European Economic Letters
ISSN 2323-5233
Vol 13, Issue 4 (2023)
https://doi.org/10.52783/eel.v13i4.700
http://eelet.org.uk

Financial Strategies for Rural Development: Lessons from Japan and South Korea for Vietnam

Dr. Cao Minh Tien
Email: Caominhtien@hvtc.edu.vn
Department of Banking and Insurance, Academy of Finance – Vietnam

Abstract: This research article aims to investigate the financial strategies employed in the context of rural development in Japan and South Korea, with the objective of drawing valuable lessons for Vietnam. The study was conducted through direct surveys of households in nine districts spanning two provinces, Thanh Hoa and Nghe An, Vietnam, during the period from 2018 to 2022. The research utilized various methodological approaches, including investigative and survey methods, analytical synthesis, statistical analysis, and comparative analysis. The authors provide in-depth insights and propose practical solutions for addressing financial challenges in the context of rural development. These solutions encompass three key aspects: direct budgetary support, local budgetary resources, and integrated funding from programs and projects. To alleviate the burden on the state budget in implementing the national rural development program in the future, the following recommendations are made: reforming investment management decentralization, enhancing transparency in budget allocation and implementing support mechanisms. This research aims to contribute valuable insights into sustainable financial practices for rural development, benefiting not only Vietnam but also other countries facing similar challenges.

Keywords: New Rural Development, Financial Sustainability, Agricultural Financing, Agriculture in Developing Countries

1. Introduction

The concept of "rural" is a common term, yet its content can be broad and vary between different countries. According to the Food and Agriculture Organization (FAO), one of the main methods for defining rural areas is through the use of political-administrative definitions, where urban areas are defined as the centers of provinces and districts, and the remaining areas are classified as rural. However, there are also some countries that use the availability of various services as a criterion to determine urban areas, considering the rest as rural (FAO, 2018).

In the context of this research, it is essential to establish a clear understanding of what constitutes a rural area, as this definition can significantly impact financial strategies for rural development. The diverse interpretations and classifications of rural areas underscore the complexity of addressing financial challenges in the pursuit of rural development goals. With this foundation, we proceed to explore financial solutions for rural development and draw valuable lessons from the experiences of Japan and South Korea, with a focus on their applicability to Vietnam.

Over the course of 5 years of implementing the New Rural Development Program in the North Central provinces (2018-2023), significant achievements have been attained. Rural infrastructure is continuously upgraded and improved, contributing to a better living environment for rural residents. These positive changes have transformed rural areas into more prosperous and developed communities (Government of the Socialist Republic of Vietnam, 2009). However, through a survey of the implementation of the New Rural Development Program in the North Central Region, we cannot overlook the fact that outstanding debts related to basic rural construction remain a major issue, and a satisfactory solution for addressing this issue has not yet been found (Central Committee of the Communist Party of Vietnam, 2008).

For instance, in Thanh Hoa province, the accumulated outstanding debt for basic rural construction reached 1,125.118 billion VND by the end of 2015. However, by June 30, 2016, the outstanding debt had decreased to 991.085 billion VND, a reduction of 134.033 billion VND compared to 2015. Among these, the communes that had achieved New Rural standards carried a debt of 286.669 billion VND, averaging 2.536 billion VND per commune. The districts with communes holding large outstanding debts in rural construction include Nga Sơn and Triệu Sơn districts.

In Nghệ An province, the total outstanding debt for rural construction across the entire province was 751 billion VND, distributed among 431 communes, with an average debt of 1.7 billion VND per commune. Notably, communes that had achieved New Rural standards had outstanding debts totaling over 400 billion VND, with an average debt of over 4 billion VND per commune.

European Economic Letters
ISSN 2323-5233
Vol 13, Issue 4 (2023)
https://doi.org/10.52783/eel.v13i4.700
http://eelet.org.uk

Hà Tĩnh, considered to be the province with the fastest pace of New Rural development in the region, faced significant pressure to accelerate the progress. This pressure led many communes in Hà Tĩnh to explore various avenues to secure funding for the construction of numerous projects. However, when communes were certified as meeting New Rural standards, they also faced a slew of debt-related challenges. For instance, Thanh Môn commune in Hà Tĩnh city was still burdened with a debt of 32 billion VND, while Thạch Hạ commune in Hà Tĩnh city had an outstanding debt of 22 billion VND. In Cẩm Xuyên district, Hà Tĩnh province, several communes, including Cẩm Thành and Cẩm Thăng, were grappling with debts ranging from 6-7 billion VND. According to Mr. Trần Huy Oánh, Deputy Head of the Permanent Office of Rural Development Coordination in Hà Tĩnh province, the average debt per commune for achieving New Rural standards in Hà Tĩnh remains between 3-6 billion VND.
According to a report from the New Rural Development Program Steering Committee in Quảng Bình province, by January 31, 2016, the total outstanding debt related to rural construction in the province was nearly 470 billion VND. This included outstanding debts in communes that had achieved New Rural standards, amounting to 217.8 billion VND, and debts in communes that had not yet met New Rural standards, totaling over 252 billion VND. Quảng Tiến commune in Ba Đồn town had the largest outstanding debt in Quảng Bình province, exceeding 22 billion VND.
In Thừa Thiên Huế province, the outstanding debt related to basic rural construction was 83 billion VND. Communes such as Quảng Thọ, Quảng An, Quảng Vinh, Quảng Phú, Quảng Thành in Quảng Điền district, as well as Lộc Điền and Vinh Hưng in Phú Lộc district, had outstanding debts ranging from 4-6 billion VND. Communes with debts below 1 billion VND were also common, including Quảng Lợi, Quảng Phước, Quảng Thái in Quảng Điền district, and Phúc Mậu, Phú Thanh in Phú Vang district (Agricultural Development Center, 2022).

2. The Current State of New Rural Development During the Period 2018-2022

During the period from 2018 to 2022, a survey conducted in 12 communes revealed that the total mobilized capital in these communes reached a relatively substantial amount, totaling 1,528.209 billion VND. On average, each commune was able to mobilize 127.351 billion VND. Among these, Kim Liên commune achieved the highest mobilized capital, reaching 307.465 billion VND, followed by Nga Yên with 195.2 billion VND, and Nga Hưng with 170.097 billion VND. Some communes had lower amounts of mobilized capital, such as Diễn Thịnh commune with only 29.449 billion VND, Tam Thái commune with 56.695 billion VND, and Thạch Giám commune with 61.94 billion VND, as shown in Table 1.

Table 1. Mobilization of Funds for New Rural Development in 12 Communes that Achieved New Rural Standards.

Unit: Billions VND

Funds / Commune	Total	Central and provincial budgets	District budgets	Commune budgets	Mixed funds	Credit Funds	Corporate Funds	From People	Other's fund
Kim Liên	307,465	21,94	1,2	45,825	-	-	-	112,92	125,58
Thạch Giám	61,94	16,266	15,867	-	-	-	12,895	16,912	-
Tam Thái	56,695	16,417	5,756	-	-	-	18,169	16,353	-
Diễn Thịnh	29,449	3,90	-	2,201	-	-	-	20,348	3,0
Nga An	159,063	7,318	1,25	53,705	0,241	-	-	93,899	2,65
Nga Thành	110,706	3,135	1,346	31,819	0,96	22,15	4,5	44,548	2,248
Nga Hưng	170,097	7,417	2,25	29,554	4,9	3,0	6,2	116,776	-
Nga Yên	195,2	5,4	0,5	57,7	-	-	-	131,6	-
Xuân Trường	133,0	11,45	2,15	28,7	-	-	3,0	87,7	-
Xuân Hòa	137,384	5,211	1,334	30,052	-	-	-	95,297	5,49
Xuân Giang	89,2	6,06	3,02	24,37	-	-	-	46,75	9,0
Hạnh Phúc	78,013	1,366	0,997	26,397	-	-	3,685	45,568	-
Total	**1.528,209**	**105,88**	**35,67**	**330,323**	**6,101**	**25,15**	**48,449**	**828,671**	**147,968**

Source: Result New Rural Development in Communes Report

European Economic Letters
ISSN 2323-5233
Vol 13, Issue 4 (2023)
https://doi.org/10.52783/eel.v13i4.700
http://eelet.org.uk

Mobilization of Funds from the State Budget: Mobilizing funds from the central and provincial budgets to support rural development in the 12 surveyed communes proved to be a substantial financial challenge. The total funds provided from both the central and provincial budgets amounted to a relatively modest 105.88 billion VND, averaging 8.823 billion VND per commune.

Among these, Kim Liên commune received the most substantial support from the central and provincial budgets, totaling 21.94 billion VND. Following closely were Thạch Giám commune with 16.266 billion VND and Tam Thái commune with 16.417 billion VND. The reason for Kim Liên commune receiving significant support is due to its substantial capital needs for road construction and the preservation of cultural heritage sites, amounting to 140.985 billion VND.

In contrast, Thạch Giám and Tam Thái communes, located in mountainous areas and part of economically disadvantaged districts, had limited revenue sources at the commune level, relying heavily on support from the central and provincial budgets.

Funds allocated from the district budget to the 12 communes meeting New Rural Standards were notably low, amounting to 35.67 billion VND. The majority of these funds were directed to Thạch Giám commune, receiving 15.867 billion VND, and Tam Thái commune, receiving 5.756 billion VND. These two communes accounted for over 60% of the total district budget allocation for the 12 surveyed communes. The remaining communes received comparatively smaller amounts, ranging from 1-3 billion VND. Notably, Diễn Thịnh commune did not receive district budget support due to the absence of investment needs in irrigation, electricity, or housing.

Among the funds mobilized from the state budget for New Rural Development in the 12 surveyed communes, a substantial portion came from the commune budget, totaling 330.323 billion VND, representing 31.62% of the total funds mobilized and accounting for 70% of the total funds provided by the state budget to support these communes.

Specifically, communes receiving significant funds from their own budgets included Nga Yên with 57.7 billion VND, Nga An with 53.705 billion VND, and Kim Liên with 45.825 billion VND. Communes located in flatlands and those adjacent to towns and urban areas primarily generated revenue from land use rights auctions. Conversely, mountainous communes like Thạch Giám and Tam Thái faced difficulties in selling land, resulting in limited revenue at the commune level.

Funds from integrated programs and projects for these communes were relatively low, totaling only 6.101 billion VND, with a major focus on three communes: Nga Hưng with 4.9 billion VND, Nga Thành with 0.96 billion VND, and Nga An with 0.241 billion VND.

- *Limitations and Challenges in Mobilizing and Utilizing Financial Resources for New Rural Development in the North Central Region*

Firstly, dominance of central budget allocation. One of the significant challenges in mobilizing and utilizing financial resources for New Rural Development in the North Central Region is the overreliance on funds from the central budget. During the 2018-2022 period, central budget funding accounted for a substantial proportion of the total financial resources, reaching 30,159.953 billion VND, equivalent to 29.07% of the overall mobilized funds in the region. In contrast, funds from provincial and district budgets were comparatively insignificant, totaling 5,022.76 billion VND, which only accounted for 4.84% of the total mobilized funds. This situation underscores a lack of proactive resource-seeking efforts at the local level for New Rural Development. Many regions have primarily relied on central budget allocations, even though the central budget is facing considerable constraints. Addressing this issue requires timely adjustments to enhance local initiatives in securing financial resources for rural development, thereby reducing the burden on the central budget.

Secondly, inappropriate allocation of state budget expenditures. Another challenge arises from certain expenditures from the state budget for New Rural Development that may not be allocated appropriately or equitably. Examining the actual use of mobilized funds in the North Central Region reveals that some budget allocations for investments in housing for the population and rural markets are not in line with fairness and efficiency principles. These investments draw heavily from both central and local budgets. However, it is essential to recognize that these investments do not necessarily require state budget support; rather, they should encourage local communities to take initiative and invest independently. This approach not only reduces dependence on the state but also ensures fairness among the population. Real-world data further supports this assertion. For instance, in Nghệ An, investments in rural markets drew 13.2 billion VND from the central budget and 57.851 billion VND from the local budget, while investments in housing for the population drew 2.567 billion VND from the local budget. Similarly, in Quảng Bình, investments in housing for the population drew 90.162 billion VND from the central budget and 55.846 billion VND from the local budget, while investments in rural markets drew 47.771 billion VND from the central budget and 39.053 billion VND from the local budget. In Thừa Thiên Huế, investments in housing for the

European Economic Letters
ISSN 2323-5233
Vol 13, Issue 4 (2023)
https://doi.org/10.52783/eel.v13i4.700
http://eelet.org.uk

population received 7 billion VND from the central budget and 10 billion VND from the local budget, while investments in rural markets received 7.53 billion VND from the central budget and 50.669 billion VND from the local budget.

Thirdly, insufficient funding for critical components. Lastly, there is a lack of dedicated funding for critical components within the New Rural Development program, such as investments in production development, the construction of centralized waste treatment facilities at the commune level, and maintenance costs for essential infrastructure. Many regions have heavily invested in building and renovating thousands of vital local infrastructure projects during the 2018-2022 period. However, after their completion, these facilities have deteriorated significantly due to the absence of financial support for maintenance and upkeep.

This issue lacks a comprehensive and timely solution, which may ultimately result in the risk of reverting to the conditions of the old rural areas. Therefore, addressing these challenges is crucial to ensuring the sustainable and effective implementation of the New Rural Development program in the North Central Region.

3. Research Methodology

This article employs several specific research methods to investigate and analyze the financial solutions for New Rural Development in the North Central Region of Vietnam. The chosen research methods include:

Survey and Assessment Method: This method involves conducting surveys and assessments to gather primary data directly from households. The research team conducted field surveys to collect essential information and data.

Analysis and Synthesis Method: The analysis and synthesis method was employed to process and integrate the collected data. This allowed for a comprehensive examination of the financial solutions and their effectiveness.

Statistical Method: Statistical analysis was utilized to analyze quantitative data, providing valuable insights into financial trends and patterns related to New Rural Development.

Comparative Method: The comparative method was used to compare and contrast different aspects of financial solutions and their outcomes. This approach helps in evaluating the effectiveness of various strategies.

Qualitative Research Methods: In addition to the quantitative methods mentioned above, the research also utilized qualitative research methods. These methods allowed for a deeper exploration of certain aspects related to New Rural Development.

Sample Population and Data Collection

The research was conducted through direct surveys of households in nine districts spanning two provinces, Thanh Hóa and Nghệ An, Vietnam. The study period covered the years from 2018 to 2022. The selected districts for the research included:

Nga Sơn District
Yên Định District
Quan Hóa District
Thọ Xuân District
Bá Thước District
Hưng Nguyên District
Nghĩa Đàn District
Quế Phong District
Kỳ Sơn District

These districts were chosen to provide a comprehensive representation of the North Central Region and its various conditions related to New Rural Development. The direct surveys of households in these districts served as a primary source of data for the research, allowing for a detailed analysis of financial solutions and their impact.

4. Theoretical Overview

4.1. South Korea's Experience

In 1953, after the end of the civil war, South Korea faced a situation of complete economic devastation. Over a million people had perished, and the infrastructure had been severely damaged, estimated to be worth nearly 3 billion USD at the exchange rate of 1950. Due to low domestic savings, South Korea's post-war reconstruction efforts heavily relied on assistance from the United States, averaging 200 million USD per year to import essential goods such as wheat, fertilizer, cotton, fuel, and production materials. From 1953 to 1962, the annual GDP growth rate was only about 3.7%, while the population growth rate reached 3%. The per capita income in 1953 was approximately 67 USD, which increased to 87

European Economic Letters
ISSN 2323-5233
Vol 13, Issue 4 (2023)
https://doi.org/10.52783/eel.v13i4.700
http://eelet.org.uk

USD by 1962. During the early 1960s, South Korea was still a slow-developing nation, with agriculture being the dominant sector (Anh & Minh, 2016).

With the goal of rapid industrialization, South Korea invested all its efforts in developing industrial sectors. The growth rate of the industrial sector was around 10-10.5%, while agriculture's growth rate decreased from 5.3% to 2.5%. Urban development contrasted with rural underdevelopment, leading to rural-to-urban migration as rural areas faced overpopulation. By the late 1960s, imbalanced economic growth reached its peak, threatening the stability of the development process. While urban populations were striving to compete and prosper, a significant portion of rural residents still lived in poverty, feeling pessimistic and reliant on migration to urban areas as their only escape (Bac, 2017).

In the third five-year plan, the South Korean government allocated approximately 2 billion USD for rural development. This was a considerable effort considering the severe financial constraints faced by South Korea. Frequent security threats made many nations hesitant to invest. During the 1960s, foreign direct investment (FDI) accounted for a mere 6.4% of the total funds from foreign sources invested in South Korea, with 94% of investments coming from state loans and private loans at commercial interest rates. From the 1960s to the 1970s, South Korea received 2 billion USD in foreign loans annually, primarily consisting of commercial loans for the private sector, with 28% being state loans used for infrastructure development (Tran, 2018).

In 1970, President Park Chung Hee launched the "Saemaul Undong" (New Village Movement). The movement emphasized the "Saemaul Spirit," comprised of three elements: "Diligence - Self-help - Cooperation." "Diligence" represented the voluntary drive of the people, relentlessly overcoming difficulties to achieve success. "Self-help" signified personal determination, self-reliance, and taking responsibility for one's own life and destiny. "Cooperation" highlighted the understanding that community development relied on the collective effort of its members. Thus, the Saemaul Undong spirit emphasized self-determination, the will to innovate, self-confidence, and community unity (Phuong & Thuy, 2018).

President Park Chung Hee believed that the small amount of government funds invested in rural infrastructure was not the solution to rural issues. Instead, the key to rural development lay in harnessing and mobilizing the internal resources of farmers, through the organization of community development groups in every village and commune. Small material resources and favorable government policies were meant to awaken and stimulate the tremendous latent potential of farmers. The New Village Movement emphasized the importance of self-determination, creative spirit, self-confidence, and community unity among farmers.

Similar to Vietnam today, at that time in South Korea, labor and rural land were relatively cheap. Policies promoting the production of import-substituting goods and industrial development led to an abundance of basic construction materials such as cement and steel. President Park Chung Hee decided to utilize these available resources to create jobs for rural labor, boost product consumption for the industry, and rapidly build rural infrastructure at a low cost, thus introducing a new phase of development. Rural farmers were the primary beneficiaries of this approach, as they gained confidence in their ability to improve their lives.

The approach unfolded in two stages. First, the villages that successfully completed basic infrastructure projects were eligible for income-enhancing projects, including agricultural promotion, increased crop yields, livestock farming, specialized agriculture zones, production and marketing cooperatives, reforestation, and business ventures. State support transitioned from primarily monetary assistance to a combination of loans and grants. Around 750,000 farming households in 137 regions received support and encouragement to produce, process, and trade 21 different items, including poultry, beef, milk, silkworms, flowers, fruit trees, fish, mushrooms, and more.

The strategy involved incremental steps, starting from the lowest level and gradually expanding nationally. By the end of the 1970s and the beginning of the 1980s, almost all villages in South Korea had participated in income-enhancing projects for farmers. Within six years, the average income of farms had nearly tripled, rising from 1,025 USD in 1972 to 2,961 USD in 1977. Most significantly, the rural household income was now equivalent to the average income of urban households.

This approach, emphasizing self-determination, creative spirit, self-reliance, and community unity among farmers, played a pivotal role in South Korea's rural development during the Saemaul Undong movement.

Lessons Drawn from the Implementation of South Korea's New Rural Development Policies:

Firstly, leveraging the role of the people in rural infrastructure development. In South Korea's New Village Movement program, the state primarily invested in materials such as cement and steel, while the people contributed their labor, land, and money. State assistance was more significant in the early years and gradually decreased as local communities and the people became more involved.

European Economic Letters
ISSN 2323-5233
Vol 13, Issue 4 (2023)
https://doi.org/10.52783/eel.v13i4.700
http://eelet.org.uk

Secondly, promoting production to increase income for farmers. The primary goal of the Saemaul program was to transform the countryside successfully. During the 1970s, the Saemaul program not only provided income for a large number of laborers leaving agriculture but also improved their skills and industrial awareness. When they sought employment in cities, they easily caught up with modern skills and work attitudes. Due to their qualifications and ability to meet higher job demands in the industrial sector, the number of agricultural laborers decreased by 50%.

Thirdly, enhancing the democracy of the people in the New Rural Development movement. Rural democracy was genuinely emphasized through the people's self-management role. The state transferred full management rights of materials to the people. The people actively elected the Rural Development Committee to represent them in management, as well as discussing and deciding on prioritized construction projects. They took full responsibility for the entire process, from design and direction to construction and project acceptance.

Fourthly, due to limited resources during the New Rural Development movement, South Korea adopted a suitable and scientific approach, progressing step by step, from low to high, from experimentation to nationwide implementation, from construction to production, from agriculture to non-agriculture. This allowed farmers sufficient time to change their thinking and practices, provided ample opportunities for selection.

4.2. Experiences from Japan's New Rural Development

In the process of agricultural development, Japan has gathered several valuable experiences. These experiences are rooted in the national context and emphasize the centralization of efforts, the promotion of agricultural industrialization, rural industrialization, and the urbanization of rural areas (Kawagoe, 2014).

During the period of promoting the industrialization of agriculture, Japan continued to prioritize agricultural development. It vigorously pursued a "pro-agriculture policy," which aimed at fostering technological innovation in agriculture and promoting agricultural production. From the 1960s to the early 1980s, the Japanese government imported and directly applied Western agricultural techniques and business models, even though these measures played certain positive roles in the reform of Japan's agriculture during that time. However, due to the transplantation of experiences from other countries that did not entirely align with Japan's specific circumstances, this approach ultimately failed.

In the 1980s, Japan began to explore a development path for agriculture that was more suitable for its own context. It intensified the process of agricultural industrialization, placed significant importance on traditional Japanese agricultural practices, and implemented measures to promote the exchange and dissemination of agricultural production knowledge. Through these efforts, Japan's agricultural sector continued to develop robustly during the industrialization process.

The economic transformation of various agricultural products was enhanced, and agriculture provided a skilled workforce for industrial sectors. Simultaneously, this process promoted the industrialization of agriculture and the urbanization of rural areas. The progress in the industrialization of agriculture, rural industrialization, and rural urbanization played a crucial role in regulating the development of both urban and rural areas in Japan (Huynh, 2015).

Stages of Japan's New Rural Development:

Stage 1 (from 1956 to the early 1960s): The initial stage of Japan's New Rural Development primarily involved three key aspects:

Identifying the target areas: Areas for the New Rural Development were selected, with villages containing approximately 900-1,000 farming households being designated. From 1956 to 1960, the Japanese government identified 4,548 villages for this program.

Establishing promotion mechanisms: Villages selected for New Rural Development established rural development associations. These associations engaged in discussions and coordination with various departments, local authorities, and community organizations to plan and implement rural development.

Increasing investment capital: The New Rural Development initiative required funding. Apart from financial contributions from local farmers and loans from the government's agricultural credit funds, Japan applied special support measures. On average, each village undertaking New Rural Development required 10 million yen, with 40% of the funds coming from the central government's support.

Stage 1 concluded in 1962, and during these seven years, with the support of favorable policies and substantial financial assistance from the government, Japan achieved significant results. The main objectives of Japan's New Rural Development were successfully accomplished: agricultural land was reorganized and improved, leading to increased agricultural productivity and setting the foundation for large-scale mechanization in agriculture. Various public facilities were constructed in rural areas, fostering stronger community ties. The initiative stimulated the active and positive involvement of rural residents in building their homeland, and rural youth responded more eagerly to agricultural development. According to statistics from the Japanese Ministry of Agriculture, Forestry, and Fisheries, over the seven-year period of New Rural Development, the total value of agricultural production in Japan increased from 1,661.7 billion yen in 1955 to 2,438.1 billion yen in 1962, a growth rate of 46.7%. The average net income for each farming household also increased by 47%, reaching 5.33 million yen, exceeding the income of urban wage earners by 12.7%.

Stage 2 (from the mid-1960s to the mid-1970s): The main goal of Japan's New Rural Development in this stage was to build on the foundation established in Stage 1. It continued to strengthen rural agricultural production and the living conditions of farmers, narrowing the gap between urban and rural areas. Modernization of agriculture and rural areas was emphasized. In March 1967, the Japanese government introduced the "Economic and Social Development Plan," which emphasized comprehensive agricultural policies and highlighted the importance of modernizing agriculture and rural areas. In terms of improving living conditions, Japan set the goal of creating "comfortable and attractive rural living spaces." It emphasized the protection of the natural environment in rural areas, renovating and building new housing for farmers, improving access to water and underground drainage, establishing recreational and entertainment activities for rural residents, enhancing the construction of schools and healthcare centers, and strengthening social welfare systems in rural areas. All these efforts contributed to the rapid progress of rural industrialization and agricultural modernization, which, in turn, bridged the gap between urban and rural areas. Over this period, the average net income of farming households reached 5.33 million yen, which was 12.7% higher than the income of urban wage earners.

Stage 3 (from the mid-1970s to the late 1980s): Despite the achievements of Stage 2, many young people from rural areas still migrated to cities, and the rural population was aging. To address these challenges, a grassroots movement for rural development emerged spontaneously in Japan. The most famous and influential of these movements was the "One Village, One Product" initiative initiated by Professor Hiramatsu Morihiko, the governor of Oita Prefecture, in 1979. Subsequently, this movement spread across Japan and has also been successfully applied in many Asian and African countries.

The "One Village, One Product" movement in Japan encourages local efforts to utilize local resources, harness community strength, preserve traditional village crafts, and reduce the urban-rural divide. The core principle of this movement is for each community, depending on its specific conditions and circumstances, to select unique products that reflect the local identity for development. The success of the "One Village, One Product" movement relies on recognizing underutilized local resources and creatively applying them to the market. There are three fundamental principles for developing the "One Village, One Product" movement: local action with global perspective, self-confidence and creativity, and developing human resources. In essence, the movement promotes local initiatives with a global outlook, encourages self-sufficiency and creativity, and invests in developing human resources. It underscores the role of local government in providing technical support, promoting, and supporting product consumption.

The "One Village, One Product" movement essentially represents a regional economic development model based on the administrative divisions and distinctive products of localities, with guidance and support from the government. It encompasses not only agricultural products but also includes unique cultural and traditional products and activities, such as cultural heritage sites and local festivals.

Lessons Learned from Japan's New Rural Development:

1. Establishing and Implementing Supportive Agricultural and Rural Development Policies: One of the key factors in Japan's success in rural development has been the establishment and implementation of a comprehensive system of policies and legislation to support agriculture and rural development. The Japanese government has enacted numerous laws and policies that have had a profound and lasting impact. In the 1950s and 1960s, Japan introduced fundamental agricultural laws and nearly 30 other related laws, including revisions to land and sustainable agriculture laws. All of these legal frameworks have formed a complete system, providing a legal basis for the successful execution of the new rural development initiatives.

2. Active Government Engagement and Significant Financial Investment: The Japanese government has actively directed and invested substantial funds in various phases of the new rural development. Even during the autonomous phase of phase 3, the government provided support and encouragement. To address the issue of insufficient investment in agricultural development, the Japanese government has implemented agricultural support policies, including commodity price support and the establishment of a commodity price risk fund. Both the government and farmers contribute to this fund to ensure

European Economic Letters
ISSN 2323-5233
Vol 13, Issue 4 (2023)
https://doi.org/10.52783/eel.v13i4.700
http://eelet.org.uk

the sustainable development of rural areas. In recent years, annual investments in agricultural infrastructure in Japan have averaged around 1.1 trillion yen.

3. Encouraging Active Participation and Emphasizing Farmer Independence and Autonomy: The Japanese government has encouraged the active participation of farmers and emphasized their independence and autonomy by creating conditions for their active involvement in the new rural development process. The government recognizes that the positive contributions of farmers are crucial and has encouraged them to participate in planning, product selection, and other aspects based on local needs. The creativity and passion of farmers have played a significant role in this process.

4. Leveraging the Role of Agricultural Cooperatives: Agricultural cooperatives have played a vital role in Japan's new rural development. They have created an extensive cooperative network and provided essential services to farmers. Agricultural cooperatives in Japan are responsible for the consumption of over 80% of agricultural products and supply production and living information to farmers. They have made a significant contribution to promoting rural economic development, improving the lives of farmers, and advancing the modernization of agriculture and rural areas.

5. The lesson learned for Vietnam in the construction and implementation of financial solutions for rural development

Regarding Direct Financial Support from the Central Budget:

The estimation of the total capital required for implementing the National Target Program for New Rural Development is based on the following factors:

Results of the Total Capital Implementation of the 2018-2022 Phase: Based on the results of the 2018-2022 phase and recommendations regarding capital needs from localities, the Ministry of Agriculture and Rural Development anticipates the total resources needed for the implementation of the National Target Program for New Rural Development during the 2016-2020 phase to be approximately 1,000,000 trillion Vietnamese Dong. From this, the total amount of direct financial support from the Central Budget for the National Target Program for New Rural Development during the 2016-2020 phase is estimated at 120,000 trillion Vietnamese Dong, averaging around 24,000 trillion Vietnamese Dong per year. The local budgets contribute an additional 130,000 trillion Vietnamese Dong. However, this calculation deviates from the principles set out in Decision No. 695/QD-TTg regarding the mechanism of state budget support (including the Central Budget and local budgets) for the tasks of building new rural areas at the commune level.

Principles of State Budget Support Mechanism: According to Decision No. 695/QD-TTg, the state budget only supports funds for certain tasks of the New Rural Development Program, such as planning, construction of commune headquarters, and funding for training knowledge related to new rural development for commune officials and cooperative members. The state budget provides a maximum of 100% support for the construction of roads, internal canals, schools, and healthcare centers in communes located in impoverished districts. Communes not in impoverished districts are only partially supported for specific tasks within the New Rural Development Program.

Enhancing State Budget Support: For communes not mentioned above, only a portion of the state budget is allocated for tasks such as constructing roads to commune centers, internal canals, schools meeting the required standards, commune healthcare centers, domestic water supply systems, wastewater drainage systems, development of production and services, infrastructure for concentrated production areas, small-scale industries, and aquaculture. The specific level of support for each task and job must be in line with local conditions and the support requirements of each commune and province. However, state budget support should not exceed 50% of the total cost.

Prioritizing Support for Challenged Provinces: The allocation of funds from the Central Budget to localities will be based on economic and social conditions and the regulations of Resolution No. 7 of the Central Executive Committee on agriculture, farmers, and rural areas. Priority will be given to provinces facing budgetary difficulties, specific regions, particularly challenged areas, and localities that have performed well in building new rural areas.

Provincial People's Committees in these regions will guide and allocate funds (including support from the Central Budget and local budgets of various levels) for the implementation of projects and tasks related to building and developing new rural areas at the local level, prioritizing poor and particularly difficult communes striving to achieve new rural standards by 2020 and beyond.

Regarding funding from local budgets:

Given the current challenges in the central budget, while the allocation of funds from local budgets for the implementation of the rural development program in the 2018-2022 period is quite limited, especially with provincial and district budgets typically accounting for only 2% or less. Therefore, to leverage the proactive and innovative capacity of localities and

European Economic Letters
ISSN 2323-5233
Vol 13, Issue 4 (2023)
https://doi.org/10.52783/eel.v13i4.700
http://eelet.org.uk

avoid excessive reliance on the central budget, a mechanism to ensure funding from local budgets for rural development in the 2016-2020 period could be implemented as follows:

- Establish an active mechanism for localities in self-sustaining budget areas during the 2016-2020 period to support the rural development program. In this regard, for annual surplus amounts, if a locality invests directly in the rural development program, it can be deducted from the amount to be contributed to the local budget.
- Enhance the proactive role of provinces in the use of road maintenance funds. This can involve specifying a specific allocation of revenue from the road maintenance fund for communes implementing the rural development program and actively allocating funds from the provincial construction budget for the rural development program.
- Clearly define the responsibility for allocating budgets at various local levels, including provincial, district, and commune levels, based on specific budget ratios for the program.
- Actively seek support from domestic and international donors as well as localities that have already completed or substantially completed rural development, such as Ho Chi Minh City, Dong Nai, Da Nang, Vinh Phuc, etc. Encourage voluntary support for certain communes and districts within challenging areas, especially those facing difficulties in rural development.

Regarding funding integrated from various programs and projects

during the 2016-2020 period, there are up to 10 projects planned to be integrated from different programs into the national target program for rural development. These projects cover a wide range of areas, such as vocational training for rural labor, rural water supply, rural sanitation, pollution control, and environmental improvement in craft villages, as well as support for the development of agricultural cooperative groups. The estimated capital needs for these projects amount to approximately 80,000 billion VND. Using the exchange rate as of November 25, 2016, this equates to nearly 3,614 million USD. These projects involve various ministries, including the Ministry of Transport, Ministry of Health, Ministry of Education and Training, Ministry of Agriculture and Rural Development. The funding from these integrated programs heavily depends on the negotiations between these ministries and international financial organizations.

To alleviate the burden on the state budget in the implementation of the national target program for rural development in the near future, several measures can be taken:

Continuously innovate the decentralized investment management system for rural development, linking investment decisions with resource allocation and capital balance. Implement a planning allocation mechanism for essential infrastructure in lower-level localities, enhance decentralized budgeting for rural development at the district and commune levels, and allocate the state budget to ensure balanced interests among localities with different conditions in rural development. Revise and improve project appraisal and capital appraisal procedures, investment decisions, and address the current imbalance in localities where local revenues from rural development are insufficient to offset expenditures, leading to backlog issues in infrastructure development over time.

Increase transparency in the allocation of state budget funds based on criteria and allocation standards through public channels such as provincial electronic portals and the websites of relevant ministries and agencies. Emphasize the expansion of decentralized authority for rural development investment management, clearly define the responsibilities of state management agencies at all levels from provincial to commune levels, and proactively invest in the use of rural development capital at the commune level. Enhance the delegation of tasks to communes to take charge of the implementation of certain projects in rural development.

Implement a mechanism that partially supports the state budget and creates a mechanism to mobilize funds for the maintenance and repair of essential infrastructure at the commune level. Create conditions for communes to actively call for and utilize other funding sources for rural development. State budget funds should act as seed capital to mobilize other financial resources from all economic sectors in society, creating a new impetus to attract various financial resources to participate in rural development and construction.

References:

1. Bac, C. T. H. (2017). Re-evaluating Korea's new village movement and some experiences for new rural development in Vietnam. VNU Journal of Foreign Studies, 33(1).
2. Central Committee of the Communist Party of Vietnam (2008). Resolution No. 26- NQ/TW, On agriculture, rural areas, and farmers.
3. FAO, F. (2018). Food and agriculture organization of the United Nations. Rome, URL: http://faostat.fao.org.

4. Huynh, T. D. (2015). The policies on developing traditional craft villages in some Asian countries and lessons for Vietnam. VNUHCM Journal of Science and Technology Development, 18(2), 119-126.
5. Kawagoe, T. (2014). Postwar land reform in Japan.
6. Phuong, N. T. B., & Thuy, Đ. T. T. (2018). Mobilizing Community Participation And Monitoring In Korean'S New Village Construction - Policy Lessons For Vietnam.
7. Government of the Socialist Republic of Vietnam (2009). Decision No. 491/QD-TTg dated April 16, 2009 promulgating the National Criteria for New Rural Areas.
8. Tran, H. T. (2018). Understanding The Rural Development Model In Korean'S New Village Movement Based On The Theory Of Local Network Governance.
9. Agricultural Development Center (2022). Agricultural annual report 2021 and outlook for 2022.
10. Tuan Anh, N., Minh, P., & Le, T. (2016). New Village Movement in Korea and New Rural Construction Program in Vietnam. Social Sciences and Humanities, 2, 16-25.