

THE GOVERNMENT

RESOLUTION No.03/2000/NQ-CP OF FEBRUARY 2, 2000 ON THE FARM ECONOMY

I. ASSESSMENT OF THE SITUATION

Carrying out the renovation policy of the Party and State, the farmers' household economy has brought into play its great impact and created a new strength in the development of agriculture and the rural economy. On the basis of the autonomous economy of the farmers' households, through capital and labor investment, many farms have taken shape with higher technology and management levels, with a view to expanding the scope of commodity production and raising productivity, efficiency and competitiveness in the market mechanism.

At present, the farm economy is rapidly expanding in quantity with the participation of many economic sectors, chiefly the farmers' household farms and also a sizeable proportion of the families of retired officials, workers, public employees, and retired members of the army and police force. Almost all the farms have a land area of diversified origin but generally below the average area prescribed for a farmer's household family. These farms use mainly the labor force of the families; a number of them hire seasonal as well as regular labor who are paid upon mutual accord. Nearly all the investments are self-procured capital and loans from the community; the loans from credit organizations account only for a small proportion. The majority of the farms have been able to develop the advantages of each region to conduct integrated business, using the yields from short-term investments to sustain long-term investments.

The development of the farm economy has helped bring into play more capital from the population, expand the cultivated areas on the bare hills and wild land, especially in the midlands, mountain and coastal areas; created more jobs for the rural labor force, thus contributing to the eradication of hunger and alleviation of poverty; and increasing the volume of commodity farm produce. A number of farms have contributed to the production and supply of good strains, the supply of technical service and the consumption of products of the farmers in the region.

However, the process of developing the farm economy has posed many problems which need timely settlement.

1. Though, the Party and State have worked out the policy on developing the farm economy, a number of questions concerning the viewpoints and policy must be further elucidated, such as the allocation, lease, assignment and accumulation of land for the farm economy; the hiring and use of labor; the question of officials and Party members engaged in the farm economy, the registration of the farm's operations and the income tax of the farms... These questions, which have been slow in resolving, have to some extent limited the exploitation of the abundant potentials of many areas to develop the farm economy.

2. At present, land allocation and land lease have not stabilized over a long term in about 30% of the farms. This has somewhat unsettled the peace of mind of their owners in their determination to invest in production.

3. Almost all the localities with a good development of the farm economy have not carried out well the planning of production, water conservancy, communication, electricity, water for daily life, communication and information; the market remains underdeveloped.

4. The majority of the farm owners still have a poor knowledge of the market, science, technique and management skill, and do not have sufficient capital for long-term development; they are often puzzled and resigned to accept losses when the price of farm produce dips or when meeting difficulties in marketing their products.

II. VIEWPOINT AND POLICY IN THE DEVELOPMENT OF THE FARM ECONOMY

On the basis of reviewing the practice of the formation and development of the farms in the recent past and on the policy toward the farm economy outlined in the Resolution of the 4th Plenum of the Central Committee of the Party (December 1997) and Resolution No. 06 of November 10, 1998 of the Political Bureau on agricultural and rural development, it is necessary to settle a number of questions concerning the viewpoint and policy in order to create a more favorable environment and conditions for the strong development of the farm economy in the coming

period.

1. Necessity to have a unified view of the nature and position of the farm economy:

- The farm economy is a form of organizing the production of commodity goods in agriculture and the rural areas by relying chiefly on the household families aimed at expanding the scope and raising the efficiency of production in cultivation, livestock breeding, aquaculture, forest planting, and associating production with processing and the consumption of farm, forestry and aquacultural products.

- The development of the farm economy aims to effectively exploit and use land, capital, technique and management experience to contribute to the sustainable development of agriculture; create jobs and increase income; encourage the people to get rich along with eradicating hunger and alleviating poverty; redistribute labor and population and build a new countryside.

- The process of changing the land use right and accumulating land and fields to create farms must be associated with the process of redistribution of the labor force in the countryside and step by step moving agricultural labor to non-agriculture sectors, accelerating the industrialization of agriculture and the countryside.

2. A number of long-term policies of the State toward the farm economy

- The State encourages the development of the farm economy and protects this economy. The households and individuals who invest in developing the farm economy shall be allocated or leased land by the State, and issued with certificates of the right to stable and long-term use of land for production and business according to provisions of law.

- The State particularly encourages the investment for effective exploitation and use of the waste land, bare hills and mountains in the midlands, the mountain areas, along the borders and on the offshore islands, the full use of the still wild lands, ponds, marshes, lakes, alluvial land along the rivers and the coast, the water surface in the bays, lagoons and tide pools for agricultural, forestry and fishery production along specialization with a high rate of commodity goods. With regard to the areas with narrow arable land and a high density of population, the State encourages the development of the farm economy using little land and a large work force; highly

intensive cultivation coupled with processing, trade and service in order to produce farm products with high economic value. Priority in land allocation and lease shall be given to those farmer households having large capital, production and management experiences which want to expand the scope of production of commodity farm products, and also those households which do not have land for agricultural production and which wish to build a lasting fortune in agriculture.

- The State invariably carries out the policy of developing the economic autonomy of the farmers' households, developing the farm economy along with the conversion of the old cooperatives, broadening the various forms of the economy of cooperation and joint enterprise in production and business among the farmers' households, farms, State-owned agriculture and forestry farms, State enterprises and enterprises of other economic sectors in order to create a motive force and an integrated strength to promote the development of agriculture and the countryside.

- The State shall provide assistance in capital, science and technology in processing and consuming products, in building the infrastructure and creating other favorable conditions for the sustainable development of the farms.

To strengthen the State management work so that the farms can develop healthily and effectively.

3. About specific policies

a/ Land policy:

- The family households that have the wish and capability of using land to develop farms shall be allocated or leased land by the State and issued with certificates of land use right. The competence in land allocation and land lease shall conform with the provisions of Decree No. 85/1999/ND-CP of August 28, 1999 of the Government amending and supplementing a number of stipulations on the allocation of agricultural land to family households and individuals for stable and long-term use, and Decree No. 163 / 1999/ND-CP of November 16, 1999 of the Government on the allocation and lease of forestry land to organizations, family households and individuals for stable and long-term use for forestry purposes.

Family households that directly engage in agricultural and forestry production or aquaculture, that live in the locality and have the wish and capability of using land to expand production, shall

be considered by the commune People's Committees for renting land to develop their farms beside the land allotted to them within the quota of the locality.

Non-agricultural family households that have the wish and capability of building a lasting fortune from agricultural and forestry production and aquaculture shall be leased land by the commune People's Committees to practice the farm economy.

Family households and individuals in other localities that wish to build a long-term fortune and that have capital to invest in developing farms shall be leased land by the local commune People's Committee.

The area of land to be allocated or leased depends on the land fund of the locality and the capacity for production and business of the farm owner.

- Family households and individuals are allowed to assign the land use rights; to rent or sub-rent the land use right of other organizations, family households and individuals in order to develop the farms as prescribed by law. The assignees or renters of the lawful right to use land have the rights and obligations prescribed by the land legislation and shall be issued with the land use right certificates.

Family households and individuals that have been allocated or assigned the land use right for farm development but have exceeded the land use quota set prior to January 1st, 1999, shall be allowed to continue to use the land already allocated or assigned, the area of land in excess of quota shall be converted into leased land as prescribed by the land legislation and they shall be issued with land use right certificates.

Family households and individuals that use land but are not yet allocated or leased land or that have been assigned the land use right but not yet issued with land use certificates prior to the promulgation of this Decree shall, if they are not implicated in land dispute and if they are using land for the right purpose, be considered for land allocation or lease and shall be issued with land use right certificates.

- The People's Committees of the provinces and centrally-run cities shall have to direct the land administration agencies to urgently issue land use right certificates to these farm owners so that they can confidently invest in developing production.

b/ Tax policy:

- To encourage and create conditions for the family households and individuals to invest in

developing the farm economy, especially in the areas of waste land and bare hills and mountains, sand bands, lakes and tide pools on the coast, income tax shall be exempted for the farms over a maximum period as prescribed in Decree No. 51/1999 ND-CP of July 8, 1999 of the Government detailing the implementation of Law on Domestic Investment Promotion (amended) No. 03/1998/QH10.

As prescribed by the Law on Enterprise Income Tax, the farmer's family households and individuals engaged in large-scale commodity production and having high income are subject to enterprise income tax. The Ministry of Finance is assigned with studying and submitting to the Government proposals on amendments and supplements to Decree No. 30/1998/ND-CP of May 13, 1998 of the Government detailing the implementation of the Law on Enterprise Income Tax, whereby the objects of this tax are households engaged in farm economy which have stable production and business and have large commodity value and profits. Also under the to-be-amended Decree the Government shall reduce to the lowest level the tax rate for them aimed at encouraging the development of the farm economy, provided that this is approved by the population and is practicable.

- The farms shall enjoy exemption or reduction of land lease charge as prescribed by the land legislation if they rent uncultivated land, bare hills and mountains and wild land to plant production forests and perennial trees and if they rent areas in natural water surfaces where no investment has been made for transformation with a view to agricultural, forestry and fishery production.

c/ Investment and credit policy:

- Based on the planning for the development of agricultural, forestry and fishery production in the areas with difficult or extremely difficult economic and social conditions, the State shall adopt policies to assist the investment in developing the infrastructure such as communications, water conservancy, electricity, water for daily life, information and processing establishments in order to encourage household families and individuals to develop the farms for agricultural, forestry and fishery production.

- The farms set up to develop production and business in the domains belonging to the subjects provided for in Article 8, Section I, Chapter II of Decree No. 43/1999/ND-CP of June 29, 1999 of the Government are eligible for loans from the State

Development Investment Assistance Fund. The borrowing of State credit capital for development investment shall conform with the provisions of this Decree.

- The farms set up to develop production and business are eligible for commercial credits from State-owned commercial banks. The loans shall conform with the prescriptions of Decision No. 67/1999/QĐ-TTg of March 30, 1999 of the Prime Minister on "Some policies on bank credits for agricultural and rural development". The farm owners shall be allowed to use their assets formed from the loan capital to guarantee the loans as stipulated in Decree No. 178/1999/ND-CP of December 29, 1999 of the Government on the guarantee for loans of credit organizations.

d/ Labor policy:

- The State encourages and creates conditions to assist farm owners to expand the scope of their production and business and create many jobs for the rural labor force, with priority given to the use of the labor of the landless or land deficient farmers for agricultural production and poor families which run short of employment. Farm owners are allowed to hire labor without limit; they shall pay the laborers as agreed with them and as prescribed by labor legislation. Farm owners must provide labor protection equipment according to each occupation for the laborers and shall have to share responsibility with the laborers when they meet with mishaps or accidents or fall sick while working under labor contracts.

- Where socio-economic conditions are exceptionally difficult, the farm owner is eligible for priority loan of capital under the program for job settlement, eradication of hunger and alleviation of poverty, in order to create jobs for the laborers on the spot and attract laborers from the densely populated areas to come and develop production.

- The State shall adopt plans to assist job-training for laborers at the farms in many forms such as concentrated training or short-term fostering.

e/ Science, technology and environmental policy:

-The Ministry of Agriculture and Rural Development shall together with the localities adopt the overall planning and concrete plans to build water conservancy works to create water sources for production development. For their part, the farm owners shall also invest their own capital or borrow

from development credit sources of the State to build the system of irrigation works in service of production and daily life at the farms. The farm owners shall build their own water conservancy projects to use surface water and underground water within the farm according to plan without having to pay water resource tax.

- The Ministry of Agriculture and Rural Development shall together with the provinces and centrally-run cities plan the investment in developing breeding nurseries for agricultural and forest trees and establishments for production of breeds (livestock and aquaculture) or assist a number of farms which have the conditions, to produce breeds in order to ensure enough good breeds and high quality breeds to supply the farms and farmers' households in the area.

- To encourage the farm owners to contribute capital to the Fund of Assistance to Scientific Development in collaboration with the scientific and training institutions, to transfer scientific and technical advances to the farms and to provide technical service for farmers in the area.

f/ Market policy:

- The Ministry of Trade, the Ministry of Agriculture and Rural Development, the People's Committees of the provinces and centrally-run cities shall have to organize well the supply of market information and scientific and technical recommendations to help the farms determine the right orientation of their businesses and production in conformity with the demands of the markets in the country and abroad.

- The State shall assist in the investment for upgrading, expanding and building new establishments of the processing industry in the areas of concentrated or specialized production; guide the signing of contracts for the supply of materials and marketing of farm produce. To encourage the various economic sections to take part in developing the industry of processing farm products and marketing commodity farm products of the farms and farmers in the area.

- The State encourages the development of the rural markets, the centers for transaction and trading of farm produce and agricultural materials; creates conditions for the farm owners to have access to and take part in programs and projects of cooperation and exhibition fairs in the country and abroad.

To step up the linkage between the establishments for production, processing and marketing of farm

produce of different economic sectors, especially between State enterprises and the cooperatives, farm owners and farmer households.

The State creates conditions and encourages farm owners to directly export their products and products they gather from other farms and farmer households and to import agricultural materials.

g/ Policy of protecting invested assets of the farms:

The assets and lawful investment capital of the farms shall neither be nationalized, nor confiscated by administrative measures. Where for national defense and security reasons or for the interests of the nation, the State needs to recover the land already allocated or leased to the farms, the farm owner shall be refunded or compensated at the market price at the time of announcement of the recovery decision.

h/ Obligations of the farm owner:

The farm owner has the obligation:

In the process of production, he/she must abide by the technical processes for land production and enrichment and other prescriptions of land legislation;

To pay tax and perform other financial obligations as prescribed by law;

To observe the prescriptions of law on national defense, security and public order and safety;

To carry out fully the obligations prescribed by the legislation on labor;

To observe the legislation on protection of the environment, protection of the historic and cultural relics and places of scenic beauty.

economy and make recommendations as to the policies that need to be supplemented or amended in order to develop the farm economy.

2. The ministries, the ministerial-level agencies, the agencies attached to the Government shall guide the implementation of the policies under their functions and tasks mentioned in this Resolution.

3. The People's Committees of the provinces and centrally-run cities shall have:

- To plan the areas for developing the farm economy in conformity with the overall plan of socio-economic development of the provinces; yearly to announce the planning on land use already approved by the competent agencies; to announce the unused land fund, the land fund that should be leased and post them up at the Offices of the People's Committees of all levels so that the household families and individuals may register for land rent to be used for the setting up of farms.

- To build the infrastructures in service of the areas devoted to the development of the farm economy in conformity with the development of agriculture and the rural areas in the new period.

- To ensure order and security in the areas so that the population will be confident in investing in development of production.

On behalf of the Government
Prime Minister
PHAN VAN KHAI

III. ORGANIZATION OF IMPLEMENTATION

1. The Ministry of Agriculture and Rural Development shall have to guide the localities to formulate the planning for the areas of farm economy development; to plan the development of water conservancy networks, the establishments of processing industries; to organize the system of promotion for agriculture and forestry, market information; to guide the enterprises of the processing industries in signing contracts for marketing farm produce and raw materials for the farms; to organize professional, technical and management training for the farm owners; to yearly submit to the Government an integrated report on the situation of the farm