

Vietnamese Rural Society and its Institutions: Results of a Study of Cooperative Groups and Cooperatives in three Provinces

Final Report

[No translation of this report into Vietnamese should be disseminated before the two authors have approved it]

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Executive Summary

Introduction

This report examines two very different sets of issues. We have carried out a scoping study of farmers' cooperative groups in three provinces, and this throws light upon who they are, how many there are of them, what they do and why, and something about the effects upon them of their environment. We have also carried out an assessment, in the same three provinces, of cooperatives, both 'old-style' and 'new-style'. It turns out that whilst these might be thought to be rather similar, in fact they are quite different.

Farmers' cooperative groups, it turns out, are usually voluntary, receive very little encouragement from the state, and are very varied in what they do. They represent a positive and dynamic exercise, carried out by a large number of farmers, to organize themselves in ways that improve their lives. This process continues. It deserves far deeper study, and support. Cooperatives, however, are very different. They are policy-driven, generally either unpopular or popular only because they are the channels of support to farmers from the state (the farmers like the support, rather than the cooperative), and very similar in what they do, or try to do. Further, they are, it is increasingly clear, if not a policy mistake, something that generates little enthusiasm, either amongst policy-makers, Vietnamese experts, or farmers themselves.

Granted this, our report should be read as follows. Our main contribution, which is relatively new, is what we have found out about farmers' cooperative groups. Here more research is needed and worthwhile, and we recommend this. We are required by our terms of reference to address issues related to the cooperatives, and we do so. This probably does not, however, contribute much that is not already known by various parties, whether policy-makers, farmers, or experts.

Content of the report

This report examines various forms of economic cooperation in three provinces of Vietnam. Qualitative and quantitative investigations were carried out in 18 communes of seven districts, and questionnaires completed by 1,800 households. This was a scoping study, and not intended to sample the rural areas of Vietnam as a whole. In addition, various studies provided background information on the history of cooperation and collectivisation in Vietnam, on general socio-economic conditions in the regions studied, and on various theoretical approaches.

Our general results can be summarised as follows:

There is an objective need for cooperation. This derives from the nature of the rural economy. It can and does take place, however, under many different forms.

Cooperation is often confused with cooperatives. This is a mistake. We observe a wide range of experiences with cooperation that do not involve cooperatives (hop tac xa), and are usually, in fact, more successful than cooperatives. These have a range of names, but we call them here by the common northern term ‘cooperative group’ (to hop tac). In the south they are often called ‘associated groups’ (to lien ket), but they are pretty similar.

The idea of a ‘cooperative’ (or production team) still produces very negative sentiments amongst farmers. Even though the old-style cooperatives had lost much of their power by the mid 1990s, farmers still recall them and therefore resist official attempts to encourage cooperation. This is especially true in the southern province surveyed.

In the areas surveyed forms of cooperation are extremely varied. Besides the party and state supported new-style cooperatives, the cooperative groups cover a wide range of activities. And, in some instances, the cooperatives and cooperative groups overlap (‘dan xen’), so that one form defines content and another the external form. Thus some cooperative groups exist *within* cooperatives, but have a certain autonomy.

Whilst some of the new-style cooperatives in the north and central provinces surveyed have positive results, these are in a very small minority. In the northern province, only one did, and this had exceptional leadership.

There is clear discrimination in state policy between the cooperatives and the cooperative groups. The latter receive almost no support, whilst the former are strongly encouraged through such channels as projects, information, extension services and disaster relief. Overall, the policy environment does not support the cooperative groups.

Since Party Decree 68 in 1996 strong efforts have been exerted from the centre downwards through province and district levels so as to bring farmers into new-style cooperatives. In the areas we have studied, these have violated basic principles of voluntariness, mutual benefit and democracy, suggesting that the Cooperative Law of 1996, and its implementation, requires modification and strengthening. Thus the *new-style cooperatives* are not meeting the wide range of needs for cooperation that we observe in the rural areas. Various areas of particular difficulty are:

- o The failure of members of such cooperatives to apply for membership in ways as

laid down in the Cooperative Law - rather, they appear to have been drafted into them; specifically, they did not prepare formal applications.

- o The general failure of members to make financial contributions as laid down in the cooperatives' Statutes; in practice, they do not contribute capital to the new-style cooperative.
- o The widespread tendency of these new-style cooperatives to impose levies upon their members based upon land area, which is specifically forbidden by law.
- o The election of new-style cooperatives' managements is typically carried out through undemocratic methods, with the local party organisation pre-selecting individuals who are then introduced to the cooperative's members when higher levels have already approved them.

The new-style cooperatives are held responsible for various social functions by the local administration, and are therefore not permitted to act as the economic organisations that the Cooperative Law defines them as.

We make various recommendations that may assist in easing these problems. However, state support to date has focussed upon them.

We stress, though, that there is a great need for cooperation. Various forms other than the new-style cooperatives exist, under various different terms, although we refer to them here as 'cooperative groups'. They are clearly private organizations, where the new-style cooperatives are not.¹ They contribute positively to farmers' welfare, and have considerable potential to do so. They are far more common in the southern province surveyed than in the northern and central ones. This suggests that there is considerable potential for improving rural development, through such cooperative groups. This scoping study identifies the activity areas in which these groups are already.

The bases ('can cu') for the cooperative groups are varied. Here more research is needed. However, we think that there are probably the following bases for their operations: first, they allow the internalisation within the group of costs and benefits that would otherwise become 'externalities', leading to missed opportunities (irrigation is probably a good

¹ According to the regulations of the Ministry of Finance, commune officials can count service in the management of a cooperative towards their time required in-service for their pensions. Thus, new-style cooperatives, like their predecessors, are treated as public rather than private bodies. Work in the Party and Mass Organisations also counts towards pension in-service requirements.

example); second, they allow for methods of dealing with relations between farmers that reduce transactions costs, such as by using trust to reduce the effects of lack of suitable information (credit groups); third, they permit farmers to organise so as to improve their relative bargaining position in various markets, such as through capturing scale (marketing cooperative groups); and, fourth, they permit farmers to develop a platform from which they can better respond to opportunities as they arise, such as through sharing information and other sources of advantage (that is, they support useful continuing relationships).

The main contradiction, then, is between the wide variation we observe in the precise forms and areas of activity of the cooperative groups, and the extremely simple, if not monotonous, activities of the new-style cooperatives. The latter have a very limited range of activities, do not seem to be exploring new ways of satisfying farmers' demands, but receive extensive state support. On the other hand, the cooperative groups are extremely diverse and dynamic, appear actively developing to meet farmers very varied needs for cooperation, but not only do not receive support but also in some areas may even be discouraged.

Recommendations

We recommend changes to the Cooperative Law to take account of the problems mentioned. We also recommend a shift in policy to support all cooperative forms, not just the new-style cooperatives. There is something not quite right in the Ministry of Finance's treatment of service in cooperative management as counting towards commune officials' pension rights; perhaps this could be stopped at some date in the near future.

We recommend that further research be carried out, to better understand the rationales and direction of cooperative activities of all types.

We recommend a step-by-step development of development interventions to support cooperative activities, mainly the cooperative groups.

Terms of Reference

The Terms of Reference require us to report with the following Goals and Outputs:

“Goals

The study has the following formal objectives:

1. To contribute to establishing the direction and stages of development of farmers' organisations during the early years of the 21st century.
2. To support policy-makers in establishing policies appropriate to rural institutions (above all voluntary cooperative organisations in the rural areas).
3. To carry out a preliminary 'scoping' investigation of the scope and nature of Vietnamese farmers' autonomous and quasi-autonomous organisations through a cooperative study of limited areas of the two main rice-growing regions (the Red River and Mekong deltas).
4. To attempt a preliminary assessment of the participants' perceived rationales for these organisations, both in terms of their goals and their institutional forms. This will include the processes associated with their emergence as well as consideration of the nature of their activities (for example, economic, welfare, marginality).
5. To conduct an overview of the wider institutional framework - official and unofficial - within which these activities are occurring: for example, market structures, relations with local authorities.
6. To evaluate the process of transformation of cooperatives dating from the period before decree no. 10 (1988).
7. To develop key elements of a process for identifying and assessing the viability of farmers' organisations, and to conduct a preliminary assessment of the relevance and durability of such organisations. This process should be of practical value to organisations currently involved in rural development work and be related to the need for policy-related proposals such as for an assistance project.
8. To develop a project proposal to seek support from selected aid donors for development activities involving emergent Vietnamese farmers' organisations. This project may include - training activities (Workshops, Study Tours) for the

leaders and members of such organisations and for responsible officials; ongoing monitoring and research, both into these organisations and their working environment; the interaction between community development support and sectorally-focussed support in agriculture.

Outputs

1. Report based on objectives 1 to 4 above.

The report will contain the following sections to cover the objectives:

1. Terms of Reference related to the objectives
2. Background on Red River and Mekong Delta field sites
3. Overview of institutional framework, official and informal
4. Farmers' rationales for Organisations and summary of range of activities
5. Preliminary assessment of relevance and viability of Farmers' Organisations
6. Recommendations
7. Data set (including distributions of farmers' organisations of different types and characteristics)

2. Project Proposal ... (see point # 8 above) ”

The following text addresses these points in turn. The Project Proposal is delivered separately.

General background

This report presents results from a large ‘scoping’ study of farmers’ organisations in three provinces of Vietnam. These do not seek to be representative, but, with information from 18 communes and a relatively large collection of data, both qualitative and quantitative, we feel relatively certain that we have learnt much about developments in these areas. It is important to realise that this area is contentious and sensitive, but policy debates now seem to be quietening down. The waters have been muddied, however, and it is not uncommon for some writers to argue that new-style cooperatives are far more democratic than our research suggests. Perhaps this reflects different research areas, but we are not certain. Certainly there has been little public debate amongst donors about many of the implications of what we see as having happened since Party Decree # 68 in 1996 committed the party and state to active support for the new-style cooperatives and a top-down policy of a coordinated ‘movement’ (phong trao) to impose them.²

Yet whilst we spend time on issues associated with the cooperatives actively supported by the party and state (both the ‘old-style’ pre-dating 1988’s decree # 10 and the new-style ones post-dating decree # 68 and the Cooperative Law of 1996), by far the most interesting areas of cooperation are the various popular forms known by various names, most typically ‘cooperative groups’. These have a very different status, both formally and informally; they are also far more varied, and, it seems both voluntary, of mutual benefit to members, and – although this requires some thought – more democratic. This would suggest that they will, in coming years, be more appropriate to Vietnam’s changing reality compared with those cooperatives that emerged from decree # 68 and the Cooperative Law. It is also clear that there have been considerable discussions within the party and state about the value of these different forms (both the formal cooperatives and the cooperative groups), and the experiences of the three field sites appear very different, partly as a result of these differing opinions. Part of the hoped-for value of this study is to analyse and review these varying experiences as a basis for policy recommendations.

It is worth noting that we have not been unduly constrained in our analysis and fieldwork.

² A pointed set of questions can be asked about why decree 68 seemed to draw so little attention from foreign NGOs and official aid agencies active in the rural areas. An inquiry posted on the internet ‘VSG’ forum, which has a wide circulation amongst overseas Vietnam scholars, produced only one reply about this decree, which actually referred to the work by Fforde cited in Appendix 3. We know of no other report in English that discusses decree 68.

The results are certainly not pleasant to those who have supported the thinking behind decree # 68, yet here we are. A preliminary report was distributed in early 2001, feedback was obtained, and discussion will no doubt continue. Again, though, we base our conclusions on the research done here, which draws upon the 18 communes visited and where interviews took place. We do not assert that these are representative of Vietnam as a whole. More research is needed.

Most Vietnamese farmers remain poor; despite major reductions in poverty in the 1990s, improvement and diversification of incomes are vital. Social goals, and economic efficiency, it is certain, will be met through a balanced combination of various forms of organisation. Whilst it is not yet certain what those will be, our research shows that, where possible, farmers do chose to organise spontaneously and cooperatively to meet various goals, as well as working through other forms, such as the family, private businesses and larger organisations as well. It is clearly important to understand the ways in which farmers are testing various different ‘horses for courses’, and so to devise ways of supporting them that are efficient and effective. Here their own experiences, and where they themselves choose to put their resources, point the way.

In the next section we review various historical and broad theoretical issues. Collectivisation, and the various meanings of cooperatives, are a central part of Vietnam’s independent history. Policy has changed radically since the early 1960s, and will probably continue to do so. We then examine the different field sites, and summarise broad results from the research. Before a more detailed look at the range of cooperative forms we found, we then examine the formal institutional framework. This then allows us to express our judgements on the relevance and viability of the various forms of Farmers’ Organisations.

A short background history³

Reform, liberalisation and the contending meanings of decollectivisation

The history of collectivisation movements in Vietnam is complex and far from uncontentious.⁴ In this section we review the history of cooperatives; this is well-known in Vietnam, thanks in part to the large study carried out in the mid 1990s (KX.08), and we do not suggest that this section contributes much new to the literature. However, it is not

³ This draws heavily upon Ed Nguyen Dinh Huan, 2000 (Project Document).

⁴ See Fforde 1989; de Vylder and Fforde, 1996; Vickerman 1986; Beresford 1988; Kleinen 1999, in English. See the References to this last article for some of the extensive Vietnamese literature. Also Ngô Tất Thắng, 1999, project document.

uncommon for foreign commentators to assert, for example, that various decisions, such as decree # 10 of 1988, ‘decollectivised’ Vietnam’s rural areas. This is mistaken. It is also important and useful for the reader to bear in mind that ‘collectivisation’ (tap the hoa) and ‘cooperativisation’ (hop tac hoa) can be understood as very different things. The former implies a loss by farmers of control over resources such as land to organizations that have been called by different names. In principle, joining a cooperative need not involve such loss of control, so long as democratic and voluntary principles are followed.

In terms of official reports, and not a few histories, the north was collectivised by the early 1960s, and remained so until Order # 100 in early 1981 permitted a partial return to family-based farming. Then, in 1988, decree # 10 further reduced the power of cooperatives. The south, meaning the Mekong, was never really collectivised. US-inspired Land Reform, which created a ‘middle peasantry’, combined with local Party dislike of cooperatives to generate effective failure. In the south-centre, however, farmers were collectivised rapidly in the late 1970s, and thereafter policy followed a similar pattern to that in the north. *It is important to realise, though, that there has never been any Party or state decree that overtly ‘decollectivised’ rural Vietnam, despite frequent presentations and foreign interpretations to that effect.* In fact, through the 1990s the political and ideological base for ‘socialist production relations’ – i.e. cooperatives – remained very strong.

Whilst official policy has followed a relatively clear and uncontentious path, what was going on in reality has been far less simple. Village-level studies have shown the importance of local politics based upon inter-family rivalries, often structured around groups brought into power by Land Reform and collectivisation. This picture, where collectives are part of a wider rural political economy, was argued strongly by early studies.⁵ Other portrayals, including official ones, see cooperatives as instruments of local development and one basis for local authority. Here, one can often gain the impression that cooperatives became of little importance after decree # 10, and that, along with the emergence of the market economy in 1989-90 came a ‘decollectivised’ countryside. This was not in fact the case.

The survival of cooperatives after decree # 10

By 1995, very few of the cooperatives left over from the ‘high tide’ of collectivisation had in fact been disbanded – some 5% (See Appendix 3). Of those that were left, some 10% were operating as sources of local added value, mainly through services supply. The rest were in

⁵ Fforde 1989 and Vickerman 1986. See also Kleinen 1999.

effect acting as local landlords, collecting levies of various types, which were very unpopular and one possible cause of the rural unrest in Thai Binh and other provinces in 1997. Of these, about half provided no services to their members at all.

Clearly, this is not a rural economy with a land market that could be considered as ‘normal’ in any simple sense. Whilst land use rights existed formally, and various rights to beneficial transfer were recognised, implementation and regulation of these rights were highly contingent. The ‘local state’ could not be assumed to be neutral. For example, reports indicated that in the late 1990s the Party issued instructions to local cells to rein in, through various measures, processes of land concentration in the most densely populated regions. These had significant but hard to measure impacts upon local resource allocation decisions.

It can easily be suspected that, in a rural economy where land concentration has been and remains limited, there is ready potential for the removal of resources, either as a ‘differential rent’, or as a simple extraction. The latter can be viewed as coming from a surplus, otherwise used by the farmer for investments directly in production, human resources or elsewhere. Or it can be viewed as pushing farmers’ incomes from agriculture down below subsistence levels, requiring therefore the farmer to create incomes from other sources in order to retain good relations with local authority. The political economy of north and central Vietnam reflects this logic: the central stage for the playing out of struggles over resources that would otherwise appear as rent are the local organisations, within the commune, of which the cooperatives are part.

This is quite different from the situation in the Mekong, where the main focus for accumulation of profits from the rural economy is sited above the commune, in the structures that funnel rice and other exportables through state businesses.

This in part makes easier to understand just why it is that political and social tensions within the commune should be so important in the north and centre compared with the Mekong. Also, it throws light upon the far higher degree of monopoly in cash crops that exists in the Mekong than in the north and centre.⁶ With the major process of appropriation occurring well away from the farm gate, Mekong delta farmers are - so far - freer to organise than others.

Our data shows that farmers saw little value in the old-style cooperatives, and so their continued existence until the establishment of their successors, mainly through 1998,

⁶ IFPRI 1996; according to interviews in 1996, whilst the Long An provincial staples company controlled around 85% of the province’s rice surplus, that in Thai Binh only managed to obtain around 15% - AF.

confirms their lack of democratic content. As importantly, their existence was the result of historical factors as well as the local political economy and the ongoing national support for them, both ideologically and materially (see below).

The situation in the late 1990s and its wider historical context

The emergence of the contradictory structure of contested and imposed new-style cooperatives (in Ninh Binh and Quang Tri) and cooperative groups (very common in Long An, less so in Ninh Binh, rare in Quang Tri) reflects powerful political and historical forces. These have strong effects upon the pattern of information generated.

Since the new-style cooperatives are formal (*chinh thuc*), and state-sponsored, there is an increasing volume of reports and research that justifies them and argues for their further support. On the other hand, since the economic space into which they have been inserted clearly offers opportunities for enhanced local value-added, this creates two sources of information on cooperative groups. Where they have not been imposed, such as Long An, we see a wide range of these private alternatives – the cooperative groups (*to lien ket*, in this region). Where they have been (extensively in Quang Tri, less heavily in Ninh Binh), their relative failure, and the fact that cooperative groups are under some pressure compared with Long An, reveals itself in local tensions and missed development opportunities. Research in this second direction has been rather limited. It is difficult to grasp exactly what the relationships are that hinder the emergence of cooperative groups in Ninh Binh and Quang Tri compared with Long An. Yet, the ‘macro politics’ of the situation are far clearer, since policy clearly supports the new-style cooperatives and does not support cooperative groups. Further, this can be seen influencing the overall picture we have of what has been happening. One contribution of this study is to note that, so far, donors and others have not, apparently, grasped the implications of this situation.

The current situation must thus be understood in its broader political and historical context.

Despite the emergence of a market economy in 1989-90, the political philosophy of the Vietnamese Communist Party remains somewhat unchanged. Socialist production relations (state and collective) are still viewed as being superior in political and developmental terms, and so to be encouraged. So far, cooperative groups seem not to be viewed as collective in the same way that cooperatives are. This is striking, since in many ways they are more collective, in that they operate far more voluntarily and democratically. But the Vietnamese polity remains fragmented in various ways, including regionally. Thus, in areas of the country where local political opinion differs from the overall ‘line’, in this case Long An, policy was

not implemented and new-style cooperatives were not established.

Theoretical rationales for cooperative forms

The theoretical rationales for cooperative forms are many. Here we distinguish between three: the ‘orthodox’ Marxist-Leninist position; the ‘community development’ position; and economic arguments, based upon ‘externalities’, ‘transactions costs’, relative market weight and organisational capacity.

The orthodox Marxist-Leninist position can be seen in two ways. Most Vietnamese would be familiar with Lenin’s position on cooperatives, which asserted that they should be based upon three principles: voluntariness, mutual benefit and democracy. Clearly, these principles were arguably implemented in the early 1950s in the north, and then violated as the imposition of agricultural producer cooperatives saw means of production collectivised. Thus what emerged, in reality, were not really cooperatives at all, if these standards are followed, but rather ‘collective agricultural enterprises’. As farmers recall them, they were certainly neither voluntary nor democratic.

According to some Western analysts, the arguments for imposed cooperatives, whether we call them cooperatives or ‘collective agricultural enterprises’, combine political and economic considerations.⁷ Socialist construction, and economic growth, requires increasing land yields so as to raise food production – a major element of urban consumption. Under conditions of increasing returns to scale, as was the case in Western European grain production, this implies increasing size of farms, which, under capitalist conditions, would lead to the emergence of a landlord class whose political interests would be opposed to those of the socialist regime (‘Dictatorship of the Proletariat’). The increasing size of farms would increase land yields in various ways, most importantly through permitting a greater development of the social division of labour, which classical economists from Adam Smith onwards stressed as a central element of increasing productivity. Thus collective farms, as initially developed in the Soviet Union, offer a solution to both the political and economic sides of the problem. However, if economies of scale are absent, and increasing land yields can be attained *without* increasing the average size of farms, then this argument is greatly weakened. Indeed, as Bray 1983 and others stress, and as is clear from recent Vietnamese experience, very large gains in land yields can be attained *without* major changes in the

⁷ A good Western appraisal can be found in Bray 1983.

average farm size.

Central to this position, however, is its ‘voluntarism’. That is, that it seeks to impose a certain institutional form in order to meet certain goals, understood a priori. This, of course, violates strict Leninist principles.

Thus we can find leading agricultural economists such as Mellor 1966 arguing that cooperatives tend to be ‘pushed’ by government, leading to very poor performance (op.cit.pp.341-342). This is one of the major problems with any ‘voluntarist’ position, since it imposes ostensibly democratic and autonomous forms, which then in practice become neither democratic nor autonomous. Indeed, Attwood and Baviskar, in an excellent survey of Indian experience (1995) start their text with the statement that “Many rural development projects have failed because they were imposed from above” (op.cit. p. 3).⁸

The ‘community development’ rationale is rather different. This takes as given the idea, which is very attractive, that self-management offers a range of values to members, which include economic as well as non-economic outcomes. The ILO 1988 offers a clear presentation of this view. Here the non-economic outcomes include moral outcomes: “... if [a cooperative] is to serve its purpose, it must ...stand firm on certain broad moral principles of mutual aid and shared progress.” (op. cit. p.5). Similar strongly articulated attitudes can be seen across a range of perspectives. Benello et al 1997 support cooperatives from the powerful ‘post-development’ position critical of institutions such as the WTO; Pestoff 1991 points to the wide range of benefits, not just economic, that stem from cooperatives in Sweden; Baviskar and Attwood 1995 survey the complex history of cooperatives in India; but writers like Dieter Benecke 1972 stress the importance of economic factors despite the attraction of cooperation per se.

Cooperatives have also been studied from anthropological, political and other perspectives. However, economics has tended to look at the comparative economic performance of cooperatives.

From economics, we must note the seminal work by Ward 1958 arguing that a cooperative was simply a business that sought to maximise income per worker, rather than profits (in terms of neoclassical economic theory). Thus it would tend to be inefficient, producing less than if the assets were managed by a profit-maximising firm. Note, though, that such an

⁸ For a revealing comparison of the advantages of service cooperatives over the producer cooperatives of classic socialism, see Deinenger 1995.

organisation is seen as ‘capitalist’ in the sense that the cooperative owns capital and buys and sells on markets. This approach, though, tells us little about why such an organisation should form. For this we must consider the ideas of ‘market failure’ – that is, how conditions that objectively prevent markets from operating ideally create incentives for different – non-market - organisational forms to appear.

Consider first the problem of ‘externalities’. If an economic activity creates costs or benefits that are not captured by some priced good or service, which then operate upon the interests of whoever decides how much of it to produce, then there is a problem. If it is benefits that are external to the producer’s accounting, then too little will be produced. For example, if an irrigation scheme benefits people who do not have to pay for the water, then arguably it will be too small. If a way existed to internalise these benefits so as to ensure that all who benefit pay whoever is producing the irrigation services, then this would add value to the situation. Conversely, if the externalities are costs, then too much will be produced.

One can imagine a situation where the irrigation scheme removes water from fields where farmers cannot influence the scheme. Again, bringing them into an organisation ‘internalises’ the costs. *Thus it can be seen that non-market solutions, such as cooperatives, offer ways of increasing welfare through increased efficiency, when they internalise costs or benefits that were previously external to the calculations of cost and benefit that determine output.* From these arguments, and so long as institutions are not imposed, we can expect forms of cooperation to arise spontaneously when and if externalities exist that can be internalised, and where markets cannot do so. More precisely, they will be set up to explore such perceived opportunities, and disbanded if they fail to realise them. In a rapidly changing rural society, then, with new markets and technologies on offer to farmers, we would expect to find, if it is allowed, much dynamic organisational experimentation, of which forms of cooperation would be as natural a part as private businesses.

Now consider the issue of ‘transactions costs’. These can be understood widely as the costs of forming economic relationships. If trust levels in a society are high, these tend to be low. Economic agents do not need to invest time and money in acquiring information to reduce the risks of transacting. This is just one example. In a rural society where many commodities and services are usually lacking (such as reliable information on the risks of borrowing from a bank) non-market forms of organisation can arise that enable transactions costs to be reduced. One obvious example is credits, where informal mutual-guarantee groups offer ways of reducing the costs of doing business that arise from a range of problems, such as relative lack

of lenders' information on borrowers' capacity to repay (especially if the lender is a bank). From these arguments, also, then, and again so long as institutions are not imposed, we would expect forms of cooperation to arise spontaneously when they offer opportunities to overcome high transactions costs.⁹

Both of these two latter perspectives are well expressed within modern neo-institutionalist economics (eg North 1995 and Bates 1995). It is worth stressing that the *potential* for improved economic performance identified by these economic perspectives tells us little about whether, and if so how, such forms will appear.

The literature on the economics of cooperative forms is rich. See, for example, Dow and Putterman 2000 who point to the existence of a wide spectrum of workers' rights to control across capitalist economies, through such issues as European co-determination (worker representation on company supervisory boards), tax implications for employee stock ownership plans, worker buy-outs and so forth.

To the theoretical arguments about externalities and transactions costs can be added two others, more commonsensical in nature.

In input and output markets farmers usually confront problems of relative weakness. They, unless they organise, are many in number compared with suppliers and buyers, whether private or state businesses. Thus cooperation allows farmers to exploit scale, not only in bargaining, but also in acquiring information.

Finally, there is the general issue of organization and the opportunities it creates for farmers to adapt to new circumstances. Thus a cooperative group, by supporting relationships and maintaining organisational capacity, permits new situations to be confronted and, perhaps, exploited.

Conclusions

There are a range of strong arguments that suggest that farmers would find it profitable to cooperate under a wide range of circumstances. Two conclusions follow from this.

First, if allowed to do so, farmers are likely to try out a wide range of cooperative forms, reflecting both the range of arguments for doing so and the varying extent of the likely benefit.

⁹ See Ghatak and Guinnane 1999 for a survey of joint liability lending methods. Holloway et al 2000 look at the role of transactions costs in institutional change in milk-marketing;

Second, since arguments often involve farmers acquiring benefits at the expense of others (such as through greater relative market power), it is likely that there will be interests involved that would not want to see farmers organise in this way. Thus, for example, businesses that purchase cash crops from farmers could prefer to set up cooperative forms that they, rather than farmers, control.

A note on terminology

It should be clear by now that it is rather easy to confuse form with reality. An imposed cooperative is, in the strict sense, not a cooperative at all. Thus the term ‘collectivisation’ would then apply, as the resources of members are brought under the control of others, who control the collective. Strictly, ‘cooperativisation’ refers to a voluntary and democratic process, which is quite different. It is interesting that the distinction is still made: the historical loss of farmers’ resources (for example in the north during the early 1960s or the south in the late 1970s) to the imposed cooperatives is usually called collectivisation, not cooperativisation.

Conclusions

The literature argues that we should expect to see cooperation under two quite different sets of conditions. First, imposed from above; second, arising spontaneously in ways that reflect the ability of these forms to add to local welfare in situations where markets fail to work properly, such as through externalities or high transactions costs.

In the former case, what we see are arguably not cooperatives at all, since they are not controlled by their members and are not voluntary.

In the latter case, we should expect to see these forms responding to farmers’ search for improvements in their lives: higher welfare, lower risks, or perhaps some combination of the two. They would be clear, since their own resources and families’ futures are at stake, of the trade-offs and rationales for what they are doing. Following economic logic, spontaneous cooperation would be expected to occur in areas such as irrigation, credit provision and activities where information is crucial but not marketed (cannot be bought). In both of these situations, the literature referred to here as ‘community development’ would argue that local sentiments would also enter into the picture, such as regarding affective attitudes to working together, and towards imposed forms. Thus farmers would be expected to express economic logic through and with non-economic ideas and feelings.

Background on the field sites: Ninh Binh, Quang Tri and

Long An¹⁰

These three provinces are situated in quite different parts of the country, but are not intended to represent them. Ninh Binh is in the West of the northern Red River delta, with a long-settled population. Population densities are high but not amongst the very highest in the country, and economic growth since Doi Moi has led to significant increases in living standards. Quang Tri province is in central Vietnam, with relatively bad land and climatic instability. Long An, in the Mekong delta bordering on Ho Chi Minh City, is by far the best off of the three, with the population enjoying better nutritional status and producing high marketed surpluses.

Regional variation and regional history

In Vietnam as elsewhere, ‘all politics is local politics’, and the very great differences in local political history and culture show up in the variation in the nature of the new-style cooperatives, and cooperative groups, in Ninh Binh, Quang Tri and Long An. In Ninh Binh, the local political leadership is softer and less confrontational in its demands than in Quang Tri. In Quang Tri the leadership is more assertive. In neither are there many cooperative groups, which are strikingly absent from the rural landscape compared with Long An, in the Mekong. And in Long An there are no new-style cooperatives, matching the general failure in the past to secure an effective collectivisation of the Mekong.

We discuss the situation regarding cooperatives and cooperative groups in detail below. Here we summarise some general points about the local situations. Again, we stress that these results are not representative of anything more than the 18 communes surveyed.

The striking relative absence of cooperative groups in Quang Tri and Ninh Binh

There are not very many cooperative groups in Quang Tri or Ninh Binh; in numbers reflecting their full potential for farmers, they are probably not yet possible, and indeed would likely need to expand into local political and economic space that has been pre-empted by the new-style cooperatives. Some, therefore, exist *within* cooperatives, and negotiate a relative autonomy. In Long An, however, this space is largely free from cooperatives, and contains a range of dynamic cooperative groups, that meet a range of farmers’ needs. These

¹⁰ This draws upon various project documents, including Nguyễn Hữu Đạt, 1999, Nguyễn Thị Anh Thu, 1999, Đào Duy Dương, 1999, Trần thị Trâm Anh, 2000; Hồ Ngọc Hy, 2000; Ngô Thị Tuấn Dung, 2000; Trần Hậu, 2000; Ngô Thuýng, 2000.

are not closely associated with the Party and its Mass Organisation systems, unlike the new-style cooperatives in Quang Tri and Ninh Binh, where they are.

Long An benefits from the fact that there never have been official cooperatives of any strength. The local Party therefore does not really value or rely upon them. State guidance and support has therefore gone into other areas instead. Ideologically, the local political leadership has far less belief in the classic Marxist-Leninist thinking relating ‘socialist relations of production’ to the requirements of the national political system, and to national economic growth. Thus they are less conservative.

In addition to this, the rural population has been able to build up and preserve ways of cooperating to local advantage. There is no fear of cooperation, and this is helped by the failure of collectivisation in the past. They are also less worried by markets, and so less wary of the consequences of pro-market sentiments. There is greater social acceptance of landlessness and land concentration, and so people are more tolerant of land being used as a basis for the emergence of the private sector. Finally, both as cause and consequence of this, there is a far lower perceived risk to contributing capital to cooperative ventures outside the family than in the north and centre. This points to a significant aspect of the weakness of the new-style cooperatives, which is their failure to mobilise – in practice – capital contributions from their members. Often, these were not actually paid up, although cooperators had agreed to pay them as part of the formal procedure to join. However, as we argue below, these procedures had very limited democratic content, so cooperators’ failure to honour such commitments is far from surprising.

Overview of institutional framework, official and formal

The wider context

The rural population under study lives within a varied set of institutional structures. First, there are those typical of a Leninist formal political regime: the Party, its Mass Organisations (such as the Farmers’ Union), state bodies such as the People’s Committees, and official cooperatives (both ‘old-style’ and ‘new-style’). Besides these, people lived in households, typically two or three-generational in form, with the family-unit (ho) acting as the holder of land property, of population registration and other important relationships with state authority. Finally, there were various non-agricultural cooperatives, private businesses (perhaps registered as Companies), SOEs, and informal groups and sites of cooperation (to, to hop tac).

Formerly, Leninist mistrust of ‘outside’ social activity paralleled the Constitutional and orthodox political positions that gave priority to so-called socialist forms: state business, and cooperatives. Note, though, that this really only meant official cooperatives, and there was no evidence of state support for forms of cooperation that were ‘outside’, in the sense of not being – unlike the new-style cooperatives – subject to the ‘control’ of the Party in the same way as its Mass Organisations. It must be stressed at once, though, that ‘control’ should be understood in a limited sense, for the actual content and reality of these bodies was subject to negotiation. However, it is correct to use such a strong verb in this context, due to the ways in which the Party retained control over matters such as cooperative leadership selection, the decision to establish the cooperative, and, importantly, the attitude of the local political apparatus to *other* forms of cooperation. Tolerated in the Mekong, if not encouraged, these were far from supported in the north and centre.

The cooperative Law, state decree # 43-CP on the Model Cooperative Statute, and key elements of “legality”

The formal situation – cooperatives

The highest legal body of the Vietnamese state, the National Assembly, passed a Cooperative Law in April 1996. This was followed by State decree 15-CP of February 1997, on policies to stimulate cooperatives. These were both subject to the key Party Decree # 68 of May 1996, which laid down that cooperatives were ‘objectively’ needed for rural development.¹¹ It is reportedly secret, and so has not been examined directly in the writing of this report. However, its commitment to cooperatives can be seen in the references to it in the 4th Plenum of early 1998, when the movement to establish the new-style cooperatives was already under way.¹²

There was opposition within the Party to these policies, as well as a concern to present them as not unfavourable to private farming activities. But the dominant position is clear (see Appendix 3). Further, other parts of the state economy were to support these bodies, such as through the allocation of bank credit and tax concessions. Contradictions were clear, however, in the view that these new-style cooperatives, like the old ones, should act as procurement agencies for SOEs.

Various elements of the Cooperative Law and the Model Statute passed by the Government

¹¹ See Appendix 1.

¹² See Appendix 3, quoting other work.

(Decree # 43, passed in April 1997) placed obstacles in the way of presenting the new-style cooperatives as being ‘legal’. In addition, since the Law stated that all cooperatives had to operate under it, and many cooperatives did not re-establish themselves, these latter arguably were violating the Law. The main obstacles were:

1. The prohibition upon a cooperative imposing levies based upon members’ land-holdings. This pressured them not to act as landlords, but of course the resources could be extracted in other ways.
2. The requirement that members complete an application form, to join.
3. The requirement that members make some contribution, a ‘share’. As we will see, whilst these were often inscribed in cooperative regulations, they were very rarely paid in.
4. The general requirement that cooperatives operate in a democratic manner (eg, that they are organisations set up voluntarily by their members, controlled by them etc). As we will see, their members show little sign that the leadership is viewed as being properly chosen.

By December 1999 formal re-establishment of some 3,104 cooperatives had occurred (32% of the total), with some 2,542 (26%) reporting that they had carried out documentary preparation for it [Nguyen Dinh Huan 2000: 43]. Almost no new-style cooperatives existed in Long An province, in the Mekong [Long An QD: 3].

Whilst the official cooperatives operate according to the Cooperative Law with support from Party Decree # 68, ‘cooperative groups’ do not. As we have seen, arguments exist for the position that official cooperatives, which are imposed, should not really be viewed as cooperatives at all.

This poses the question as to why the Cooperative Law has failed to deal with this issue. The main reason is because of the lack of attention paid to what happens *before* the cooperative is established, and also to the failure to put in regulatory mechanisms to ensure that such civil societies operate properly (i.e., in terms of their own Statutes). This, by comparison, is treated far better in the case of Share Companies, where there is a clear stipulation of the requirements that must be met regarding the procedures by which those who establish a company bring it into being, mobilise capital and so on. In this case, but also unlike formal cooperatives operating according to the Cooperative Law, there are also regulatory systems for enforcing stipulations regarding corporate governance (eg, the rights of share holders).

We discuss this further in our Recommendations section.

The formal situation: cooperative groups

The formal legal position is that ‘cooperative groups’ (to hop tac) operate according to the Civil Code (Chapter 4, section 4, clause 120) and are established on the basis of some contractual agreement between three or more members. This deals with joint contributions of assets or labour to carry out some particular task. Such bodies are required to register with the People’s Committee of the commune or (urban) ward.

Their main distinctions from cooperatives, which should operate according to the Cooperative Law, are as follows:

1. They do not have so-called ‘legal character’, better referred to as ‘full legal character’ (tu cach phap nhan – see below). Formal cooperatives should in principle attain this by registering at a higher level in the state apparatus, the district or (urban) quarter.
2. Cooperative groups are economic agents (chu the kinh te) whilst cooperatives are economic legal entities (phap nhan kinh te) with limited liability. A central difference implied by this is that the former are legally sufficiently represented in civil affairs by their elected leader, whilst the latter are required to maintain an internal organisational structure.
3. They operate according to the basis of the contractual relations between their members, whilst formal cooperatives operate according to the cooperative’s Statute. It is worth stressing here that whilst the government has produced a series of model Statutes for cooperatives, including agricultural ones, there is to our knowledge no such thing in the case of contracts for such cooperative groups.

Two more forms can be mentioned.

First, there are ‘associated groups’ (to lien ket). These can be considered as a concrete example of a ‘cooperative group’. They are not, however, registered. They operate on the basis of some agreement between their members to carry out some task or other. As we have seen, this term is often used in the south to refer to cooperative groups, registered with the local authority. This is confusing.

Second, there are the People’s Credit Funds. These operate under special legal conditions, with in their case the Cooperative Law being supplemented by various provisions of the State Bank.

Conclusions

Whilst laws and decrees exist to regulate the activities of both principle types of formal institutions, cooperatives and cooperative groups, these have certain important shortcomings. These problems are mainly in two areas: the regulation of what happens *before* the establishment of the organisation (especially of concern in the case of Cooperatives), and the regulation of their subsequent activities. Again, as we shall see, little provision has been made to ensure that cooperatives operate according to principles of voluntariness, mutual benefit and democratically.

Farmers' Organisations and summary of range of activities

The sample and its context – background information

The sample

Three research principles were adopted.

First, adapting and improving methodology as the research was carried out.

Second, spending considerable resources upon qualitative research methods, such as interviews and focus groups.

Third, creating a sound quantitative database, combining household interviews with general data on local conditions.

We started with some preliminary investigations in Ninh Binh, the province in the Red River Delta. These gave us insights into linguistic matters,¹³ the tensions in the rural areas associated with the movement (associated with decree 68 1996) to establish new-style cooperatives, and the relatively limited extent of private forms of cooperation.

A draft questionnaire was implemented. This was then refined, along with focus group and interview methods, and implemented in Long An (Mekong Delta) and Quang Tri (Central Vietnam). This 'second questionnaire' was then re-implemented in Ninh Binh. Whilst the first questionnaire had generated some voluntary responses regarding private forms of cooperation, by far the great majority of respondents did not reply to these questions in the second round. However, they were quite happy to comment on the new-style cooperatives, to which, by this time, they mostly belonged.

The survey thus covered three provinces. In each, two districts were chosen, and in each three

¹³ See Abrami 1999.

communes, giving six communes in all. The commune is, practically, the lowest level of the state structure in Vietnam, possessing, like a district and a province, a People's Committee. Below the commune, villages possess village leaders and were often the basis for cooperatives in the history of the expansion and then contraction of 'old-style' cooperatives. Almost all the new-style cooperatives are coterminous with communes, and thus seen as rather large, since the commune-level old style cooperatives of the 1970s and 1980s presented various problems related to their size which were eased when they were broken up to village-level in the late 1980s. With 600 households interviewed in each province, the entire questionnaire household survey totals 1,800.

Choice of communes and districts

The communes and districts were chosen from delta regions, and were selected so as to give a relatively wide range of non-agricultural activities as well as forms of cooperation. They thus represent populations with relatively high levels of development of the division of labour within the rural economy, and with organisational forms beyond the family that accompany this. The households were chosen at random, from the household roster of the local authority.

Some general conclusions from the qualitative research, and local officials' views

This preliminary study has not carried out a full statistical analysis, and what follows is based primarily upon the qualitative research results as well as various simple statistical indicators.¹⁴

Quang Tri

Quang Tri, like Ninh Binh, had implemented a movement to re-establish the old cooperatives. Of the 277 in existence, at the time of the research 238 had been re-established, and of the remainder, 19 "either had been or would be dissolved" [Quang Tri QD: p.2].¹⁵

Implementation was top-down and problematic.

"According to the law, (a cooperative) cannot levy funds (eg welfare funds), but in some places they still do so, but around 60-80% less than before. It would be wrong to say that cooperatives are a heavy burden to their members as now it is very hard to impose levies" [idem. p.2].

¹⁴ We consider that the household database is reliable, and we have used it to compute various average indicators where needed. However, it is not yet sufficiently developed for us to use it to investigate analytically the economics of different cooperative forms under different conditions. More details of the qualitative results can be found in various project documents (in Vietnamese) such as Nguyễn Hữu Đạt 1999, Nguyễn Thị Anh Thu, 1999 and Đào Duy Dương, 1999.

¹⁵ See also Appendix 1.

The cooperative is the ‘bridge’ for getting technical improvements to the farmers ... the local authority cannot do so. Much has been said, but they will not. In many places the cooperative does this well. [Idem. p.3].

The new cooperatives, like the old ones, were chronically short of capital. Often, they had to use capital put into the old cooperatives as loans, and still owed by them.

In terms of activity, there was, according to official views, very little diversification by the new-style cooperatives. They kept up irrigation, plant protection and veterinary work, and that was about it. But it was ‘more voluntary’.

Local officials were aware of ‘very interesting’ ‘voluntary cooperatives, real cooperatives’ (sic – “*mo hình HTX tu nguyen, co HTX thuc su la rat hay*”), but these had not developed much. They were mainly involved in land preparation and transport.

“The danger is that whilst nothing had really happened to move cooperatives onwards, along came the cooperative Law and then the change based upon a ‘movement’ (*phong trao*)¹⁶ came. The current danger is the change as a ‘movement’. There is a decision of the province Party Committee on this. Really, ... it was imposed and there is a competition (*thi dua*)¹⁷ to see who can do it faster.” [Quang Tri QD: p. 4].

The fieldwork suggested that the real picture was rather different. Implementation was stiffer than in Ninh Binh (see below). For example, each cooperative of the old style was permitted 36 officials, so that a commune with perhaps 1,500 families with 3 cooperatives could have over 100 [Quang Tri QD: p. 125]. This had been greatly improved with the implementation of the new-style model. Officials tended to have been trained, and in general state support and resources had been significant. This meant that these new-style cooperatives, for all their lack of democracy, were an important channel for outside support to farmers in what was a very poor area. The cooperatives, thus, were not really essentially designed to increase local value-added, rather to channel in outside resources and capture a limited share of what was available locally.

The incentives acting upon cooperative leaders to support local development were therefore weak. They appeared often to act as salaried officials, with very low performance bonuses [Quang Tri QD: p. 126].

“The problem is that cooperatives must have a role for them to exist, but what is that role? In principle, they must prepare written applications, but we can forget about that. The fact that assets remain from the old cooperative encourages people to join the new one in order not to lose their rights.

¹⁶ That is, implementation on a top-down basis in the traditional manner of Leninist mobilisation.

¹⁷ The word, ‘*thi dua*’, is again that from the tradition Leninist repertoire, dating back to the Stakhanovite model workers of Stalin’s time.

If we compare the prices charged by cooperatives and the private sector, then the cooperative is probably dearer. It would be wrong to say that the private sector traders are swindlers. The people think that the cooperative is a reliable place for society and community, and not very important on economic grounds. Thus most of it is form only (*hinh thuc*) [Quang Tri QD: p. 128].

The problem is how to get people voluntarily to demand services from the cooperative, rather than forcing them to use services put in front of them ... In that way of thinking, the more the cooperative does, the more the cooperators will have to contribute” [Quang Tri QD: p. 129].

A central point was that the economic surpluses coming out of the rural areas were rather low, and state support from outside rather high. This is a very poor region of Vietnam, suffering from floods and other natural disasters. Thus farmers’ attitudes to state-sponsored cooperatives were often rather positive (see below). But, as the officials report, they did not have much impact upon local accumulation and growth.

Ninh Binh

‘Re-collectivisation’

The data on the political issues at local level related to this is unclear, and, as already reported, farmers simply did not respond to many of the questions in the questionnaire related to this.

Private forms of cooperation

In *Ninh Binh* -

“A number of genuine forms of cooperation have appeared and are appearing. Where the market is better developed the need is stronger and clearer. Talented people in the rural areas want to set up cooperative groups but the environment for them to do so does not yet exist” [Project Scientific Conference in Ninh Binh: p.9].

1997 saw an attempt to implement this according to a provincial-level plan, but this failed. Stronger efforts were then made in 1998, with greater success [idem: p.9].¹⁸

Long An

The situation in Long An was very different from that in the other two provinces. Local officials had a far more supportive attitude towards private forms, and were extremely unenthusiastic about the official cooperatives. In fact, two of the latter had been set up (in 1998), but were viewed as having no results, and had lost their capital as cooperators would not repay debts [Long An QD: 3, referring to Tan An township]. Conversely, private groups (to) were divided into two types: economic cooperation groups (*to kinh te hop tac*), with assets above 5 mn dong and with potential for growth ‘to become cooperatives’; and all

¹⁸ See Appendix 1.

others, which were referred to as ‘associate groups’ (to lien ket). Examples of the latter were capital assistance groups and labour exchange groups [Long An QD: 4, idem.]. Their comparison of the population’s views was clear:

“Our farmers like joining ‘associate groups’ in agriculture because the two cooperatives have just appeared and have no results, they have big debts and will probably collapse, whilst they also have to put up with the management committee, its costs and the fact that personnel are not really elected democratically whilst the cooperative has too little capital ... *the direction of the province is to develop the cooperative economy. Both types are good ...*

The state wants to have its hand upon (‘nam’) the farmers from the political aspect rather than derive economic resources from them.” [Long An QD: 4, idem].

Thus, in Tan An official reports acknowledged near 8,000 people (of a total population of 112,000, with 50% in agriculture) in such groups. Granted a family size of over 5, this suggested that a very high proportion of the farming population was in such organisations. All of these had to ‘go through’ the Mass Organisations, but “the state is still not happy about it” [idem p. 5].

Cooperative groups in Tan An: power and water – 98; seeds use – 10; irrigation – 3; borrowing – 65; labour exchange in rice transplanting – 3; seeds production – 8; livestock and poultry – 5; consumption (savings) – 2 [idem].

Besides the two categories reported by officials, research pointed to a third group, called ‘private associated groups’ (to lien ket (or hop tac) kinh te tu nhan).

In general, the qualitative research showed that all three shared certain characteristics. First, the Mass Organisations played a central role in supporting them and helping them obtain registration with the local authorities. Second, most were relatively recent, and so they were clearly still developing. Third, quite unlike Ninh Binh, the Party and local authorities were very ‘gentle’ in their treatment of them, so it was far easier for them to form [idem. p.14].

The various forms, and their location in the local economy, appeared logical. That is, that they responded to local conditions (rather than being imposed upon them). Thus, they were clearly profitable, adding to local value-added, were supported by farmers and, despite the overall pressure upon the local Party to move faster, were thought ‘a good thing’. A central point here was that there was a diversity of forms amongst these private organisations, reflecting a process of institutional exploration of opportunities, and quite different from the uniformity of the ‘new-style cooperatives’.

The local state could be seen, despite the contrary pressure from general policy, to be developing interventions to support this process.

Farmers and cooperative groups

The opinions of farmers were gathered from interviews, focus groups and the written questionnaire. As should be clear, the very nature of the movement to set up ‘new-style cooperatives’ added a political element to farmers’ responses, and this should be born in mind.

Ninh Binh

In the first (preliminary) survey, farmers reported belonging to a limited but significant range of what were referred to as ‘voluntary forms of specialised cooperative groups’ (to hop tac nghe nghiep¹⁹ tu nguyen). 14% of the sample reported belonging to land preparation groups, 1% to transport groups, 20% to quarrying groups, and 19% to construction groups. 2% reported belonging to purchase and sale groups. Besides this, 12% reported belonging to an old-style cooperative and 85% to a new-style cooperative. This probably reflected the closing stages of the re-establishment movement. [Ninh Binh SR1: p.20]

Farmers also expressed rather clear opinions about what could be done by the state and province to help ‘real, voluntary cooperative organisations’. Whilst only 60% thought that ‘procedures should be simplified’; around 90% thought that they should be lent capital, receive training on management and technical work, and support to purchase of products from traditional sidelines [Ninh Binh SR1: p.62].

More pointedly, whilst 70% thought that the district should act to improve local democracy, again so as to support these organisations, 87% said that training was important, and 83% argued for loans. Almost none argued for better markets [Ninh Binh SR1: p. 63]. A similar pattern of stress upon training was offered when the question was posed in terms of the commune [idem].

Finally, this first survey also revealed that only 10% of interviewees felt that they were aware of the procedures required to establish a voluntary cooperative [Ninh Binh SR1: p. 54].

In the second survey, as has already been reported, almost none of the interviewees were willing to offer an opinion about ‘private’ cooperatives.

In Ninh Binh, therefore, one can conclude that complex political manoeuvres use the shells of formal structures as a theatre for conflict and negotiation, within which economic issues play a certain part. There is clearly considerable scope, as in Long An, for farmers to develop their

¹⁹ ‘Nghe nghiep’ usually refers also to artisanal activities.

own locally valuable forms of cooperation is conditions are suitable. This conclusion relies heavily upon the nuances of the qualitative data and interviews. Despite this, however, it appears from the pre-survey that a significant proportion of farmers belonged to cooperative groups – probably at least one in five.

Quang Tri

Some 3% of farming households reported belonging to cooperative groups (c501). Of these 15 responses (in the sample of 600), 2 said they based internal organisation upon ‘emotion’, 2 ‘as though it were a family’, 2 ‘as though it were a share company’. In terms of activity, 3 were in production and processing, 1 in veterinary work, 1 reported in mutual capital assistance (c512a), 2 in construction, and 4 in wood processing. None admitted to being involved in production, processing or transport of agricultural or artisanal product. There was some evidence that the official cooperatives created work for cooperative groups. 3 of these had been set up in 1991, 1 in 1992 and 1 in 1999 (c513a). 4 reported support from the local authority in setting up the cooperative group. This took the form of training, introductions and support in relations with higher authority. 4 of them contained Party members or officials (c520a).

A significant number of these cooperative groups had written internal regulations governing how profits were to be distributed, the responsibilities of the management, and so on.

On the whole, they were not growing fast. Yet they were considered to be more effective than the new-style cooperatives (c528.1), more democratic and more likely to support increases in farmer welfare (c528.6). Most contributions, according to those who replied, were in money (c529.7). Amounts were around the 3.5 million dong level (c530b).

The cooperative groups were small, from 6 to 13 in size (c517b). Farmers felt that it was worthwhile registering them (c538.1).

Finally, there was evidence that cooperative groups had been set up over the years, but that they had often failed, for reasons such as market conditions (‘no market’), poor understanding, and because the environment was unfavorable (c545.6).

It must be stressed, however, that there were very few cooperative groups, and so the sample from which these opinions were drawn was very small indeed.

Here, we would judge that perhaps one in twenty farmers probably belongs to some form of cooperative group.

Long An

In Long An the picture, as already reported, was quite different from either Quang Tri or Ninh Binh. Around half of farmers interviewed reported belonging to ‘real voluntary cooperatives’. Those who did not, replied with reasons such as ‘unnecessary’, ‘unaware of how to do it’, or ‘unsuitable for me’. Only 12% replied that they wanted to avoid nuisance from the local authority (c502.4). 30% said they had insufficient capital.

A central issue was ‘what was necessary for such organisations to add to local value-added’,²⁰ and here farmers had a range of opinions. 60% (of those replying and members of such organisations) thought that the state should help, 63% that the state should assist with training, 46% that the state should help farmers carry out traditional artisanal work, 76% that the state should ‘give them work’, 92% that it should operate according to community values²¹, 38% that it should operate in the market, 95% that people should help each other and 92% that they should operate legally.

Many farmers belonged to more than one such organisation – around half. Unlike Ninh Binh, management according to ‘emotions’ was not valued highly (by 41%) and only 29% thought the organisation should be managed like a family. Only 10% thought it should be managed like a share company, and only 4% ‘like a cooperative’. And 90% thought it should be organised democratically.

Areas of activity were far more developed than in the north or centre. Very few were engaged in production/processing or transport. 2% were in construction, 10% in product marketing (tieu thu) (c507.8, 507.9), 5% solely in processing, 25% in irrigation, 24% in field protection, 12% in veterinary work, 21% in pest control, 14% in harvesting and drying, 30% in agricultural technology transfer, and 3% in goods supply. Over 50% were in power supply and 12% in capital support.

Most of these organisations were called ‘groups’ (to – 82%), but some were called ‘teams’ (nhom). 25% had been set up before 1990, 35% in 1991-95 and the rest subsequently. *The pattern of year of establishment shows slight peaks in 1989 and 1995.*

In general, 85% said that the local authority supported them, but only 7% said they received any training. 23% reported getting market information, 22% management information, 36%

²⁰ Literally, ‘lam an co hieu qua’ – to make a living with positive results’.

²¹ I.e. ‘tinh Lang nghia xom’.

instruction on the law and 54% letters of introduction.²²

The units were larger than in the north – around 70% had 1-30 people, 23% 30-100. 41% had family members in them (from the point of view of the interviewee) and 52% had Party members or officials. Here it is worth recalling that half the rural population belonged to cooperative groups.

The advantages over simple family-based activities were said to be as follows: capital problems (44%), technical knowledge (29%), management skills (26%) and managing relations with the local authority (56%).²³

63% had written internal regulations. Only 6% had written stipulations on profits sharing. Indeed, profit sharing was not a major focus of most of these bodies. Most saw their ‘market’ as only being within the commune (90%) (c524). And most felt that small units (less than 10 ‘ho’) were suitable – 60%.

Why were they better than official cooperatives? 96% said that it was because they were truly voluntary, 92% that they were democratic, 90% because they developed community sentiments and 85% because they could raise members’ living standards. In general, contributions were made simply by family, not by land area. Almost all families did make contributions (c529.4), and in money.

In Long An, therefore, farmers’ organisations reflect what was broadly expected from theory. The areas of activity echo issues discussed above in the theoretical section. We do not yet know enough, however, to be at all certain about the exact reasons why particular areas are chosen. More research and analysis is needed. However, the experiences of Long An provides fertile ground for investigating where and how, and most importantly how organised, cooperative groups significantly add to local welfare and accumulation capacity (i.e., to local value-added).²⁴

Conclusions

The evidence from Long An suggests that, under normal conditions, around half of farmers would belong to cooperative groups. These operate according to the normal Leninist principles of democracy and voluntariness, and explore local economic opportunities. This

²² Letters of introduction were and remain useful for private individuals and others in negotiating with officials.

²³ It is worth stressing that the respondents placed the highest weight on relations with local officials as the advantage of cooperative groups over families.

²⁴ Expansion of this line of research will be a major focus of the development of this preliminary work, using the databases generated.

compares with the one in five of the farming population in Ninh Binh who belong to such groups, and the one in twenty in Quang Tri.

Farmers' and the new-style cooperatives: opinions and evaluations

In the above section we have reported on the results of our research into farmers' cooperative groups. These reflect a variety of factors, most importantly their voluntary and spontaneous nature. Here we turn to report on farmers' attitudes to the new-style cooperatives.

Ninh Binh

As in Quang Tri (see below), reported attitudes to the old-style cooperatives were somewhat nuanced. 87% belonged to the new-style cooperatives. Most had joined in 1998. Only 17% had written an application to join. About half reported that contributions were made according to land area, in rice, on average about 20 kg of paddy, but only 1% reported that they had actually paid already. There was a high level of unwillingness to answer questions about the levels of democracy in the new-style cooperatives. However, 78% reported that they had not had assets of the old cooperatives returned to them (c318).

About 50% of respondents reported that cooperatives supplied seeds, 80% that they dealt with irrigation, 19% that they supplied fertiliser and 85% that they protected the fields. 20 reported that the cooperative sold products outside the commune (c321.g). Seeds supply had improved (c328.a), as had water supply, fertiliser and other services. The new-style cooperative was thought to have had a positive effect upon local markets, prices and market information. About 20% of respondents felt that the management was competent, in various ways.²⁵ There was again hesitancy in answering questions about competence in any depth. 5% agreed that a 'higher level' would have to introduce cooperative officials for them to be approved, but 92% declined to answer this question at all. There was considerable confusion about who actually made up the management committee of the cooperative (c340.b et seq).

Quang Tri

In Quang Tri, 98% of respondents were members of a new-style cooperative. Most had joined in 1998 but 27% in 1997 (earlier than Ninh Binh). Almost none contributed according to land held, and were clear about this. 29% contributed according to labour, 35% did not contribute at all. 44% contributed in money and almost none in paddy. Mean contribution was 600,000 dong. 51% had actually contributed at the time of interview (c317.1).

²⁵ This appears, as is said, to 'damn with faint praise'. It implies that 80% were not competent.

They were far more willing than the respondents in Ninh Binh to defend the name of the new-style cooperatives. Nearly 50% asserted that working privately would be worse (c317.6). 55% felt that a cooperative group would not be more profitable. Around 50% had received funds back from their contributions to the old cooperative.

Activity incidence was higher than for Ninh Binh – 95% reported getting seeds from the cooperative, 96% that it carried out irrigation, 95% that it supplied fertiliser. However, far less reported cooperative activity in marketing (*tieu thu*) – 1% (c321.g), but 29% reported credits from it. 92% received veterinary services, and 88% agricultural technology. Most thought also that services such as irrigation, seeds supply and fertiliser supply had improved. Interestingly, only about half reported assistance with floods and storms *from the cooperative*.

This picture, granted the levels of contributions, suggests a strong pattern of state support through the cooperatives in these areas. In a very poor area, exposed to risky climatic conditions, state support channelled through the cooperatives can be seen beside a picture of relatively better and more legal management, and more contented members. A high proportion of respondents reported knowing how many members of the management committee there were (90%) and in general about who managers were (85% for the Manager, 93% for the deputy but only 70% for the other members). 87% knew who the accountant was. 77% reported that the Manager of the cooperative was *not* a Party committee member (Dang Uy Vien) (c346.3). Over 50% thought that he or she had no other posts.

In Quang Tri, therefore, whilst official forms are largely obligatory, they are managed with a somewhat higher officially advocated degree of ‘managed democracy’. Crucially, though, for any analysis of whether they are a better way of organising farmers, they are the channel for large volumes of state support. This naturally confuses the effects of the efficiency of the new-style cooperatives. What results would have been secured if these resources had been put through cooperative groups?

Long An

In Long An there were almost no new-style cooperatives. The local politics of this are discussed above.

Preliminary assessment of relevance and viability of farmers’ organisations

Farmers’ cooperative groups are clearly of importance to farmers. Further, they are also, even

more clearly, of considerable *potential* importance. Cooperation is valuable and necessary to them. However, the situation has been confused by the varied effects of decree # 68, and the movement to establish new-style cooperatives, which as we have seen had had varying success in the provinces where we carried out research.

The conclusions of the study are relatively clear.

Cooperatives

For political reasons that we have not researched, the Party decided to seek to bring the rural population into the new-style cooperatives, and by the start of 1999, in the areas of Quang Tri and Ninh Binh studied here, had been generally successful. This was in no sense a bottom-up movement. *This study, of course, throws no light upon just why this political decision was taken; nor does it show whether this reflects the national picture.*

Second, for those farmers within the new style cooperatives, there is little evidence of active willingness to contribute resources to them. Even in Quang Tri, nearly half had not yet made any contributions to the cooperative. Irrigation, electricity and what other limited inputs there are from the cooperative are generally managed on a sales basis by specific groups. These were often, before the new-style cooperatives, under the management of the commune People's Committee. This tends to lead one to the conclusion that the new-style cooperatives, with certain unusually dynamic exceptions, are simply not very important contributors to the dynamic of growth and change in the rural areas.

Third, farmers are careful and wary about their opinions. They see a need for cooperation, are sceptical about the capacity of the official cooperatives, and are extremely wary of them.

Cooperative groups

More or less, based upon the Long An experience, around half of farmers could be expected to belong to cooperative groups if conditions are suitable. In Ninh Binh, only one in five report belonging to such groups, and in Quang Tri only around one in twenty. Thus suggests that the scope for expanding cooperation through spontaneous cooperative groups is truly large.

The areas where cooperative groups have arisen spontaneously reflect various logics, and are naturally based upon farmers' commonsense. On the one hand, we can see (in irrigation and credit, for example) attempts to internalise externalities and reduce high transactions costs arising from various problems. On the other, we can also see cooperation in areas where private owner-managed organisation would probably be more efficient (for example in quarrying) but is likely to be inhibited by the need to use kinship links, or to avoid the

appearance of capitalist organisation. We remain very ignorant, though.

Finally, the evidence draws one towards the tentative conclusion that, were it not for the official cooperatives, and the attitude of the Party at all levels that lies behind them and the monopoly of state support that they enjoy, rural development would be faster and more sustainable. This conclusion has two main roots. First, it is the implication of farmers' own opinions. What they want to do, but for various reasons do not do, would improve their lives. Second, it follows from the evidence that the natural path of change involves the development of private forms of cooperation – cooperative groups - that improve farmers' welfare. We expect that statistical analysis of the rich database would show how social and private welfare rises when and if private forms of cooperation are present in greater numbers.

The diversity of forms of private cooperation – the wide range of activities cooperative groups are involved in, and the variation in how they manage their affairs - is of great and positive importance. It shows that they are a response to diverse local conditions and opportunities, rather than being externally imposed. Also, it shows how a better development requires active interventions that improve the ways in which local institutions fit into local conditions. In this sense current Party advocacy of the new-style cooperatives and lack of support for cooperative groups appears deeply conservative and a hindrance to socio-economic development. Given that state institutional development is almost entirely focussed upon them, through training courses and other resources, a re-allocation of attention to the cooperative groups would obtain better results. Granted that this could involve between one third and one fifth of the rural population, it may be that these results could be extremely impressive.

Recommendations

We divide our recommendations into three sections: first, policy advice; second, further research and finally, developmental activities.

Policy implications

Official ('new-style') cooperatives

The most robust policy implications follow from the logic of development. That is, the combination, supported by the political judgment of the Mekong, of the political *redundancy* of official cooperatives ('they are not needed to support local political authority') with the fact that *better developmental results*, in terms of dimensions such as economic growth, income distribution and community development, will come from a healthy and varied diversity of cooperative and non-cooperative forms. In short, the policy of imposed adoption of new-style cooperatives was a mistake. They violate classic Leninist norms of voluntariness, mutual benefit and democracy, and probably make it harder to encourage farmers, with bad memories of earlier collectivisation drives, to co-operate. It confuses the important difference between 'collectivisation', when farmers' means of production was shifted to the old-style cooperatives, from 'cooperativisation', in its true sense, when farmers voluntarily co-operate for common benefit.

It might even be argued, that the present policy actually *discourages* the emergence of sustainable cooperative forms, and so *encourages* the emergence of a non-cooperative 'capitalist' private sector which, one understands, is exactly what is not intended. This paradox is striking.

Various policy implications follow. The first three are very general, and common sense.

First, the new-style cooperatives should operate according to the letter and spirit of the cooperative law.

Second, there is a need for learning processes that allow these facts to be realised and appreciated.

Third, resources are needed to facilitate these processes. These should take the form of interventions to the learning process, such as but far from exclusively research, and selective material interventions so as that the process is not empty of practical content (day chay). The evidence from existing interventions, such as the UNCDF RIDEF project in Quang Nam, strongly supports this pragmatic mixture.

Fourth, legal changes are needed. The existing Cooperative Law fails to meet two important issues: the regulation of what happens *before* a cooperative is established, and regulation of its activities *afterwards* to ensure that it operates properly. Steps should be taken to address these two issues. Also, since current regulations on pensions do include time spent in service as cooperative management towards the pension of commune officials, this should be stopped. Management of public goods production at local level, if it is to be included in such duties, should be carried out by officials within state bodies. This would mean, for example, that there be a position within the commune People's Committee responsible for such activities.

Cooperative groups

The research suggests very strongly that these forms are of positive value to their members. They add to welfare in various ways. They should be supported, and placed on an equal footing to other cooperative forms in state programs, such as for training and other support activities.

Further research

Further research is needed. It is precisely the wide variation in cooperative group forms that reveals their value to farmers. We need to understand far better what works and what doesn't, and why. We need to understand why private forms are slow to emerge in some places, and fast in others. This cannot simply be explained, as some might, simplistically, by the 'conservative' or 'progressive' attitude of local officials. This requires a program of research that covers a sufficiently wide range of situations.

Developmental activities

As we have reported, farmers themselves are ready to identify areas where government can provide public goods and other support, where markets are not doing the job. At this stage, we only feel confident that farmers' are capable of developing ways of identifying needs, and do not wish to make concrete suggestions as to what concrete interventions would be appropriate. Clearly, intervention mechanisms as yet do not exist that can be judged risk-free or reliable, or that do not risk creating subsidies and 'rents' that would attract corruption.

We therefore recommend a step-by-step approach to the development of suitable institutions, organically linked to farmers' organisations, which would act as effective and honest channels for intervention.

We 'have a hunch', though, that areas with a strong 'public goods' content, such as training

and information, will end up being the way to go, accompanied by steps to improve farmers' relative bargaining position in markets.

Hanoi June 2001

Appendices

Appendix 1 – Party decisions on cooperatives

Central Level

68 CT-TW on the development of cooperative economy in all branches and economic areas (probably passed 25/5/96 – see Appendix 3).

Provincial level

Ninh Binh – # 02 of the provincial Party Committee on the development of cooperative economy in all branches and economic areas.

Quang Tri – # 06-NQ-TU of the Executive Committee of the Party Provincial Organisation (Session XII) on the development of the cooperative economy and cooperatives in all economic branches and areas, signed 17/4/1998

Long An – # 07-NQ/TU signed 13/8/1997 on the development of cooperative economy in all economic branches and areas.

District level

All districts established *Committees for implementation of # 68* (i.e. to manage implementation of the decree). The People's Committee of the district then passed a decree promulgating a 'Project', typically with a title that dealt with reinforcing and a first step in reforming (Doi Moi) the activities of agricultural cooperatives.

Appendix 2 - The sample

Ninh Binh province (north Vietnam): Quang Thien, Gia Tan and Gia Lap communes, Gia Vien district; Ninh My, Ninh Van and Ninh Phong communes, Hoa Lu district. *Research carried out mid 1999.*

Quang Tri province (central Vietnam): Hai Phu, Hai Que and Hai Vinh communes, Hai Lang district; Trieu Dong, Trieu Thuong and Trieu Trach communes, Trieu Phong district.

Long An province (south Vietnam): Long Hiep, Luong Hoa and My Yen communes, Ben Luc district; Binh Tam, Huong Tho Phu and Loi Binh Nhon communes, Tan An township.

Appendix 3: “Policy towards the new-style cooperatives as reflected in formal documents”

Extract from “Economic development and organisation in Vietnam's countryside in early 1998: rural institutions, the new-style cooperatives and implications for the re-structuring of

the Ministry of Agriculture and Rural Development (MARD)”,

Adam Fforde, Paper for VIE/96/008/A/01/99, Draft @ Tuesday, February 24, 1998, PARP-MARD/Lincoln/UNDP/ADUKI

“Policy towards the new-style cooperatives as reflected in formal documents

Background

During the first half of the decade, many but no means all of the cooperatives set up during the period prior to 1988 were dissolved. According to an official report, by 1995 there were some 16,250 agricultural cooperatives left out of the peak of over 17,000.²⁶ These were of three types:

- A minority (10%) that were still operating effectively, mainly in services supply.
- A substantial number, around 40%, who still operated in providing a number of inputs, but relied for their incomes upon levies upon cooperators’ land, which was generally unpopular (source cited in fn p.3)
- Another substantial number (45%) that only really existed on paper, but which yet secured incomes from such measures as sales of cooperative assets, reclaiming debts from cooperators or imposing levies upon their members. This provoked great discontent and led to the cooperative acting as a restraint upon the development of the family economy (reference as above).

The key issue here was the ability of cooperatives of the old type to impose land levies. In total, it was common for these to amount to up to 50% of the gross rice yield.

The legal position is laid down in the new Cooperative Law. There are two key provisions in this that bear upon the development of rural institutions in the closing years of the decade:

1. All cooperatives have to operate according to this Law. This implies that all existing cooperatives have to be re-established, which is a major burden and permits cooperators to question their rationality, given the unpopularity of most of them (see above).
2. The new Cooperative Law specifically prohibits the imposition of levies upon cooperators’ landholdings.

There is no information to hand about the extent to which the process of re-establishment of

²⁶ Data from ‘Tóm tắt báo cáo ... ‘ (see References).

cooperatives has developed. It appears that the intention was that this happen rather quickly and extensively, but the rural unrest of 1997 may be one reason why this process has been made complicated. VCP policy was and remains that this should happen.

The Party position is laid down in Order # 68, which was re-affirmed and acknowledge in the early 1998 4th Plenum -

“There should be a strong development of cooperative economic forms (in the rural areas), with reform of the activities of SOEs in agriculture and the rural areas and the development of SOEs in distant and remote regions ...

There should be a continued development of the autonomous role of the family and individual economies. There should be a concentration upon guiding a strong development of farmers’ forms of economic cooperation in accordance with order # 68 ... and the Cooperative Law”

Order # 68 refers to the need for the collective economy to become the “political and social foundation of our country” (p.2). What are its functions envisaged to be?

1. Acting as agents for SOEs in the procurement of agricultural products in ‘their areas’ (p.5)
2. The state bank at province and city level is expected to re-allocate capital between cooperatives, without subsidising losses (p.7).
3. Receiving ‘favourable conditions’ in terms of issues such as taxes, allocation of credit (p.7)

It is hard to judge, given the policy stance adopted, just what the likely effects are upon new entrants - who, in the environment above and around farming families, are the intended targets of state policy? What has been happening? What is most clear, however, is that the private sector is not viewed as having high priority, and indeed lower priority than cooperatives and SOEs.

This policy stance is viewed by some senior experts in MARD as problematic. The micro level evidence from Thanh Hoa pointed to a lack of farmers’ control over these organisations similar to that reported above for their predecessors. “

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QD (Qualitative Data) — transcripts of interviews and focus groups done by the Project for each province.

Note, questions are referred to as ‘Cxxx’ — eg ‘C501’ in the text).

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