

CHAPTER 2 BACKGROUND

CHAPTER 2 BACKGROUND

2.1 Overview of the Development Performance of the Mekong Delta

2.1.1 Overall Development of the Region

Mekong River Delta, which includes the Study Area, consists of 12 provinces with natural area of 39,600 km² and population of 16.0 million in 1998. These account for 12% of the national total area and 22.6% of the total population in the country. The economic structure of the delta is characterized by high share of agriculture sector (including forestry and fisheries) compared to other regions of the country. While the share of agriculture sector in GDP in 1994 accounted for 28.7% for the whole country, the corresponding figure for the region was 47.6 %. Industry and construction sector remains at low level of around 19.9 % while service sector at 31.3 %.

GDP growth of the region in the period 1990-94 achieved 8.3 % on annual average basis. This was higher than that of the Red River Delta and of the whole country. In this period, the sector-wise growth rates were 5.8% for agriculture, 10.5% for industry sector and 12.1% for service sector. Taking into account the higher share of agriculture, the contribution of agriculture to the region's GDP growth is considered significant. With its rich natural resources, the Mekong Delta occupies more than 53% of agricultural production, notably of rice in the whole country. GDP structure is changing with decreasing trend of agriculture sector, with industry and construction sector and service sector in growing trend. However, agriculture remains as an important sector in Viet Nam, as more than 80% of the population reside in the rural area and their income sources depend heavily on agriculture and related activities.

2.1.2 Plans and Programs on Development of the Region

Taking into consideration of the important role of the Mekong Delta in the national socio-economic development, "Master Plan on Socio-economic Development in Mekong River Delta to the Year 2010" was prepared in 1996. The Master Plan analyzes the development factors and resources of Mekong Delta and identifies challenges and opportunities on development in Part I, and describes direction of socio-economic development by the year 2010 in part II. Part III presents the basic solutions and recommendations.

Target for socio-economic development of the region included in the development orientation is GDP/capita, which will be raised by 1.50 times from 1994 to 2000 and 2.63 times from 2000 to 2010. This means that the GDP/capita is to be raised to US\$ 293 in 2000 and to US\$690 in 2010. Other issues included are ; expansion of trade, especially of export with annual growth rate of 18 %, enhanced investment of around 11.6-15.5 % annual growth rate in the period, elimination of poverty, improvement

in education and healthcare system and supply of electricity and fresh water for every household.

To achieve the targets, structural adjustment is proposed as sector-wise development scenarios, dividing 2 periods, 1995-2000 and 2000-2010.

Scenario 1 and 2 for the Period 1995-2000

	Scenario-I	Scenario-II
DP growth rate (%)	7.7 (77)*	9.1 (83)*
Compared to 1994	1.4 times	1.5 times

(* the number in bracket shows the ratio to national average)

Scenario 1 and 2 for the Period 2000-2010

	Scenario-I	Scenario-II
GDP growth rate (%)	9.0 (73)*	10.8(88)*
Compared to 1994	2.78 times	3.54times

(* the number in bracket shows the ratio to national average)

The economic structure by the above scenarios is summarized below; (%)

Economic Structure under the two scenarios

	1994	2000		2010	
		Scenario-I	Scenario-II	Scenario-I	Scenario-II
Agriculture	47.6	41.9	38.8	27.0	21.2
Industry	16.1	18.8	20.0	22.7	26.3
Construction	3.8	4.4	5.1	8.0	7.8
Service	32.5	33.9	36.1	42.3	44.7
Total	100.0	100.0	100.0	100.0	100.0

In the above scenarios, the enhanced growth of secondary and tertiary sectors is forecasted, with the declining trend of agriculture (primary) sector. Regarding development of agriculture sector, diversification of agriculture is being emphasized, with increasing share of livestock, fruits and industrial crops. However, rice remains as most important crop of the region, with production target in 2010 at 18 million tons, or around 55% of the total paddy production of the country.

“ Flood Control Planning for the Inundation Areas in the Mekong Delta” was prepared by MARD (SIWRP) in 1998 and approved by the Government in June 1999. The Plan covers an area of 1.9 million ha located in the northern part of the Mekong Delta, which extends over 8 provinces, Long An, Tien Giang, Ben Tre, Dong Thap, Vinh Long, Can Tho, An Giang and Kien Giang. The Plan considers comprehensive flood control measures, for the socio-economic development of the area. In planning, the area is divided into 4 regions, one of which is the Plain of Reeds with area of 703,338 ha. The Study Area of around 290,000 ha is included in this Plain of Reeds.

Another related plan related to the Study Area to be referred is the “Planning for the High Quality Rice Area and Special Rice Production for Export in the Mekong Delta”, prepared by MARD. In order to strengthen the competitiveness of the major commodity of the region, that is rice, and to increase the

export earnings, improvement of rice quality is considered comprehensively from the production to processing and marketing stages in the plan. In line with this regional plan, each province has prepared the plan at the provincial level.

2.2 General Situation of the Two Provinces

The two provinces, Dong Thap and Tien Giang are partly covered as Study Area. Both provinces are located in the Plain of Reed, one of the sub-region of Mekong River Delta.

The area is characterized by low-lying and closed inundation plain. Major parts of the area are inundated starting from August and until November, caused by flood from the Cambodian border and Tien River. Therefore, paddy is the dominant crop in the region, with varying degree of other important crops for the particular areas. In 1998, the share of paddy production by the two provinces among the Mekong Delta and the whole country accounted for 21.2 % and 11.2 % respectively.

Basic figures for the two provinces are given below.

	Dong Thap		Tien Giang	
	Amount	%	Amount	%
Total GDP 1997(current) Bil.VND	4,187	100.0	5,450	100.0
Agriculture sector	2,787	66.6	3,367	61.8
Industry sector	443	10.6	607	11.1
Services sector	957	22.9	1475	27.1

	Dong Thap Province	Tien Giang Province
Agri. Household (1000)	206.0	227.0
Agri. Population (1000)	1,194.0	1,140.0
Agricultural Land (1000ha)	228.8	181.0
Annual Crop Land (1000ha)	207.6	116.7
Rice Land (1000ha)	203.8	105.6
Gross Output of Agriculture (Bill VND)	3,152.9	4,844.6
Gross Output of Paddy (1000 ton)	1,930.0	1,319.6

2.2.1 Dong Thap Province

With natural land area of 3227 km², total population of the province accounts for 1,556,667 in 1998. Full scale canal system development had started only after unification, therefore, the province has relatively short history of development among the provinces in Mekong Delta. With successive construction of canal and dike system, paddy production increased dramatically. While the total paddy output was 648 thousand tons in 1985, the out put reached at more than 1,940 thousand tons in 1998. During this period, expansion of cultivated land for paddy was rather gradual, and crop intensity and increased yield contributed to the increased paddy production.

Regarding economic structure, agriculture sector occupies dominant share of 66 % (in 1998 including forestry and fisheries) in the provincial GDP. The GDP share of industry sector and service sector in that year was 11 % and 23 % respectively. Of the total labor force of about 730,000, agriculture, forestry and fisheries employ nearly 620,000 or 85 % of the total. In agriculture sector, paddy production has predominant share, but other sub sectors such as livestock and fruits trees are increasing gradually.

Industry sector, many of them are small-scale food processing industries, has shown rather slow growth rate in recent years. Per capita paddy production in 1997 was 1,259 kg, one of the highest even among the provinces in Mekong Delta, clearly shows the importance of paddy production in Dong Thap province's agriculture.

In 1996, "Socio-economic Master Plan of Dong Thap Province up to the year 2010" was prepared by the Provincial People's Committee. The plan, analyzing the current socio-economic situation by sector and identifying potentials and constraints for future development, sets the targets for development and provides plans and programs to achieve the targets. The plan envisages the increased share of industry in GDP, namely from 8.78 % in 1995(base year) to 27.55 % in 2010. The share of agriculture sector is expected to decline from 71.58 % to 35.27 % in the same period. Per capita income is envisaged to increase from US\$ 172 in 1995 to US\$ 588. For agriculture, land resources devoted to agriculture remain stable, and shifting from paddy mono-culture to more diversified farming system is oriented.

2.2.2 Tien Giang Province

With natural area of 2,326 km², total population of the province accounted for 1,769,257 in 1998. Due to geographic location and better access to Ho Chi Minh City, the province has rather longer history of development compared to that of Dong Thap province. GDP shares by sector are ; 62 % for agriculture, 12 % for industry and 26 % for services.

Agriculture is the major economic sector, though the share of it is a little lower than that of the Dong Thap province. Paddy production is similarly the leading sub sector in agriculture, but not so much dominant as seen in Dong Thap province. Diversification of agriculture is going at a little higher pace than in Dong Thap by increasing share of crops other than paddy and livestock and fisheries.

In 1995, the province prepared "Master Plan for Socio-economic Development of Tien Giang Province 1995 - 2010". In this Master Plan, the share of industry sector in GDP is expected to rise from 15.79 % in 1995 (base year) to 35.63 % in 2010, while agriculture sector to decline from 61.88 % to 47.44 %. GDP per capita is expected to be raised from US\$188 in 1995 (base year) to US\$632 in 2010. Regarding agriculture sector, diversification is emphasized with gradual decline of paddy and expansion of other

crops such as fruits and vegetable, and also livestock production.

The plans referred above should be interpreted carefully in reflecting its contents to the formulation of the master plan in the Study Area. All these plans had been formulated in 1994-1995, when the country enjoyed rapid economic growth. In 1997, the economic crisis occurred in other Asian countries caused negative impact to the economic growth of the country. Severe set back in growth has been observed in many countries. By increased competition in export market and declined foreign direct investment, the economy of the country is seriously affected. Therefore, macro based target may need to be modified. Since no modified figure is available officially as yet, the target figures are carefully observed, taking into consideration of the specific situation of the above.