



## MAKING LIVESTOCK POLICIES BETTER SERVE THE INTERESTS OF VIETNAM'S POOR

Vietnam's economy is currently in transition from a central planning system to a market-oriented one. Nevertheless, the state still intervenes heavily into and seeks to control productive activities, at the expense of private initiatives. State agents also collect huge 'rents' from producers and consumers, mainly through their monopolization of trade access. Compared to crops, the livestock sector is blessed with less direct government intervention and a weak state-owned corporation. Donor intervention thus can have a larger impact, as less opposition from vested interests can be expected.

Bottom-up inputs into the policymaking process are not systematically encouraged in the political system, which has occasionally led to rural unrest. The state is committed to poverty reduction, and absolute poverty has been effectively reduced in the last decade thanks to rapid broad-based economic growth. However, livestock policies have not directly and specifically addressed the role of the poor. Nor have specific measures been designed to assist them. State investment in livestock remains insignificant relative to crops. This insufficient commitment to poor producers stems from a bureaucratic ignorance of their needs, from an official vision of rural industrialization that only values large-scale industrial production for export, and from a negligence of livestock as a productive sector with high potential.

- **Promoting Rural Development Based on Small-Scale Production**

Current rural development policy indicates that decades of socialist building has left an ingrained mistrust of rich farmers and large-scale private production among certain political constituencies. Consequently, there is latent political support that could be cultivated for a vision of rural industrialization through

small-scale household livestock production, as a means both to reduce rural poverty and to avoid exploitation. This vision offers communist party leaders what they desire (industrialization) while allaying what they fear (rural capitalism or rebellion). The language of 'industrialization' may be out of vogue with international donors but Party leaders would be strongly interested in ideas and programs that offer rural development without the creation of a new rural capitalist class or rural proletariat. Stronger efforts to discredit the still prevalent view that associates small-scale production with backwardness and poverty reduction with charity are also particularly helpful.

- **Reforming Trade Policy**

Vietnam's trade policy in livestock products is aimed at promoting exports while limiting imports. There is currently a serious lack of understanding of how the market works in livestock products. This lack of understanding has contributed to national programs for the development of exportable livestock products for which Vietnam apparently has little comparative advantage. At the same time, rising demands from domestic consumers for these products are only partially satisfied. Trade liberalization in livestock products may improve the health and budgets of poor urban consumers while boosting the prices of some livestock products that would benefit poor producers. This situation points to the need for donors to assist the government in studying the effects of trade liberalization on livestock production and the domestic markets for livestock products in relation to the interests of not only poor producers but also those of poor consumers. This should be part of an effort to study and analyze the domestic markets for livestock products with varying degrees of processing involved. Vietnam has a large domestic market of 80 million people but



the potential of this market is not known with sufficient clarity for making appropriate policies.

- **Enhancing Policymaking Capacity**

Current livestock policies throw some rhetoric about poverty reduction at ambitious dairy cattle and lean pork production programs and expect these programs to serve the poor. The failure to formulate effective pro-poor programs suggests that policymakers may not understand the nature of rural poverty, know the sophisticated techniques available for program design to address it, nor fully appreciate the difficulties involved in organizing production to benefit poor producers. Donor intervention may be needed to help the government craft new programs with specific instructions about, and investment into, establishing linkages between household farms, service centers, and the markets for their products. Training seminars for government officials on the rural economy, in program designs and on the operation and organization of rural productive units may help enhance policymaking capacity in the livestock sector.

- **Improving Service Provision**

Government-funded provincial research and breeding centers currently do not have sufficient autonomy to adapt quickly to market demands. Also, the separate service agencies (extension, veterinary and breeding) lack the needed synergy to operate effectively. Intervention must be sought to foster stronger linkages between state agencies and private service providers with the long-term goal of developing them into comprehensive service centers for their provinces. These may include subcontracts or the partial privatization of research centers. Donors funds and capacity assistance could be particularly helpful if directed more towards upland and remote regions where the poorest producers are found and where the private sector may not be interested.

- **Strengthening The Legal Basis of Microfinancing Institutions**

At present no legal framework for the operation and monitoring of microfinancing institutions exist. There is

strong bureaucratic and political resistance to the methods of microfinancing (commercial interest rates, forced saving and immediate repayment with regular but small amounts) among state bank managers and other bureaucrats who argue that these methods require too much of the poor. This resistance results from bureaucrats' mistaken attitude towards the poor and their reluctance to abandon a patronage relationship in which they are the people who distribute goodies on which others depend. Intervention by international donors to remove this resistance could be helpful for the development of pro-poor lending institutions.

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