



Development of Cooperatives in Vietnam

^a Khuat Thi Thu Hien

^a Faculty of Law, University of Labor and Social Affairs

ABSTRACT

Cooperatives in Vietnam are an integral part of the collective economic sector, serving as a strong pillar for the country's economy. Vietnam has implemented various policies to encourage and support the growth of cooperatives. Despite the instability of global economy as well as the economy of Vietnam caused by the Covid-19 pandemic, the cooperative sector in Vietnam has remained resilient. Year after year, the number of cooperatives continues to rise, with balanced development across different regions and improved operational quality. Cooperatives have expanded their scale, capital, and areas of activity, while also enhancing the skills and capabilities of their managers. Overall, the cooperative sector in Vietnam is progressing in alignment with the strategic direction set by the Vietnamese government.

Keywords: *cooperatives, collective economy, economics, central planning*

1. INTRODUCTION

Cooperatives, as the fundamental units of the collective economic sector, emerged towards the close of the 19th century. Subsequently, numerous countries witnessed the establishment of cooperatives, garnering significant public response. Over time, these cooperatives have persistently evolved and solidified their position, showcasing their inherent benefits.

In Vietnam, cooperatives emerged during the era of centrally planned economy. They have consistently held a significant role in the Vietnamese economy. Over the years, cooperatives have maintained their importance, playing a key role in driving economic growth and providing employment opportunities for numerous individuals. These cooperatives are extensively established and function across various sectors including agriculture, forestry, industry, industrial services, construction, transportation, salt production, trade, and credit services.

2. RATIONALE

2.1. The concept and characteristics of cooperatives

The International Cooperative Alliance defined "A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise (ICA, 2018).

The International Labour Organization (ILO) defines: A cooperative is an autonomous association of persons/ legal entity united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. (ILO, 2018). As such, the ILO pays more attention to the social and community aspects of cooperatives.

The United States defines: "A cooperative is a business in which ownership, control, and benefit distribution based on the proportion of use lie in the hands of its users." This definition refers to three characteristics: owned by the user, controlled by the user and the proportional distribution of benefits (ICA, 2019).

The Philippines defines: "A cooperative is a registered organization that unites individuals with shared interests, who willingly come together to fulfill their legitimate common economic and social needs, contribute capital equally, and agree to distribute risks and benefits fairly, adhering to the principles of international cooperatives." (ICA, 2019).

Thailand defines: "A cooperative is a group of people who carry out activities together, support each other and registered under the Law" (ICA, 2019).

Indonesia defines: "A cooperative is a socio-economic organization of people with legal or natural status. cooperatives are part of the economic sector to raise people's living standards; help democratize the national economy; be a dominant economic part of the Indonesian; be a tool for mass organizations in accordance with a stable national economy and promotes the unity among people and organizations in economic management." (ICA, 2019).

Vietnam specifies that “a cooperative is a collective economic entity, jointly owned, legally recognized, voluntarily formed by a minimum of 07 members, and collaborating to provide mutual support in production, trade, and employment generation endeavors to fulfill the shared requirements of its members basing on the principles of autonomy, self-accountability, equality, and democratic management within the cooperative structure”. (Cooperatives Law 2012). On the basis of this definition, it can be seen that cooperatives in Vietnam have the following characteristics:

Firstly, the cooperative must consist of at least 07 members. These members can be individuals, households, or legal entities that fulfill the requirements set by the law.

Secondly, cooperatives have legal status. They operate as autonomous economic entities, conducting production and business operations under their own name and assuming the associated risks.

Thirdly, cooperatives operate under a restricted liability framework. The cooperative bears full responsibility for its financial commitments up to the amount of its authorized capital, retained earnings, and other funding origins as stipulated by law. Every member of the cooperative shares collective responsibility for the cooperative's risks in proportion to their capital investment.

Fourthly, a cooperative is a collaborative economic entity that engages in extensive social initiatives. Economically, it is a collective economic entity formed to carry out production and commercial activities. Socially, it is a community-driven organization aimed at fulfilling the shared needs and goals of its members in terms of both economic and personal well-being, assisting members in enhancing production and business endeavors, and maximizing benefits for all involved.

Fifthly, cooperatives are structured and function based on the principles of autonomy and self-responsibility. They have autonomy and self-responsibility when it comes to organizing and carrying out production, business, and service activities.

2.2. The role of cooperatives

Cooperatives play a central role in Vietnam's collective economy. This economy manifests in various forms, ranging from production cooperative groups to production clubs and vocational associations, with cooperatives serving as the foundation.

Cooperatives enable workers and smallholders to unite within a shared economic entity, enhancing their ability to address production and business challenges, as well as improve their livelihoods. This collective approach helps them enhance their competitiveness and withstand the dominance of big businesses and economic conglomerates.

Cooperatives play a significant role in economic restructuring and decrease the reliance on agricultural labor in the economy; offer various resources such as capital, supplies, technical support, risk management, and information sharing. Additionally, cooperatives utilize advancements in science, technology, and modern equipment. They serve as platforms for educating and enhancing knowledge in agriculture, industry, and commerce, as well as distributing scientific, technical, and market information to individuals. Through marketing and negotiation efforts, cooperatives assist farmers in obtaining improved selling prices compared to individual endeavors.

2.2. An operational cooperative with productive and commercial outcomes.

An operational cooperative with productive and commercial outcomes is a component of an established cooperative. It is a cooperative that engages in production and business activities throughout the year, yielding goods and services and generating revenue or incurring production and business costs. This excludes cooperatives that are in the investment phase, have not yet commenced production and business activities, and do not generate revenue or incur production and business expenses. It also excludes cooperatives that temporarily suspend or permanently cease operations.

3. RESEARCH METHODOLOGY

The article employs the technique of documentary research, analysis, and synthesis. Information regarding cooperative development indicators in Vietnam is utilized to evaluate the present condition of cooperative development in the country.

4. RESEARCH RESULTS

4.1. The status of cooperative development in Vietnam

Cooperatives have consistently been instrumental in driving the socio-economic progress of Vietnam. The cooperative movement in Vietnam has witnessed continuous expansion since 1955. To foster cooperative growth, Vietnam has successively introduced legal frameworks such as the 2003 Law on Cooperatives, the 2012 Law on Cooperatives, and most recently, the 2023 Law on Cooperatives. Consequently, cooperatives have flourished in various dimensions, making a significant positive impact on the nation's socio-economic landscape, as evidenced by the subsequent data table:

Table 2.1. The status of cooperative development in Vietnam in 2020 and the period from 2016 to 2020

Criteria	Unit	Year 2020	Average period 2016-2020	Rise/fall in comparison to the period from 2011 to 2015
Total number of cooperatives	cooperative	25,777	22,739	+14.7%
Total number of cooperative members	Member	5,767,000	5,757,000	-25.3%
Newly established cooperatives	cooperative	2,732	2,449	+77.1%
An operational cooperative with productive and commercial outcomes	cooperative	15,306	13,798	+7.6%
Laborers of an operational cooperative with productive and commercial outcomes	Person	1,670,000	1,844,000	-16.3%
Capital source for production of an operational cooperative with productive and commercial outcomes	Billion VND	2,736,000	2,228,000	+53.7%
Net revenue of an operational cooperative with productive and commercial outcomes	Billion VND	923,000	851,000	+23.3%
Pre-tax profit of the cooperative	Billion VND	37,000	31,000	+4.4%

Source: Ministry of Planning and Investment (2022). Vietnam Cooperatives White Paper. Statistics Publisher

The above data indicates that the majority of cooperative development indicators witnessed an increase during the period of 2016-2020 as compared to the period of 2011-2015. Despite the impact of the Covid-19 pandemic in 2020, cooperatives managed to flourish, surpassing the targets set for the average of the 2016-2020 period.

4.2. Analysis and evaluation

* Achievement

Vietnam has implemented various support policies aimed at enhancing human resources training, promoting trade, expanding markets, adopting new technologies, accessing capital, facilitating participation in targeted programs, socio-economic development programs, and establishing new cooperatives; providing assistance to cooperatives operating in agricultural field and based in rural areas in terms of land, credit, infrastructure investment, capital, and seed during challenging times such as natural disasters, epidemics, and product processing tailored to their specific characteristics and development stages. These policies have proven to be sufficient, fostering a conducive environment for the growth of cooperatives.

The management of cooperatives at the state level is receiving increased attention, with the state management apparatus for the collective economy and cooperatives being strengthened. At central level, the Ministry of Planning and Investment and the Ministry of Agriculture and Rural Development have specialized units dedicated to overseeing the collective economy and cooperatives. Other ministries and branches also have part-time units and concurrent officers. At the provincial level, the Department of Planning and Investment supports the provincial People's Committee in managing the collective economy, with a dedicated department or concurrent department established for this purpose. The Finance and Planning Department under the District People's Committee is responsible for the state management of the collective economy at the district level. Steering committees for reform, collective economic development, and cooperatives at all levels in localities are consistently strengthened to ensure effective task performance in accordance with regulations.

Cooperative activities have shown growth in both quantity and quality, steadily addressing the longstanding shortcomings, with numerous indications of progress in the times ahead. The caliber of cooperative leaders has seen a notable enhancement. Certain cooperatives have dedicated and experienced staffs, attuned to market dynamics, courageously integrating scientific advancements into the operations and commerce of cooperatives.

The quantity of cooperatives integrating new and advanced science and technology into their production and business processes, engaging in high-tech agricultural production, is on the rise. Specifically, agricultural cooperatives have been collaborating with key regional products, establishing chain connections. Numerous cooperatives are partnering with supermarkets and major corporations to broaden their consumer markets, thereby enhancing product quality and competitiveness. A multitude of cooperatives have emerged, functioning efficiently and effectively, evidently and comprehensively advancing economic, political, and social significance, convincingly highlighting the crucial role and position of the collective economy within the national economy.

* Limitations and causes

Despite the existence of preferential and support policies for cooperatives, the effectiveness of their implementation remains low. Ineffective policies such as credit incentives and product processing support, along with limited funding sources, have hindered the allocation of capital to support the development of the collective economy. As a result, the implementation of support policies has not yielded optimal results. Additionally, some mechanisms and policies that have been introduced are not aligned with the current situation, preventing them from being put into practice.

The state's supervision of cooperatives remains restricted, with certain areas being lax, and the regulations governing the collective economy and cooperatives have yet to be comprehensively and effectively enforced. There have not been many models of new types of cooperatives with significant scale and connecting production to consumption along the agricultural product value chain via economic agreements established.

The promotion and spread of information regarding the collective economy and cooperatives are not frequent occurrences. There is a lack of synchronized coordination and significant involvement from mass organizations and grassroots authorities. Cooperatives have not been recognized as effective tools to enhance the economy of farmer households and fruitful partnerships with enterprises as investing in, producing and doing business in the agricultural sector.

Certain cooperatives continue to face prolonged challenges, with limited internal capacity, inadequate infrastructure, and outdated technology. The management team lacks sufficient skills and qualifications to effectively handle production and business responsibilities in today's market economy. Collaboration among cooperatives is lacking, resulting in low efficiency levels.

The reasons for the above restrictions are due to:

Local authorities have failed to adequately focus on guiding, organizing, establishing mechanisms and policies, and addressing challenges and barriers to facilitate the growth of cooperatives.

The state's focus on the management apparatus for cooperatives has been lacking, resulting in insufficient consolidation and a shortage of full-time staff responsible for overseeing the collective economy. The majority of these staff members are part-time, lacking expertise and practical experience. Consequently, the consultation regarding the implementation of state management for cooperatives remains limited.

Old-style cooperatives continue to face significant apprehension, whereas new-style cooperatives have not yet engaged effectively with their members in cooperative activities and have not demonstrated the true spirit of organizational cooperation.

Numerous cooperatives exhibit weaknesses in terms of infrastructure, human resources, and operating capital. The management staff lack awareness, capacity, and experience, as they have not received adequate training. There is a lack of effort in connecting members with the market, resulting in weak cohesion of interests between cooperatives and their members. Additionally, the economic benefits provided to members by cooperatives are minimal. Collaboration and partnerships between cooperatives and other economic sectors are limited, with low efficiency levels.

The practice of small-scale and independent production has become ingrained in the mindset of farmers. However, there are few successful and effective production linkage models for propaganda, especially the value chains of commodity production. Cooperative workers generally have a reluctance to work for extended periods due to low and unpredictable incomes, and some areas lack access to social insurance. Skilled workers within cooperatives are gradually diminishing, without timely replacements or being enticed by more appealing alternatives.

The current domestic and global socio-economic landscape is fraught with numerous challenges and uncertainties, resulting in limited resources available to bolster the collective economy. Unfortunately, there is no dedicated budget allocation to provide assistance to cooperatives, making it arduous for them to access credit capital. Moreover, the Cooperative Development Assistance Fund is constrained in its capacity to offer support.

5. RECOMMENDATIONS

In order for cooperatives to continue to develop, the Vietnamese government needs to synchronously implement the following solutions:

Firstly, the resolution of consciousness and administration..

- Raising awareness about the collective economy and cooperatives.

Continue disseminating and educating individuals about legal documents pertaining to cooperatives with the aim of enhancing understanding about the essence, position, and function of cooperatives. Innovate and diversify the methods of spreading information in a manner that is efficient, pragmatic, and tailored to the specific audience. Place significance on human resources and enhance the quality of cooperative training for individuals; introduce innovative and comprehensive materials and incorporate training programs on collective economy and cooperatives into educational institutions; implement rational and effective planning and utilization of human resources.

- Finalize the organizational framework of the state management agency responsible for overseeing the collective economy to enhance the effectiveness of management, advisory, and developmental support for cooperatives.

Organize the state management apparatus from central to local levels in a centralized and unified manner to ensure the efficient implementation of state management of the collective economy by. Clearly delineate the functions, tasks, responsibilities, and powers of ministries, central and local branches, while establishing effective coordination mechanisms among state management agencies for collective economic development.

The primary focus in enhancing the state management of cooperatives lies in dedicating attention to the training of officials. It is crucial to prioritize the development and enhancement of their qualifications, management skills, and economic and commercial mindset.

- Promote innovation and improve the operational efficiency of cooperatives.

Enhance the functioning of cooperatives by enhancing their organizational, administrative, operational, and business capabilities. Provide training and development opportunities for cooperative members and employees to improve their skills. Promote trade and invest in infrastructure for the production and processing of cooperative products. Focus on improving the qualifications of cooperative managers and members.

Developing and duplicating a standard cooperative model that functions efficiently nationwide. Enhancing partnerships and collaborations within cooperative production and business organizations. Continuously monitoring the operational procedures and promoting emulation initiatives to identify, nurture, and replicate innovative models and successful approaches. Executing thorough evaluations and implementing rewarding mechanisms to incentivize cooperatives.

- Strengthen international cooperation on collective economic and cooperatives development

It is important to promote international collaboration in collective economic growth, particularly by learning from the successful practices of nations and regions with robust cooperative movements. Obtain technical support for development in setting up and enhancing the capabilities of cooperatives.

Enhance collaboration with global entities like the International Cooperative Alliance (ICA), cooperative organizations from various nations, representative bodies, and supportive cooperatives from other countries to acquire knowledge, secure financial aid, technical assistance, machinery, and equipment support, as well as foster association and expand market reach.

Take the chair and engage in global conferences focused on cooperatives. Create a Consortium of International Organizations dedicated to bolstering the cooperative industry. Utilize the Consortium to leverage the unique strengths and objectives of each organization in order to rally international support for cooperatives and execute initiatives aimed at advancing the cooperative sector.

Secondly, the solution of human resource

Properly enforce training and recruitment policies for officials in cooperatives. Recruit skilled personnel to join the cooperative. Ensure a coordinated process from recruitment, training, to appointing key positions within the cooperative, such as the director, chief accountant, and head of the Cooperative Control Board. Implement special benefits and guidelines to retain competent staff members who are dedicated to the cooperative. Maintain ongoing assistance for cooperatives that require support and are eligible for social insurance contributions for cooperative officials.

Organize a team of collaborative supervisors to develop strategies for professional development and mentorship in order to fulfill the demands of innovation and establish cooperatives in alignment with the updated framework.

Enhance and facilitate the establishment of start-up initiatives within cooperatives and agricultural extension programs to aid in the education of cooperative leaders. Enhance the production and management capabilities of cooperatives by sending their employees for training overseas.

Conduct training programs on collective economy and cooperatives for officials, Civil servant, officers of state agencies responsible for collective economy, cooperatives, and cooperative managers. Continuously enhance the understanding of cooperative management, scientific advancements, and technological developments for officials, members, and employees within cooperatives.

Thirdly, financial solutions

To facilitate the expansion of production cooperative models linked to value chains, it is essential to focus resources. In order to assist localities in implementing cooperative development policies, it is recommended to allocate funds from the central budget. Additionally, integrating capital from various programs and projects, such as the National Target Program on New Rural Development, the National Target Program on Sustainable Poverty Reduction, and the Program on One Product per Commune, can further support the growth of production cooperative models associated with value chains.

Provinces are taking proactive measures to allocate local budgets in order to provide support to cooperatives. Additionally, they are actively encouraging enterprises to participate in linking product consumption along the value chain. Furthermore, provinces are implementing policies to provide comprehensive support to cooperatives operating in their respective areas.

International organizations and non-governmental organizations are being urged to provide assistance in enhancing the financial capabilities of cooperatives, enabling them to effectively carry out the product value chain. Various approaches exist to gather social capital resources that can aid in bolstering production cooperative models linked to the value chain, serving as a foundation for expansion.

Fourthly, production - business solutions

Assist in developing innovative cooperative models that align with the demands of the 4.0 technological era. Provide guidance and aid to cooperatives in implementing cutting-edge scientific and technological advancements to enhance efficiency and the standard of their products.

Efficiently incorporate mechanization across all phases of agricultural production, including soil preparation, seeding, harvesting, storage, livestock farming, maintenance, processing, and food preservation.

Arrange consultancy and guidance services for cooperatives seeking to implement new technologies in order to transition into production and business operations. Facilitate research sessions to explore successful models of applying scientific and technological advancements for cooperatives to adopt.

The process of balancing and distributing budgets from various sources such as science and technology, public, agricultural, forestry extension, etc., is aimed at providing direct support to cooperatives in implementing scientific and technological advancements in their production processes. Additionally, projects and demonstration models are implemented to facilitate the development of cooperatives. Research centers and application centers, which are closely linked with cooperatives in transferring new technologies based on the specific requirements of cooperatives.

Support the development of cooperatives in applying hi-tech and establishing connections throughout the value chain for important local goods. Establish cooperative models through joint venture agreements in production - processing, and consumption of goods, utilizing scientific and technical innovations as well as advanced technologies in production to enhance the value of goods, develop new agricultural goods that possess superior quality, exceptional productivity, aesthetically pleasing designs, unique attributes, and a strong competitive edge in the market.

- Support trade promotion and market expansion for cooperative products.

Efficiently and expeditiously furnish market and customer information to cooperatives to aid in crafting production and business strategies, overseeing cooperative organization and operations, motivating agricultural cooperatives to engage in the yearly forum for cooperative knowledge sharing, taking part in exhibition and fair events; establishing and enhancing brands for cooperatives.

Emphasize the development of brands for cooperative products and services in association with the appraisal of the quality of products and goods of cooperatives. Assist cooperatives in implementing product traceability software to enhance the reputation and branding of their products.

Developing various distribution channels; Establishing local markets and retail stores under direct management of the cooperative to facilitate members in selling goods and purchasing materials directly. Creating an online and offline cooperative product exchange to improve the sales capabilities of cooperatives, aiming for a more transparent, civilized, and modern exchange and sale of cooperative products.

Ensure financial assistance and establish conducive environments for cooperatives to engage in both local and international trade shows and exhibitions annually. Support cooperative development initiatives offered by the Government, ministries, sectors, and other entities to assist cooperatives in enhancing trade opportunities and broadening their product and service markets.

6. CONCLUSION

Cooperatives in Vietnam are demonstrating their positive impact on economic development, enhancing social welfare, and elevating the standard of living for their members. Vietnam's active engagement in globalization and international economic integration is evident through its commitment to liberalizing markets for trade in goods, services, and investments as per bilateral and regional free trade agreements. This integration process presents numerous opportunities and obstacles for cooperatives in Vietnam.

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