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Cooperative Development in Vietnam: Success and Challenges

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I- The role of Cooperatives

Regarding the comprehensive coop. survey by 2008 there are 14,5000 active coop. (of which 6,372 in agriculture, 59 in forestry, 200 in fishery, 4,744 in industry, 336 in construction, 767 in trade, 847 in transportation, 989 in credit, other; 5,742 transformed, 609 not yes transformed). The cooperative sector involves 7,478,019 members (5,272,711 in agriculture. Coop.); creates 295,680 permanent jobs for employees; shares of 5.45 % GDP (2009); and reaches the value-added growth rate of 2.85(2009).

The agricultural cooperatives play important role in the rural area by supporting the farmers who are most poor in the country and by participating in the improvement of rural infrastructure such as interlinked rice field roads, water irrigation.

II- The critical Issues

Despite of great effort in promoting the cooperatives, the cooperatives could not overcome the long- time structural weaknesses as following:

- 1)Continuously decrease of the share in GDP(nearly 11% by 1995 to 5.45% by 2009);
- 2)Very low and unstable growth rate (nearly a half of GDP growth rate);
- 3)Weak financial and management capacity;
- 4)3,744 coop. no active;
- 5)Coop. are no attractive and less benefit to publics and members;
- 6)The decreasing number of new established cooperatives.

It has to be emphasized that the cooperatives in Vietnam have clearly transforming Characteristic (more than 6,000 cooperatives transferred from the old type to the market-oriented coop., insist the consequences of the old type cooperative such as coop. nature, management style, the asset, etc.). The government has provided not few budgets to coop. and to coop. alien system from central to local level, but this support seems to be not effective to coop. development.

III- The Reasons

The prolonged weaknesses of the cooperatives have several reasons which are systemically as following:

- 1) Shortcoming Awareness on nature of coop. (mistake with company form (or too much emphasize of profit-oriented), charity form (or too much emphasize of the social side of cooperatives)).

Generally, the people do not understand what is the cooperative really in the framework of the multi-sectoral market economy. On the one side the cooperatives ask the subsidy when the coop. were weak, on the other side, they requests the equal competition like companies. The people see the cooperatives look like limited or shareholding companies but with the equal voting. The old type cooperatives were such the absolutism the worker cooperatives which still effect negatively to current cooperatives.

The people still do not understand that the mission of the real cooperatives is serving their members and benefiting to their members.

- 2) Shortcoming Legal Framework (different understandings on coop., no clear identification of coop.).

The current Law on Cooperatives provides different understandings on the cooperatives:

- Limited or sharing holding companies with equal voting. In that case we do not need the separate law on cooperatives. We need only the enterprises law with some very few additional regulations.
- Charity organization whereby the member could participation to the coop. without any return.

- Worker cooperatives whereby the coop. member are the owners and the worker in their coop at the same time.
- The serving of the coop. to their members is only "additionally" and not substantially to the nature of the coop.

These different understandings make difficulties on applying the Law on Coop. Because of government support as subsidies (land, cheap credit,), many coop have been established with the name coop., but really companies.

3) Weak Implementation of the Coop. Law.

A good law is necessary but insufficient. How to implement the law efficiently is a very important question. It requires a sound good administrative (government) structure from central to local level, and also active participation by NGO's, coop. association, and mass-organizations. Vietnam still long-time did not have good government body that is responsible for cooperative development promotion. The Department of Cooperative Development at Ministry of Planning & Investment was newly established only 6 years. At the local level, we do not have any government body which is charged the function of coop. promotion. The NGO's and other institutions are still not so active in promoting coop. development.

4) Inefficient Support Policy by Government (strong subsidies and intervention, as the same time relax discipline)

Vietnam's Government provides a broad range of 9 supporting measures to coop. (tax, credit, land, training, etc.). But, these supports seem to be too much subsidies which could damage the competitive environment for businesses, not realistic because limited support sources, especially not to base on the nature of cooperatives. The way of implementing efficiently the support to the coop. is also a very relevant question in the market-oriented economy.

IV- The Lessons

From Vietnam's experience, some good lessons could be considered as following:

- 1) The correct and comprehensive awareness on the nature of coop. is the good start and good

fundamental for sound and sustainable development of coop.

- 2) An efficient and good legal framework on coop. must be acknowledged which bases on the needs, benefit and desire of the people (coop. members), and creatively absorbs international experience suitable to specific condition of Vietnam.

The reality in Vietnam shows that the collaborative groups (now nearly 360,000) have been developing very fast and more efficiently than coop. despite no or less support and no comprehensive regulatory framework.

- 3) A good government body structure/support with active participation of NGO, coop. association, mass-organization is indispensable for well implementing the coop. legal framework.
- 4) The support by international community and international experience on coop. development is a driving force for coop. development

IV- Recommendations

For sustainable development of cooperatives, the two groups of recommendations could be considered as following:

1) For Vietnam

- (1) Amendment of the legal framework for cooperatives with learning the international experience.

Vietnam's National Assembly is now preceding the draft of amended Law on Cooperatives and will be voting in the next November, 2011.

- (2) Strong Enhancement of the public awareness on coop. nature by developing the professional education, training, research, and information institutions on cooperatives. There is still no any qualified training or research institution in Vietnam whereby this capacity on companies has been growing very fast and broadly.

- (3) Better and effective support by Government. The government support must be conjunct with the nature of cooperatives without any bad impact to the business environment and must be efficiently implemented.

- (4) Stronger enforcement of the legal framework. The question must be answered how to enforced the

law; the coop. regulations must be awared by broad publics.

- (5) Renovation and promotion of coop. associations (coop. allies, etc.)

2) For UN and International Community

- (1) More active in Information, Training and Education on coop. UN and other international institutions shall spend more effort and budget for helping Vietnam and other developing countries, especially in education, training, and information.
- (2) UN could place cooperative development as an important topic of UN agenda and operation, activities.
- (3) Broader Experience Sharing. More and more activities such as seminar, workshops, and meetings with broader audience have to be organized in the country and in the region. Documents and booklets shall be published and distributed broadly.
- (4) Better and more active technical Assistance from developed to developing countries. UN and other international institutions could provide technical assistant to Vietnam and developing countries which encourage Vietnam's government and leadership to work more active and efficient to cooperative development promotion.