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**REPORT ON
THE IMPLEMENTATION OF 5-YEAR AGRICULTURAL AND
RURAL DEVELOPMENT PLAN IN 2006**

I. BACKGROUND

In 2006, the first year to implement the five-year plan 2006-2010, Agriculture and Rural Development sector has conducted its tasks in difficult conditions such as unfavorable weather conditions, complicated epidemic for plants and animals, unusual floods especially in Central and Southern provinces; escalating prices for input materials etc,. However, MARD has collaborated with other ministries and provinces to take appropriate measures to minimize negative impacts, deal with difficulties actively, and enhance production and exports. Therefore, agriculture and rural development have borne fruits in 2006.

According to the five-year overall objective: a high, sustainable and fair growth rate will be achieved, social environment and living conditions of rural residents especially the poor people will be improved as well as the sustainable protection and utilization of natural resources and environment based on the sectoral dynamic and effective management with focus on the decentralization and boosting the participation of subjects in making decision, regulations as well as providing services and monitoring, evaluating implementation results.

The action strategies of five-year plan 2006-2010 emphasize on following key programs:

1. Modernize agriculture with the concentration on productivity improvement to increase yield; improve quality, efficiency and competition capacity in the market. Develop big-scale livestock in term of farms, raise industrially, ensure safety for diseases, satisfy domestic and exports demands. Highly socialize the protection and development of forest resources; increase the forest coverage by 43-44%; improve the forest quality and efficiency.

2. Develop the processing industry for agro- forest products to ensure a stable consuming market for farmers and raise agricultural products' value to maintain the growth rate of 12% per year or more. Socialize rural services, attract the participation of all sectors, issue the positive support policy to restore and develop trade villages, encourage the development of various production forms; achieve the export turnover of around 1 billion USD by 2010.

3. Invest in the upgrading and modernization of available rural infrastructure and new facilities, improve the management efficiency, exploit rural and agricultural infrastructure facilities especially irrigation ones, technical station systems, clean water supply system and information system.

4. Reinforce the flood forecasting and warning system, prevention and relieving of natural disasters. Do research on diverging freshets to ensure safety for the river and sea dikes. Combine with the forestation at the upper-stream, improve the forest coverage to keep water and soil for flood prevention. Clear riverbeds, river gates to get away from flood in pursuant with Dike Law.

5. Formulate and develop the new rural area on the basis of replanning resident areas closely attached with the transformation process of production structures, labor shifting to speed up the poverty alleviation, formulate appropriate socio-economic rural institution to involve more participation in the development process.

II. IMPLEMENTATION RESULTS OF SOME MAJOR TARGETS IN 2006

1. Rural economic transition towards increasing rate of non-agricultural production rate, commodity and processed products.

The production value of agricultural, forest products and rural trades continued to grow by 3.47% compared to 2005, of which agriculture increased by 3.6% (value of crops production: by 2.7%, livestock: by 7.3%), forestry increased by 1.2%, and rural services increased by 2.7%. The added value of agro-forestry sector had an increase of 2.77% (of which agriculture: up by 2.84%, forestry: up by 1.14%). The proportion of agro-forestry reduced from 21.2% in 2005 to 20.4% in 2006 and contributed 0.67% to the GDP growth.

2. The transformation process of agro-forestry production and rural industries continues to take place in the direction of productivity, quality and production efficiency improvement.

Inappropriate rice-planted area reduced by 4.8 thousands ha compared with 2005 but the rice yield still remained same as that of 2005. Corn cultivation area had and decrease of 21 thousands ha but yield kept increasing by 9.2% compared with 2005. Yields of industrial crops grew considerably: sugar canes increased by 4.9%, pineapples increased by 0.5%, fresh tea buds increased by 7.4%, coffee increased by 13.5%, rubber increased by 13.4%, pepper increased by 2.9%. Such crops as soybeans, peanuts, cashew nuts had a decrease due to the price and weather impacts, which results in the productivity reduction.

3. A dramatic increase in the number of cows and an inconsiderable reduction in the number of pigs and poultry, despite of livestock disease impacts.

Scale of cow herd increased nearly by 17.5%, of which dairy cow herd increased by 8.7%; buffalo herd remained the same as that of 2005; pig herd reduced by 2.1%, poultry herd decreased by 2.4%. Due to the improvement of livestock and poultry quality, the meat yield of all kinds in 2006 increased by 9.3%, in comparison with 2005, of which pork increased by 9.5%, beef by 12% and poultry meat by 7%.

Compared with planned targets in 2006, livestock production value reached nearly 110%, the number of cow, pig and poultry reached 114%, 91% and 84% respectively.

After nearly one year, the bird flu reoccured in some provinces in the Mekong River Delta. The government and MARD have mobilized all domestic resources and continuous financial and technical assistance of international community to take control of and eliminate this epidemic. Foot and mouth disease has been basically controlled in the whole nation.

There has been a nation-wide reorganization of husbandry and construction of husbandary areas far away from resident zones and in the direction of concentration with management to enhance control and prevention of epidemic diseases.

4. Besides new forestation, regeneration and general exploitation, attention has been put to forestry for a diversified development.

In 2006, forest coverage rate reaches over 37%, regeneration achieves nearly 167% compared with the plan, the area for concentrated forests achieved 77% compared with the plan. Forest management flat rate achieves over 130% compared with the plan.

The local areas have been remodeling 3 forms of forests under the new criteria; assigning soils and forests to households, villages, communes and hamlets to reinforce the forest management, exploitation and protection with the active and enthusiastic participation of people. The forest area damaged by fires and illegal destruction reduces to 45.8% in 2005.

The progress of the five million ha forest project is continuously improved; forest protection and development is reinforced. In 2006, the total investment capital for the Project is 1,910 billion VND in which the central budget is 610 billions, loans and other capital sources are 1,300 billion. This number raises almost twice as much as 2005.

5. Increased proportion of agro-forestry product processing and rural industries in rural economic structure contributing to creating more jobs and improving income from non-agriculture for rural people.

Under the promotion of program “One village one industry” carried by MARD in 2006, about 2,200 industry village have been developed, an increase of nearly 200 ones compared to the year 2005 and about 1.5 million households have been attracted (an increase of 100 thousands ones compared to the year 2005). Many localities have a growth of skilled labour from 13% to 20%. Rate of mechanization in agriculture production and processing was improved such as irrigation: 90%; earth working: 70%, paddy plucking: 90%, transportation: 75%, and agriculture construction: nearly 100%.

Agriculture service has had a growth in terms of quality and value. Value of service production reached 103% compared to the year 2005, but 99% compared to the plan of 2006. Service sector in rural areas has a diversified development in organization model and industry, creating a new motivation. .

6. A lot of counter measures against the displacement of agricultural material markets were taken, enterprises and farmers were active in accessing markets and seeking for solutions to improve their products’ consumption.

In 2006, prices of many agricultural goods increased, benefiting the producers. For example, price of paddy, rubber, pepper, and cashew-nut had a strong increase, average of 10-20% in comparison with that of 2005.

Total exports of agro-forestry products in 2006 gained VND 7.16 billions, an increase of 19.7% compared to 2005. Such key products as rice, coffee, pepper, cashew-nut, rubber continued keeping their position in the world market. Wood and wood-made products had a rapid increase. Specifically as follows:

- Total rice volume exported in the year reached 4.7 millions tons with export turnover of nearly 1.3 billion USD; a reduce of 10% in volume and 8.3 % in value compared to the year 2005.
- Coffee: Estimated exported volume: 887 thousands tons and export turnover of 1.08 billion USD, a decrease of 0.6% in quantity but an increase of 47.8% in value.
- Rubber: Estimated exported volume: 717 thousands tons and export turnover of more than 1.3 billion USD, an increase of 22% in quantity and 62.5% in value.
- Cashew-nut: estimated exported volume: 126 thousands tons and export turnover of 504 millions USD, an increase of 16.2% in quantity and 0.5% in value (due to a decreased price of 13.5%)

- Pepper: estimated exported volume of 119 thousand tons and export turnover of 198 millions USD, and increase of 9.3% in quantity and 31.5% in value (due to increased price of 20.3%).
- Fruit and vegetable: estimated export turnover of 260 millions USD, an increase of 10.5% compared to 2005.
- Forestry products: estimated export turnover of 2.16 billions USD, an increase of 21% compared to 2005, especially exports of wood products accounted for 1.92 bill USD, an increase of 23%.

However, at present the quality of agro-forestry products for export is still limited, which reduces the competitiveness of Vietnam's agro products. Especially in the context of Vietnam becoming the official member of WTO, big opportunities and challenges are facing the country's production and exporting. Ministry of Agriculture and Rural Development is in coordination with other ministries and localities to prepare actively methods, develop and improve policies related to production and trading of agro-products to meet the WTO regulations.

7. There's a remarkable improvement in capital construction management with strict supervision and monitoring of implementation process, ensuring more transparency and disclosure.

MARD and localities have renovated and issued a lot of regulations on the management of investment projects in agriculture, contributing to reducing shortcomings in capital construction of previous years.

In 2006, MARD balanced VND 1,995.6 billions in capital construction, of which local capital accounted for VND 1,106.6 billions, foreign capital: VND 889 billions, and mobilized from government bond: VND 1,947 billions. As a result, implemented budget capital: VND 2,258 bil. (accounting for 113% of the plan), implemented government bond: VND 1,654 bil. (accounting for 85% of the plan).

The management and utilization of ODA in agriculture had an obvious improvement. Many projects had an increased rate of disbursement, and the procedures of project selection and calling for assistance had an improvement.

8. A revolution in implementation of rural development programs, rural institution development and conduction of rural living conditions improvement programs in combination with poverty reduction.

In 2006, poverty reduction programs focused on improving fields, small-scale irrigation construction, support for seeds and breeds. Infrastructure projects were incorporated in agriculture extension activities, technical advance transfer,

non-agriculture employment support to improve income and living conditions of people in rural and difficult areas.

The Rural Clean Water and Environment Sanitation program brought about more clean water for 2.7 millions rural households (an increase of 4% compared to the year 2005), making the proportion of rural people accessing to clean water up to 66%. The number of household with standard toilets reached 52% (up by 2% compared to that of previous year).

The program of inhabitant settlement was expanded. MARD, in coordination with provinces, guided the planning of inhabitant rearrangement in the areas which were in danger of erosion, regular heavy inundation, and serious shortage of water. In addition, the process of resettlement in response to the development of infrastructure and industry was implemented more effectively. At present, MARD is conducting the new rural development model based on the mobilization of community's participation and resources with support of the Government and donors as an initial stimulation.

New production relation and institutional building in rural agriculture continue developing. As of 2006, the conversion of cooperatives in complication with the Cooperative Law had been basically completed over the country. There were more 1,740 newly-established cooperatives, increasing the total number of cooperatives in the country up to 7,310 ones, of which agriculture ones accounted for 7,056, equivalent to 96.5%. And there were 113,730 farms, creating employment for 0.5 mil. labour.

MARD continued the program of state-own enterprise renovation, arrangement, and equitization in agriculture sector. The proposals of renovating agro-forestry farms in 49 provinces of the total 52 provinces over the country and performance of 104 enterprises were appraised completely.

*** General assessment.**

- Though the implementation of 5YP conducted in 2006 was under the difficulty context, the main targets set out in the year were achieved approximately or over fulfilled compared to the planned targets and the achievements of the year 2005.

- Sector's development has been towards increased quality of products and services. The agriculture sector has adjusted production structure and scale to improve production and competitiveness capacity in the context of the world economic and trade integration.

- Management of investment projects has been improved to increase investment efficiency and effectiveness, and prevent waste and loss. The process of investment management enhancement has facilitated the attraction of investment in rural agriculture.

- However, there were shortcomings in the process of implementing the plan 2006 such as slow transition of sector production structure, limited awareness of impacts on agriculture upon becoming WTO's member, causing the untimely and weak change.
- System of agriculture services has not met the production requirements in the market economy, and quality of agriculture products and services has not been controlled strictly.
- Process of renovating the enterprises and other production organizations in rural agriculture to increase competitiveness capacity has been conducted slowly and in actively.
- Poverty reduction in rural areas had a remarkably progress but in unsustainable status with implicit poverty re-encountering danger from both the poor and the subjects affected by the development process
- Administrative reform of all levels has been still facing difficulties. Slow evolution is now a big challenge for achieving the objective of strengthening the administrative apparatus's capacity and efficiency.

III. Orientation of agriculture and rural development in 2007

1. Development targets in 2007

- Growth of added value in agro-forestry reaches 3%, of which agriculture: 2.9-3%, and forestry: 1%.
- Agriculture economic structure: crops production value: 68%, livestock value: 26%, and service value: 6%.
- Export turnover of ago-forestry goods increases by from 5.5% to 6% (reaches USD 7.4 bil.)
- Signing contract for protecting 2 mil. ha of forest, and protecting for restoration of 700,000 ha, concentrated afforestation of 200,000 ha including 150,000 ha of production forest.
- Rate of people accessing to clean water reaches 70% (an increase of 4% compared to 2006).

2. Priority methods.

1. Strongly promotion of scientific technology research and transfer, technical service supply system as a base for increasing productivity, quality, effectiveness and competitiveness of agro-forestry products.

Conducting arrangement and capacity enhancement for MARD's affiliated research institutes and organizations. The science management mechanism should

be renovated to improve efficiency of research activities and scientific technology transfer to farmers; linking scientists with enterprises and farmers. More attention should be focused on cross-breeding and hybridizing for productive and quality varieties which are suitable with ecological areas, based on strong promotion of biological technology application.

Strengthening the agriculture extension system as a basis. Each commune is ensured to have at least one agriculture extension staff. Development of commune and village agriculture extension is promoted. Farmers are facilitated to access new scientific technologies. A self-finance model is to be piloted in 2007.

2. Renovating method of monitoring investment to increase efficiency of State investment utilization and prevent loss and prolonging; mobilization of other resources for agriculture and rural areas.

Strengthening investment inspection and monitoring, ensuring to make full use of capital and for proper purposes and effectiveness. It's determined to implement methods of capital loss prevention. Keeping completion and supplementation of the policy to mobilize effectively all resources from the government, household enterprises, and foreign investment for the agriculture and rural development.

Continuing strongly promotion of land transferring and forest contract signing in forestry; encouraging people to participate in protecting natural forest and develop economic forests. Implementing new land regulations is implemented properly. Making a proposal of a farmer support policy to expand new career when his land is withdrawn by the state to the government.

3. Program of trade promotion and international economic integration.

Proposing and implementing the policy of encouraging and supporting the conversion and development of focused livestock, ensuring disease safety. Rural industry organizations and households, enterprises are supported and guided to expand markets for exporting agro-forestry products; cooperating with localities to organize trade promotion activities; developing and management of agro-commodity quality, guiding enterprises to register and protect their goods trademarks.

Coordinating with inline ministries to prepare actively the implementation of international and regional commitments, adjust the mechanism and commercial policies in complication with the international economic integration process. Strengthening training and dissemination on market, trade promotion, international regulations, integration commitments, opportunities and challenges brought about by tax reduction **roadmap** and market opening for enterprises and farmers.

4. Training program to ensure human resources for industrialization and modernization oriented agriculture and rural development.

Strengthening training on production techniques for farmers through short-time training course, agriculture extension classes, and other training types. Expanding vocational schools, diversifying training models to teach professions for rural labour to involve in industry and service. Management staffs, firstly cooperative staffs, farm owners, managers of small and medium scale enterprises should be trained.

Continuing the implementation of selecting young, well-learning and ambitious staffs for oversea professional training, making a future preparation of high grade scientific technology staffs for the sector.

5. Speeding up administrative reform, renovating and strengthening state management in agriculture sector, well organizing the implementation of laws relating to corruption prevention, practicing economy, and protecting loss.

Completing the state management system over the sector with unification from Ministry to localities, ensuring quick, prompt, thoroughly, active and effective direction. Strengthening the commune technical and management apparatus (especially agriculture extension, animal health, plant protection, and forestry protection).

Strengthening decentralization for provinces and cities in investment and management of processing industry units, irrigation systems, services linkage with production sites to have close, active, timely guidance, creating a thorough process from production, processing to market. Ministry will focus on playing well its macro management, organization of scientific technology and market development. Continuing decentralization and renovating the performance way of MARD's affiliated agencies to response to requirements of localities and people more promptly.

More attention should be spent to studying the development of legal system and agriculture & rural development policy mechanism. Strengthening professional inspection to make sure a sustainable and effective agriculture and rural development.

Year 2007 is the second year of 5YP period 2006- 2010 and the first year to implement the WTO commitments. A lot of opportunities as well as challenges are facing agriculture and rural development. With the results gained in the process of 5YP conducted in 2006 and achievements and experiences of the 20-year implementation of "doi moi", the Government, MARD, provinces, production units, service suppliers in rural agriculture sector should be actively integrate and take advantage of international community's assistance for further development.