

# Promoting the Development of Agriculture from the State Investment Credit in Vietnam in the Current Period

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## **Abstract**

*The article reviews the implementation of the policy on the State's investment credit (SIC) for agriculture through Vietnam Development Bank (VDB) in the past decade. By analyzing the regulations on the SIC carried out by VDB in comparison to what applied to loans for agriculture at credit institutions, the article points out the main reasons for the shortcomings in granting the SIC loans for agriculture, which includes the narrowing of the list of agricultural projects eligible for the SIC loans as well as the gradual reduction of incentives in interest rates and collateral for the SIC borrowers. Based on these findings, the author suggests some solutions to expand this capital source to promote the development of agricultural production in the coming time.*

**Keywords:** Agriculture, the State's investment credit, Vietnam Development Bank.

## Introduction

Vietnam is a country where agricultural production is considered as a traditional economic sector. Along with the process of economic restructuring process towards industrialization and modernization, the contribution and position of agriculture in Vietnamese economy has changed over years; however, to date, agriculture remains an important production sector in Vietnam with its proportion accounts for 14.85% of gross domestic product (GDP) and 33.1% of the national labor force aged 15 years and over in 2020 (GSO, 2021a). With the successful agriculture development, Vietnam has ensured national food security and has become a major exporter of agricultural products in Southeast Asia as well as in the world. In a report submitted to the National Assembly, the Government of Vietnam (2021) affirmed the backbone role of agriculture in the economy in difficult contexts.

However, Vietnam's agricultural production still has limitations and shortcomings in many aspects, such as productivity and efficiency of labor, quality, competitiveness of products, and so on. To overcome these limitations, Vietnam's agriculture requires a huge investment to enhance its capacity in all aspects (the Government of Vietnam, 2021).

The financial capability of agricultural business entities in Vietnam is generally also weak. Data from the General Statistics Office of Vietnam (2021b) showed that by 2020, out of more than 9.1 million Vietnamese agricultural production units, of which households represented the majority, there were only 7,418 agricultural cooperatives and 7,471 enterprises, in which, small- and micro-sized enterprises accounted for 96%. While the savings of most households is deficient, the disposable equity of agricultural cooperatives and enterprises is also quite small. Therefore, in order to develop agriculture, these entities have to mobilize capital from outside, commonly by borrowing from commercial banks.

Having identified the above-mentioned obstacles, the Government of Vietnam has made efforts in expanding the quantity of credit capital for investment activities in the agricultural sector. In Resolution No. 53/NQ-CP, dated July 17, 2019, on solutions to encourage and promote the effective, safe and sustainable investment of enterprises in agriculture, the Government requested The State Bank of Vietnam (SBV) to direct credit institutions to allocate capital sources to meet the needs of agricultural and rural development. SBV was also requested to give solutions for increasing the connection between banks and businesses to remove difficulties and obstacles in banking credit accessibility. Meanwhile, in Decision No. 255/QĐ-TTg dated February 25, 2021, by the Prime Minister, the review and supplementation of credit policies for agricultural and rural development to expand bank capital accessibility continued to be posed as an important solution to generate capital resources for the implementation of the Agricultural Restructuring Plan for the period 2021-2025. In such a context, it is necessary to study solutions to promote the SIC activities for agricultural investment projects to meet the development requirements of this important economic sector.

In Vietnam, there have been recently a number of published studies on the development of agriculture as well as solutions to promote it from bank credit. According to Nguyen Thi Hien (2021), though there were achievements in its development progress, as of the end of 2020, Vietnam's agriculture still had many shortcomings, represented by the small quantity of investment capital, the low competitiveness of agricultural products, the inadequacy of high-quality human resources, and so on. In order to resolve these problems for further development of agriculture, the author proposed a series of solutions relating to planning, infrastructure development, market development, scientific research and technology application, financial supports, *etc.* As for the financial solutions, the author emphasized the needs of diversifying capital sources and simplifying procedures for credit accessibility as well as promoting investment in agricultural and rural infrastructure. At the same time, providing medium- and long-term loans with preferential interest rates to enterprises implementing linkage models was also recommended in her research.

In addition, Nguyen Duc Quynh (2019) pointed out that agricultural production still had many risks associated with natural disasters, epidemics, market fluctuations, and so on, meanwhile the managerial ability and financial capacity of enterprises, cooperatives and households in the agricultural section were still limited. From the results of this analysis, the author suggested that credit policy should determine agriculture as a prioritized sector, and commercial banks should consider organizations and individuals engaged in agricultural production as important customers. On that basis, the author recommended: (1) the banking system needed to consider reviewing and simplifying the credit procedures, especially for businesses, which should be well-suited for each group or type of customers and agricultural products; and (2) commercial banks should drive their lending activities to large-scale agricultural production, linking to the global value chain.

Having a similar point of view as above, To Kim Hue (2021) proposed that credit institutions should simplify lending conditions to be suitable for agricultural production in order to improve their accessibility to bank credit, especially criteria on collaterals. In addition, the author also concluded that diversifying loan products for borrowers in the agricultural sector was a necessary and important solution to expand credit for the development of agriculture.

Unlike the aforementioned research works, which largely studied solutions for promoting credit from commercial banks and other conventional credit institutions for the agricultural development, this paper focuses on legal and implementation issues of SIC, a specific type of credit at VDB - the special financial institution in Vietnam. Because there has been no particular research on the solutions for the development of agriculture by promoting the SIC capital in Vietnam so far, this research is significant and can serve as a reference for improvement and implementation credit policy for the development of Vietnam's agriculture, not only at the present but also in the coming time.

Except for the Introduction, this paper includes two main sections. The first section presents the *status quo* of the SIC lending to agricultural investment projects at VDB in the period 2010-2020 and points out the main reasons for the shortcomings of this activity. The second section

suggests key policy recommendations the public administrative agencies should carry out to promote the SIC for the development of agriculture in Vietnam in the next decade.

### 1. The status quo of the SIC activities for agriculture in Vietnam

In Vietnam, the SIC is a policy promulgated by the Government, which stipulates the creation of medium- and long-term capital sources through a special financial institution called Vietnam Development Bank (VDB)<sup>1</sup> to lend to customers for the investment in projects on the list prescribed by the Government. This list includes some types of investment projects in the agricultural sector.

**Table 1: Types of agricultural investment projects eligible for the SIC loans**

Legal documents	Types of projects eligible for loans
Decree No. 151/2006/ND-CP (Jan 16, 2007)	Investment for new construction or expansion of concentrated cattle and poultry rearing base or slaughterhouse; Development of breeds of aquatic and sea products; investment of infrastructure for aquaculture; Development of crop plant seed, animal breed
Decree No. 106/2008/ND-CP (Oct 19, 2008)	Investment for new construction and expansion of concentrated cattle and poultry slaughterhouse; Development of breeds of aquatic and sea products; Development of crop plant seed, animal breed
Decree No. 75/2011/ND-CP (Oct 20, 20211)	Projects on aquaculture in association with industrial processing (Groups A and B); Projects on developing plant varieties, animal breeds and forestry tree saplings (Groups A and B); Projects on cattle and poultry rearing in association with industrial processing (Groups A and B)
Decree No. 32/2017/ND-CP (May 15, 2017)	Investment projects on seafood processing plants, applying high technology with the prioritized development investment under the Prime Minister's decisions (Groups A and B); Investment projects on industrial salt production plants (Groups A and B); Projects on concentrated cattle and poultry slaughtering (Groups A and B)

*Source:* Author's compilation of related Decrees.

A priority of the SIC policy is that projects in the lending portfolio can be loaned by VDB for a very long term, up to a maximum of 15 years or even longer. In addition, the lending interest rates of VDB for these projects are often lower than those of traditional credit institutions. Besides, the lending rates for many projects remains unchanged throughout the loan term for the entire outstanding balance (according to Decree No. 151/2006/ND-CP) or each part of the outstanding balance disbursed at different times (according to Decree No. 75/2011/ND-CP)<sup>2</sup>.

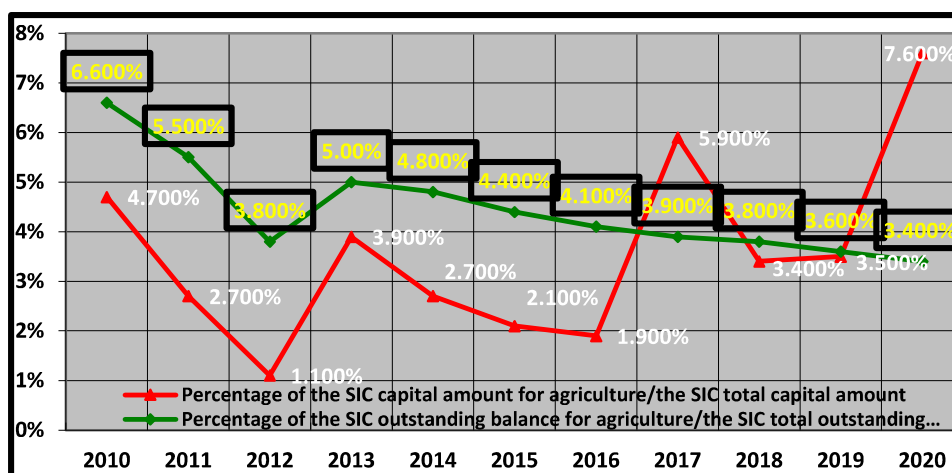
**Table 2: Interest rates of the SIC, 2010-2020**

Effective period	Interest rates of the SIC	Legal basis	Medium- and long-term lending rates of commercial banks
From Jan 1, 2010, to Jan 31, 2011	9.6% per annum	Decision No. 3280/QĐ-BTC dated Dec 25, 2009	In 2010: 15.27% per annum on average In 2011: Commonly 17-20% per annum (without lending term distinction)
From Feb 1, 2011, to Feb 14, 2012	11.4% per annum	Circular No. 203/2010/TT-BTC dated Dec 14, 2010	In 2011: Commonly 17-20% per annum In 2012: Commonly 12-15% per annum (without lending term distinction)
From Feb 15, 2012, to Jun 24, 2012	14.4% per annum	Circular No. 201/2011/TT-BTC dated Dec 30, 2011	In 2012: Commonly 12-15% per annum (without lending term distinction)
From Jun 25, 2012 to Jun 3, 2013	12% per annum	Circular No. 104/2012/TT-BTC dated Jun 25, 2012	In 2012: Commonly 12-15% per annum (without lending term distinction) In 2013: Commonly 11.5-13% per annum
From Jun 4, 2013 to Nov 13, 2013	11.4% per annum	Circular No. 77/2013/TT-BTC dated Jun 4, 2013	In 2013: Commonly 11.5-13% per annum
From Nov 14, 2013 to Aug 10, 2014	10.8% per annum	Circular No. 161/2013/TT-BTC dated Nov 14, 2013	In 2013: Commonly 11.5-13% per annum In 2014: Commonly 9.5-11% per annum
From Aug 11, 2014 to Dec 10, 2014	10.5% per annum	Circular No. 108/2014/TT-BTC dated Aug 11, 2014	In 2014: Commonly 9.5-11% per annum
From Dec 11, 2014 to May 18, 2015	9.5% per annum	Circular No. 189/2014/TT-BTC dated Dec 11, 2014	In 2014: Commonly 9.5-11% per annum In 2015: 10.10% per annum on average
From May 19, 2015 to present	8.55% per annum	Circular No. 76/2015/TT-BTC dated May 19, 2015	In 2015: 10.10% per annum on average In 2016: 9.73% per annum on average In 2017: 9.99% per annum on average In 2018: 10.12% per annum on average In 2019: 10.52% per annum on average In 2020: 10.25% per annum on average

*Source:* The author's compilation from MOF's Circulars, SBV's Annual Reports, and Vietnam Statistical Yearbooks.

Together with such a small proportion as above, in recent years, the quantity of the SIC capital lending to the agricultural sector has also tended to decrease. In 2010, the SIC capital loaned to the agricultural sector was VND 1,282 billion and the outstanding balance at the end of the year was VND 6,021 billion. In 2013, the quantity of the SIC capital lending to this sector reached the highest level with a loan amount of VND 1,325 billion and an outstanding balance of VND 6,826 billion. However, since 2014, the quantity of SIC loans for agriculture has gradually decreased, and in 2020, the disbursed capital amount and outstanding loan balance were only VND 66 billion and VND 3,095 billion, respectively. On average, in the period 2010-2020, the SIC capital amount disbursed to agriculture decreased by 25.7%, and the SIC outstanding loan balance in this sector decreased by 6.4% annually (see Figure 2). There are many reasons leading to the limitation on the quantity of the SIC lending to the agricultural sector in recent years. Among them, the narrowing of the list of agricultural projects eligible for the SIC loans could be mentioned as the foremost reason. Besides, the gradual reduction of the State’s incentives for the SIC borrowers, especially lending interest rates and collateral, is also another considerable factor, causing the decrease in the SIC lending to this sector.

**Figure 1: Percentage of the SIC for agriculture development, 2010-2020**

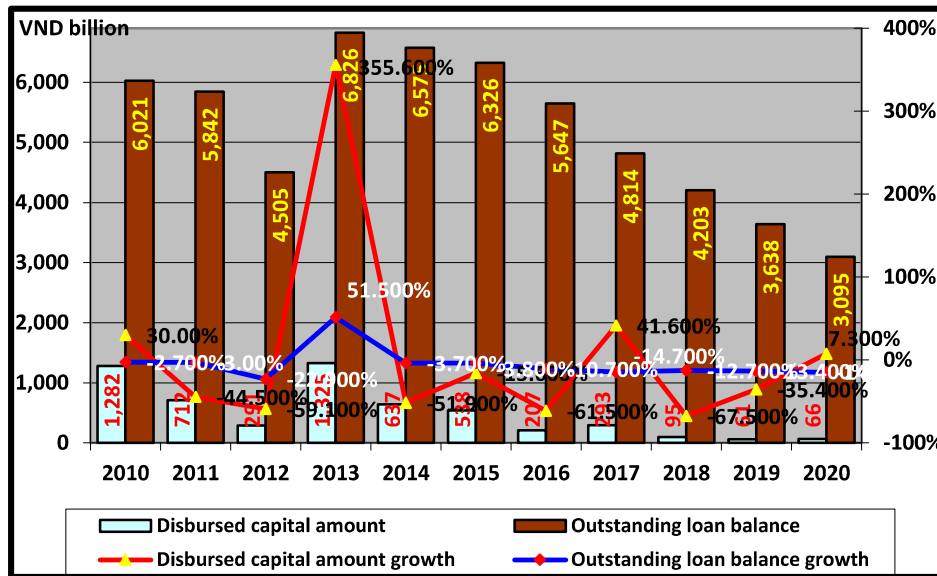


Source: The author’s calculation from VDB’s reports.

Regarding the list of agricultural projects eligible for loans: The information presented in Table 1 shows that over the years, the number of types of agricultural investment projects eligible for loans has been gradually reduced each time the Government amends the SIC policy. Along with that, the Government also sets higher requirements on the size and objectives of agricultural projects that are eligible to get loans from the SIC. For example, according to the provisions of Decree No. 151/2006/ND-CP, projects for new construction or expansion of concentrated cattle and poultry rearing base or slaughterhouse are subject to the SIC loans. However, according to the provisions of Decree No. 75/2011/ND-CP, in order to get loans from the SIC, these projects must meet the objectives of cattle and poultry rearing associated with industrial processing. At the same time, the conditions on the size of these projects are also adjusted and only group A and group B projects are eligible for the SIC loans. That is different from the previous stipulation of Decree

No. 151/2006/ND-CP which enabled such projects to get the SIC loans without size distinction. Because of those changes in the lending portfolio and the requirements on the scale and objectives of the loan projects, the quantity of agricultural projects eligible for loans from the SIC has decreased compared to previous years.

Figure 2: Quantity and growth of the SIC for agriculture, 2010-2020



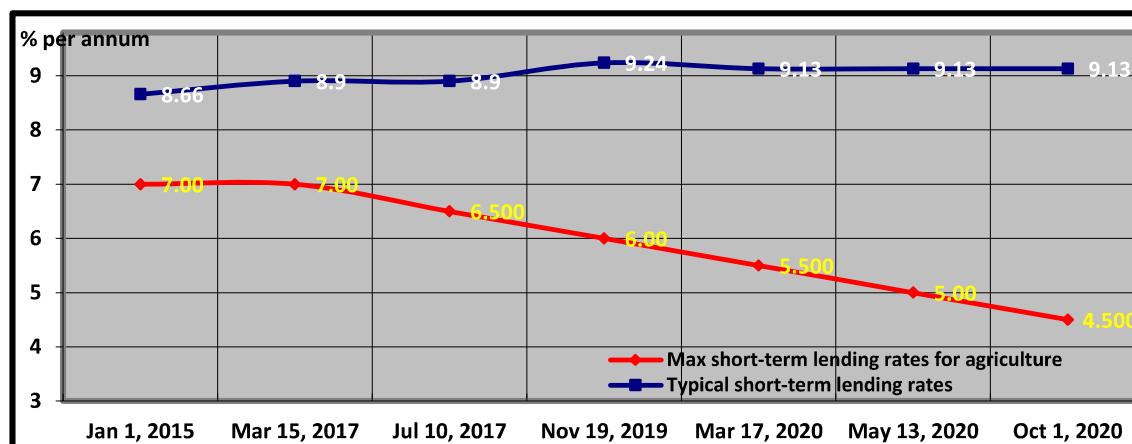
Source: The author’s compilation from VDB’s reports.

Regarding lending interest rates: Compared to the medium- and long-term lending interest rates on the market, the SIC lending rates are often regulated lower. However, with the preferential interest rate mechanism of credit institutions for big clients and trustworthy clients as well as the entitlement for lending in foreign currencies with interest rates lower than those in Vietnam Dong (VND), in many cases, customers can borrow medium- and long-term capital from credit institutions to carry out projects in the agricultural sector with interest rates remarkably lower than those of the SIC. For example, statistics of SBV show that the interest rates for medium- and long-term loans in VND for good customers were typically only about 9-11% per annum in 2012, 6.5-7% per annum in 2013, 5-6% per annum in 2014, and so on; while those in US dollars were popularly at 7-8% per annum in 2011, 7-9% per annum in 2012, 6-7% per annum in 2013, 5.5-7% per annum in 2014. In 2015-2020, the average lending interest rates were only 5.26%, 4.16%, 4.43%, 4.81%, 5.25% and 5.31% per annum, respectively. For customers, borrowing capital to invest in agriculture and participating in agricultural insurance, their loans were also charged with lower rates by credit institutions, according to the regulations of the Government of Vietnam on credit policies for agricultural and rural development<sup>3</sup>.

Besides, thanks to SBV’s regulation on the maximum short-term lending interest rates in VND for the agricultural sector from 2010 onwards<sup>4</sup>, many agricultural investments project owners chose to apply for medium- and long-term loans at credit institutions instead of borrowing

from the SIC because it would be convenient for them to get working capital loans with preferential interest rates after completing their projects and putting them into operation.

**Figure 3: Short-term lending interest rates in VND of credit institutions, 2015-2020**



*Source:* The author's compilation from SBV's Decisions and Vietnam Statistical Yearbook of the years 2019-2020.

Since the Government of Vietnam issued Decree No. 57/2018/ND-CP on mechanisms and policies to encourage enterprises to invest in agriculture and rural areas, the interest rate of the SIC has almost lost its inherent attractiveness to agricultural project owners. According to the provisions of this Decree, enterprises borrowing capital from commercial banks to carry out investment projects in agriculture will be provided with interest subsidized from the local state budget after completing the project. The subsidy is equal to the difference between the lending interest rate of commercial banks and that of the SIC in 5-8 years since the disbursement date under the credit contract with commercial banks, depending on the type of project.

**Table 3: Interest subsidy term for investment projects in agriculture borrowing from commercial banks**

Types of projects eligible to interest subsidy	Interest subsidy term
Agricultural projects with special investment incentives	Maximum 8 years
Agricultural projects with investment incentives	Maximum 6 years
Agricultural projects with investment encouragement	Maximum 5 years
Projects of newly established agricultural small- and medium-sized enterprises	8 years
Projects of enterprises participating in value chain linkages	Depending on the production cycle of the project

*Source:* The author's compilation from Decree No. 57/2018/ND-CP.

Regarding loan collaterals: Previously, according to Decree No. 151/2006/ND-CP, investors borrowing capital from the SIC to carry out investment projects, including agricultural investment projects are permitted to use assets generated by the loans as collateral. In case those assets are not qualified as collateral, they shall only utilize other assets instead with a minimum value equal to 15% of the loan. However, according to decrees on the SIC issued later by the Government of Vietnam (i.e., Decree No. 75/2011/ND-CP and Decree No. 32/2017/ND-CP), investors shall implement measures of security for loans in accordance with the general provisions of the law on secured transactions.

**Table 4: Policies on loan security for agricultural production applying high technology or linkage model**

Types of customers	Maximum unsecured loan amount
Customers having projects or business plans in hi-tech agricultural zones or hi-tech agricultural areas	70% of the value of the project or business plan
Hi-tech agricultural enterprises	80% of the value of the project or business plan applying high technology
Enterprises having projects or business plans applying high technology in agriculture outside hi-tech agricultural zones or hi-tech agricultural areas	70% of the value of the project or business plan
Enterprises, cooperatives, or cooperative unions signing contracts of supply and consumption with organizations and individuals directly engaged in agricultural production	70% of the value of the project or business plan applying linkage model
Focal enterprises, cooperatives, or cooperative unions signing contracts to implement projects on agricultural linking value chains with organizations and individuals directly engaged in agricultural production.	80% of the value of the project or business plan applying linkage model

*Source:* The author's compilation from Decree No. 55/2015/ND-CP and Decree No. 116/2018/ND-CP

Meanwhile, regulations on collateral applied to customers borrowing capital at credit institutions to invest in agriculture have become gradually open. In Decree No. 41/2010/ND-CP on credit policies for agricultural and rural development, the Government of Vietnam allowed credit institutions to consider lending customers to invest in agriculture with or without collaterals, according to the current legal regulations. When Decree No. 41/2010/ND-CP was replaced by

Decree No. 55/2015/ND-CP and Decree No. 116/2018/ND-CP, the Government of Vietnam also entitled credit institutions to give unsecured loans with a maximum amount of up to VND 3 billion to all types of customers in the agricultural sector or equal to 70-80% of the value of the project or business plan to some special types of customers, *e.g.*, hi-tech agricultural enterprises, customers having projects or business plans in hi-tech agricultural zones or hi-tech agricultural areas, enterprises having projects and business plans applying high technology in agriculture, businesses participating in value chain linkages, *etc.* In addition, according to the provisions of Decree No. 57/2018/ND-CP by the Government of Vietnam, the construction works on land of enterprises investing in agriculture (including shade net houses, greenhouses, membrane houses, irrigation systems, and so on) are qualified as collaterals for loans at commercial banks. Meanwhile, these regulations are not applicable to the SIC loans for agricultural investment projects.

Thus, the policies on collaterals of the SIC loans for agricultural investment projects are becoming increasingly less attractive than those applied to similar ones borrowing capital at credit institutions. Therefore, the incentive effect of the SIC capital for businesses investing in agriculture is no longer as significant as before.

Along with the cause of the narrowing of the lending portfolio and the above-mentioned preferential conditions, from 2017 onwards, the decrease in the quantity of the SIC loans for the agricultural sector also originated in another important reason behind the delay in deciding the ratio of operational expenses and risk provisions for VDB. As stipulated in Decree 32/2017/ND-CP, the lending interest rate of the SDIC shall be equal to the weighted average of winning bid yields of five-year bonds issued by VDB under the guarantee of the Government within a year before the announcement of interest rate, plus a percentage of the cost of operation and provision of VDB, which is decided by the Prime Minister. However, since Decree 32/2017/ND-CP took effect, such a ratio has not been approved, and VDB has had no basis to announce the lending interest rates for the SIC loans. Therefore, there have been no more agricultural investment projects accepted for getting loans from the SIC at VDB recently, except for those whose credit contract was signed before the effective date of that Decree.

## **2. Policy recommendations to expand the SIC for the development of agriculture in Vietnam**

At the 13th National Congress, the Communist Party of Vietnam (CPV) approved the Ten-year Socio-Economic Development Strategy for 2021-2030, whereby the directions, tasks, and solutions for the development of all economic fields and sectors were identified, including agriculture. According to this Strategy, from 2021 to 2030, the agriculture of Vietnam will experience many important changes, such as: vigorously developing hi-tech agriculture, organic agriculture, and ecological agriculture; developing cattle and poultry industrial farming applying high technology; developing aquaculture both on the sea and inland water in an industrial and ecological direction, and so on (CPV, 2021).

At the same time, according to the goals/targets set out in the Agriculture Restructuring Plan for the period 2021-2025, Vietnam will promote the development of modern agricultural

production, clean agriculture, and organic agriculture in association with the development of modern agro-processing industry, adapting to climate change and connecting sustainably with the global agricultural value chain. The above-mentioned plan also determines that by 2025, the proportion of the value of agricultural products produced by good production processes or equivalent will reach over 25%, and that of agricultural products, applying high technology will reach over 20%. As for agrochemicals, this plan sets a target that by 2025, the proportion of organic fertilizers will reach over 15% of the total fertilizers produced and consumed, and the percentage of biological pesticides will account for more than 30% of the list of licensed pesticides, and so on (The Government of Vietnam, 2021).

From the above-mentioned strategy and plan, in the next 5-10 years, there will be significant changes in objects and production methods so as to increase labor productivity and enhance added value in the country's agricultural sector. Consequently, there must be necessary adjustments in the supply of credit capital for agricultural production to meet the development needs of this important economic sector. In such a context, the SIC for agriculture development also needs a trendy change to prove its role as an important economic policy of the State in supporting development investment of the economy in general and agriculture in particular.

With the aforementioned awareness and the analysis of the basic causes of standstills in giving and getting the SIC loans for investment projects in the agricultural sector as previously mentioned, it is recommended that the Government of Vietnam should amend and perfect some regulations on the SIC as follows:

Firstly, redefining the list of agricultural investment projects eligible for the SIC loans with the supplementation of some types of projects prioritized and encouraged for development in accordance with the Socio-Economic Development Strategy as well as the Agricultural Restructuring Plan as mentioned above (e.g., hi-tech agriculture, organic agriculture, ecological agriculture, hi-tech animal industrial farming, industrial-oriented aquaculture, hi-tech agricultural product processing, organic fertilizers and biological pesticides production, *etc.*).

Secondly, amending the regulations on the borrowing criteria of the SIC loans related to lending interest rates and collaterals in the direction whereby VDB is entitled to implement discrimination on lending interest rates and loans security ratios according to borrowers, which enables reputable enterprises having effective projects in agriculture to get loans from the SIC with lower interest rates and smaller loan security ratios than those applied to others. VDB should be responsible for the application of loan security with or without assets for each agricultural project according to its level of risk.

Thirdly, permitting the construction works on land of agricultural enterprises borrowing from the SIC at VDB (including shade net houses, greenhouses, membrane houses, and irrigation systems, *etc.*) to be qualified as collaterals, like regulations applied to agricultural enterprises borrowing capital from commercial banks.

However, to maximize the effectiveness of these regulations in financing investment projects in agriculture, the Government should also promulgate an appropriate mechanism on credit risk settlement of the SIC loans for this economic sector. Accordingly, agricultural projects borrowing from the SIC at VDB would also be applied regulations on credit risk settlement similar to those specified in Decree No. 55/2015/ND-CP and Decree No. 116/2018/ND-CP by the Government. It means that VDB would have the authority to consider rescheduling debt repayment, freezing debt, and giving new loans to customers suffering damage to loans and assets generated by loans as a result of natural disasters or epidemics occurring on a large scale or damage due to objective and force majeure causes. Together with that permission, it is noteworthy that the State should allocate sufficient budget expenditures to promptly compensate for the reduction of interest income occurred to VDB due to freezing debts for customers getting risks.

Besides completing the policy as above, to meet the requirements of the expansion of the SIC for agriculture, VDB, as an agency directly implementing the policy, needs to focus on improving the quality of credit appraisal as a basis for deciding loan conditions for investment projects in agriculture (especially interest rates and loan security measures) in accordance with their efficiency and level of risks. Along with that, VDB should take measures to improve credit risk management capacity and efficiency to minimize losses and costs incurred in the SIC activities, thereby lowering the lending interest rates for agricultural investment projects. In addition, VDB also needs to proactively work with relating public administrative agencies, requesting early approval of VDB's operating and risk-provisioning cost ratio, as a basis for determining the SIC interest rates to give new loans for investment projects in agriculture other than those whose credit contracts had been signed before the effective date of Decree No. 32/2017/ND-CP./.

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### Notes:

<sup>1</sup> VDB was established on May 19, 2006 under Decision No. 108/2006/QĐ-TTg by the Prime Minister of Vietnam based on the reorganization of the Development Assistance Fund (DAF) to carry out the SIC.

<sup>2</sup> As stipulated in Decree No. 151/2006/ND-CP, the lending interest rate is announced at the date of signing the credit contract and fixed for the whole maturity of the loan. Meanwhile, Decree No. 75/2011/ND-CP regulates that the lending interest rate is adjusted for each disbursement according to the announced lending interest rate.

<sup>3</sup> According to Decree No. 41/2010/ND-CP, the Government required credit institutions to have policies on interest exemption and reduction for customers participating in agricultural insurance to encourage borrowers to buy insurance in agriculture. Similarly, as regulated in Decree No. 55/2015/ND-CP, customers buying insurance for agricultural production objects generated by loans will be charged by interest rates lower at least 0.2% per annum compared to those of loans having the same type and lending term.

<sup>4</sup> According to regulations of SBV in Circular No. 12/2010/TT-NHNN, credit institutions were directed to give loans in VND at a reasonable agreed interest rate and create favorable conditions for customers to :sectors. Since the issuance of Circular No. 14/2012/TT-NHNN dated May 4, 2012, SBV officially regulated the maximum short-term lending interest rates in VND of credit institutions for some prioritized sectors, including agriculture.

# **Social Security in New Conditions: Some Theoretical and Practical Issues in Vietnam's Focal Northern Economic Region**

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## **Abstract**

*Social security is an issue of evolution, adaptation, and promotion of socio-economic development, in line with the new situation of the world. This article presents a comprehensive and systematic approach to social security through theoretical research and practical review. Based on the concept of human development, this article contributes the views on social security in the interaction with economic development when Vietnam is transitioning to a new stage of development. The article also analyzes the adverse effects of natural disasters and epidemics, which requires the formation of a Social Security Reserve Fund to proactively respond to contingencies and coordinate across regions. By empirical analysis based on data of the provinces of the Northern Focal Economic Region in the period 2015-2020, the study detects some signs of a multidimensional correlation between development and social security*

**Keywords:** Social Security, Economic Development, Northern Focal Economic Region, Vietnam.

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### 3. Analysis of social security in the Northern Focal Economic Region

#### 3.1 Overview of socio-economic situation in the region

##### 3.1.1. General information

The Northern Focal Economic Region (NFER) is formed from seven Northern provinces and cities, including Hanoi, Hai Phong, Quang Ninh, Bac Ninh, Hai Duong, Hung Yen and Vinh Phuc.

**Table 1: Area, population, density of NFER in 2020**

	<b>Total area (km<sup>2</sup>)</b>	<b>Total population (1000 persons)</b>	<b>Density (persons/km<sup>2</sup>)</b>
<b>Viet Nam</b>	<b>331236</b>	<b>97583</b>	<b>295</b>
<b>Red River Delta</b>	<b>21261</b>	<b>22920</b>	<b>1078</b>
<b>Northern Focal Economic Region</b>	<b>15756</b>	<b>17414</b>	<b>1105</b>
<b>Coastal sub-region</b>	<b>7740</b>	<b>3391</b>	<b>438</b>
Quang Ninh	6178.2	1337.6	217
Hai Phong	1561.8	2053.5	1315
<b>Ha Noi sub-region</b>	<b>8016</b>	<b>14023</b>	<b>1749</b>
Ha Noi	3358.6	8246.6	2455
Vinh Phuc	1235.9	1171.2	948
Bac Ninh	822.7	1419.1	1725
Hai Duong	1668.2	1916.8	1149
Hung Yen	930.2	1269.1	1364

*Source:* Authors' compilation from Vietnam's Statistical Yearbook 2020, page 93.

The NFER can be divided into two sub-regions: (1) The coastal sub-region includes Hai Phong and Quang Ninh; and (2) The Hanoi sub-region comprises of Capital of Hanoi and four neighboring provinces, namely: Vinh Phuc, Bac Ninh, Hai Duong, and Hung Yen. The NFER has a population density nearly four times higher than that of the whole country, even the population density of Hanoi is eight times greater than the whole country. In the NFER, the distribution of both workers and residents is more rationally among sub-regions, between urban and rural areas,