THE ANALYSIS OF INVESTMENT CLIMATE IN AGRICULTURE IN HANOI PROVINCE, VIETNAM

Phân tích môi trường đầu tư vào nông nghiệp của Hà Nội (Việt Nam)

Tran Huu Cuong, Bui Thi Nga

Faculty of Accounting and Business Management, Hanoi University of Agriculture
Corresponding author: trancuong@hua.edu.vn

TÓM TÁT

Hà Nội là một thành phố có nhiều tiềm năng phát triển nông nghiệp, nhiều ưu thế về điều kiện tự nhiên như thổ nhưỡng, nguồn nước, thời tiết khí hậu, các điều kiện về vật chất và cơ sở hạ tầng kỹ thuật. Đất được coi là một thế thiết yếu lớn cho các sản phẩm nông sản. Hà Nội cũng là một trong những thành phố thu hút được nhiều nhà đầu tư nhất Việt Nam. Tuy nhiên, trong những năm gần đây số dự án đầu tư vào nông nghiệp Hà Nội khá khiêm tốn. Bài viết nổ lực hợp và phân tích các số liệu Điều tra 200 phiếu điều tra của các chủ đầu tư sản xuất kinh doanh trong nông nghiệp bao gồm doanh nghiệp nông nghiệp, hợp tác xã và trang trại trên địa bàn Hà Nội trong năm 2008-2009. Kết quả chỉ ra rằng các doanh nghiệp nông nghiệp Hà Nội khá hài lòng với kết quả và hiệu quả kinh doanh của họ, và chính môi trường đầu tư đã có tác động tích cực, dẫn tới động lực đầu tư vào nông nghiệp. Bài viết đề nghị được 8 yếu tố quan trọng: môi trường đầu tư vào nông nghiệp, chính sách nông nghiệp của địa phương, vốn, cơ sở hạ tầng, thủ tục hành chính, thị trường, công nghệ và cuộc sống. Điều này phản ánh rằng vấn đề đặt đài và chính sách nông nghiệp của địa phương là nhóm yếu tố cần một nền kinh tế mở rộng đầu tư vào nông nghiệp Hà Nội, tiếp theo là nhóm yếu tố về vốn, cơ sở hạ tầng và thủ tục hành chính. Nhóm yếu tố ít cần nhất là cuộc sống, công nghệ và thị trường.

Từ khóa: Doanh nghiệp nông nghiệp, hợp tác xã, kết quả và hiệu quả kinh doanh, môi trường đầu tư vào nông nghiệp, trang trại.

SUMMARY

Hanoi province of Vietnam has great potential for agricultural development, namely a large consumer market for agricultural products, soil and water resources, natural climate, physical and social infrastructure, etc... Hanoi is also one of the provinces that have attracted a larger number of investors. However, there is a few investment projects in agriculture in Hanoi in recent years. This paper presents results of the structured interviews of 200 samples, including agricultural firms, cooperatives and farms in Hanoi province in 2008-2009. The findings shows that even these firms are happy with their business performances and profitability, the investment climate might have negative effect on investment incentives in agriculture. The study finds out 8 key factors determining the investment climate in agriculture in Hanoi province. The interviewees rank the constraints from the highest to the lowest levels to be land issue, provincial policies for agriculture, capital, physical infrastructure, administrative procedures, market, technology and labor issue. It means that land issues and provincial agricultural policies are the most important constraints; the second group is capital, physical infrastructure, governmental administration; the third are market, technology, and labor issues.

Key words: Agricultural firm, business performance and profitability, cooperative, farm, investment climate in agriculture.
1. INTRODUCTION

Hanoi is a political, economic and cultural center, as well as one of the largest cities in Vietnam. The city has many favorable conditions for economic development in general and agricultural development in particular. It possesses both favourable natural factors such as land, water resource, and climate; and socio-economic supporting factors like developed infrastructure systems, expanded market for agricultural products. It is the location of many research centers and universities which provide experts for economic development. Moreover, Hanoi’s authority has established a long-term development strategy for agriculture in order to exploit effectively the inherent advantages.

Agricultural development in Hanoi plays a significant role in the economic development. Most products and food supply to Hanoi come from surrounding suburban areas. Those products provided by households, farms and cooperatives have met the increasing needs of citizens. These are private and collective sectors. They not only provide agricultural products, but also create jobs, improve incomes for farmers and build an ecological landscape for the city.

However, under the pressure of rapid urbanization and other factors, agriculture in Hanoi has been facing many challenges. Its limited resources of arable land were converted to non-agricultural projects: social infrastructure systems, ecological parks, residential and office buildings, and industrial zones. The proportion of land that can be used for developing appropriate ecological agriculture has reduced. It, in turn, leads to a decrease in production of high quality and safe agricultural products. It also affects the implementation of Hanoi program on food security/sufficiency.

Hanoi is one of provinces that attract many domestical as well as foreign investment projects, but the number of agricultural investment projects are much less in comparison with other economic sectors. In 2000, Hanoi called for 373 foreign investment projects but only 2 of them were in agriculture. In 2007 of 1,118 projects implemented, there were only 4 projects allocated to agricultural production (GSO, 2008).

The importance of the rural investment climate has only recently been realized. In the 1960s and 1970s, the governments in many countries believed that they should play a direct role in input supply, production, trade, transport, and distribution. The long legacy of state-controlled and managed markets left the institutions and policy frameworks for liberalized and private-sector-led markets underdeveloped and private-sector capacities relatively in many countries (World Bank, 2006).

This study aimed to analyze the environment climate in agriculture of Hanoi and its constraints under the point of view of agricultural business units. Its results can provide provincial policy makers and related partnerships more detailed information, measures to implement the economic policies and mechanisms for attracting investment to agriculture.

2. METHODOLOGY

2.1. The conceptual framework

The World Bank (2004) shows that although the term investment climate is used broadly, it is taken to mean the policy, regulatory, institutional and governance environment that support (or fail to support) entrepreneurship and efficient markets. The report emphasizes a good investment climate is that which encourages higher productivity by providing opportunities and incentives for the firms to develop, adapt, and adopt better ways of doing things – not just innovations of the kind that might merit a patent but also better ways to organize a production process, distribute goods, and respond to consumers. The study develops the conceptual framework presented in Figure 1. The investment climate in agriculture is generated by eight components including local government administration, Hanoi’s agricultural policies, public infrastructure, markets for agricultural products, science and technology, land, finance and labor force. There are two external factor groups affecting investment climate in agriculture in Hanoi. The first are the national agricultural polices, degree of economic integration, and Hanoi’s competitive advantages compared with the other provinces. The second includes internal factors referring to the effectiveness and efficiency of the agricultural firms, agricultural co-operatives and farms in Hanoi.
A positive trend of these components, such as good management capacity of local government with a clear mechanism, stable agricultural policies, adequate system of public infrastructure, large markets for agricultural products, development in science and technology, and good mechanism for land tenure and finance, will lead to an increase in efficiency of investment as well as improve attractiveness of investment climate in agriculture in Hanoi. In opposite direction, the effectiveness and efficiency of investment will decrease, thus leading to a reduction in attractiveness of agricultural investment climate.

Besides, there are two other factor groups affecting investment climate in agriculture in Hanoi. The first group comprises the external factors including: national agricultural policies, degree of economic integration, and Hanoi’s competitive advantages compared to the other provinces. If the national agricultural policies are in favor of agriculture development, Vietnam integrates into the large world market and capacity of Hanoi competitiveness is high, then investors will be stimulated to invest more in agriculture of Hanoi. The second group includes internal factors referring to effectiveness and efficiency of agricultural firms, agricultural co-operatives and farms in Hanoi. Effectiveness of agricultural units measures the results of doing business in a specific period; efficiency measures the relative relationship between results and costs of running business in a period, normally in a year. Some basic indicators are the productivity of labor and land, profit per labor, and profit per capital and so on. A high business performance and profitability of the agricultural units will be a base for promoting and improving investment climate in agriculture.

2.2. Data collection and analysis

The data from this paper mainly come from a survey of production and business units of the following types: agricultural firms, agricultural cooperatives, farms, and some relevant agencies in Hanoi in 2008 - 2009. The agricultural businesses are classified into crop cultivation, animal husbandry, aquaculture, trading of agro products and mixed type. A sample of 200 agricultural business units were randomly selected including 60...
agricultural firms, 41 cooperatives and 99 farms. The study sites consisted of 5 districts in the suburb of Hanoi (Gia Lam, Dong Anh, Soc Son, Tu Liem, Thanh Tri). Beside standard questionnaires, 60 orientation interviews of civil servants in the local government offices were conducted.

The information and data gathered were analyzed by Excel software. After that, descriptive statistics, comparative statistics, and forecasting method were used to tabulate, calculate the absolute, relative numbers, indicators; and represented by figures, graphs.

3. RESULTS AND DISCUSSION

3.1. Levels and performance of investment in agriculture in Hanoi 2000 - 2008

Hanoi has gained great achievements in the development process. The gross domestic products (GDP) increased at average growth rate of 35.98% during period 2000-2007. Although the relative contribution of agricultural sector to GDP decreased over time, GDP of agricultural sector in Hanoi rose at the average rate of 10.85 in the same period (GSO, 2003; 2008). The investment for the infrastructure in general as well as in the agricultural sector increases over time with high average growth rate. However, the ratio of agricultural investment was very limited, accounted for only 8.4% in 2000 and decreased to 1% in 2006 then increased to 3.5% in 2007. On average, in that period, the amount of agricultural investment increased 19.69%, which is lower than the average growth rate of total investment in general at 48.50% (GSO, 2003; 2008). This means that role of agriculture in Hanoi is not considered properly.

Numbers of foreign investment projects in Hanoi increase over time, but the numbers in agricultural sector still accounts for a very small proportion. In 2000, there were only 2 over 373 projects in agricultural sector, accounting for only 0.54%. In 2007, there were only 4 agricultural projects over total 1.118 projects in general, which was only 0.36%. The registered and implemented capital of foreigners in agricultural sector accounted for very small proportions in total capital in Hanoi. Registered capital in agricultural sector was only 2.3 million USD in 2000 and 4 million USD in 2007, which is much lower than 7,340 million USD in 2000 and 10,257 million USD of total registered capital. Implemented capital in agricultural sector in 2000 and 2007 were 2 million and 3 million USD while total implemented capital in general were 2,577 million and 5,138 million USD, respectively. This implies that the attraction in agriculture investment in Hanoi is very low (GSO, 2003; 2008).

Public capital invested in agricultural sector in Hanoi tended to reduce over time. In 1999, the public capital invested in rural areas of Hanoi was 113.8 billions Vietnam dong (VND). The figures in 2000 and in 2002 were 93.5 and 79.7 billion VND, respectively (HPC, 2004), in which, the investment in infrastructure system in rural areas such as irrigation, dyke, rural transportation system dominated largest proportion (more than 80%). Direct investment in production accounted for only 5% of the total investment. The investment for developing crop seeds and livestocks and, technology adoption was negligible. In general, the public capital investment reduced in all fields overtime.

3.2. Effectiveness and efficiency of agricultural units in Hanoi 2000 - 2008

There was a big difference in the scale of investment capital among different kinds of the investigated units. On average, total capital at the time of the survey of an agricultural firm was 16,358 million VND. It was 30.77 times higher than of an agricultural cooperative (531.5 million) and 16.65 times of a farm (982.6 million). The amount of expanded capital in firms and farms doubled, while those in the cooperative decreased. The business strategy of the firms seemed to concentrate on distributing agricultural products with estimated capital of 12 billion while cooperatives and farms are in favor of providing inputs service for agricultural production. Only the firms consider expanding the distribution of forestry products and producing inputs for agricultural production while farms intend to raise animal and aquaculture (Table 1).
Table 1. Private capital invested per unit until 2008 -2009

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Firm</th>
<th>Cooperative</th>
<th>Farm</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mil. VND</td>
<td>%</td>
<td>Mil. VND</td>
</tr>
<tr>
<td>Total Capital</td>
<td>16,357.9</td>
<td>100.0</td>
<td>531.5</td>
</tr>
<tr>
<td>Primary Capital</td>
<td>5,443.3</td>
<td>33.3</td>
<td>369.7</td>
</tr>
<tr>
<td>Expanded capital</td>
<td>10,914.6</td>
<td>66.7</td>
<td>161.8</td>
</tr>
<tr>
<td>Classified by Business Strategy:</td>
<td>16,357.9</td>
<td>100.0</td>
<td>531.5</td>
</tr>
<tr>
<td>Crop cultivation</td>
<td>1,131.6</td>
<td>6.9</td>
<td>157.4</td>
</tr>
<tr>
<td>Producing inputs for agricultural production</td>
<td>1,003.6</td>
<td>6.1</td>
<td>0.0</td>
</tr>
<tr>
<td>Inputs services for agricultural production</td>
<td>927.9</td>
<td>5.7</td>
<td>374.1</td>
</tr>
<tr>
<td>Distributing agricultural products</td>
<td>12,124.8</td>
<td>74.1</td>
<td>0.0</td>
</tr>
<tr>
<td>Animal and aquaculture production</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Distributing forestry products</td>
<td>1,170.0</td>
<td>7.2</td>
<td>0.0</td>
</tr>
<tr>
<td>Multiple purposes</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Source: Generated from the survey 2008-2009

Table 2. Efficiency of capital invested in agricultural sector (%)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Firm</th>
<th>Cooperative</th>
<th>Farm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit per capital (%)</td>
<td>17,5</td>
<td>14,4</td>
<td>30,1</td>
</tr>
<tr>
<td>Classified by Business Strategy:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Planting</td>
<td>12,7</td>
<td>23,1</td>
<td>31,6</td>
</tr>
<tr>
<td>Producing inputs for agricultural production</td>
<td>18,6</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Inputs services for agricultural production</td>
<td>20,4</td>
<td>14,1</td>
<td>28,5</td>
</tr>
<tr>
<td>Distributing agricultural products</td>
<td>20,3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Animal and aquaculture production</td>
<td>-</td>
<td>-</td>
<td>30,7</td>
</tr>
<tr>
<td>Distributing forestry products</td>
<td>10,5</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Multiple purposes</td>
<td>-</td>
<td>-</td>
<td>18,2</td>
</tr>
</tbody>
</table>

Source: Generated from the survey 2008-2009

In 2008, agricultural firms invested in agriculture 16.36 billions, including 10.92 billions for expanding business. They mainly invested in doing business of agro products with totally 12.12 billions, accounted for three forth of total investment. There were only 1.13 billions for cultivation, account for 7%. They did not invested in husbandry because of the bird-flu worldwide. At the same time, cooperatives invest totally 531.5 billion. In which, 161.8 billions was expanded investment. They allocated their investment into two activities only: 157 billions for cultivation and 374.1 billions for doing business on agricultural services. Farms invested 982.6 billions in which
Analysis of investment climate in agriculture in Hanoi province, Vietnam

668.8 billions for expanding production in 2008. Allocation of this investment was for cultivation (62 billions), doing business on agricultural service (664.7 billions), doing business on agro products (36.2 billions), husbandry and aquaculture (33.2 billions), and mixed activities (138.2 billions). In all three main kinds of agricultural units, doing business activities dominated main concerned of the investors.

In comparison with the firms and cooperatives, profit per capital in farms was much higher at average ratio of 30.1%. Especially, cultivated and produced seedlings farms reached the highest ratio (31.6%). Firms who did business on agro products, agricultural services and provided materials achieved level of 20%, and who produced inputs for the livestock gained 18.6%. Cultivated cooperatives got ratio of 23.1%, much higher than 14.1% of the services cooperatives. These results show that the investing efficiency in agriculture in Hanoi is quite good (Table 2).

Firms that provided agro service had the highest profit on cost ratio (0.3); followed by who did business on forest products reached 0.287. Firms that produced input for the livestock attained a very low ratio (0.008). This survey results also implied that, investment in husbandry, aquaculture, and mixed farms promised a quite high efficiency (0.395).

Farms were likely to have the shortest time of return. Their average time of return was 4.5 years, and it seemed less different among different kinds of farms. The shortest time was 3.8 years of mixed farms and the longest was 4.9 years of the cultivated farms. The time for return in firms and cooperatives were 10.4 and 4.7 years, respectively. Cultivated firms got the longest time of return with 18.5 years mainly because of growing perennial trees. Time for return in cultivated cooperatives was 4.2 years, longer than the cooperative that provided agricultural service (3.1 years).

Although the average numbers of labors in agricultural units increase over time, most units had small and very small labor size. Approximately, 70% firms had less than 50 labors. Only 15% firms had more than 100 labors. The average number of labors in firms increased from 75 at the time of registration to 100 people at present; 100% cooperatives and farms had less than 50 regularly working labors. The corresponding figures in the farms were 7 and 10 people. The numbers of labor in cooperatives was almost stable at 12 people. At the seasonal production peak, the demand for labor increased, most of the units hired temporary workers to meet the requirements of production.

Professional qualification of workers in the investigated units was low. In general, 100% undirected labors in the farms; and 71.4% those in the cooperatives had not been trained. Unskilled directed workers dominated 100% in the farms, 80% in cooperatives and 12% in firms. The trained workers in the firms were mainly technical workers (68.7%) and the engineers (19.3%). 20% of directed workers in the cooperatives were trained technically just for operating electricity and water system.

The profit per labor of the firms was 18.5 million, of the farms 17.6 million and of cooperatives 14.5 million (Table 3). The firms who did business on agro products achieved the highest turnover and profits per labor (303.6 and 20.7 million). Firms did business on forest products got much fewer (76.2 and 2.6 million). In cooperatives, turnover and profits per labor of cultivated and manufacturing plants were 167.2 million and 52.4 million, two times higher than ones who did agro products. Breeding and aquaculture farms had profit per labor of 21.1 million. The mixed farms whom attracted more workers than any other types of farm (15 workers per farm) gained higher turnover and profit per capital (46.8 million and 15.5 million).

On average in firms, the area of land was 10.29 hectares (ha), in which cultivated land occupied the highest proportion (50.34%), and followed by ground water ponds (39.46%). Forested land accounted for a negligible rate. In cooperative, average area was 34.16 ha, and that of a farm was 4.82 ha. Area for offices and factories constituted small rates, only 6.22%, 3.43% and 7.26% of the total area in firms, cooperatives and farms, respectively. Most of land used for the purpose of manufacturing and trading of firms and cooperative come from land allocation with the corresponding ratio of 50.44%, 66.63% and while in the farm hiring land accounted for 93.36% (Table 4).
Firms gained the highest level of turnover (118.2 million) and profit (37.4 million) on a hectare of land. The lowest level belonged to the cooperatives with the turnover of 93.8 million and profit of 14.1 million. The corresponding numbers for farms were 103.6 million and 25.4 million (Table 3). Notably, cultivated and produced seedling farms achieved quite high turnover and profit per ha of land, at 152.9 and 44.9 million, respectively. It was twice higher than of the breeding and aquaculture farms (72.4 and 17.2 million). Higher efficiently farms mainly produced high value crops such as flowers, ornamental plants (Tu Liem), jasmine (Soc Son), etc.

Average growth rate of profit after tax in firms was high, at 24.9% but their ratio of profit-after-tax on capital reduced from 7% in 2003 to 3.4% in 2007. There was a significant difference among different kinds of firms. Profit after tax in cooperatives increased but its speed decreased. The average growth rate of profit after tax in farms was high, at 26.6%. The firms contributed the highest amount to the state budget; average number was 34,000 VND per one million of investment capital. The cooperatives and farms contributed at a very low level with the corresponding numbers of 8,000 and 11,000 VND. The investigated units seem to reduce their ratio of contribution to the budget overtime.

Numbers of job generation counted on investment capital had a tendency to decrease gradually. On average, every one billion investment in 2003, firms could create 9 new jobs. In 2007, it reduced to 7. Farms created 29 jobs per one billion of investment. Capacity of creating jobs in cooperatives was the highest. They could create 153 jobs per one billion investments in 2007, much higher than firms and farms. However, in terms of absolute numbers, firms created the highest numbers of jobs. The contribution to build infrastructure and improve natural environment of the firms was at lowest amount at 16,000 VND per a million of investment (2007), lower than of farms (38,000 VND) and cooperatives (102,000 VND).

In general, investment in agriculture can generate benefit in terms of financial and socio-economic aspects. All most of investors interviewed said that their financial profit is not so high but it is stable and they do not need a big amount of capital.
3.3. Investment climate in agriculture in Hanoi

Investigated results show that the most obstructing factor for attracting investment in agriculture was land issues. Nearly 60% of the investigated units reflected that land issues limited their investment opportunities. Agricultural policies ranked the second, followed by capital, infrastructure, and management capacity of the local government. The least obstacle factors were markets, technology and labor (Figure 2).

**Land issues**

Land seems to play a significant role in the process of investment in the agricultural units. Survey results showed that 20.6% of firms, 19.9% of cooperatives and 32% of farms considered land as a decisive factor in the production process. More than half of them said that land is a ground for conducting business and production. However, the investigated units expressed that the process of land leasing existed many inadequacies and difficulties. Only 77.6% of survey units answered questions about land rental, and 48.2% of them felt hard to rent. The reasons they provided were difficulty in access to land (12.3%), transformation of agricultural land into other purposes that leads to scarcity of land in some local provinces (12.1%), large demand for land hire, and inconsistency procedures for clearance. Common problems mainly came from the process of accepting the profile of civil servants (41.3% comments), manners of local civil servants (26.6%), and status of embezzlement causing harassment. The cooperatives and farms faced fewer difficulties in access to land than the firms did. Time of land hire seems too short compared to expectation of the units. On average, time of leasing in firms was 13 years; in cooperatives was 9.5 years; and in farms was 12.5 years. Meanwhile, their expectations were 45, 50 and 40 years, respectively. In addition, it was difficult to access the information for hiring land (47.4% comments). This is due to the scarcity of land and inefficiently agricultural land planning.

**Agricultural policies in Hanoi**

Investigated units reflected that agricultural policies in Hanoi were not stable and inadequacies (60.3% comments). This led to a reduction in efficiency of investment as well as diminished attractiveness of investment climate in agriculture in Hanoi. There are two existent systems of land prices in Vietnam nowadays. State government regulates one (formal) and the other operates under informal market. Differences between the two systems are quite large that lead to the distorted price in the market. Market price in urban areas and suburban is much higher than the profitability from the use of land. Price provided by provincial People's Committee reached only 50% to 70% of market price. In addition, there is a lack of coherence, inconsistency between the overall socio-economic development planning and the duration of land allocation. Master Plan is long lasting 10 years and considered for amendment in 5 years (Article 25 of Land Law), while the duration of land allocation for investment projects of firms is normally 50 years. Many units had to move to other places due to changes in planning. That caused the damage and risk because of deficiency compensation, time wasting to build and stabilize production. In order to reduce risk, investors often choose short-term investment projects. This in turn leads to inefficient land use.

![Figure 2. Constraints of investment climate in agriculture](source: Generated from the survey 2008-2009)
Policy of value-added-tax is not suitable for agribusiness conditions. Inputs for the production of agricultural units mainly come from individual households who have no legal status. Therefore, these units often have to accept high tax of 3.1% yield value because they do not have billings to prove the origin of goods for reduction or completely free of value added tax. Policies to control volume and quality of agro products are not effective. Farmers tend to cultivate intensively to gain high yield in a short time. They used chemicals unscientifically to stimulate their trees and animals. Thus, chemical residues often remain in the products. This imposes negative effects on the input of agricultural units and reduces their competitiveness against imported products. Moreover, agricultural units often sign contracts to support seed, pesticides, equipment, technology, and purchase farmers’ products. Nevertheless, farmers usually break the contract and sell their products to other traders. These units face many difficulties in collecting inputs and have to buy inputs from traders at higher prices. This phenomenon occurs commonly but there is no financial institutions for handling its.

**Capital**

The units also emphasized the important role of capital in agricultural production because it helped them to stabilize the production (28.5%), widen their investment structure (19.8%), create opportunities and maintain business (5%), and equip facilities (1.6%). However, it was difficult for them to access credit system for investment (49.1% comments). The main reasons were due to too complex administrative procedures (15.5%), without collateral (14.5%), lack of information and relationships (7.7%). It was also difficult to access to informal credit (33.6%), either due to insufficient collateral (5%), high interest loans (9.4%), or lack of information (5%), shortage of cash (5%) and some other reasons.

**Infrastructure**

Infrastructure is gradually becoming an important factor before deciding to invest in agriculture of investors (43.8%). In which, transportation was considered the worst (31% bad comments), followed by wastewater treatment system (26%), planning of land issues and clearance (20%). The best comments were belonging to education and training system; information system; and security system (Table 5).

**Management capacity of local government**

Administrative procedures imposed many restrictions in the process of investing in agriculture. Land hire procedures were cumbersome and time-consuming (20.6% of comments), loan processing was slow (22.4%); business licensing got troublesome (24.2%). Other interviewees reflected that income tax for firm at ratio of 25% was high and they though it should be 20%. Interviewees also complained that many investment projects did not disbursed due to slow implementation, or time taking to explore the market and select trading categories. Clearance for doing business was slow and cumbersome. Administrative procedures were complex. Procedures for clearance and settlement for land disputes were difficult. There were 26.6% comments complained that high negative charge, not specific administrative procedures and difficulty to understand, especially various stage procedures (14.5%) leaded to time-consuming in administrative procedures.

<table>
<thead>
<tr>
<th>Table 5. Rankings of infrastructure facilities (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ranking</td>
</tr>
<tr>
<td>Transportation</td>
</tr>
<tr>
<td>Inventory facilities</td>
</tr>
<tr>
<td>Electricity</td>
</tr>
<tr>
<td>Irrigation</td>
</tr>
<tr>
<td>Liquid waste treatment</td>
</tr>
<tr>
<td>Information</td>
</tr>
<tr>
<td>Security</td>
</tr>
<tr>
<td>Planning</td>
</tr>
<tr>
<td>Education and training</td>
</tr>
<tr>
<td>Business support services</td>
</tr>
</tbody>
</table>

*Source: Generated from the survey 2008*
Another constraint came from civil servants’ behavior. Authority in the People's Committees at district level caused the most annoying (13.7% comments), followed by staffs of banks (7.6%), tax offices (5%) and customs offices (5.1%). Causes of these annoying behaviors resulted from various stage, unspecific procedures, and negative charge. Other reasons were wrong appointments, multi appointments leading to uncomfortable psychology and time consuming.

Output market
Almost investigated units took a market research before investment (84.5%). It seemed very easy to purchase inputs for production (86.6% comments). Hanoi is a wholesale market for agro products in the North of Vietnam. It has a large supply, ventilated market mechanism and fast information system. The consumption of agricultural products is also easy because of large, broad market and the diversity demand. However, they complained that the competitiveness of agricultural products was low, and demand for products was unstable. 23.8% of investigated units commented that output market is still a factor that constraint them to invest in agriculture in Hanoi.

Science and Technology
Hanoi is the heart of scientific research center of Vietnam. Science and technology become more and more important in agricultural production nowadays (68% comments). Producers receive many supports from scientific agencies. Their achievements bring successful to many firms (49.9%) but less in the cooperatives and farms. Linkages between the scientific research centers with agricultural units were still weak (29.3%). Some units felt that technology has limit them when invest in agriculture.

Labor
Local labor resources become more and more important factor in attracting investments in agriculture (53.4% responses). Recruitment of unskilled worker seemed quite easy (49.8% responses). Nevertheless, some units complained of high wage level (3.4%) and labor in some case prevent them investing in agriculture. Unskilled workers seem dominated their labor forces, account for the largest share and meet their requirements. The ratio of unsatisfied workers was quite small (4.2%). The labor force was stable. On average, 79.3% labors worked stably during the recruitment. This is really a stimulating factor in attracting investment in agriculture in Hanoi. In addition, over half of the units said that the recruitment of high skilled labors or experts was easy. It was due to an available labor supply (33.5%). Hanoi is a good climate in attracting professional workers, as there are many nearby universities and colleges. The ratio of investigated units that recruited temporary labors is quite high, at 62%. Average numbers of temporary worker in firm were 146, in a cooperative were 49 and in a farm were 103. The least and the most numbers of temporary worker were 3 and 2100; 2 and 300; and 1 and 2400 workers, respectively. Corresponding workloads of these workers were 37.1%, 57.3% and 46.7%. They reflected that hiring temporary labor could reduce their costs and exploited their labor forces. This is typical characteristic in agriculture in Hanoi.

Affecting external factors in the investment climate in agriculture
Beside the above factors, economic integration of Vietnam in the world market also creates a good condition for improving investment climate in Hanoi. Vietnam has joined ASEAN, WTO and other international organizations. It allows Hanoi to attract and select more and high capacity investors. This in turns helps to develop agriculture in Hanoi towards a high productivity, quality, food safety and ecological environment. On the other hand, it requires higher competitive products.

In comparison with other provinces, Hanoi seems to have higher competitiveness. Hanoi is a center of political, economic and cultural, as well as one of the largest cities in Vietnam. It has many favorable conditions for economic development in general and agricultural development in particular. It possesses both conveniently natural factors such as alluvium, water resource, and weather climate; and socioeconomic supporting factors like developed infrastructure systems, expanded market for goods and agricultural products. It is location of many research centers, universities, and institutes which is a foundation for economic development. Moreover, authority of Hanoi has established a long-term development strategy for agriculture in order to exploit effectively the inherent advantages. Hanoi is also one of provinces of the whole country where has attracted a larger number of investors. This also promotes the attractiveness of investment climate in agriculture in Hanoi.
National Agricultural Policies also play important role and influenced the investment climate in agriculture of the country in general and Hanoi in particular. The Government aims to focuses on industrialization, modernization agricultural and rural development; increase investment in building infrastructure; establish logical structure of agricultural production; and apply science and technology achievement in agriculture. They have strived to improve the policies, create a good investment climate in agriculture through renovating administrative procedures, enhancing clearance, expanding markets, investing and developing human resources, social environment, and infrastructure. This will motivates the investment climate in agriculture of Hanoi.

3.4. Policy recommendation

In order to develop the agricultural sector and make the best use of internal elements in the investment climate in agriculture, the first and most important thing that Vietnamese Government and Hanoi authorities should do is to improve the Policies of Land and capital. Good policies for reasonable land using and investment plan based on the overall planning will stabilize agricultural production. In addition, Hanoi had better set up a perfectly and unique pricing framework for land usage, and upgrade incentive mechanisms and clearance. Local government should strengthen the capacity of management, simplify procedures for land allocation, land hiring, and have financial institutions sanction to handle arising problems. This will motivate investors invest more in agriculture. The national and local governments also should have a favorable credit system for agriculture such as the priority policy of interest rate for agricultural units. It is also necessary to increase speed and efficiency of procedures settlement, enhance capital for medium and long term and expand forms of loans. This will encourage the investors take part more in the agricultural sector.

The second thing that Hanoi should do is to reform administrative procedures in the direction of ventilation, reduce the focal acquisition records and simplify records. Transparency and thoroughly consistent information, clear and standard instruction documents make it easy for investors to approach the Hanoi market. The civil servants need to change their manners. Capacity of management and monitoring should be improved more effectively. Besides, priority should be paid on advanced technology agriculture areas. High tech centers and agricultural firms should be built to perform and transfer new technology to the others. It would be better to approach and apply the efficiently methods of management. It is also important to plan, build and upgrade rural and wholesale markets and create favorable conditions to exchange agro products, encourage and support preliminary processing and storage of agro products in the intermediaries markets at Gia Lam, Thanh Tri, Dong Anh and Tu Liem. Inspection should be strengthening to detect counterfeiting, poor quality and unknown origin products. High quality input products should be encouraged and supported for higher value products. Economic, markets and prices information need to be widely spread. This will contribute to improve the attraction of agricultural sector in Hanoi.

Thirdly, linkage and coordination among departments and organizations should be strengthened. The value chain from research to producers and consumers should be set up for better agricultural production. Hanoi needs a good regime for scientists, experts, intellectuals and laborers working in agriculture. Training and transferring of scientific techniques for farmers should be performed. There should be preferential policies to encourage, support and facilitate the training organization and agricultural qualified high-tech laborers. Hanoi had better strengthen and improve the quality of investment promotion to accelerate potential and climate of investment in agriculture. Tripartite dialogue mechanism should be implemented regularly in order to detect and solve the problems and obstacles in the investment climate. This will support investors, and thus attract more investment in agriculture in Hanoi.

In the development process in agriculture, to take the advantages of location, Hanoi should strengthen incentives and supports for investors in agricultural sector. Hanoi need reduce income tax of agriculture units for who produce high quality seed or seedlings, and on unfavorable areas (poor nutrition, soil, difficult transportation, etc.). Building warehouses, centers of agricultural trade and developing market information systems will create condition for market development. Promoting export markets for agricultural products, supporting vocational training and the research, application and transfer of new technologies need to be carried out. It is also significant to encourage
agricultural insurance and support external risks such as storms, floods, droughts, epidemics and price fluctuation.

In addition, one more thing need to do is to improve rural infrastructure and apply science and technology achievement on agriculture. Although infrastructure system in agricultural and rural areas in Hanoi more develops than other provinces in Vietnam, it was still inferior. We should increase investment on roads, irrigation and electricity systems. It is suitable to attract private sectors to bid and build infrastructure. Strengthen inspection mechanisms and financial sanctions to ensure unpolluted water and well-organized treatment of wastewater needed to be implemented. State budget should mobilize investment for canals, dikes system, and dredge regularly.

4. CONCLUSION

Investment in agriculture in general, and in Hanoi in particular can generate benefits in terms of both financial and socio-economic aspects. Although Hanoi has gained tremendous achievements in development process and attracted many investment projects in recent years, the investment capital in agriculture in comparison with total GDP is still very low, and its growth rate is unstable. Investigation results show that effective and efficiency of agricultural business units are not low. Almost interviewed investors said that their financial profit is not so high but it is stable and they do not need a big amount of capital. The main constraint of investment in agriculture in Hanoi is the eight components generating investment climate: ability and behavior of local government administration, Hanoi’s agricultural policies, local public infrastructure, markets for agricultural products, science and technology, land, finance and labor force. Of these, land access, ability and behavior of local government administration and province’s agriculture are main constraints of investment climate in agriculture.

In order to develop the agricultural sector, making the best use of internal elements and to take the advantages of location, Hanoi should improve the policies on land and capital, innovate local administrative procedures, strengthen incentives and support for investors in agricultural sector, improve rural infrastructure and apply science and technology.

REFERENCES


