has got a lot of white and soft sand-banks with clean water, which creates ideal bathing beaches.

In the middle of Eastern sea, there is Hoang Sa archipelago – an island district of Da Nang province with over 30 stone islands, coral hillocks, hidden sand-banks spreading along the coastal region with the width of about 15,000 square km. In the South, about 240 nautical miles from Hoang Sa, there is Truong Sa archipelago, which is about 18,000 square km wide. It is an island district of Khanh Hoa province.

98 nautical miles from Vung Tau, there is the Con Dao groups including 12 big and tiny islands. The coastal region in the South - West, off-shore of Kin Giang province, there is the Phu Quoc island district, which is 600 square km wide. 100km from Phu Quoc toward the South - West, there is the Tho Chu archipelago.

Background on socio-economic scenario development and people's living conditions.

The Social Republic of Vietnam experienced notable period of the transformation during over past 15 years (started officially from the 6th Party Congress in 1986). A system of reform which was known with the name “Renovation” had basically changed the socio-economic system and relations between people, economy and the government. In all aspects, the process of renovation led to a period of socio – economic development, improved the intellectual standards of people, reduced rate of poverty, which had been rampant after 4 decades of the war.

Vietnam is known as a typical example on successful transformation from the planned economy into the market economy. During nineties the average growth rate of GDP was 7.56%. Between 1990 and 2000 the GDP increased 2.07 times well above the expected objective set

by the planners for socio-economic stabilization and development.

One of the most important economic achievements during past 10 years was the development in agricultural field, especially in food production. After many years of attempt to solve food issues, up to now the food security is maintained. The food yield in rice during the year 2000 has reached 35.6 million tons, from 14.1 million tons in 1990, there was an average increase of 1.4 million tons per year.

Since the food yield increased rapidly, average availability of food per capita also increased from 327.5 kilos in 1990 to 458.2 kilos in 2000 inspite of increase in population of Vietnam by approximately 13 million during the decade. Seed food yield in 2000 reached 34.5 million tons, from 14.5 million tons in 1990. The average food per capita increased from 303.2 kilos in 1990 to 443.9 kilos in 2000. The food produced annually was not only enough for domestic consuming but also for export overseas. Now Vietnam is one of the largest rice exporting countries in the world, and exports 3– 4 million tons of rice each year. Many intensive agriculture and commodity production associated with processing industry have been established, and agriculture production has become more diverse. The value of agricultural production per a unit of agricultural land increased from VND 13.5 million/hectare in 1995 to VND 17.5 million /hectare in 2000. The area of industrial trees in year 2000 has reached 808.7 thousand hectares, approximately 1.5 times higher than 1990. The area of fruit trees was 541,000 hectare, registering an increase of 2.1 times. Together with rice, coffee, rubber, cashew nuts, tea, ground nuts, fruits and vegetables became important agricultural export products.

Animal and poultry breeding also developed rapidly. The production value of breeding sector in 2000 increased to 75% in comparison with 1990, the average annual increase was 5.8%. By 2000, cow flock had 4.1 million, increasing over 1 million in comparison with 1990; poultry had 196.1 million, increasing by 88.7 millions; pig flock had 20.2 million, increasing by 7.9 million, live pork productivity was 1.4 million tons, increasing to nearly double in comparison with 1990. ⁽¹⁾

The industrial production increased steadily with an average annual

⁽¹⁾ Source : General Department of Statistics of Vietnam

growth rate of 13.6% in which the state enterprises increased by 11.4%; non – state: 11.0%; foreign investment sector increased by 22.5%. Calculated according to the production value, the industrial production scale in 2000 increased to 3.6 times in comparison with 1990, in which state sector was 2.9 folds, non-state was 2.8 folds, the foreign investment sector was 7.6 folds.

The important industrial products for serving production and consumption of people generally increased both in quantity and quality. In 2000, the coal mining reached over 10.8 million tons, which was 2.3 folds in comparison with 1990; crude oil was 16.3 million tons, increasing by 6 times; electricity was 26.6 billion KW/hour, increasing by 3 times; chemical fertilizers was 1.3 million tons, increasing by 3.7 times; cement was 13.3 million tons, increasing to 5.3 times; steel was 1.7 million tons, rising by 16.5 times; carton paper was 37.7 million tons, increasing by 4.8 times; television assembling was 1 million pieces, increasing by 7.2 times; ready-made garments was 337.7 million pieces, increasing by 2.7 times⁽²⁾

Due to the economic development, the management and control of the Government as well as of all levels and branches being closer and more suitable, the super-inflation was driven back. The inflation rate being double digits during 1991 – 1995 was reduced in single digit in 1996 – 2000.

The ratio of consuming price increased to 67.5% in 1991 in comparison with last December, but in 1999 there was only an increase of 0.1% and in 2000 it was reduced by 0.6%. The step towards protection against the inflation led the economy to crises, especially in the financial and monetary crises during 1997 – 1998, when the economy grew slowly, but it was not up and down like other countries.

As the economy continuously had been growing with rather high speed, people's living standards in both rural and urban areas were improved. Results of survey on living conditions, of households from 1992 onwards show that the monthly income of households increases from VND 92.100 in 1992 to VND 206.100 in 1995 and VND 295.000 in 1999. Households with fairly high income can save for building houses and buying expensive goods besides using for daily needs. According to extensive survey on population and houses as

⁽²⁾ Source : General Department of Statistics of Vietnam

on April 1st 1999, show that there were 99.93% of households having houses. It may be noted that 80.7% of existing houses was newly built, improved or upgraded between 1991 – 1999. It is also according to the survey, there was 78.1% of households using electricity, 54.2% have televisions and 45.7% have radios.

The living conditions of farmers and the rural areas also improved in different aspects including the construction of infrastructure and provision of social services. The rate of poor households lacking food and foodstuff has decreased from 55% in 1990 to 16.5% in 1995 and 10% in 2000. Living conditions have really improved, is evident from a survey in which 20.5 thousand households were interviewed to self-estimate their living conditions in 1999 in comparison with 1990, 84.46% of households said that their living standards were better; 11.11% said no change in their living standards and only 4.43% thought that their living standards was going down.

In the educational aspect, after the period of temporary decrease at the beginning of the renovation, numbers of pupils entering primary schools increased rapidly. Although poor pupils still have less opportunities to go to schools, the different levels were significantly reduced and children were benefited from achievements of the renovation. The number of children at the age of 10 and above who could read and write increased from 88% in 1989 to 91% in 1999. Up to now there are 90% children at the age of 14 graduated from primary schools, 94% of population at the age of 15 – 33 with literacy. Due to 10 years of rigorous effort, in the mid of 2000, Vietnam had completed its objective against illiteracy and popularizing primary education. All 61 provinces and cities under the center and 596 out of total 614 districts; and 10,141 villages out of total 10,376 villages of the country have reached the national standards on reducing illiteracy and popularizing primary education. According to the Report of the United Nations Development Program (UNDP), the educational ratio of Vietnam in 1999 ranked 92nd out of total 174 countries, raising the Human Development Index which was ranked 122nd in 1995; 113th in 1998 and 110th in 1999. This ranking was higher than many countries in the region such as India, Pakistan, Myanmar and Bangladesh.

The past years have marked a significant development in the health situation in Vietnam. The infant mortality rate was reduced by about 25% in the period of 1992 to 1998 while the average life expectancy

at birth of both male and female increased rapidly, 65.5 years for male and 70.2 years for female (as on 1999). The public health care also made significant progress. Number of physicians with middle levels upward per 10.000 population were increased from 10.8 in 1990 to 11.7 in 1999; and the average number of doctors per 10.000 people also increased from 3.6 to 4.9.

Followings are some latest data of UNDP on the population and socio – economic situation of Vietnam (date of 2001) :

POPULATION:

Total	78.7 (million people)
Urban area	24.8%
Rural area	75.2%
Annual growth rate of population	1.35%
Density (person/square km)	236.6
Total area (sq.km)	331,114

ECONOMY:

GDP per capita	USD 416
Growth rate of GDP	6.8%
Average annual growth rate of GDP (from 1990 – 2001)	7.25%
Proportion of GDP as per sectors	
Agriculture	23.3%
Industry and construction	37.7%
Services	39.0%
Exchange rate (2001 est.)	1 USD = VND 14,785
Inflation rate	0.8%
Public financial sector (Central Government, % of GDP at current market price, 2001 est.)	
Revenues	20.8%
Expenditures	23.8%
Budget deficit	3.0%
Debt – external (%GDP at the end of 2001)	45.0%

Trade balance	
Exports	USD 15.1 billion
Imports	USD 16.0 billion
Deficit of trade balance	USD 0.9 billion
Competitiveness of the economy (considered in 59 countries in 2000)	53
Levels of change (considered in 31 countries)	27
Index on levels of liberalization (considered in 31 countries implementing the transformation of the economy)	21
HEALTH	
Life expectancy at birth (1999 est.)	67.8 years
Male	65.5 years
Female	70.2 years
Mortality rate of children under 5 years old	42/1000
Rate of malnutrition in children under standard weight (1999 est.)	37%
Total fertility rate/woman (2000 est.)	2.53
Rate of population use clean water (2000 est.)	65 – 70%
National budget for education (% GDP, 1999 est.)	0.8%
Number of people living with HIV/AIDS (2000 est.)	
Formal data	107,000
Informal data	200,000
Rate of patient's bed (over 1000 people – 2000 est.)	2.5
EDUCATION	
Rate of literacy in adults (2000 est.)	94%
Rate of pupil in primary schools (2000 est.)	92%
Rate of pupils in junior sec. schools (2000 est.)	74%

Rate of pupils in senior secondary schools (2000 est.)	38%
Rate of pupils graduated from primary schools (data of 2000)	66%
Rate of pupils per teachers as per levels (school year 2000 – 2001)	
- Primary	28.2
- Junior secondary	26.2
- Senior secondary	29.6
National budget for education (% GDP, 1999 est.)	2.0%

RATE OF POVERTY

Rate of poverty according to national standards (data of January 2001)	17%
Rate of poverty according to international standards (1998 est.)	37%

HUMAN DEVELOPMENT INDEX

Human development Index (considered in 162 countries, data 1999)	101
Development index in term of gender (considered in 146 countries, data of 1999)	89
Index of poverty in term of human aspect (considered in 90 developing countries, data of 1999)	45

The position of the agriculture in the national economy, influences of the globalization and strategy for development

- *The position of the agriculture in the national economy*

Looking at the mechanism of the economy in respect of set targets such as: gross social products of the society, national income, GDP, rate of the labor force ..., it may be observed that agriculture is a very important economic sector in Vietnam. The agriculture accounts for 30% value of export and 23.3% in the total GDP of the country; for 75.2% of the country's population living in the rural area, agriculture, forestry and fisheries are important sectors in Vietnam. They

have created jobs for more than 66% labourers in the whole country. Nominal income of people in the rural area increased to 12% a year during 1992- 1993 to 1997- 1998, in which agriculture contributed 81%. The role of agriculture could be high lighted specifically in the following aspects:

Being a country situated in the tropical monsoon region with plentiful natural resources, fertile land and soil, abundant water resource and sunlight, it is possible to produce and cultivate crops throughout the year. The agriculture of Vietnam is a food supplying sector and creates food security for the whole society.

Having suffered from the ravages of wars, the country was lacking in food, and its economic starting point was very low. After 10 years of implementing the renovation of administrative economic mechanism, the agriculture of Vietnam had gained positive changes, especially in the field of food production. The food productivity in rice has on an average increased 5.7% a year (equivalent to 1.3 million tons per year). The growth rate of food is about 3 times, higher than that of population. Availability of food per capita has continuously increased, from 281 kilos in 1987 to over 400 kilos in 1998 and 436 kilos in 2000. In 1988 Vietnam had to import 450,000 tons of food, while in 1998 it became one of the largest rice exporting countries in the world (3.57 million tons). Even in the years when natural disasters happened seriously as in 1999, we still had a bumper crop of paddy rice with the yield of 31.3 million tons, which in 2000 reached 34 million tons. The price of food is stable, food is timely distributed to all places facing difficulties, in order to ensure food security for the most people. Cultivation and breeding all developed toward the product diversification, the efficiency of use of land and labour has increased. Industrial trees, vegetables, fruits and breeding developed quickly and could meet almost all consuming needs for agricultural products in the country. From 1990 to 1999, the average growth rate of productivity of live pork, poultry meat and beef reached 6.9%, 6.3% and 5.5% respectively, putting the average level of beef consuming per capita of Vietnam from 15 kilos in 1990 to 22.4 kilos in 1999. In over past 10 years, annual productivity of fruit and vegetables was significantly increased, the average productivity per capita in 1999 reached 53 kilos of fruits/year and 65 kilos of vegetables/year.

With more than 75.2% of people living in rural area, the agriculture plays an important role in creating jobs and poverty alleviation.

Vietnam is a developing country, the national average income per capita is low, the rate of poverty is high, especially in the rural, mountainous and remote areas. Number of the poor mainly live in the rural area, usually in households being predominantly agricultural, meeting self-requirements, lacking job opportunities and having too low income.

In 1992, there were over 3.81 million poor households in the whole country, accounting for 30% of the total households, among which there were 850,000 hungry households 90% of poor households live in the rural area. In many districts the rate of poverty reached nearly 100%, especially in the central region (the old four Area), Central Highlands and Northern mountainous areas. The efforts of the government in the cause of poverty alleviation gradually reduced the rate of poverty down to 26% in 1993; 23.1% in 1994; 20.4% in 1995; 19.2% in 1996; 17.7% in 1997 and 17% in 2001.

The statistics show that numbers of agricultural labourers in Vietnam continuously have been rising in the past years and occupied large proportion. In 1990, there were 26.26 million agricultural labourers in the whole country, 29.9 million in 1995 and 31.89 million in 1998 and nearly 33.5 million in 2000. There is an average increase of 720,000 people per annum. Besides that, the restructuring of labourers, and streamlining of the state bodies and state enterprises of the Government in the past years also made nearly 1 million labourers to move from the state sector to find new jobs, among which a large number of labourers have moved to the rural area for seeking jobs in agricultural production. Every year, a number of pupils stop their studies and look for jobs. Demobilized soldiers and labourers coming back from overseas also look for jobs in agricultural area. All these factors have been making occupation issue in the rural area more and more acute. Thus the government has attached greater importance to the agricultural and rural development in the past years and it is considered as a top priority policy. Many national programmes which were conceived and implemented, have brought about important results, millions of people have got stable jobs and income, contributing to the development of the economy and social stabilization. It is estimated that by the end of 1997, the national fund for job solution with VND 2,700 billion of capital has created jobs for 1.8 mil-

lion people. The 327 Programmes have been implemented since 1992, estimated by 1999 has created jobs for about 150,000 poor households in the mountainous area with over 300,000 labourers. The programme not only recovers vacant land and bare hills, creates more jobs for labourers, but also forms many farming models for intensive agro-forestry production.

The 773 program which have been implemented since 1994, according to the plan, it has not only exploited about 800,000 to 1 million hectares of waste land, alluvial ground, but also created stable jobs for more than 1 million labourers, stabilized living conditions for 2.5 million people in new economic areas.

- Accounting for 23.3% in GDP of the whole country, agriculture plays an important role in pushing up the national economic growth.
- The agriculture of Vietnam consists of 14 large commodity production sectors such as: rice, coffee, rubber, pepper, cashew nuts, tea, sugar, maize, cotton, fruits and vegetables, breeding, cows, aquaculture, pepper and pepper flour production, among which there are 10 main export products such as rice, coffee, rubber, pepper and pepper flour. The export turn-over of the agriculture, forestry and fisheries in 2000 was reported to USD 4.3 billion, accounting for about 30% of export turn-over in the whole country with the average increase of about 13.3%/year, among which 3 main products as rice, coffee and sea products accounted for 34% of export turn-over of all sectors. Thanks to the increase of export value (in which agricultural products play an important role), the different level of import turn-over in comparison with export turn-over was reduced from 49.6% in 1995 to 6.3% in 2000. Except the export, the agriculture is also an important input and output supplying sector for the industry. Many industrial sectors get the materials from the agriculture, at the same time when agriculture develops well, it becomes a large consuming market for consumer goods and means of production. Thus, the agricultural development creates positive influences on the industrial development. In the past, thanks to the growth of agriculture production, the processing industry acquired important achievements; in 2000 the industrial production increased by 41% in comparison with 1999, among which there were 764,000 tons of sugar; 500,000 tons of cof-

fee, (increase by 20,000 tons in comparison with 1999); 65,000 tons of tea, (increase by 7,000 tons); 270,000 tons of rubber, (increase by 60,000 tons in comparison with 1999); 50,000 tons of pepper; 150,000 tons of cashew nuts, increases by 87.5% in comparison with 1999.

The Influences of the Globalization and Solutions

Implementing policy on renovation from 1986, Vietnam has conducted the open policy, at the same time conducted the reform systematically in the country. Firstly, the liberalization of domestic trade, reform of the state enterprises, diversification of ownership and pushing up the development of the private sector, reform of the financial system toward activities of the market and attracting of foreign investment fund have been made. At the beginning of 90s, Vietnam implemented first steps in its process of international integration. In 1993, Vietnam normalized relations with international financial organizations such as International Monetary Fund (IMF), the World Bank (WB), the Asian Development Bank (ADB). On July 28 1995, Vietnam became an official member of Association of South-East Asian Nations (ASEAN) and on December 15 1995, Vietnam, officially joined the Asian Free Trade Area (AFTA) by signing the concord on the Common Effective Preferential Tariff scheme (CEPT). In March 1996, Vietnam for the first time joined the Asian European Meeting (ASEM) and became one of the founders of this forum. In January 1995, Vietnam applied for joining the World Trade Organization (WTO). On November 18th 1998, Vietnam became an official member of the Asian & Pacific Economic Cooperation (APEC). On July 13th 2000, Vietnam signed bilateral trade agreement with the United States and in 2001, the parliament of 2 countries approved this agreement. This significant achievements gained in the past years showed the positive influence of the process of the economic integration and the indispensable consequence of the globalization. By opening up the economy, Vietnam has increased strongly trade volume with external organizations and attracted foreign investment capital in Vietnam effectively. In 1990, the value of international trade of Vietnam was only USD 5 billion, this has reached USD 30 billion in 2001.

From the issue of Law on Foreign Investment, Vietnam has attracted over 3,000 investment projects with the value of USD 42 billion, among which USD 21 billion has been implemented up to this time.

by joining the international organizations such as WTO, Vietnam will be benefited as being treated 'at par with other countries (most favoured nations) without any conditions. Tax for export to WTO member countries will be reduced, this will encourage domestic export, conflicts will be solved in the framework of WTO on the equal basis. The trade position of Vietnam will be significantly increased in the international market because WTO has occupied 90% of world trade volume. The process of the economic integration is also a chance for enterprises of Vietnam to receive advanced technology and fastest and most effective technique of developed countries, through which it will shorten the time for the development. However, besides the advantages created by the globalization, Vietnam will face a lot of challenges in the process of integration and development. Firstly, Vietnam has to open the domestic market in many fields which used to enjoy policies on protection of the government. Vietnam also has to reduce tax for import and thus the state budget income will be minimized and domestic production will face sharp competition of economic competitors in the region and the world. With the production level and scale as now, the rich and the poor differentiation in the society will be wider and deeper and the social pressures will be stronger and stronger. The change of policies on foreign investment, the commitment of continuously changing system according to the requirements of WTO and implementation of intellectual property protection will require enterprises of Vietnam to quickly improve their management, and increase their investment expenditures in technology and equipment for raising their competitive ability if they do not expect to be eliminated so quickly.

However, estimating the real situation of present agriculture, it can be observed that there are still following weaknesses remains:

- In the past, the agricultural economy with the average growth of over 4.5% was rather high and continuous. However, due to the low starting point, the total quantity of absolute increase value is not large both in cultivation, breeding and occupations while population still increases @ 1.35% on an average every year.
- The growth rate was high but the efficiency gained was not suitably high. The productivity of land and labourers was still low and it became lower because of the increase of the redundant labourers in the rural area. The value contributed to GDP

per hectare of agricultural cultivated land a year had reached only VND 9 million and now it has tendency to reduce.

- Internal structure of agricultural economy was changed slowly and not basically. Cultivation accounts for 68.5%, value of agriculture and food yield occupy 77.8% of cultivation value, product value of non-food plants, which is important commodity, account for 19.7%. Breeding do not meet the requirements to be a main and quite independent production, it only reaches 29.5% of agriculture value while the income from agricultural services occupies only 2%.
- The speed of the industrialization was slow, technique and technology used in the production were out-dated and mainly related to the exploitation of natural resources and use of physical labour. The influence of science and technology, even with the efforts, was not appropriate with requirements of growth speed. Ecological environment has been declining.

Some solutions devised by the government to make the maximum use of opportunities of the globalization and overcome weaknesses mentioned above in the agricultural field are the following:

- Continuing to implement measures on market development, increasing consuming capacity of domestic market, meanwhile implementing activities of developing export market, among which paying special concern to assisting enterprises to find large and reliable markets and customers for having stable and long consuming market for variety of agricultural products under the brandname of Vietnam.
- Solving the issue of seeds, domestic animals, enhancing the agricultural, forestry and fishery extensions; developing activities of science and technology, connecting the production with processing industry to raise the productivity, both ensuring the quality and decreasing prices of products to increase the competitiveness of the products.
- Continuing to add more attractive policies to encourage investors of all economic sectors and foreign investors to invest in agricultural field, especially in large production sectors, as well as in products using new and high technology, intensive labourers and having ability to find big markets.

- Developing infrastructure, firstly investing in large commodity production and areas to develop specialized cultivation to bring into play advantages of each region to establish large commodity production connecting with the processing industry and consuming products.
- Adjusting investment structure, enhancing investment in output of products such as investing in transportation to provide facilities for commodity movement, in processing and maintaining after the harvest, in market information system, in assisting formation of central agriculture product markets and in transforming the breed and quality of domestic animals and plants.
- Implementing step by step mode of production according to the contracts between farming households, cooperatives and enterprises so that agricultural producers can produce according to the contracts of purchasing materials and selling back products, making commodity production of Vietnam a healthy market economy, protecting interests of farmers, sustainably developing with less risks and making farmers friendly vibrant economic structure.

2. The Position of Agricultural Cooperatives

- a) *The development orientation, number of agricultural cooperative members, population rate, shares and number of profit making enterprises*

The agricultural cooperative movement in Vietnam started in the 50s in the 20th century. In the year 1958, almost all the provinces in the North of Vietnam conducted the pilot development of cooperatives, which mainly was the transformation of the agricultural producers' mutual-aid group into agricultural cooperatives. In the best time of the year 1960, there were 41,446 cooperatives of which there were 2,404,798 household members. This number accounted 85.83% of total number of households in the North Vietnam. The cultivation area of those cooperatives was 1,119,300 ha accounting for 76.55% of total cultivation of the North of Vietnam.

During the subsidized period, the agricultural cooperatives had a very important role in food production and guaranteeing the people's life. The agricultural cooperatives then gradually developed their produc-

tion and labor force and improved new relationship in agricultural production and rural areas. They also provided human resources and financial resources to National Independent War.

During the renovation period, the Vietnam economy that used to remain two economic sectors: state owned economic sector and collective economic sector transformed into multi-sector economy which is run by the market mechanism with the control of the Government. The renovation erased the system of product hand over, goods subsidy and distribution and implemented one price system to guarantee the smooth consumption of goods and agricultural products in the market. This renovation had its strong affect into the internal management system in agricultural cooperatives. The cooperatives handed over the cultivation land to their member households. The cooperatives transformed its management system from concentration production into providing services according to their members' needs and mobilized active roles of their household members. Especially, since the Cooperative Law (in 1996) came into effect, the agricultural cooperatives have had great changes in all field ranging from its appearance, scale to management system, ownership and distribution, etc.

The growth and development orientation for cooperatives based on the evaluation and surveys:

- The development of cooperatives should go along closely with the successful implementation of the social - economic development orientation and strategies of Vietnam Government. In order to help the cooperatives have effective and overall growth in production and business, it is required that this process must be linked with the implementation process of socio-economic development programmes and projects. The cooperatives have to actively participate into economy and labor system transformation process. Besides performing well and upgrading their service quality toward their member household, the cooperatives have to focus on its strong transformation into agricultural product processing and developing traditional and new industries. These activities will create more jobs and attract all resources in local areas into the development process of the cooperatives.
- The development of the cooperatives should be based on the mobilization and union and linkage of all social ranks and all

economic sectors with the rule of volunteering with the purpose of economic development and growth. Currently, the number of households in the rural areas is largest (11,268,000 households) but most of them are small scale with limited farming activities. Therefore, it is necessary to mobilize and unite and attract large number of these households to join the cooperatives where that can help each other to do farming and generate income, to reduce the poverty and improve the development of household economy with orientation of goods production. The cooperatives in new model have to strongly focus on and try to find the best solution to help their household members to solve their difficulties and to push up the economic development of their household members with higher and higher growth.

- To restructure and to develop the cooperatives into new models of cooperatives following the cooperative law. The cooperative should have continuous improvement and development of labor force, technical technology process to improve their productivity and quality of agricultural products. They should link their production with processing and look for sustainable consumption market to renovate production relationships with orientation of industrialization and modernization. The renovation should be conducted in all three fields: ownership, management and distribution relationship. The cooperatives should improve the competency, and qualification of management of their staff. Based on its specific situation, the cooperatives should look for their own solutions for their growth such as: expansion of production scale, accumulation and mobilization of capital for cooperatives development, intensive development orientation by expanding and attracting more cooperative members, or focus on restructure collective ownership in the cooperatives.
- The cooperative should take the advantages of science and technology renovation, especially the information technology, so that the cooperatives can participate actively into modern technical applications to design and improve their new products, and product diversification which may result in cost reduction, and bring about competitiveness. The cooperatives should study and apply the scientific and technological advances and improve their information system and look for wider market for their products.

- Development orientation is the goal the Vietnam cooperatives are focusing on. Therefore, the cooperative should analyze the situation and consider useful and positive affects of the globalization and international economic integration process, particularly in order to approach foreign markets and to widen their market share for the traditional products, which had been the strong points of these cooperatives and traditional industrial villages. The cooperatives should take the most favorable conditions to learn the management experience from outside, especially from developed economy to rapidly push up the application of scientific and technological advancement and management practices on personnel, organization and marketing. These activities will help the cooperatives to improve their competitiveness. The cooperatives should actively look for the opportunities to mobilize outside capital recourses and to expand their investment and look for joint ventures for their business development. The cooperatives also should actively overcome the negative affects from the globalization and economic integration process, especially the danger of being eaten up by the bigger foreign companies at the time of coming into effect of AFTA agreement.
- The cooperatives should look for the solutions and opportunities to develop their business and production by implementing the Vietnamese Government's guidance on industrialization and modernization of agriculture and rural areas. They should actively participate into the poverty alleviation programs, the social-economic development programs and other social programs in order to confirm and to determine the role and position of cooperatives in new development process.

Orientation of promoting agricultural cooperative unions.

According to the Law on Cooperative, at least 3 cooperatives if needed may join together to form a union. For the last few years, trend of cooperating and joining hands to form unions have started but it is not so popular. In the agricultural sector, there are some unions of medium scale like Gia Dinh Union of milking cow cooperatives (Ho Chi Minh city), Hanoi Union of clean vegetables cooperatives etc. In the coming years, there is a need to guide pilot establishment of specialized unions and general unions at different levels. Each province/city should have unions of agricultural cooperatives at the level

of district, provinces/cities, and regional, inter-regional or national unions can be established. Unions will be able to mobilize the general strength of member cooperatives (especially in arranging capital, technology and skills etc.) to serve efficiently in the areas of information, markets, outputs etc., as organizing production of high quality products can not be done by each cooperative separately.

Issues relating to position of agricultural cooperatives at present

According to statistics gathered by provinces/cities, as on end of 2001, Vietnam has 10,853 agricultural, forestry and fishery cooperatives. Among that the number of transformed cooperatives (from the old typed cooperatives to the new typed cooperatives) according to the Law on Cooperative is 5,959 (accounts for 54.9% of the total number of agricultural cooperatives); 3,129 cooperatives have not transformed (accounts for 28.8%) and 1,415 are newly established agricultural service cooperatives (850 cooperatives in the North and 565 cooperatives in the South of Vietnam).

Number of cooperative members: during the process of transformation and new establishment, agricultural cooperatives in Vietnam have undergone a lot of changes in membership; number of members have reduced as compared to the past. Cooperatives have new regulation on qualifications to be a cooperative member. They accordingly enrolled members, unlike the old cooperatives where all households were taken as cooperatives members. According to statistics on 2,782 cooperatives surveyed by the Ministry of Agriculture and Rural Development, the number of laborers and households who have joined cooperatives is 3,290,047. The average number of members and employees in one cooperative is 1,159 and 23 respectively.

The newly established cooperatives have enrolled members based on real needs and mutual responsibilities for the development of the cooperative and therefore the average members in one cooperative is only 83. At present 65% of farming households (over 7 million) in the rural areas have joined cooperatives (including the households of untransformed cooperatives). In the South and Central of Vietnam, the number of people who have joined cooperatives is fairly high; some regions have reached in the range of 80% - 95%. However, in other regions, this number decreases greatly when the cooperatives have been transferred into the new typed cooperatives under the Law on Cooperative. For example, in Hung Yen province, there

are only 170 agricultural cooperatives with 5,2 % of farming households as members after transforming.

Share capital and capital contribution by members

According to the study of the Committee constituted for guiding and making assesment of cooperative situation of 3,772 transformed agricultural cooperatives and 1,121 newly established cooperatives, we can see that the average share capital per member is VND 613,000 including VND 59,000 which is newly contributed. The Law on Cooperative stipulates that when joining cooperative, member has to contribute capital in line with regulation, this capital contribution can be more than the lowest level but it is not allowed to be higher than 30% of the legal capital of the cooperative. In reality, in agriculture the capital contribution by members is just on the paper, some of them do not contribute or contribute very little money, which is not up to the amount stipulated in the regulation, especially for transformed societies where most members shifted from the old type of cooperatives.

Almost all cooperatives turned the value of old capital and assets by notionally dividing among total members into contributed capital of members. Newly established cooperatives usually have a share capital ranging between VND 500,000 to VND 4,000,000 - 5,000,000 with the average legal capital of VND 30 – 35 million. In some cooperatives, managers have to contribute 7 to 10 more shares than the members (called responsible shares).

The study by the committee of assessment of present status of cooperatives shows the situation of assets, capital and fund of agricultural cooperatives as follows:

- For transformed cooperatives: the average capital per cooperative is VND 638.3 million of which the fixed capital accounts for 72.17% and working capital occupies 27.83%. The average equity per cooperative is VND 333.3 million in which fixed capital accounts for 52.2% of the total capital.

For newly established cooperatives: the average capital per cooperative is VND 49.7 million in which the fixed capital accounts for 84.75% and working capital takes 15.25%. The average equity per cooperative is VND 35.3 million of which fixed capital accounts for 70.9% of the total capital.

- The figures of 5,143 agricultural cooperatives show that the average capital per agricultural cooperative is VND 557.56 million in which the fixed capital accounts for VND 407 million (73%) and the working capital takes VND 150.3 million (27%). Its equity is VND 64.7 million and capital contributed by the members (sharecapital) accounts for 44.8% of total value of assets but mostly comes from transferred capital, new share capital just accounts for 8.3%.

Fund and reinvestment of agricultural cooperatives

Through study of 5,143 agricultural cooperatives we can see that in the year of 2000, the average fund per cooperative was VND 35.96 million including VND 31 million (90.3%) of fund for expanding production and reinvestment. The average income per cooperative was VND 345.7 million, the average profit per cooperative was VND 28.3 million and 39.1% agricultural cooperatives made profit from their business and production activities, the average net profit is around VND 25.2 million, 44% of cooperatives are operating at break even point and 16% cooperatives are making losses.

95.3% of cooperatives pay salary to managers less than VND 500,000/person/month. 4.7% of cooperatives pay salary to managers from VND 500,000 to VND 1,000,000/month. One agricultural cooperative contributes to the State's Budget on an average VND 1,000,000 - VND 5,000,000/year (figures of 2000).

Profitable cooperatives

As said above, the number of cooperatives making profits accounts for 39.1% of the total agricultural cooperatives. The cooperatives gain the profits on the basis of :

- Organizing basic services to develop household economy such as: irrigation, agricultural extension, plant protection, crop seeds, agricultural materials, etc.
- Capital, funds of cooperatives have been preserved and expanded. The study of Ministry of Agricultural and Rural Development in 10 provinces shows that the average capital of such kind of cooperatives is VND 1.07 billion, in which its equity accounts for 82% of the total capital.
- These cooperatives conduct successfully their plan of produc-

tion, business and services. They know how to expand production, vocational training, linking the process of developing the cooperatives with social - economic development program and plans in the area.

- Guiding members to promote commodity production and linking with needs of the market.
- The financial situation of cooperatives is satisfactory. They have taken steps to accumulate and mobilize more share capital from members in order to expand production and business.
- Have been successful in pushing up the transformation of plants and animal husbandry activities, and processing agricultural products into commercial goods.

Among the above said cooperatives, some cooperatives organize fruitfully credit activities, sale of consuming products for their members, occupational expansion, creation of new jobs, etc.

Some types and number of agricultural cooperatives, number of members

Multi-purposed and commodity production cooperatives:

In Vietnam, after the implementation of the development and re-organization process of the cooperatives under the Law on Cooperative, the cooperatives often operate in the following two types: the agricultural production and services cooperatives and the multi-purpose cooperatives. The statistics of all cooperatives providing services to members and farm households are as follows: irrigation (95%), plants protection (62%), agricultural extension (48%), seeds supplies (41%), material means supplies (36%), electricity (52%), land making (15%), products consumption (10%). The multi-purpose cooperative is a kind of cooperative involving in services and general trading and production, occupying about 15% of the total agricultural cooperatives (1,300 cooperatives) and the average number of members in one cooperative is 542 people. But some larger sized cooperatives have attracted thousands of members like the II Duy Son cooperative in Quang Nam, it is a multi purpose cooperative operating in agricultural services, electricity, handicraft production, garments, agricultural processing etc.. Apart from providing the proper services to the membership household economy, these cooperatives also carry out the joint ventures with other economic sectors

in order to organize production, services, trading and purchase of products produced by the members, to develop other occupations, to rehabilitate the traditional villages, to link the agriculture with the industry and the services sector, to create jobs and income for labourers, to partly contribute to implementing the industrialization and the modernization of agriculture and rural areas.

The cooperatives often organize the general trading and production activities in the forms of agricultural services, trading, processing, handicraft production, garments etc. For example, in Nghe An, where labourers have no occupation in the off season, after implementing the occupational orientations in the past two years, there are presently 50 agricultural cooperatives involving the development of occupations and solving the employment issues in idle seasons for over 7,000 labourers.

In the development process, some localities have focused on establishing and consolidating a number of commodity production cooperatives with increasing size. These cooperatives are not many and newly established but have mobilized rather big share capital contributions from the members and operated in the targeted occupational areas and large specialized commodity production regions where the members urgently require the production and consumption services such as breeding cooperatives, clean vegetable growing cooperative, handicraft production cooperatives in rural areas, commodity production farming cooperatives, fruit trees growing cooperatives etc. The advantages of such cooperatives are to utilize the facilities efficiently and exploit the potentials in localities, particularly to mobilize capitals by setting up joint-ventures with the aim of developing the production activities and improving managerial skills of staff.

Agricultural processing cooperatives:

They have gradually developed. Besides the agricultural services cooperatives also involve in agricultural processing, many cooperatives have been established which are specialized in agricultural processing, particularly in the specialized regions and from the production development requirements in some localities such as rice husking cooperatives, agricultural and foodstuff processing cooperatives (girdle cake, vermicelli, cucumber for export...), slaughter and foodstuff processing cooperatives, medical herbs processing cooperatives, livestock food processing cooperatives. The number of these typed

cooperatives only accounts for 5% of the total agricultural cooperatives (500 cooperatives) and the average number of members in one cooperative is 70 people (less than other types of agricultural cooperatives). The advantages of these cooperatives are to mobilize more share capitals from the members than that of other types of cooperatives, to meet the investment on technical and scientific equipments, to utilize the material resources in localities, to push up the farm households to develop the specialized production areas, to raise the value and effective utilization of agricultural products, to diversify the products and develop the production scale with the higher and higher productivity.

Credit cooperatives in the agriculture sector

In recent times, Vietnam has carried out the advocacies to develop the credit cooperatives (called as people's credit fund) mainly in rural areas, towns, and traditional villages in order to create the linkages and provide more funds among the membership households, to restrict the usury in the rural areas and to strengthen the development of agricultural production, small industry and handicraft and services.

Now in the whole country, there are 958 primary funds operating in 53 provinces/cities out of which 956 funds operate in rural areas (only two funds in the urban areas) with 497,069 members (831 members/fund on an average). The total working capital is VND 2,678 billion (VND 2,792 million/fund). The total legal capital is VND 174 billion (VND 181 million/fund). The mobilized capital from the people is VND 1,714 billion (VND 1,787 million/fund). The total outstanding loans of the members are VND 2,354 billion (VND 2,454 million/fund) in which the short-term loans are VND 2,326 billion and classified by the sectors as follows: loans for agricultural production are VND 1,327 billion (accounting for 56.37% of the total short-term outstanding loans), loans for services are VND 952 billion (25.1%), outstanding loans for developing occupations are VND 266 billion (11.29%), loans for farmers' daily lives are VND 90 billion (3.8%).

The people's credit funds have initially mobilized a rather big amount of idle capital source from the residents mainly in the rural areas in order to lend the membership households to develop the production and business activities, to push up the development of commodity production in villages, to facilitate the hunger elimination and pov-

erty alleviation, to transfer the economic structure and solve the usury situation prevailing from the past. Some agricultural cooperatives have conducted the internal credit with the purpose of mobilizing the capital from the members and facilitate other members in the same cooperatives to borrow loans with reasonable interest rates so that they are able to develop the production and trading activities and services themselves.

Milch cows cooperatives and fishery cooperatives

Milch cows cooperatives:

In some regions such as Long An, Ho Chi Minh city and Northern mountainous provinces, the farmers who invest on breeding cows to milk, have jointly established the milk cows cooperatives. With this model, the member households invest money to buy cows and raise the cows on their owns, the cooperative provides consultation on breeds, raising techniques, disease prevention and the most importantly to collect and process the dairy products from the farm households. In Ho Chi Minh city, all the milk cows cooperatives have linked together in order to set up the Gia Dinh milch cows cooperative union.

However, the common disadvantage of the milk cows cooperatives at present is an unstable outputs of the products. The milk-processing factory is able to process less fresh cow milk while the outputs produced by the cooperatives are increasing. For example, the milk cows cooperatives in Ho Chi Minh city can process 36 tons of milk/day while the milk processing enterprise (VINAMILK) buys only 14.5 tons of milk/day. The investment capacities on the milk processing line requires a large amount of money and has unstable material resources.

Fishery cooperatives:

At present, in Vietnam there are 528 fishery cooperatives out of which there are 463 fishery exploitation cooperatives (occupying 88%) with over 16,000 labourers and 1,784 boats. There are 34 aqua breeding and planting cooperatives (6.3%) and 31 fishery services cooperatives (5.7%). Most of cooperatives have been newly established during last 5 years under the implementation of the policies of the State relating to shipbuilding and offshore fishing, most of capital resources for doing such things have been borrowed from the investment programs of the State. These cooperatives have contributed by increas-

ing the fishing productivity to meet the demands of the domestic market and export. Ship teams have been upgraded by gradual reduction of facilities to catch short distance shore, and replacing the small size, backward and low capacities ships by well equipped high powered ships with modern machines which has facilitated the fishermen to catch up with new technology and to improve their productivity. A number of cooperatives have been re-invested in their production and expansion such as buying more well equipped boats, constructing and expanding quays, ice making units, frozen stores, processing units, logistics services, net making etc. The aqua breeding and planting cooperatives have made use of water surface, applied the scientific techniques on aquaculture, brought back the high economic efficiency and exported many products like butterflyfish, prawns, and turtles. According to the figures of 2001, the aqua breeding and planting cooperatives are making profits which accounted for 70% of the total net value and average profits of one cooperative has reached VND 50 million.

However, most of the fishery cooperatives mainly focus on catching and the number of cooperatives in processing, services and aquaculture is very few.

3. Organizational structure of the agricultural cooperatives, role of the unions relating to the relations with cooperatives. How the cooperatives and the cooperative unions can penetrate into the domestic and oversea markets. Managerial issues of the agricultural cooperatives

Organizational and managerial structure of the agricultural cooperatives

The renovation process of the cooperatives under the Law on Cooperative has contributed to perfecting the organizational and managerial structure of cooperatives. In the old structure (the subsidized system), the relation between the members and the cooperatives was actually dependent, the members were separated from the means of production and became the workers to work for wages under the central control of the cooperative. When the family households are defined as autonomous economic units, the relation between the members and the cooperatives have become that of equality, voluntary, mutual benefits and mutual risk taking in the production and business activities. The managerial structure of the cooperative towards

the members has been changed completely. The production and business operations of the cooperative have not covered the whole activities of the membership households but only taken a certain aspects of works or some parts of the production process and promoted the strengths of each household. Managerial relations are based on the principles of democracy and equality. Ownership rights of members in the cooperatives are stimulated. At the general meeting, the members take part into the activities of the cooperative such as electing or recalling the management committee, the supervision committee, taking decisions on production and business plans and distribution of the benefits in the cooperative. The principles of electing and voting by hands have been done on the basis of one member one vote regardless of the amount of share capital contributions.

There are also some changes in management ways towards the cooperatives in conformity with the specific condition of each cooperative. The Management mechanism to the cooperatives is simplified. Concurrently there are about 3-5 people in the management committee, and 1-3 people in the supervision committee. The chairman of the cooperative has to take initiative in directing the affairs of the cooperative and take responsibility for his decisions. His income and salaries are based on the efficiency of production and business operations of the cooperative. In a specific services sector, the cooperative will organize professional teams or groups, the members are also labourers and the team leader get additional allowances for his responsibilities. In the multi-purpose cooperatives, apart from operating in services, they also involve in other types of business that are organized and managed under the appropriate forms.

The agricultural cooperative unions and its relationship with agricultural cooperatives

As mentioned above (Part II), in the agricultural sector in Vietnam, any union has not been established yet. The development process and production and business needs of the cooperatives itself require to establish the cooperative unions in the agricultural sector. The relations between the unions and the cooperatives are as per following:

- Pushing up and facilitating the member cooperatives to develop the commodity production, to focus on investing in the efficient trading sectors.
- Improving competitive capacities of the member cooperatives

and the unions by exchanging information and experiences in domestic arena and abroad, applying scientific techniques on production, upgrading techniques and increasing the quality of products, and marketing... in order to stand firmly and develop in the market mechanism, particularly during the period of economic and international integration.

- Concentrating to assist cooperatives in capital, technology and in the required cases, organizing to produce some kinds of products in the integrated production line that require high techniques gray matter, and large amount of capital which the cooperative itself cannot manage.
- Developing markets, marketing techniques and selling the products produced by the member cooperatives.

The relationship between the unions and the cooperatives must be equal, promoting each other to develop, and assisting the member cooperatives in the union.

How is the development structure for the cooperatives to access the domestic and overseas markets?

In order to facilitate the cooperatives to access the domestic and overseas markets, the development structure required is as per the followings:

- Paying attention on the concentration of production base, large-scale commodity production; facilitating the cooperatives to change from the self – sufficient production to the commodity production. Actively applying and studying the advanced techniques to improve the quality and diversification of products and to bring back the high economic efficiency.
- Developing the cooperatives that have invested on agricultural and foodstuff processing, restricting to sale and export of raw materials or semi processed products and increasing the gray matter to perfect the production line of farm products.
- Linking production activities with markets and the demands of markets. Setting up the cooperation relations, joint ventures in investment, promoting sale of products in long term and stable conditions by the cooperatives among the domestic enterprises, the processing factories and economic organizations abroad. Promoting the enterprises to sign the contract on farm products

consumption with the cooperatives and farmers so that the farm households can feel assured to invest on planting perennial trees and stabilize the production development.

- Facilitating and supporting the cooperatives to take part in the exhibition and trade fairs in Vietnam and overseas, organise study visits to learn from the experiences of other countries, to set up joint ventures on investment under the laws stipulated in Vietnam and abroad.
- Focusing on providing consultation, assistance and services to the cooperatives in completing the market information system, marketing, and trade promotion services that the agricultural cooperatives cannot manage by themselves.

4. Strategic alliances with the private sector, good and bad experiences of the agricultural cooperatives in these alliances

Main role of the agricultural cooperatives is to provide services to the membership households, to facilitate them to operate in business and production efficiently. Due to the limitations of potentials and capacities, most of agricultural cooperatives have just able to render part of services such as irrigation, disease prevention, land making, supplying about 5–10% of fertilizers, seeds and other material required to serve the farm households.

In order to overcome such limitations, the cooperatives must interlink with the private sector like Ltd companies, private companies, individual trading households etc with the purpose of providing required materials like fertilizers, seeds, pesticides, petrol and oil to farmers. The way of providing these is mainly to sell directly to the farm households with the agreed prices in the market. A few cooperatives sign the contract with the private sector to provide such items to farmers.

Advantage here is that when the capacities of cooperatives are limited and they have not met the demands of members yet, such forms of strategic alliances will not only help the farm households to stabilize their production and business but also bring about certain degree of efficiency.

However a negative aspect here is that the farm households often are passive in production, business, and prices and much depends on the fluctuation of the markets. When the members have big demands they often face the price pressure from the private traders, the quality

of material means is not ensured, sometimes they buy counterfeit and poor quality products resulting in adverse effects in production and business of the membership households. At present, one thing should be noted that fertilizers, farm products and foodstuff consumption are taken care of by the private traders; therefore, the farm households usually face excessive pressure from them in term of price that significantly impacts on the income of members. This will only be a short term alliance when the cooperatives are not strong enough. In the long run, the cooperatives must strive to meet the demands of farm households themselves. Apart from setting up alliances with the private sector, the agricultural cooperatives should also link with the State owned enterprises in order to help farmers by ensuring the inputs and consuming products on the basis of a new relation or through the equal economic contracts with mutual benefits. For example: sugarcane growing cooperatives have integrated with the Lam Son sugar production factory and the rice consuming cooperatives in Cuu Long river delta region have linked with Song Hau collective farm and with some processing enterprises and export companies in An Giang. The State owned enterprises have signed the contracts for sale of high quality paddy of the cooperatives, many enterprises have discussed carefully with the chairmen of the cooperatives the plans to purchase the products produced by the members.

In Dac Lac, the agricultural service cooperatives in the sugarcane growing area have entered into cooperation with the 333 sugar production companies to advance loans for the members with the aims of producing, and guiding techniques and collecting the products with the agreed price at the time of harvest. These collaborations have brought into full play role of the State economy, and role of cooperatives with the collective strength of the farm members on the way of developing the commodity production. Such linkages are indispensable and imperative to the State economy, the cooperative economy and the household economy in the specialized growing regions. However, these linkages to some extents are experimental and have not been widely multiplied yet.

5. Role of the agricultural cooperatives in the implementation of the programs of the Government relating to the development of rural agricultural sector

As analyzed above, in Vietnam the number of people living in the rural areas and directly involved in agricultural production accounts

for a majority, therefore, the Government of Vietnam has always paid a special attention and issued many related policies for the development of agriculture and rural areas. The Central Executive Committee of the Communist Party of Vietnam has formulated the Resolution No 15 on “Pushing up the industrialization and the modernization of agriculture and rural sectors during the period 2001 – 2010”.

In the development strategy of agriculture and rural sectors, the Government of Vietnam is keen to set up proper production relation: identifying that the farm and household economy should exist for a long time. The State should encourage and create favorable conditions for household economy and farming economy to develop the commodity production on a bigger and bigger scale.

The Government of Vietnam has also encouraged, supported and facilitated to develop the cooperative economy and cooperatives on the basis of linkages, voluntary cooperation, equality and mutual benefits among the households and farms in the different forms, scales and levels in order to improve the efficiency of the household economy and socio-economic conditions in rural areas. Cooperatives focus on inputs and outputs services for farm products; proper implementation of the production the plans; guide the farmers-in application of scientific and modern technology; transformed the production structure; linkages with enterprises belonging to different economic sectors in order to sell input material and market the farm products produced by the farmers.

Such role and position have been defined; the cooperatives in the agricultural sector have contributed significantly in implementing the policies on the agricultural and rural development according to the plans of the Government as specified below:

- The cooperatives have partly contributed to the agricultural sector in Vietnam by increasing agriculture production, creating food self-sufficiency period and driving away consecutive food-stuff shortage. The commodities production has increased by 50% to 95% (paddy: 50%; coffee: 95%; rubber: 85%; tea: 60%). Some exportable products have ranked high positions in the region and in the world markets. They also have made significant contribution in setting and pushing up the concentration of commodity production process with the development of processing industry in many regions. The production structure is

more diversified and production scale is more focused and the producers have shown more concern to the needs of markets.

- The cooperative economy and cooperatives have strongly pushed up and transformed process of economic structure, and helped in the implementation of industrialization and modernization towards speeding up of the household economy and the farm economy. In the last three years, the transfer of agricultural economic structure has been done in progressive manner nationwide and that also has contributed to bringing back the production value of agriculture, forestry and fishery with a stable growth rate of 5.7%/year on an average. This was one of the large advocacies of the Party and the State that has been implemented in the last few years in order to transform the rural economic structure from the predominant agriculture to multi-sectors in agriculture, industry and services with the purpose of creating more jobs, increasing labour productivity and income of people in the rural areas. Thanks to the transformation of production structure, the paddy yield increases 1.5 million tons/year on an average in the whole country, the food security is ensured firmly and average exported volume of rice has reached to 3.6 million tons/year. Planting industrial and fruit trees and animal husbandry have been done progressively and encouraged the concentration of commodities production areas in combination with the processing industry. Due to the changes in occupational structure in the agriculture and rural sectors, the number of family households involved in agriculture, forestry and fishery is decreasing while the number of households in industry, small industry – handicrafts and services is increasing. Average invested capital of each family is approximately VND 3.5 million/ year and accumulated capital is over VND 3 million/year. The total accumulated capital of rural areas is about VND 41,000 billion/year. The initiation of policies of the State relating to transforming the rural agriculture economic structure and establishment of the concentration of commodities agricultural sector have actively pushed up the development of the farm economy. The agricultural farms have been established in most of provinces and cities. At present, there are about 61 farms that use 370,000 ha of land and water surface and attract 370,000 labourers nationwide. This model has just newly developed in recent years but their total turnover is about VND

5,400 billion/year. The income of individuals in one farm is 2.5 times higher than the average income of individuals in the rural areas. Apart from the agricultural production cooperatives and the small industry & handicraft cooperatives, many types of services cooperatives have been established in the whole country and each year they create a hundred thousands of jobs for labourers in the villages. In the next five years, the shift of rural agricultural economic structure will continue to develop with the basic orientations such as developing the high quality and stable material supply areas for processing industry, producing the farm products with export advantages, focusing on production of the top 14 commodities like: paddy, rubber, coffee, tea, cashew, pepper, sugarcane, maize, vegetables & fruits, cotton, milch cow, pigs raising, fisheries, paper and paper powder production. According to the Ministry of Agricultural & Rural Development, from now to the year 2005, the agricultural economy will be planned and developed towards the 7 large commodities production areas. The Northern mountainous and Midlands region continues to organize and develop the paddy, some industrial trees, and staple crop trees like maize, tobacco, coffee, tea, tropical fruit trees and animal husbandry. The Central Northern and Red river plain region develops the paddy, vegetables, fruit trees, aquaculture and offshore fishing. The Central Northern coastal region develops forestry materials; some industrial trees like tea, rubber, and coffee and gradually changed to the farming season to produce paddy. In the Central Highlands, besides the potentials of coffee, rubber trees, it will be further developed to grow flowers for export in Da Lat and coconut trees in Gia Lai and Dac Lac. The Southern plain region will develop the pigs raising, and set up the high quality paddy specialized areas for export. The objective of the industrial sector in the year of 2005 is to achieve USD 4 billion of export value of farm products; the yield value of one ha of arable land will gain VND 30 million/year.

The cooperative economy has also made important contributions to the cause of socio - economic development in the rural areas with the average growth rate of 4.5%. In 2001, turnover of the cooperative sector had reached over VND 41,000 billion (accounting for 9% GDP of the country) and increased to 11% in comparison with that during corresponding period of the pre-

vious year. If taken into account the contribution of informal cooperative groups, this sector contributed more than 20% to GDP. Both types of cooperatives contribute their duties to the State's budget, make profits and increase more consolidated capitals. Farm products, small industrial and handicraft products and services of many cooperatives have been recognized for their high quality and exported directly abroad or responded well by the consumers and selected as the top Vietnamese quality products.

- The cooperative economy also has contributed significantly in implementing the tasks of social – economic development in localities, closely linking themselves with the targeted economic program of the Government like program on hunger elimination and poverty alleviation, program on afforestation, program on offshore fishing, program on farm products processing, program on the development of rural occupations etc. that creates the internal efforts for the development of membership households.
- The cooperative economy and cooperatives has played an important role in solving social issues such as creating employment and increasing income for tens of millions of members and labourers in the rural areas, clearing the issues appeared in the process of establishment and development of the socialist oriented market economy, and creating a positive pressure to foster the joint development of all economic sectors.

6. How to make the agricultural cooperatives in Vietnam responsible for the issues relating to the food security and the policies of WTO?

As you probably know that, the arable land for agricultural production tends to decrease as a result of increasing development of urbanization and the industrialization speed. In Vietnam, although the Government has carried out many measures to utilize the cultivated land with high efficiency and thrift such as: clearing the barren land, improving the areas of sour bleached land, putting restrictions on using the arable land for other purposes, encouraging the farmers to apply the advanced techniques on the agricultural production etc. But as a matter of facts, every year, 100,000 ha of arable land for growing rice are being decreased. This is a threat for food safety

issues. On the other hand because of the strong development speed of urbanization and industrialization, about 700,000 people/year moving from rural areas to the cities where the pressure on resources are increasing more and more. It means that the number of labourers involved in agriculture are reducing to that extent. Therefore, if no scientific technology measures are taken to support the agricultural production, it will be a threat for food security. Finally, by doing business in the agricultural sector the farmer usually faces a lot of risks. Low labour productivity and efficiency is the reason as to why the private sector hesitates to invest in the agricultural sector. Further, the State needs to issue the supportive policies when they face the risks and help the agricultural cooperatives to ensure the adequate income in order to assist the farm households. If not, this will be a threat for ensuring food security as well.

In order to meet the agricultural cooperatives' responsibilities towards the issues relating to food security and policies of WTO, the following tasks should be performed in order to equip them for future:

- Raising the awareness of the role and responsibilities of the agricultural cooperatives and providing them proper information on the policies of WTO relating to food security in each country and all over the world.
- The Government shall issue the policies to strengthen the agricultural cooperatives and at the same time implement the legal actions against any branch that does not follow the policies as stipulated.
- Assisting the agricultural cooperatives and farmers to improve the farming techniques, to apply the advanced scientific technology for production as this is a necessity; Helping the cooperatives to improve the working conditions of farmers, create jobs and stable income for labourers in order to increase the agricultural production efficiency and better living conditions of the farmers. When doing such things, the agricultural cooperatives are able to have sufficient strength to support the members and raise their responsibilities towards the food security programs and policies of WTO.
- Narrowing the gap between the rich and the poor as well as the urban and rural areas. In Vietnam it is a paradox, as the rice production yield increases every year (which reached 19,225

million tons in 1990; 26,140 million tons in 1995 and increased by 35.96% to 34,535 million tons in 2000 in comparison with that in 1995) but the producers still face a lot of difficulties in their lives. Although the Party and the State of Vietnam have implemented many supportive policies for the farmers and the agricultural cooperatives like tax exemption, priorities on credit, supportive price of farm products etc. but the income of farmers is still very low, and the gap between the urban and the rural areas is growing bigger and bigger. Specifically, the gap had reached 6.5 times in 1995 and 10.1 times in 2000. In taking lesson from the above said factors, many farmers and the cooperatives have changed from growing rice into planting fruit trees and breeding fish; areas of sour bleached lands for growing rice are now changing into salted areas for breeding shrimps. This is not only a threat for food safety issues in Vietnam but also in the entire world.

7. Problems on organization, management and legal issues that agricultural cooperatives are facing:

At present, Vietnam has about 10,853 cooperatives in the sectors such as agriculture, forestry and fishery (generally called agricultural cooperatives), among them 5,959 cooperatives are on the process of being transformed according to Law on Cooperative, 1,756 cooperatives are newly established and 3,129 cooperatives have not been transformed. In general, after transformation agricultural cooperatives have been acting efficiently, playing an important role in supporting the development of household economy, job settlement, increasing income for their members and contributing to the construction and consolidation of production relation in line with the socialist orientation in rural areas.

Apart from these achievements, agricultural cooperatives are still facing many difficulties, both of perception and implementation. In the service activities, cooperatives are providing to their members just 3 or 4 services, mainly supply of input materials, plant protection, irrigation etc. Regarding the organizational structure, cooperatives are in the process of transformation in line with the Law and gradually perfecting their organization model according to the practical situation of Vietnam and to the model of a typical and standard agricultural cooperative. At present, generally speaking agricultural

cooperatives are transitional organizations. In fact, there are cooperatives of diversified activities such as: general production cooperatives, service cooperatives, and both production and service cooperatives. Almost all of these cooperatives are acting in line with the new model; however, a great number of transformed cooperatives are still acting as the old ones.

On the side of management, in principle cooperatives are working in line with of the Law on Cooperative, but in practice agricultural cooperatives are at the great governance of people's committees of all levels (province, district, commune) and various related laws and regulations. Within cooperatives themselves, the administrative committee does both: planning as well as operating production and business, and controlling all kinds of activities of the cooperative. Regarding management of production and business, there are two kinds of systems: one - the cooperative directly lead its members, and the other one is directed to companies, enterprises and then in turn they direct the employees according to the Law on Enterprises. The controlling committee has the function of controlling and supervising the management, and operation of the administration committee, but in fact it only appears on the paper and the controlling committees are not functioning properly and not discharging their duties to discover, and recommend in time all miscontrolling and mis-operating problems.

Regarding the legal side, in principle the cooperatives in general and agricultural cooperatives in particular are operating according to the Law on Cooperative, but in fact a part from it, they have to respect other legal documents such as the State Law of the National Assembly, regulations and instructions of Government, circulars of Ministries and regulations of local authorities. Often there is conflict between the two sets of laws and regulations because of which a number of problems arise for the cooperatives. The Government issues a lot of priority policies on land use, finance, tax etc. but either these policies are not suitable or impossible to be implemented, for instance: value added tax (VAT) for the input has to be deducted but agricultural cooperatives mainly do their trading with the farmers who do not have legal receipts and therefore this could not be deducted; Procedures for renting land and allocating land to cooperatives are very complicated, local administration is stills low in settling these problems which leads to the missing of trade opportuni-

ties for the cooperatives. The cooperatives do not have large assets for mortgages consequently they could not access to commercial banks and credit funds for supporting their production business activities.

8. Objective estimation on the movement of informal agricultural groups, the important characteristics of these groups and their responsibilities to the issues of agriculture and rural areas toward the corrections of WTO and globalization

- Regarding the movement of informal agricultural groups:

According to the Central directing committee on the implementation of the Law on Cooperative, as of 31 December 2001, Vietnam had more than 100,000 informal cooperative groups in the agricultural sector. Through study of 27,400 informal cooperative groups in 31 provinces/ cities, we found that cooperative group is now quite popular in Vietnam, it is suitable to the development level of household economy in many localities, it is the economic model of people, created by the people voluntarily for helping each other in production, and in overcoming difficulties in their lives. This form of cooperatives also has role and vitality, contributing to the poverty alleviation, not only at present but also in the future. Activity and scope of cooperative groups in agriculture is quite large and vivid, they are often set up according to living area or business production area. Cooperative groups have usually 3 levels of organizing business production: the lowest is to cooperate according to a work, irregularly; at higher level there is somebody who will direct, operate labour force among group members; and for groups that are about to become cooperative the members will voluntarily contribute their capital by machines, equipment, and facilities for joint use and they will assign somebody to direct the groups, this form is not popular but it is developing in the areas of commercial agricultural goods like in the plain alongside Cuu Long river.

- Role and position of informal groups in the context of agriculture, rural area and general policies of WTO:

The cooperative group is a place where people can propagandize, introduce WTO policies, challenges, advantages and development trends of the global cooperation to set forward to family households, and individuals, in order to make them get ready, learn from each

other, accumulate resources for improving competitive power when Vietnam joins WTO and economic integration in the process of globalization in the future, This is the most profitable bridge for the cooperative groups in agriculture, and rural area when they are still not yet up to the level of becoming cooperatives.

In order to make these cooperative groups to be more responsible in the implementation of WTO policies and the program on the food security, the followings steps should be taken :

- Government has to support cooperatives in acquiring priority capital, intensifying infrastructure, providing information, training staff and renovating technology for production of cooperatives to enable cooperatives to cooperate, to do joint venture and to support cooperative groups to serve their members.
- The relation between Government and agricultural cooperatives and informal agricultural cooperative groups should be defined clearly, also the responsibilities of each side, in order to enable cooperative groups to cooperate fruitfully with cooperatives on the legal basis.
- Policies on management, social insurance, priority in investing, distributing, land use, taxation etc., should give priority rate in order to enable informal groups to make longer and solid investments to ensure the basis for the start of business, at the lowest risks, to create confidence among households and individuals to join this kind of cooperation and then be able to support their members and exploit the internal sources for the cooperation of mutual benefit and sustainable development in the competition of the market mechanism.

9. Changes in the national policy on agriculture to develop agriculture sector in the future in the context of WTO?

At present, Vietnam still considers the development of agriculture and the rural sector as a priority step in the process of developing the nation and international economic integration. The Party and Government of Vietnam have issued a number of Resolutions and decrees on the renovation and development of agriculture and rural areas linking with the process of industrialization and modernization. The Communist Party of Vietnam has issued the Resolution on "Continuing renovation, development and improving efficiency of

the collective economy” and “Speeding up speedy industrialization, modernization of agriculture and rural areas during the period of 2002-2010”, which includes the guideline and the policy of developing the cooperative economy and cooperatives of Vietnam State, linking with the national agricultural, it consists of mainly the followings:

Unique perception on the view of developing the collective economy:

This form of economy has been developing very seriously and its back bone is cooperative, based on the ownership of members and collective ownership, linking widely the workers, production-business households, small-medium enterprises of all economic sectors, without any limitation to scope, sector and area; distributing according to productivity, capital contribution and how much of services he (or she) uses; cooperatives operate in line with principles of self – help and self – responsibility. Continuing the development of cooperative economy in all branches, sectors and areas, among them we will concentrate on agriculture and rural areas, this must ensure independence of household economy, and plantation and help them develop. This also be linked with industrialization and modernization and building new rural areas; continuing to expand production, productivity improvement and competitive power in the process of international economic integration.

On the basis of that guideline, step by step, the Government of Vietnam has been issuing practical policies to create favourable environment for the development of collective economy, to enable the Law on Cooperatives to penetrate speedily in the life of people and make the law to be amended in that direction to simplify the procedures for establishing new cooperatives and registering business: Cooperative members will include both legal person and physical person; staff in the State organization and branches can join cooperatives as members, deciding clearly the function of management of administrative committee and the function of operation by the cooperative director; the cooperative director can be elected by members but he (or she) can be hired from outside. Cooperatives are totally free in choosing their business, structure transformation, and diversify activities in order to meet demand of the market. Bye-laws and other documents will be issued and the Model by-law will be amended in order to keep in line with the characteristics of agricultural and non-agricultural cooperatives.

Branches and localities should take initiative in training of the cooperative staff; the State can support one part or the whole of that training cost. Encouraging coop. societies to have well defined roles for the managers, and scientists when they come to work for cooperatives, encouraging farmers to respect the policy on land use and to develop their goods and business. When entrusting land to agricultural cooperatives for building head offices, production business units, the State should not charge anything and give a certificate of right to that land. The places where cooperatives have to pay fees and charges for exploiting and restoring, when that place has to be transferred to them, the State should reimburse that cost. Regarding financial and credit policies: to issue the policy of exempting tax for using agricultural land upto the year 2010 for farmers. Also exempting income tax for newly established or transformed cooperatives in the fields such as agricultural, forestry, salt production, fishery etc. Conducting the policy of supporting in-put and out-put to agricultural cooperatives; Writing off immediately carry-forward debts of agricultural cooperatives from 1996 backward. Entrusting assets of old cooperatives and also assets given by the State to the transformed cooperatives as their capital and this capital will not be divided but treated as common property. Cooperatives will be allowed to have credit from national programs and projects and NGOs, also cooperatives will be able to take the lead in conducting some projects for developing agriculture and rural areas. The State will also have some policies on establishing fund for supporting the development and guaranteed fund for the collective economy.

The policy on supporting science and technology: the State will assist the collective economy to penetrate achievements on science-technology, especially in finding good seeds, technology on production, processing, information etc. through activities of agricultural, forestry, fishery extensions.

Policy on supporting marketing and market expansion: Branches, localities, professional association and Vietnam Cooperative Alliance support in promoting trades, providing information, finding out markets for households, cooperative groups and cooperatives; holding introductions to products internally and externally that are suitable with the present level and the orientation of developing the collective economy.

Policy on investment for infrastructure development: the State will

assist to build infrastructure as transportation, electricity, irrigation etc. for developing agriculture and rural areas in the direction of industrialization and modernization, commercial production development, enabling the establishment and development of the collective economy.

Policy on conducting industrialization and modernization of agriculture and rural areas are as follows:

- *Land:* The State will enable farmers to implement fully and correctly laws on the right of using land; farmers can use the value of this right to contribute share capital for developing production, business, joint venture etc. The State should also create favourable conditions for transforming the purpose of using land in line with planning and regulations.
- *Finance and credit:* The State will provide capital sources, there will be proper investment for the development of agricultural, forestry, fishery and salt producing, the investment mechanism will be adjusted in the direction of serving the transformation of agricultural economy and the rural sectors. According to the policy of supporting enterprises, farmers will be allowed to make their payment in installment when they buy materials, machine, equipment for agricultural production; the State will lend in advance to farmers to produce material for processing and others. The State should also encourage producers and enterprises of all economic sectors to participate in building an insurance fund for a line of products in order to help each other to cover the risk factors and provide supporting fund for vocational training in the rural areas and encouraging educated people to come to work in the rural areas especially in far away remote and mountainous regions.
- *Policy on trade and integration:* the policy of supporting and protecting some line of products will be conducted. Although the development of these lines of product are bright but still difficult. This policy can be described as: to provide market information, good seeds, plant protection, processing etc. to enable farmers to develop their production and to limit their risks during the implementation of commitment of international economic integration.

10. Law on Cooperatives and other legislations that have affected growth and development of agricultural cooperatives, informal cooperative groups both positively and negatively

Law on Cooperative of Vietnam consists of 10 chapters and 56 articles, it was approved by the National Assembly of Vietnam at the ninth session and the ninth term. This has created a legal framework for the process of renovating and developing cooperatives, a type of economic organization that can absorb the greatest number of labourers to join, especially farmers and producers of small scale, both in the urban and rural areas. The birth of Law on Cooperative is also the result of the untiring effort of the cooperative movement in Vietnam and development, experiences of cooperative movement of other countries in the world.

In order to put the Law on Cooperative into practice, the Government of Vietnam has issued 9 Decrees (bye-laws), they consist of the followings: transformation of old typed cooperatives and registration of the new ones, policies for encouraging cooperative development, State management on cooperatives; Model bye-laws for cooperatives (6 economic branches included). Related branches or ministries also issue circulars for guiding the implementation of decrees of the Government. With the issue of legal document, we can say the economy of Vietnam has been renovated fully and developed on the basis of a clear legal corridor.

The implementation of Law on Cooperative in the recent years has been bringing about the following important achievements:

- Newly established and transformed cooperatives basically have been successful in demonstrating the cooperative principles, in setting up the practical regulations of cooperative that is in line with the content of issued model by-laws, having business production orientation, cooperative members contribute their share capital to form the legal capital, hold their general meeting in line with principles of democracy and equality. Relation between cooperatives and their members are equal, committed, voluntary, mutual benefits and mutual risk sharing in production-business. The independence of cooperative members has been ensured. Members are able to take part in deciding the important issues of cooperatives such as ways of production, business and how to distribute income among members. The

principle of electing and voting has been conducted equally, each member has only one vote regardless of their amount of capital contribution. Management structure has been reorganized in a simple and effective mode. Functions and responsibilities of administrative committee and supervising committee have been defined more clearly.

Relation of distribution has been adjusted step by step, from the average and subsidized distribution to the form that the distribution is on the basis of practical contribution of each member. For members, apart from salary according to the quality and quantity of their work, they also receive the dividends based on their share contribution, the more is profit the higher is their income. Some cooperatives have been distributing dividends according to the quantum of services used by the cooperative members.

- In cooperatives that have been transformed and newly established, collective ownership and private ownership have been discriminated very clearly. Collective ownership of members (cooperative ownership) consists of accumulated capital for re-investment, assets bought by member for activities of the cooperative and undivided fund. When he (or she) wants to join cooperative he does not have to contribute production materials but the prerequisite condition is that he has to contribute share capital according to the cooperative regulations, the share contribution is unlimited but it is not allowed to be more than 30% of total share capital of all members. Private ownership of individual member is respected; cooperative members have the exclusive right of using capital and production facilities of their own to do production and business. Cooperative members are independent subjects, they have their own economy. Position, role and independence of members' household economy not only develops but also gets more support from cooperatives for their development
- In principle, cooperatives have been free from being tied down rigidly by the State subsidized economy and gradually setting up new mechanism. Cooperative is really independent business organization in the market economy, at par with other economic sectors, cooperatives are self-deciding, and have self-responsibility on their results of production, business as well as dividend, on their obligation to the State and their members. The

state respects the independence and self-responsibility in activities of production, business and services of cooperatives. Role of the State in managing cooperative economic organizations and cooperatives has been limited to the issue of legal regulations and economic policies to support the development of cooperative economy and cooperatives. Heavy contribution obligations by cooperatives especially the cooperatives in the rural areas to authorities and communities, earlier, has gradually decreased, cooperatives now concentrate mainly on serving and conducting their obligations to their members.

- The process of renovating economy and developing commercial production in many areas has been leading to the appearance of many new cooperation forms, they are diversified in scope and very vivid in organization and they really assist workers, and household families that are transforming from self – sufficient into the commercial production in agriculture and other sectors of the national economy. Household and cooperative economies day by day bring into full play their self-control in production, business, they are now in the need of cooperation and joint venture. Especially in outskirts of cities or areas of producing materials, in traditional villages plantations and rich households with big capital and large quantity of goods have been emerging and they are the main factor to push up cooperation, economic links and communities to develop production of agriculture, forestry, fishery and service sectors in the rural areas. The diversified economic forms among households are developing speedily and voluntarily and these are generating real interests to their members. The establishment and activities of cooperative groups are popular now and may further develop in the coming years, especially in the rural areas.

There is the appearance of the new model of cooperative unions and model of cooperation between multiple sectors, among the State owned processing enterprises which play a key role in some areas of condensed production.

Reality of mobilizing new cooperative economic organizations recently has been helping a lot of cooperative managers and cooperative groups to grow up, and accumulate experiences in managing the economy. Labour force in these organizations is able to improve their knowledge and perception on principles of cooperative economy,

cooperatives, experiences on production - business in the environment of commercial production and market orientation.

- Cooperative economy and cooperatives have been contributing in speeding up the economic growth by settling social problems and people' lives. Units of cooperative economy and cooperatives have been contributing to exploiting potentialities and advantages of localities on materials, labour force, markets, renovating mechanism, mobilizing and increasing capital contribution, mobilizing idle capital from the members to increase investment, technology renovation, increasing productivity and quality of goods, creating more jobs in the sectors of processing agricultural, forestry, fishery material, exploiting and producing construction materials, mechanical repairing, producing handicrafts and other consumer goods. Thanks to these trends the, cooperative economy and cooperatives are creating more and more goods for the society.
- Cooperative economy and cooperatives have been playing an important role in creating jobs, increasing income, ensuring stable life for their members and workers, contributing to poverty alleviation, solving a lot of related economic problems in the localities joining actively in industrialization and modernization. They are also creating important conditions to conduct democracy, cooperation and increasing spiritual life in their communities. At present, cooperative economy and cooperatives have been supporting the development of household economy and creating stable jobs for 12.6 million members and there are 700,000 employees working in cooperatives in many economic fields. The average income of members and employees working in cooperatives ranges from VND 250,000 to VND 350,000/month. In some efficient cooperatives, this income is in the range of VND 500,000 and VND 700,000/month.

Cooperatives are developing the spirit of mutual help in alleviating poverty. Some southern provinces, cooperatives admit people who don't have land and then they work in service sector of cooperatives and their income can support their lives. Even some cooperatives give credit to members in order to redeem land that was under mortgage.

Cooperative economy and cooperatives, especially in the rural areas,

have been actively contributing to building infrastructure projects such as roads, electricity, station, irrigation network, schools, kindergartens, supporting activities of mobilizing, educating, assisting flooded people and families in difficulty.

Achievements of developing the implementation of the Law on Cooperative have been creating initial changes in the perception of staff and citizens on the new model of cooperative. Since the birth of Law on Cooperative, branches and levels have undergone certain changes in their perception on cooperative economy, and the cooperatives. Levels and branches also pay their concern to guiding the transformation of old model cooperatives and development of new model cooperatives. On the part of many localities, previously they were reluctant but now they are showing their unity in perception and real activities so they can follow the right way. Law on Cooperative has been turning an important landmark in changing perception on theory and practice on new model cooperatives, it also contributes to solving many problems left over by old model cooperatives, especially in agriculture where there are a lot of formal cooperatives. Developing new model cooperatives according to Law on Cooperative, on the basis of respecting independent role of household economy, voluntary, equality and sharing interests as well as risks etc. will create real cooperatives with solid economy for long-term development.

However, apart from achievements, the development of Law on Cooperative still has the followings limitations:

- During the transformation and development, a lot of cooperatives do not follow the nature and activity principles of cooperatives. In some cooperatives, the interests and responsibilities such as the right of joining the Board of cooperatives, the right of voting important affairs of cooperatives as well as the right of voting are directed by the people who have bigger share capital. Some cooperatives are established just on the need of "legal position" for conducting activities, actually it does not come from the need of production, business and strong mutual cooperation. After establishment, there is no change in activities of individuals, there is no confidence in legal position, it is not transparent in contributing and registering capital and it is not in line with the Law. A great number of cooperatives, especially in agriculture, although have been transformed but could not define their directions of business and production, and the

ownership of cooperatives in line for members. In the building cooperatives in line with the Law, some localities are still eager to follow quantity targets, even some provinces set out targets to force districts to achieve. There are many provinces to have a great number of cooperatives but also a lot of cooperatives are not able to organize needed services, even providing basic materials and marketing agricultural goods for example in delta of Cuu Long river, cooperative member have great demands but cooperative could not meet. In many provinces and localities, quality of services provided by the private sector is much better than the cooperative.

- Perception on cooperative economy, and cooperatives in the market oriented socialist system are not uniform. In branches and levels, a part of leading officials just discuss and implement Resolutions but they do not have trust in the role, and position of cooperative economy and the cooperatives. Even in some branches and ministries and People's Committees at various levels have not paid their attention to thoroughly grasp the policies and guidelines on developing cooperative economy, cooperatives, and articles of Law on Cooperative and consequently they could not lead and guide practically movement of cooperative economy and cooperatives. Cooperatives themselves have to find out how to operate fruitfully. Creating and multiplying typical and outstanding models are still slow. National projects and programs assisted by international organizations and foreign countries do not have much concern with the sector of cooperative economy and cooperatives. There is a lack of concrete plans for training staff in management and professional approach to problems and lack of guidance for the content of transforming old cooperatives. The staff and people still think about old typed cooperatives in negative way, the impression they cannot erase from their minds within a short time.
- Legal framework toward cooperative economy, and cooperatives still has a lot of disadvantages and limitations, policies are not to the expectation and they are unable to be the lever for promoting cooperative economy and cooperatives. The implementation of the Law on Cooperative during the last four years have showed that a lot of content in this law is not suitable with the objective realities which are changing very fast, as well as

not meeting the need of continuing the economic renovation, pushing up strongly administrative reformation and business environment. There is still a limitation for joining cooperatives; there are so much in model by-law but yet they are unable to cover all types of cooperatives; procedures for registering and establishing cooperative are still complicated and troublesome; function, responsibilities, powers, organization structure, management, finance and membership defined in the Law on Cooperative and the Decree 16/CP are not clear. Legal documents on the economy of simple cooperation have not been issued. A lot of policies have been mentioned in the Law and decree of Government but up to now related branches have not concretized them into implementation guidelines. These policies practically are not very attractive, and policies on training, social insurance, investment, credit, land use etc. still do not contain power for bringing into full play this economic sector. Regarding tax policy, although it is guided by the Ministry of Finance but there is something to amend. There is a lack of guidance for implementation of policies relating to cooperatives. These problems lead to the psychology which does not inspire confidence among the communities, and the cooperatives.

- State management toward the cooperative economy, and the cooperatives need toning up. There is lack of coordination between ministries, and branches in planning strategies for this sector. Each ministry or branch just has only one staff in the specialized department to assist its director to enable him to supervise and generalize the general situation of cooperatives. Up to now, there is no responsible organization to coordinate the function of state management toward cooperatives in accordance with the scope and role assigned to this sector.

There is no responsible staff in the people's committees at all levels to conduct the State management towards cooperatives except agricultural sector, when there is a need of developing affairs relating to cooperatives, people's committees of provinces/cities usually assign the job to Cooperative Unions to perform. The work of supervising or controlling the implementation of legal documents on cooperatives, especially the violation of legal rights and interests of cooperatives are still neglected by the people's committees at all levels.

- The work of propagandizing, explaining policies, legal docu-

ments issued by Party and State on cooperative economy, and the cooperatives, and introducing information about working of typical and outstanding cooperatives to the staff and the people is still slow and weak. In some provinces, even leading members of district level or commune are not clear about legal regulations on cooperatives. This actually leads to the difficulties in conducting renovation, development and registration of transformed cooperatives in line with the Law.

- For the old cooperatives: the treatment to their problems i.e. reassessment of their assets, definition of their debts, production place, members etc. are meeting a lot of difficulties and not done in time. In agricultural sector, debts to cooperatives by the members and debts that some cooperatives have to pay to the State are quite big amount, they have been pending for many years and could not be solved. This affects greatly the process of renovation and transformation of cooperatives. Up to now, the difficulties of weak cooperatives have not been settled and naturally it affects the general development of cooperative sector.

11. Conclusions and recommendations

a) Evaluating the role of agricultural cooperatives in the future:

Towards development of commodity production together with industrialization and modernization in the rural areas, the agricultural cooperatives will maintain the increasing important role in Vietnam. The cooperative's size will be expanded from the grass root upwards on the basis of the production development level of each region.

First of all, more and more informal agricultural cooperatives will be organized and voluntarily established by the labourers in the regions where the development of commodity production has started. These cooperative groups will lay a platform in order to become the regulate cooperatives in future. Integrated groups will be set up widely to meet the service demands for the production of farm households.

On the basis of the impact of commodity production, agricultural production by the households will be established in the form of farms with the bigger and bigger size. Along with this process, the cooperation needs will step forwards to a larger scale and reach beyond the production limit within a household, closely linked with the inputs and outputs of the market. Thereafter the cooperative economic

organizations and cooperatives of these farms will be developed further.

In the Southern plains, the cooperative economy and cooperatives will prosper and develop faster because the characteristics and natural conditions of commodities producing households economy there require the developed service system in which the agricultural production services with gradually increasing size are required to be utilized by a large number of labourers in rural areas.

Some regions like in Northern plains and Central coastal regions where a large number of old typed cooperatives has existed, will be transformed into the cooperative groups and service cooperatives in order to meet the production demands of the households and their daily living needs within a commune on the basis of the transformation of those under the Law on Cooperative. From supplying certain services such as irrigation, agricultural extension, techniques transfer, these new cooperative groups and cooperatives will intensify to provide more services and ensure the inputs and outputs for the production of households. But in these regions, particularly in the Northern plains, due to the limitations of cramped area with dense population, a low average holdings of cultivated land (400m² – 500 m²/person) division of labour is difficult and the agricultural producers can manage to do many pieces of work himself and have less service hiring needs than those in the Southern rural region. Therefore, the cooperative expansion and development process will depend on the following two factors:

- The development level of professions and industries at present in order to attract labour resources in rural areas.
- The shift of a certain number of labourers to the industrial zones in the cities and to other regions where the development conditions for agriculture and forest are better.

When the above said factors appear, the production scale will be expanded, the needs of commodity production and services will also be increased, and the cooperation needs and the establishment of production and service cooperatives will arise as well. From establishing production and service cooperatives to setting up cooperatives that will operate in production and services at the same time and eventually they will be able to become cooperative unions at a higher level.

A development trend with many prospects in the coming years will be the cooperation between farmers (through cooperatives) with the State owned enterprises and companies, particularly the cooperation relations between the materials production with processing industry in specialized planting regions like tea, fruit trees, coffee etc where need and concern for the development is much more.

Therefore, the development trend of the cooperative economy and cooperatives in Northern plains, Central coastal region and Highlands can take place in a commune on the basis of the renovation and re-organization of the old typed cooperatives and the establishment of new cooperative groups and cooperatives as well. The development of cooperatives in these regions can be faster but on a smaller size than those in the Southern plains.

In the mountainous and midlands region, the cooperation needs are very low because of the low economic basis, self-sufficient household economy, lack of cultivation techniques and capital and low quality products. In many communes, there is no cooperative or cooperative group at present. However, with the impetus on policies of the State through the program on agricultural extensions, program on bank loans, construction of irrigation works and infrastructure, in the coming time, probably some cooperative organizations will be established in the areas which require mutual help and receive the assistance of the State through such organizations.

In the fishery field particularly, because of the specific characteristics, the development trend of the cooperative economy and cooperatives should be taken towards the followings:

- Fishermen should contribute sufficient capital and labour in order to buy the well-equipped boats with high power capacities to catch offshore or invest on constructing the aqua breeding and planting areas on a big scale. Firstly these boat teams should set up on the cooperation needs together for providing logistics services and then in processing and marketing products.
- Aquaculture breeding households should cooperate together to carry out services on transferring techniques, supplying stock of species and food to shrimps and fish... and then jointly process and market the products. The cooperation's scope may either be large or narrow on the basis of labourers' needs.

Generally, the production activities in the fishery field will create a good environment to develop the cooperative economy and cooperatives because the fishery households are closely linked to each other on capital, technology and markets and the commodity production level in the fishery field itself is very high.

b. How to improve the effectiveness and competitiveness of the agricultural cooperatives.

According to the reality of Vietnam situation and international practices, in order to strengthen the effectiveness and competitiveness of the agricultural cooperatives, it is required to solve both subjective and objective problems:

- * The subjective problems lie right inside the agricultural cooperatives and there is need to strengthen the effectiveness and competitiveness of the agricultural cooperatives. The most important task that the agricultural cooperatives themselves should do is to actively study and apply advance and latest scientific technology into their production with the aim of increasing the labor productivity, and quality of products. The agricultural cooperatives themselves should focus on development and prepare proper business and production plan to improve and expand their business in orientation of multi-functions. They should formulate the production zone in orientation of goods production. The agricultural cooperatives should overcome the problem of small scale production; and take into account the importance of environment protection conditions. The service cooperatives should improve and enhance the quality of their services with reasonable price.

The agricultural cooperatives themselves have to focus on their support and assistance toward their members, to help the member's family develop. The agricultural cooperatives should mobilize all resources available (capital, professional skill, technology, science, etc.) from its members for its development. The agricultural cooperatives should particularly focus on the product processing and marketing for their members' products. They should step by step expand their production and business by developing the traditional industries and new industries to solve the employment problem. The agricultural cooperatives should move and change their economic structure right in their area by combining agricultural services with agricultural product processing, trading business and rural industries development.

The agricultural cooperatives should focus on cooperative management by improving and strengthening their staff's qualification: and professional skills of their workers and members. They should renovate their management skills especially business administration and financial management. The agricultural cooperatives should increase their collective accumulations and focus on business and production expansion

- * Objective problem is from the Government. The Government should solve the following problems:
 - Improve its legal framework and policy toward the cooperative economy. It should create more favorable environment to push the development of cooperative economy and the cooperatives. In the short term, the government should adjust and amend the Cooperative Law and implement the priority and support policies toward the cooperatives, which are defined by the State and Communist Party, particularly in the Resolution No.13 on continuing the renovation and improvement of effectiveness of collective economy.
 - Policy on encouragement of agricultural cooperative development is one of existing problems nowadays. Although the Government has taken a decision of writing off all existing debts for all agricultural cooperatives with total amount up to VND 174 billion, many other policies and decrees are not implemented yet due to lack of specific or proper implementation guidance. The cooperatives have not had the chance to approach the support programs, the social - economic development projects or rural development projects.
 - What should be done? It is required to solve all and immediately existing problems and to continue study and propose the implementation strategies of new specific policies. These policies must be very realistic and proper and in tune with the society, so that it could push the development of the cooperatives.
 - To combine and to link the programs, and projects of economic development, agricultural development rural development and poverty alleviation, etc. where the cooperative can participate and benefit from those activities. The agricultural and rural development programs and projects should take the cooperatives as their local partners to implement and extend support towards

the farmers. To introduce and to create good conditions so that the enterprises, companies especially the factories or processing zone and state owned enterprises may cooperate with the cooperatives to be their sub-contractors, agents by signing long term consumption and marketing contracts. To assign or decentralize the cooperatives to manage small irrigation works. To increase the assistance of technical training for cooperative and to let the cooperative become the units to receive the technical service transfer or technology process, etc.

- To create good conditions for cooperatives to access the loan to expand their scale of production and business. To guide and encourage the local provinces to formulate the membership loan support fund, cooperative development fund and Credit Guarantee Fund for cooperatives, and small and medium enterprises of which a part of money is from State Budget.
- Provide policies and create good conditions for cooperatives to approach latest news and information from the market, to participate into the trade fairs, conference, workshops and study visit abroad to help them actively integrate with the international and regional economy.
- To develop a system of cooperatives support and development organizations which provide necessary services and consulting services such as: training, scientific information and technology, loans, auditing, trading promotion and legal in order to help the cooperatives to overcome all their difficulties.
- To focus on training activities to improve the qualification of the staff of the cooperatives, and vocational training for the cooperative members and workers in the cooperatives. To develop and plan the training program for cooperative staff to meet the requirements of the development. To focus also on training 03 positions in the cooperatives: chairman, accountant and supervisors. The chairman and managers of cooperatives should be trained to have good business competency, to understand on production and business in the market economy. To develop the training manuals on cooperative economy and cooperatives.
- To improve and strengthen the State management of agricultural cooperatives. The authorities at all levels have to help and guide the development of cooperatives and help them to be sus-

tainable in the competition. The authorities at all level also have to control and supervise the implementation of Law on Cooperative but should not interfere into specific activities of the cooperatives.

c. *How to mobilize the financial recourses through globalization to undertake welfare of the society in general and the people in particular*

In order to develop the cooperatives in general and to create welfare and to enhance living standards of the people in particular, it is required to mobilize all recourses for the development including the financial recourses. Beside the domestic financial recourses, the foreign financial resource play a very important role. What we have to do are:

- To guide and to create good conditions for cooperatives, and households, farmers to use the financial resources from abroad effectively in the right way in order to develop their production, the rural infrastructure and use the loans from development fund, ODA for agricultural and rural industrialization, and modernization.
- To give proposals and invite the financial resources from international organizations to be invested into development of infrastructure for better trading and commercial conditions (ports, stores, warehouses, wholesale and retail markets, etc.). The government should improve the system of market information, trade promotion, quality control and management, and develop and protect the trademark and label of Vietnamese products. It should push and expand the international cooperation, to attract foreign investment, to provide technology, equipment and markets for agriculture and rural production.
- Another important solution of creating financial resources through globalization is that the cooperatives themselves have to be active in economic integration. The cooperatives should stimulate the advantages and overcome the disadvantages of the globalization process in order to get the advance knowledge in science and technology. They should enter into joint venture with other foreign cooperatives and economic organizations to invest in local industrial zones and cooperatives. To formulate industrial associations, and promotional funds for

exporting agricultural, forestry and fishery products. This will promote the export industry and help the agricultural products of Vietnam to be able to compete in the market economy.

d. Action plan for intensifying agricultural cooperatives in future.

From the study report, the action plan for intensifying agricultural cooperatives in the near future mainly consists of the followings:

1. Launching actively the work of propagandizing and disseminating the main content of the Law on Cooperative, cooperatives of new model, outstanding examples in the agricultural branch, role and position of agricultural cooperatives in the strategy of the socio-economic development on transferring economic mechanism and poverty alleviation to the staff at managerial level and working people in order to gain understanding on standpoint, direction, and solution for developing agricultural cooperatives of new model, and making workers in rural areas to feel necessity and objective requirement that they have to cooperate and integrate in the process of developing the production force with a view of meeting the needs of the market economy.

2. Organizing forums, information exchanges and meetings for exchanging experiences in agricultural cooperatives that are working very well at production business and having proper business model in order to disseminate the new and outstanding model of production and business to many localities.

3. Concentrating on intensifying and improving the efficiency of activities of the existing cooperatives in order to ensure adherence to principles of the Law on Cooperative and assisting agricultural cooperatives that are of moderate and weak levels step by step to overcome their existing limitations. We should pay our attention to 4 main points as follows:

- Correcting the organization of cooperatives in order to be in line with regulations and the Law on Cooperatives, ensure implementations of principles of a real cooperative; overcoming unhealthy manifestations, lack of democracy and nonadherence cooperative principles on the part of the recently reformed cooperatives.
- Increasing internal capacity in cooperatives on the basis of bet-

ter mobilizing and exploiting better the ability of contributing capital, labour force and participation of cooperative members in economic activity; bringing into full play the role of cooperatives in the poverty alleviation, job creation, and increasing income for cooperative members.

- Renovating and perfecting management in cooperatives on the basis of improving the quality of cooperative staff, to enable them to maintain impartiality, independence and self-control in organization and activities of cooperatives.
- Working effectively and bringing about the practical interest to members, pushing up the development of members' production and business.

4. Actively propagandizing, mobilizing and building the development of the cooperative economy of all kinds with the proper size and level, especially in the remote and disadvantageous areas on the basis of ensuring the independence of household economy, farms, linking with the process of industrialization and modernization and building of new rural areas.

Linking the development process of agricultural cooperatives in rural areas with the development programs, projects of socio-economic development, target programs (such as poverty alleviation, forest planting, vocation development, projects of supporting the development of internal and external investment etc.).

5. Initiating and expanding the models of joint venture, cooperation within agricultural cooperatives and between agricultural cooperatives and other types of cooperatives such as: people's credit fund, trading and service, small handicraft etc., also between cooperatives and state enterprises and other economic sectors, guiding and facilitating the development of cooperative unions of multiple sectors or within agricultural branches.

Guiding, mobilizing and facilitating the development of agricultural professional cooperatives as dairy cooperatives, breeding cooperatives, cooperatives of clean vegetables, cooperatives of ornamental plant etc.

6. Recommending, and proposing to the Government for guiding the implementation of new priority policies pertaining to agricultural cooperatives, such as policies on land use, loans, technology science etc. cooperating with other levels and branches to study and propose

the amendment and supplement to the Law on Cooperatives, issuing new policies in order to push up the development, comprehension of agricultural cooperatives.

Studying and proposing the establishment of the Central Fund for supporting the development mainly targeting to the cooperatives in rural areas. Pushing up the establishment of the support Fund for cooperative members, and cooperatives in provinces/ cities in order to create more funds for cooperatives and member households. Continuing the proposal of establishing the guaranteed credit Fund for cooperatives and small and medium enterprises in provinces/ cities.

7. Actively developing support activities, outstanding activities and services to agricultural cooperatives and the key is to improve the efficiency of activities of centers and other units. Actively making use of financial sources for training staff and vocational training. Training should be linked with the development of program and projects for implementing socio-economic development within the area, linking with traditional villages and professions and it should be suitable with the scheme for developing each area.

Taking the initiative in participating in the development programs, projects and socio-economic programs relating to rural agriculture, poverty alleviation, industrialization, modernization, transformation of the economic mechanism etc.

8. Pushing up strongly information activities, consultation to assist agricultural cooperatives to complete production process and technology in order to increase working productivity, quality of planting and breeding, supporting cooperatives in finding out markets, in consuming goods, speeding up the process of joint venture, production expansion with a view to create specialized cultivating areas in the direction of producing commercial goods. Especially pushing up the coordination between enterprises and cooperatives in prefunding and preproviding materials and marketing products made by the agricultural cooperatives.

9. Initiatively guiding and facilitating agricultural cooperatives to join regional and international integration. Building orientations and solutions for developing business production in the situation that Vietnam is joining the integration process, standing firmly when all custom barriers are abolished, being competitive enough in the market mechanism when Vietnam joins AFTA, WTO etc.

10/. Expanding the relation with international cooperative organizations, cooperative movement of other countries, non-government organizations etc. in order to make good use of resources from outside, to support agricultural cooperatives on training, information, market, joint ventures, on paying study visits to learn experiences from agricultural cooperative movement of advanced countries etc. Also searching out projects, grants, financial sources, for developing the sector of agricultural cooperatives.

Vietnam Cooperative Alliance
Oct 2002

Annex

**Survey report of Binh Minh agricultural service cooperative
and cooperative groups in Hung Yen Province
(through interviews)**

I. Background on Binh Minh Commune

1. Geography and natural conditions

Binh Minh commune is located at Khoai Chau district, Hung Yen province in the Red River Delta. The commune is bordered by Me So commune to the North, Dong Tao commune to the East and Thuong Tin district of Ha Tay province to the West.

Total area of land of Binh Minh commune is 529.1 ha out of which total cultivation area is 374.5 ha, housing area is 34.9 ha and area of alluvia soils of the Red river is 69.73 ha. The average area of land per person is 312m².

2. Population, social conditions and major industries in the Binh Minh commune

The total population of this commune is 8,452 people of whom 4,183 are male and 4,269 are female. There are more than 2,500 families living in 13 hamlets under 3 villages in Binh Minh Commune.

The main industries of the people in this commune are agricultural cultivation: rice and vegetable. The villagers also have traditional sub-industries such as carpenter, bricklayers, mixing and planting crop seeds, drying fruits and medicinal plants cultivation. These industries have professionals in the 3 villages of the commune as follows:

* **Da Hoa village:** The people in Da Hoa village have carpenters and manson (bricklayers). They have established many wood carpeting groups and bricklayer groups (there are average of 7 - 8 workers in each group). The group members together contribute money to produce wooden furniture and other wooden products to serve the people in their villages and communes and province. In the spare time between the crops, these groups go outside their province to work as sub-contractor or to become workers in other provinces.

* **Nghia Tru village:** The people in Nghia Tru village have part time work of cultivating medicinal plants. The total area of medicinal plants is 830 ha of which 60% is used for menthol oil plants and basil plants. During the centralized and subsidized (state-controlled) time, medicinal plants especially menthol oil was sold by assigning procedure.

Nowadays, in the market economy, the people in Binh Minh commune in general and Nghia Tru in particular collect and gather the pharmaceutical materials (medicinal plants) through cooperative groups to process and sell in the market in Hung yen and other provinces in Vietnam and also export to China

* **Bang Nhai village:** Long time ago, the people in Bang Nhai village have had their traditional work of mixing and planting crop seeds to serve the people within the village and neighbouring areas. The seeding plants have been mainly loongan and apple.

Currently, the Bang Nhai villagers develop the industry of fruit drying. The people from other areas transport the raw materials to this village for drying services. The average income from selling crop seeds and fruit drying services is around 15 - 20 million/year/family in this village.

II. Binh Minh agricultural service cooperative

The Binh Minh agricultural service cooperative was established in 1979 and then transferred according to the Cooperative Law in May 1997 and has this official name.

I. Business:

Pursuant to the guidance and policy of the Party and Government on giving priority to agricultural development, especially conversion of livestock's and plants suitable with local conditions, market system in parallel with the support and assistance of the local authorities, the

Binh Minh agricultural service cooperative has defined its development orientation, business and services, its target groups. It received the business license of general business and services. They are: agricultural irrigation services, production and giving electricity services, products marketing services, strains of cattle and crop seeds services, land excavation services, etc. All these services are targeted directly to the people in the commune.

2. Organization structure and share capital

The Binh Minh agricultural service cooperative has 33 members. Due to its work features, 33 members are all male. The board of the cooperative consists of: 01 chairman, 01 vice chairman, 01 supervisor, 01 chief accountant, 01 accountant and 01 cashier.

Thank to its simple organization structure suiting with market mechanism and with the support and assistance of the local authorities and the active board of managers, the Binh Minh agricultural service cooperative has performed very well for the past 3 years. The annual net profit of Binh Minh agricultural service cooperative is around VND 10 - 15 million. The salary of the chairman is around VND 300,000 - 400,000/ month and the salary of the other staff is followed the salary scale of the Coop. The income of its members is paid in two ways: daily wage of VND 17,000 - VND 20,000/day or contracted salary according to amount of work or crop season. In general, the income of its members is very stable and gradually, increases year by year. the Binh Minh agricultural service cooperative focused very much on business and production reinvestment and better living activities for its members and community.

Each member joining the Binh Minh agricultural service cooperative has to buy shares of VND 20,000/share. Moreover, in order to mobilize the capital for its business and production development, the Binh Minh agricultural service cooperative also actively looks for other financial resources such as: loan from People's Credit Fund, savings from villagers who are not their members, etc. with reasonable interest rate which guarantee the smooth operations of the cooperative.

3. Role of Cooperative Law and effect of support policy of the government and support of local authorities toward the Binh Minh agricultural service cooperative:

The National Assembly of the Social Republic of Vietnam passed the Cooperative Law in June 1996. This Law is legal base for con-

version and business registration of the Binh Minh agricultural service cooperative. Thank to the Cooperative Law, the cooperative has its legal condition and position and received the support from local authorities. The board is very active in catching and defining the demand and needs of the market and satisfies its members.

The cooperative and the farmers in the commune know how to generate the benefits of their Coop and obligations toward their community. Since the 5th Central Resolution of the Communist Party toward collective economy came into effect, the board of the Binh Minh agricultural service cooperative has had the new view on reformulating its business and production and services with the purpose of satisfying physical needs as well as cultural and better living needs of its members and giving its contribution toward the local social and economic development.

4. Development orientation of the Binh Minh agricultural service cooperative in the future

To match the market mechanism with multi-economic sectors in competition conditions in the commune, the Binh Minh agricultural service cooperative have implemented some measures to improve its operation results which are as follows:

- Develop and improve its staff's qualification: to acquire advanced management skills, and become active and sensitive toward demands and challenges of strict competition among economic sectors in the market economy in the area.
- Employ the professional team of skilled workers in industries such as: electricity, irrigation, veterinary, plant protection, crop seeds etc. to meet the needs and demands of its members and other customers.
- Expand its membership and its business, production and services such as: fertilizer and agricultural facilities services, products marketing for its members and other villagers.
- Construct the petrol station to serve the villagers and customers passing by.
- Actively understand and implement the political requirements ordered by the local authorities and fulfill them to give sound contribution toward the social-economic development of the commune.

- Increasingly construct its infrastructure to implement its strategy of changing the livestock and plants in the commune. Especially, the Coop finds out many effective measures for marketing its members' and villagers' products.

5. Recommendations

- Although the Cooperative Law has created good legal conditions for cooperatives' performance, it still has some problem on the membership, legal capital, division in the cooperative, deduction to funds, etc. It is desired that the functional Organization such as Hung Yen Cooperative Alliance and Vietnam Cooperative Alliance should make recommendations to the authority bodies to adjust and amend the Law on Cooperative to make it suitable to the current changes and realities.
- It is very important for the members of cooperative that they should have social insurance paid, so that they may get pension after retirement.
- The Hung Yen Cooperative Alliance should have intensive professional and technical training program, both short term and long term for its staff and managers in agricultural cooperatives.

III. Giang Van Khoai carpenter group:

The Giang Van Khoai carpenter group was established in 1997 with the initial capital of the 02 families of VND 200,000,000. Since then the group has operated very well with increasing profit. Total number of workers in the group comes up to 15 people. They receive daily wage with average amount of VND 18,000 - VND 20,000/day. Total gross turnover of the group is around VND 400,000,000/year. The net profit of the group is around VND 20 million/year. The wooden products of the group are sold to the villagers. The wooden furniture of the group is also offered in other communes in Khoai Chau district and Hung Yen town.

IV. Thuy-Thanh herb traditional medicine processing and marketing group.

From the beginning it was formed by 03 sisters of one family with the initial capital of VND 250,000,000. They then gathered some other villagers in the village to form the Thuy - Thanh herb traditional medicine processing and marketing group in 1994. Now the

group has total 12 workers working with The Thuy - Thanh herb traditional medicine processing and marketing group on daily wage of VND 15,000/day with a lunch. Total capital of the group after 8 operating years comes up to VND 800,000,000 and the net profit is VND 50 million/year.

Herb traditional medicines processed by the group have been sold in the Hung Yen province and other provinces such as: Nghe An, Ha Tinh and exported to China. Apart from its own capital, the group also borrowed loans from People's Credit Fund of the commune in order to increase the purchase and processing capacity and improve and expand their business scale to sell their products all over the country.

ICA CO-OPERATIVE IDENTITY STATEMENT

DEFINITION

A Co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

VALUES

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, Co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

PRINCIPLES

The Principles of Co-operation are guidelines by which Co-operatives put their values into practice.

First Principle: Voluntary and Open Membership: Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

Second Principle: Democratic Member Control: Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women, serving as elected representatives, are accountable to the membership. In primary Co-operatives, members have equal voting rights [one member one vote], and Co-operatives at other levels are also organised in a democratic manner.

Third Principle: Member Economic Participation: Members contribute equitably to, and democratically control, the capital of their Co-operative. At least part of that capital is usually the common property of the Co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their Co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the Co-operative; and supporting other activities approved by the membership.

Fourth Principle: Autonomy and Independence: Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their Co-operative autonomy.

Fifth Principle: Education, Training and Information: Co-operative provide education and training for their members, elected representatives, managers, and employees, so that they can contribute effectively to the development of their Co-operatives. They inform the general public – particularly young people and opinion leaders – about the nature and benefits of Co-operation.

Sixth Principle: Co-operation among Co-operatives: Co-operatives serve their members most effectively and strengthen the Co-operative Movement by working together through local, national, regional and international structures.

Seventh Principle: Concern for the Community: Co-operatives work for the sustainable development of their communities through policies approved by their members.