

**PARTNER COUNTRY:** Vietnam**PROJECTS:** Impacts of alternative policy options on the agricultural sector in Vietnam (ADP/1997/092); Strengthening agricultural market information activities in Vietnam (ADP/2001/066); Scoping study on trade-policy reform in Vietnam (ADP/2005/006)**DESCRIPTION:** A number of ACIAR projects in Vietnam have helped or are helping to build skills in market economics and quantitative policy analysis**CONTACT:** Sally Marsh, spmarsh@cyllene.uwa.edu.au


# Economies of size sought in land reforms

The way in which land is used and ownership defined and transferred between generations has profound effects on economic, social and political outcomes in any country. This is particularly true for Vietnam, given its political history and the changes that have taken place in land-use policy

BY SALLY MARSH

Land use has been central to Vietnam's history and development. Since the Doi Moi reforms in 1986, Vietnam has undergone a period of substantial reform, contributing to productivity growth and poverty reduction.

For example, economic reforms have helped the country not only attain self-sufficiency in rice but become the world's second-largest rice exporter, as well as being a major player in world markets for coffee, cashew, pepper and rubber.

Much of this growth can be attributed to land reforms that started in 1981, which allowed the move away from centralised cooperative farming under state control by reinstating individual farm households as the

main unit of agricultural production.

Land-use rights (LURs) were allocated to households and can be rented or leased, bought or sold and used as collateral. This has allowed both a market for LURs to develop and also the potential consolidation and accumulation of land holdings for more efficient producers.

Today, the long-term development of Vietnam's agriculture still depends on efficient and effective land use. With some 70% of the population still living in rural areas, land consolidation, flexible land use, technology uptake and the impacts of tax and credit policies are significant issues.

A recently completed ACIAR project, a collaboration with Hanoi Agricultural University and the University



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adjustment generally—including the cost of obtaining credit—is likely to be a powerful tool for transforming agriculture.

The project findings on such land-policy issues have been published in an ACIAR Monograph, *Land Policy and Agricultural Development in Vietnam*, available in hard copy or downloadable from the ACIAR website. This land-reform study complements a number of recently completed and ongoing ACIAR projects in Vietnam that aim to build skills in market economics and quantitative policy analysis.

One such project has focused on building capacity in market-based policy analysis in the Institute of Policy and Strategy for Agricultural and Rural Development (IPSARD), within the Ministry of Agriculture and Rural Development (MARD). This project, now moving into extension phase, has been successful in strengthening economic-modelling and policy-analysis skills.

One outcome was the decision to model IPSARD—restructured during the funding period—on the Chinese Centre for Agricultural Policy (CCAP), following ACIAR-funded trips to China, Australia and Thailand to review the structure and operation of institutions with mandates to supply market information and provide policy advice to government.

As a result, IPSARD now has more independence than its predecessor and is in a better position to give unbiased policy advice.

Vietnam's integration into the global economy has bilateral, regional and multilateral implications, many of which will lie outside agriculture, for example in investment and services.

And while Vietnam has established a definite position for products like coffee, cashew, pepper and rubber, obtaining the imprimatur of the WTO will require it to expose some of its inefficient agricultural sectors, such as sugar and maize, to international competition.

A scoping study is now underway to develop a project to analyse these issues, in preparation for policy approaches likely to be needed for rural adjustment programs. ◀

of Sydney, assessed the impact of land reforms. One of the issues it explored was the effect of land size. Land allocated to farm households, particularly in the north, often comprises multiple plots of non-contiguous land. This means there are costs as well as benefits associated with having a large number of plots. And as the demand for labour rises elsewhere in the economy, the opportunity cost of agricultural labour also rises, forcing farmers to consider reducing the number of plots they operate by consolidating their land holdings.

In essence, policies that encourage development elsewhere in the economy will in turn raise the efficiency of agriculture.

Also, it became clear from the project that reducing the transaction costs in land exchange and in rural

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### Some of the challenges facing Vietnamese agriculture

- ▶ the need to increase the capacity for commercial farm production through land consolidation and land accumulation
- ▶ ensuring that, with rising labour costs, there are other employment opportunities and as labour is withdrawn from agriculture, land consolidation and accumulation can raise overall economic efficiency
- ▶ maintaining livelihoods in subsistence households whose small farm size is particularly affected by fluctuating prices and increasing input costs
- ▶ the need for land-use flexibility to allow farmers to respond to market signals