

**REVIEW OF INCENTIVE POLICIES
ON ENHANCING ATTRACTION OF FOREIGN DIRECT
INVESTMENT IN AGRICULTURE, FORESTRY AND
FISHERIES BY 2030**

I. BACKGROUND AND BASES FOR DEVELOPING THE STRATEGY

After almost 30 years of implementation of the “Doi Moi” policy, Viet Nam economy has made significant progress. Average economic growth has achieved nearly 7% in the past 20 years, despite the sign of slowing down in recent years at a rate of 5.98% in 2014. Contributing to this achievement, Foreign direct investment (FDI) plays an important role. FDI is accounted for almost 18.12% of the total national GDP in 2014 and maintaining a relatively high growth rate.

In Viet Nam, FDI is primarily an important supplementary fund of the total investment of the society, significantly contributing to promoting the economic growth, restructuring the economy, creating jobs and solving social issues. Particularly, this has a very important meaning for a developing and transforming economy like Viet Nam given that the fund for social investment is not high. FDI creates "spillover effect" that helps to promote technology transfer and stimulate the development of modern technology in local enterprises and the economy, and improve the business management experience of the enterprises.

FDI in agriculture, forestry and fisheries (hereinafter referred to as "agriculture")¹ has all the above-mentioned positive impacts, and also helps to promote agricultural commodities production as an active source of additional fund and better techniques for agriculture and rural development. In addition to meeting the domestic demand, FDI in agriculture also helps Viet Nam's agriculture strengthen export market and improve the productivity, quality, efficiency and competitiveness of the agricultural products. FDI in agriculture and rural development has been considered as encouraged and especially encouraged investment areas. If promoted well, FDI in agriculture together with other local investment sources can contribute to the restructuring of the agriculture sector towards greater production, promoting the development of the sub-sectors with comparative advantages, job creation and restructuring of rural labor force, and thereby contributing to changing the face of rural Viet Nam.

The need of enhancing the attraction of FDI in agriculture does not only come from the low proportion of this sector in the past time but it is clearly confirmed through the current official policy documents. A number of key

¹ FDI in agriculture in this strategy means all investments in the value chains related to agriculture, forestry and fisheries. It is not only the investment in the areas of crop production, livestock production, fishery production and processing, but also the investment in the supply of inputs to the production activities of the above-mentioned areas like animal feed, varieties, fertilizers, veterinary services etc., and the secondary added value activities such as processing of end-processed food products, furniture, rubber products etc.

policies have been issued and considered as *legal bases* for drawing out this Strategy, including:

- Decision No. 18/2007/QĐ-TTg dated 5th February 2007 on Approval of the Viet Nam Forestry Development Strategy by 2020.
- Resolution No. 26-NQ/TW dated 5th August 2008 on "Agriculture - Farmers - Rural Areas".
- Decree No. 41/2010/ND-CP of the Government on credit policies for agriculture and rural development.
- Directive No. 1617/CT-TTg dated 19th September 2011 of the Prime Minister on strengthening of implementation and correcting of the management of foreign direct investment in the upcoming time.
- The Project on the “restructuring of the agricultural sector towards the improvement of quality, added value, and sustainable development” promulgated by the issuance of Decision No. 899/QĐ-TTg dated 10th June 2013.
- Decree No. 210/2013/ND-CP dated December 19, 2013 of the Government on incentive policies for enterprises investing in agriculture and rural areas.
- Decree No. 15/2015/ND-CP dated 14th February 2015 on Public-Private Partnership (PPP) Investment Form, which includes encouraging foreign investors to invest in agriculture and rural area in the form of PPP.
- Decision No. 1684/QĐ-TTg dated 30th September 2015 of the Government on approval of the Strategy of international economic integration for Agriculture and Rural Development sector up to 2030.

In addition to the Government policies, international commitment that Viet Nam signed positively impact to the need of attraction of FDI in general and FDI in agriculture in particular, including bilateral, regional and multilateral commitments. With the presence of these commitments, foreign investors have better guarantee in their investment life, including the settlement of disputes related to foreign investment. These commitments are specified as follows:

- Investment Promotion and Protection Agreements signed with 55 countries all over Asia, Europe, America, Africa, and Oceania;
- Agreements or chapters on the investment within the framework of Free Trade Agreements (FTAs) between Viet Nam and different partners in the world (nations, territories, group of nations, etc.);
- Other multilateral commitments related to investment such as the Agreements on Trade-Related Investment Measures (TRIMs) within the framework of World Trade Organization (WTO), Agreements on services in WTO and FTAs,

Agreements on the establishment of Multilateral Investment Guarantee Agency (MIGA), etc.

The necessity of enhancing the attraction of FDI in agriculture is enforced by a series of *practical bases* in Viet Nam, especially in the current time, this necessity seems to be increasing:

Firstly, agriculture, farmers, and rural areas has a strategic and important position in the process of industrialization and modernization, building and protection of the country as determined in Resolution No. 26-NQ/TW dated 5th August 2008 on "Agriculture, farmers, rural areas". This strategic position requires the agriculture sector to be developed stably and sustainably, to promote all the potentials of this economic sector. Whereas, the growth rate of current Viet Nam's agriculture is slowing down with low competitiveness and under the sustainable development. Local resources, including capital and technical practices do not meet the development demand. Accessing to the local capital for the investment in agriculture still faces difficulty. So that, in this context, the need of enhancing the attraction of FDI in agriculture is critically necessary.

Secondly, FDI in agriculture does not correspond with the potentials of this sector. The proportion of FDI in Viet Nam's agriculture is, in general, too low and there is no signal of increasing in the coming time. In many provinces and in various sub-sectors, potentials of production activities are not maximized due to the lack of capital, professional human resources and agricultural techniques and facilities. This gap can be bridged if the resources from FDI are promoted properly.

Thirdly, until now, Viet Nam has not yet identified specific priorities to encourage FDI in agriculture, forestry and fisheries. Although Decree No. 210/2013/NĐ-CP dated 19th December, 2013 of the Government provides the areas for investment priorities, in which a number of areas for investment incentives in agriculture have been identified, these areas have not yet specified in each province. The ground to identify the list of investment priorities is necessary to have further analysis.

Fourthly, the promotion of FDI in agriculture, at the current situation, is not very effective, the nation-wide connection in the whole sector is not consistently implemented. Provinces are still puzzled in attracting investment. Therefore, besides enhancing the attraction of FDI in agriculture, the inconsistent status must be improved and the projects' quality is necessary to review in detailed to ensure the technical standards, technology, the environment, labor etc.

Fifthly, FDI in the current situation of Viet Nam's agriculture has not created much added value. Many investors only buy raw materials from farmers, then

primarily process in Viet Nam before exporting these products to other countries. In fact, the products value will be increased and distributed to consumers with high added value through the final processing step conducted in other countries. As the result, the efficiency of FDI in agriculture in Viet Nam is not high.

Sixthly, the demand for import substitutes of agricultural products in Viet Nam is increasing. Currently, Viet Nam import a large number of agricultural products with high quantities such as corns, soybean for manufacturing animal feed, milk products, meat and live animals. Meanwhile, these products can be produced in Viet Nam to improve the trade balance, create jobs and bring higher incomes for local workers.

All the reflections of the practical basis as mentioned above shows that the necessity of enhancing the attraction of FDI in agriculture, forestry and fishery is very high and pressing.

II. CURRENT SITUATION OF FDI ATTRACTION IN AGRICULTURE, FORESTRY AND FISHERIES OVER THE PAST 25 YEARS

FDI attraction in agriculture over the past 25 years has though been modest and possessing drawbacks, it has created certain achievements contributing to overall growth of agriculture, forestry and fisheries sector as well as that of the whole economy. These achievements and drawbacks are presented in the following:

A) Achievements

1. Total investment in agriculture, forestry and fisheries has been increased

By the end of 2015, the total number accumulative ongoing projects in the field of agriculture, forestry and fisheries are 512 with a total registered capital of over US\$ 3.63 billion, accounting for only 2. 6% of the total FDI projects and 1.3% of the total registered capital of FDI projects in the whole country. In general, FDI projects in agriculture have small and medium-scale and mainly associate with local raw material resources; however the rate of implemented FDI capital is quite high, reaching 99% compared to total registered capital.

In terms of investment capital, by the end of 2015, the leading sub-sector in FDI projects was the processing industry with US\$ 1.85 billion, followed by livestock production with US\$ 611 million, fisheries with US\$ 382 million, crop production with US\$ 245 million, and forestry with US\$ 98.6 million. In addition, the total investment for other sub-sectors in agriculture was US\$ 450 million. The total FDI in processing industry was accounted for 50.8% of the total FDI capital in agriculture, whereas this figure in crop production was only 6.75%. In the processing projects, the agricultural product processing and the

forestry products and wood processing projects received the FDI investment in most with US\$ 798 million and US\$ 435 million respectively; the next were FDI projects in the agricultural commodities processing industry with US\$ 422 million (accounted for 22.8%), fishery processing with US\$ 110 million (accounted for 5.98%) and the lowest was livestock processing with US\$ 80.7 million (accounted for 4.4%). This structure of FDI capital showed that processing sub-sector in agriculture brought the highest benefit for foreign investors in Viet Nam if compared with other sub-sectors, which involves in direct production of agricultural commodities. The export turnover of agricultural products like coffee, pepper, cashew, wood and wood products has increased rapidly in recent 10 years and reached US\$ 30.14 billion 2015 with the contribution of FDI enterprises. It can be said that FDI in agriculture in Viet Nam has actively contributed to investment growth in the economy generally as well as in agriculture particularly during the last decades supplementing to total investment in the sector (including agriculture, forestry and fisheries).

2. Transferring new technologies

FDI in Viet Nam's agriculture has eventually promoted new technology transfers in directly related sub-sectors which include new technologies of breeding, afforestation and wood processing, aquaculture, production of fish and shrimp feeds. These new technologies have helped to increase labour productivity and capacity of Vietnamese labour force in FDI enterprises as well as their related local counterparts. This is one of the appreciated positive impacts of FDI in Vietnamese agriculture, although technology equipped degree of FDI enterprises is still modest in general.

3. Contributing to increasing export turnover and to participating in the value chain of global production

In recent years, the agricultural sector has achieved remarkable achievements, GDP in agriculture accounted for 17.42 GDP% of total national GDP in 2015, the total export turnover of the sector reached US\$ 30.42 billion, trade surplus reached US\$ 7.1 billion and many items reached turnover of over US\$ 1 billion (rice, rubber, coffee, cashew, pepper, cassava, vegetables and fruits, shrimp, catfish, and forest products).

There are many factors which lead to the success of the sector, including FDI, particularly, FDI in agriculture, forestry and fisheries has contributed actively to increasing total investment in the agricultural sector; promoting the production of agricultural commodities towards increasing value added and export-driven economy; enhancing connectivity for Vietnamese products in the value chain of

global products; improving productivity, quality, efficiency and competitiveness of agricultural products; creating jobs and income for rural workers.

4. Supplying high-quality breeds and inputs and buying agricultural products from farmers

Due to the market enlargement for Viet Nam's agricultural products, the demand for the products has significantly increased over the last 25 years. The products such as wood, sugarcane, maize as livestock feeds etc., are better sold due to higher demand from FDI businesses in these industries. In addition, FDI in agriculture has really positive effects in supplying high-quality breeds and inputs for farmers such as vegetables seeds, flowers, maize, hybrid rice etc., via imports of these high quality inputs.

In spite of having positive aspects of selling agricultural products and supplying inputs from FDI, the development of new breeds from diversified gene sources of Viet Nam should be encouraged in parallel in order to avoid the large dependence on foreign breeds and input sources.

5. Introducing new management models

FDI enterprises develop their products according to production value chain, application of high technology in the production and processing, to ensure food safety and value-added of products. FDI businesses also focus on production development associated with the material areas in order to take the initiative in material as well as strengthen links with farmers to create a stable material supply source. Besides, FDI enterprises as diverse products, improve product design to meet the needs of consumers. From these investment forms, Vietnamese businesses and managers can learn and exchange modern management experiences in the world, together find out applicable conditions in Viet Nam, contributing to step-by-step improvements of management models in Viet Nam's agriculture.

6. Increase employment creation and income generation for farmers

The positive effects of employment creation and income generation for farmers in FDI in agriculture are very obvious. Although official data on this are not available, the number of jobs in material areas as well as in FDI processing factories has been increasing. Similarly, increased income of farmers from FDI activities in agriculture, material areas such as growing farmers of sugarcane, afforestation and maize etc... has been witnessed. Nevertheless, job creation effects in agricultural FDI projects are still modest due to their small scales. These positive effects could significantly be increased if agricultural FDI in Viet Nam is enlarged in the coming time.

B. Drawbacks

1. The number of agricultural FDI projects and their scales are small

While the total number of FDI projects nation-wide reached 19929 by the end of 2015, the corresponding number of agricultural sector was just 512. This very modest figure showed the fact that FDI in agriculture has not yet reached its potential, at least in terms of the number of projects. Regarding the scale of the projects and despite the fact that there is a number of sugarcane and sugar, animal feed production, afforestation and paper materials processing projects with large scale at tens of millions of US dollars, most of FDI projects in agriculture, forestry have small scale and associated with local materials sources. A large number of such small-scale projects also bring huge positive impact thanks to a high flexibility, adaptation and fast response of the small and medium enterprises to the volatility of the market, suitability with Viet Nam conditions in terms of the competence of capital share, technology adaptation, organizational management experience, good exploitation of the potentials in agriculture and rural areas and especially the creation of new jobs contributing to solving social issues.

In general, FDI projects in agriculture have small and medium scales, and mainly mainstreamed with local material resources. Percentage of implemented FDI made very high rate up to 99% in comparison with the total registered capital. This rate is much higher than other industries, and the average rate of the whole economy (only at the rate of 51.5%)². Thus, despite the small and medium scale of the FDI projects in the agriculture sector, the ratio of registered capital realization of these projects is much higher than the other sectors.

2. Concentrate in a few sub-sectors and low import substitutability

In the early years of implementation of "Doi Moi" policy to attract foreign capitals, FDI in agriculture was focused mainly on the projects in the fields of afforestation and wood processing, aquaculture, fish feed production. Recently, the diversification of sub-sectors in FDI agricultural projects is recognized but concentrated mainly in crop production, livestock production, forestry, animal feed processing, afforestation, forest products and wood processing, fishery. As of 2015, the number of FDI projects in agriculture, which obtained the highest proportion, are agricultural-forestry-fisheries product processing (40.6%), next is crop production (17.8%) livestock production (8.4%) (animal feed production, fertilizer, veterinary medicine (6.14%), forestry (1.53%), agricultural services (1.53%) and the lowest proportion belongs to FDI projects on producing auxiliary products (1.15%) and commerce (0.57%). It can be seen that FDI

² Source: Foreign Investment Agency, Ministry of Planning and Investment)

projects are relatively unevenly allocated among the agricultural sub-sectors focusing on a few areas such as crop production, fisheries and agricultural-forestry-fisheries product processing.

These projects somehow have import substitution impact especially for agricultural processed products or livestock feeds. However, this impact of FDI in agriculture has not been high.

3. Concentrate in a few locations

Regarding the structure of FDI at the local level, the FDI projects in agriculture are present in almost all provinces and cities of Viet Nam. By 2015, there are 54 out of 63 provinces received FDI projects in agriculture which are invested and distributed in all regions of the country. However, a few provinces have relatively concentrated number of projects such as: Binh Duong (with 87 projects), Lam Dong (63 projects), Dong Nai (40 projects), Ho Chi Minh city (38 projects), Ha Noi (22 projects), Binh Thuan (20 projects), Binh Phuoc (20 projects), Da Nang (16 projects). Regarding the total registered capital, 10 leading provinces in terms of FDI in agriculture³ includes Dong Nai (US\$ 702.3 million), Binh Duong (US\$ 586.2 million), , Lam Dong (US\$ 227.5 million), Tay Ninh (US\$ 206.7 million), Ho Chi Minh City (US\$ 153.6 million), Vinh Phuc (US\$ 148.15 million), Ba Ria Vung Tau (US\$ 145.6 million), Quang Ninh (US\$ 127.8 million), Binh Dinh (US\$ 116.5 million), Ha Noi (US\$ 106.3 million), Nghe An (US\$ 100 million⁴). As the result, Dong Nai definitely hold the highest registered FDI capital, and the next are the provinces of Binh Duong, Lam Dong and Tay Ninh in terms of the highest registered capital from FDI in agriculture.

Most of the FDI projects concentrated in the provinces, where traditional material zone is either an advantage with favorable conditions of soil and climate for the development of raw materials supplying to the processing plants or the policy incentives to attract more investment.

C) Causes for the drawbacks

C1. Objective causes

1. Agricultural sector of Viet Nam is small-scaled and scattered

Small scaled agricultural production of Viet Nam and its scattered agricultural land are the first objective causes for low attraction of FDI in the sector. The scale of FDI projects in agriculture sector in Viet Nam is normally smaller than the others because of diversified products from the nature of Viet Nam agriculture, coming from the diversification of Viet Nam natural conditions

³ By the end of December 2015

⁴ Source: Foreign Investment Agency, Ministry of Planning and Investment.

and terrain. Therefore, it is difficult to formulate any large-scale project for each commodity value chain. On the other hand, land resource, especially the land for cultivation remains very small, so that it is also hard to build large-scale project to produce the primary agricultural products.

This is also the reason for the fact that the processed agricultural products have high market risks in terms of the instability of raw material supply and the low quality of raw material; plus risky output markets and poor quality counterfeit goods create unfair competitive environment. These risks directly impact the decision of investors in the agriculture sector in Viet Nam. It, to some extent, resulted to the low ratio of FDI in agriculture, but contributed to the increased FDI registered capital realization since the investors have careful consideration on these risks when they make investment decision.

2. Weak agricultural infrastructure and services

Low-level agricultural infrastructure, small and scattered production scale, high self-sufficient, especially in the poor and non-professional rural areas are the popular situation in the Viet Nam agriculture. This situation is not easy to solve in a short time because the agricultural infrastructure associates with agricultural land and other natural resources in each province. The small and scattered cultivation practices do not meet the requirements of large and potential investment of FDI.

3. Low labour quality and productivity

Labour quality especially that in rural areas is very low and this is also a obstacle for FDI attraction in agriculture. The percentage of labour undergone skill and vocational training is also low not being able to meet the demand of businesses including FDI enterpreneurs in agriculture or related sectors. Low labour quality is not only seen in modest labour skill but also in low discipline and “industrial” behaviours. The time for eliminating these weaknesses is even longer than that for technical and skill improvements. These two factors of low labour quality are real causes for low labour productivity in agriculture as well as in those businesses which attract rural labours.

4. Natural calamity, disease and market risks

Investment in general and FDI in particular in agriculture, forestry, and fishery contain higher risk compared with the investment in other economic sectors. The risk comes from the agricultural activities, which are directly affected from natural conditions, weather and climate, diseases on crops and domestic animals. These risks do not only appear in Viet Nam. However, with its fluctuated weather with hot and humid conditions, the risks in terms of natural calamity and disease are high in Viet Nam compared to the world average.

Typhoons, floods and diseases such as PRRS (Porcine Reproductive and Respiratory Syndrome) for pigs or foot-and-mouth disease for cattle etc., often occur and this is one of the objective causes inducing investors in general and foreign investors in particular to consider it carefully whether to invest in Vietnamese agriculture.

Market risk is very popular for agricultural products as well as inputs in agricultural production. This also contributes to high risk and low efficiency of FDI. For exported agricultural products, market fluctuations or crises in the world market affect considerably domestic market and businesses investing in this sector including FDI counterparts.

C2. Subjective causes

1. Awareness and policies on investment in agriculture are still not consistent

In the past, awareness and policies on the extent of priorities for FDI in agriculture are still not consistent. Especially awareness on the need for strengthening FDI in agriculture to the extent and time that allow foreign investors to use natural resources (at the first glance: land, water sources etc.) during the investment process. Other policies on biodiversity and gene resource protection, disease prevention and domestic production protection etc., should also be consistently perceived and specified into transparent and stable policies (applied for a long enough time) so that investors can be confident with their investment decisions.

2. Policies to attract FDI in agriculture are still unclear and changeable

Policies to attract FDI in agriculture are inconsistent, unclear, and changeable; therefore, they are not attractive enough for foreign investors. It can be seen that agriculture sector is in lack of an efficient strategy on FDI attraction with good and suitable directions. Investment promotion is still weak especially at local level. In addition, there have not been cooperation practices suitable with farmers' nature and knowledge level, especially kind of contracted cooperation for material supply and distribution. The examination of enforcement suitable with and feasible for the conditions in Viet Nam is insufficient. It can be said that the policy inconsistency is the first key cause for low FDI in agriculture.

3. Cumbersome administrative procedures

The cumbersome and complex administrative procedures as well as insufficient and improper state management functions are also important reasons for not-yet-attractive investment environment in Viet Nam in general and in agriculture in particular. The administrative reform should not only be conducted in investment licence issuing but also in all administrative procedures during the

whole process of investment. The number of permits is still large and cumbersome administrative procedures are an important cause reducing investment motivation of foreign investors in agricultural sector due to the relation between the specific characteristics of the investment and natural resources.

III. STRATEGIC VIEWPOINTS

- Enhancing attraction of FDI in agriculture, in general, is an integral part of FDI inflows to the economy and is an important factor to promote the agricultural development of Viet Nam. This process must be associated with the process of industrialization and modernization of agriculture and rural areas, and in line with overall socio-economic development strategy of Viet Nam and of each province/city.
- Enhancing attraction of FDI in agriculture needs to closely connect with the restructuring of the agricultural sector towards increasing value added and sustainable development, ensuring market principles, investment quality in the view of sustainable and green economy development. Ensuring the harmonization of social, economic and environmental goals in the process of attracting FDI in agriculture.
- Being a catalyst for business, FDI should play an key role to create spillover effects in the next development of the agricultural sector in Viet Nam;
- FDI in agriculture should focus on the sub-sectors with high potential of added value, supplementary for local investment or weak stages in the agricultural production value chains, or to the areas, that can expand market, or have comparative advantages of natural conditions, increasing competitiveness of Vietnamese agricultural products.
- FDI in agriculture should be encouraged in the selective manners with the priority on enhancing those, which apply advanced technologies, produce safe products, ensure the quality, biosecurity, high productivity and environmental protection (especially, the protection of soil and water resources, environmental pollution).
- Enhancing attraction of FDI in agriculture for those which have positive impacts to increase export revenues and create more jobs for Viet Nam; Strengthening market linkages connecting markets with investment activities. Policies for enhancing FDI in agriculture should be consistently developed with high level of stability and in line with international commitments that Viet Nam has signed, harmonize the benefit between investors and Viet Nam.

IV. THE STRATEGY OBJECTIVES

1. General objectives

Enhance the attraction of FDI in agriculture, contributing to strengthening the restructuring of the agriculture sector and the rural economy towards producing high value added and high quality agricultural, forestry and fishery commodities, linking production with market, supplementing capital for developing agriculture and rural areas, applying advanced technology, promoting exports to improve the efficiency of the resource use, environmental protection and sustainable development, to create more employment and improve the living standards of the labors.

2. Specific objectives

- Increase total implemented FDI capital in agriculture, forestry and fisheries to US\$ 5 billion in 2020 and US\$ 8 billion in 2030; Increase the share of FDI in agriculture over the total FDI in the economy to 5-10% after 2020.

- Enhance the attraction of FDI in producing the products with high value added and quality, to use and protect properly natural resources, to apply advanced and clean technology, to create jobs and to help improving weak stages in the agricultural production value chains; Develop and complete the policies that strengthen the promotion of FDI in agriculture effectively and consistently;

- Increase the value of exported agricultural products of FDI sector all over the country by 10-15% in 2020 and by 30-40% in 2030.

- Seek and expand suitable forms of FDI in agriculture in addition to the form of 100% foreign-owned capital such as public private partnership (PPP), joint-venture, linkages and contracts with farmers.

V. IDENTIFICATION OF THE PRIORITY AREAS AND SUB-SECTORS FOR FDI IN THE VIETNAMESE AGRICULTURE.

Areas and sub-sectors considered as priority for FDI in agriculture must be identified based on the following criteria: i) Policy orientation of the Government to encourage enterprises to invest in agriculture and rural areas; ii) Orientation on the restructuring of the agricultural sector towards a better added value and sustainable development; and iii) Areas and sub-sectors beneficial to both Viet Nam and foreign investors, especially those whose complementarity is greater than competition to domestic production.

1. The areas in agriculture for FDI attraction

With the above criteria, the prioritized areas for FDI attraction include:

- (i) Deep processing technologies for: rice, cassava, rubber, coffee, cocoa, cashew, pepper, tea, non-rice food, medicine herbs, vegetables, fruits, silk;
- (ii) High technology livestock, processing industries for meat, eggs and livestock products;
- (iii) Deep processing for high value added fisheries, marine aquaculture;
- (iv) Production and processing of salt and post-salt products;
- (v) Wood processing including plantation wood processing, paper powder processing, MDF (Medium Density Fibreboard) wood furniture, wood property change and supporting industries;
- (vi) Large timber reforestation applying plant genetic improvement technique for better productivity and quality;
- (vii) Bio-technology, that produce new seedling, animal breed with better productivity, high quality and meeting the market's demand, especially the products with high economic value (tea, vegetables and fruits – especially tropical one, flower and bonsai, livestock, shrimps and fish, mollusca, etc.);
- (viii) High-tech livestock feed production including supplementary feeds; Livestock feed from material disposals in agriculture;
- (ix) Production of fertilizers and biology processed products in agriculture;
- (x) Production of secondary materials in wood processing industry;
- (xi) Latex processing industry with modern technology;
- (xii) Equipment and machinery manufacturing for agriculture, forestry and fisheries;
- (xiii) Livestock environmental treatment technology; food waste treatment technology and technologies for wastewater and waste generated during industrial production and processing of agricultural-forestry and fisheries products;
- (xiv) Livestock facilities equipment production; Slaughter equipment (automatically) and dairy processing equipment production; equipments and tools for the production of veterinary drugs; tools, equipments and chemicals for diagnostic testing; tools and equipments for terrestrial and aquatic animal disease prevention;
- (xv) Heat treatment and irradiation treatment technologies for agricultural exports;
- (xvi) Supporting industries in wood processing;
- (xvii) Advanced equipment production for aquaculture and seafood exploitation;

- (xviii) Infrastructure development in fishing port services for agricultural products shipment;
- (xix) Techniques for marine product preservation, on-shore services and high-quality on-shore product preservation;
- (xx) Investment in large field construction and development of concentrated material zones;
- (xxi) New development, renovation and upgrading of industrially and semi-industrially concentrated cattle and poultry slaughtering facilities;
- (xxii) By-product processing from agriculture, forestry and fisheries;
- (xxiii) Processing of products from pork, honey, milk, eggs;
- (xxiv) Planting, processing and consumption of Non-timber forest products (NTFPs)
- (xxv) Investments in non-food processing facilities (cosmetics, pharmaceutical products, etc.) from raw materials and seafood processing by-products;
- (xxvi) Production of products for environmental treatment and improvement in livestock production and aquaculture;
- (xxvii) Veterinary vaccines production for Foot-and-mouth disease, PRRS, Avian influenza and aquatic vaccines production;
- (xxviii) Production of agricultural medicines, materials for plant protection, veterinary medicines, and drugs for fresh water fish and seafood;
- (xxix) Techniques for gene improvement for shrimp breeding, fresh water, sea water and brackish water parents fish, which can resist to diseases and adapt to environment change; Techniques for marine aquaculture and circulated aquaculture with little water on-shore change.
- (xxx) Heat and electric production from biomass sources (from wood, rice husk, coffee ground, straw and bagasse, etc.); recovery, treatment and disposal of plant protection chemical and its packet after use; packaging technology; food and agricultural product storage and preservation technologies for food safety assurance; conservation, afforestation, sustainable harvesting and processing of products from medicinal plants;
- (xxxi) Technology research and application to adapt to climate change in agriculture, mitigation and treatment of environmental pollution in the agricultural sector...

2. Non-permissible areas for FDI attraction

Non-permissible areas for FDI attraction in agriculture include:

- (i) Production of veterinary drugs, plant protection drugs which are banned from use or are not permitted for use in Viet Nam.
- (ii) Production of chemicals and preparations used for killing insects or bacteria which are not permitted for use in Viet Nam.
- (iii) Projects on treatment of hazardous waste brought from overseas into Viet Nam; projects on manufacture of toxic chemicals or on use of toxic agents prohibited under treaties to which Viet Nam is a contracting party; projects on wasting energy and resources, using outdated and environmentally-unfriendly technologies;
- (iv) Forest plantation projects; wood processing projects that are potentially polluting; forest plantation projects in the border areas or sensitive areas of defense and security; large land-occupying projects or those that do not attach exploitation and processing.
- (v) Energy-consuming or natural resource consuming projects or those using obsolete technologies.
- (vi) Projects of capture fishing; hunting activities; projects using low skill foreign workers.
- (vii) Production and processing projects causing environmental pollution, disrupting the structure of natural ecosystems; Seedling and Breeding multiplication and selection technologies adversely affecting biological diversity;
- (viii) Projects of cultivation and processing opium crops.

3. Spatial areas that are not subject to FDI attraction

- Spatial areas that are not subject to FDI attraction include:
 - + Spatial areas (land, water and forestry areas) which affect national defense and security, are not subject to FDI attraction.
 - + Land and forest areas which are under national natural resource protection nation-wide.
 - + Other areas which are forbidden to invest in according to the laws.

VI. STRATEGY IMPLEMENTATION MEASURES

This strategy is implemented by applying consistently a system of implementation measures in order to promoting FDI in agriculture and implement the Project on the “Restructuring of the agricultural sector towards the improvement of quality, added value, and sustainable development”. Specific groups of these measures can be presented as follows:

1. Group of measures on awareness raising on the importance, views and objectives of the Strategy

- Organise propaganda, dissemination to raise the awareness of the State's agencies, enterprise communities and population on the importance, views and objectives of the attraction of FDI in agriculture in Viet Nam; Conduct propaganda and multiple typical successes in agricultural FDI. This measure should be integrated into the activities of line ministries and especially those in local authorities.
- Encourage enterprises, organizations, and individuals to cooperate, establish joint-ventures, associate with foreign investors to implement agriculture, forestry and fishery projects in Viet Nam, to respect and implement effectively all commitments in the joint-venture and collaboration contracts during the projects' implementation process.
- Organise forums on special themes on promoting FDI project in Viet Nam's agriculture in both domestic and foreign countries to raise awareness and update information for foreign investor communities in the most updated investment encouragement policies of Viet Nam. Disseminate Viet Nam investment priority list for agricultural sector through various channels such as mass media, Internet, Viet Nam diplomatic representative and investment promotion offices of Viet Nam in foreign countries.
- Encourage enterprises, organizations, and individuals to take initiative in receiving technology transfer and adaptation, and learning management experience from foreign investors in the agriculture sector, to be together with foreign investors contributing to building a sustainable agriculture sector in Viet Nam.

2. Group of measures on specific recommendations on FDI incentive policies

a) Policies for infrastructure development

- Review in-effect policies on investment incentives in agricultural infrastructure to reveal policy shortcomings and stability in FDI attraction.
- Strengthen investment and improvement of infrastructure, especially rural infrastructure; Prepare land resource as needed as possible for FDI projects in the agriculture sector which will provide good conditions for foreign investors to implement their investment projects.
- Develop policies on green infrastructure, environment-friendly, resource-saving and low-carbon emissions, as well as focus on applying preferential policies to encourage and attract FDI from the economic sectors, organizations and

individuals to ensure the sustainable environmental protection and low-emission issue, etc.

- Apply preferential taxes and credit for infrastructural development projects serving for agricultural FDI projects.
- Design mechanisms encouraging stronger economic ownership sectors (components), organisations, and individuals including foreign partners to participate in investments of building and running rural infrastructure by various investment forms including PPP.

b) Conduct state management innovation and administrative procedure reform

- Enhance state management innovation in attracting FDI into agriculture, especially focusing on consistent implementation of the policies nation-wide in parallel with improving deregulation policies for agricultural FDI management more efficiently.
- Strengthen constantly administrative reform, especially the administrative procedures related to the entire process of investment, creating a good business investment for Viet Nam in general and for foreign investors in particular. At the same time, strengthen measures that help the state administration bodies execute their administration tasks properly and sufficiently. Besides, applying extensively IT in state management in agricultural sector is also important.
- Design concrete mechanisms related to making transparent and public the procedures of licence issuing, monitoring, controlling and surveillance for investment projects or activities.

c) Policies for human resource training

- Develop and improve the incentive policies for developing and improving the quality of training system for agricultural technical human resource, especially for the areas/sectors in the list of investment priority in agriculture. This measure helps investor reduce initial cost of training.
- Design new vocational training programs for highly practical agricultural techniques; update and make them consistent with quality regional and international vocational training programs. Design specific programs on vocational skills, foreign languages and professional ethical codes for investment prioritized agricultural subsectors or even for specific projects. Review and restructure vocational training programs for rural labours toward being appropriate for technique transferring and improving knowledges on market economy in agriculture in general and for FDI in agriculture in particular. Design criteria and staff recruitment towards the model of the countries that have the most advanced agricultural techniques in the world.
- Integrate in systematic manner and apply in agricultural human resource training programs the content of industrial behaviours and discipline; improve

strongly disciplines in production process for rural labours, especially young labours who have orientation of working in agriculture and rural areas.

d) Financial policies

- Review, analyse and apply preferential duties properly, for instance: reduction of import tax for selected agricultural inputs, which are specified in the priority list, or reduction of export tax for agricultural products produced.
- Apply various financial incentive policies to various priority investment areas/sub-sectors in agriculture and to link the preference with territory.

e) Credit policies

- Conditions and procedures on credit for investment and development are reviewed and improved that is to provide more favorable conditions to enterprises in the private economic sector, including the domestic private enterprises and foreign investment enterprises to access easier in the preferential credits. Credit policies are also provided to farmers in the areas, where produce and supply raw materials to processing plants.
- Policies on credit guarantee and mortgage are applied in order to facilitate FDI enterprises, especially the projects in the priority investment list accessing in loans; ODA loans are oriented as a local investment source for agricultural and rural infrastructure, creating favorable conditions on infrastructures and competitive position to attract FDI projects in the agriculture sector.
- Stabilise exchange rate policies to help investors reduce exchange risk during the investment process in agriculture in Viet Nam.
- Apply supporting policies for scientific research activities, transfers of agricultural production and food processing technologies, concession loans or post-investment interest supports for the projects which develop and implement research results and new technologies disregarding their ownership forms in the economy including those of FDI sector.

f) Policies for natural resource leasing and use

- Review land use planning and assessment on the effectiveness of the use of agricultural land in the provinces/cities are conducted. Policies on land lease are consistently implemented. The leasing of land, water within FDI projects in the agriculture sector must be in line with the approved land planning and linked with the protection of resources and ecological environment.

- The use of land, water and other resources is monitored to be in line with objectives and ensure the recovery of “natural capital” in the investment process, even in climate change condition. Any violation on using resources, degrading soil rapidly or causing water pollution seriously are handled timely by the law. On the other hand, financial incentive policy is provided to investors, who protect and enrich “natural capital” of the resources.
- Long-term use of land and lawful rights of land use of investors are guaranteed. It is necessary to consider and allow farmers to change the purpose of using agriculture, forestry land and aquaculture water if it respects the requirements of land protection for the overall benefit of the society and the approved land use planning.
- Continue to implement measures to accelerate the disbursement; projects with obsolete technologies and having an adverse impact on the environment are not licensed; examine carefully the massive land use projects and allocate land-in-condition according to the project schedule; considerate about investment ratio/land area, including lands in industrial zones. Review the projects which are granted investment certificates nation-wide to know how to deal with each type of project, especially with large-scale projects using a huge areas of land. These measures include license withdraw if necessary.

g) Policies for the development of raw material production zones

- Establish and develop concentrated production zones for food crops, industrial plants, fisheries to supply raw materials for processing industries of special rice, Arabica coffee, cacao, paper raw materials, fresh water and sea fish, etc.; Design incentive policies on agricultural land concentration, “land consolidation” is provided to improve the feasible establishment and development of raw material production zones.
- Policy to support farmers in the raw material production zones is developed, the relationship between farmers, middlemen, processors is managed properly through contracting with strict and fair conditions and bringing confidence to farmers and investors in the cooperation and business operation process.
- Analyse and apply in the proper and transparent manner the cost-benefit sharing models and formulas between farmers and investors; New variety suitable with natural conditions of the raw material production zones is studied; irrigation system and infrastructure of the raw material production zones are improved to ensure smooth production process and stable supply of raw material for processing industry in general and for foreign invested processing plants in particular.

h) Investment promotion policy and other policies

- Implement investment promotion programs oriented at Decision No. 03/2014/QĐ-TTg dated 14th January 2014 of the Government on promulgating the Regulation on state management for investment promotion activities. Improve investment promotion methods towards having focus on partners according to each sector, area, region.
- All information of preferential policy on the investment in agriculture is collected and overall plan and schedule for investment promotion are developed, consistently both in the country and oversea, especially for the priority investment areas/sector in the determined period of investment attraction towards linking agricultural production with processing industries and global value chains.
- Integrate closely between the activities of investment promotion and trade promotion in the countries and territories that have large potentials in FDI in agriculture; Identification of key partners in attracting FDI in agriculture and specific products which are the strength of these partners (e.g Japan, Israel etc.) is needed.
- Promote images, propaganda and mobilization investments via various channels by popular language used in the United Nations for getting most effective results..
- Capacity to promote the investment in agriculture is built, especially the investment promotion unit of the Ministry of Agriculture and Rural Development is the focal point of investment promotion activities in the agriculture sector. In addition, coordination and connection is enhanced with the local investment promotion centers. At the same time, it is necessary to build a team of experts capable for investment promotion activities in the agriculture sector, involving officials not only from the Ministry of Agriculture and Rural Development but also from other ministries, sectors such as: the Ministry of Planning and Investment, the Ministry of Industry and Trade, and provincial people's committees.
- The reform of the State-owned enterprises in general and the enterprises related to the agriculture sector in particular is strengthened, the equitization of these enterprises is accelerated, which will bring an equal and competitive environment for the private enterprises and FDI enterprises in their agricultural production and distribution activities.
- Strengthening technology transfers by encouraging FDI in the projects that use state-of-the-art technologies in agriculture. At the same time, it is needed to

minimize old, outdated and polluting technologies; Connections are encouraged between FDI businesses and their local counterparts in production and trading.

- The application of product quality standard is monitored and enhanced, it helps not only attracting FDI in agriculture but also improving quality and price of Viet Nam agricultural products for export. It also minimizes the smuggling, the production of counterfeit and low-quality products ensuring qualified products before distribution, helps investors to be able to compete equally in the domestic markets of Viet Nam, it also motivates investors more in their investment activities.

3. Group of measures on designing and effectively implementing collaboration mechanism among the strategy implementing organizations

In the course of implementing this Strategy, it is needed to closely collaborate among state organizations, investment promotion agencies, professional associations, businesses and other social political organizations. Specific measures include:

- Strengthen agricultural cooperation in the exchange programs and meetings between our senior leaders and other senior leaders of other countries who have strengths and potential for cooperation in agriculture. Besides the formation and development of human resources, the formation and development of agricultural investment consulting enterprises in Viet Nam are also needed to be supported.
- Design collaboration mechanism among strategy implementing organizations with participation of related institutions and agencies.
- Implement effectively collaboration mechanism among strategy implementing organizations in the whole course of the strategy until 2030.
- Controll, conduct surveillance and draw experiences in order to improve the collaboration mechanism in the strategy implementation.

VI. IMPLEMENTATION

1. Roadmapping the strategy implementation

a) From 2015 to 2020

- Communicate, disseminate, increase awareness, and develop suitable human resources.
- Develop and complete a list of policy, management mechanism for the strategy implementation, coordination mechanism for the strategy implementation.
- Design and develop a system of investment database, investment conditions and policies.

- Develop FDI attraction programs for agriculture, forestry and fisheries sector until 2030.
- Conduct administrative procedure reforms related to the investment process; improve measures that help the State administration bodies to implement properly and fully their management duties.
- Initially implement policies to attract FDI in agriculture, especially the priority investment areas and sectors, the establishment of raw material production zones.

b) From 2021 to 2030

- Continue to finalize the institutions and policy to attract FDI in agriculture, at the same time periodically monitor and review the effectiveness of these policies, fill the gaps, if any, during the enforcement of the policies.
- Complete the construction of infrastructure in order to facilitate the implementation of FDI project in the investment zones.
- Expand training, improve the quality of training system for the agricultural technical human resources in order to meet the demands of investors, especially in the projects, areas, sectors prioritized for agricultural investment.
- Complete the restructuring process and strengthen FDI in agriculture, establish and stabilize the key agricultural product production and processing industries of Viet Nam.

2. Establishment of the management and administration mechanism for the strategy implementation

Establish a Steering Committee to implement the Strategy on enhancing the attraction of FDI in agriculture, forestry and fisheries sector up to 2030. The head of the Committee is a Deputy Prime Minister, the Minister of Agriculture and Rural Development is Standing Deputy Director, and other 4 Deputy Directors include Leaders of the Ministries of Planning and Investment, Finance, Industry and Trade, and Natural Resources and Environment. Members of the Committee are the representatives of Leaders of some ministries, ministerial equivalent agencies, provinces, and representatives of some associations.

3. Responsibilities and coordination mechanism for the strategy implementation

(i) The Ministry of Agriculture and Rural Development: is the focal point for attracting FDI in agriculture, forestry, and fisheries, have responsible for leading, coordinating with relevant ministries, ministerial equivalent agencies and provinces and cities under central government people's committees in implementing the Strategy on the attraction of FDI in the agriculture, forestry and

fisheries sector by 2030; providing guidance, monitoring, evaluating and summarizing the results on the implementation of the Strategy and periodically reporting to the Prime Minister; preparing 5-years preliminary evaluation, mid-term evaluation in 2022 and final evaluation at the end of 2030; Leading and coordinating with relevant ministries and sectors to develop key programs to attract FDI in agriculture for each phase and submit it to the Prime Minister for review and making decision.

Coordinating with overseas diplomatic missions of Viet Nam in order to strengthen and improve the effectiveness of investment and trade promotion for agricultural products. Based on the list of FDI priorities in the whole country, the Ministry of Agriculture and Rural Development coordinate with local authorities to develop a list of project priorities to call for FDI in agriculture in the period of 2015-2020 and the next phases; Coordinating with relevant ministries and sectors to develop policies to promote land accumulation associated with agricultural and rural laborer transformation; Coordinating with the Ministry of Planning and Investment and the Ministry of Industry and Trade to strengthen and enhance the effectiveness of investment promotion and trade promotion for agricultural products.

(ii) The Ministry of Planning and Investment: has responsible for leading and coordinating with relevant ministries and sectors to review the commitments on investment in: i) the investment incentives and protection agreements; (ii) the Agreement/Investment Programmes within the framework of the FTA, and; (iii) other commitments related to investments such as the Trade-Related Investment Measures (TRIMs) of the WTO, the Agreements of service in the WTO and FTAs, supplementing preferential and supporting policies for the investment in the agriculture and rural development to ensure the implementation of Viet Nam's commitments with the WTO regarding subsidies.

Reviewing the legal provisions related to the investment process and making recommendations to amend, supplement, and improve administrative procedures in attracting FDI in agriculture, forestry and fisheries sectors; Producing and submitting to the Prime Minister the annual review report; Leading and coordinating with the Ministry of Agriculture and Rural Development and other ministries, sectors and local authorities to study, amend and supplement the policies to attract investment capital from the non-state owned sectors to the agriculture and rural development; Studying the policies to develop the forms of investment with participation of public and private sectors such as public-private partnerships (PPP), and public-private cooperation (PPC) in agriculture.

Coordinating with the Ministry of Finance, the Ministry of Agriculture and Rural Development and the relevant ministries and sectors to determine and allocate

local financial resources and coordinating foreign funds for investment promotion activities, organization of training courses, capacity building on the investment promotion provided to the officials involving in the management of FDI in agriculture, forestry and fisheries sectors at the central and local level.

(iii) The Ministry of Finance: is responsible for leading and coordinating with the Ministry of Agriculture and Rural Development, Ministry of Planning and Investment, and the relevant ministries and sectors to review the preferential and support policies for FDI in agriculture, forestry and fisheries and rural development, especially incentives of credit, tax, fees of land lease and use and providing recommendations for amendment and supplement.

Leading and coordinating with the Ministry of Planning and Investment, Ministry of Agriculture and Rural Development to submit the competent authorities to approve the budget estimate and to ensure the budget guarantee for the implementation of this strategy in the relevant ministries and sectors, for investment promotion activities, human resource training, investigation and monitoring of the situation of FDI attraction and management in the agriculture sector as prescribed.

Coordinating with the Ministry of Planning and Investment, Ministry of Agriculture and Rural Development to ensure the budget guarantee for the implementation of this strategy under the provisions of the Law on the State Budget.

(iv) Ministry of Industry and Trade: is responsible for coordinating with the Ministry of Agriculture and Rural Development to finalize the policy for the development of the agricultural, forestry and fisheries value chain in order to increase product value; Conducting market development research and trade promotion of agricultural, forestry and fisheries products, attracting investment in the processing industry and supporting industries for value chain development;

Coordinating closely with the Ministry of Planning and Investment, Ministry of Agriculture and Rural Development to combine trade promotion activities with investment promotion activities in the partner countries and territories having potential of FDI in agriculture.

(v) Ministry of Natural Resources and Environment: is responsible for leading the review of land use planning and evaluating the effectiveness of agricultural land use in order to draw out lesson-learned and experience for making policies on the lease and use of land; Developing consistent and transparent procedures on land lease for investors.

Coordinating with the Ministry of Agriculture and Rural Development to supervise the use of land, water and other resources in line with the purposes and

to ensure recovery of "natural capital" of the investment process. Handling timely the violations of resource use in accordance with legal provisions.

Leading and coordinating with the Ministry of Agriculture and Rural Development to develop and organize the implementation of policies, programs, testing models in sustainable and environment-friendly production and consumption; instructing the certification process of environment-friendly products and facilities in agriculture, forestry and fisheries sector.

Leading and reviewing the water resources plan, evaluating the efficiency of using water resources in agriculture.

(vi) The People's Committees of provinces and the cities under the central government: Taking initiative in developing programs and plans for investment promotion in general and the investment in agriculture of the provinces/cities in particular; Coordinating with the Ministry of Agriculture and Rural Development to develop the list of projects prioritized for attracting FDI in the agriculture sector, which is feasible, consistent with and possible to integrate in the local socio-economic development plan.

Implementating the investment initiate plans and opening dialogue with local FDI enterprises in order to understand the advantages and disadvantages of the investors and to provide timely corrective actions for investors; being proactive in land clearance for FDI projects, ensuring the commitments on handing over timely, accurate, adequate land to investors. Advising competent authorities if having any initiatives on investment attraction in the province/city, ensuring the consistency in the policies for attracting investment in agriculture in the whole country.