

# Land Reform, Livelihoods and Poverty in Vietnam

Background Paper Prepared for Oxfam in Vietnam

9/7/2012

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## **1. INTRODUCTION**

The purpose of this background paper is to provide Oxfam with information, analysis and recommendations on a number of land-related issues in Vietnam which can then be used to develop issue-specific policy briefs for advocacy and campaigning. The paper draws on existing literature as well as research commissioned by Oxfam in 2011. The paper begins with a brief overview of the relationship between agriculture, poverty and land in Vietnam and Oxfam's perspective on small-scale farming which can inform Oxfam positioning on land issues in Vietnam. This is followed by a summary of how land policy and practice has evolved in Vietnam since independence. The main body of the paper addresses a wide range of issues relating to crop land and forest land, including land use planning, land recovery, customary rights, property rights, land certification, SOE land holdings, land fragmentation, landlessness, land use flexibility and accountability and transparency in the implementation of the Land Law. The paper concludes with some general observations and a bringing together of the recommendations which can be addressed through the current revision of the 2003 Land Law.

## **2. AGRICULTURE, POVERTY AND LAND**

Vietnam's agricultural sector has made enormous progress over the last 25 years. The decollectivisation of agriculture, price liberalization, the partial lifting of restrictions on land use and policy support for the production of rice and other food has dramatically increased farm productivity and national food security since the late 1980s. In the 1990s, on-farm diversification into cash crops, livestock and aquaculture helped lift household incomes. In the last decade, off-farm activities such as processing and trading and remittances from household members who are now employed in manufacturing and services have further boosted household incomes in rural areas.<sup>1</sup> These changes have led to a broad – if not particularly deep – reduction in rural poverty.

That said the agricultural sector now faces a number of efficiency, equity and sustainability challenges. Demand for food and for industrial crops which meet increasingly stringent quality control standards and traceability requirements is increasing as a consequence of population growth, urban-industrial expansion, rising incomes and Vietnam's rapid integration into the world economy. However, agricultural growth rates have slowed to an average of 3.8% a year over the last five years which is less than half of GDP growth over the same period. Agriculture now accounts for just 20% of GDP but still employs 50% of the workforce. The efficiency of farming, although higher than before, remains low relative to other countries with similar agro-ecological conditions and shows wide regional variation with the Mekong delta scoring far higher than other regions, particularly upland areas. This is particularly problematic because the benefits of growth – particularly in the last decade – have been inequitably distributed. Despite the progress referred to above, more than 90% of the poor in Vietnam continue to live in rural areas and 65% of the poor continue to rely on agriculture for their livelihood. The incidence of poverty is highest amongst ethnic minority communities, particularly those in the northern mountains and central highlands who continue to rely primarily on subsistence agriculture and access to forests for their livelihood and face discrimination in accessing employment and markets. The concentration of poverty is highest amongst majority households, particularly farmers with limited perennial crop land who rely

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<sup>1</sup> World Bank, June 2012, p. 9

primarily on wet-rice agriculture and have limited access to paid employment.<sup>2</sup> Despite being a major food exporter, 9% of households in Vietnam do not have enough rice and five to six million households are considered food poor with some localities experiencing significant and continuing food deficits. The number of women-headed agricultural households is increasing in both relative and absolute terms as women continue to bear primary responsibility for reproductive labour and have less access than men to training and off-farm employment opportunities. Whilst Vietnam has traditionally had high land fertility and favourable climatic conditions, its natural resource base is being degraded by large-scale resource exploitation, the heavy use of fertilisers and pesticides, large-scale irrigation, salt-water intrusion and urban-industrial pollution.

Many of these challenges are land-related. Vietnam's endowment of agricultural land is already one of the lowest in the world. Population growth, large-scale conversion of agricultural land for urban industrial expansion and land degradation are further reducing this endowment, a problem that will be compounded by the effects of climate change. The denial of customary rights and the subsequent appropriation of land and natural resources from ethnic minority communities by state agencies, private companies and in-migrants has led to widespread conflict, localized food insecurity and increasing inequality between minority communities and the Kinh majority. Top-down land use planning, inequalities in the distribution of crop and particularly forest land, farm fragmentation, insecure property rights for small-scale farmers and forest users, restrictions on the use of agricultural land and poorly regulated agribusiness expansion are impeding the efficient and equitable use of the remaining agricultural land. In sum:

- too many people are farming too little land
- policies and practices are reducing people's ability to access new land, exercise control over and make efficient use of the land they already have and use their land as an asset to move into more remunerative occupations
- small-scale farmers and forest-users - particularly women and ethnic minorities - are being marginalized in the process.

Given the challenges outlined above, Oxfam recognizes that continued transformation of the agricultural sector is necessary and that this will have implications for the way land is distributed, used and regulated. This transformation will require continued growth in both the agricultural economy and the urban-industrial economy both because Vietnam's still has a significant comparative advantage in agriculture and because increased productivity and rising household incomes in the agricultural economy are necessary to provide the food, raw materials, labour and savings for the process of urban-industrialisation.<sup>3</sup>

A structural transformation of the agricultural sector will have distributional consequences. To be successful, this transformation will need to address the efficiency, equity and sustainability challenges noted above, particularly in regard to:

- Strengthening the customary rights of ethnic minorities
- Reducing vulnerability, enhancing food security and facilitating market linkages for subsistence farmers with particular focus on women-headed households

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<sup>2</sup> World Bank, June 2012, p. 15

<sup>3</sup> Timmer, 2009, p. 1

- Boosting the productivity, competitiveness and sustainability<sup>4</sup> of small-scale farms that produce both for subsistence and for market with a particular focus on women-headed farms
- Facilitating the growth of larger family-operated farms and well-regulated corporate farms which can help meet the demand for food and industrial crops in domestic and export markets in a manner which respects the rights of agricultural labourers and is environmentally sustainable.
- Facilitating linkages between farms of different sizes through enhanced coordination in value chains and outgrowing schemes
- Creating opportunities for both women and men to move out of the agricultural sector through better health and education services in rural areas, expanded social safety nets, the realisation of their agricultural assets at fair value, vocational training, resettlement assistance, better preparedness for migration and investment in labour-intensive growth in both rural and urban areas.

As noted above, small-scale agriculture will continue to play a critically important role in Vietnam's agricultural transformation both in terms of ensuring local food security and reducing rural poverty. With appropriate private and public support, small-scale agriculture can be just as productive - and more sustainable - than large-scale, high external input agriculture. There is an impressive body of empirical evidence showing an inverse relationship between farm size and land productivity.<sup>5</sup> Expanding investment in small-scale agriculture will enhance productivity and diversification which will reduce vulnerability, enhance food security, increase household incomes and release labour which could be used more productively in other sectors of the economy. As rural households spend more of their income locally, investment in small-scale agriculture will contribute to the growth of rural economies and local off-farm employment opportunities which will make rural-to-urban migration more of a choice than a necessity.

That said, growth in commercial-scale agriculture is also needed to meet national and international demand that cannot be met through subsistence and small-scale farming. This does not require a whole-scale conversion to large-scale, high external input, industrialised farming which in any case would not be environmentally or socially sustainable in a country where the natural resource base is already under pressure, the agricultural sector is dominated by small, owner-operated farms and 50% of the workforce is still engaged in the agricultural sector. Rather, there are significant benefits to gain from building on complementarities amongst farms of various sizes and modes of production. This includes integrating subsistence and small-scale farmers into value chains and expanding out-grower schemes of various types. As a result, greater public and private investment is needed both in small-scale agriculture which addresses the needs and aspirations of subsistence and small-scale farmers **and** the reform of industrialised agriculture in ways which enhance productivity, reduce poverty, reverse ecological decline, enhance gender equity and respect and protect minority rights.

As noted above, these changes will have implications for the way land is distributed, used and regulated. These are listed below and elaborated in more detail in section 4 of the paper.

- Recognition of customary rights to land and natural resources and respect for customary approaches to resource governance.
- Improving land use planning through greater involvement by empowered small-scale farmers and forest users
- Improving access to crop and forest land for small-scale farmers and forest users, with particular attention to minorities and women-headed households

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<sup>4</sup> This will require a number of changes which are beyond the scope of this paper e.g. improved access to credit, crop insurance, better rural infrastructure such as decentralized irrigation schemes and post-harvest storage facilities etc.

<sup>5</sup> Oxfam, 2011, p. 20

- Strengthening the property rights of small scale-farmers and forest users with particular attention to the rights of women-headed households
- Supporting land consolidation and accumulation whilst avoiding unnecessary concentration
- Allowing greater flexibility in land use
- Ensuring farmers and forest users are able to realise the fair value of their land and related resources whether through market exchange or compensation

### 3. THE EVOLUTION OF LAND POLICY AND PRACTICE IN VIETNAM<sup>6</sup>

The way in which land is distributed, used and regulated in Vietnam has been politically contested for at least a century. As noted by Kiekvliet, there at least four schools of thought which have informed this political contest: the free market school which in the name of efficiency champions private ownership of land and land markets; the socialist school which emphasizes public ownership, an equitable distribution of land and often champions large-scale agricultural production through the pooling of resources; the family farming school which emphasizes that land should be held and farmed by individual households and a community-centered school which emphasizes local, communal ownership and decision making over how land is distributed and used.<sup>7</sup> The socialist and free-market schools dominated policy making by the governments that ruled Vietnam for the first 80 years of the 20<sup>th</sup> century. For the last 30 years, the free market school has predominated but this continues to be tempered by features of the socialist, c community and particularly family-centered schools.<sup>8</sup> The evolution of land policy and practice in ways which reflect these four schools of thought is elaborated in more detail below.

During the French colonial period, most farm land was owned by French plantation owners or large Vietnamese landlords and communal land was privatised. Up to 60% of the population was landless and worked as tenant farmers or wage labourers on plantations.<sup>9</sup> This was a key driver of political unrest and the war of independence.<sup>10</sup> After independence, the Democratic Republic of Vietnam banned tenant farming and redistributed land to around 73% of the population in the north between 1953 and 1956. This policy was reversed soon after and most agricultural land was transferred from households to cooperatives in 1959-60. Most forest land – which had traditionally been managed by predominantly ethnic minority communities in accordance with customary law – was allocated to cooperatives and state forest enterprises from the late 1960s onwards. Following an initial increase, agricultural productivity declined but collectivization continued so that by the mid-1960s approximately 90% of land was held by small, hamlet-based cooperatives.<sup>11</sup> In the south, the American-supported Vietnamese government supported free markets, the private ownership of land, the elimination of communal ownership in upland areas and land accumulation. The government returned land to land-owners that had been redistributed to peasants prior to 1954 and generally backed large land-owners in any disputes with the peasantry. This continued up until 1970

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<sup>6</sup>This section draws primarily on articles by Kiekvliet (2006), Do and Iyer (2008), Nghia (undated) and Tan and Sikor (2011).

<sup>7</sup> Kiekvliet, 2006, pp. 5-6

<sup>8</sup> *ibid*, pp. 7-8

<sup>9</sup> Do and Iyer, 2008

<sup>10</sup> Kiekvliet, 2006, p. 2

<sup>11</sup> Do and Iyer, 2008

when – in a belated attempt to win over the peasantry – it introduced a land-for-the-tiller program with a land ceiling of 20 ha per household which contributed to the creation of a middle-class peasantry.<sup>12</sup>

Following reunification in 1975, the generally small and fragmented cooperatives in the north were progressively consolidated so that by 1979 almost 97% of rural households in northern Vietnam belonged to 4,151 cooperatives. In the south, the government banned tenant farming and piloted cooperatives as a precursor to large-scale collectivization but this was not successful, particularly in the Mekong delta and southeast region where only 6% and 20% of land was collectivized respectively.<sup>13</sup> By the late 1970s, collectivization was “collapsing from within” in the north and had virtually stopped in the south as a consequence of declining productivity, growing hunger and rampant inflation. These problems were exacerbated by the cessation of food aid from China and the Soviet bloc and the diversion of resources to support the war in Cambodia and the border war with China but were primarily due to the systemic failure of enforced collective farming and an enduring preference for family farming in the lowlands and – to a lesser extent - communal ownership and community-based decision making on the use of land in the uplands.<sup>14</sup> In contrast, forest land continued to be managed by cooperatives and an increasing number of state forest enterprises which by the end of the 1980s were still managing 6.3 million ha of forest land.<sup>15</sup>

Following the introduction of Doi Moi and the enactment of the first Land Law in 1987, agriculture was decollectivized and the agricultural land holdings of cooperatives were progressively leased out to individual households. Land law and regulations during the period focused particularly on crop and forest land. Under the terms of Resolution 10 in 1988, farming households were granted use rights initially for 15 years for annual crops and 40 years for perennial crops. These could not be sold although some informal exchange occurred at the local level. The second Land Law in 1993 granted five rights to land users – transfer, exchange, lease, inherit and mortgage - and extended the lease term to 20 years for annual crops and 50 years for perennial crops and for forest land. These measures were operationalized through the issuing of Land User Rights Certificates (LURCs). The return to household-based farming, increased security of tenure and freeing up of input and output markets triggered a resurgence in agricultural productivity which increased by 5.5% per annum between 1990 and 2004.<sup>16</sup>

In the forest sector, deforestation and the high cost of forest protection forced the government in 1991 to authorize the devolution of forest management from state forest enterprises to a wider range of stakeholders. The first forest land allocation program (FLAP1) started in 1993 with the aim of improving productivity in agro-forestry and improving forest sustainability. Decree 02/CP in 1994 provided the legal framework for transferring forest land which individuals – but not communities - in a similar manner to that underway for agricultural land. This initially focused on barren forest land for the purposes of reforestation. Forest land allocation was governed by a number of conditions, including bans on customary practices such as swidden agriculture and the “bundle of rights” was

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<sup>12</sup> *ibid*

<sup>13</sup> Do and Iyer, 2008

<sup>14</sup> Kiekvliet, 2006, pp. 15-17

<sup>15</sup> Sikor and Tan, 2011, p.5

<sup>16</sup> Tuan, 2009, pp. 4-5

less than for agricultural land i.e. rights could be bequeathed and used to raise capital but could not transferred or leased.<sup>17</sup>

From the early 1990s, the Government of Vietnam (GoV) has actively promoted industrialization which has created growing demand for land for urban-industrial expansion. Subsequent changes to the Land Law and associated decrees and resolutions have largely reflected this shift in policy and the increasing demand from urban dwellers, state-owned enterprises and private investors for increased certainty in property rights which has overshadowed the voice of farmers and forest users who have little influence over policy making at the national level.<sup>18</sup> The ability to transfer - i.e. to buy and sell - land use rights and the issuing of LURCs which followed the enactment of the 1993 Land Law had effectively created the first formal land market in Vietnam but the value of land was still tightly regulated by the state and land for urban-industrial expansion could only be acquired through compulsory land recovery from farming households.<sup>19</sup> To facilitate urban-industrial expansion, decrees and resolutions on land between 1993 and 1998 extended limited land use rights to domestic and foreign investors and the state kept land values at 10-30% of the market price, effectively subsidizing investors at the expense of farmers and forest users.<sup>20</sup> The government also issued decree 01/CP in 1995 which allowed SOEs to contract out their still large crop and forest land holding to households who were granted very limited use rights. In the forest sector, these contracts were often short-term and emphasized protection over production.

The 2003 Land Law further facilitated investment and urban-industrial expansion by i) allowing LURCs to be used as collateral for loans, for guarantees and as a capital contribution in the formation of companies; ii) by allowing voluntary land conversion between farmers and investors and iii) by extending permanent and stable use rights to residential land users. Use rights for farming households were left largely unchanged in the 2003 Law although compensation for land recovered by the state was to now be based on market prices. However, the determination of such prices was still left in the hands of provincial authorities, a problem which is elaborated in more detail later in this paper. The 2003 Law recognized community land tenure for the first time by sanctioning land allocation to village collectives and the 2004 Forest Protection and Development Law endorsed community forest tenure and defined conditions under which villages could receive forest land collectively. A revised Forest Land Allocation Program (FLAP2) followed soon after which – amongst other things - extended property rights over forest land to include transfer and lease and set a ceiling on forest land holdings.<sup>21</sup> Other land-related decrees and resolutions since 2003 have – with the exception of the recognition of land use rights of users who do not have legal documents - continued to focus primarily on urban-industrial expansion through the promotion of foreign direct investment in property development and establishing more transparent procedures for compulsory land conversion, compensation and settlement of land disputes.

As a result of this policy bias in favour of urban-industrial expansion, tensions over land have increased and the number of land disputes has increased dramatically in the last decade. This had led to calls for a revision of the 2003 Land Law which is now underway. From Oxfam's perspective,

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<sup>17</sup> Sikor and Tan, 2001, pp. 5-13

<sup>18</sup> Pham Duy Nghia, undated, p. 2

<sup>19</sup> World Bank, 2011, p. 2

<sup>20</sup> Dang Hung Vo, 2009, quoted Nghia, p.2

<sup>21</sup> Borras Jr, 2008, p.6



there are a number of issues which need to be addressed in development and implementation of the revised Land Law which are outlined in more detail below.

## **4. CURRENT ISSUES IN LAND MANAGEMENT POLICY AND PRACTICE**

### **4.1 LAND USE PLANNING**

Land use planning is very important as it forms the basis for land allocation and registration, land leasing, land recovery and changing land use purpose. There has been little or no change in the government's approach to land use planning since Doi Moi. Land use planning is still largely an internal government exercise which is top-down and has relatively weak linkages to other planning processes such as Socio-Economic and Development Planning.<sup>22</sup> The principles of land use planning articulated in Article 21 of the 2003 Land Law focus primarily on ensuring alignment between land use plans developed at lower levels with those already approved at higher levels. Whilst land use planning must be "democratic and disclosed publicly" the 2003 Law does not provide guidance on who should be consulted, how consultations should be conducted and disputes resolved. Whilst the Vietnam Farmer's Union has played a supportive role with farmers in some localities and on some issues, it primarily serves the interests and promotes the policies of the Party and the government and rarely acts a counterweight in advancing the rights and interest of small-scale farmers and forest users in policy development and planning. As a result, the voices of poor people are rarely heard in land use planning processes and their choices are often ignored in land use plans. VHLSS 2008 data indicates that 60% of respondents had not been consulted in the development of commune land use plans and 77% had little or no information about the approved plans.<sup>23</sup> Rather than balancing the interests of diverse user groups, land use plans currently focus on securing land for urban-industrial expansion, maintaining land for wet-rice production and forest conservation.<sup>24</sup> This marginalizes farmers in general and upland farmers and forest users in particular.

More positively, case studies commissioned by Oxfam show that participatory land use planning can enable communities and government to make effective use of land, natural resources and community capabilities by giving voice to and respecting the choices of local people. Participatory land use planning helps raise community awareness and cohesion, generates consensus amongst different stakeholders on land use purposes, better incorporates local values, knowledge and practices in land use plans and encourages the effective utilization of communal land, forests and water.

In order to strengthen the voice, protect the rights and respect the choices of small-scale farmers and forest-users in land use planning, the Government of Vietnam (GoV) can:

- a. expand the principles which inform land use planning in the revised Land Law to include:
  - recognition of customary rights to land and natural resources, including the right to free, prior and informed consent (c.f. section 4.3)
  - respect for existing land and resource rights
  - ensuring food security and addressing climate change;

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<sup>22</sup> Vietnam Development Report 2011, p. 47

<sup>23</sup> *ibid*, p. 49

<sup>24</sup> Land Concentration and Accumulation, Dang Hung Vo, p. 9

- enhancing gender equity
  - enhancing social and environmental sustainability
  - ensuring accountability and transparency
- b. create an enabling environment for the development of broad-based, independent and accountable farmer and forest-user organisations at local, provincial and national levels which can engage effectively with government agencies and private sector actors in the development of land policy, land law and land use plans;
  - c. further develop procedures for information dissemination, consultation, decision making, public disclosure and dispute resolution in land use planning
  - d. strengthen the capacity of state agencies to undertake participatory land use planning, particularly at commune and district levels.

## **4.2 LAND RECOVERY AND LAND USE CONVERSION**

From the early 1990s, the GoV has actively promoted urban-industrialization which has led to large-scale land use conversion. During the period 2001-2010, nearly 1 million ha of agricultural land – an average of 100,000 per year – was converted to non-agricultural purposes, including for industrial zones, export processing zones, transport infrastructure, urban development, tourism and recreation facilities.<sup>25</sup> This is particularly problematic in peri-urban areas. The GoV is also promoting agro-industrialisation which is leading to large areas of land in rural areas - particularly communal land - being acquired for agribusiness expansion. As shown in case studies commissioned by Oxfam, large-scale land-use conversion raises enormous challenges in regard to loss of farm-based livelihoods, a lack of suitable vocational training and off-farm employment opportunities for small-scale farmers and forest-users, inadequate compensation, poorly designed and delivered resettlement schemes and environmental degradation.<sup>26</sup>

Up until the promulgation of the 2003 Land Law, land could only be recovered through compulsory acquisition by the state. Land prices were regulated by the state and typically set at 10 – 30% of the prevailing market rate. Moreover, there were few if any regulations governing compensation and resettlement. As a result, farmers and forest-users who lost land during this period received very little compensation. In the absence of appropriate vocational training, remunerative off-farm employment opportunities and social safety nets, those who lost all or most of their land were typically forced to work as agricultural wage labourers or in the informal sector. The 2003 Land Law retained compulsory acquisition but also introduced voluntary land conversion based on mutual agreement between investors and land users who could now choose to transfer, lease or contribute their land as capital to economic projects. It also required market prices to be used to determine compensation. Despite these changes, more than 30,000 petitions relating to land disputes were received by MoNRE between 2003 and 2006 which then doubled to 60,000 between 2006 and 2010<sup>27</sup>. A nation-wide assessment of the implementation of the Land Law by MoNRE in 2005 found

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<sup>25</sup> Recognising and Reducing Corruption Risks in Land Management in Vietnam, World Bank et.al, 2011, p. ix

<sup>26</sup>

<sup>27</sup> Vietnam Development Report 2010

that 70% of all complaints were related to improper execution of land compensation and resettlement procedures and 50% applied to the large discrepancy between the land price applied for compensation and market value for the land, particularly agricultural land.<sup>28</sup>

These disputes are driven by a number of problems with both the law and its implementation. First, there is an excessive reliance on compulsory land-use conversion as a way to open up new land for urban-industrial and agribusiness expansion which works against the interests of small-scale farmers and forest-users. Second, provincial and local authorities – who are competing with other provinces to attract investment and in some cases to exploit rent seeking opportunities - are often biased in favour of investors. Land use plans are often formulated, revised and approved on the basis of investor's commercial plans as a result.<sup>29</sup> Third, communities have relatively little knowledge of their rights under law in regard to both voluntary and compulsory land use conversion, lack the knowledge and skills to assess the costs, benefits and risks of investor proposals and - as noted in section 4.1 - have little bargaining power in their negotiations with companies and state agencies. Fourth, the grounds for recovery outlined in Article 40 of the 2003 Land Law are still quite broad. In addition to recovery in the national/public interest, these include the implementation of investment projects which are 100% foreign funded and economic investment by domestic investors which is deemed to be in the “national interest”. Fifth, the compensation paid for agricultural land which is converted to urban-industrial use is based on its value as agricultural land rather than on its value as commercial or residential land which creates significant opportunities for rent seeking. Sixth, the value of agricultural land is determined based on the profits from agricultural production which are often very low and does not sufficiently take into account non-monetary values, security and loss of future earnings. Seventh, the lack of guidance for determining applicable land prices means that each province or city offers different solutions. In the vast majority of cases values continued to be determined by administrative decision rather than by market valuations or direct negotiations between buyers and sellers. Seventh, land use conversion is being approved without adequate assessment of social, environmental and economic impacts. Eighth, benefit sharing schemes are poorly designed and implemented by companies and are not being enforced by the state. Ninth, finding appropriate land for resettlement schemes is increasingly difficult and the schemes themselves are often poorly designed, funded and delivered. Tenth, the increasing demand for land-use conversion in both rural and peri-urban areas is outstripping the capacity of local government to resource and effectively manage the associated processes of acquisition, clearance, compensation, resettlement and livelihoods restoration. Finally, the mechanisms for dispute resolution and holding government and private sectors actors accountable for implementation failures or corruption are poorly developed.

The GoV can address these problems by:

**a. reducing the need for compulsory land recovery**

- strengthening land use planning (c.f. section 4.1)
- improving the utilisation of land already set aside for urban-industrial expansion
- improving the functioning of land markets and further encouraging voluntary land use conversion through transfer, lease or capital contribution.

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<sup>28</sup> World Bank 2011, Compulsory Land Acquisition and Voluntary Land Conversion in Vietnam, p. 16

<sup>29</sup> Recognising and Reducing Corruption Risks in Land Management in Vietnam, World Bank et al, p. xi

- promoting out-growing schemes of various types as an alternative to land recovery for large-scale plantations and commercial farms in rural areas
- removing foreign direct and domestic economic investment as grounds for compulsory recovery
- more clearly defining public interest as a ground for compulsory recovery and doing so in a manner which is sufficient for judicial review

**b. improving the process for land recovery and land-use conversion**

- recognising in law the right of minority communities to give or withhold their free, prior and informed consent to all proposals which affect customary lands, including those proposals which are defined to be in the public interest
- strengthening standards and procedures for land recovery with a focus on information dissemination, ex-ante impact assessments, consultation with affected communities, transparency in decision making and the right of appeal
- requiring companies and/or government line agencies to undertake impartial social, environmental and economic impact assessments of large-scale projects and agricultural sector plans prior to approval and develop mitigation plans which address unavoidable negative impacts
- requiring full disclosure of information on projects which may lead to land-use conversion, including details of contracts and the results of impact assessments.
- enabling civil society organisations to provide independent support and advice to farmers, forest-users and other community members that are likely to be affected by land-use conversion
- building the capacity of land administration officials to effectively implement new/revised procedures.

**c. maintaining or improving the livelihoods of those displaced by compulsory land recovery**

- ensuring that compensation payments are based on valuations provided by certified, independent appraisers which take into account proposed rather than existing land use, market rates, non-monetary benefits and income forgone.
- providing compensation to those leasing land from SOEs to a similar standard as compensation provided to those who have been allocated land by the state (c.f. sections 4.4 and 4.6)
- requiring investors benefiting from land recovery to implement benefit sharing schemes
- establishing a fund for compensation and resettlement schemes which is funded by investors and the state
- strengthening standards for the design and timely delivery of resettlement schemes and holding investors accountable for the effective implementation of these schemes
- strengthening third party monitoring of compensation, benefit sharing and resettlement schemes and mechanisms for holding investors and state agencies accountable for implementation failures
- expanding the provision of vocational training which is relevant to the needs, capacities and aspirations of former agricultural workers/farmers and investing in alternative livelihood schemes
- putting in place social safety nets for those who are unable to access or fail to benefit from compensation, resettlement and alternative livelihood schemes.

**d. impartially addressing grievances of communities that have already been affected by land-use conversion which has occurred without their free, prior and informed consent**

- in instances of significant public concern and evidence of negative impacts, consider a time-limited freeze on further large-scale land-use conversion to assess impact and where needed remedy to prevent, reduce or mitigate any negative impacts
- where possible, the original parcels of land should be returned to those who suffered the loss
- where this is not possible, provide prompt and just compensation and strengthen social safety nets as per point c. above

#### 4.3 CUSTOMARY RIGHTS

Vietnam's 53 ethnic minority groups live primarily in the East and West Northern Mountains, the North Central Coast and Central Highlands. Although they make up only 15% of the total population, they account for 47% of the poor in Vietnam. Nearly two thirds of ethnic minorities lived below the poverty line in 2010 and most continue to rely primarily on agriculture and forest-related activities for their livelihood.<sup>30</sup> Minority communities have owned and managed land, forests and water resources in accordance with customary law and practices for generations. As such, land, forests and water are central not only to their livelihoods but also to their political and cultural identity. However, minority access to and control over customary land and associated natural resources has come under increasing pressure as a result of in-migration, infrastructure development, large-scale resource extraction, agribusiness expansion and sequestration for military use, all of which have led to large-scale appropriation of customary land and natural resources by in-migrants, state and private sector actors. The rights of minority communities to land, forests and water have been eroded over time, whether through the privatization of customary lands in the pre-independence period, the collectivization of most agricultural land in the lead up to and post-unification, the nationalization of forest resources in the 1960s and the nationalization of all land which occurred with the passage of the 1992 constitution. This was rectified to some extent by the relatively equitable allocation of agricultural land to households from both majority and minority populations in the late 80s and early 90s but many problems remain as outlined below, particularly with forest land.

Article 5 of the 1992 constitution prohibits discrimination on the basis of ethnicity and recognizes the right to ethnic identity but focuses particularly on the "soft" elements of identity such as language, writing and custom without making any explicit reference to "hard" elements of identity such as control over land, forests and water or political authority within identified territory. Instead, the constitution vests ownership of all land in the "the people" with the state as the representative owner. This means that there is no constitutional recognition of the customary ownership and governance of land and associated natural resources such as exists with ancestral domain in the Philippines or native title in Australia.<sup>31</sup>

The allocation of agricultural land which occurred as a result of the de-collectivization of agriculture in the late 1980s and early 1990s clearly benefited both minority and majority populations even if the resulting bundle of property rights fell short of full ownership (see section 4.4 below). However, the issuing of LURCs for agricultural land has been slower in upland than in lowland areas, de-facto privileging the Kinh majority over ethnic minorities (see section 4.5 below). Moreover, these

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<sup>30</sup> World Bank, 2012, pp. 8-9

<sup>31</sup> Truong and Genotiva in Sikor and Tan (eds), 2011, pp. 20-21

allocations were made primarily to households and individuals rather than to communities which marginalized customary approaches to land governance which emphasize community ownership and collective decision making. The 2003 Land Law allowed for communal land to be allocated to village collectives for the first time but most agricultural production land continues to be held by households and state farms rather than by communities. Moreover, village collectives must be legal entities which then have the authority to transfer LURCs to third parties i.e. to transfer the effective ownership of customary land to private or state actors, further eroding customary ownership and governance of land and natural resources.

The inequitable allocation of forest land and the mismanagement of forest resources have also had a significant impact on the customary rights and livelihoods of ethnic minorities. There are approximately 5 million households - 24 million people - living in rural upland areas in Vietnam either within forests or in close proximity to forests, the majority of whom are from ethnic minority communities who have traditionally relied heavily on forests for their livelihoods.<sup>32</sup> Forest land that was traditionally owned, managed and used by ethnic minorities for spiritual practices, cultivation, grazing and the collection of non-timber forest products (NTFPs) has since been nationalised by the state, classified as forest land and distributed amongst a wide range of user groups, including state agencies and households and individuals that are not from ethnic minorities. Despite a policy commitment of allocating most forest land to local people, 50% of all forestland has been allocated to state agencies including Management Boards, State Forest Enterprises and the Armed Forces. Management Boards and State Forest Enterprises often contract out their protection obligations to households in exchange for a small salary (c.f. section 4.4 for more detail). Another 18% of all forest land - approximately 2.7 million ha - is under the temporary management of Commune Peoples Committees pending allocation to designated forest user groups. Only 23% of forest land has been allocated to non-state actors, including 22% to households and 1% to communities.<sup>33</sup> This inequitable initial allocation has been compounded by “forest crimes” which typically involve corrupt officials who ignore the illegal actions of others, misclassify land or facilitate illegal land confiscation or conversion. A World Bank study on forest law enforcement conducted in 2010 estimates that there are 30,000 to 50,000 of such cases per year.<sup>34</sup>

By late 2007, only 3.1 million ha out of approximately 4.5 million ha of forest production land had been allocated and certified to 1.1 million households with most of this in the midlands.<sup>35</sup> This shows that the certification of forest land is lagging well behind the certification of agricultural and residential land and that a large majority of the 5 million households living in upland areas have not received any forest production land at all. The process of allocating forest production land to households and communities has favoured richer, more influential households both because allocation was based on whether households had sufficient labour and capital to conduct forest activities on a profitable basis and because these households had better access to information and greater influence over decision making. These households were able to obtain large areas of forest land because the current cap on household forest land allocation of 30 ha was only introduced in 2003. Moreover, households and communities were initially only allocated poor quality/degraded

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<sup>32</sup> Hoang and Son, 2007, p.2

<sup>33</sup> Sikor and Tan (eds), 2011, p. 7

<sup>34</sup>

<sup>35</sup> Hoang and Son, 2007

forest production land for reforestation purposes with better quality land remaining in the hands of Management Boards and State Forest Enterprises. Those allocated forest land which was covered by natural rather than plantation forest have very limited rights to the forest itself. This is explored in more detail in section 4.4.

As with agricultural production land, forest land could not be allocated to communities up until 2003. This was incommensurate with customary practices of forest governance in upland areas. Various small-scale community-based forest management pilots were operating from the late 1990s and the 2003 Land Law and the 2004 Forest Protection and Development Law subsequently sanctioned land allocation to village collectives, endorsed community forest tenure and defined conditions under which villages could receive forest land collectively. As a result, community-based forest management has now been piloted on a large scale in 10 provinces but still only 1% of forest land is managed by communities and the state continues to play a strong role in determining how forest land is allocated and how forest resources are used within these communities.

In summary, the nationalization of land and natural resources, land use planning, land allocation and registration and forest management practices in Vietnam have worked against the rights and interests of minority communities. Land ownership and land use planning have largely ignored customary rights, land allocation and certification in upland areas has lagged behind land allocation in midland and lowland areas and the allocation and utilization of forest land has – both in policy and practice – favoured protection over use, state agencies over households and communities, richer/influential households over poorer/marginalised households and individual over communal rights. This appropriation of customary land and forest resources and concomitant bans on swidden agriculture and restrictions on other customary practices such as grazing and the collection of non-timber forest products in protection and special use forests have led to local increases in food insecurity and declining incomes for minority communities. This has sparked increasing conflict between minority communities, forest officers, SOEs, in-migrants and other user groups.

The Government of Vietnam can enhance the rights of ethnic minorities and improve their livelihoods by:

**a. Strengthening customary rights in law:**

- explicitly recognising customary rights to land and natural resources and customary approaches to resource governance in the Vietnamese Constitution
- include customary rights to land and natural resources as a foundation of the Land Law and the Forest Protection and Development Law
- expand the bundle of rights attached to forest land that is allocated to communities and households

**b. Increasing access to and control over forest land for ethnic minority communities:**

- reduce the total land area set aside for protected and special use forests in favour of production forests.
- speed up the allocation of unallocated forest production land which is current managed by Commune Peoples Committees through participatory land use planning processes which take into account customary approaches to resource governance

- review and where appropriate reallocate forest production land that is currently held by state forest enterprises (c.f. 4.5)
- speed up the certification of forest land that has already been allocated to households and communities.

c. **Improving the utilisation of forest resources by ethnic minority communities:**

- Explicitly recognise the role of minority communities in forest governance and respecting their values, knowledge, skills and capacities in forest management
- Place a stronger emphasis on livelihoods and food security relative to conservation in forest management planning
- Review existing community-based forest management pilots, adapting policy and regulations based on lessons learnt and replicate successful pilots on a national scale.
- Develop forest management plans through negotiations between minority communities and local authorities in accordance with minimum procedural requirements and within agreed national safeguards addressing social and environmental concerns
- Expand joint management arrangements for protected and special use forests which involve both ethnic minority communities and local authorities.

#### 4.4 PROPERTY RIGHTS

Successive law reforms have significantly broadened the scope and extended the duration of the “bundle of rights” which can be exercised by land users in Vietnam. As outlined in Article 106 of the 2003 Land Law, these now include the right to exchange, transfer<sup>36</sup>, lease, sub-lease, bequeath and donate land use rights; the right to mortgage, guarantee and contribute capital using land use rights and the right to receive compensation upon recovery. Taken as a whole, these rights now approximate land ownership even though ownership of all land remains constitutionally vested in “the people”. However, these rights are often limited in law, either by reducing the number of rights apply to particular types of land or by setting time limits on the exercise of the rights. These limitations are outlined in more detail below.

Those entering into **forest protection contracts** in exchange for payment by Management Boards or State Forest Enterprises have the least rights. These contracts are usually short-term, renewable annually and emphasise protection obligations over use rights. Contract holders can continue to cultivate pre-existing permanent plots but the creation of new plots and swidden agriculture is banned. They can also harvest non-timber forest products, collect dead wood and old trees in natural forests and harvest mature trees from plantation forests in accordance with regulations but they do not have any rights over the land itself which remains vested in state agencies.

Those **leasing agricultural land** from SOEs have minimal land use rights. Lease holders are able to exercise rights over assets that they own which are attached to the land but they do not have any rights over the land itself. If the land lease is revoked, then compensation is based only on the value of the crop, tools and investments made, not the land itself. As a result, the revocation or non-renewal of a land lease can dramatically reduce or even destroy the livelihoods of poorer farmers

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<sup>36</sup> This is the equivalent of buying and selling expect what is being bought and sold is the land use right rather than the land itself.



who do not have any other land or the knowledge/skills to take up more remunerative off-farm employment.

Those **allocated agricultural land** by the state can exercise the full bundle of rights in Article 106 but these are subject to term limits i.e. 20 years for annual crop land and 50 years for perennial crop land. These term limits also apply to leased land. This means that the use rights for leased or allocated agricultural land - which were formalised with the passage of the first Land Law in 1993 - will start to expire in 2013. The law makes provision for the extension of these use rights under certain conditions<sup>37</sup> but the uncertainty has acted as a brake both on agricultural improvement and on the transfer of land use rights in land markets because the value of land approaching the term limit is unclear.

The use of forests on forest land is governed by the Forest Protection and Development Law which allocates use rights based on the type of forest cover. Those who have been allocated forestland which is covered by **plantation forest** have the same bundle of rights over the forest resource as they do over the land itself. However, those who have been allocated forestland which is covered by **natural forest** can harvest timber from the forest but they cannot exchange, assign, lease, bequeath or donate their rights to the forest resource. They can use their rights to mortgage, guarantee and contribute capital but only up to the value of any improvement they have made to the forest which is very difficult to assess and verify.<sup>38</sup>

**Domestic investors** can obtain land for projects either through being allocated land from the state or leasing land with the payment of an annual fee. Their bundle of rights is generally the same as for households and individuals that have been allocated or have leased agricultural land. **Foreign investors** cannot be allocated land but they can lease land from the state with either payment of an annual fee or a one-off payment of the entire lease fee up front. The lease period is usually up to 50 years but can be up to 70 years for projects which meet particular criteria such as high up-front costs and slow capital recovery and these leases can be extended on request. Unlike domestic investors or households that have leased land, foreign investors who pay their lease fee up front can transfer, sub-lease, mortgage, guarantee and make capital contribution using their land use right. As a result, domestic investors who lease land are now pushing for – and are likely to receive - equal treatment with foreign investors.<sup>39</sup>

In contrast to both farmers and forest users, those who have been **allocated residential land** can exercise the full bundle of rights on a “stable and permanent basis” i.e. without any term limits. As a result, residential property rights in Vietnam most closely correspond with freehold title.

The GoV can strengthen the property rights of small-scale farmers and forest-users by:

- a. either **abolishing term limits** on agricultural land which has been used in accordance with the Land Law or **renewing term limits** when they expire, either for the same or preferably a longer period e.g. 50 years for annual crop land. Abolition would ensure equal treatment between urban and rural land users. Renewal would be less equitable but would still provide farmers and

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<sup>37</sup> The user still needs the land, has complied with land legislation and has used the land in accordance with land use plans.

<sup>38</sup> Hoang and Son, 2007

<sup>39</sup> Nghia, undated,

forest users with greater certainty – particularly if the renewal was for a longer term than present - whilst still providing the state with the opportunity to recover and reallocate land at the end of the lease period if this proved necessary due to changing farm demographics and agricultural economics.

- b. extending the same bundle of rights to households leasing agricultural land from the state** as is currently extended to those who have been allocated agricultural land and to foreign investors who pay the lease fee up-front i.e. giving lease-holders the right to transfer, sub-lease, mortgage, guarantee and make capital contribution and the right to receive compensation for land that is recovered by the state.
- c. expanding the bundle of rights to forest resources that are granted to forest users** who have been allocated natural forest land with this to be negotiated between local communities and local authorities in accordance with minimum procedural requirements and national environmental and social safeguards (c.f. section 4.3).

#### **4.5 LAND USE CERTIFICATION**

Formal property rights are increasingly seen as a vital determinant of economic growth and poverty reduction. Formal property rights can reduce boundary disputes and help realize the full value of property either in market exchanges or in compensation in the event of compulsory land acquisition. They can also reduce the risk of expropriation and facilitate access to credit, both of which encourage investment in agricultural improvement which typically leads to crop diversification and increased yields which in turn reduces risk and improves household incomes. If this investment is labour saving such as a shift from annual to perennial crops then it can free up time for off-farm employment which has become a key driver of reduction in rural poverty in Vietnam.<sup>40</sup> As rural households spend more of their incomes locally, this contributes to the development of a vibrant rural economy and – through backward and forward linkages – to a vibrant urban-industrial economy.

The formalization of property rights in Vietnam is done through the issuing of LURCs which operationalize the property rights which were first codified in the 1993 Land Law and extended under the 2003 Land Law. The issuing of LURCs occurs in two ways: mass issue on a village or commune wide basis which is usually associated with allocation of land by the state and individual issue which is usually associated with the transfer or mortgaging of land. The initial issuing of LURCs in the 1990s in Vietnam progressed with impressive speed and without evidence of widespread abuse.<sup>41</sup> Despite this, the issuing of LURCs is still lagging behind land allocation. By 2010, a remarkable 31.3 million LURCs had been issued but these still only covered 50% of the total land area and only 50% of all land parcels. LURCs had been issued for almost 80% of all agricultural production and residential land but only around 60% of forest land and less than 10% of other non-agricultural land, particularly mountainous and hilly areas<sup>42</sup>. An analysis of VARHS 2008 data for 12 provinces shows wide variations in the allocation of LURCs by province and by wealth with the

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<sup>40</sup> World Bank June 2012

<sup>41</sup> Do and Iyer, 2008

<sup>42</sup> Vietnam Development Report 2011, World Bank, p. 36

poorest provinces having the lowest proportion of households with LURCs and poorer households less likely to hold LURCs than richer households.<sup>43</sup> Despite the prominent role played by women in agriculture in general and the increasing number of women-headed agricultural households in particular, LURCs are still more likely to be issued in the name of men rather than women.<sup>44</sup>

Various reasons are given for the delays in issuing LURCs. Land administration generally has suffered from a lack of finance at the provincial and district level, insufficient and poorly trained staff and weak supervision.<sup>45</sup> The issuing of LURCs for forest land has been particularly problematic due to poor map coverage and quality, inadequate surveying, conflicts over plot measurements and ownership, rapid land use conversion, bureaucratic procedures and resistance from local authorities.<sup>46</sup> Whilst formal fees are low by international standards, the issuance of LURCs and the registration of transfers are now widely perceived to be highly affected by corruption.<sup>47</sup> The Provincial Governance and Public Administration Index survey for 2011 consistently ranks obtaining a LURC as the lowest performer of all administrative procedures in all provinces and provides evidence that the average size of the bribe necessary to obtain a LURC is VND 1,000,000.<sup>48</sup>

Whilst the process of issuing LURCs has been positive overall, it has – in practice if not policy - favoured men over women, richer over poorer households and urban residents and lowland farmers over upland farmers and forest users, the majority of whom are ethnic minorities. This has reduced tenure security for these already marginalized groups and restricted their ability to capitalize on their assets whether through agricultural improvement or transactions in the land market i.e. it has reduced their rights and restricted their choices.

The Government of Vietnam can protect the rights and expand the choices of these marginalized groups by:

- a. **By prioritising issuing LURCS to small-scale farmers and forest users**, particularly those in poorer provinces and in upland areas in a manner which is affordable, participatory and transparent, gender equitable and respects and protects customary/collective ownership.
- b. **Increasing institutional capacity in land administration** through:
  - Increasing investment in land administration at provincial and district levels, particularly in poorer provinces and in upland areas
  - Improved training for land administration officers
- c. **Increasing upward and downward accountability in land administration** (c.f. section 4.10)

## 4.6 STATE-OWNED ENTERPRISES

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<sup>43</sup> Simon McCoy, 2009.

<sup>44</sup> Despite changes to the Land Law in 2003 to allow for both spouses' names to be included on a LURC, VARHS data for 2008 analysed by McCoy indicates that only 7.5% of LURCs in the surveyed provinces included the names of both the household head and the spouse.

<sup>45</sup> World Bank 2011, p.39

<sup>46</sup> Hoang and Son, 2007, p. 7

<sup>47</sup> Vietnam Development Report 2011, World Bank, p. 45

<sup>48</sup> Saigon Times, August 2012

State-Owned Enterprises (SOEs) still play a significant role in Vietnam's political economy, particularly in the industrial/service sectors. Thousands of small, loss-making SOEs were closed or merged between 1989 and 1992 and many of the remaining smaller SOEs were corporatized, equitized, merged or sold between 2002 and 2008. From 2005, the GoV promoted the consolidation of the larger SOEs to form State Enterprise Groups which now dominate sectors as diverse as rubber, ship-building, oil and gas, textiles and garments. A similar process was followed with SOEs in the agriculture and forestry sector, albeit from a smaller base and at a significantly slower pace. The reform process in this sector has been characterized by experimentation and incremental change, no doubt influenced by the interests of provincial authorities and SOE managers but also by legitimate concerns about the consequences of rapid divestment/privatisation for the large number of SOE employees and small-scale farmers who were dependent on agri-SOEs for their livelihood and the incomplete legal framework governing land managed by SOEs.

As noted in section 4.3, the allocation and use of forestland has traditionally been governed by customary law. From the 1960s onwards, the state handed control over forestland to cooperatives and a growing number of state forest enterprises (SFEs) which focused primarily on logging and had little capacity to manage forest resources on a sustainable basis. In the 1970s and 1980s about 200,000 ha of forest was lost each year and barren lands expanded from 3 million ha in 1943 to 12 million ha in 1995, driven by war, population growth, agricultural extensification, forest fires and inappropriate forest management policies.<sup>49</sup> By the end of the 1980s, over 400 SFEs were managing 6.3 million ha of forest which made up around two thirds of Vietnam's 9 million hectare forest estate at that time.<sup>50</sup> As a result of deforestation and the high cost of forest protection, the GoV started allocating forest land to households and communes in 1983. The first Forest Protection and Development Law in 1991 and Decree 02/CP in 1994 provided a legal framework for allocating forestland for management, protection and production purposes to a diversity of stakeholders including Management Boards, SFEs, the Armed Forces and households.<sup>51</sup> This was operationalized through a Forest Land Allocation Program which started in 1993. However in 1995 the GoV issued Decree 01/CP which allowed state agencies to contract out rather than reallocate land for agriculture, forestry and aquaculture. In the forest sector, SFEs issued contracts to households which were typically short term and emphasized protection obligations over use rights (c.f. sections 4.3 and 4.5 for more detail). SFEs also interfered in the forest land allocation process in some localities in order to prevent forest land being allocated to households and communities.<sup>52</sup> This allowed SFEs to retain control over large areas of forest production land which may otherwise have been allocated to households and communities. As of 2009, 15% or approximately 2 million hectares of Vietnam's now expanded forest estate was still allocated to more than 300 SFEs.<sup>53</sup> Although this is well down from the 6.3 million ha of forestland that SFEs managed in the late 1980s, it still makes up more than 40% of Vietnam's 4.5 million hectares of production forest. Despite continuing concerns about the effectiveness and efficiency of SFEs, as of 2007 only 11 SFEs had been dissolved and 757,300 ha of forestland handed over to local authorities. Of this, only 24,000 ha had subsequently been reallocated to households and communities.<sup>54</sup> As noted in section 4.3, community-based forestry

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<sup>49</sup>

<sup>50</sup> Sikor and Tan (eds), 2011

<sup>51</sup> The revised Forest Protection and Development Law in 2003 extended forest land allocation to communities.

<sup>52</sup> Hoang and Son, p. 11

<sup>53</sup> Sikor and Tan (eds), 2011, p. 7

<sup>54</sup> Hoang and Son, p. 11

offers a viable alternative to forest management by SFEs which suggests that at least some – if not most - of the forestland currently held by SFEs could be successfully reallocated to households and communities.

The decollectivisation of agriculture in the late 1980s and early 1990s resulted in most agricultural land being transferred from cooperatives to households and individuals but - as with forestland - Decree 01/CP allowed state farms to contract out rather than reallocate their agricultural land. Unlike state forest enterprises, most state farms leased agricultural land to households and individuals on a long term basis and devolved authority to make crop/business decisions to the lease-holder. Moreover, many state farms continued to fulfill a range of social functions, including employment generation and service provision not only to employees but to the wider community. Decree 135 in 2005 subsequently allowed state farms – and their equitized successors - to reduce lease terms, increase rents and exert greater influence over crop/business decisions. As noted in section 4.4, when a lease is revoked farmers only receive compensation for the value of assets that they own which are attached to the land, not the land itself. As with state forest enterprises, the reform of ownership and governance structures of state farms has been very slow. Despite starting in the 1990s, only a few state farms have been equitized to date and with mixed results. Case studies commissioned by Oxfam show that the primary beneficiaries of the equitisation process have been the state, private investors and the remaining employees. There is little information in the public domain on the number of the remaining state farms and the scale, use, productivity and flow of benefits from their land holdings although SOEs – including both state forest enterprises and state farms – are thought to hold a combined total of more than 5 million ha of forest and agricultural land. The relative success of household farming in Vietnam to date and the widely acknowledged inefficiencies of many – if not all – state-owned enterprises suggests that at least some of the agricultural land currently held by state farms could be better used by small-scale farmers.

The GoV could enhance access to and control over agricultural and forest land for small-scale farmers and forest users by:

- a. Independently reviewing the scale, use, productivity and flow of benefits from agricultural and forest land controlled by SOEs and **recovering and reallocating SOE land holdings** which are not justified in terms of productivity, employment generation or wider social and environmental benefits.
- b. **Systematically assessing and acting on the results of equitisation pilots in regard to land distribution and use**, recovering and reallocated land which has been appropriated by third parties during the equitisation process and adapting the pace, scale and modalities for the reform process in response to lessons learnt.
- c. **Strengthening the use rights of those who continue to lease land from SOEs** by ensuring lease periods are the same as for allocated land and expanding use rights to include the right to transfer, sub-lease, mortgage, guarantee and make capital contribution and to receive compensation in the event of compulsory land recovery (c.f. 4.4).

- d. Allowing those who lease agricultural land from SOEs to exercise greater control over crop/business decisions**

#### **4.7 LAND CONSOLIDATION AND ACCUMULATION**

Farm fragmentation is of two types: i) inter-farm fragmentation in which land is divided amongst many small farms; ii) intra-farm fragmentation in which each farm is divided into many non-contiguous plots, often scattered over a wide area.

From a theoretical perspective, farm fragmentation can have both advantages and disadvantages.

Farm fragmentation makes mechanization difficult and increases the amount of time and labour required to supervise, manage and secure geographically distant plots, maintain plot boundaries and to transport goods both between plots and from plots to market. It may also preclude the introduction of some crops and livestock industries which can only be profitable on a larger scale e.g. sugar and dairy.

Farm fragmentation can also have beneficial effects which are often overlooked by policy makers. Land productivity typically shows an inverse relationship to farm size i.e. smaller, household operated farms are more productive than larger farms which rely on paid agricultural labour. In addition, the diversity of agro-ecological conditions (soil quality, slope, micro-climate etc) *within* a fragmented farm can facilitate crop diversification and reduce exposure to risks such as flooding, crop disease, price fluctuations etc, facilitate crop rotation and the use of fallow periods and even out the seasonal demand for labour across different crop cycles. Other longer term benefits of intra-farm fragmentation are that land users can mortgage or sell portions of their land rather than the whole and more easily divide properties for inheritance purposes.

Vietnam has very high levels of both inter- and intra-fragmentation by international standards.<sup>55</sup> Vietnam's 14 million farming households share approximately 10 million ha of agricultural production land which is divided into approximately 70 million parcels. Whilst farm size shows considerable regional variation, the large majority of farms are less than 1 ha in size with a mean of 0.7 ha and a median of only 0.32 ha<sup>56</sup> which is extremely small compared to an average 4-4.5 ha per household in the Asia-Pacific region, 17 ha/HH in Europe and 45-50 ha/HH in the United States.<sup>57</sup> An analysis of 2010 VAHRS data shows that smaller farms have a higher value of output per hectare than larger farms but a much lower labour productivity. Once the cost of family labour is taken into account, farms of less than 0.5 ha are not profitable. For farms larger than 0.5 ha, profits per ha increase with farm size up until 3 ha. Conversely, farms with higher levels of intra-farm fragmentation deliver higher profits, even once land quality is taken into account. This may be

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<sup>55</sup> Markussen et.al, 2011, p. 2

<sup>56</sup> VAHRS data from 2010 indicates that farms are smallest in the northern (mean 0.41 ha, median 0.22 ha), larger in the south (mean 0.94 ha, median 0.36 ha) and largest in the northern uplands (mean 1.06 ha, median 0.83 ha) which reflects significantly lower quality of land. Each farm is divided into an average of 4.7 plots with a median of 4 although this also shows considerable regional variation. In the south, the typically larger farms are divided into a smaller number of plots (mean 3.7, median 3) whilst in the northern lowlands the converse is true i.e. typically smaller farms are divided into a larger number of plots (mean 5.5, median 5).

<sup>57</sup> Hoang Xuang Phuong, 2007

because intra-farm fragmentation encourages crop diversification and technological innovation although this requires further research.<sup>58</sup>

Vietnam's high level of farm fragmentation is due to a number of factors, including historical differences in land distribution between north and south, the relatively equitable land allocation<sup>59</sup> which occurred during de-collectivisation in the late 80s and early 90s, population growth and the practice of common inheritance (equal division between children) and legal/administrative constraints on land consolidation and accumulation.<sup>60</sup>

From the mid-1990s, the GoV has piloted programs in at least 20 provinces which encourage farmers to consolidate land holdings through voluntarily exchanging plots with other farmers. This has reduced intra-farm fragmentation, particularly in northern lowlands<sup>61</sup> but many farmers have not, as yet, received LURCs for these consolidated holdings because of inadequate investment in land surveying and cadastral services.

The GoV has also encouraged land accumulation through facilitating access to unused land and allowing the transfer or lease of land use rights in the formal land market. Most unused land has now been brought into use, whether for agriculture or protection purposes so accumulation will increasingly rely on market-based transactions. An analysis of VARHS data indicates that the cumulative impact of land markets on land distribution has been relatively small to date with 85% of all plots being acquired through state allocation, inheritance or land clearing and only 15% being acquired through purchase, lease or exchange although this is now changing, particularly in the south where market-based transactions are becoming much more common.<sup>62</sup> Various studies<sup>63</sup> indicate that the relatively limited market-based land transactions that have occurred to date – particularly leasing – have not only reduced fragmentation but have also tended to transfer land to households with smaller initial holdings, lower incomes, abundant labour resources and higher farming ability i.e. market-based land transactions have contributed both to efficiency **and** equity.

In addition to land accumulation, the GoV has also promoted the formation of farmers groups and cooperatives which allow for greater utilization of “lumpy” inputs such as draft animals and machinery which would otherwise not be available to individual households. This has been particularly successful in countries such as Thailand which has modernized its agricultural sector without resorting to large-scale land accumulation. However, in Vietnam this approach has been

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<sup>58</sup> CIEM Policy Brief 06 of 2012

<sup>59</sup> The initial allocations to households were based primarily on family size and labour equivalents and took into account soil quality and access to water. In addition, allocations were subject to a cap which varied by location and type of crop. For annual crop land, the cap is no more than 3 ha/HH in the south and 2 ha/HH in the centre and the north. For perennial crop land, the cap is no more than 10 ha/HH in the plains and no more than 30ha/HH in the midlands and mountains. This meant that households typically received multiple, small plots of varying soil quality and distance from water sources.

<sup>60</sup> Hung et.al, 2007

<sup>61</sup> CIEM Policy Brief 06 of 2012

<sup>62</sup> McCoy, 2009

<sup>63</sup> McCoy 2009, Ravallion and van de Walle 2008

constrained by the legacy of forced collectivization and the relative inefficiency of the many remaining “old style” cooperatives.<sup>64</sup>

In summary, the small size of household farms in Vietnam is negatively affecting the profitability of household farming, principally because of the strong inverse relationship between farm size and labour intensity. In particular, farms of less than 1 ha are at risk of becoming “poverty traps”.<sup>65</sup> Some degree land accumulation is therefore necessary to enhance labour productivity and ensure the economic viability of small-scale farming with this best addressed through market-based land transactions, supplemented by cooperative arrangements between farming households which avoid the problems associated with “old-style” cooperatives. Concerns about land concentration can be addressed through retaining caps on overall land holdings for annual crops albeit re-set at higher levels than present (e.g. 6 ha rather than 3 ha for annual crops) and/or through progressive taxation on land holdings which exceed the revised cap. Land accumulation in the context of increasing land scarcity will lead to an increase in landlessness which will need to be addressed by a concomitant increase in vocational training and the creation of off-farm employment opportunities in both rural and urban areas (c.f. section 4.2). Land consolidation will also help increase labour productivity, particularly if this consolidation reduces the distance between the family home and each plot whilst maintaining any useful diversity in agro-ecological conditions within each farm overall. This will enable farmers to continue to diversify into cash crops and manage risk whilst freeing up labour for off-farm activities which are the primary driver of increasing rural incomes in Vietnam today.

The Government of Vietnam can address these issues through:

**a. Facilitating land accumulation whilst avoiding excessive land concentration:**

- improve the functioning of land markets, particularly in the north
- increasing the area limit for annual crop land that is allocated by the state e.g. from 3 ha to 6 ha<sup>66</sup>
- maintain a progressive tax on land holdings which exceed the revised area limit

**b. Facilitating land consolidation whilst encouraging crop diversification and reducing risk:**

- Promote consolidation of land parcels which reduces the distance between the family home and each plot whilst retaining a diversity of agro-ecological conditions within each farm where possible
- Assess the results of existing pilot schemes for land consolidation – taking into account equity, efficiency and environmental considerations – and scaling-up successful pilots through a voluntary, participatory and transparent process.
- Speed up the issuing of LURCs for consolidated land holdings, particularly through expanding investment in surveying and cadastral services (c.f. 4.5).

## **4.8 LANDLESSNESS**

As a result of the relatively equitable and efficient allocation of land which occurred during the process of agricultural decollectivisation, the proportion of landless households in Vietnam is still

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<sup>64</sup> As of 2006 there were more than 7,000 cooperatives in Vietnam, most of which were “old style” (Tuan, 2009)

<sup>65</sup> One hectare is regarded as the minimum rice land area needed for farm income to exceed the poverty line

<sup>66</sup> Pro-Poor Policy Options/Vietnam: The case for land consolidation linked to labour transformation, pp. 4-5



relatively low compared to other countries in Asia.<sup>67</sup> However, landlessness is still significant and increasing, particularly in the Mekong Delta, the Northeast South and Central Highlands regions.<sup>68</sup> An analysis of Vietnam Households Living Standards Survey (VHLSS) data indicates that the proportion of landless households increased from 8% in 1993 to 14% in 2004<sup>69</sup> whilst the World Bank notes that landlessness has continued to rise in all regions since the late 1990s.<sup>70</sup> This increase has coincided with reforms to the Land Law which enhanced security of tenure and allowed users to transfer, exchange, lease, inherit and mortgage land use rights. This has raised questions about what role, if any, the creation of land markets have played in increasing landlessness. Ravallion and van de Walle argue that the increase is primarily – if not exclusively - a result of more affluent farmers shifting out of agriculture into more remunerative occupations.<sup>71</sup> This view is supported by an analysis of Vietnam Access to Resources Household Survey (VARHS) data for 2006 and 2008 which indicates that landlessness is actually lowest amongst the poorest households and highest amongst the richest households.<sup>72</sup> A recent WB analysis which draws on 2010 VHLSS data also suggests a positive relationship between rural landlessness and wealth in most regions in the north of Vietnam but notes that, in contrast, 54% of rural poor living in the southeast region and 48% of the rural poor living in the Mekong delta are landless.<sup>73</sup> This is consistent with participatory poverty assessments supported by Oxfam in Tra Vinh which highlight the links between negative shocks, landlessness and poverty.<sup>74</sup>

In summary, landlessness and near landlessness are significant and increasing in Vietnam. For wealthier farmers, landlessness has resulted from a voluntary shift into more remunerative occupations, enabled in some instances by the sale of land although many households prefer to retain land as a hedge against negative shocks. For poorer farmers, landlessness has resulted from negative shocks such as land recovery (c.f. 4.2), production failures, market failures, ill health etc which, in the absence of remunerative off-farm employment and social safety nets have led to poverty. This appears to be particularly problematic in the Mekong delta, the Northeast South and the Central Highlands. As most unused land has already been brought into use, addressing landlessness for those who wish to remain in the agricultural sector will require a combination of generating off-farm employment and redistributing existing land holdings, whether through compulsory recovery or market-based transactions. Given the relatively small size of most household farms, the most likely sources of land for redistribution are land held by state farms and state forest enterprises and land acquired illegally.

The GoV can enhance access to crop and forest land for landless and land-poor households who want to continue to work in the agricultural sector by:

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<sup>67</sup> Kerkvliet, 2006

<sup>68</sup> Nyugen et al, 2006

<sup>69</sup> According to Nyugen et al (2006), the proportion of households without any annual crop land in 2004 was 20% overall but this shows considerable regional variation, rising as high as 35% in the Central Highlands, 36% in the Mekong Delta and 50% in the Northeast South region.

<sup>70</sup> World Bank June 2012, p. 11

<sup>71</sup> Ravallion and van de Walle, 2008

<sup>72</sup> McCoy, 2009

<sup>73</sup> World Bank June 2012, p. 11

<sup>74</sup>

- a. **Clearly defining the proposed beneficiaries** such as landless labourers, minority groups, women-headed households etc through participatory and transparent processes
- b. **Increasing the area of land available for redistribution** to targeted beneficiaries:
  - Allocate currently unallocated forest land which is under the temporary management of Commune People's Committees (c.f. section 4.3)
  - Recover and reallocate land held by state farms and state forest enterprises (c.f. 4.6)
  - Expand the amount of land available in the land market by improving pathways out of agriculture for those who no longer wish or are no longer able to work in the sector (c.f. 4.2)
- c. **Ensuring the provision of a comprehensive package of support** to beneficiaries such as access to credit, extension services, market linkages etc

#### 4.9 LAND USE FLEXIBILITY

Successive land law reforms have tended to allow more flexibility in land use. This has allowed farmers to respond to market signals and has contributed to large increases in the area planted for commercial crops such as coffee, rubber, sugar cane and pepper.<sup>75</sup> This has improved farm incomes<sup>76</sup> through either diversification or specialisation, enhanced the production of higher value food crops and industrial crops necessary for urban-industrial expansion and contributed to the integration of the Vietnamese economy into the world economy.

However, land use flexibility is still constrained by a number of factors, including caps on the amount of land that be allocated to each household and restrictions on the type of crops that can be grown on each land parcel (c.f. section 4.5). Land use flexibility is also constrained by target driven plans for specific commodities which are outlined in more detail below.

The GoV sets targets for the area of land set aside for wet rice cultivation. The current target is 3.8 million ha which is less than the current 4 million ha but still represents about 38% of all agricultural land. Farmers issued LURCs for land which is designated for wet-rice production must obtain permission from the state before switching to other crops which could have the potential to either enhance food security and/or generate higher returns. In 2008, 72% of poor households in Vietnam grew rice but, with the exception of the Mekong delta, rice is grown primarily for home consumption and local markets rather than as a source of cash income. Only 18% of households were net sellers of rice.<sup>77</sup> Research by the World Bank suggests that the removal of the wet-rice land designation policy would still leave a large rice surplus as well as having significant beneficial effects on key measures of welfare such as consumption, GDP and inequality amongst household types.<sup>78</sup>

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<sup>75</sup> On-farm diversification is also affected by a range of other factors such as farmer knowledge and skills, access to credit, access to input and output markets and the current priority given to large-scale, centralized irrigation for paddy production but these are beyond the scope of this paper.

<sup>76</sup> Rising wealth amongst rural households in Vietnam is characterized by on-farm diversification into cash crops and even more importantly diversification into off-farm activities, World Bank June 2012, p. 12

<sup>77</sup> World Bank, June 2012, p. 11

<sup>78</sup> Beyond the Rice Bowl, World Bank, 2011

In addition to the wet-rice land designation policy, sector plans for other agricultural commodities which include pre-determined targets for crop volumes and/or areas planted – regardless of their merit on a macro-scale – can also restrict farmer flexibility. As most “unused” land suitable for agriculture has already been brought into production, sector expansion targets can only be achieved through land-use conversion (c.f. 4.2) or through changes in the priorities and practices of existing land holders e.g. through the promotion of particular crops by agricultural extension services which may or may not be appropriate to local context, farmer aspirations and agro-ecological conditions. Under the terms of Decree 135, farmers leasing land from agri-SOEs can also be required to produce specific crops under specific conditions and sell the produce to the company at a predetermined price.

Taken together, land use classification, caps on land holdings, the designation of wet-rice land, sector expansion targets and the production of specific crops as a condition of land lease significantly restrict farmer’s choices and their ability to flexibly respond to market signals and changing agro-ecological conditions. The GoV can address this through:

- a. **enhance farmer participation in land-use planning and the development of sector plans** (c.f. section 4.1)
- b. **allow greater flexibility in changes in land use between wet-rice and other crops** with this decided through transparent and participatory land use planning processes;
- c. **ensure agricultural extension services are farmer-centred, demand-driven and responsive to local agro-ecological conditions** rather than driven by nationally-determined targets.
- d. **allow greater flexibility in the use of land that small-scale farmers and forest users lease from state farms and state forest enterprises** (c.f. 4.6)

#### **4.10 ACCOUNTABILITY AND TRANSPARENCY**

Decision making in Vietnam has been progressively devolved from the central government to provincial and district authorities. In line with this general trend, responsibility for land management has also been devolved to lower levels. In theory this allows for greater responsiveness to local conditions but in practice this has led to significant corruption in land administration, particularly in relation to the allocation of unused land, land certification (c.f. 4.4) and land recovery and land use conversion (c.f. 4.2).

Corruption can take many forms, including officials appropriating funds that are designated for beneficiaries of resettlement schemes, investors making payments to officials for access to information, to speed up the issuing of LURCs, to influence decisions on land use planning or to artificially reduce the price of land that is to be allocated or leased by the state to investors for investment projects or existing LURC holders making payments to officials to artificially increase the compensation for land that will be compulsory recovered by the state.

The GoV can address these problems through:

- a. **Reducing the direct involvement of state agencies in allocation, recovery and compensation** and increasing the state's role in regulation, standard setting, monitoring and dispute resolution.
- b. **Enhancing accountability and transparency** in the implementation of the Land Law:
  - Allow free association amongst farmers and forest users at local, provincial and national levels
  - Enhance participation by farmers and forest-users – particularly women and ethnic minorities - in the formulation and implementation of land policy and land law (c.f. 4.1, 4.2)
  - Support awareness raising and organizing amongst small-scale farmers and forest-users who can then demand better services from land administration staff
  - Streamline procedures and standards for land administration, particularly the issuing of LURCs (c.f. 4.4)
  - Enforce existing transparency provisions in Vietnamese law
  - Strengthen government oversight of land management and administration through improved administrative inspections, financial audits and reviews by Peoples Councils
  - Strengthen third party oversight of land management and administration by the judiciary and the legislature
  - Create an enabling environment for the involvement of media and civil society in land disputes
- c. **Improving access to redress mechanisms for small-scale farmers and forest-users** by:
  - Promote dispute resolution at local level through independent mediation.
  - Establish administrative tribunals or courts independent of provincial authorities which can receive, process and settle disputes which cannot be resolved satisfactorily through mediation and which can advise government on policy, legal and administrative reform.
  - Facilitate access to justice for small-scale farmers and forest users involved in land disputes through awareness raising about their rights under law and the provision of legal aid and other forms of support.

## 5. CONCLUSION

The agricultural sector in Vietnam has made enormous progress over the last 25 years. However, the sector now faces a number of equity, efficiency and sustainability challenges. As a result, Vietnam needs to restructure its agricultural sector to better support subsistence farmers, enhance the productivity and sustainability of small-scale farms, ensure better linkages between small-scale farms and larger commercial farms and provide social safety nets and better pathways into the non-farm sectors of the economy for those no longer willing or able to work in the agricultural sector. These changes will have implications for the way land is distributed, used and regulated. At present too many people are farming too little land and government policy and practice is restricting people's ability to access new land, exercise control over and make effective use of the land they already have and move into more remunerative occupations. Small-scale farmers and forest-users, particularly those from ethnic minorities and women-headed households, are being marginalised in the process.

In order to address these challenges, Vietnam must protect the rights, increase the voice and expand the choices of small-scale farmers and forest users, particularly those from ethnic minorities and women-headed households. Land policy and practice must be rebalanced in favour of these groups in order to ensure more equal treatment across different user groups and to ensure a more

equitable distribution of the costs and benefits of agricultural transformation between farmers and forest users, investors and government agencies. In doing so, Vietnam can draw on an emerging body of international guidelines such as the Voluntary Guidelines for the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security which were endorsed by the Committee on World Food Security in May 2012.<sup>79</sup> It can also draw on existing good practice within Vietnam and elsewhere in regard to farmer empowerment, participatory land-use planning, strengthening customary rights, community-based forest management etc.

The current revision of the 2003 Land Law provides an ideal opportunity to address some – if not all – of these challenges<sup>80</sup>. In order to better protect the rights, increase the voice and expand the choices of small-scale farmers and forest-users the GoV should revise the Land Law as outlined below. These revisions bring together and summarise recommendations which relate specifically to the Land Law which are outlined in more detail in Section 4 of this report. These revisions to the Land Law are a necessary if not sufficient condition for enhancing rights, voice and choice. As noted in section 4 of this report, many other changes are necessary to government policy and programs for this larger objective to be achieved.

#### **Improve land use planning:**

- expand the principles which inform the Land Law in general and land-use planning in particular
- further develop procedures for information dissemination, consultation, decision making, public disclosure and dispute resolution in land use planning

#### **Strengthen the rights of small-scale farmers and forest-users**

- recognise customary rights to land and natural resources
- expand the bundle of rights attached to forest land and forest resources that are allocated or contracted to communities and households
- abolish or extend land use terms and extend area limits for annual crop land
- allow greater flexibility in land use changes, particularly in relation to land designated for wet-rice agriculture.
- grant full land use rights to those currently leasing land from SOEs

#### **Improve land use conversion**

- remove economic investment and more clearly define public interest in the grounds for compulsory land recovery
- recognise the right of minority communities to give or withhold their free, prior and informed consent to all land use conversion proposals which affect customary lands
- strengthen standards and procedures for compulsory land recovery with a focus on information dissemination, ex-ante impact assessments, consultation with affected communities, transparency in decision making and the right of appeal
- ensure that compensation payments are based on independent valuations that take into account future use, market rates, non-monetary benefits and income forgone.

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<sup>79</sup> The purpose of these guidelines is to improve the governance of tenure of land, fisheries and forests with the overarching goal of achieving food security for all and to support the progressive realization of the right to adequate food in the context of national food security. The development of the guidelines was led by the FAO working in conjunction with partners from civil society, government, the private sector and academia.

<sup>80</sup> Many of the recommendations in this report relate to government policy and programs or the implementation of the Land Law rather than to the formulation of the land law itself e.g. the design and delivery of forest allocation programs, speeding up land certification etc.

- strengthen standards and processes for benefit sharing and resettlement schemes with a focus on timely delivery, independent monitoring, mechanisms for redress and holding investors and government agencies accountable for the effective implementation of these schemes

**Enhance accountability and transparency**

- further develop procedures for information dissemination, consultation, decision making, public disclosure and dispute resolution in land use planning
- streamline procedures and standards for land administration, particularly the issuing of LURCs
- promote dispute resolution at local level through independent mediation and establish administrative tribunals or courts independent of provincial authorities which can receive, process and settle disputes which cannot be resolved satisfactorily through mediation.
- explicitly recognise the role of the judiciary, the legislature, the media and civil society in the independent oversight of the implementation of the Land Law.

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