

COOPERATION AND SUPPORT BETWEEN GOVERNMENT AND COOPERATIVE SECTOR TO IMPLEMENT SUSTAINABLE DEVELOPMENT GOALS IN VIETNAM

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1. Viewpoint and goals of sustainable development in Vietnam

Vietnam has built up the Strategy for sustainable development in 2011 - 2020 (Decision no. 432/QĐ-TT dated 12 April, 2012) in which clarified viewpoints and goals for sustainable development; was summarized as follows:

1.1. Viewpoints on sustainable development

- Considering human the center for sustainable development, to maximize human factor as the role of subject, as the main resource and as the goals for sustainable development; to meet with increasingly sufficient demand of materials and spirits of all human classes;
- Sustainable development is the close, reasonable and harmonized combination of economic development and social development along with environmental and resource protection, to guarantee national security, defense and social order;
- Setting up conditions for all people and all communities in the society to have equal chances for development.

1.2. The goals for sustainable development in 2011 - 2020

- In economic: to guarantee economic growth and order, to increase economic productivity; to enhance popular application of cleaner production; to guarantee food security, to develop agriculture and sustainable rural area; to upgrade income and improve livelihoods for people; to accelerate application of science-technological advancements into production.
- In society: to accelerate the work of poverty reduction, job creation for income improvement; to minimize negative impacts of economic upon society; to enhance social safety programs, to support the

poor; to stabilize scale of and improve population quality; to develop culture in a harmonized manner with economic development; to construct and solidify rural area as per criteria for new rural area.

- In environment: to minimize negative impact by economic activities upon environment; to exploit reasonably and use efficiently natural resources; to prevent, control and restore environmental pollution and downgrade; to mitigate natural disaster's adverse impacts by disasters; and to proactively cater to climate change in an effective way, particularly the sea level rising.

1.3. Relationship between cooperatives and the goals of sustainable development

If compared the goals of sustainable development with the nature and the role of cooperatives, there exists a very close relationship covering numerous similar content, including operation mechanism and development goals. On that basis, it shows that resolving well the issues of cooperatives would contribute largely to successful implementation of the goals of sustainable development (Table 1).

Table 1. Relationship between cooperative and sustainable development

Criteria	Cooperatives		Sustainable Development
Mechanism for operation	Connectivity among members in a society with each other	<-->	Take human as subject and the center
Economic goals	- To increase productivity in production and trading	<-->	- Economic growth
	- To increase income for members	<-->	- Improve income and livelihoods of farmers
Social goals	- To create employment and support the poor	<-->	- Employment creation, support the poor in remote and rural areas
	- Enhance connectivity within community	<-->	- Minimize adverse impacts by economic on society
Environmental goals	- Supply services for handling environmental issues, gather garbage	<-->	- Minimize socio-economic impacts upon environment

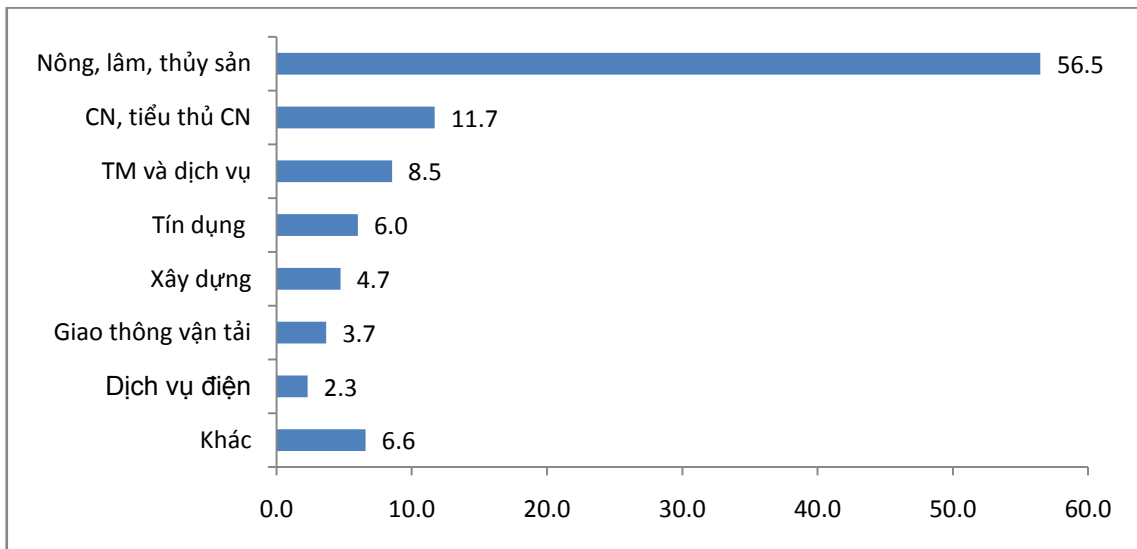
	from economic and livelihoods activities		
	- Joint cooperation to minimize impacts from environment	<-->	- To cope with climate change and sea level rising

2. Real contributions of cooperatives to implement sustainable development goals in Vietnam

2.1. Economic goals

(1) Contribute to scale of the economy

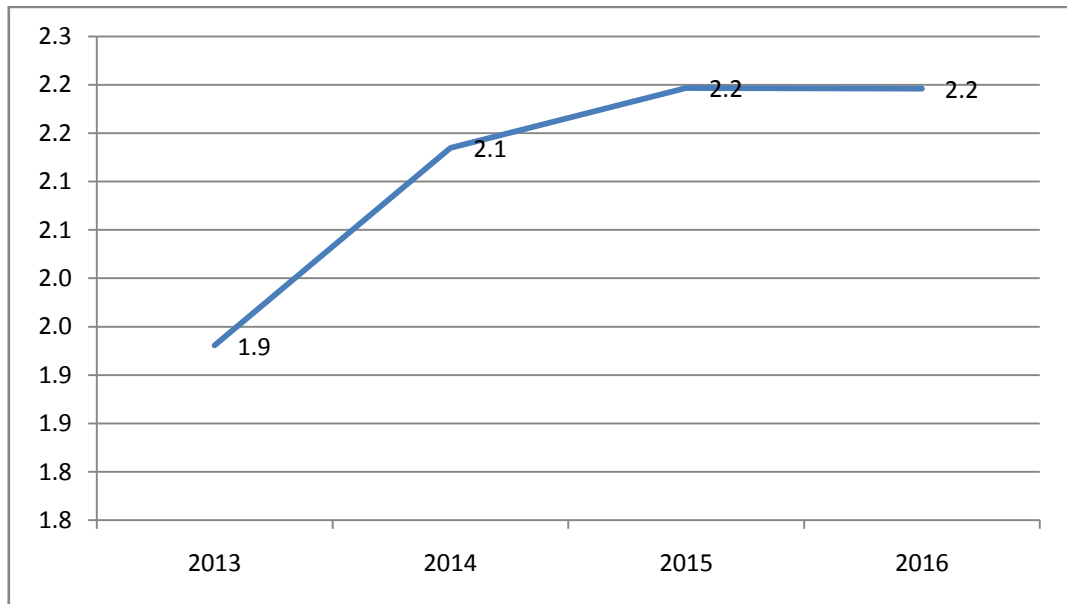
Currently, there are 19,216 cooperatives nationwide, an increase of only 0.9% as compared with 2013 (very slow increase). Cooperatives are established in various sectors in which over a half (56.5%) is in agriculture, forestry and fishery; the remaining is in other sectors (Graph 1).



Graph 1. Structure of cooperatives in Vietnam classified by sectors (%)

Source: MPI (2016)

As compared with the population scale (91 million inhabitants) and types of companies (600 thousand companies), the number of cooperatives in the mean time is not a lot. Therefore, cooperatives' contribution into national GDP is not high. In 2013, contribution rate of the cooperatives in total GDP nationwide was 1.9%, and by 2016, this rate reached 2.2% (Graph 2). So, as compared with sustainable development goals, the role of cooperatives now has not been promoted strongly yet.



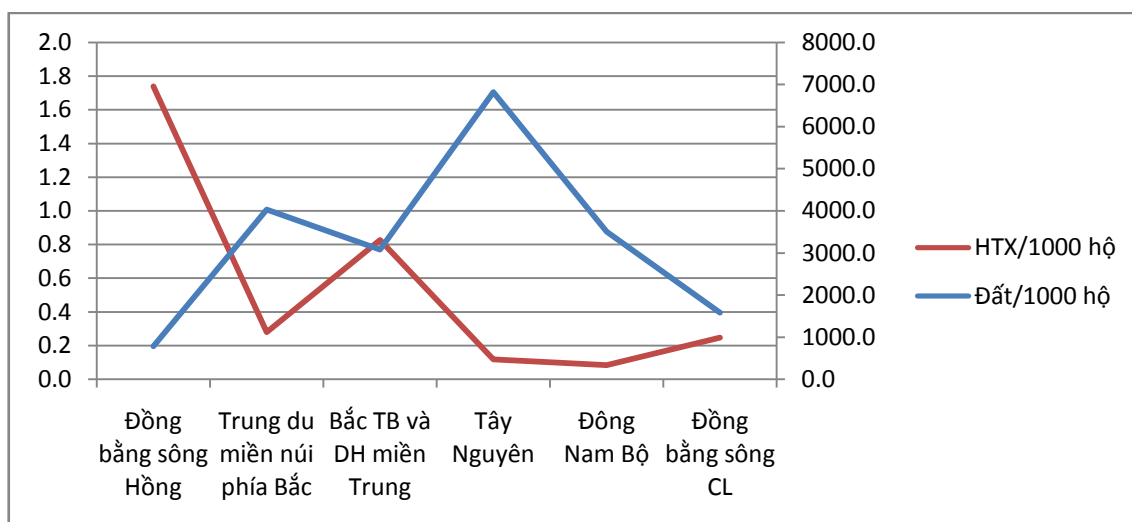
Graph 2. Contribution rate of cooperatives in GDP (%)

(2) Contribute to enhance production scale in agriculture

By the time of 2011, there were 11.9 million households owning agricultural land (agriculture, forestry and fishery), in which nearly 70% of households using land area of less than 0.5 ha; if calculated the rate of less than 0.2 ha, the rate was 37% (GSO, 2011). Total agricultural land area of each household was established from numerous pieces of land; on average each household have 4 pieces, some households have 24 pieces (CIEM and cs, 2015)

That basis shows that the vast majority of production scale of households in agriculture mainly is scattered and small

Therefore, it is necessary to develop cooperatives so as households to cooperate with each other to increase land accumulation and improve economic efficiency in production. The fact showed that regions possessing small scale of agricultural land have cooperatives develop strongly. For example, in the Red River delta, each 1000 households in agriculture, there is only 778 ha of agricultural land, but there are 1.7 cooperative. But in Tay Nguyen region, each 1000 households in agriculture, there are 6824 ha of agricultural land but there are only 0.1 agricultural cooperatives. (Graph 4).



Graph 4. Relationship between agricultural land area and the number of cooperatives

Source: General survey in agriculture, rural and fishery (2011)

2.2. Social goals

(1) Enhance the power of the vulnerable through establishing vertical and horizontal connectivity

Development of cooperatives will contribute to implementation of social goals of sustainable development through the creation of social power from the vulnerable based on establishment and development of vertical and horizontal connectivity in production.

- Development of horizontal connectivity: Currently, household scale in rural area of Vietnam is increasingly smaller. In 2011, on average each household had 3.8 persons, but by 2016 there was only 3.6 persons (GSO, 2016). At the same time, development of industrial parks and urban areas have attracted a huge number of labors from rural area and hence, although the total number of labor nationwide increased, but labors in rural areas decreased. In 2010, total number of labors in agriculture, forestry and fishery was 24.2 million people but by 2015 there were only 23.2 million people (a decrease of nearly 1 million people after 5 years). In particular, companies in industrial parks only recruit labor within 18 - 35 years old (the period possess the strongest health); labors over the working age in

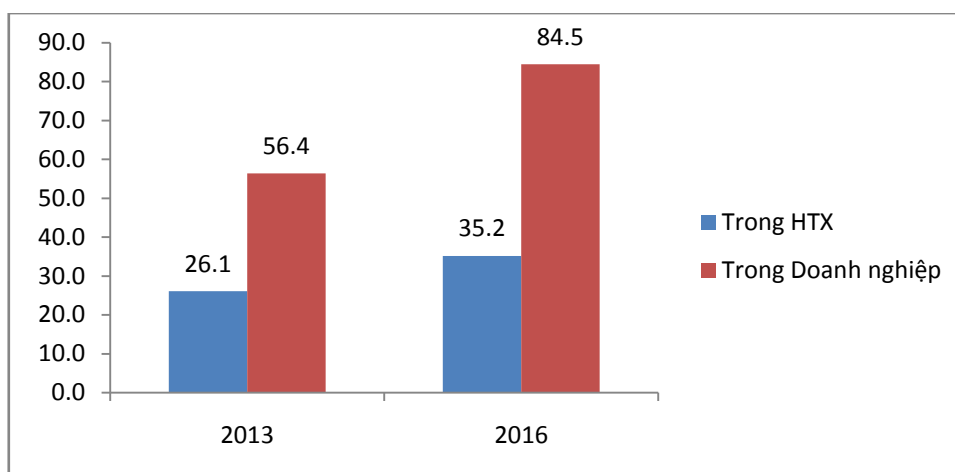
industrial parks have to return to their rural areas. This makes most labors in rural areas be old aged people (the more vulnerable group). Therefore, it is necessary for cooperatives to enhance their connectivity among households, and among individuals in society for development together.

- Development of vertical connectivity: There are 91million people with 25 million households nationwide (around 15 million households in agriculture) while there are only 0.6 million companies. This rate is too uneven and is difficult to set up connectivity as per production chain. Therefore, it is very necessary to develop cooperatives to become focal point, representing farmers to sign contracts and to cooperate with companies to set up value chain in order to increase economic efficiency and further sustainable development.

However, the sector of cooperatives now has not developed yet and hence although the sector has contributed to the goals of sustainable development in terms of society, the role of cooperatives in increasing connectivity in society has not been as expected.

(2) Job and income creation

Cooperatives in Vietnam are attracting around 6 million youth, creating 1.2 million labors. In 2013, average income of each labor in cooperative sector reached 26.1 million VND and by 2016, it was 34.7 million VND, an increase of 34.7%. Nevertheless, as compared with enterprise sector, income of labor in cooperatives are still low and slower to be improved. Income on average of labors in enterprise sector in 2016 was 84.5 million VND /person, 2.5 times higher than cooperative sector; after 3 years its growth rate reached 49.8% while cooperative's income increased only 34.7% (MPI, 2016). As compared with the goals of sustainable development, cooperatives have contributed to the goals but their level of contribution was small and their improvement was slow.



Graph 3. Income of laborers in cooperative sector (million VND/person/year)

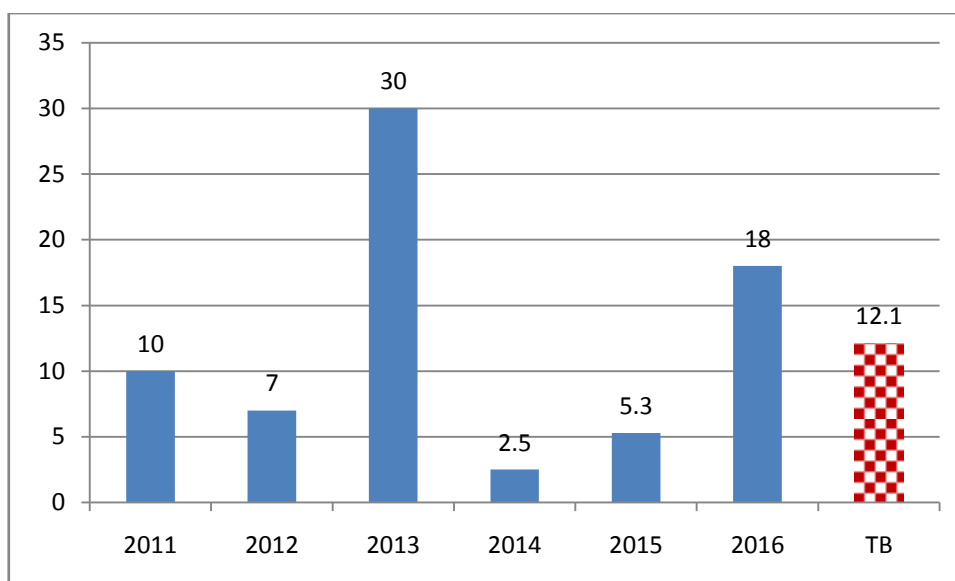
2.3. Environmental goals

(1) Handle directly environmental issues

Currently, in some local areas, cooperatives specialized in environmental activities have been established such as garbage collection and handling, public hygiene. By 2015, there were 319 cooperatives nationwide operating on environmental sector, accounting for 1.7% of total cooperatives nationwide (VCA, 2015). Against the sustainable development goals, cooperative sector initially contributed despite at a limited level.

(2) Contribute to confront increasingly severe disasters

Climate change phenomenon and rising sea level are becoming worrisome for countries. Vietnam is the most affected country. Climate change, rising sea level and other natural adversed phenomenon have affected hugely on living and production of people. In the period of 2011-2016, total material losses caused by disasters for Vietnam on average was 12.1 thousand billion VND/year, some years it reached 30 thousand billion VND (Graph 3). Therefore, it is necessary to develop cooperatives for households' mutual support on another in adjusting and confronting disasters in terms of both materials and spirits.



Graph 3. Total losses caused by disasters in Vietnam (thousand billion VND)

Source: Annual Socio-economic Report by GSO

3. Status quo of support and cooperation by the Government with cooperative sector in Vietnam

3.1. Support results

(1) To create legal foundation

One of important supports by the Government is to create legal foundation for cooperatives. Therefore, Vietnam soon made a separate law for the cooperatives. The 1st Law on cooperatives was established in 1996. As compared with enterprise sector, construction of law on cooperative was not too late, only 5 years after the Enterprise Law. On the basis of the law, the Government and other functioning bodies continued to promulgate other by-law documents for detailed guidance. Currently, the Government has promulgated 8 Decrees and the Prime Minister has promulgated 2 Decisions related to cooperative. There have been numerous legal documents made by Ministry lines, agencies and localities which are relevant to cooperatives. Most of the regulations encourage establishment and development of cooperatives.

(2) Support through consultancy, dissemination and guidance

Along with establishment of legal foundation, the Government also set up machinery from the central level to localities to support, monitor and manage cooperatives. The system goes along with state governance system on cooperatives (from the Government downward to People’s committee at different levels) and system for supporting cooperative development (through the system of VCA from Central level to localities)

(3) Budgetary support

The Government and local authorities have used budget under numerous methodologies to support cooperative sector. Such support can be divided into two phases, i.e. support for newly-established one and support for development. In the period of 2013 to 2016, the Government supported 5,038 cooperatives for new establishment with total budget of 39,681 million VND; on average reached nearly 7.8 million VND/newly-established cooperative (MPI, 2016). At the same period, to support cooperatives to develop stronger, the Government (at Central level and localities) has supported cooperatives nationwide a total budget of 3,053.538 million VND, on average was 39.5 million VND/cooperative/year (MPI, 2016).

Table 3. Budget for supporting cooperatives for 4 years from 2013 to 2016

No.	Forms of support	Total amount of money (million VND)	Structure (%)
1	Human resource training	18,675	0.6
2	Human resource improvement	351,725	11.5
3	Trade promotion and market expansion	30,573	1.0
4	Application of new science and technology	41,953	1.4
5	Access to credit and Cooperative Support Fund	694,388	22.8
6	Facilitate cooperatives to join Socio-Economic development programs	32,617	1.1
7	Support investment in infrastructure development	580,216	19.0

8	Support to transfer land and land renting	1,136,511	37.3
9	Preferable credit	138,296	4.5
10	Support in seeds and capital when meeting with difficulties and diseases	17,390	0.6
11	Support in product manufacturing	8,192	0.3
	Total	3,050,538	100

Source: MPI (2016)

3.2. Some comments on current support by the Government

As compared with viewpoints of sustainable development, Governmental support to cooperatives in Vietnam over the past time presents a prominent issue: **"the support is too biased"**, notably they are:

(1) Still consider cooperative's operation similar to operation of company

Current legal foundation promulgated that cooperative is an entity with legal person and have organizational structure, including: Board of Directors, Chairman of the Board of Directors, CEO, Monitoring Committee, members of monitoring committee (similar to company). As per the viewpoint of ICA, cooperative is only a self-controlled entity and voluntarily connect to each other. In this viewpoint, binding character of cooperative is lessen than a cooperative with legal person status. Objectives of cooperative are to make profit from cooperation, to minimize risks, to cut overlapping costs thanks to cooperation rather than profits from pure business making operations "buy low – sell high" like companies. Furthermore, members of cooperatives are mainly farming households and hence professional and disciplined rules of a company are not suitable for them.

(2) Still pay much more attention to economic goals

According to ICA, cooperatives are established to meet with demand and wish in terms of socio-economic and cultural manner. In the goals of sustainable development of Vietnam, there is harmonized combination of economic, society and environment. But in reality, when supporting cooperatives, we only pay much attention to economic goals. This is very clear in Law and support regulations for cooperatives nowadays.

In the Law, the concept of cooperative also says that cooperative is established for members to interact to each other and support together in production, trading and employment so as to meet mutual demand of all members. Therefore, the law only mentions much on economic objectives such as production and trading while have not clarified socio-cultural and environmental goals.

The support policy is the similar when most of 11 groups of policies for support currently mention capital support, preferential tax, product manufacturing, trade promotion and market expansion (Table 3). Therefore, support is mainly for economic objectives.

3) Still pay much attention to the phase of on-going cooperatives rather than the phase of cooperative establishment

On average, one cooperative coming into operation receives support of about 39.5 million VND/cooperative while support budget for newly-established one is only 7.8 million VND/cooperative. While most of potential members for newly-established cooperative in Vietnam are farming households. They are always reluctant to change, to formalize their production, to learn legal issues and to meet with localities at different levels (registration of a cooperative must be done at commune level). Therefore, support to the phase of establishment is very important. Along with this, if the support only focuses on operation phase, it may leads to cases when other economic sectors under the umbrella of cooperative to act from a mercenary motive.

4. Some recommendations to enhance support and cooperation between the Government and the cooperative sector

(1) Needs to adjust the concept of cooperative to have a consistent development. Needs to make clear the role of economic goals, social (cultural) goals and environmental goals.

(2) Needs to amend the Law on Cooperatives so as the formality for setting up cooperatives more favorably; organizational structure of a cooperative needs to be more simple and be compatible for understanding and capacity of farmers.

(3) Governmental support should be focused on newly-established cooperatives; further to cooperatives for the purpose of socio-environmental goals. Support should be concentrated into the phase of establishment of a cooperative.