INTRODUCTION

This policy brief suggests amending Viet Nam’s Law on Land and utilizing innovative strategies to encourage land consolidation and labor transformation in rural areas. Under existing policies, farmers’ attempts to consolidate land or to change profession have met with mixed results. Formulating policy that is relevant to farmers’ needs is therefore essential to improving the livelihoods of the nation’s poor.

Policy analysis findings and recommendations from a study conducted under the auspices of a “Pro-poor Policy Formulation, Dialogue and Implementation at the Country Level” project inform this brief1. Between 2007 and 2010, the Food and Agriculture Organization–Regional Office for Asia and the Pacific (FAO-RAP), with support from the International Fund for Agricultural Development (IFAD), implemented this project in partnership with governmental and non-governmental organizations in eight Asian countries. The project goal was to enhance institutional capacity to conduct policy analysis, formulate and implement pro-poor agricultural and rural development policies. In total, twenty-three policy studies examined issues identified at national level dialogues in all project countries2.

CONTEXT

Viet Nam has made remarkable progress in reducing poverty over the past 15 years (Figure 1) (ADB, 2006). Although Viet Nam has met its Millennium Development Goal (MDG) target of halving extreme poverty well before the 2015 deadline, poverty reduction rates have begun to slow down. Strong efforts therefore remain necessary to reach the national goal of reducing the proportion of Vietnamese people living below the international poverty line by 40% between 2001 and 2010 (WHO, 2009). Ninety percent of poor Vietnamese households live in rural, isolated areas, many with small or no landholdings that depend on agriculture as a primary source of income (AusAID, 2002). As such, interventions targeting rural farmers remain a relevant strategy for poverty alleviation in Viet Nam.

Between 1976 and 1984, all of Viet Nam’s land and production were collectivized and placed under cooperative ownership. The 1986 Solution of the Sixth Communist Party reallocated

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1 Dr. Nguyen Dinh Bong, Dr. Dinh Van Dan, and Dr. Hoang Xuan Phuong authored the studies on which this brief was based. Desk study, quantitative and qualitative household surveys, and Participatory Rural Appraisal and Rapid Rural Assessment examining provincial, district and commune levels were conducted in Bac Giang, Bac Ninh, Long An and An Giang provinces between June and December 2008. The original study can be accessed by contacting: [INFORMATION].

2 Other policy issues selected for Viet Nam include Agriculture Cooperative Promotion and Public-private Partnership in the Development and Management of Irrigation Services.
land to individuals, who worked it cooperatively and received government support for capital investment, infrastructure, science and technology. Viet Nam’s current land legislation dates from the 1987 and 1993 Law on Land, which was amended in 1998, 2001 and 2003.

Presently, more than three-quarters of Viet Nam’s land is used for agricultural purposes (Figure 2), with households and individuals operating 60% of all land. Nationwide, the average agricultural land area per household is 0.86 hectares, which includes large-scale state-run farms. Regional averages are highest in the Central Highlands and lowest in the Red-River Delta region (0.25 hectares/household).

Nationally, approximately 38% of Viet Nam’s 25 million hectares of total agricultural land are used for crop production, second only to forestry land. In the Red River Delta and Mekong River Delta regions, more than three-quarters of agricultural land is dedicated to crop production whereas forested land dominates in the Northern Central and Northern Mountains regions. Estimating cropland areas as a percentage of total agricultural land area shows that average cropland size per household is only 0.32 hectares, which is extremely small compared to 4-4.5 hectares/household in the Asia-Pacific region, 17 hectares/household in Europe and 45-50 hectares/household in the United States (Hoang Xuang Phuong, 2007).

PROBLEM STATEMENT

Small and scattered fields are barriers to industrialization and modernization of Viet Nam’s agricultural sector. Factors accounting for this situation include elements of production requirements, population pressures, and government policy, more specifically:

“Small land area-big population”: population pressure

- Although a majority of Viet Nam’s population relies on agriculture, land area is finite which limits the average agricultural land area per person.
- Inheritance practice further fractions land areas by dividing land among all children, rather than just one.

Institutional limitations: unfavorable government policy

- Land re-allocation in the late 1980s and early 1990s divided land areas and made holdings smaller. Current land area and term limits do not provide sufficient legal ways for producers to transfer their cultivated land areas.
- Effective mechanisms for labor transformation away from the agricultural sector are lacking. Even as people diversify their income sources, they maintain land areas and agriculture production as a safety net.

Land consolidation is a form of capital accumulation which increases both the producing area as well as the land area per agricultural laborer, by cumulating land from small land areas into a larger land area. Recent migration and off-farm employment resulting from labor transformation also improve the land-to-labor ratio.

Government policies favorable to land consolidation and labor transformation are therefore proposed as means to remedy the situation of small and scattered land plots which limit agricultural production in Viet Nam.
CURRENT LAND CONSOLIDATION & LABOR TRANSFORMATION SITUATION

Existing Policies
Farmers express a number of constraints to land consolidation under the current Law on Land 2003 which limits the term for annual crop production land to 20 years, sets annual crop maximum acreage at 2 to 3 hectares (for Midlands, Highlands, Red River Delta and Mekong Delta regions respectively) and also controls receipt of land right transfer. Short land term limits discourage production. In addition to the aforementioned challenges, Viet Nam’s legal system lacks clear applicable guidance for land consolidation.

As regards labor transformation, government policies in support of vocational training, job creation, and loans for rural laborers to work overseas are currently in place. The Seventh Meeting of the Party Central Committee set the objective of reducing the proportion of agricultural labourers to less than 50% by 2010 and 30% by 2020. Great efforts should be made to meet these goals.

Current practice
In the context of the existing policy environment, current land consolidation strategies include land transfer, land rent-in/rent-out, and land mortgage. Twenty-two percent of surveyed households in Viet Nam had ever transferred their land holdings (Figure 3).

Almost 4% of households transferred land between 1980 and 1988. By 1998-2003, almost 5% of households transferred their land, with the figure finally surpassing 6% between 2003 and 2007. Nationwide, approximately 12% of surveyed households had ever rented land and more than half had ever mortgaged their land. Land transfer, land rent, and land mortgage served to generate capital for investment in production. Land transfer was also associated with the goal of occupation change.

In spite of these practices, land consolidation remains at a small scale; a 12% increase between 2001 and 2006 brought average household agricultural land area to 0.63 hectares. Only 18% of households own more than 1 hectare of land, the minimum rice land area needed so that farm income may exceed the poverty line (Hoang Xuan Phuong, 2007, p. 37).

In conjunction with land consolidation processes, Viet Nam’s occupational structure has shifted away from agriculture over the past several years. Between 2001 and 2008, there was a 10% decrease in agricultural laborers. Agricultural income as a percentage of total household earnings has also decreased, showing a positive trend toward occupational diversification. However, occupational transformation rates vary among regions: Red River Delta and North East are particularly dynamic due to industrial zones which provide employment to previous farmers, while almost 90% of households in Central Highlands and North West regions continue to be employed in agriculture, and transformation to other trades has been particularly slow.

In addition, land consolidation is not yet an entirely optimal catalyst for labour transformation in Viet Nam; most farms of less than 3 hectares continue to rely on family labour, combined with hiring equipment, or seasonal labour. Of those households who transferred land, 62% remained employed as farmers, since they had transferred only a portion in order to generate
capital for investment (Hoang Xuan Phuong, 2007). Another 15% transferred to trade work, following their land transfer. In the Mekong River Delta region in particular, producers commonly transferred all land to work as an agricultural employee, in spite of official land transfer restrictions.

Farmers’ attempts to consolidate land and change occupation have met with mixed results, providing the government the opportunity to proactively adopt policy that is better adapted to farmers’ needs.

POLICY OPTIONS

Policy recommendations suggest that the Government of Viet Nam can stimulate land consolidation and occupational transformation through amending the current land legislation system and promoting innovative management mechanisms. Such strategies will improve the livelihoods of the poor and increase agricultural production.

Amendments to existing land law

The following recommendations propose amending the 2003 Law on Land to improve existing guidelines (Figure 4), namely to:

1. **Extend the annual crop land use term:** Amend Article 67 to extend household and individual land use terms for annual crop, aquaculture and salt making to 50 years maximum and 70 years for perennial plants and forestry production. This amendment will stabilize production processes. Land use terms will be counted from the date of receiving the land grant or land rent decision from the related government agency. Upon expiry, the government shall provide farmers the option to continue renting land, provided they have used it in accordance with the approved purpose.

2. **Increase agricultural land area limits:** Revise Article 70 so that the household and individual area limit for annual crop, aquaculture and salt making land is 6 hectares for each type of land. In the event that households and individuals are allocated multiple types of land, total land allotment limits are 10 hectares. Perennial plant area limits will remain at 10 hectares for communes, wards, and towns in plains areas and 30 hectares for communes, wards, and towns in midlands and highlands areas.

3. **Reduce limits on land use right transfer:** Amend Article 2 so that limits on transferring annual crop, aquaculture and salt making land are 12 hectares for provinces and cities under central management in South East and Mekong River Delta regions and 6 hectares for the remaining provinces and cities under central management. Perennial plants land transfer limits should remain unchanged: 20 hectares for communes, wards, towns in plain areas and 50 hectares for those in midlands and highlands areas.

4. **Grant land use rights:** Amend Articles 50 and 51 to finalize land allocation and grant land-use-rights certificates to those who are not yet holding them.

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3 These proposed amendments reflect study findings in the context of 2008 when the government considered land as a main safety net for rural populations and therefore didn’t encourage large-scale holdings or transfers. A current focus on employment transformation, however, means that discussions now consider complete removal of land use terms, holding limits and land use transfer rights.
**Innovative mechanisms**

In addition to amending the 2003 Law on Land, the following recommendations provide incentives and mechanisms for land consolidation and labor transformation.

5. **Promote the development of an agricultural land market:** Move from a centrally-planned to a government-oriented market mechanism for land consolidation. Finalize the necessary legal framework and replace land use rights transfer tax with individual income tax.

6. **Promote large-scale agricultural production areas:** Plan and develop production of crops and products with a competitive advantage.

7. **Government policy should encourage efficient land size:** The most efficient land size will depend on the type of crop and the land used. Recommendations from study findings on rice crop land area (as a proportionally large representative of agricultural production currently facing small, scattered plots), include:

   - Households earning solely from agriculture need at least 1 hectare per crop for two rice crops to exceed poverty thresholds.
   - New efficient land area scale per household as specified above, is 6 to 10 hectares, depending on type of agricultural land.

**CONCLUSIONS**

While Viet Nam has made impressive progress on reducing poverty in recent years, persistent pockets remain, especially among rural farmers. Small, scattered land plots are an obstacle to increasing agricultural production scale and productivity. Policies favoring land consolidation and labor transformation therefore offer creative solutions which can positively impact poor farmers' livelihoods.
Policy recommendations suggest that Viet Nam respond to farmer needs by amending the 2003 Law on Land and instituting innovative mechanisms to:

- Extend annual crop land use terms,
- Increase agricultural land area limits,
- Reduce limits on land use right transfer,
- Grant land use rights,
- Promote the development of an agricultural land market,
- Promote large-scale agricultural production areas, and
- Set government criteria for efficient land scales.

REFERENCES:

