

Part 2A Artisan craft Industry

2A.1. Concept and Definition of terminology

Definitions of Artisan craft, Fine art craft, Craft industry, Traditional craft.

The concepts and definitions as mentioned- below have been applied based upon a relative unity of views from several researchers and experts and these have been being used for reference in the issuance of legal documents.

Artisan craft is an occupation or trade requiring manual dexterity to directly make a product. The materials being utilized in the trade are directly from natural resources, made by, in general, simple tools; in some trades, machinery are applied in some operations but manual labor is still principal source to make the product.

Fine Art Craft is an occupation or trade to make fine arts or consumer's items, generally using plastic/modeling method and finely decoration to complete the like work of fine arts. In fine arts products, the cultural and aesthetic sense aspects become more important than their common utility function.

Craft industry is an area of production including all artisan crafts.

Traditional craft is an artisan craft, the process of foudation and development of which experiences through several craftsmen generations (over 100 years). Its products bear specific features and are commonly known by many people. In the concept, traditional crafts include artisan craft, fine art craft and also, foodstuff processing trades.

Number of artisan crafts in Vietnam

Generally, the classification of fine art crafts into groups is based upon their input materials or their production technologies (even in one craft, the products of which may have the individual features of their own, and made by the technologies of their own). Presently, it is estimated there are about 120 occupations making artisan craft products⁽¹⁾ and they are classified into the groups as follows:

- 1) Knitting (rattan, bamboo, "giang" and "guot" (kinds of bamboo), "buong" leaf, "bang"- (kind of grass), rush, etc...)
- 2) Weaving (cloth, brocade, flax fiber, silkworm, rush mat, jute carpet, etc.)
- 3) Embroidery (color embroidery, white embroidery, embossed embroidery, lace, dentelle/pointlace, etc.)
- 4) Pottery and Ceramics (earthenware, porcelain, crockery, etc.)

⁽¹⁾ Sources : Dept. of Agro-Forest Products Processing and Rural Industry (DAFPPRJ) – MARD and Ministry of Labor, War Invalids and Social Affairs.

- 5) Carving (on wood, stone, horn, bone, coal, etc.)
- 6) Painting (lacquer painting, varnish, red lacquer trimmed with gold, etc.)
- 7) Jewellery (jewellery items, silver sculpture, copper sculpture, etc.)
- 8) Copper processing (casting, hammering, copper gong making, etc.)
- 9) Mussel shell inlaying (on wood, lacquer painting, ceramics etc.)
- 10) Artificial flower and doll making (paper flower, silk flower, wooden/straw/silk dolls, etc.)
- 11) Leather and artificial leather processing (tanning, drum making, etc.)
- 12) Paper making ("Do" paper, votive paper, etc.)
- 13) Printing (on silk, cloth and paper materials, etc.)
- 14) Forging
- 15) Consumer's goods trades (hat, fan, plaiting broom, etc.)

List of craft villages in Vietnam (see Annex III)⁽¹⁾

2A.2 Information on artisan craft industry from field survey

2A.2.1 Artisan craft industry in Ninh Binh Province

According to the report made by the Department Branch of Agro-Forest Products Processing and Rural Industry of Ninh Binh province, there are about 35 craft villages in the province, two third of which are traditional craft villages, of which 54% involve in making mat and carpet from rush for export, 11.4% in embroidery and lacing for export, 17% in knitting, 5.7% in carving art stone and 14.5% in foodstuffs processing, and others.

Among the above crafts, embroidery and lace making, rush mat making, art stone carving and rattan- bamboo knitting are the traditional ones of the province. Total turnover from the rural crafts reached up VND 327.7 billion, in which, income from household enterprises and individual households reached VND 210.7 billion, i.e. 64.3% in total. Export value of the products obtained from rural crafts reached up USD 3.064 millions, accounting for 35.8% total export value of the province.

2A.2.1.1. Embroidery-lace trade

In 2000, the provincial craft industry produced 808,000 sets of products, a 3.1 time increase as compared to that in 1999, in which, 450,000 sets (or 55.7% in total) were produced from the district of Hoa Lu alone. The embroidery and lace making of the province has created employment to nearly 25 thousand people.

⁽¹⁾ Sources : DAFPPRI- MARD (gathered data from the Reports of provincial DARDs) and the results from the survey of the Consultants Team.

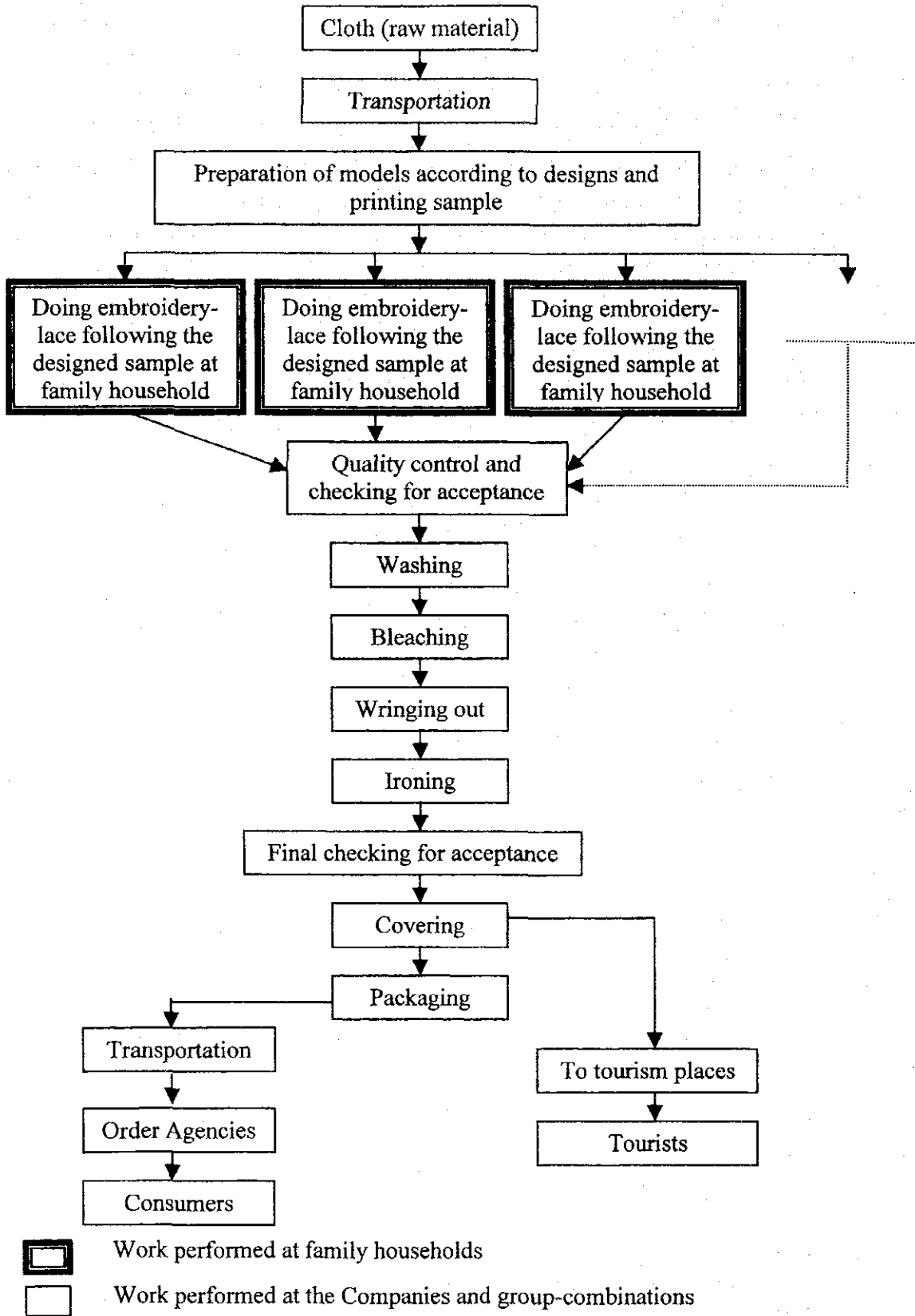
The embroidery-lace making originated at Van Lam village, (Ninh Hai Commune, Hoa Lu district) and the occupation developed gradually into other villages and communes within the province. Van Lam village now has a population of 2300 people, out of which 994 are professional craftsmen, in which there are 120 artisan-artists and master craftsmen, and 770 contract-based labors. Presently there are one Company Ltd., 3 production collectives and a great deal of households involved in embroidery-lace occupation in Van Lam village⁽¹⁾. The list of interviewed individuals and units are presented in the Annex IV.

The embroidery-lace craft in Van Lam village (Ninh Hai Commune of Hoa Lu district) has been experienced almost 700 years and it has been expanded to several villages and communes in the province (e.g. the village of Trieu of Yen Khanh district, Gia Phuong and Gia Xuan of Gia Vien district).

(1) - Ninh Binh Department of Statistics
- Report of the Department Branch of Agro-Forest Products Processing and Rural Industry of Ninh Binh province.

Physical flow of product (embroidery-lace trade)

(Taking My Huong Company Ltd., Van Lam village as example)



Producers

There are two types of producers: full-time workers and contract-based labors/workers. There are 22 full-time workers working for My Huong Co. Ltd., 145 ones for Dong Thanh Enterprise. Usually, there are about 7 to 15 full-time workers working at other group-combinations.

The production of the embroidery-lace items in Ninh Binh in general and in Van Lam village, in particular, is principally scatteredly performed at family households, therefore, most of the embroidery-lace work have been done by contract-based labors/workers (or called satellite- labors). The big Companies and big group-combinations generally have 4,000 to 5,000 "satellite labors" within the province while the small group-combinations have about 100 ones. Most of these contract-based manufacturing households do both farming and non-farm activities (mixed-type households).

Incomes of the full-time workers from group-combinations are from VND 400,000 to VND 500,000 per month. The turnovers of the big Companies and big group-combinations range from VND 6.0 to VND 12.0 billion per annum. The labors of mixed-type households earn VND 200,000 to VND 300,000 per month and perform the non-farm work during off-seasonal months. Farming area being entrusted to farmers is, as stipulated by the regulations, 540 m² per capita.

It is observed that most of the full-time workers are those inherit the experiences and skills through generations (in My Huong Company, there is an artisan-artist aged 75 and in Dong Thanh Enterprise, 15 master craftsmen). The contract-based labors are trained within their individual families or through short-term training courses.

Design

In every production unit of Ninh Binh, some selected people are assigned to specialize in the designation and improvement of the sample design. Knowledge on the designing of these people is obtained through the professional experiences. The samples of the artisan craft products are designed following mainly the traditional sample style. In some cases, samples, photos or designs have been brought and ordered directly by the clients to the owners. In 1994, an Italian business gave Dong Thanh Enterprise an order for 320 embroidery items following the samples as required.

According to the clients' predilection, the product samples are often improved and modified. The procedures for the order and preparation for a new design are generally performed through the following steps: provision of new design/sample from a client to the production unit-making trial sample following the provided sample/design-sending back trial sample to the client for getting comments-carrying out production based upon final agreement on the trial sample.

Recently, the clients have come to Ninh Binh craft villages from several foreign and western countries to gave orders, therefore, western style has been appeared on the craft

products made by the local craft production units (like mountain covering with snow on the top, forest at temperate zones etc.).

Materials

There are no obstacles about the search of materials (like cloth, thread) for use in embroidery-lace work. Generally, the production units purchase cloth from Textile Company of Thang Loi in Ho Chi Minh City, thread from Minh Khai Thread Factory in Hanoi. In certain cases, sample-based precutting cloth has been obtained and the producer just makes embroidery-lace items from the given cloth.

Quality Control

The control of product quality is assigned to specialized workers and includes the following operations:

- Regular checking at family households in the process of embroidery-lace making
- Checking during reception of the products completed by family households
- Checking after the products being ironed
- Final checking of the products before packaging.

In most of the cases, the quality criteria or standard are recommended by the clients and required to be followed by the producers. In general, the products for export are of higher quality standard than those for domestic consumption.

Market

My Huong Liability Limited Company for handy embroidery is the biggest unit to produce embroidery lines of Van Lam village, about 20-30% of its total products are for domestic consumption through two market channels: - tourism boats (some 600 small boats managed by Van Lam village located closely the Tam Coc- Bich Dong cave) and – several fine-arts shops in Hanoi. The remaining ones are for export. Previously, the Company was not allowed to conduct direct exportation but through Art Export Co. of Thang Long or Art Export Co. Hanoi as intermediate agencies for export. Presently, direct exportation has been available (the goods are delivered at the airport or the port). My Huong Co. Ltd. also has a shop for sales of their embroidery-lace lines in the Federal Republic of Germany.

All of the products made by Dong Thanh Export Embroider Enterprise were for export through Art Export Co. Hanoi before 1999. Since 2000, nearly 30% of the enterprise products have been exported annually directly to foreign countries (like Korea, Turkey, France, Italy, Japan, New Zealand, etc.) the remaining 70% are still exported through Art Export Co. Hanoi.

It is observed that there are almost no specific retailers involved in embroidery business in

Ninh Binh. The production units do both the manufacturing and selling-retail and wholesale. The setting of price for sales of the products is simply based upon the following components: cost of input material (cloth, thread, etc.), labor costs, and interest rate (about 7-9% of the total price).

Information from the producers when asked about the specific need and requirement of the clients (principally the foreigners) on their products has showed that the embroidery lines should be fine in designs, of Vietnamese traditional character, handy embroidered, and of reasonable price. Usually, the foreign partners pay in advance an amount of 30%-50% of the contract order.

2A.2.1.2 Rush-based trade

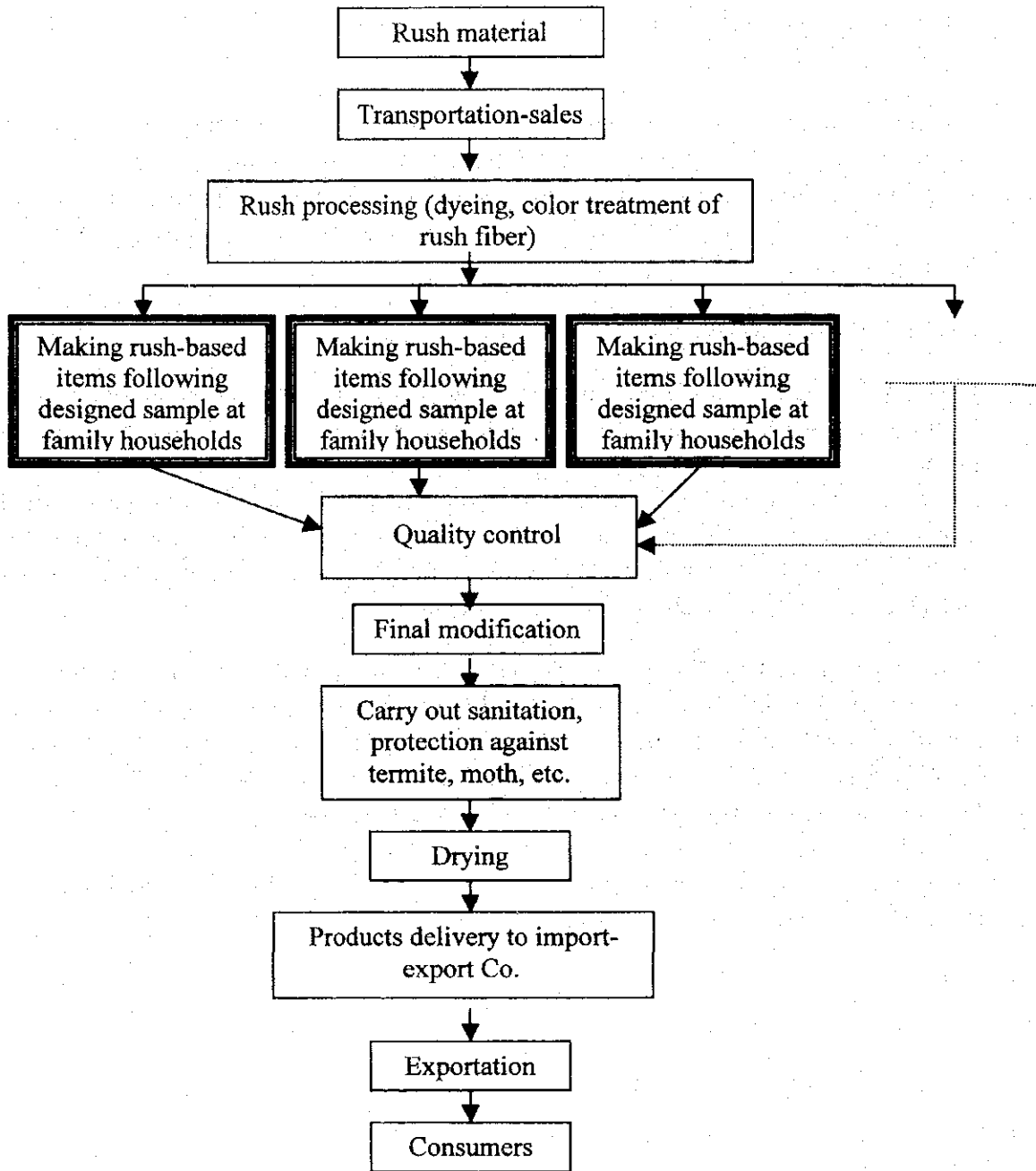
Rush production in Ninh Binh province is mainly at Kim Son district and part of Yen Khanh and Yen Mo districts. In Kim Son district, there are about 9,500 handicraftsmen making rush-based products with 21 Enterprises and Companies specialized in rush mat processing, creating job opportunities for over 40,000 people. The total people of the province involved in the trade are up to 50,000. In 2000, the province of Ninh Binh produced 750,000 m² rush carpets, 1,380,000 rush-based items like disc, box, cup, etc., and a total of 3,340,000 rush mats of different kinds.

Rush mat trade in Kim Son district is said to have been developed for over 300 years. Turnover from a rush mat craft village at Thuong Kiem Commune (Kim Son district) accounts for 64% in total turnover of the commune. The Commune has a population of 7,657 people with 2,537 laborers, 8% of which are non-farm labors, 37% involve in farming and the rest 55% are mixed- type labor. The number of households involved in non-farm activities amounts to 1,095 units, accounting for 61.75% of total Commune households. Average land area per capita of the district is only 451m²⁽¹⁾. Physical flow of the rush-based products in Kim Son district of Ninh Binh is presented below:

(1) -Ninh Binh Department of Statistics, 2000

-Report of the Department Branch of Agro- Forest Products processing and Rural Industry of Ninh Binh province

Physical flow of the rush-based products in Kim Son district of Ninh Binh



Work performed at family households



Work performed at the enterprises, group-combinations and Companies

Producers

The production of rush mat in Ninh Binh in general, and in Thuong Kiem Commune, in particular is also performed scatteredly principally at household bases similar to that done in the embroidery trade of the province. The full-time craft workers working at each establishment/enterprise range from 15 to 100 people while the "satellite labors" working for this establishment / enterprise number 1,000 to 5,000 people. These households are generally of mixed- type households, doing both farm and non- farm activities.

Average income of a full-time craft worker at the production units is usually from VND 300,000 to VND 400,000 per month. The Quang Minh Rush mat Export Enterprise is the biggest one (private-owned) among others at Thuong Kiem Commune as well as in Kim Son district. Turnover of this Enterprise in 1999 was VND 11 billion and it reached to 18.7 billion in 2000. The Truong Duyen Rush products Export Enterprise got a turnover of VND 3 billion in 2000. In average, the monthly income of a "satellite craft labor" is from VND 150,000 to VND 200,000.

In general, labor involved in rush-based trade is trained through practical instruction from generation to generation.

Design

Usually the design and sample for rush-based trade are quite simple and based upon the traditional motifs. In every enterprise/establishment, selected craftsmen have been assigned to specialize in designing and improvement of the product design and sample. These designs and samples possibly come:

- from the production units. The enterprise makes the design of their own based upon the traditional samples and through the exploration of the clients' predilection in the market.
- from the units to give order (either domestic or abroad) . The designs and samples are brought and ordered by the order party. The enterprise of Truong Duyen as an example, makes the products principally based upon the designs and samples brought by the Vietnam National Sundries Export-Import Corp. (TOCONTAP), and Vietnam National Bamboo&Rattan Export Corp.(BAROTEX) of Hanoi and Import Export Co.(IMEXCO) of Ha Tay.

Quang Minh Enterprise includes 5 main groups of rush-based products: carpet, mat, hand basket, box, and disc with a total of about 100 samples. They are often modified according to the demand of the clients.

Materials

Rush material is locally available. Previously, there were 1,500 ha under rush, however, this area has been partly decreased to 539 ha since farmers like to reserve the area for shrimp raising. As a result, rush resources in Kim Son could meet only 30% to 40% of the

production unit's demand and they have to purchase the material from Nga Son district, Thanh Hoa province (which located closely to Kim Son). Also, due to the lack of rush material, the price of rush, previously was 2,000 VND/kg during 1993-1994, presently increases up to 6,000 VND/kg. Ninh Binh is planning to restore again the area previously under rush in Kim Son district aiming to develop an area under rush of 2,000 ha by the year 2005.

The Xuan Hoa private Company imports an amount of rush material from Cambodia to produce carpets according to the clients' order. Although Cambodian rush fiber is smaller and more durable than the local rush material, its price is quite high, about 25,000 VND/kg, i.e. 4-5 times higher than the local price.

Quality control

The clients usually place quality criteria to the products under contract. The control procedures will include: checking during operation at the family household, checking for acceptance of the products gathered from individual households, final checking after the products being dried and before packaging. The control work is assigned by the production unit to a group of selected people, and is mainly based upon their professional experiences.

Rush-based products for export should be still subjected to plant quarantine, and is carried out by a specialized institution located in Hanoi. The work, therefore, requires much time to complete the entire procedures: getting registered for quarantine at the related institution in Hanoi, sending back staff by the quarantine institution to conduct plant quarantine at the production unit and then, getting approval permit for export. It is reported that this is still rather troublesome matter and wasted quite much time.

Market

Presently, the rush-based products in Kim Son have found access to the market in several Asian countries like Taiwan, Korea, Japan, etc., and several other European countries like Germany, Russia, Italy, Australia etc., However, the rush-based production units usually not to carry out direct export but through several Import- Export Companies in Hanoi, Ho Chi Minh City and in Ha Tay province etc., therefore their profits earned from the sales have been partly reduced.

Recently, the Vietnamese Government has issued a Decree allowing the units involved in the production of goods for export to be able to carry out direct export.

However, the production units in Kim Son consider that they are still lack of knowledge on the market, especially those in foreign countries as well as knowledge on marketing. Therefore, the owners of the production units being interviewed have no idea to make study and exploration on the market for direct export of their products.

The rush-based products at Kim Son district are principally for export with a small proportion of 5%-10% for domestic consumption. In Phat Diem townlet, the capital of Kim Son district, there are several shops doing retail selling of rush-based products, in service of mainly tourists coming to visit stone-made Cathedral of Phat Diem. Handbasket, box, tray, and disc, made by rush materials are those being preferred among others. The retailers' shops usually purchase directly these products from households involved in rush-based trade.

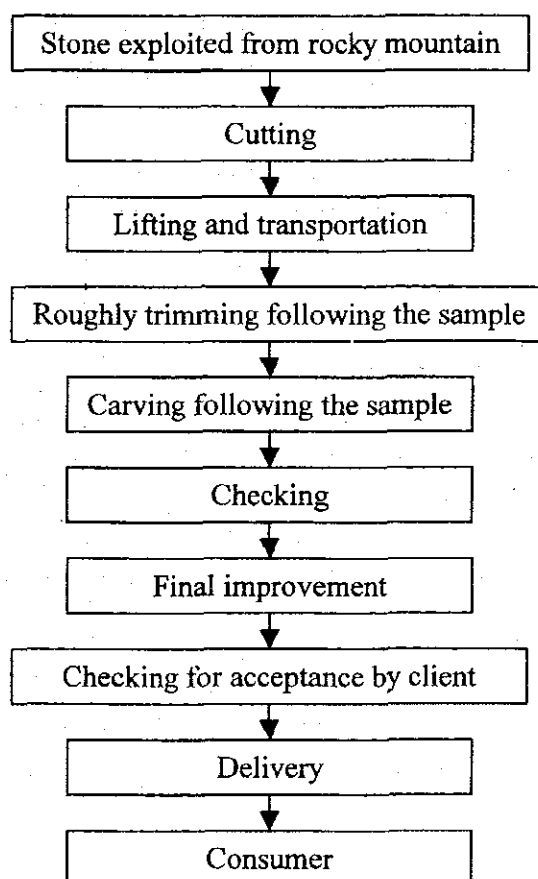
2A.2.1.3 Stone-carving trade

In Hoa Lu district of Ninh Binh, the commune of Ninh Van is well-known by its fine art stone-carving trade which has been developed since the XVII Century.

The commune has a population of 9,000 people, 4,950 of which are laborers. The households involved in trading amount to 705, accounting for 39.1 % in total. Average land area per capita is 460 m². The total turnover from non-farm trade reached VND 7.6 billion in 1998, accounting for 55% of the total commune turnover⁽¹⁾.

The main products from the stone-carving trade are stone statue, lion, turtle, dragon, pot, rock- garden, pillar, stele, stone incense-burner, etc.

Flow of product



(1) -Ninh Binh Department of Statistics

-Report of the Department Branch of Agro-Forest Products Processing and Rural Industry of Ninh Binh

Producers

A characteristic of the stone-carving trade is that the production process is done concentratedly at the production units. In the whole commune of Ninh Van, there are 400 craftsmen (about over 200 households) engaging in stone carving trade, only 10 among them are skilled craftsmen. Each production units generally has 8 – 12 full-time craftsmen. Some households who inherit traditional stone carving trade hold the business by themselves, with the host craftsmen being the principal labor forces. However, depending on the order and the amount of work to be completed, hiring labor will be performed. In the whole Xuan Vu village, there are 5 stone carving units.

The hired labor's wage and salary system is done on the product-based contract system, normally from VND 400,000 to VND 500,000 per month. The Luong Hong Van stone carving unit of Xuan Vu village, Ninh Van commune for example, performed contracted-based jobs to its craftsmen to complete carving a stone lion within one month (each lion's weight is about 2 tons)

Craftsmen involved in stone carving trade in Ninh Van commune are those whose skill has been handed down through generations. In some case they are requested by the client to come to perform carving at the client's location and complete their operations. Mr. Pham Ngoc Hoa, an artisan-artist and also the owner of the biggest production units in stone carving in Ninh Van has been invited to make installation of Hero Nup statue, which height is up to 4.5 m., in Gia Lai province.

Farm land has been entrusted also to the households engaged in stone-carving trade for the household members doing farming activities (with a land area of 460 m² per capita). Since most of the households focus their work to the carving trade, they usually hire labors to do farming on their entrusted land.

Design

The design and sample of stone carving product is principally based upon the client's order, specifically, the statue lines. The Luong Hong Van household enterprise performs carving on stone a statue of Nguyen Duc Canh (a former leader of the Trade-Union organization during the war against the French colonialists) which height up to 7.5m (including the base) following a plaster-sculptured sample brought by the Company for Fine Arts in Hanoi.

In addition, the production units also make several traditional stone carving products like Buddha statue, lion, whelp, dragon, turtle, stone-made lamps, stele, pot, etc. for sales. The designing of these samples usually is performed by the production unit's owner or by some master craftsmen.

Materials

Usually, the material being used in stone carving is principally of blue-colored type exploited from rocky mountains of Nhoi in Dong Son district of Thanh Hoa province.

Although Ninh Binh is a province of great resources of rocky mountains, the owners of stone carving establishments in Ninh Binh prefer raw material from Thanh Hoa to that from local sources since they consider Ninh Van stone of Ninh Van has not fine veins and is difficult to split into pieces. Generally, stone material is split into blocs at the rocky mountain, then the blocs are lifted by crane onto truck and transported to Ninh Binh. The weight of each cubic meter of stone is said of over 3 tons. If white stone material is required by the client, it has to be purchased from Vinh City of Nghe An province. Granite could be bought from Qui Nhon city of Binh Dinh province if required.

Quality control

This work is done regularly in the manufacturing process and the master craftsman is responsible for which. The client's side also periodically comes to do checking and make comments for modification. With some products of high artistic merit like statue, in addition to the quality checking made by the order site, there are also several Fine Arts Companies participating in checking, inspection and giving final approval on the completion of the entire work.

Market

The stone-carving products find the market for sales principally in home country except some special cases. The production unit of Do Quang Binh (Xuan Vu village, Ninh Van commune) made four stone-carving pillars and three stone incense-burners and exported to America during the year 2000 on the client's order

After contract signing, the order side usually makes a deposit at an amount equal to 30% of the contract price.

It is observed that the stone-carving trade in Ninh Van has not found stable market for sales and clients. Also, the stone-made products are usually heavy, bulky, there is almost no opportunity to carry the products to participate in some exhibitions. The marketing of this trade is also facing difficulties.

2A.2.2 Artisan craft industry in Dong Nai province

According to statistical data which are still incomplete at present, there are about 10 craft villages and craft-guilds in the province. Traditional crafts include: fine arts ceramics, wood and forest products processing, bamboo-rattan-leaf knitting, stone carving. These trades are located along Dong Nai riverside, or around Bien Hoa City or at its neighboring districts.

During 5-year period (1996-2000) the total output value from industries, small and craft industries of Dong Nai increased at an annual growth rate of 19-20% in average. The ceramics and processing of wood and forest products alone account for 51% in total output of the whole branch of small and craft industries.

2A.2.2.1 Fine arts ceramic craft

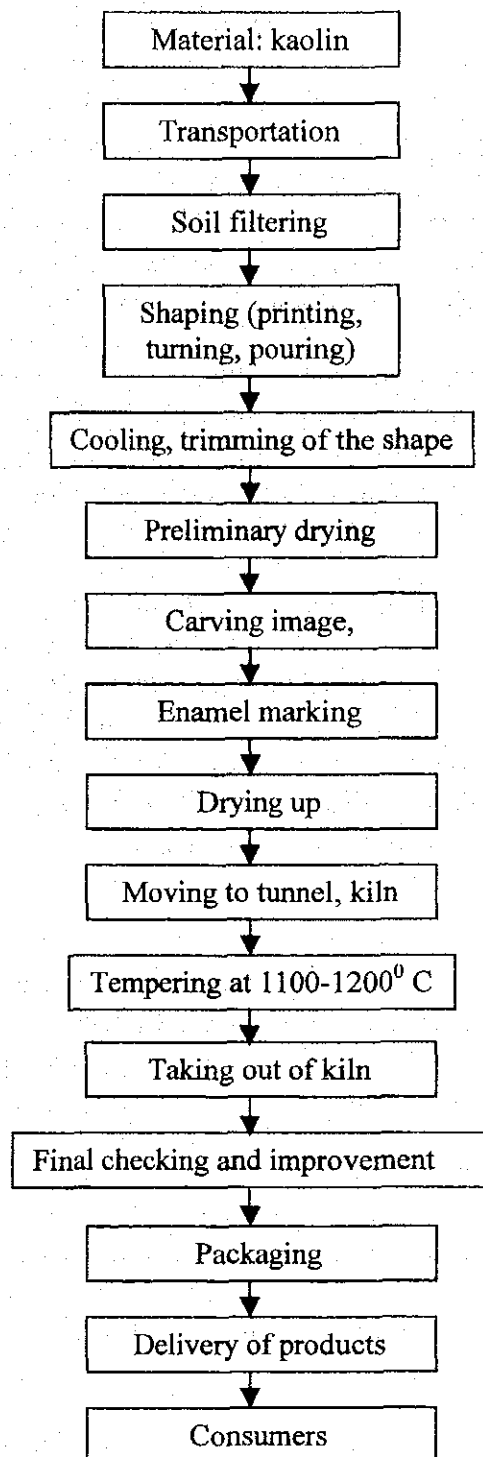
The ceramic craft developed years ago at the Dong Nai riverside with the products like pot, brick and tile, jar. It has been growing up through periods with the techniques being passed down for generations and creating a great deal of diversified and abundant products. In 2000, there were 40 enterprises (Companies, Joint Stock Co., and private Companies), one cooperative and 52 individual households located concentratedly at the precincts of Buu Hoa, Tan Van, Hoa An and Tan Hanh. Total output value of the ceramics craft reached VND 153.2 billion with a total export turnover of USD 10.34 million.

Bien Hoa ceramics has its tradition since long time, about hundreds of years and are preferred by local people as well as foreigners ⁽¹⁾.

The ceramics craft village of Buu Hoa, Bien Hoa City includes 10 private enterprises, one Company Ltd. and 26 households specialized in making pottery lines and obtain monthly turnover of about VND 2.8 to 3.2 billion, accounting for 60% of the total turnover of the precinct. Dong Thanh Co. Ltd. is a largest production unit with about 350 full-time craftsmen, working on a land area of 2.1 ha to obtain a total annual income of VND 15 billion in average. Ceramics lines of the Company generally are pots (for plants), vase, statue, animals, and ornamental plants, etc.

⁽¹⁾ Study Report No 142/TH-KHDT on non-farm activities and employment in rural areas. Dong Nai Department of Planning and Investment, August 23,2001

Flow of product



Producer

The production of fine arts ceramics in Dong Nai is carried out concentratedly at the production units. Generally, they have quite large amount of craft workers. Dong Thanh Co. Ltd. (Bien Hoa City) possesses 350 persons to provide an average monthly income of VND 500,000 –600,000 per craftsman and VND 1.5 million per technician. The annual total turnover of Dong Thanh Co. is, in average of VND 1.5 billion. In the private enterprise of Minh Duc (Hoa An), there are 300 people, providing an average monthly income of VND 1.0 million per craftsman and VND 2.0 million per technician. Total turnover of Minh Duc enterprise reached up VND 16 billion in 2000.

In addition to the household labor members, the ceramic production unit further hires 3 to 10 labors to perform the work, according to the size of order. These individual households can make the ceramic lines up to the finished product, mainly by manually or they can receive sub-contract-based manufacturing of some operations from the big production units (mainly the operations from soil filtering to preliminary drying).

The training of ceramic trade is performed as follows: For the technicians, most of them ended school at Dong Nai College of Fine Arts and Decoration (founded in 1903, previously called Bien Hoa School of Fine Art Ceramics. Presently, the College carries out training of professional high school staff and post high school technicians on ceramics). Some craft technicians obtain know-how of ceramic making which has been passed down for generations in their families. Craftsmen are trained directly at the production units or obtain technique from their families.

Design

Several artisan-artists or high ranked technicians are assigned to specialize in creating the sample and design (making the design of their own following the traditional motifs or following the request of foreign clients). An average of 15 to 20 new samples have been introduced by each enterprise, sometimes, there is an enterprise making up to 30 samples.

Recently the ceramic lines are made following the image sample or vignettes that incorporate more with the European style (due to increased European clients), especially, the appearance of pot sets, that are color-painted instead of using color enamel. This helps to create a good condition for the sample designer to bring into full play their skill since with this new technology, the product quality is not affected by and depended on the operation of enamel blending and tempering.

However, the designing of new sample of products is still facing several difficulties: the law on protection of industrial design is still really not effective, the sample and design copying commonly occurs. The sample designation is still based upon out-of-date measures and the present scientific-technological means have not been applied (like computer-aided design, scanner, and technical software). One problem being encountered is the lack of designers of high fine arts standard who should and able to inherit the

experiences from the old artisan-artists and skilled workers (presently, there exist only 26 artisan-artists in the whole province of Dong Nai, 18 people obtained college degrees of fine arts)

Materials.

Every production unit assigns some high-ranked technical workers to specialize in quality control. The control is performed by operations, particularly in the operations of tempering and final improvement of the products before packaging.

The clients who make order usually request the quality criteria. Years ago, when there were still the market from former Soviet Union and former East European countries, the ceramic products were received and exported through the Import-Export Company of Fine Art Craft of Vietnam. The method of payment was through protocol; therefore the quality of the ceramic lines was not really paid relevant attention. Presently, under the market mechanism, the product quality is required to be placed as of prior importance, particularly those products for exportation, especially the high-grade ceramic lines. The quality of the processed products, through the interview, mainly depends on the tempering operation, concretely, the tempering kiln and the technical skill of the workers. At present, there are many enterprises who are still using old cylindrical furnaces using firewood as fuel material resulting low quality processed products, high rate of damage. Several enterprises have replaced the old furnace by the use of gas-burner, F.O burner, to obtain higher product quality.

Market

The main market for sale of Dong Nai ceramics is from abroad; the consumed amount accounts for 85% to 95% in total. Many years ago as mentioned above, Dong Nai ceramics were sold to the markets of the former Soviet Union and European countries. Presently, the markets for sale of Dong Nai ceramics are expanded to Germany, France, America, South Africa, Japan, Sweden, New Zealand, Brazil, and United Kingdom of England, among which, Germany, America, England and Japan are those where the sales of Dong Nai ceramics are of great shares.

Large ceramics production enterprises in Dong Nai usually carry out direct exportation. All of the ceramics from Dong Thanh Co. Ltd are reserved for export; in 2000, the export value of the enterprise reached up USD 1.2 million. However, because of the market for sales being still unstable, the amount of exported products decreases 40% during the 8 first months of 2001 as compared to those obtained at the same period last year. The private enterprise of Minh Duc exported 90% of their products and obtained an export turnover of USD 1 million in 2000.

It is reported that owing to the traditional living of the European people, green trees and flower are preferred, and they are planted in their gardens and their working places. Therefore, most of the orders from European countries were of large pots for flower plants

or houseplants. The market demand on these ceramic lines amount to 60% to 70% of their production capacity.

However, it should be emphasized that Dong Nai is facing lots of difficulties in finding market for sales. The inter competition among the enterprises of ceramics within Dong Nai and with those in other province makes the prices of the ceramic goods to be decreased critically. Before 1987, the price of a set of ABC pots with the diameters of 312-420 mm was USD 4.0-5.0, now, it was down to USD 1.8-2.0 while the production cost for 1 set of the above pots reach to VND 24,000 to VND 25,000. In addition, the European market predilection on the fine arts ceramics has changed. Instead of using small pots, animal-shaped vases put inside their house previously, the people now like to take big pots, put them in their gardens. The existing ceramics in Dong Nai are almost of small size and for in-door decoration. Therefore their market for sales is gradually limited. The ceramic products made by Binh Duong province are presently found more access to the market.

The capacity for domestic consumption of the ceramic lines is limited both in types and quantity. In rural areas, several kinds like water pot, jar are utilized commonly before, however, plastic pot and jar have been used instead. In the big cities like Ho Chi Minh, Vung Tau, Bien Hoa, the demand on these ceramic line is still low, due to low level of the people's income and therefore the need on fine arts decoration is still not very high.

The production units in Dong Nai province usually take their places both for production and also for selling the products in whole sale or retail. There is no individual shop to sell solely the products in retail.

2A.2.2.2 Wood and forest-products processing

The wood and forest-products processing is also a traditional trade that has existed since long time through generations. Starting from the operations like sawing, cutting, trimming, making furniture, then finely carving and sculpture operations have been developed and the foreigners appreciate the products from the trade. There are 13 companies Ltd., 12 private enterprises, 2 cooperatives and one group-combination located around Bien Hoa city and its neighboring districts with a total of 2,280 labors and 88 individual households engaging in the processing of wood and forest-products, in which 23 units are involved in the production of rattan bamboo-based products for export. Almost these units locate concentratedly at the precincts of Tan Hoa, Tan Bien, Ho Nai, Tam Hiep, Tan Hiep, Lang Binh, Binh Ta, Thong Nhat and Tan Mai. During 1996-2000 period, export-turnover created by the wood and forest-products processing trade reaching up USD 46.49 million (in which, USD 23.4 million are from direct export). The rattan/ bamboo and bukng leaf-based lines alone contributed their turnover share of over VND 37 billion, providing 2050 jobs opportunities for the local labors.⁽¹⁾

⁽¹⁾ Report on Study on non-farm activities and employment in agricultural and rural areas in Dong Nai. Department of Planning and Investment of Dong Nai province, August 2001

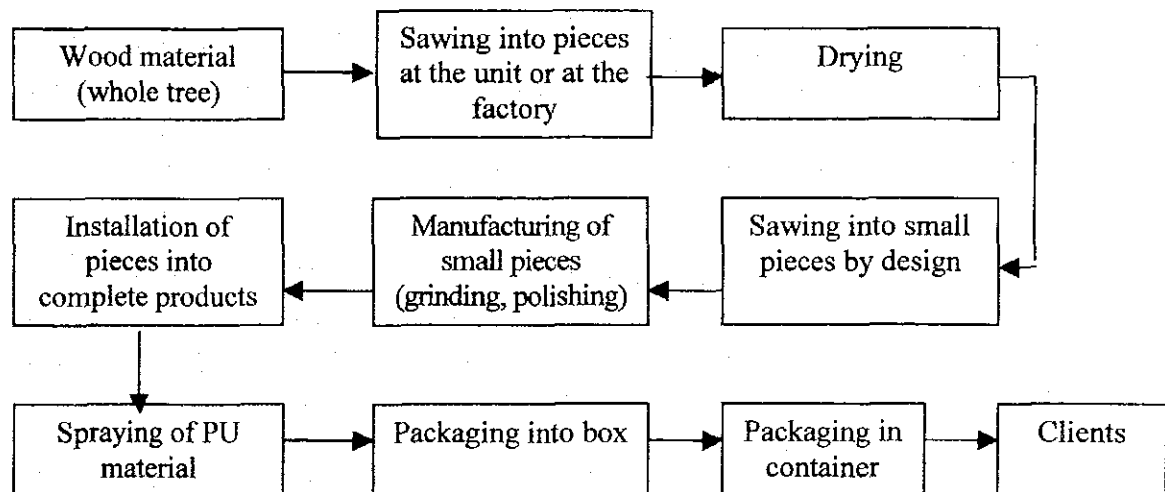
The wood processing craft of Tan Hoa precinct, Bien Hoa City is of a traditional one that has been existing through many years. Among 2,000 family households living at the precinct, one-third of them involved in wood processing. There are 8 private enterprises engaging also in the trade.

Half of the population living in the wood processing craft village of Ngo Xa parish, Ho Nai 3 commune, Thong Nhat district is engaging in carpentry occupation, principally producing furniture (buffet, table and chair for domestic use); there are also several units doing wood work for foreigners (table and chair for open-air use). Out of which there are only more than 10 households involved in fine arts wood work, the products of which are wooden tree models, wooden sailing boats, cars, airplanes, motorbikes, eagle, etc., in service mainly of export.

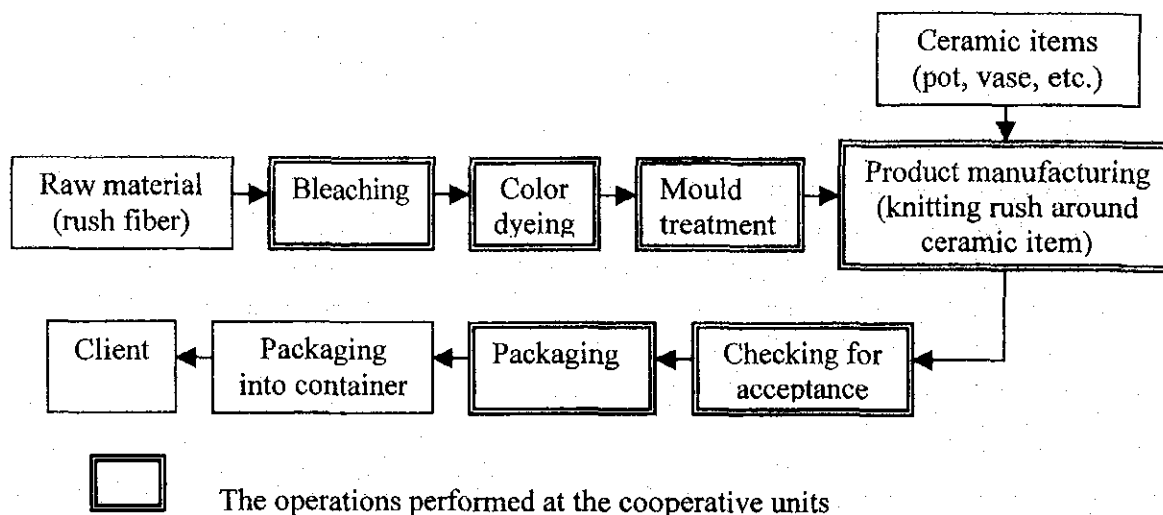
The cooperative of Hiep Luc, Tam Hiep precinct, Bien Hoa City is specialized in the production of rattan/ bamboo and leaf-based products. In 2000, its turnover reached up VND 9,8 billion. The main produces of the cooperative are of rush-covered ceramics, tray and basket made of bu«ng leaves, rattan box, rattan table and chair, etc.

Flow of products

The flow of fine arts wood products is illustrated below (taking Tien The unit, Ngo Xa parish, Ho Nai 3 commune, Thong Nhat district as a typical case):



Rush-covered ceramic products: taking the bamboo/rattan and leaf Cooperative of Hiep Luc, Tam Hiep precinct, Bien Hoa City as an example.



Producers

Usually the wood processing units possess about 30-40 full-time labors: they can hire other labors up to 100 to work for them when the amount of processing work is required. The average income per labor is VND 700,000 to VND 1 million per month and the annual turnover of the processing unit reached VND 3.0-3.5 billion.

The private processing unit (Mr. Binh as the manager), Tan Hoa precinct of Bien Hoa specializes in manufacturing wood-based items under the contract from foreign countries mainly the table and chair for use in the open air. The unit possesses 40 full-time labors with 70% of the processing operations are mechanized. Average income of a labor is VND 700,000 per month.

The fine arts wood units of Tien The, Ngo Xa parish, Thong Nhat district possesses 30 full-time labors. Its main products are sailing boat type models, trees, cars, airplanes, motorbikes, etc., and 90% of its products are for export. Wage is paid to the labor based upon the shift-basis at a rate of VND 15,000 to 30,000 per shift per labor.

Craftsmen working at the unit are mostly those who have been taught the trade in their family.

The rattan/bamboo and leaf cooperative of Hiep Luc, Tan Hiep precinct of Bien Hoa City, possesses 52 cooperative members, with a number of full-time labors of 150 people. In addition, the Cooperative organizes a network of satellite labors/ households doing the products manufacturing at their families with a total of 600 labors.

Average monthly income of a full-time labor of the cooperative is about VND 600,000 to VND 700,000.

Design

In case a unit doing the woodwork for a foreign country under contract, the designs and samples will be brought and introduced to the unit by the foreign client. Regarding the fine art wood products from Tien The wood processing unit, the designs and samples are mostly created by either the unit's owner or following the client's suggestion. The unit's owner makes several samples for offering purpose. Only after getting back comments and suggestions from the clients could the processing unit conduct its production in series. Presently, Tien The wood-processing unit is running its manufacturing under contract of 20,000 wood-based motorbikes models at the selling price of VND 80,000 per item.

The fine art craft household of Vu Dinh Dao, Tra Co hamlet, Binh Minh commune of Thong Nhat district specialized in making wood-based sailing boat models based upon the samples usually brought by the clients, in terms of picture, or catalogues for references. In 2000, the household performed its manufacture of sailing boat models for the Chinese partners at a value of VND 32 million based upon the picture introduced by the Chinese side.

The bamboo/ rattan and leaf cooperative of Hiep Luc assigns a group of 10 qualified people to specialize in designing of new samples and improvement of the samples.

Materials

At present, the material resources needed for the wood and forest-products processing units are usually from planted forest resources, rubber tree wood, indigo wood. Wood from natural forest-based resources accounts only for 20% of the total material source to be used for processing. In addition, wood from natural forest principally imported from Laos, Cambodia is also another source of material for the production units.

Wood processing unit Cong Binh utilizes wood from Malaysia and Laos that is imported by the clients abroad. Fine art woodwork units usually utilize wood from indigo, banian kingwood (*baria dalbergia*), alder etc., purchased at the local wood business companies. These companies generally purchase wood from the provinces of Daklak, Kon Tum of the Central Highlands.

The principal materials for the rattan/bamboo and leaf-based products processing are rush, rattan, "buong" leaf, etc., bought from many localities. Rush is purchased from Kim Son district (Ninh Binh); rattan from Da Nang City; buong leaf from Binh Thuan and Xuan Loc (Dong Nai). The material resources therefore are almost available and this is not a problem for the wood processing units in Dong Nai.

Market

The main market for sales of the wood and bamboo/rattan- based products are from the European countries like France, Italy, the Netherlands, Germany, etc., Recently, these lines have access to the markets in Taiwan, Korea, etc. Occupying a share of 90% in total

exportation. Except the units doing manufacture and processing of wood for the clients abroad under contract and these clients take responsibility for the products consumption, other processing units are worrying about the “ output channel “ for the products consumption. The market, especially of fine art wood products is still under unstable situation.

An example for illustration has been found in the case of the private-owner household Vu Dinh Dao, Binh Minh commune, Thong Nhat district, specializing in making wood-based sailing boat models. Since March 2001, tens of the above line at a value of VND 43 millions already prepared for delivery to America, have not been taken by the clients due to some reason of fluctuable market situation. Meanwhile, the amount for domestic sales is not remarkable, under critical competition on the price for sales among others.

The consumption capacity of wood-based products for home use in domestic market is low due to its high cost price and these products are in face of the competition of the more modern and convenient wares made of metal and plastic materials. Also, the exportation of bamboo/rattan and leaf-based products through intermediate agencies or consignment may lead to lowered products prices hence decreased craftsmen’s incomes and this does not encourage the development of the units production.

2A.2.2.3 Stone carving trade

Stone-carving trade also exists in Dong Nai province, and the production units locate principally at the precinct of Buu Long, Bien Hoa City. This is also a traditional craft of the households living in the craft villages of the precinct.

Mr. Nguy Khac Phuoc, the owner of stone carving unit of Thach Cong Xuong- Nghia Hung of Buu Long precinct says that this trade has been passed down through four generations (over 100 years) in his family. The main products of this craft household mainly are Buddha statue, unicorn, dragon, tomb stele, stone lamps for public parks, etc.

The flow diagram of the stone carving products in Dong Nai province is similar to that of Ninh Van Commune, Hoa Lu district of Ninh Binh province as presented in the previous section.

Producers

The production operations are performed within the craft household location. The unit can hire further labors for its timely completion of the contract if the work load as required increases.

Thach Cong Xuong- Nghia Hung unit usually has 4-5 full-time labors; in case the householder receives a big contract, he could hire further 30 to 40 labors. The average monthly income is about VND 500,000 to VND 600,000 per labor.

In the stone carving craft household of On Soi, Buu Long precinct of Bien Hoa City, the members of the household share the work for production. However, the household can hire further 6 to 8 labors when necessary.

Most of the labors are those who have experienced the trade and have taught the trade technique in their families.

Design

Generally, the samples are ordered by the clients, following the patterns ordered for their own. The local stone carving households can create new samples following the traditional patterns for sales (like stone unicorn, dragon, etc.)

Materials

Previously, green-colored stone from the mountain of Buu Long was exploited for use in the stone carving households; the mountain locates just at the Buu Long precinct. Presently, however, the Dong Nai authority is planning to develop and to preserve the tourism area of Buu Long. Large investments have been put for the plan and the exploitation of such green-colored stone from Buu Long Mountain has to be stopped. The stone carving units have to purchase stone materials from other provinces: red stone from the provinces of Phu Yen and Khanh Hoa, blue granite from Binh Duong province and black stone, from Hue City.

Market

Domestic market is the principal one for this kind of trade. However, in recent years, several foreigners have given order to the stone carving units. In 2000, the stone pieces for foundation paving were exported to Taiwan, according to the contract order of a Taiwanese client.

In general, the market for sales is still a question for the stone carving trade in Dong Nai. The problems being faced are: unstable market, irregular order, the stone-based products are still not an essential need to the people, products prices are still high (e.g. a pair of small-sized unicorns of 50 cm high, made of green-colored stone of Buu Long costs about VND 2.0 million. These two unicorns require two labors working within two weeks).

2A.2.3. Artisan craft industry in Thua Thien-Hue province

Thua Thien Hue province has been well known by its places of interests and also by its traditional craft villages. Together with other small and craft industrial units, craft industries in the province absorb more than 10 thousand labors (or over 25% of total labor force of the province). In 2000, total turnover of the craft industries amounted to VND 40 billion.

In general, craft industries in Thua Thien Hue include: bronze-casting trade that includes 40 establishments and households; forging trade: 110; jewelry: 50; home-use carpentry, fine art carpentry and lacquer painting sculpturing: 81; agricultural and fishery products processing: 915; textile and embroidery-lace trade: 70; trades on bamboo-rattan knitting, leaf hat and broom making: 3674.⁽¹⁾

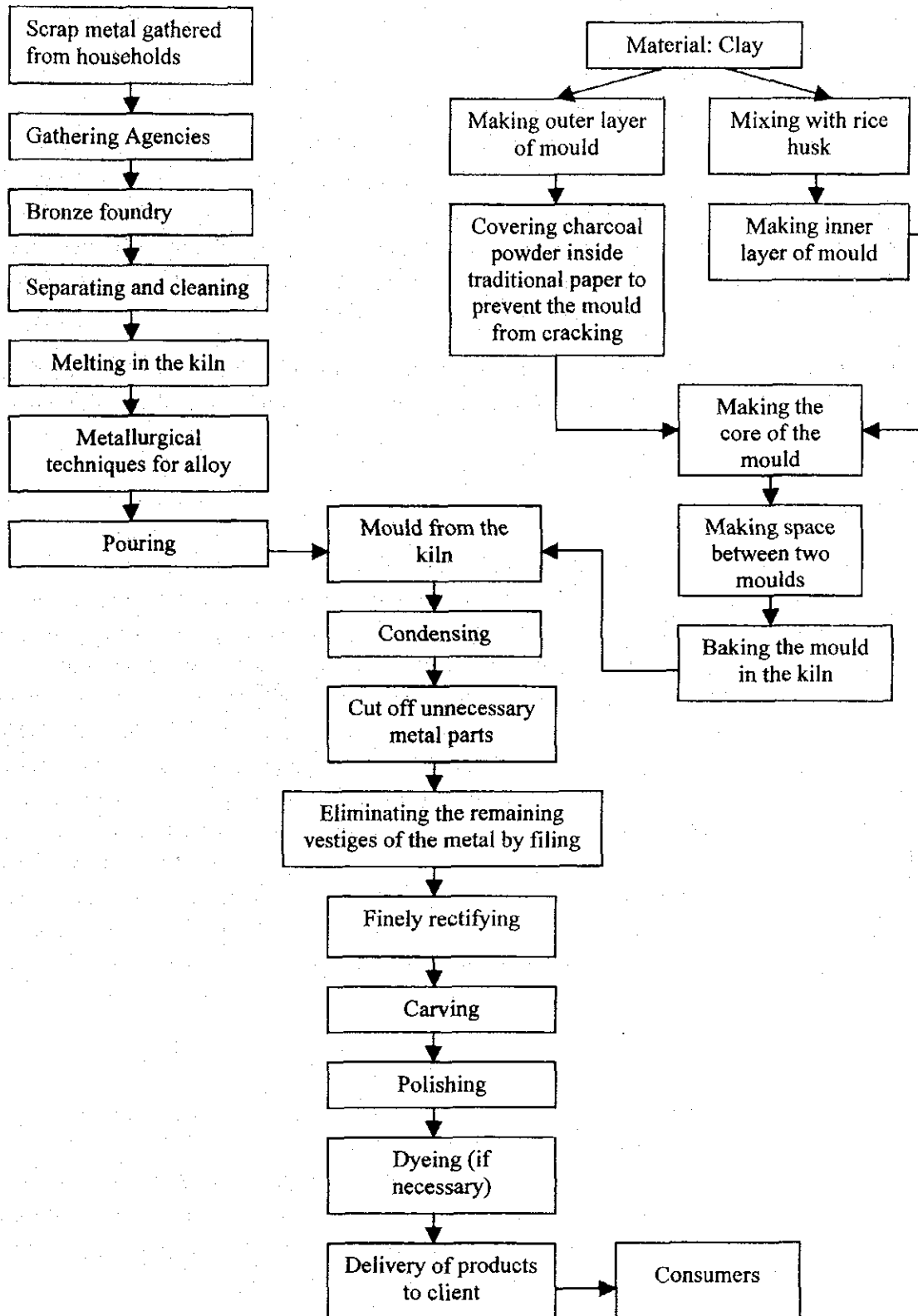
2A.2.3.1. Bronze-casting craft

Bronze-casting is one of the 400 age-old traditional trade in Thua Thien - Hue (in 2000, there was just a ceremony for the 400th anniversary celebration of this trade in Hue city). This foundry of Hue includes production units located concentratedly at the craft village called Phuong Duc (Duc guild), Thuy Xuan commune of Huong Thuy district. For several centuries ago, this land area was a big bronze-casting workshop that manufactured important bronze-based items like weapons, ceremonious utensils, everyday life utensils, etc. Phuong Duc presently includes 5 small hamlets namely: Giang Dinh, Giang Tien, Kinh Nhon, Bon Bo and Truong Dong. The craft village includes 50 foundries, making diversified products from the like ceremonious utensils (urns, lamps, statues, bells, gongs, big-size urns), everyday life utensils (spittoons, trays for betel leaves and nuts, lime pots, cooking pots, cauldrons, pans, etc.). However, at present, the craft village focuses its production on fine art craft products and ceremonious utensils. Several big projects like Dai Hong Chung (large-sized bell), Buddha statue, statue of leader and well-known people, works of art, etc. were completed by artisan-artists and skilled craftsmen, with an amount of 4-5 tons of bronze used for casting each item. Many of them are well known to the Vietnamese people.

Phuong Duc has a population about 10,000 people with over one third of the population involved in bronze-casting or iron-casting trade. The Kinh Nhon includes 60 households engaging in bronze-casting trade where Thang loi foundry cooperative specializes in casting iron-based products. The cooperative has 26 cooperative members, its turnover in 2000 reached VND 205 million; 80% of the cooperative products have been supplied to the Company for minerals exploitation of Thua Thien - Hue (like pumping equipment for sucking,titan-ore,etc.)

⁽¹⁾ "Planning of the development of industry, small and craft industry in the province of Thua Thien Hue in the 2001-2010 period" (Draft). Department of Industry and Small and Craft Industry of Thua Thien Hue, July, 2001

Flow of product



Producers

The bronze casting for fine art items in Phuong Duc is performed at the craftsmen household's location. The household generally has 5-7 full-time labors. Wages per working day is the basis for the payment to the labors by the householder, usually of VND 30,000 per working day.

The bronze-casting unit of Mr. Nguyen Van Sinh, an artisan-artist of 63 years old (located at Kinh Nhon hamlet) is the largest one among others with its full-time labors of 10 people and an income of VND 800,000 per labor per month. Mr. Sinh's sons have graduated from the University of Technology as engineers, one in metallurgy and the other, in machinery manufacturing. The casting cooperative of Thang Loi has 26 members; the average income per labor is from VND 800,000 to VND 1,000,000 per month.

The training of trade to the labors is performed mainly in the family through generations. Generally, after a 3-year training duration, a craftsman could perform well the casting work.

Design

The samples for casting ceremonious utensils (bell, urn, incense-burner, etc.) are made following the traditional ones. However, the samples for fine arts casting lines could be made following the traditional ones (Budda statue, set of 3 statues of Happiness, Prosperity and Longevity, etc.) or they are newly designed by the craftsmen (statue of buffalo, rural woman), principally based upon the clients' order (dancing girl of former Cham peoples, statue of Sivaism Goddess, statues of well-known men, leaders, etc.). The bronze-casting unit of Mr. Nguyen Van Sinh, an artisan-artist has performed casting about 100 monument statues of different sizes based upon the samples being ordered by the clients. A famous work done by Mr. Sinh was the casting of the national hero Tran Hung Dao in Nam Dinh province. The statue is of 10.2m high, with the weight of 21 tons (it is one of the largest bronze statue in Vietnam presently). The sample of the statue was designed by Mr. Vuong Duy Bien from the University of Arts of Hanoi. The plaster-sculpted statue sample (with its cost price of VND 546 million) was then carried to Mr. Sinh's casting unit to perform casting.

Materials

The material for bronze casting is mainly taken from the craft metal sources being gathered from the used items as wastes of the household, at the price of VND 21,000 per kg. The collections of these bronze wastes were sold to the bronze-casting units to make common casting items. As for superior fine arts articles the casting units have to utilize and purchase new material of dong do (pure copper) as in the case of the monument statue of Tran Hung Dao as said-above, at the price of VND 33,000 per kg.

Quality control

The quality control of the casting operations is performed mainly by skilled craftsmen or master craftsmen. The control focuses on the operations like: making mould, baking mould, checking the temperature of melted bronze, carving, and final checking for acceptance.

Market

Domestic market for sales of the bronze-casting products is the principal one (ceremonious utensils, etc. for local people and fine art bronze-casting articles for tourists, both domestic and abroad). Exportation has been carried out also by some casting units. During recent years, the production unit of Mr. Nguyen Van Sinh has exported several bronze statues to France, Canada, India, etc. When making contract, the client usually makes a deposit of 30% of the contract price.

Due to the limitation on market information and the lack of access to approaching tourists -domestic or abroad -, it is not easy for the products made of bronze by the craftsmen of Phuong Duc of Thua Thien Hue province to find the output channel. Sometimes, they have to sell their products at the prices that are lower than their practical validity.

2A.2.3.2. Fine art woodwork

Wood engraving trade in Thua Thien Hue has also got a long tradition, concentrated at several villages in which My Xuyen village is a typical one and a meeting place of most of outstanding traditional wood engravers.

My Xuyen village, Phong Hoa commune of Phong Dien district, has about 600 households, of which 200 households involves in fine art woodwork with 400 labors/ craftsmen, two of them have been awarded title of "Artisan- Artist" by the State (one of 90 years old; another 50)

The wood- engraving/ carving started from the middle of the 19th century. Incomes from the trade account for 50% in total income of the village. The area under rice of My Xuyen is around 90 ha in a total of 180 ha of its agricultural land, two third households of the village belong to mixed-type households, doing both farming and non-farm activities.

Previously, there existed a small craft industrial cooperative doing engraving woodwork, its main markets were in the former East European countries. By 1988, with the change of the political mechanism in these countries, there were no markets for sales of the products and the cooperative had to be disbanded. Since then, the manufacturing of fine art woodwork has been performed principally at family household. The wood processing products are classified into 4 categories:

- Various types of embodiments, wood engraved painting representing the history of ancient tuong (some form of opera) about the four supernatural creatures (dragon,

unicorn, turtle and phoenix; long, ly, qui, phuong in Vietnamese)

- Household's wood products (wardrobes, tables, chairs, etc.)
- Statues
- Wood-based bone/ ivory inlaying products (not popular presently)

Producers

The production of fine art wood products of My Xuyen is mainly performed at the family households with about 5 to 7 labors per household, depending on the workload. Wage is paid based upon labor's working day, at a rate of about VND 40,000. When the size of work increases, more labors can be hired from other households. The labors are usually taught the engraving trade through years in their families.

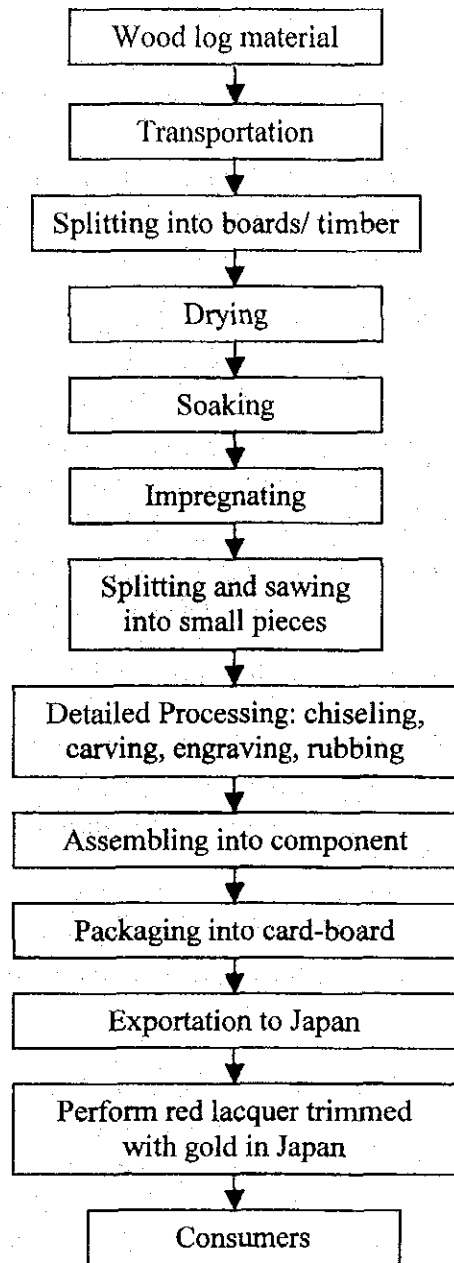
Thuy Duong private enterprise for fine art wood products, locates at Thuy Duong commune, Huong Thuy district specializes in making fine art wood products catering for exportation to a Japanese company (the company is responsible for the patronage of the enterprise's products consumption under contract). These products are in the form of fine art details for decoration of workshop chests. The enterprise has a total of 95 full-time labors and 25 seasonal labors; senior workers number 10, with an average income of VND 1.2-1.5 million per month. The engraver and the carpenter enjoy an income of about VND 600,000-VND 650,000 per month. Annual turnover of the enterprise reaches VND 1.5 billion. In addition to the trained labors (through years in their families), several pupils have been accepted to work and to be trained at the same time at the enterprise (within the period of 2.5 years), several assistant/ secondary labor are also utilized to do simple and light work.

Design

80% of the fine art samples are requested and brought by the clients, the rest 20% are done following the traditional existing samples (statues, dragon-shaped boat, animals, wood engraving paintings representing ancient allusion, etc.). The design and creation of samples have been performed by some master or professional craftsmen. In case of Thuy Duong private enterprise, the samples for its products were ordered by the Japanese clients.

Physical flow of products

The physical flow of product in My Xuyen craft village is just similar to that of fine art wood products in Dong Nai province as presented earlier. Therefore, only the physical flow of the wood-based sculpture details for decoration of the private enterprise of Thuy Duong will be presented.



Materials

In order to produce superior wood-based fine art products, the production units usually have to purchase super raw wood materials (huong, barian kingwood/ baria dalbergia, trac/dalag wood, etc.) being fluctuable in the market, with the permission of the forest control Agency.

The above private enterprise of Thuy Duong utilizes only wood of group 4, that is a common type material and can be purchased at the locality. The rate of wood raw materials consumption reaches 10 m³ per month at the price of VND 3.4 million /m³

Market

Most of the fine art wood engraving households in My Xuyen village have no access to the market, they have to sell the products through intermediate agencies that usually put a deposit equivalent to 20-30% of the Contract price. No direct importation has been done by the households in this craft village. The agencies that give order to the production units usually export the products to Asian countries, principally to Taiwan, Korea and Japan, etc.

Unstable market is the most critical problem to the fine art wood engravers in My Xuyen craft village presently, especially during recent 1-2 past years. At present, many skilled craftsmen in fine art woodcarving have to leave their home village (mostly for Ho Chi Minh City) to other crowded centers where the needs are great. As a result, the number of households for fine art wood engraving products being existed in My Xuyen is modest, only 30 units. Except the case of Thuy Duong private enterprise, it has a stable market with Japan and a good and reliable relation with the Japanese partner has been developed over 10 years when the production unit was still under group-combination form.

2A.2.3.3. Conical leaf hat and shoes-sandals trades

The conical leaf hat knitting trade exists since hundreds years in Thua Thien Hue province. The "non bai tho" (poem conical hat) is a typical products of the conical hat trade in Hue and is well known since long time in the country by its delicate beauty.

The agricultural cooperative of commune-scale of Thuy Van, Huong Thuy district is one of the hat making centers of Hue, that is only 4-5 km far from Hue City and a principal place to supply hats for the households selling in retail in the market of Dong Ba, a central market of Hue city.

Since 1984, the cooperative has started the development of leather shoes-sandals making trade. That is a new one and develops very rapidly. The year 1998 saw its highest prosperity and the products were sold throughout the country, from North to South. However during recent years, its production is in face of the competition with large company like Biti's Company that produces shoes and sandals based upon modern machines and with industrial scale.

Producers

The cooperative of Thuy Van was established in 1979 at Thuy Van commune. The commune has a population of 1,113 households with 5,000 people in which, 98% are households of cooperative members. The cooperative management board consists of 13 members the leaders of which are a Chairman, Vice Chairman and a chief accountant, The cooperative has agricultural land area of 270 ha under rice with two rice crops per year at a total rice yield of 12 tons per year per hectare. Turnover from agriculture reaches VND 7-VND 8 billion per year.

There are several non-farm trades in the Cooperative like:

- Conical hat making with 60% of total cooperative households being involved
- Shoes-sandals making, with 80 households being involved. However, the turnover of this trade accounts for half of the total non-farm trades turnover in the cooperative
- Bamboo mat, a traditional trade, concentrated at hamlet No.1.
- Construction, mainly house construction, the cooperative labors often go for work at other localities.
- Other services activities

In addition to farming activities conical hat making is done during off working time by any household's members, principally, subordinate labors with a total of 1400 people. Each of them can make 3 hats per day.

Income from non-farm trades occupies 42.7% of total income of the commune, in which, the share of shoes-sandals trade alone accounts for 21.4%; share of animal husbandry and farming are 20% and 37.3%, respectively in total.

The shoes-sandals trade has 80 specialized households, with about 230-240 full-time labors and also 500 subordinate labors involved. At the peak time, the later figure could reach up to 1,000. Income per month of a skilled worker ranges from VND 1.0 to VND 1.5 million; of a common worker: VND 500,000 to VND 700,000. Agricultural land has been entrusted to 60 specialized households out of 80 units; however, these households often hire other labors to do the farming work for them.

Shoes-sandals making is a new trade in this agricultural cooperative. The development of this trade originated by craftsmen coming from the North and from Da Nang City.

Design

The design of a conical hat seems to keep unchanged through generations or, it is subjected to very little modifications by the improvement of its chin strap, in terms of material and design, or the amendment of some vignettes as decoration inside of the hat leaves.

On the contrary, shoes-sandals trade requires a change of their products designs in such a way they can meet the predilection of the customers especially on sandals design. Information often obtained from the shoes-sandals agencies located at many localities of the country can assist the master craftsmen of these households to study and develop a new design or for an improvement of the existing ones. For example, an Agency in Lang Son province of the shoes producers provided information about the increasing tendency customers' predilection on the design of Chinese sandals and photos of several appreciated Chinese sandals were sent to the producers for their improvement of the trade activities.

Later, series of Chinese design-based sandals from Thuy Van cooperative of Thua Thien-Hue have been sent to Lang Son and found the market in this province.

Materials

The raw materials for the production of conical hat are some leaves which are purchased in Dong Xoai area of Binh Phuoc province or in Buon Ma Thuot city of Daklak province, while bamboo materials are purchased in the locality. The materials for shoes-sandals making are several kinds of leather being purchased from Hanoi, Hai Phong through the leather business agencies located in Hue City. Superior types of shoes-sandals require high quality leathers, imported leathers from Italia, Japan, Russia, etc., that are available in the Vietnamese market have been utilized in making quality shoes and sandals.

The materials for shoes-sandals sole bases were processed and cut from second-hand wheel-tires previously. In recent years, ready-made sole bases of shoes and sandals made of rubber, leather, etc., from the industrial manufacturing units are available. In general, materials for the shoes-sandals trade are found not to be a problem recently to the shoes-sandals craft makers. Price of material for making a pair of shoes industrial cooperative roughly VND 60,000 and sandals : VND 22,000 (usually accounting for 60%- 70% of their cost prices).

Market

Generally, the households involved in making conical hats or shoes-sandals have not performed directly the business or sales of their products but through the traders or agencies.

In Thuy Van commune, in very early morning everyday, from 3.00 to 4.00 AM , the market for sales of conical hats is open at the commune area. Traders from other localities coming to purchase in wholesale and then transport the products to Dong Ba central market of Hue City. Members from cooperative households take their hats to this market for sales early in the morning then they go back their home and prepare farming work in the field or participate in some other subordinate trade. However during past years, the market of conical hats saw a slow rate for sales, due to the change of habit of several young people from taking conical hats previously to wearing a hat made of cloth instead.

The shoes-sandals making units of Thuy Van Cooperative have tens of agencies located in other provinces and the trade of these lines developed at a rapid rate during the 1997-1998 period. However, as presented above, this trade is in face of competition with other companies producing shoes-sandals modern equipment within an industrial line, like Biti's, Biti's, Hung Sang Companies...

2A.3. Information on artisan crafts export in Vietnam

Since the eleventh century, fine handicraft articles of Vietnam have been exported through the port of Van Don, Van Ninh. There have been numerous periods of rises and declines. With the country's unification in 1975, the fine handicraft articles industry entered its brightest period of development. During the 10-year period of 1976-1985, fine handicraft articles averaged accounting for 40% of total value of exports of the country, with the top being the 53.4% of 1979.

Subsequent to the loss of the markets in Eastern European and Soviet Union in 1991, the fine handicraft articles industry experienced a lot of hardships with the new mechanism associated with reorganizing production-trade, the transit market, and seeking customers and improving relationships with them. Thanks to this renovation, the past 4 years have witnessed the industry returning to the golden age. It was listed as one of 10 biggest growth areas for 2 consecutive years 1999-2000. From 50 countries in 1998, the number of markets for Vietnamese handicraft almost doubled to nearly 100 countries and territories in 2000, including the significant and reliable markets of Japan, Western Europe, Northern Europe, the United States, Taiwan, Hong Kong and Korea.⁽¹⁾

The artisan craft products being exported include the 6 key groups as follows:

- Fine art wood products
- Home furniture
- Rattan, bamboo
- Carpets
- Fine art ceramics
- Embroidery- lace

Data on the exportation of the 6 above groups of craft products during the 1996-2000 period are presented in the table below.

⁽¹⁾ Vietnam Handicrafts and Traditional Craft Villages. 1st Issue - August 2001. Vietnam Trade Promotion Agency (VIETRADE).

Exports of Craft products (1996-2000) ⁽¹⁾

No	Groups of products	Exports (1,000 US \$)				
		1996	1997	1998	1999	2000
	Total (all kinds of handicraft products)	298,912 (100%) 75 countries	388,904 (100%)	387,459 (100%)	442,783 (100%)	630,117 (100%) 133 countries
Specific products						
1	Fine art wood products	71,390 (24.62%) 40 countries	62,340 (16.03%) 35 countries	26,285 (6.78%) 50 countries	31,560 (7.13%) 52 countries	49,917 (7.92%) 62 countries
2	Home furniture	117,788 (40.63%) 58 countries	152,002 (39.09%) 64 countries	144,847 (37.38%) 67 countries	174,181 (39.34%) 74 countries	264,839 (42.03%) 93 countries
3	Rattan, bamboo	37,017 (12.77%) 56 countries	55,029 (14.155%) 71 countries	49,238 (12.71%) 73 countries	53,920 (12.18%) 76 countries	67,059 (10.64%) 92 countries
4	Carpets	7,196 (2.48%) 30 countries	22,839 (5.87%) 32 countries	22,347 (5.77%) 32 countries	15,238 (3.44%) 25 countries	15,578 (2.47%) 24 countries
5	Fine art ceramics	22,784 (7.86%) 59 countries	51,072 (13.13%) 76 countries	67,815 (17.50%) 78 countries	86,376 (19.50%) 92 countries	109,452 (17.37%) 84 countries
6	Embroidery lace	5,662 (1.95%) 18 countries	5,878 (1.51%) 17 countries	41,584 (10.74%) 33 countries	32,900 (7.43%) 33 countries	55,382 (8.79%) 32 countries
	Total: (6 sectors)	261,837 (90.31%)	349,160 (89.78%)	352,116 (90.88%)	394,175 (89.02%)	562,227 (89.22%)
	Total national exports value (2)	7,255,900	9,185,000	9,360,300	11,540,000	14,308,000
	Proportion of total handicraft products export value to total national exports value (3)	4.12%	4.23%	4.14%	3.84%	4.40%

(1) The Vietnamese Craft Sector. Export supply and export-led poverty reduction survey. Vu Thieu Hy, ITC National Consultant for Vietnam (24 April – 30 June 2001) - data collected from the Customs Department and Ministry of Trade

(2): Statistical Yearbook 2000; (3): Data calculated by the Study Team

Note:

Data in some documents from the Ministry of Trade and other Ministries indicated that export value of craft products reached only USD 300 millions in 2000. This figure may not include export value of "home furniture" in total since this group may not be considered as craft products .

Observations:

If the "home furniture" group is listed in exported artisan craft products, the share of this group is of highest in total exportation value of craft products. During the 1996-2000 period, it was always of 40-42% in total, with an increased number of the countries importing the Vietnamese home furnitures from 58 in 1996 to 93 in 2000. Fine art ceramics ranked No.2 in total; in 2000, its export value reached nearly USD 110 millions (accounting for 17.37%), these lines were exported to 84 countries, while rattan bamboo lines: USD 67 millions (accounting for 10.64%), to 92 countries.

Details of individual craft product groups and their related export values and countries importing these lines are presented in Annex V

Target Plan for craft exports of the Government

In 2000, the Ministry of Trade worked out the craft product export project, approved by the Prime Minister, that identified the target for craft exports, which should reach US \$ 1 billion by the year 2005 (at an average annual growth rate of 25%). The six selected export groups are: furniture products; fine art wood products; ceramics and porcelain; rattan and bamboo products; carpets; and embroidery, lace and brocade. ⁽¹⁾

	Groups of craft products for the export	Exports in 2005-US \$
1	Furniture products	350-400 million
2	Fine art wood products	120-150 million
3	Ceramics, porcelain	250-300 million
4	Rattan, bamboo products	60-80 million
5	Carpets	20-25 million
6	Embroidery, lace, brocade	20-25 million

⁽¹⁾ Referred reference documents

The main export markets are: Eastern Europe, Northern Europe, Japan, Russian Federation, Western Europe, Taiwan, Hong Kong, Republic of Korea and the Middle East.

At present, ten traditional craft sub-sectors have been given priority for the development and investment. These are: wood carving and inlay, lacquer, stone carving, rattan and bamboo, carpets, silk, porcelain, embroidery, lace, bronze casting.

Export promotion support provided by the Government, based on policy issuance and implementation:

In the same referred document, the author has dealt with the issue and the policy for promoting exportation of craft products as mentioned below:

- Setting up the fund for export promotion, providing exporting enterprises with credit facilities at preferential interest rates.
- Encouraging investment and promotion activities on craft production for export : investment projects on production and trading of exported products are given preferential treatment.
- Granting awards based on performance evaluation of enterprises that have excellent achievements in export.
- Authorizing enterprises to export directly, including unregistered products .

Part 2B. Rural development

2B.1 Classify the definition of craft villages and traditional villages

Until now there is still not any official definition in the State documents defining concrete criteria as required for a unit to be a craft village. However, according to the information collected from the professional institutions, experts and the researchers on rural trades, a rough agreement on the definition of craft village and traditional village has been obtained and presented below:

A: A craft village is those locating at rural areas, having one (or several) artisan craft which activities or businesses are independent and separated from agriculture. In quantitative aspect, a craft village is understood as those locating in rural areas having from over 35 to 40 percent of its total households specializedly involved in one (or several) artisan craft which income source required for their existence is just based upon that trade (income from the trade business accounting for over 50% of total incomes of the households) and the total households outputs involved in the trades accounting for over 50% in total output of households in that locality (village, hamlet)⁽¹⁾

B: A traditional craft village is those which trade(s) exists since long time, sometimes over hundreds or even thousands of years.

2b.2 Classify how the Vietnamese Government places rural development and the role of non-farm activities in the national development planning

2B.2.1 Current status on the craft village development

It is estimated that there are roughly about 1000 craft villages existed in Vietnam⁽²⁾, about one third of which are traditional ones, specifically those specialized in making art and artisan craft products in service of domestic consumption and export. Out of which, there are well known products like "Do paper" from Dong Khe, wood products from Dong Ky, forging-based products from Da Hoi (Bac Ninh province), ceramics and porcelain (from

⁽¹⁾ - Data from the Survey on Current Status of Development of Traditional Craft Villages by the Center for Study on Population and Labors. Ministry of Labor, War-Invalids and Social Affairs. 1995.
- Duong Ba Phuong. Preservation and Development of Craft Villages in the Industrialization Process. Socio-Scientific Publishing House. 2001. P 14.
- Paper presented at the Workshop on Rural Industry by Nguyen The Nha, National Economy University, from 25 - 26 June 2000. Hanoi.

⁽²⁾ In some documents from several institutions, the number of craft villages in Vietnam is 300. This figure is too low as compared with data from the surveys. According to data from "Preservation and Development of Craft Villages in the Industrialization Process" by Duong Ba Phuong, 2001, there are about 1400 villages in Vietnam. This overestimated figure may be due to the fact that, among these craft villages, those having few occupations have been also included as craft villages.

Hanoi and Dong Nai provinces), rush mat from Kim Son (Ninh Binh province) etc. With the renovation policy of the Government, there are favorable opportunities for the craft villages to restore and develop, creating more jobs and employment in rural areas. However, the craft villages, in general, are facing great challenges: lack of fund and obsolete in infrastructure and technologies. According to the data from the survey on non-farm activities conducted in 1996 by MARD, it revealed that there were 18.6 % of the units having permanent workshop housing, 85% having electricity for their production, 37% amount of work being done by mechanical means and the rest 63% is done by manually from labor force with simple technology. In the craft villages, the average investment fund of a non-farm establishment is VND 370 million, VND 36 million for a non-farm household and only VND 19 million for mixed-type household (doing both non-farm and farm activities) in which nearly 20% of the investment fund is from loaning⁽¹⁾. Due to lack of investment capital, the craft villages in Vietnam could not expand their production. Due to old and obsolete machinery and equipment being applied, the products from existing craft villages have less competitive power even in domestic market.

2B.2.2 On the role of rural development in the national development planning

- The Government of Vietnam always pays great attention to rural development in the socio-economic development strategy of the country. The Documents of the IXth National Party Congress indicates that: *“To enhance guidance over and mobilize resources needed to accelerate agricultural and rural industrialization and modernization ... To increase investments in the development of rural economic and social infrastructures ..., upgrade human resources, and raise the living standards of farmers and other rural inhabitants.”*⁽²⁾
- In the strategy for socio-economic development in the period 2001-2010, the Congress stresses that: *“To attach importance to electrification and mechanization in rural areas... To invest more in building rural socio-economic infrastructures. To effect rational planning and raise the efficiency of the utilization of land, water and forest resources utilization in combination with environmental protection. To conduct planning of populated areas, and development district towns, townships and cultural centers in communes and villages; improve the material, cultural and spiritual living standards, and shape a democratic, equitable and civilized life in rural areas.*
- In the development orientation on socio-economic aspects.

Several targets have been set up in the Documents concerning rural development till

⁽¹⁾ Results of non-farm survey in 1996. P15. Hanoi 3/1997 MARD- DAFPPRI

⁽²⁾ “ Documents of the IXth National Party Congress “. National Publishing House 2001.P 92, 93 ,169, 236 and 267

the year 2005 as follows (excerpted from the above Documents):

- *In rural areas, it is predicted that jobs can be created for over 9 million laborers by shifting swiftly the production structure... and by promoting diverse jobs in industry, handicrafts and services. This will raise the number of employed laborers in rural areas to 28 millions in 2005.*⁽³⁾
- *In 2005, the proportion of used labor time in rural areas will be about 80%.*
- *To strive to raise the average income of the farmer by 1.7 times higher than the present one by 2005; and to ensure that there will be no hunger-suffering household and to reduce considerably the number of poor households.*
- *... To continue with the program to concrete ditches and canals. To raise the capacity of irrigation to supply adequate water to 6.5 million hectares of rice and 1.5 million hectares of food and industrial crops (a rise of 600 thousand hectares) by 2005.*
- *To continue investment in constructing roads to over 500 communes which at present lack roads for automobiles to access their centers.*
- *To expand the telephone coverage to 100% of communes nationwide.*
- *To continue the supplementation of the programme of clean water supply and rural environment hygiene, ensuring the sufficient supply of clean water to 60% of the rural population.*
- *To reserve 15% of the total ODA funds for agriculture, irrigation, forestry, fishery and for realizing the objectives of development of agriculture and rural areas...*

In the strategy for socio-economic development of Vietnam till the year 2020, the industrialization and modernization of agriculture and rural areas have been given extreme concern by the Government.

The Resolution of the IVth Conference of the Party Central Committee (within VIIIth Session), introduced key direction for the rural development as:

"- Increase the investment proportion agriculture and rural areas, building and upgrading infrastructure. Make amendment to the policy aiming to stimulate largely every people and enterprises to make their investments in developing industries and services in rural areas. Encourage and provide investment incentive both from domestic and foreign sources in the development of economy and create job opportunities in rural areas, including household scale projects..."⁽⁴⁾

⁽³⁾ " Documents of the IXth National Party Congress "—Part: Five-year Plan for Socio-Economic Development from 2001-2005. P267, 268, 276, 278, 279, 288, 290, 291. National Publishing House-2001

⁽⁴⁾ Documents of the IVth Conference of the Central Party Committee of the VIIIth Session . National Publishing House 1998.

In order to know the role of non-farm activities and rural industries as placed in the Document of the IXth National Congress, several general related issues would be also presented for clearer illustration.

- The five-year Socio-Economic Development Plan (2001-2005) constitutes a very important phase in the implementation of the 2001-2010 ten-year strategy, with a view:

“To achieve a rapid and sustainable economic growth... To effect a vigorous economic and labor restructuring geared toward industrialization and modernization ... To multiply job opportunities; eradicate basically hunger, reduce the number of poor households...”

“In the five-year period 2001-2005, to strive for an average GDP growth rate of 7.5 percent per year.”

- The specific goals of the Strategy for socio-economic development during 2001-2010 are ⁽⁵⁾:

“To ensure that by 2010, GDP will have at least doubled the 2000 level. To increase visibly the efficiency and competitiveness of products, enterprises and the economy, to better meet essential consumption demands and a considerable part of production and export demands... Agriculture is to account for 16-17 percent of GDP, industry 40-41 percent, and services 42-43 percent. Agricultural labor is to drop to around 50 percent of the work force”.

- The development orientation of the sector of Agriculture is:

“To speed up agricultural and rural industrialization and modernization geared toward formulation a large-scale commodity agriculture relevant to market demands and ecological conditions of individual regions; to transform the occupational and labor structures, and generate labor-intensive employment in the countryside... To expand outlets for agro-products at home and abroad...”

- On the development orientation of external economy

“The export turnover reaches USD 114 billions over the 2001-2005 period with an increase of 16 percent a year. The group of industrial lines and small, craft products account for 70 percent of total turnover, at an increase of 15.9 percent a year, out of which, the sub-group of consumers goods and small-craft industries products occupy 43 percent out of the industrial export turnover, with an increase of 22 percent a year”.

⁽⁵⁾ Documents of the IXth National Party Congress, 2001. Part: Socio-Economic Development Strategy for 2001-2010. Page : 159, 160, 168, 169. Part: Five-year Plan for Socio-Economic Development in the period 2001-2005. Page 289.

2B.3 Describe how MARD places rural development in the MARD development planning

2B.3.1 On rural development

MARD has established the Strategy for the Development of Agriculture and Rural areas till the year 2010⁽⁶⁾

- The general objectives of the strategy are:

“To develop a strong commercial agriculture which is diversified, sustainable and highly efficient on the basis of development of comparative advantages and application of new high technologies to the production of quality products...”

To develop a new rural area with a proper agriculture-industry-services structure which is step by step industrialized modernized and urbanized to provide rural laborers with enough jobs, reduce poverty towards a rural society of prosperity, democracy, equity and civilization.”

- Some major objectives/targets of the Strategy to the year 2010 are:
 - Agricultural production growth: 4-4.5% per year
 - Rural industry-services growth:10-12% per year
 - Export volume: USD 9-10 billion per year 2010, of which, USD 6-7 billions from agriculture and forestry
 - Development of industries and services in rural areas
 - Shift over 50% of the agricultural laborers in rural areas to industries and services branches...
- On the development of rural infrastructure:
 - Water Resources

“To develop water resources at the orientation towards multi-purposes, modern management and socialization, to invest strongly in irrigation of industrial crops, fruits trees, food and vegetables..., encourage private individuals and foreigners to make investment in the building and exploitation of water resources projects, in the concretization of the ditches and canals...”

⁽⁶⁾ “Strategy for the Development of Agriculture and Rural Areas towards Industrialization and Modernization till the year 2010” . MARD, July 2000.

- Supply of clean water to rural inhabitants and environmental sanitation.

“To take suitable solutions in supply of clean water to regions and localities. Expectedly about 80% of rural households will have access to clean water by 2005 and ensure rural sanitation.”

“To apply the treatment of organic wastes by using the micro-biological technology.”

- Rural transport:

“To give priority to allocating fund for development of rural transport, there will be car roads to all communes and rural industrial centers and 15-20% rural roads paved will asphalt (in plains, it is targeted to 50%) by 2005. Most of rural roads will reach A&B standards and work well in 4 seasons.”

- Rural electricity

“To improve and upgrade the transmission and distribution network system of electricity being under operation. To focus the construction of electrical network for the areas having not access to electricity yet. In addition to the expansion of the national grid, attention shall be attached to small hydropower and other electric power sources (solar, wind energy)”.

- Rural information system

“To establish and develop rural post and telecommunication which can work well in weather conditions for information dissemination to 100% communes. 90% communes will have newspapers daily. By 2001, 90% communes will have access to telephones and it will reach 100% by the year 2005.”

- On education and training:

“To improve knowledge standard for rural people, all will be literate by 2005. 100% of children will go to elementary school; 80-90% of children will finish junior secondary school (grade 7) and 60-70% of children will finish senior secondary school (grade 12); 30-40% will be offered vocational training (in plains, the target is 70-80%). To increase the proportion of trained labors in rural areas from 8% (in 1998) to 15% (in 2005) and 20-30% (by 2010). To create suitable condition so as 100% of rural laborers to be vocationally trained once they move from one trade to the other. The proportion of rural labors graduated from universities/colleges will reach to 5%-10%. To ensure that every cooperative and commune will have a staff graduated from university”.

- On health

“To improve basically health status for farmers. To reduce the mortality rate

among children under five years down to 0.3%. To obtain a reduction rate of malnutrition by 1.5-2% per year. To ensure that at least 40% of clinics having doctor and 100% of communes having clinics”.

- On culture in rural areas

“To carry out programming, design and construction of rural residential district, architectural works, villages and hamlets, fields; to establish the relationships of civilized cooperation in the production and business... The Government will assist the communes in the restoration and new construction of cultural houses, sport centers, and in the organization of cultural activities...”

2B.3.2 Government Programmes and Projects as related to the promotion of rural industrial development and employment

In acknowledgement of the role of the rural industries development in general and Artisan craft, in particular, the Government introduced several Programmes to support the generation of employment in rural areas which were directly or indirectly promoted rural crafts, artisan crafts and services.

In 2001, according to the Decision No. 71/2001/QĐ-TTg of May 04th, 2001, the Prime Minister has approved the list of National Target Programmes in the 2001-2005 period, and assigned the institutions to be responsible on the management, development and implementation of these programmes, the first of which is the National Target Programme for Hunger Eradication, Poverty Alleviation and Employment.

According to the Decision, the Ministry of Agriculture and Rural and Development has been assigned to be responsible, manage, organize and implement five Projects within the above Programme, one of which is the *Project “Supporting the production and development of trades and industries in the poor communes”*.

Based upon the task as assigned, recently, a Draft in details of the above Project has been submitted to the Prime Minister for its approval. The main contents of the Draft on “Supporting the production and development of the trades and occupations in poor communes”⁽⁷⁾ are:

- *Objectives:* To establish and transfer models and technologies aiming to support the production, development of trades and industries, fixed cultivation and settlement, migration and new economic zones, preventing and lessening risk and disaster to the poor people based upon the application of technical progresses appropriate to

⁽⁷⁾ Draft of the Project on “Supporting the Production and development of trades and industries in poor communes” submitted to the Government by the Ministry of Labor, War-Invalids and Social Affairs, 2001 based upon the Decision No.71/2001/QĐ-TTg of May 04th, 2001 on the National target Programmes in the period 2001-2005,

individual zones; and to support the establishment and development of models on processing, storage of agro-forest products and non-farm trades and industries

- *Expected outputs:* To establish and transfer 30 models being typically developed and supported on production, development of trades and industries, fixed cultivation and settlement, migration and new economic zones, preventing and lessening risk to the poor people.
- *Target beneficiaries:* poor people, poor households, poor communes and regions.
- *Activities*
 - Mobilize the poor regions on the promotion of training courses on trades and industries to support their development and production of non-farm industries; organize visiting trips to the models being representative to the development of trades and small artisan craft industries and services
 - Support the formation of models involved in processing, storage of agro-forest and fishery products of small and mini scales (household and group of households scales).
 - Establish and transfer 30 models/patterns that are the typical ones in utilizing effectively support from the Project, to the production, development of trades and industries, fixed cultivation and settlement, migration and new economic zones, preventing and lessening risk to the poor people.
- *Presiding Agency:* The Ministry of Agriculture and Rural Development
Collaborating Agencies: Related Ministries
- *Budget:* VND 180 billion from the State budget.

The above Project on “Supporting the production and development of trades and industries in the poor communes within the National Target Programme” is one of the basis for the active promotion, development and support of industries including artisan craft and other services in rural areas in general and in poor communes in particular.

Recently, the Prime Minister has officially signed the Decision No.143/2001/QĐ-TTg of September 27th, 2001 on the approval of the above “National Target Programme on Hunger Eradication, Poverty Alleviation and Employment in the 2001-2005 period”. The contents of the programme are as follows:

A. Objectives:

1. General objectives:

The National Target Programme on Hunger Eradication, Poverty Alleviation (HEPA) and Employment in the 2001-2005 period is an overall and inter-branch program in the national socio-economic development strategy aimed to create favorable and suitable

conditions for the poor, poor households and poor communes to develop their production, increase their incomes, have access to social services and eradicate hunger and alleviate poverty; to reduce the percentage of unemployment in urban areas and increase the percentage of useful working time in rural areas, shift the labor structure appropriately to economy structure, ensure jobs to those who have the need of working, increase people's life quality.

2. Immediate objectives (brief):

- To reduce the percentage of poor households (based upon the new classification criteria) to less than 10% at a rate of 1.5% to 2% reduction per annum (approximately 280 thousand to 300 thousand households per year)...
- To create job opportunities to 1.4-1.5 million labors per annum
- To reduce the percentage of unemployment in urban areas to less than 6% and raise the percentage of useful working time to 80% in rural areas by the year 2005.

B. Main contents of the Programme:

1. On the area of HEPA:

- a. Policies and Projects in support of the poor, poor households, poor communes on health, education... ,tools and land for production, etc...
- b. Projects in direct support of HEPA, including:
 - Group of general Projects on HEPA, including:
 - Project in support of credits for the poor households ...
 - Project on guidance for the poor to earn their living and promote agricultural, forestrial and fishery production
 - Project on establishing models aimed to help HEPA in the zones of specific conditions (coastal areas, high-land, border, island, deep-lying areas in Mekong river delta)
 - Group of Projects on HEPA for poor communes (having more than 25% of poor households in total and their infrastructure being essentially inadequate) that are not under the Programme 135, including:
 - Project in support of establishing essential infrastructure in poor communes...
 - Project in support of production and the development of branches and craft in poor communes.
 - Project on raising qualifications of the contingent of cadres engaged in HEPA work and cadres in poor communes

.....

2. On the area of employment:

- a. Activities aimed to generate employment are conducted on three following aspects:
- Socio-economic development - aimed to settle employment for those who have already jobs and to generate new job opportunities through directing concentratedly several key programmes for economic development that can generate more jobs;
 - Exportation of labors and experts;
.....
- b. Activities in direct support of employment generation and development of labor market are conducted with the following Projects:
- Project to deal with the organization of lending fund for the mini-schemes to settle employment through the National Fund for Employment support;
.....
 - Project on raising qualifications of the contingent of cadres engaged in labor management and employment

C. Implementation period: The National Programme on HEPA and Employment is to be carried out within 5 years (2001-2005)

D. Finance of the Programme:

It is anticipated that the capital resources to be mobilized for the Programme is at VND 22,580 billion covering the following sources:

1. On the area of HEPA:

It is anticipated to mobilize about VND 16,245 billion (not including capital from international cooperation resources for HEPA), covering the following sources:

- The State budget
- Mobilization of the community
- Credit capital (approximately VND 10,000 billion)
- Incorporated capital

2. On the area of employment:

It is anticipated to mobilize about VND 6,335 billion, including the following sources:

- The State budget
- Local budget
- Withdrawn budget (approximately VND 4,600-4,700 billion)

- Other sources

Annually, the Ministry of Planning and Investment and the Ministry of Finance shall, on the basis of the objectives, contents and the existing regulations, allocate the budget to ensure the Program activities to achieve its objectives and to be effective

E. Organization of management and implementation of the Programme:

The National Target Program on HEPA shall operate under the inter-branch mechanism. The division of responsibilities among the concerned ministries and branches is effected as follows:

1. The Ministry of Labor, War-Invalids and Social Affairs assumes prime responsibility for the Programme management and acts as the standing body to assist the Government in the organization, management and direction of the coordinating activities with the Ministries, branches, localities... The Ministry of Labor, War-Invalids and Social Affairs shall, in collaboration with other related Ministries and branches, organize the implementation of the Projects as follows:
 - a. Project on raising qualifications of the contingent of cadres engaged in the HEPA work and cadres in poor communes
 - b. Project on establishing models aimed to help HEPA in the zones of specific conditions
 - c. Project to deal with the organization of lending fund for the mini schemes to settle employment through the National Fund for Employment support;
.....
2. The Ministry of Agriculture and Rural Development shall assume the prime responsibility and coordinate with the Ministry of Labor, War Invalids and Socio-Affairs, Ministry for Fishery, National Population and Family Planning Committee, Ministries and concerned branches and localities in the management and organizing the implementation of the Projects as follows:
 - a. Project on establishing essential infrastructure in poor communes
 - b. *Project in support of production and the development of branches and crafts in poor communes*
 - c. Project on guidance for the poor to earn their living and promote agricultural, forestrial and fishery production
 - d. Project in support of the people of undisciplined emigration and to establish new economic zones in poor communes
.....

2B.4 Basic socio - economic data and statistics of rural economies in Vietnam ⁽¹⁾

2B.4.1 Current status and targets to be achieved.

a) Rural infrastructure

- **Safe water and rural environmental sanitation:** In the year 2000, only 45% of rural population have access to safe water.

The total funds for the safe water program is VND 16,330 billion, its objective is to increase the percentage of rural population having access to safe water to 80% in the year 2005 in the 1998-2005 period. The Ministry of Agriculture and Rural Development in collaboration with the Ministry of Planning and Investment, Ministry of Finance is responsible for the Program in the management, handling, checking and evaluation and in the organization of the Program implementation. At the provincial level, there is a Program Management Board (as a the provincial Department of Agriculture and Rural Development is the Standing institution) that assists the provincial People's Committee in the planning, programming, and management of the Program handling. At district level, the Division of Agriculture and Rural Development is the regular unit to assist the district People's Committee in the management and direction of implementing the Program within the area of the district. At commune level, there is staff specialized in following up the implementation of the Program⁽²⁾. The amount of funds to be disbursed in the years 1999-2000 is VND 1362 billion composed of VND 240 billion from State budget, VND 122 billion from ODA funds, and VND 980 billion from the people's contributions. This amount of funds is allocated to all 61 provinces and cities. The contribution proportion of the people is through the contribution of their labor force to the construction of large-scale water supply or environmental sanitation projects; through the back payment of the expenses in the construction of the projects that the governmental authorities of different echelons have built for the people; or through the people's payment to purchasing clean water at reasonable price from the constructed projects⁽²⁾. Having been implemented for two years, the program has been able to increase the percentage of rural population having access to safe water to 45% in the year 2000 from 36% in 1998.

- **Electricity:** At present, in the whole country there are 6,997 communes having access to electricity (in the total of 8,850 communes, let alone 951 precincts), accounting for 79% of the total communes, the remaining 1,853 communes have no access to electricity. The target is to see all communes having access to electricity as soon as possible between now and the year 2005.

- **Rural transport:**

⁽¹⁾ "Agriculture – Forestry – Fishery and Rural Development Plan for 2001-2005 period" - MPI, November 13th, 2000. Pages: 8, 10, 11, 15, 16, 17, 28, 29, 30.

⁽²⁾ "National Target Program on Clean Water and Rural Environmental Sanitation in the 1998-2005 period", June 1998. MARD.

As of end - 2000, 95% of the communes have car accessible roads connecting communes with commune centers, indicating an increase of 7.1% compared to the 1994 figure.

It is projected that all communes will have car accessible roads leading to commune centers by the year 2005

- **Centers of commune clusters:** 500 centers of commune clusters are expected to be established with the aim at establishing centers of commune clusters in mountainous areas to serve as places for economic and cultural exchanges among different communes in the same area.
- **Radio and Television Broadcasting:** At present, 80% of the population have access to television broadcasts and 90% have access to radio broadcast of the Voice of Vietnam. It is projected that in the year 2005, 100% of the population will have access to both radio and television broadcasts.
- **Irrigation (Watering and Drainage)**

Up to now, the combined design capacity of existing irrigation works allows to water about 6.2 out of 7.6 million ha of rice cultivated land (i.e. 82% of the total cultivated land areas), reflecting an increase of 700 thousand ha compared to the 1995 figure; the drainage capacity-1.4 million ha of natural land; the salt intrusion prevention-700 thousand ha; reformation of 1.6 million ha of acidic and alum land in the Mekong River delta; and consolidate the river and sea dykes network.

Each province has its own agricultural irrigation company, agricultural irrigation stations are found at the district level, a number of cooperatives provide agricultural irrigation services. The limitations of this kind of service are shown in the serious degradation of many irrigation works, the incompleteness of in-field irrigation works that leads to waste of water, and the low rate of irrigation charges. In many areas, farmers have to pump and drain water by themselves, leading to very high costs of irrigation. The actual capacity utilization of most irrigation works has only reached about 70% of their design capacity. A large area of land, especially planted area of cash crops, has not been under watering yet. The dyke network is yet to be regarded as safe.

It is projected that in the year 2005, about 95% of the rice planted area and 50% of planted area of cash crops- or about 1.5 million ha, will be under irrigation. In the coming five years, 200 irrigation works will be completed and put into operation. The additional watering capacity is expected to cover 200 thousand ha, create sources for about 200 thousand ha, and drain about 250 thousand ha.

- **Concretisation of canals and ditches:** It is projected that by the year 2005, more than 26.6 thousand km of canals and ditches, including over 1100 km primary canals whose construction is financed by the State, will have been concretized. The total amount of funds to be invested in the concretisation of canals and ditches during the coming five-

year period is VND 7,100 billion, of which VND 1,300 billion from the State budget will be invested in the concretisation of primary, and nearly VND 5,800 billion will be invested in that of other types of canals. The estimated required amount of cement for the concretisation is 3.5-4.5 million tons.

- *Houses in the Mekong River Delta:*

Each year, if inundation occurs about 300 thousand houses are deeply flooded, if the level of inundation is the same as that in the year 2000, houses of 1.4 million households will be flooded.

Housing for the people is a critical issue in the Mekong River delta. The flood in the year 2000 affected more than one million households and 8 million people in this area. It is projected that measures will be taken so that at least these households will not be affected by flood and inundation by the year 2005. If a focus is placed on four provinces in the deeply flooded areas (An Giang, Dong Thap, Long An, and Kien Giang), 300-400 communes (about 70-100 communes per province) need to be assisted with an estimated required amount of VND 1,500-2,000 billion.

a) *Labor, Employment, Income and Poverty Status.*

Rural labor is in surplus while employment is in shortage, farmers' income and living standards are generally low, and the rural poverty incidence remains high. The education level, level of scientific and technical knowledge and the quality of rural labor force are very low.

At present, rural laborers are underemployed or unemployed for one third of their time. In addition, more than one million people who reach the working age look for employment

- In the year 2000 per capita rural income can only be in the range between USD 120 and USD150, and only USD50 in some extreme cases (compared with the average national level of about USD380). The income gap between urban and rural areas tends to increase continuously. According to an assessment of the GSO, this gap was 2.6 times in 1994 and then increased to 2.7 times in 1996. The WB figure for this was 5 times in 1990 and 8 times 1997.
- Despite of food surplus, the national poverty incidence according to the present standard is 10-11%, and is as high as 30-40% in the case of especially disadvantaged communes.
- Presently, the number of workers who obtained training from the level of elementary technical workers above is less than 10% in rural areas. Most rural young people finished just primary education or lower secondary education, and a portion of them are even illiterate. The illiteracy rate among the workforce is nearly 6%. The rural workforce is of low quality both in terms of physical health and the share of trained

labor.

- At present, the rural workforce is composed of 32.5 million laborers. This figure is expected to increase to 34 million by the year 2005, and their time utilisation is projected to be about 75%. The agriculture, forestry and fisheries are projected to use more than 15.7% million laborers or 46.3% of the rural workforce. The remaining portion – 18.3 million laborers (or 53.7% of the total rural workforce) will need to find off-farm jobs, of which 10 million laborers are projected to be employed in rural trades and professions and the remaining 8.3 million people (accounting for 24.3% of the total rural workforce) will be the excess supply of labor.
- Income: It is projected that the average GDP per capital of the rural population will be USD200-220 by the year 2005, increasing by 1.5 times compared to that in the year 2000.
- Rural poverty incidence: The rural poverty incidence in the year 2000 remains high at about 10%. It is expected that by the year 2005 there will be basically no hunger and poor households (based on current poverty line which is defined by the level of monthly income in kind of less than 13-15 kg of rice per person).

2B.4.2 Weaknesses and challenges (*)

** Rural economic structure remains backward, trades and rural industry remain underdeveloped, and rural industrialisation takes place at a low pace.*

The share of agriculture in rural economy remains high at over 70% while industry and services contributions are low, and most rural labor is engaged in agricultural production. The main source of farmers' income comes from agriculture while their income from rural industry and services remains low. In 1990, the contribution of agriculture, forestry and fisheries sector, industry sector, and services sector to rural economy were 79.7%, 9.9%, and 10.4%, respectively. In the year 2000, the corresponding figures are estimated to be 70%, 16%, and 14%. In agriculture, cultivation accounts for approximately 80% of the total output value while the share of livestock is less than 20%.

** Rural infrastructure remains very poor.*

As of the year 2000, there remain more than 515 communes (about 5.8% of the total number of communes in the whole country) that have no car accessible roads leading to commune centers; 90.6% of districts and 79% of communes have access to power tariff rates are higher than those in urban areas. Schools and examination and treatment facilities and equipment are inadequate. About 70% of communes have no doctors, 5% of communes have no health care centers, 27% of health care centers have no maternity hospitals, 55% of rural population have no access to safe water, over 75% of

(*) Agriculture – Forestry – Fishery and Rural Development Plan for 2001-2005 period. MPI, November.13, 2000. Page 4, 14

households have no toilets that meet standard sanitary requirements, particularly in the Mekong river delta.

The share of State investment accounts for just a little above 20% in the total investment in agriculture while rural areas find 76% of the national population and nearly 74% of the national workforce. This is mainly explained by a poor State and a poor population whose rate of savings is low. It is expected that these present constraints as regards investment in agriculture will continue to be seen in the coming period.

2B.5. Information about schemes which the people who are engaged in non-farm activities in rural areas can utilise such as Vietnam Bank for the poor (BP), Vietnam Bank for Agriculture and Rural Development (VBARD), Micro-credit by MPDF

2B.5.1 General

In the rural areas of Vietnam, the formal financial services organizations include:

- Bank for Agriculture and Rural Development
- Bank for the Poor
- People's Credit Fund
- Joint Stock Bank, Credit Cooperative
- Bank of Commerce and Industry

These above formal organizations play an important role in the development of the small and medium enterprises (SMEs) located at craft villages. Practically, the loans available for the production establishments are mainly from the formal financial services organizations (see the box and table below). The SMEs and craft households generally use the loans for the investment in renovating the technology, carrying out expansion of their production scales and diversification of their products, aiming to increase the quality and the sales of their products.

The above formal financial organizations together with other integrated services sources like credit cooperative, private money-lenders, other projects for investment and development, etc, like those on hungry eradication and poverty alleviation, job creation, income generation in rural areas, etc., constitute integrated sources in the provision of loans to many craft villages for their production activities including SMEs, and specifically, mini enterprises. As indicated in the box for illustration below,

Box for illustration

Traditional ceramics and porcelain village of Bat Trang, Gia Lam, Ha Noi⁽¹⁾

According to the Chairman of the Commune People's Committee, up to January 10th 1999, households involved in traditional artisan craft of the village were provided loans from 4 banks as follows:

- A total of VND 1.2 billion to 24 households from the Bank of Commerce and Industry
- A total of VND 4.759 billion to 305 households from the Bank of Agriculture and Rural development
- A total of VND 2.33 billion to 161 households from the non-state Joint Stock Bank of Commerce.
- A total of 508 households received loans, accounting for 30% total households in the village, over half of those involved in the artisan craft with a total loan amount of nearly VND 10 billion.

Silk textile craft village of Van Phuc (out of Ha Dong town, Ha Tay)

- Loans received by silk weaving households were about VND 5 billion out of which, VND 2 billion from credit cooperative at a loan maximum of VND 10 million.
- A householder, Mr. Cuong, having his real estate (land and house) as collateral for loans at an estimated value of VND 80 million. He often gets loan of VND 20 million from the Credit Cooperative and the Bank for Agriculture and Rural Development

Art wood craft village of Dong Ky, Dong Quang commune, Tu Son, Bac Ninh

Dong Ky has been well known for lacquer wood and Dong Ky wood sculpture. According to Mr. Doan, Vice Chairman of the PC, since the operation of the People credit fund, the production households could receive rush loans or mini loans to support their business, particularly those whose assets could not be available for legally collateral in loaning, thus they do not have to borrow capital at high interest rates from private money-lender. By the time of the interview, the fund had VND 800 million of its loans (August 18th, 1998) directed to the households, out of which, VND 200 million were at 3-6 month term, VND 200 million were at call loans. The loans from VND 3 million to VND 5 million were principally provided based upon confidence agreements. The maximum loan of which was VND 25 million.

⁽¹⁾ Source: Duong Ba Phuong. Preservation and Development of Craft villages in the Process of Industrialization and Modernization. Social - Scientific Publishing House, 2001.

Table for illustration:: Average capital of the units involved in rural industries

Unit: VNDmillion

Items	Non-farm establishment	Non-farm households	Mixed-type households
1. Average capital of a household/establishment	700.32	25.73	16.1
2. Average fixed capital	432.7	14.7	9.1
3. Average variable-resources capital	267.62	11.03	7.0
4. Average owned-resources capital	339.32	15.89	10.98
5. Average loan per borrower	361.0	9.84	5.12
In which:			
- Volume of loan from banks (%)	76.8	61.04	72.43
- Volume of loan from money lenders (private sector) (%)	8.57	20.24	19.92
- Volume of loan from Government credit programs (%)	4.36	1.09	0.94
- Volume of loan from others (%)	10.27	17.63	6.71
- Ratio of borrowers over total number of non-farm units (%)	55.06	32.15	22.38

Source: Rural industries and services in Vietnam 1997. Agricultural Publishing House, Ha Noi 1998 . Page 98-100

2B.5.2 Information about the Vietnamese Bank for Agriculture and Rural Development¹

According to the data of the Vietnamese Bank for Agriculture and Rural Development (VBARD) there were 4,591,941 borrowers whose existing loans by August 2000 reached up VND 24.7 thousand billion. Out of the latter, it saw that:

- 04,081,816 households engaged in agriculture, forestry, fishery and salt trade, accounting 89.9% in total and
- 152,172 households engaged in rural industries, accounting to 3.35%

with the loans amounted to VND 24.1 thousand billion. In addition, there were other borrowers like:

- 27,080 farms with the loans of VND 413.5 billion.
- 24,425 cooperative groups, with the loans of VND 118.4 billion.
- 2,308 cooperatives, with the loans of VND 87.7 billion (out of which, there were only 280 agricultural cooperatives with the loans of VND 20.3 billion)

The above data showed that in rural areas the borrowers of VBARD were principally households (accounting for 78.8%). There were very few agricultural cooperatives approaching the VBARD credit (i.e 280 over 10,000 existing cooperatives).

In addition to VBARD source, the individuals, cooperative groups and cooperatives in rural areas can have access to other lending sources like: People Credit Fund, Bank for the Poor, or through social organizations, etc. In total, there were already 40% households that have access to the investment credits.

With regard to the lending mechanism, there is an improvement on the procedures in lending mechanism presently.

Procedures for getting Bank credit

In order to obtain loan from the Bank, property for collateral is required.

- Presently the property commonly used as collateral is the land use right certification. However, lots of households, production units have not been issued the land use right certificates yet. Those households and production units that still have not the land use right certificates are able to get the loan from the Bank based upon the letter of confirmation on the land area being used without disputation from the People' Committee of the commune. However, the price of the land is stipulated by the Government and is relatively low as compared to the practically existing one, i.e. the borrower could get a loan that is only equivalent to 40% of the property for collateral and the amount of loan is generally low.

¹ Source: MARD - Several Issues about Industrialization and Modernization in the Development of Agriculture and Rural Areas in the 2001-2020 period . Agricultural Publishing House, 2001

- Several new collateral approaches have been experimentally applied. In this case, the borrower can get the loan from the Bank with the support of some organization that plays the role as the guarantor to the borrower. The Vietnam Women's Union, in coordinating with the Bank for Agriculture and Rural Development has tried applying this new modality on a relatively large scale aiming to provide credit till the poor rural women.

Existing constraints:

Presently, according to data from VBARD, there are over 60% of the households who are needing to receive loans. Presently, however there are still 3 million households (about 20% of total households) who have not been able to get loans from the bank. The main reason is due to the interest rates set by the banks being still high that may cause difficulty to their business and production (recently, the interest rate for deposit is only 0.5% per month while it is 1.0% for lending by the bank).

Also, data obtained from an analysis on the needs among 8,343 cooperatives made by VBARD, there are up to 5,370 cooperatives who want to get loans (accounting for 64%) in which, 1000 cooperatives having satisfactory conditions for borrowing procedures; 3,218 cooperatives having no satisfactory conditions yet and up to 1,248 cooperatives who need to get the loan under low interest rate condition. The major impediment for the cooperatives to request loans from the bank is on collateral procedures since it is still difficult for them to identify which asset could be used as collateral (presently, a majority of cooperatives have not obtained yet the properly registered land use right certificates). In order to cover such situation and to help the households, cooperative groups and cooperatives to have access to credit sources for the development of their production and business in the years to come, the followings have been made by MARD to the Government:

1. To promote and complete early the work on issuing registered land use right certificates for the households to be able to have access to bank credit.
2. To consider for a readjustment of the interest rates to obtain appropriate ones in such a way that they ensure both the bank business and the encouragement of the client in approaching bank credit for their starting or expansion of business and production.
3. To further simplify the procedures being still complicated presently so as they do not discourage the households, establishments for getting loans from the bank when they are needing fund for their business.
4. To encourage the development of the People's Credit Funds and issue appropriate tax policy so as to help them to create more fund for the borrowers in rural areas. This issue has been considered recently by the Government.

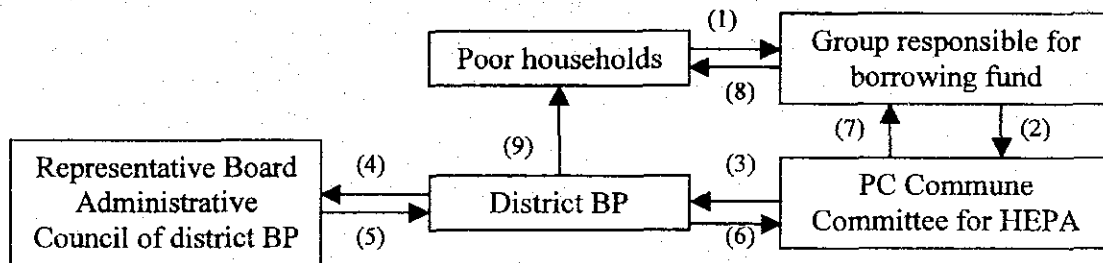
2B.5.3 Information about the Bank for the Poor¹

- With total capital sources about VND 4,900 billion by the end of 2000, the Bank for the Poor provided preferential credits (low interest, without collateral) for over 5.706 million poor household participants with an average capital of VND 1.85 million per household. About 80% of the poor households in need of loans had access to the above capital. It was estimated that total Bank on-credit until the end of 2000 was VND 4,629 billion, in which the amount of short-term on-credit was VND 4,620 billion out of which 27% was short-term on-credit, 73% was long-term on-credit; it is noted that 86% of on-credit of the Bank for the Poor were directed to Agriculture Sector.
- Capital sources for the activities of the Bank for the Poor.

According to the above National Target Programme (Draft), the Bank for the Poor is to mobilized capital from communities, from bank credits of concerned organizations. The Government will also provide compensation budget (central budget source) for the interest rate differential of the credit to be mobilized to provide to the poor households at an amount of VND 750 billion within five-year 2001-2005.

Rules and procedures in borrowing fund from the Bank for the poor (BP)

The rules and procedures in borrowing fund from BP is presented in the following chart:



- (1) Submitting letter of request on borrowing fund from poor households
- (2) Selecting the appropriate letters of request, making a list of selected households requesting BP loan and submitting the list to Commune Committee for HEPA and PC for consideration
- (3) PC to check and approve the list of households and submit the list to District BP
- (4) District BP to recheck the submitted letters of request by poor households and present the approved list to the Chief of Administrative Council of district BP.
- (5) The Administrative Council to evaluate the list and send back to District BP
- (6) District BP to notify the evaluation results of the list to PC and the date for disbursement

¹ Source: Draft of the National Target Programme for Hunger Eradication and Poverty Alleviation and Employment in the 2001-2005 period of the Government.

- (7) The PC of the commune to notify the evaluation results of the list and the schedule for disbursement to the Group responsible for borrowing fund.
- (8) The Group to notify the evaluation results to the households on the date and venue for disbursement
- (9) Disbursement of fund by BP directly to the poor households.

Note: - The credit term is defined by BP in accordance with the business cycle

- The maximum of borrowing fund for a household is stipulated by the Administrative Council of the district BP, depending on the period of providing credit. Presently, the maximum loan amount is VND 3 million per household.
- At present, the interest rate of the borrowing fund is at 0.7% a month.

2B.5.4. The People Credit Fund

By February 1998, VBARD also administered the Vietnam Bank for the Poor with outstanding loans of VND 2,2 thousand billions to about 1.1 million borrowers. Credit Funds.

Regarding the People's Credit Funds: since its start in 1993, there were almost 1,000 operating funds primarily in rural areas with outstanding loans by August 1998 of VND 1.5 trillion to over 600,000 members. There were also a few (less than 50) Credit cooperatives left since the collapse of the Credit cooperatives system in the early 1990, but they were of little significance⁽¹⁾

2B.5.5. Mekong Project Development Facility (MPDF)

Founded since 1997, The Mekong Project Development Facility (MPDF) has assisted the development of local entrepreneurs of small and medium scales in Vietnam, Laos and Cambodia.

MPDF has its main Office in Hanoi and Regional Offices in the cities of Ho Chi Minh, Vientane (Laos) and Phnom Penh (Cambodia). MPDF put its concern to the small and medium-sized enterprises (SMEs) with the belief that SMEs will prove their role as an engine for economic growth and job generation. MPDF is managed by International Finance Corporation (IFC) and financed by 10 donor countries and institutions: The Asian Development Bank, Australia, Canada, Finland, IFC, Japan, Norway, Sweden, Switzerland, and the United Kingdom. The total funding to MPDF reaches USD 25 million. Its 48 staff in Hanoi, Ho Chi Minh city, Phnom Penh, and Vientane receive administrative and technical support from IFC in Washington.D.C., mainly through the recently-formed World Bank Group SME Department (SMED). MPDF's core working objectives are to improve

⁽¹⁾ Source : Rural Industrial Development – Strategy for Employment Generation Regionally Balanced in Vietnam - UNIDO - Project VIE/98/022/08/UNIDO - 2001

domestic private firms' access to capital and their operational performance.

Access to capital is singled out as a separate and fundamental objective because it is the single most important constraint cited by SMEs in all relevant surveys. The task of achieving these objectives is shared by MPDF's two main organizational components:

Part A: Company Advisory Assistance

Part B: Business Support Services Development

MPDF facilitates and catalyzes the flow of capital to entrepreneurs through Part A assistance on the demand side and both Part A and Part B activities on the supply side. Part A works with individual firms to develop "bankable" business plans and financing proposals and teams with Part B to build the capacity of existing financial intermediaries- or when necessary, to create new institutions targeting the SME sector. Operational improvements are affected through a broad range of Part B programme aimed at increasing the quantity and quality of demand-driven management training and consulting services available to domestic SMEs.

Part A: Company Advisory Services

Part A helps individual SMEs improve operations and implement expansion and modernization plans. Part A serves as a bridge between firms and financial service providers and advises firms on marketing strategies, quality programs, accounting, management information systems (MIS) and other crucial areas of firm operations.

From January to December 2000, MPDF completed a total of 34 projects, 12 more than in 1999. Total value of these 34 projects was USD 27.5 million-an average of USD 0.8 million per project and total financing raised with MPDF assistance was USD 13.4 million. In Vietnam alone, a total of 25 projects were completed in the year 2000- sixteen in the South, nine in the Central and North with a total value of USD 22.49 million and a total financing arranged of USD 11.39 million.

The list of projects completed in 2000 is presented in the table below:

Among the Projects carried out by MPDF in Vietnam in recent years, the following ones were directly related to the artisan craft development assistance:

1. **Micro-Credit Lending Project (AHN-086)** : This Project includes the establishment of a credit channel to perform micro lending to SMEs. MPDF also provide technical support in the process of Project development

Through the micro-credit scheme, the project has provided help to 300-500 small enterprises to have access to capital lending that they were not able to access previously due to their small scale of production. The project also contributes to industries development and jobs creation

Projects Completed in Vietnam in the year 2000

No.	Project Code	Location	Sector	Project Type	Project Cost (mil.USD)	Financing Arranged (mil.USD)	Financiers
1	HN-119	Danang	Other Manufacturing	Expansion	0.19	0.05	Techcombank
2	HN-120	Hanoi	Agribusiness	Equitization	0.39	n/a	Existing & outside shareholder
3	HN-126	Hanoi	Transportation	Equitization	0.34	0.03	Vietcombank Leasing
4	HN-102	Hanoi	Other Manufacturing	Expansion	0.09	0.09	Habubank
5	HN-103	Hanoi	Garments & Textiles	Restructuring	0.27	0.08	Habubank
6	HN-133	Ha Tay	Garments & Textiles	Restructuring	1.64	1.64	Techcombank
7	HN-115	Nghe An	Agribusiness	Expansion	0.60	0.20	Techcombank
8	HN-127	Hanoi	Garments & Textiles	Expansion	0.65	0.24	Habubank
9	HN-106	Binh Duong	Food Processing	Expansion	0.70	0.70	Habubank
10	HC-080	HCMC	Paper	Greenfield	1.12	0.43	Bank for Investment and development of Vietnam (BIDV)
11	HC-102	HCMC	Paper	Expansion	0.59	0.25	East Asia Bank (EAB)
12	HC-098	HCMC	Plastics	Expansion	0.71	0.38	Asia Commercial Bank (ACB)
13	HC-133	HCMC	Footwear	Expansion	1.49	0.91	SME Development Fund & ACB
14	HC-159	HCMC	Fisheries	Greenfield	4.10	2.10	BIDV
15	HC-167	HCMC	Other Manufacturing	Expansion	2.42	0.96	BIDV
16	HC-142	HCMC	Wood Processing	Expansion	0.34	0.25	IKEA
17	HC-152	HCMC	Other Manufacturing	Expansion	0.50	0.10	Sacombank
18	HC-168	HCMC	Other Manufacturing	Expansion	0.14	0.14	ACB
19	HC-103	Binh Duong	Ceramics	Expansion	0.38	0.28	Vietcombank
20	HC-130	HCMC	Plastics	Expansion	0.51	0.30	Sacombank
21	HC-193	HCMC	Garments & Textiles	Expansion	0.23	0.15	EAB
22	HC-177	HCMC	Other Manufacturing	Expansion	3.78	1.08	BIDV
23	HC-141	HCMC	Other Manufacturing	Expansion	0.92	0.92	Equity
24	HC-098	HCMC	Other Manufacturing	Expansion	0.39	0.14	BIDV
25	HC-024	HCMC	Software	Expansion	-	-	Tata Consultancy Services
Total:					22.49	11.39	

2. Project on promotion of Ceramic production in Binh Duong province, in South Vietnam.

The project deals with the production of fine art handicrafts of ceramics and porcelain. With MPDF assistance, the products of Cuong Phat unit are for sale in domestic market and also for exportation to foreign countries like: Sweden (IKEA), Denmark (Kiki design), Japan (Shoji), Germany (Spinnrad) and Italy. The project has ensured employment for 300 workers and created 80 new jobs. It is expected this production unit could earn a foreign currency income of over USD 5.7 million in the coming 10-year period.

Part B: Business Support Services Development

Part B is working to improve the overall level of business support services available to SMEs in Vietnam, Cambodia and Laos. Part B focuses on training SMEs managers, building the capacity of local consultants and business service providers, and developing financial services for SMEs.

SME Training

Management Training Program

The Vietnam's National Economics University, School of Industrial Management (SIM) and Ho Chi Minh City Economics University delivered management training to another 804 entrepreneurs in 2000, bringing the total number to 1,454 since June 1999. Design of the four management courses in human resource management, operations/ production management, financial management, and marketing was a collaboration between MPDF and the three Vietnamese educational institutions. MPDF has also trained 90 university lecturers to continue delivering the courses in the future.

Sector-Specific Support

*** Garments Training**

In May 2000, MPDF expanded its relationship with the School of Industrial Management (SIM) by hiring an international specialist to work with the school to develop a 24 hour comprehensive course for garments firms. The course successfully passed through testing with 27 local participants in October 2000. SIM is committed to delivering 12 courses in 2001 to approximately 360 production and technical managers of garments firms in the Ho Chi Minh area. The course is also expected to be taught widely in other areas of Vietnam as well as in Cambodia and Lao PDR after translation in early 2001.

*** Vietnam Sai Gon Plastics Association**

Management of Saigon Plastics Association approached MPDF in 2000 for assistance in

building its capacity to serve its 800 mostly private sector members. MPDF is bringing on the recently retired manager of the German Plastics Association to oversee various measures including introduction of a quality certification program and tailor-made Management Information Systems (MIS), and strengthening of contacts with counterparts in other countries. MPDF plans to explore the possibility of sister associations in Cambodia and Lao PDR.

* Rice millers Associations

In May 2000, MPDF collaborated with The Asia Foundation and a local Cambodian NGO called Enterprise Development Cambodia to support Cambodian rice millers' efforts to form their own business associations. In May 2000, 300 rice millers from eight newly formed associations gathered in Battambang and established a national council for the purposes of coordination and communication, both between millers and with the government and foreign donors. Benefits of the associations will include joint bidding for contracts, joint procurement of supplies, information sharing, and training.

Information, Technology and Research

* Internet for Tourism-in Laos.

Tourism is seen as one of Lao PDR's key economic growth sectors, MPDF sponsored in October 2000 two one-day workshops on the Internet for 200 hotel and guesthouse managers in Vientiane and Luang Prabang. Foreign and local industry experts explained the benefits of the Internet and the means for using websites and e-mail to advertise services and attract bookings.

* Management Information System (MIS)

MPDF conducted a Needs Assessment Study to identify issues that hinder broader use of MIS within Vietnam's private sector and define future programs to promote wider use of MIS by domestic SMEs.

* MeetVietnam.com

MPDF served as a catalyst for the initiative by bringing together US-based Internet firm MeetChina.com, Vietnamese consulting firm Galaxy, and Internet Service Provider FPT, aiming to provide Vietnamese SMEs with online tools to manage every aspect of cross-border trade, from discovering supply sources to delivering outputs.

* Enterprise Law Survey

In collaboration with several institutions in Vietnam, MPDF co-sponsored a study on the results of Vietnam's new Enterprise Law –implemented in January 2000.

Part A and Part B working together: Supporting Domestic Finance Institutions.

*** Bank Training Center**

MPDF has begun working with ten private Vietnamese banks to develop a commercially – sustainable bank training center that is expected to serve all banks in Vietnam, through the training of staff in a wide range of banking skills that banks individually would not be able to access due to limited resources.

*** Venture Capital Fund.**

MPDF is sponsoring establishment of venture capital fund that will make equity investments in private SMEs, aiming to help clients raise capital. The fund will target domestic SMEs in high – growth areas like information technology, agro-processing, and high-value exports. MPDF aims to get the fund started by raising USD 20 million from multilateral and bilateral development finance institutions.

*** Individual Technical Assistance Programmes**

Several leading private banks are receiving technical assistance from MPDF as joint Part A/Part B projects. MPDF works with them to identify specific areas where the provisions of external expertise will materially improve the way they serve SMEs. In Vietnam, Asia Commercial Bank (ACB), Sacombank and Techcombank have begun, with the support of qualified regional experts, to implement technical assistance programs to review and upgrade management and operational procedures. It is expected that a similar program will start with Habubank, another Vietnamese joint stock bank, in the near future. In Cambodia, an expert has begun a diagnostic review of Canadian Bank's operations for similar purposes.

*** Vietnamese Securities Firms.**

MPDF worked with both Vietnam's first securities firms and with government authorities to bring them up to speed following the opening of the country's first Securities Trading Center (STC) in July 2000. The same month that the new exchange opened, an MPDF – sponsored international expert worked with ACB Securities Company (ACBS) on the day-to-day realities of a trading floor. ACBS has asked MPDF for help preparing its own business plan, advise on technical matters, and identifying future development needs. In addition to discussions with other individual securities firms, MPDF organized training for securities analysts at all the new firms and officials at the State Securities Commission and SCTC in December 2000. The week-long course was taught by an expert from the Thai Securities Industry Association and covered the basics of equity and fixed-income analysis and valuation.