



Food and Agriculture Organization of the United Nations

LEVERAGING SMALL AND MEDIUM-SIZED ENTERPRISES FOR NUTRITION-SENSITIVE FOOD SYSTEMS IN VIET NAM

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The Food and Agriculture Organization of the United Nations (FAO) is implementing the project *Strengthening capacities for nutrition-sensitive food systems through a multistakeholder approach* in Ghana, Kenya and Viet Nam. Supported by the Ministry of Agriculture, Forestry and Fisheries of Japan (MAFF), the project targets small and medium-sized enterprises (SMEs) operating in the agrifood sector, while also including academia and civil society as agents of change.

Produced as part of the project, this policy brief outlines challenges and opportunities for small and medium-sized enterprises to build more equitable, sustainable and nutrition-sensitive food systems in Viet Nam.

KEY DATA ON NUTRITION IN VIET NAM

Prevalence of stunting in children under 5 years of age: 26.7% (2012)* – 23.8% (2019)**	Prevalence of wasting in children under 5 years of age: 6.7% (2019)**
Prevalence of overweight in children under 5 years of age: 4.8% (2012)* – 5.9% (2019)**	Prevalence of obesity in adults (18 years and older): 1.6% (2012) – 2.1% (2016)
Prevalence of anaemia in women of reproductive age (15–49 years): 21.0% (2012) – 24.2% (2016)	

Notes: *Based on latest data available from 2005 to 2012.

**Based on latest data available from 2014 to 2019.

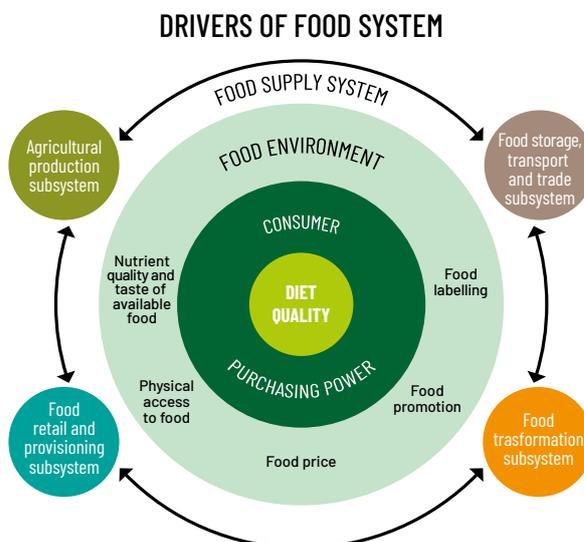
Source: FAO et al., 2020, Annex 1A, Table A1.1.

1. THE IMPORTANCE OF A FOOD SYSTEMS APPROACH TO DELIVERING HEALTHY DIETS

Although it performs well against other developing countries, Viet Nam is still affected by malnutrition, occurring both among adults and children under five (Global Nutrition Report, 2020). Some disparities also exist between rural and urban areas, and among regions (FAO, 2018a). The 2020 edition of *The State of Food Security and Nutrition in the World* confirms this trend (FAO et al., 2020). Addressing malnutrition in all its forms (undernutrition, micronutrient deficiency, overweight and obesity) requires a holistic approach that targets the key elements – along with their

complex interactions – that shape diets and nutrition within food systems (HLPE, 2017). Food systems in particular, and the way they are set up, have significant impact on the availability and affordability of nutritious food, and on people’s access to healthy diets; they encompass a range of people and institutions involved in many different processes and activities – including food production, processing, storage, transportation, trade, transformation and retail. It is therefore crucial to ensure that “all parts of food systems work together to deliver high-quality diets” (Global Panel on Agriculture and Food Systems for Nutrition, 2016).

Figure 1. Conceptual framework for the links between diet quality and food systems



Source: Global Panel on Agriculture and Food Systems for Nutrition, 2016, Figure 1.4.



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Among private sector actors, there is considerable potential for SMEs to improve diets and nutrition and play a crucial role in the transformation of food systems. Being closely linked to producers and familiar with the tastes and preferences of local consumers, SMEs can play a crucial role in the evolution of the nutrition landscape and help shape food environments – that is, where food is sold and accessed by consumers. Food environments may be inequitable for many in terms of physical access, affordability, marketing and quality of foods (Development Initiatives, 2020). SMEs can contribute to improving nutrition by increasing the availability of nutritious food in food environments and by promoting informed and healthy consumer choices; but they can also increase food accessibility by driving job creation, income generation and innovation in rural areas (FAO, 2018b).

Before expanding on the potential of SMEs for improving nutrition in Viet Nam, it is important to understand the context in which they operate.

2. NUTRITION CHALLENGES ACROSS THE FOOD SUPPLY CHAIN

Economic and political reforms launched in the mid-1980s have driven significant socio-economic progress in Viet Nam (World Bank, 2020; OECD, 2015). Today the Vietnamese economy is one of the more robust among Southeast Asian nations, and the country has made positive gains in human development and social inclusion, including a considerable reduction in poverty and improvements in living standards (OECD, 2020).¹ Important improvements have also been made in the health and nutritional status of the population. (Government of Viet Nam, 2012; RESULTS UK, Concern Worldwide and University of Westminster, 2015).

The country is now at a critical point, where it must capitalize on past achievements while also responding to fast-paced societal evolution and demographic growth, as well as rapid industrialization and urbanization, all of which will create new opportunities along with new demands (OECD, 2020). The current and foreseen socio-economic trends will also continue to impact the country's nutrition landscape and food system.

Despite the improvements in specific areas, Viet Nam still faces significant challenges in nutrition (Government of Viet Nam, 2012; RESULTS UK, Concern Worldwide and University of Westminster, 2015). Key factors contributing to these challenges include insufficient resources (due to limited budget), limited awareness and knowledge among local authorities on tackling malnutrition, and improper nutrition practices (along with a lack of awareness about them) among the general population. There are also disparities in the prevalence of undernutrition among regions, including underweight and stunting.² To continue its work in addressing all forms of malnutrition, Viet Nam needs to take action on different fronts and adopt diversified approaches, including the creation of enabling environments for the promotion of healthy diets and lifestyle. (RESULTS UK, Concern Worldwide and University of Westminster, 2015).

3. THE ROLE OF AGRIFOOD SMEs

Viet Nam's agricultural sector consists mostly of small farms (Government of Viet Nam, 2018a, as cited in OECD, 2020). Over the past quarter century, the sector has made enormous progress, with key achievements including strong growth in agricultural exports of specific products and steady advances in smallholder rice productivity; these have in turn contributed to national food security, social stability and poverty reduction (World Bank, 2016). The country has invested significantly in improving its business and policy environment with regard to agriculture as well as many other sectors, and has set new targets for further development (OECD, 2020; Government of Viet Nam, 2016). However, the positive performance on exports and agricultural yields does not equal gains in efficiency, and further improvements are still needed across specific aspects of the agriculture sector, such as farmer welfare and product quality (World Bank, 2016).

SMEs constitute a significant part of the Vietnamese business environment. According to the 2017 Economic Census conducted by the country's General Statistics Office (Government of Viet Nam, 2018b) the number of enterprises in the country increased substantially between 2012 and 2017, reaching a total of 517 900. Of these, SMEs accounted for 507 860, growing by 52.1 percent in comparison with totals as of January 2012.³

¹ According to the World Bank (2020), poverty rates declined sharply between 2002 and 2018, from over 70 percent to under 6 percent. That said, the vast majority of Viet Nam's remaining poor – 86 percent – are ethnic minorities.

² The National Nutrition Strategy for 2011–2020 registered the prevalence of child undernutrition in specific areas, requiring tailored interventions in response (Government of Viet Nam, 2012).

³ Of the 507 860 enterprises referred to as SMEs by the Census, around 8 500 were medium-sized, 114 100 were small, and 385 300 were microenterprises (Government of Viet Nam, 2018b).



Small and medium-sized enterprises were instrumental in the structural transition of Viet Nam that followed the initiation of the *Doi Moi* (Renovation) reform process in 1986, and a significant part of the socio-economic success achieved since then has been attributed to their role (Rand and Tarp, 2020; Tran, Le and Nguyen, 2008). The Vietnamese government has therefore made various efforts to create a policy and business environment that can support SMEs, including those operating in the agricultural sector (OECD, 2020; Tran, Le and Nguyen, 2008; Yasmeen, Kunin and Vietnam Silicon Valley, 2018). Despite the reforms and their results however, there remains room for improvement, and many issues need to be addressed at different stages of the value chain (Yasmeen, Kunin and Vietnam Silicon Valley, 2018; OECD, 2020).

SUPPORTING SMEs IN VIET NAM

Examples of policies and strategies:

- Master plan for agricultural production development through 2020, with a vision for 2030;
- Government Decree No. 42/2012/ND-CP (2012) on management and use of rice-farming land; and
- Government Decree No. 57/2018/ND-CP (2018) on mechanisms and policies to encourage enterprises to invest in agriculture and rural areas.

Examples of institutional and organizational support:

Key institutions supporting SME growth include the SME Development Promotion Council, the Institute of Policy and Strategy for Agriculture and Rural Development (IPSARD), the Vietnam Chamber of Commerce and Industry (VCCI), the National Institute of Nutrition (NIN), the Ministry of Health, the Ministry of Agriculture and Rural Development, the Vietnam Association of Small and Medium Enterprises (VINASME) and the Vietnam Standards and Consumers Association (VINASTAS).

Examples of the type of support provided:

- financial support and access to credit;
- efforts in enhancing technology and research transfer;
- reforms in the business environment; and
- reforms in the policy environment.

4. MAJOR CONSTRAINTS FOR AGRIFOOD SMEs

As part of the MAFF project, FAO conducted a study (FAO, 2018c) to explore the constraints faced by SMEs in supplying nutritious food, and to identify areas for advancement.⁴ Challenges were divided into two main categories: those encountered across nutrition-related sectors and activities, and those specific to the food supply chain.

Major obstacles faced across nutrition-related sectors and activities included:

- **Limited availability and access to technologies** for food production and, in particular, lack of technologies for processing and packaging. In addition, a lack of knowledge, financial capacity and confidence in adopting technologies when available.
- **Limited access to finance**, mainly due either to complex administrative procedures or to financing access conditions that are tailored mainly for large enterprises.
- **Limited knowledge of marketing techniques** for promoting food products, and lack of strong linkages with consumers.
- **Complex policy environment** – there are several policies and measures in place to support SMEs, but many face difficulties in accessing or availing of them, due to complex procedures and strict conditions. Moreover, some policies are not well-tailored to the needs of SMEs and their empowerment, such as those related to land access, raw materials and irrigation.
- **Limited capacities among SMEs to meet the food safety and quality standards** required for related certifications. In several cases, the standards requirements are not tailored to SMEs working in the food sector.

Challenges faced along food supply chains – in particular as related to food flow, food safety and price increases – were identified for the following major subsectors:⁵

- **Aquaculture products** – food flow was disrupted at the packaging/processing stage mainly because of limited access to technologies for processing and storage. Food safety issues were identified at every stage of the value chain, and the price of products seemed to increase the most at the retail stage, where storage and transport charges (due to the high cost of electricity and fuel) were added on.

⁴ The study relies on a desk review of relevant literature, on the results of an SMEs' needs assessment workshop held in Hanoi in July 2018, and on online surveys and interviews with key stakeholders, conducted in June and July 2018. Key stakeholders involved in the workshop and interviews included agrifood SMEs, national universities, policymakers, and local and international organizations.

⁵ Challenges of the first kind were identified through a workshop and survey, whereas those of the second category were identified through a group exercise conducted during the workshop.

- **Vegetable and dairy products** – food flow seemed to be disrupted most at the production stage, mainly due to land management policies. The production stage also reflected the majority of reported food safety constraints, while increases in the cost of products were reported all along the supply chain.

5. OPPORTUNITIES FOR AGRIFOOD SMES

As part of the MAFF project, FAO has identified several opportunities for the public and private sector to leverage the role of SMEs to improve nutrition in Viet Nam (FAO, 2018a). These include:

- **Strengthening skills among SMEs for the use of new technologies and for greater knowledge on nutritious food.** Depending on the different stages of the value chain, specific areas of focus could include agrobiodiversity, nutritional values, labelling and food packaging.
- **Closing knowledge and capacity gaps** and tackling issues **related to food safety** (for instance, by improving food safety management, traceability and monitoring systems along value chains).
- Supporting SMEs in **raising awareness on and creating demand for nutritious food.**
- **Facilitating relevant technology and research transfer to SMEs.** Research institutions and development partners in particular may engage in this process. Access to technologies for food production, processing and logistics is key to improving the environment in which SMEs work.
- **Boosting the skills and capacities of SMEs in marketing, business planning and management,** and in the adoption of **standards** and certifications (such as food quality standards).

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