

# INNOVATION

KEY TO ENTERPRISE DEVELOPMENT AND PIONEER





# CONTENTS

**FOREWORD [3]**

**THE VIETNAM CHALLENGE FUND [6]**

**1. LEMON EUCALYPTUS FRAGRANCE:** DEVELOPING NEW PRODUCTS THROUGH INVESTMENT IN PLANTING AND PROCESSING ESSENTIAL OILS OF A NEW VARIETY OF LEMON EUCALYPTUS TREE [11]

**2. REGENERATING AN AQUATIC RESOURCE:** APPLYING NEW REARING METHOD IN MAINTAINING BREED, REHABILITATING, REGENERATING AND DEVELOPING SUSTAINABLE RESOURCE OF PEANUT WORMS [17]

**3. VOCATIONAL SKILLS DEVELOPMENT:** CREATING JOBS FOR FARMERS IN AGRICULTURAL LEISURE TIME IN HANDICRAFT PRODUCTION EXPANDING PROJECT [25]

**4. ENTERPRISE AND LIVELIHOOD IMPROVEMENT:** STARTING FROM AGRICULTURAL ORGANIC PRODUCT BRANDING [33]

**5. CASSAVA FEEDS FOREST:** INNOVATION THROUGH THE MODEL OF GROWING ECONOMIC FOREST TOGETHER WITH HIGH - YIELD CASSAVA [39]

**6. A SOCIAL ENTERPRISE:** MANH HUNG- THE VOCATIONAL TRAINING CENTRE FOR THE DISABLED PEOPLE [45]

**7. LEARNER-CENTERED TRAINING METHODOLOGY:** IMPROVING THE TRAINING METHOD FOR ENTERPRISES [49]

**8. A WARNING FROM THE ENVIRONMENT:** ENVIRONMENTAL RISK IN CULTIVATING WHITE SPOTTED OCTOPUS [57]



## FOREWORD

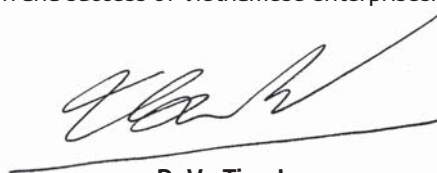
Vietnam has achieved remarkable achievements in the fight against “hunger and poverty”. In this process, business community plays very important role. “Innovation - Key to Enterprise Development and Pioneer” is a publication which illustrates the projects implemented by enterprises that pioneered to venture in underprivileged areas of Vietnam. The projects aim at different objectives, e.g. promoting entrepreneurship, restoration of natural resources, and introduction of innovative business models, thus making contribution to socioeconomic development and poverty reduction. The Vietnam Challenge Fund (VNCF) has been a reliable companion of these enterprises and ventures.

The Vietnam Challenge Fund (VNCF) Project is supported and financed by the Ford Foundation and is managed by the Enterprise Development Foundation (Vietnam Chamber of Commerce and Industry). VNCF provides non-refundable grants to enterprises to finance parts of their innovative projects in order to create jobs and develop the economy, particularly in underprivileged areas. The financing aims to support and share the risks that enterprises may face in venturing into these innovative but higher-risk projects. In reality, enterprises could not have been able to execute this without a grant. After two-years of operations, the Vietnam Challenge Fund has provided financing for 8 projects in underprivileged areas in the North, such as Thanh Hoa, Bac Giang, Quang Ninh, Bac Kan, Yen Bai, Hoa Binh and Cao Bang.

We believe that, with experiences and lessons in the implementation of these projects, this publication **“Innovation- Key to Enterprise Development and Pioneer”** will be particularly useful for enterprises having the intention to start a new business. It promises to be a very interesting reading material, for enterprises, organizations, and individuals who wish to seek for new knowledge and ideas, to innovate and to find new ways to develop their business, and those who wish to make a contribution to eliminate hunger, and reduce poverty, exercise their social responsibility and protect the environment, also to promote the sustainable socioeconomic development in their localities.

We are grateful to the Ford Foundation for their financial support, as well as the enterprises participating in the Vietnam Challenge Fund Project for their courage to take risks, to venture into projects which contribute to the sustainable development of enterprise and the society. We also would like to express our special thanks to Economica Vietnam for their cooperation and efforts in the development of this publication.

Last but not least, we would like to wish for the ceaseless innovation and success of Vietnamese enterprises.



Dr. Vu Tien Loc  
President

Vietnam Chamber of Commerce and Industry









# VIETNAM CHALLENGE FUND



## PIONEERING IN THE MODALITY OF BUSINESS DEVELOPMENT AND POVERTY REDUCTION

In the process of international and regional economic integration, reducing poverty is always important and central target to each economy, which creates the basis for sustainable development and social equity and welfare. Nonetheless, expanding business towards the poor or for the poverty reduction target can entail certain risks to enterprises. Along with the limited capital resources, this

will be the obstacle to the business activities on the way to achieve those lofty objectives.

Under this circumstance, sponsors and the Government need to develop new method to overcome difficult situation, helping the poor and the private sector to obtain a mutually beneficial relationship. Vietnam Challenge Fund can help the enterprise to efficiently use its resources, overcome market deficiencies, promote the participation of the poor in the market, and develop the financial re-

source to serve the development objectives of the enterprises.

The concept “Challenge Fund” was first introduced in the United Kingdom in 2000, it then became popular in other countries such as Bangladesh, Ghana, and India. In some countries, Challenge Funds are focused in one field or area only. Later on, the name of the fund is changed to supplement the meaning, for instance, Tourism Challenge Fund, Business Linkages Challenge Fund.

Business practices shows that more and more enterprises in the private sector are taking part further in the phase of economic development, eliminating hunger and reducing poverty via business activities, which follow mutual-benefit market mechanism. Economic development is also fostered when the private sector’s activities are combined with the capital assistance from the public sector. When there is a common agreement of the benefits, the development objective can be best achieved through this public-private cooperation. Vietnam Challenge Fund is designed to assist projects with innovative ideas, more importantly to renovate the service provisions and to improve the efficiency in making use of resources in both rural and urban areas. Comparative selection process is one important characteristic of Challenge Fund, which promotes the efficiency and transparency in allocating limited resources of the community. Project capital financing selection rounds were executed based on certain overall capital, within a certain time range, depending on evaluation indicators

Vietnam Challenge Fund (VNCF) Project is an initiative supported and financed by Ford Foundation in the experiment period. VNCF provides non-refundable financing to projects which create jobs and develop the local economy, especially projects in remote areas. The financing is used to support

and compensate for the risk those projects might confront during the implementation phase. In fact, those businesses might not be able to execute the project without this financing assistance. The allocation of financial resources from Challenge Fund Project is based on the fair competition process among businesses. VNCF Project was launched in March 2008.

The overall goal of VNCF is to encourage the participation of private sector in economic development including assisting the poor to access the market, increasing their income, ensuring the sustainable reduction in poverty. The project is supposed to be the catalyst for enterprises having new, creative business activities aiming at poverty reduction and economic development. Creativity and bravely financing projects in fields unfavored by private investment funds or commercial banks are outstanding features of the Vietnam Challenge Fund (VNCF).







## GOOD PRACTICES

By now, VNCF has just been implemented for two years. The evaluation on the impact of the projects might not be suitable. However, the project's design and implementation have brought good practice and many lessons learnt.

Eight projects carried out within the VNCF Project have shown that there are many different ways to eliminate hunger and reduce poverty. Developing the enterprise, enhancing business management, improving manufacturing methods, providing services to better the capability to create job and increase the income for people located within the beneficial area of the project. Some projects have directly created a number of jobs for local residents such as economic afforestation along with planting high-yield cassava project in Yen Bai, building a Tea-Forest-Chicken ecological area and agricultural product processing factory projects. Whereas, other projects enhance the employabil-

ity for residents, for instance, improving the infrastructure for vocational education of Manh Hung Training Center. With the same objective of enhancing the business skills for enterprises, Small and Medium Enterprises Promotion Center approaches another subject, which are business owners, entrepreneurs, or those intends to open a business. All these things illustrate the variety and creativity of these chosen projects - the strength of Challenge Fund model in general.

Challenge Fund Project is one good way to promote value chains of products, especially those produced in remote areas, isolated from big markets. Enterprises themselves understand better than anyone local elements, obstacles in bringing local products to the market. Throughout the value chain, enterprise always plays an important role in ensuring the smooth operation of the entire chain. The enterprise can contribute to link small businesses in manufacturing, procuring, processing, transportation, market intel-



## Funded Projects

Being a demonstration project, the documentation of lesson learnt, its possible replication is one of the objective of the Challenge Fund. Companies and institutions with projects financed by VNCF include the followings:

- **Blue Ocean Development and Investment JSC**
- **Viet Hang Service and Construction Company Ltd.**
- **327 Forestry Plantation Private Company Ltd.**
- **Duy Hai Private Company.**
- **Tien Viet Manufacturing and Commercial Company Ltd.**
- **Hung Hiep Trading Company Ltd.**
- **Hiep Thanh Company Ltd.**
- **SME Promotion Centre/ VCCI.**

ligence, even credit providing field to bring products to the market. VNCF grantees have proven the role and efficiency in improving product's value chain that they participate in and more importantly in the enhancement of product's quality sold to the market. Typical examples are growing 'peanut worm' in Quang Ninh Project and Tea-Forest-Chicken, an agricultural product processing factory in Bac Giang Project.

Applying transparent, competitive, and market-orientated mechanism is a good practice which is successfully implemented in VNCF Project. With no subsidy, no for-free assistance, selected project has to prove its ability to make profit and financial sustainability, through which they constantly contribute to eliminate hunger and reduce poverty, and develop the local economy. Competition is one factor ensuring the creativity of proposed projects. These eight projects were chosen based on these criteria.

The project specially focuses on improving the competence of businesses through activities such as project planning and management, building report system, controlling... along with financial support. This is a good practice that needs to be paid special attention when implementing other similar projects. Resource allocation capability is really crucial to ensure the effectiveness of funded projects. Normally, competence building requires long time investment and patience from related parties. Within the scope of VNCF Project, though enhancing competence for participating enterprises has been paid particular attention to, it is still an obstacle to the progress of disbursement and the whole project implementation in general. Thus, project implementation competence needs to be considered as one important criterion for the project selection process.

Reducing the poverty is not the only target of VNCF Project, many funded projects aims to solve other issues such as environmental protection, increasing the forest coverage, protection of precious national resources. Many project ideas have proven the harmonization of different economic, social, and environmental purposes.

Selected projects normally target at community development, which create a good foundation for the close relationship between enterprises as well as VNCF and local authorities, social organizations. Particularly, where the project is carried out, there are supports from different organizations such as Women's Union, Farmer's Union, Co-operative Alliance, Frontier Military Garrisons, etc.

The approach is based on the network of local organizations, drawing the attention and participation of local and state government in order to enhance the knowledge and competence in term of project implementation. This approach also ensures the possibility to outreach as well as

the sustainable impact of the project in long term.

VNCF challenges investment projects with new and creative business ideas, but have little chance to access commercial bank's loan, private fund's investment, or other commercial financial sources while it still follows financial prudential principles, focuses on efficiency of the investment. Not only aiming at implementing the project effectively, VNCF sets the target of sharing lessons learnt from the implementation process of both successful and failed projects.

## CONTINUOUS SELF-IMPROVEMENT

---

It is obvious that the Challenge Fund model has presented its own distinguished strength to achieve the above objectives. In order for this model to continue being improved and popularized to different subjects, VNCF has identified some priority tasks to fulfill.

1. Current project implementation needs to be continuously improved in terms of efficiency, and be monitored in terms of resource allocation efficiency, impacts on enterprises (management, operation effectiveness, and financial resources), and impacts on creating jobs, local economy, and environment.

2. Challenge Fund Model should be disseminated to many more subjects through the project's documents such as publication, website. In fact, the demand of enterprises, business association as well as press agencies for searching information about the operation of VNCF, the result of government operation, potential sponsors is remarkable. Better information sharing in conjunction with the introduction of effective models and competents, well-qualified

staff has been proven to increase the opportunity to attract sponsorship for the Fund's operation.

3. In the action plan to develop businesses, "eliminate hunger and reduce poverty" of the government, methods like Challenge Fund have not been mentioned. As a result, this model needs to be introduced in policy conference or presented to authorized agencies responsible for drafting such kind of documents. The introduction of the Challenge Fund Model in some documents, for instances Small and Medium Enterprise Development Plan or Strategic Documents on Eliminating the hunger and Reducing the poverty Plan, will be a good suggestion for potential sponsors to invest and popularize this model.

4. Constructing a standard handbook about challenge fund management is of significant importance to assist the establishment, manage and supervise the operation of the Fund. Such a handbook will help ensure the knowledge, experience taken from the implementation of the Vietnam Challenge Fund Project to be maintained and shared with other organizations when they carry out similar projects in the future.

5. Other than criteria such as innovativeness, feasibility, and so on, business management and project management competence of participant enterprises are also paid special attention.



01

# Lemon Eucalyptus Fragrance

DEVELOPING NEW PRODUCT THROUGH INVESTMENT IN PLANTING  
AND PROCESSING ESSENTIAL OIL OF NEW LEMON EUCALYPTUS VARIETY







## FROM CITRONELLA TO LEMON FRAGRANCY: FACING WITH DIFFICULTY, MISSING NO CHANCE TO FIND NEW WAY OF DEVELOPMENT

In the domestic market, there is a shortage of raw materials for processing essential oil which is used in cosmetics and health care. In the past, the main input of essential oil processing was citronella. Nevertheless, the main citronella supply area in Tuyen Quang Province is banned due to some changes in the province's plant planning. The reason for this is that citronella is a short term plant, not being able to hold water; as a result, it is not suitable to be grown in an important watershed forest area of the whole country as Tuyen Quang. The province decided to transfer to grow

### About Lemon Eucalyptus

Lemon eucalyptus is originated from Australia, it was brought into Vietnam in 1954. This type of tree is deep-rooted one, which can stand strong in sun light and drought, while the requirements for soil are not strict. The blossom season is in March-April and in October-November, the fruit is ripe in June-July and November-December. Being smooth and solid, with a force bearable grain which is easy to process, wood of lemon eucalyptus is used in construction, ship building, as mine pillar, etc. The essential oil (2% in leaves), is used in producing soap, confectionary, toothpaste, pharmaceutical products, and flavouring. 3,300 trees can be planted in one ha, which can provide 300 kg essential oil from the leave. Eucalyptus is generally fast growing variety, its foliage is narrow and sparse. If planted in 5 to 6 years, it can reach the height of over 7m and a diameter of 9-10 cm.

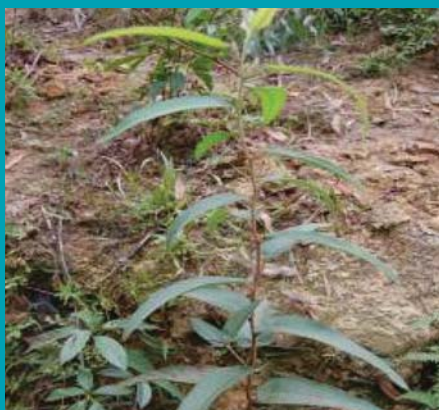


grass for cow breeding and other forest trees, no citronella is allowed to be grown. This restriction of Tuyen Quang Province led to a significant shortage of supply for citronella essential oil processing. Established in 2003, operating in forestry, agricultural, and essential oil processing and commercial field, Tien Viet Commercial and Manufacturing Ltd. Company (Hong Thai, Viet Yen, Bac Giang) has realized the high demand while low supply of essential oil and that lemon eucalyptus can be a good substitute for citronella. The fragrance of this tree is a combination of citronella and lemon; consequently, this is a valuable and timely replacement, which satisfies the domestic and exporting demand.

Despite having new, creative business ideas, investing in growing and exploiting lemon eucalyptus is quite new and risky, thus attracting investment or borrowing from banks is very difficult. Through a conference organized by Enterprise Development Foundation and Bac Giang Small and Medium Business Association introducing the Vietnam Challenge Fund, the Company's Director Mr. Nguyen Minh Hoan decided to apply for the program. The project "Investment in planting and processing essential oil of new lemon eucalyptus variety" of the Company has been chosen as one of the projects to receive the financing from the Vietnam

Challenge Fund. This project will be carried out in 5 years, started in November 2008 and will end in December 2013. The total investment of the project is VND 1,049,012,000, in which 44% of the total value will be funded by VNCF (equaling to VND 440,000,000). The implementing area of the project is in Truong Son Commune with the participation of 22 households in the total area of 40.3ha of Luc Nam District, a mountainous region of Bac Giang Province.

The project started in November 2008. In the first place, the company bought 5kg of Australian seeds, the supply and quality of which was provided and guaranteed by Natural Product and Essential Oil Promotion Center - Vietnam Academy of Science and Technology. After that the company cultivated, nursed and provided free saplings for participating households to plant in the area of 40.3 ha. 22 registering households were accepted to join the project. In the mean time, the company is going to harvest for the first time leaves and branches for essential oil processing. According to the estimation of the company, in the first year, lemon eucalyptus can be harvested once, in 2 years it will be twice a year, 2 years after that it will be three times a year.



Lemon Eucalyptus of 3-4 month to leave harvesting period

## THE PROJECT'S ADVANTAGES

---

***Suitable terrain and easy-to-grow variety:*** Lemon eucalyptus is suitable to the climate and soil in mountainous region of Bac Giang Province. Area registered to serve the project is far from the stream; as a result, there will be no effects of flash flood. Moreover, lemon eucalyptus itself has strong stamina and few diseases.

***Available plant nursery skills of local residents taking part in the project:*** Among participating households are those who used to work for Mai Son Forestation Yard while others have experience in planting and nursing forest trees, which saves time and training costs.

***Simple processing process:*** machinery used to process oil is quite simple. The grant from VNCF was used to buy 3 oil refining systems in inox with the total value of VND300,000,000, build 03 stove systems, factory's roof cost about VND40,000,000, which can be used in the long term.



## MAIN RISKS AND SOLUTIONS

---

This is a biological seasonal project; consequently, cultivating and distributing saplings, collecting leaves and branches require keeping to the schedule, at the right season; otherwise it will have low productivity or huge losses to both company and households.

Lemon eucalyptus is a new variety in Vietnam and Tien Viet Company is one of the pioneers for cultivating and nursing this kind of tree. Because of the novelty, there are unpredicted events occurring out of the control of the company.

To restrict those events, Tien Viet has hired professional nursery garden from the forestation yard to prevent unusual weather conditions such as cold or heavy rain. In addition, under professional care and with the technical knowledge of the forestation yard's workers, saplings will be provided favorable and safe conditions to grow. Beside available caring skill of households, company also provided training on the characteristics as well as suitable methods to grow this new type of eucalyptus.

## VIETNAM CHALLENGE FUND'S ROLE

---

This is an experimental project with a new type of tree bringing income to local residents as well as performing enterprise. The implementation process has also changed the habit of cultivation of people located in the area, presenting new ways to develop local economy. Additionally, forest economic development orientation also contributes to improve the environment and eco-system.

The project proposed by Tien Viet Company focuses on developing new raw materials to supply to the area for oil





processing in Vietnam. Because of the long manufacturing process from cultivating saplings to harvesting (5 years), the company's financial resources cannot afford the whole investment while attracting external investment or borrowing from the banks is out of the question due to risky factors.

Under that circumstance, Challenge Fund has shown its importance. Assessing the creativity, feasibility of the project and its possible contribution to the local economy, the project was selected for a grant. The support of VNCF to projects means not only financial assistance but also the great spiritual encouragement to those who execute the project. The Fund provides financing for the experimental implementation of enterprises in 40.3-ha area. If successful, the implemented area of the project can be expanded to 500-600ha. It can be seen that the role of VNCF in creating the premise for the success and development of this lemon eucalyptus planting project being carried out by Tien Viet Company.

## THE PROJECT'S INNOVATIVENESS

---

Developing raw material supply of lemon eucalyptus to replace citronella in processing essential oil can be considered as a breakthrough business idea of the enterprise. Basing on understanding the market demand, the enterprise has identified the new potential steps for development that will provide new input for domestic and international essential oil market of cosmetic, health care industry. Carrying out the project can bring a new type of plant with higher economic benefits and replacing low-economic effectiveness, litchi and normal eucalyptus. Simultaneously, the project contributes to forest developing and ecological protection, which follows the current government policy. The company has chosen to build a manufacturing and processing factory in the local area to reduce costs and product price, through which to increase the competitiveness of the finished product e.g. lemon eucalyptus essential oil.

## THE SUSTAINABILITY

---

Lemon eucalyptus essential oil is material used by pharmaceutical and cosmetic companies to produce medicine, beauty care products, etc....However, these companies can not find the domestic supply for essential oil, and they have to import it from the Chinese black market, unsustainable sources or have to use typical artificial substance instead of natural oil. Carried out under such situation, if the project succeeds, the product can obtain sustainable, long term position in the market.

## REPLICABILITY

On the participant resident side, when voluntarily registering for the project, they are provided 100% of saplings for free to grow in their land; they even receive an initial assistance of VND 2million/ha for planting, caring and weeding. Moreover, Tien Viet Company commits to buy the product, establish the collection post near planting area, which reduce the transportation cost as well as the time and effort of people to find the consumption for the product. The project has received many positive signals from the local residents; many of them have registered to plant eucalyptus on their land.

On the company side, when assisting free saplings to residents, the company will save expenditure related to land. Building a supply area of raw material, the enterprise can stabilize the input of the manufacturing process, and then maintain the source of essential oil and revenue for the business.

The project provides only initial investment and support while encouraging local residents to take responsible for planting and taking care of their own trees for the most efficient production. Harmonizing and attaching the mutual benefits of both parties is one valuable idea of the project. Despite the short implementation period, some initial positive results of the project have been presented. One of the main factors leads to the success of the project is the tight connection between the local resident's benefits and enterprise's.

## QUICK PROFILE

**Project:** "Investment in planting and processing essential oil of new lemon eucalyptus variety"

**Implemented by:** Tien Viet Manufacturing and Commercial Ltd. Company

**Headquarter:** Km 7, Old 1A National Highway, Bai Bo Ward, Hong Thai, Viet Yen, Bac Giang;

**Tel:** 0240 674 394, **Cell:** 0913 257 789, **Email:** congtytienviet@gmail.com

**Project manager:** Nguyen Minh Hoan, Director of Tien Viet Manufacturing and Commercial Ltd. Company

**Project Area:** 40.3 ha of Truong Son Commune, Luc Nam District

**Timeline:** November 2008 - December 2013

**Grant Value:** VND 440,000,000 (in the total of VND 1,049,012,000)

### Objectives:

1. Build new material supply area: The project cultivates saplings, plants lemon eucalyptus to process essential oil taken from its leaves and branches to use in cosmetic, health care, gradually replacing the use of citronella's essential oil.
2. Transfer to new plants, higher economic efficiency trees: Replacing normal forest of eucalyptus grown for timber with lemon eucalyptus, people can harvest branches and leaves to sell to Tien Viet Company during the 5-year life cycle of the tree, while they still can sell the wood at the end of the cycle. Thus, through the project the enterprise wants to create stable job and higher income for workers, partially contribute to reduce the poverty for women, ethnic people living in remote areas.
3. Experiment in cultivating saplings, taking care of the plants, and harvesting for future replication: Because lemon eucalyptus is one new variety, then in the first place it is experimentally planted in 40.3 ha. In 5 years, when the life cycle of the eucalyptus ends, if the project succeeds, its area can be expanded to 500-600 ha.
4. Creating a much stronger tree that is typical for Bac Giang Province.



02

# Regenerating an Aquatic Resource

[ APPLYING NEW REARING METHOD IN MAINTAINING BREED, REHABILITATING,  
REGENERATING AND DEVELOPING SUSTAINABLE RESOURCE OF PEANUT WORMS ]





### About Peanut Worm

Peanut worm also known as *Phascolosoma Esculenta* is a kind of marine worm. Its body is bright pink and round like a tube. One adult worm can be 10cm length and weighted 10-12gr. This is one nutritious sea-food with 17 mineral elements, 18 amino acids essential to human's body. According to one Chinese document, this marine species is classified as one of the high-profile meal and medicine providing much nutrition such as free amino acids, taurine, and minerals. Though peanut worms are discovered to live in many provinces such as Hai Phong, Phu Yen, Khanh Hoa, Bac Lieu, Ben Tre, Con Dao...however, Quang Ninh is still the most famous place for this speciality.

### WHERE TO FIND PEANUT WORMS?

Vietnam is favored by nature to have a long coastline of over 3,260km with a lot of precious resources stretching along the north - south direction. One of the provinces benefiting from abundant marine resources is Quang Ninh. The province has 2078 islands, accounting for about 2/3 of the total islands of the country - 2779 islands. The surrounding sea of those islands contains lots of valuable nutritious marine species such as snails, sea cucumbers, abalone, squid, octopus, shipworm, shrimp... and one especially famous species that is the peanut worm.

In recent years, when the demand for peanut worm has increased, peanut worm exploitation has brought significant income for many people living in this area, satisfying the domestic and exporting market. Nonetheless, the widespread but unorganized exploitation using exterminating methods, for example electricity, poison, dynamite... has done a lot of damage to the environment and has exhausted the supply of this precious marine species to the point of endangerment.

Realizing this threat, Dr. Vu Huy Thu (former Deputy Director of Aquatic Resource Exploitation and Protection Department, Vietnam Ministry of Agriculture and Rural Development), who now is General Manager of Blue Ocean Development and Investment Joint Stock Company, has concerned to find solutions to overcome this situation basing on his long practical experience in inshore aquaculture.

The idea and implementation plan was prepared carefully but unable to be executed for the reason that the investment value was too high for the company to afford. Furthermore, high risks involved in rearing, developing, and protecting aquatic products made Blue Ocean Company not be able to access to banks' loans to make the project commenced.





At that time, when reading the news on the internet, Dr. Vu Huy Thu discovered Vietnam Challenge Fund Project by chance. Soon after that he sent the application profile for selection to embrace the opportunity. In the profile, Dr. Thu presented in details solutions to implement the project, which would help the project pass two rounds of competition. Finally, this project was chosen and financed for the amount of VND 559,920,000, making up 43.6% of the total investment value of VND 1,280,180,000. The implementation area of the project is 15ha of seashore in Dam Ha District, Quang Ninh. The project will be implemented from August 2008 to April 2010.

## PROJECT IMPLEMENTATION PROCESS

The management board of the project started to provide households with peanut worms in two month - February and August 2009, and spread stock to the natural environment in April and June 2009, which is the breeding season of peanut worm. At the beginning of 2010, the project continued to spread the stock to the natural tidal beach. The distribution area of peanut worms was assigned to each household for self-management. Thus, beside free stock

supply for poor households and ethnic people, peanut worms were also spread in common exploitation area. With the cooperation of Quang Ninh Aquatic Resource Protection Department and District Economic Departments, "No Exploitation" signs were put in common exploitation beach in order to create favorable conditions for the growth and development of peanut worms, which has experienced remarkably positive results.

## THE PROJECT'S ADVANTAGES

Peanut worms are quickly adaptable to the environment, have few diseases, and can stand significant changes of the environment. Its main food is sponge, plankton, organic humus in the sea. Therefore, the initial investment for food supply, disease prevention is low, making the risk low.

In addition, peanut worm can bring high economic profit due to high market demand compared to the current supply. At present, peanut worm is one of the specialties listed in the menu of sea-food restaurants. Visitors to the beach often buy dry peanut worm as a present or for food processing.



Another advantage of the project is that implementers are doctors, aquatic, bio-technological, environmental engineer... with lots of experience in project management and implementation. The project manager and its members attend conferences, meetings, workshops on aquatic products regularly, as a result, they have plenty of opportunities to access the enterprises, people nation-wide are promoting and creating the distribution network for the product while propagating, educating, and improving the general awareness of people in taking care, reasonable exploitation, and protecting this endangered peanut worm resource.

The encouragement and support of VNCF in terms of finance and spirit is another advantage of this project. Fund officers continuously keep an eye on the project activities, capture and timely coordinate with Project Management Board during the implementation, disbursement periods, in order to ensure the scheduled plan.

The remarkable contribution of the local authorities is one factor leading to the success of the project. For example, allowing the project to use the land, cooperate to propagate to residents. Quang Ninh Aquatic Resource Protection Department as well as Tien Yen Economic Department have organized different meeting to consult and cooperate to hold training courses on breeding area protection after spreading the stock into the natural environment. With the rich resources and clear pathway of the authorities in developing the economy focusing on agriculture-forestry-fishery industry, district leaders and related industries have practically supported the farmers, encouraged them to do business and reduce the poverty.

## DIFFICULTIES AND SOLUTIONS

---

Seasonal project, largely relying on the environment and weather: The project is one biological, which has highly sea-



sonal characteristic; as a result, timely, seasonably harvest is crucial to the success of the project. Moreover, rearing and taking care of the peanut worm depends on objective factors such as weather, environment... For instance, the chilly weather at the end of 2008 made large amount of peanut worms die and did significant damage to the project.

Additionally, the beach where peanut worms live must be an unpolluted one, far from the harbor and industrial zones... Nevertheless, in the coming time, the government is planning to build Hai Ha harbor and develop Hai Ha Industrial Zone in Quang Ninh Province into one of the largest strategically placed industrial zone s, with the harbor at the centers of the country. If the policy regulating this industrial zone's operations is not strict, the damage to the whole area will be high, and will affect the lives of marine creatures in general and peanut worm in particular.

Level of education and senses of local residents are not high, they still use rudimentally exploiting methods: Local residents here still use exterminating methods of exploitation such as electricity, chemicals, dynamite... to collect peanut worms around the year, even in the breeding season, which destroyed the ecological environment, the residence of this species, and considerably lowered the quantity and quality of available peanut worms. Especially, take all exploitation (both adult and small worms) to supply Chinese markets for a high price, this has been one of the main concern to the project committee but also the local government. If this situation continues, sooner or later our country will lose this precious resource.

Regularly taking turn in exploitation, applied when the tide is low in the project to maintain and prevent the stock of peanut worms from being exhausted. The tools used in collecting worms are quite simple, only one specialized spade

and a small basket (as in above picture)

However, digging to find peanut worms is not that simple, we must know the trick, and otherwise the peanut worms will be cut into pieces or slip away. Exploiting worms will be classified basing on certain criteria. Only adult worms with the length of over 8cm will be kept for processing, others will be released back to the environment for rearing. People participating in this will be carefully instructed by supervisors to identify and distinguish holes left by the worm while not chafing it. In the harvest, number of guardians will be increased in both day and night shifts.

## VIETNAM CHALLENGE FUND'S ROLE

---

This is the project of rearing a totally new marine species implemented in a large-scale in Vietnam. The project location is in an island experiencing economic difficulties, low levels of socioeconomic development and education. The financial capacity of the company itself could not afford the investment requirements of training and coaching for aquacultural fisherman, ethnic community about the rearing techniques, responsible exploitation, as well as providing poor households with stock to spread peanut worms to there natural environment after the project is ended.

With the above risks, the project found it difficult to attract capital from investors. The financial assistance from VNCF played an important role in the project execution of the enterprise. The assistance not only relieved the enterprise from financial difficulties, but also helped improve the competence in project planning to ensure the success. Besides, VNCF's support has encouraged the local residents to participate in carrying out the project, a crucial factor making the project succeed





## INITIAL POSITIVE RESULTS

### Output and economic efficiency

In September 2008, the project started to spread 4.7 tons of peanut worm stock; by December 2009, over 12 tons of adult, peanut worms were harvested. Though being the first harvest, it brought the company over VND 1.2 billion of revenue and tens of million of profit. The quality of the harvested peanut worms was satisfying: 10cm size, fresh with pink skin, and no scratches were collected.

### Social significance

During the first year of operation, the project employed 20 to 30 full-time workers, 1/3 of them are ethnic and poor people, with the salary of VND 1.8 to 2 million/month to do supervising, stock purchasing, beach clearing, stock spreading, harvesting, and guarding jobs... In addition, workers can be rewarded for high output and other compensation benefits. When the harvest came, the number of workers increased to over 100, paid based on the number of worms collected. The average wage of those workers was over VND 100,000/day, some people even got paid VND 300-400,000/day.

Along with creating jobs for local residents, the project provided them with knowledge via training, coaching courses. Those courses focused on introducing methods to clear up the beach, what type of nutrition to put in; peanut worm breeding, exploiting, protecting, and processing techniques so that local residents can get organized, have a strong schedule, and be more responsible. More importantly, the project helped people understand the importance of regenerating, rehabilitating, protecting, and sustainably development for the resource of peanut worms, preventing them from using extermination, to stop all exploitation methods, especially in the breeding season.

In particular, the project provided free stock of peanut worms to 10 poor households to encourage them to participate in production, specifically to improve their quality of life, and the local economy in generally. This is a practical catalyst for the phase of eliminating the hunger and reducing the poverty.

In terms of the environment, executing the project can reserve and rehabilitate peanut worms while protect the environment in Dam Ha Beach from pollution. This is a fundamental issue, which can help the locals escape from poverty cycle.

Impacts on policies: the project has had significant contribution in influencing the policy. Using practical experience in breeding peanut worms and current pressing concerns about the threat of peanut worm exhaustion, the Project Management Board has drafted one proposal to the government for the establishment of "Peanut worm exploitation, protection, and management regulations in Vietnam seaboard". Implementing the project has created great motivation as well as practical evaluation for those participating in drafting the regulation.



## THE PROJECT'S INNOVATIVENESS

Supplying processed peanut worms (fresh worms is then frozen for preservation, dry worms are processed by passing through the oven) this can minimize the export of live stock out of the country and protect the national resource. For the reason that this is a totally new project and in large scale, the company cannot afford the huge investment in training or free provision of stock to the poor as well as spreading stock into the natural environment, VNCF's financing is one strong source leading to the success of the project.

## THE SUSTAINABILITY

Thorough research, detailed and careful preparation, scientifically invested, on schedule implementation, close supervision can ensure the survival and sustainability of the project. When exploiting, about 60-70% of the peanut worms were harvested, the remaining ones were kept as stock for the next season. This practice brings long term benefits: regenerate, rehabilitate the resource and protect the marine environment.

About the consumption for peanut worms in Dam Ha Beach, the project management committee is responsible for purchasing products from aquacultural fisherman so that they can concentrate on production. The project's future orientation will be doing research on artificial reproduction of peanut worms, which is a strategic determination of the committee. If successful, it will be a break-through discovery, creating a commodity product and will bring greater benefits to residents.

## QUICK PROFILE

**Project:** "Naturally breeding, rearing, storing, regenerating , protecting and sustainable development of the peanut worm resource (Phascolosoma Esculenta) - a precious, high economic-benefit but endangered species in Dam Ha Beach, Tien Yen, Quang Ninh"

**Implemented by:** Ocean Blue Development and Investment Joint Stock Company

Address: Dong Ngu Commune - Tien Yen District, Quang Ninh Province

Tel & Fax: 04.66508214; Mobile: 0913.542.784; Email: [vhthuitc@yahoo.com.vn](mailto:vhthuitc@yahoo.com.vn)

**Project manager:** Dr. Vu Huy Thu, General Manager of Ocean Blue Development and Investment Joint Stock Company, Mobile: 0913.542.784

**Project Area:** 20ha in Dam Ha Beach, Tien Yen District, Quang Ninh Province

**Timeline:** September 2008 - April 2010

**Grant Value:** VND 559,920,000 (of the total investment VND1,280,180,000)

### Objectives:

1. Establish and perfect a friendly environment, and the ability to be applied this in large scale processing of peanut worm rearing, storage, with a high economic efficiency.
2. Provide peanut worms for breeding, promote rearing technology to transfer to aquacultural farmers, particularly free breed provision to ethnic and/or poor households, simultaneously spreading the stock in common beaches to expand the distribution.
3. Creating jobs, increasing income for thousands of Dao ethnic people, colonize new economic area's, so they can live by free peanut worm exploitation.
4. Increase the awareness and responsibility of people in exploiting peanut worms while increase the economic efficiency and protect the resources and the environment.
5. Policy Impact: to build and propose to government authorities: "Peanut worm exploitation, protection, and management regulations in Vietnam seaboard", from which to propose the establishment of a "Peanut reservation park."



03

# Vocational Skills Development

CREATING JOBS FOR FARMERS IN AGRICULTURAL LEISURE TIME  
IN HANDICRAFT PRODUCTION EXPANDING PROJECT





## SKILLS FOR FARMERS IN AGRICULTURAL UNDEREMPLOYED PERIOD

Workers in Quang Xuong, Thanh Hoa Province mainly live by agricultural production with low income. The annual output from agricultural production is just 600 kg of rice/capita, equivalent to VND 2.5 million/year/capital. Local residents there have no skills. There is no job for them to do at night or at in agricultural leisure time; consequently they face a lot of difficulties in terms of finance. Vocational education in the locality therefore encounters difficulties as well. Generally the poor cannot afford the tuition fee of vocational training.

Previously, some enterprises have organized training activities; however limited financial resources have limited the knowledge and skills provided to workers. If provided with vocational training such as handicraft skills, they can take

advantage of their leisure time and nights to earn part-time income of approximately VND 6 million/year/worker. Producing handicraft products is especially suitable to the local poor people.

Thanh Hoa Province itself used to be a big supplier of handicraft products to the Soviet Union and Eastern Europe before 1990s. However, the quality of this sector in Thanh Hoa is low. Presently, Thanh Hoa has over 30 handicraft production facilities, most of them are of small scale, and cannot satisfy the demand for export in this potential market. European and American countries have high demand for importing handicraft products from other countries including Vietnam. Some international companies such as IKEA have done surveys on the competence of local enterprises. The limited capacity, local handicraft enterprises has failed to embrace the opportunity to supply large quantity of products to foreign partners. On the other hand, the



products' designs looks alike, shows no innovativeness or improvement, which is less attractive to large customers.

Duy Hai Company, located in Khang Phu Hamlet, Quang Tien Commune, Sam Son Town, Thanh Hoa Province, with lots of experience in handicraft manufacturing and exporting, has realized the potential of farmers in the leisure time in developing the production of handicraft for export. With the understanding of the bottleneck of the local vocational training, the enterprise has always wanted to build stable, skillful local human resources while developing its own business and reducing poverty in the local area. In addition, the enterprise wants to take advantage of the local material supply, assure the product consumption for local workers, which will foster the whole value chain of product manufacturing of the locality.

Through the introduction of VCCI - Thanh Hoa Branch and Thanh Hoa Handicraft Association, Mr. Le Duy Hai, the enterprise's Director, has obtained the information about the Vietnam Challenge Fund, and was encouraged to make a project proposal "Handicraft manufacturing expansion, attracting farmer in leisure time in Quang Xuong District, Thanh Hoa Province" to send to VNCF. The project has drawn the attention and assistance of VNCF, with the total amount of investment up to VND 751 million, making up for 42,8% of the total capital expenditure (VND 1.776 billion). Local farmers are provided training in producing main products such as coconut shell attached to handicrafts, bamboo made products, and toothpicks (which is sold to the domestic market as well as to some Islamic countries for their incense-stick production). The implementation area of the project is in Quang Phong Commune, Quang Xuong District, Thanh Hoa Province, where the socioeconomics is underdeveloped, local residents' demanded to participate



---

The company products

---

in vocational training. The starting time of the project was August, 2008 and it ended in March, 2010.

## PROJECT IMPLEMENTATION PROCESS

---

Duy Hai Company has implemented the project with the assistance of VNCF. In 2009, the enterprise provided vocational training for 20 people to become tutors, main staff in expanding training to other participating people. The training cost per person is VND 150,000/day (including lunch).

In the second step, the enterprise held 4 training classes in different time in 2009. Skill practicing and training was carried out with residence. On average, each tutor was responsible for a group of 10 people. Those who have received training would transmit their knowledge, skills to other members of their families and neighbors. By now, there have been 600 people participating in production process of the enterprise.



## THE PROJECT'S ADVANTAGES

---

***The market for handicraft products of the project is potential.*** According to the survey carried out by the enterprise, the demand from European and American market is really high. Experience in approaching these markets has shown that if the enterprise can control the product output, exporting to those countries will be quite favorable.

***The project's implementation area is a low-income one; the demand for vocational training to increase the earnings is high.*** Moreover, the participants can receive free training, some people even receive training allowance. Consequently, the locals are excited to participate in classes organized by the enterprise.

***Handicraft production is a traditional industry in the local area.*** Residents in Quang Phong Commune are used to producing hand-made products from bamboo. However, due to the lack of professional training, the productivity is low. In addition, lacking of stable source for output also made people indifferent to this field. When the company is responsible for buying the finished products, people now show more interest in the manufacturing, creating favorable conditions for the performance of the project in the area.

The main beneficiaries of the project are labor in leisure time in a local area, especially women and the poor. Participants can make use of the leisure time to produce handicraft products. They often live in rural areas, have no intention to go to the city. Earning a stable amount of income (about VND 1 million/month) from the project makes them committed to the job.

Using manual labors in the production process is one competitive advantage of the enterprise. For example: when producing incense stick, using manual labor will result in 5.5 kg of finished stick from 10kg of input compared to using machine will bring about 4-4.5kg of output.

## DIFFICULTIES ENCOUNTERED

---

***Risks in unstable sales: because of nature of the product, i.e.*** for decoration, and the enterprise focuses on the customized exporting contracts, the expansion of product sales will affect the project's results as well as the firm's business operation.

***The project was carried out at a time when Vietnam economy was struggling with the world recession.*** The company main market is a foreign one; as a result, the contract cancellation of business partners directly influenced the operation of the enterprise. The years 2008 and 2009 have experienced the financial difficulties of the enterprise, the construction of the facilities was not executed as planned. Some products in the product line were narrowed.

***The company has encountered difficulties in protecting the product's intellectual property.*** Registering the copyright for the products has not been done, for the reason that fake products are now more and more sophisticated and popular; lawsuits will just bring large costs and damages to the business.

## VIETNAM CHALLENGE FUND'S ROLE

---

The implementation of the project handicraft manufacturing expansion encountered difficulties in financing, because it is really hard to gain access to the banks' loans. Moreover, many of the investment can not be recovered immediately such as training costs. If the enterprise invests totally, there will be shortage of capital and long payback periods.

The assistance from Vietnam Challenge Fund (VNCF) has removed the difficulty for the enterprise. With the grant, the enterprise can provide vocational training as well as an allowance during the training period to the local, especially the poor will receive it for free. During the training process, the materials, protective tools used in training will be provided for free as well. VNCF's assistance helped increase the confidence for the participants in training and manufacturing activities.

VNCF's assistance has created important premise for the business to have a force of skilled labors, improving the production capacity and the competitiveness in the domestic and international market.

The assistance also helped the enterprise to realize the business's targets of operation expansion and becoming one leading enterprise in producing handicraft products in Thanh Hoa. Directly exporting and having stable sources of goods, the enterprise will be the collection point and help other enterprises in the province to consign their goods for exporting, simultaneously creating opportunities for the poor to participate in small-scale production and improve their income. Furthermore, the assistance helps foster the technology transfer to other businesses.

## INITIAL RESULTS

---

Though the project is new and in the first stage of implementation (60% completion), initial results are quite satisfactory.

The project firstly aims to create extra earnings for the local labors supplementing to their main income from agriculture. After applying in reality, the income received from the project accounts for the major part of the participants', partially reduces the financial difficulties for poor households in this poor locality.

The participants' income has been increased. Based on the signed contracts, some skilled people (trained and employed regularly by the enterprise) were paid up to VND 2,500,000/month. Those with more skilful workers can receive VND 3,000,000/month. Irregular workers can earn on average VND 1,000,000/month. Whereas, the annual output from pure agricultural production is just 600 kg of rice/capita, equivalent to VND 2.5 million/year/capita.

Through the project implementation funded by VNCF, the production capacity has been improved. Previously, to close a contract, it would take about 1-2 months. Presently, the accomplishment time is reduced to 28 days. Improving the capacity helped the enterprise be more confident in negotiating with partners.

## THE PROJECT'S INNOVATIVENESS

---

The project has identified and taken advantage of the local available human resources in leisure time, consequently the enterprise can take initiative actions in manufacturing processes. The project is carried out in Quang Phong Commune, which is a populated area with much labor in leisure time (the elders, women), poor households, therefore, the number of participants in the project can be ensured. The project's creativeness is expressed in cross training: the enterprise provided training to tutors; tutors then train other people, who do not have to pay large amounts of expenses in recruiting and training workers, Duy Hai Company just has to focus on training 15 main workers, who are young, skilled workers in the province. It's those people who are the tutors working efficiently in transmitting knowledge, skills to local labors. The total number of participants in classes taught by tutors was 160 people in 1 month. During the training period, each member of the class has received an allowance of VND 300,000/month. When the labor became skilful, the enterprise provided them with materials, and was responsible for the product sales, encouraging them to focus on the production. The participants are encouraged to train other members of the family, develop a well-manufacturing household model. By now, the training in residence has attracted the attendants of over 540 people, and 200 households in the commune. Another attractive point to local residents is that handicraft manufacturing is not a time-restricted job, they can produce handicrafts at any time, any season or weather. As a result, the product is price competitive.

Besides, the project has exploited the advantage of local materials, finished products have the variety of designs, unique

characteristics, making it more competitive in domestic and foreign markets. The implementation area is near the material resource that is Ngoc Lac Mountain, the input supply, therefore is ensured.

## THE SUSTAINABILITY

---

The project aims at creating jobs and making use of the local human resources of farmers in leisure time. Training of skills to farmers can ensure the quality of the output and the delivery progress of big contracts. Most of the participants are women and poor farmers; they concentrate on producing in the locality and have no intention to migrate to the city for job searching, which creates the socioeconomic stability in the implementation area of the project.

The company has cooperated with other suppliers of materials such as bamboo, sedge. The affiliation helps the enterprise reduce manufacturing costs; ultimately reducing the financial burden for the business in recession time.

## THE REPLICABILITY

---

Implementation of the project in Quang Phong Commune has proven the feasibility of the replicability of the project to other provinces. Because the company is experienced in vocational training, it is easier for them to expand their operation area. However, the company is responsible for the product sales, then the replicability of the project depends on the ability to exploit a new market and signing new contracts, which requires the company to be more active in searching for new markets and partners.







## THE PROJECT'S SIGNIFICANCE

Vocational training has been carried out and started to create income for the project participants. These initial successes of the project can be obtained due to the benefit combination of the enterprise and the participants. With the financing of VNCF, the company dare to invest and provide skills and higher income to the local, the direct beneficiary from the project, which makes them more committed to the enterprise.

The groups of direct beneficiary from the project are often women and the poor living in Quang Phong Commune. With the assistance in vocational education, and higher income earned from handicraft product manufacturing for the company, those people gradually have regular, stable income to spend for their costs of living. Many women and elders, people having limited health conditions to work on the field can earn extra, independent income to supplement their children's, reduce the expense burden for their families.

In social aspect, the project has not only brought extra income for poor households in Quang Xuong District, Thanh Hoa Province, help them improve their living standards, but also contributed to build, maintain and develop the beauty, skills of traditional villages in Thanh Hoa province

## QUICK PROFILE

**Project:** "Handicraft manufacturing expansion, attracting farmer in leisure time in Quang Xuong District, Thanh Hoa Province"

**Implemented by:** Duy Hai Private Company  
Khang Phu Hamlet - Quang Tien Commune - Sam Son Town - Thanh Hoa Province

Tel: 037 350 4080, Fax: 037 3790760, Mobile: 091 3352 157,  
Email: duyhaivietnam@gmail.com

**Project manager:** Le Anh Quan

**Project Area:** Quang Phong Commune, Quang Xuong District, Thanh Hoa Province

**Timeline:** April 2009 - June 2010

**Grant Value:** VND 751,000,000 VNĐ (of the total investment VND 1,776,000,000)

### Objectives:

The enterprise will establish a new handicraft manufacturing facility in Quang Phong Commune, Quang Xuong District, Thanh Hoa Province with the aim to:

1. Create jobs and make use of the low income human resources in local area.
2. Take advantage of local material supply such as bamboo, coconut, sedge.

04

# Enterprise and Livelihood Improvement

[ STARTING FROM AGRICULTURAL ORGANIC PRODUCT BRANDING ]





## STARTING FROM AGRICULTURAL ORGANIC PRODUCT BRANDING

---

Hiep Thanh Co., Ltd is an agricultural enterprise. Its main focus is on the tea industry. Hiep Thanh in average exports from 3,000 to 4,000 tons per annum of dried tea (green tea) to the Middle East, Europe, Russia, and Taiwan markets. The company was quick to realize the high demand for organic tea which currently rapidly increasing and successfully analyzed the market demand of this segment and this was one of the most important factors which contributed to Hiep Thanh's success. Organic tea is a kind of tea which is cultivated following to the principle that chemicals or fertilizers which impact human health such as chemical fertilizers, plant protective chemicals, synthetic hormone and oriental fertilizers are not allowed to be used. Green tea products produced by Hiep Thanh are certified to be in line with the European standard of organic product by ICEA (Italy).

In order to maintain the quality and supply capacity, Mr. Than Dy Ngu, Director of Hiep Thanh Co., Ltd, has studied and formulated the projects "Building ecological area with Tea - Forest - Chicken and Processing Factory". The project was implemented in Xuan Luong, Yen District, Bac Giang Province.

Due to the innovation and sustainability of the project, it is highly recommended that the model be applied and replicated in other localities. The project received high evaluation from VNCF and thus, got funding approval. The project's innovation can be seen in many factors such as wastes from chicken raising will be used for growing forest which helps to save costs at the same time taking advantage of available labor resources; establishing local livelihood group and work out the choice of location to implement the project.



---

The company products

---

## THE MODEL OF GROWING TEA TOGETHER WITH BREEDING ANIMALS.

---

In fact, the combination of cultivation and animal breeding is quite common. However, growing tea together with breeding chickens has rarely been seen due to high requirement of organic farming. This kind of farming restricts the use of chemical fertilizers or any compost which may be harmful to human health. After doing some researches, Hiep Thanh notices that chicken manure could meet these requirements; therefore, Hiep Thanh decided to adopt the model.

The matter is how to achieve high economic efficiency when combining raising chickens with planting teas using chickens manure. Hiep Thanh's staffs realized that chickens raised on hills became a popular dish on the market for a long time due to its high quality and delicious meat. Furthermore, this model will help farmers working for the planting tea project, at the same time, earn further income because they can take advantage of their free time to raise chickens. With this idea, Hiep Thanh's staff discussed with farmers in Xuan Luong and they received positive feedbacks and supports. It can be said that this is a sustainable agricultural model which contributes to the local ecological balance.









Receiving financial and technical supports from VNCF, Hiep Thanh has provided 400,000 packages of tea seeds for planting 20 hectares in Xuan Luong and Canh Nau. Up to 90 percentage of the area is currently developing at a stable rate. Since the spring 2010, the farmers have started harvesting from pruning tea leaves. This new growing area will be ready for industrial harvesting in about three years from the time of planting. With such positive results, there are many households in Xuan Luong and Canh Nau registered to replant tea in their farmland. Due to good result of the project, Hiep Thanh has successfully built a close model from raising chicken - making compost - planting teas with proper technique at Dong Tam, Xuan Luong Commune, Yen The District, Bac Giang Province. Currently, households in Xuan Luong no longer sell fresh chicken manure or waste it as they used to, instead of, they use chicken manure for farming.

## BUILDING AND MANTAINING LIVELIHOODS GROUP

In order to encourage farmer participation in the project, Hiep Thanh, with support from the VNCF's staff, has established 20 local livelihood groups from many communes in the district. These groups hold regular activities; provide training for the leaders of the livelihoods so that they can become good local officials who will encourage agricultural extension, opening training courses for cultivating technique and breeding animals to farmers of livelihood groups (according to the model of Integrated Pest Management referred to as IPM)

VNCF highly appreciates the model of the project. The livelihood groups become main place to connect all the farmer households in planting and breeding activities, thus, creating stable and high quality materials source. In addition, the project



Livehood Group is a group of people sharing same goal, which is developing tea at the local area. The group is organized and closely coordinated based on the principle of self- governing under the management of group leaders. Farmers participating in livehood groups use their own farmland to grow, care and harvest tea by themselves. They receive technical supports from the group such as training for production and management technique, set up plans and setting timelines for growing, caring and harvesting the tea crop to supply for Hiep Thanh's manufacturing factory.

The group is also a clue to receive advance materials from the plant (seeds, fertilizers, pesticides ...) and in charge of recovering surplus money for materials purchased to factory from farmers of the group at the end of the harvest time. The plant will support the group generate funds directly in cash corresponding to the output of fresh tea purchased. Farmers in the group will be provides fertilizers and seeds as the initial fund. The groups will use these funds to encourage agricultural extensions activities and IPM training for their members. The groups also are responsible for helping farmers widen the planting area at the same time managing to ensure that the quality of tea in accordance with organic tea standard.



also attracted participation of local authorities, which is a vital contributor to the success of the project.

## THE ROLE OF VNCF

With VNCF's support, Hiep Thanh held two management training courses for 10 group leaders, 3 province staffs, and 56 training classes. Cultivation techniques for organic tea planting following IPM were shared with all farmers both inside and outside of the groups. Beside, Hiep Thanh provided fertilizers, seeds for many household to plant in spring, crop allowed the farmers to delay the payment for six months. These deferred payments contribute to enhance the commitment from the farmers to the project.

Beside innovation, good business plan also contributes to the success of the project. The activities such as building the tea seeds supply chain, developing a stable and high quality source of tea ensure that the final products of farmers will be purchased by the factory. Now, Hiep Thanh has upgraded a current factory up to 10 tons of green tea

productivity per day so that the enterprise can purchase all tea leaves on Yen The and surrounding areas in recent time.

The People Committee of Yen The appreciates the project model and allows Hiep Thanh to invest in restructuring and developing the tea area located in Dong Tam commune (previously known as Dong Tam Tea Farm). Currently, Dong Tam still has 150 hectares of tea which are grown under shadow of unproductive litchi. More over, The People Committee of Yen The and Bac Giang province planned to upscale Yen The's tea farm up to 1000 hectares with the centre placed in Xuan Luong and Dong Tam. This huge area will be under Hiep Thanh management. Furthermore, the committee permitted Hiep Thanh to build one more factory. This factory will produce tea with small dark leaves and green tea with productivity about 30 tons per day at Dong Tam at the end of 2010.

Because the project focuses on developing agriculture and the main nuclear are famers households, it has strong impact on the plant and animal structures of the commune in particular, and Bac Giang province in general. Hiep Thanh is a small and medium enterprise, therefore, it has not had sufficient finance to invest and develop in whole area. So, the project needs the support from farmers and local authorities to be substantially developed and ensure the long commitment of tea farmer. The project : ' Building the ecological model Tea- Chicken -Forest and Processing factory in Xuan Luong' really brings a big change to Xuan Luong's tea farm, especially, Yen The District. The project should be considered a good model to be multiplied in the coming time.

## QUICK PROFILE

**Project:** Building the ecological area with the model: Tea- Chicken- Processing Factory In Xuan Luong, Yen The District, Bac Giang Province.

**Implemented by:** Hiep Thanh Co., Ltd. Address: Room 520, 15-17 Ngoc Khanh, Ha Noi. Tel: 04.8465142 Fax: 04.8456024, Email: Htchanoi@hn.vnn.vn

**Project Manager :** Than Dy Ngu , Director of Hiep Thanh Co., Ltd

**Project Area :** Xuan Luong Commune, Yen The District, Bac Giang Province

**Timeline :** September 2008 - April 2010

**Grant Value :** VND 733.000.000 VND ( in the total of VND 1.497.000.000 )

### Organizational Structure :

- + Head of Project : Mr. Than Di Ngu, Director of Hiep Thanh Co., Ltd
- + Project Secretary : Ms. Nguyen Thi My Hanh
- + Building and supervising livelihoods: Mr. Le Dinh Manh
- + IPM instructor: Mr. Luong Van Vuong
- + Consultant for building funds for livelihood: Ms. Phung Thi Ngan Ha
- + Director of Xuan Luong tea factory
- + Project Accountant.

### Objectives:

Building a model of producing stable agricultural products, increasing income and building community for Xuan Luong area by:

- + Create a household model which combines planting tea with farming chickens (on mountain) associated with growing forest.
- + Develop business ethics on communities and encourage agricultural development through the establishment of livelihood groups.
- + Create a sustainable supply chain: Farm households- Livelihood groups- Factories- Exporters- Foreign buyers.

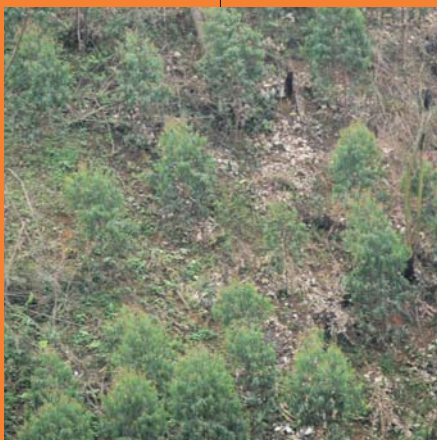
05

# Cassava Feeds Forest

INNOVATION THROUGH THE MODEL OF GROWING  
ECONOMIC FOREST TOGETHER WITH HIGH - YIELD CASSAVA







## WHEN WILL FOREST MATURE?

During the recent years, the demand for planted forest timber continuously increases both domestically and internationally. The main source of timber is limited while the timber price is stable. It therefore brings high income for mountainous inhabitants. Therefore, planting forest gains more and more attention and the result is the planted forest areas have been continuously widened in the past year. Implementing the Decree No 327/ CP of Government on land use on treeless hills, Yen Bai Province have carried out planning and allocating forestry land to affiliated enterprises. The 327 Forest Production and Service Company has planted thousands of hectares of economic forest, 72 hectares of protective forest. The enterprise also coordinated with several thousands households and forest entities and successfully protected thousands of hectare of forest. The project attracted a large number of unemployed workers, ethnic minority; contributed for poverty reduction and improve social and economic life. Besides, environment protection, soil erosion reduction and flood controlling is enhanced because masses of bare hills are filled with green trees. The project also creates a favorable condition for managing, growing and protecting forests in long term. In addition, the enterprise could provide a stable source of timber for Bai Bang Paper Factory and various timber processing enterprises in the region.

For further development from the existing results, the enterprise has launched the other project, which continuously plants 150 hectares of forest at 3b Khe Bong - Khe Tung village, Viet Cuong commune and Da Gai, Khe Ba, Kien Thanh commune, Tran Yen District, Yen Bai province. Kien Thanh has 108 hectares and Viet Cuong has 42 hectares left. This is the afforestation project - economic model with eucalyptus and acacia on degraded sold together with high-yield cassava. Initially, the enterprise cooperated with the forest farmers



in the form of a “contract” meaning that farmer’s plant and harvest, and the enterprise will be responsible for purchasing the output. However, even though the people have already signed contracts with the enterprise; they are ready to sell to other merchandiser for a higher price. Furthermore, the whole process from planting until collecting takes from 5 to 7 years with price fluctuations and rapid change in market condition. In addition, the farmers totally rely on revenues from trees without any additional income in the time of waiting for trees become mature. These factors affect the commitment between farmers and the enterprises. Understanding this problem, Mr. Do Thap, decided to not to cooperate with the farmers on this type of contract. Instead, he hired farmers to plant and tend forest on the business forestry land. With this new method, business will



find it easy to manage and achieve higher efficiency. The enterprise strongly believes that with experience gained, and support of VNCF in term of expertise consultation, financial support, and the project will be well-managed.

## THE PROJECT IMPLEMENTATION PROCESS

---

The process begins with importing seeds from the Phu Ninh seed centre, Phu Tho province and the seed centre of Yen Bai province. The 3 to 4 months old of eucalyptus and the 4 to 5 months old of acacia will be brought into cultivation. Choosing qualified seeds is the foremost step in the whole process, which decided the success of the project, therefore, the enterprise closely worked with the centre in this step. Seedling needs three years more to become mature trees, and during this time, it required the growers to implement the handling of food packaging, which including trimming root, picking tea leaves and clearing grass etc.

The innovation of the project is the combination of planting high - yield cassava with forest trees. High-yield cassava needs very short time for harvest, so the enterprise can take advantage of quick yield from cassava to invest in afforestation in long term period. Another innovative issue is that the enterprise has utilized available human resources, farmers harvesting cassavas can also be responsible for forest trees



tending, which helps to reduce cost and labor intensive.

The director of the project has used financial support from VNCF to hire professionals, who frequently check and measure the growth of seedlings. If any problem occurs, they will quickly find solution to stop the epidemic. This method might result in high expense initially; however, it ensures the stability of the whole process in the future.

## FACTORS OF SUCCESS AND GOOD PRACTICE

---

Firstly, after realizing that the “contract” method is ineffective, the enterprise had change initial method into more appropriate one, which resulted in easier management while bring greater efficiency. The second factor comes from suitable investment in hiring professionals to regularly check the growth rate of different types of plant, its density, soil and climate etc.

Lastly, with VNCF’s financial support, the implementation time has shortened by half compared with the original plan (which is estimated about two years). Because the project characterized by social responsibility, it is difficult to attract preferential loans or fund support from financial organization, therefore, the financial support from VNCF has great meanings to the success of the project. Besides, the project also received intensive supports from the Fund’s staff in term of management consultancy as well as a lot of encouragement, feedbacks during the process of the project implementation.

## THE IMPORTANCE OF THE PROJECT

---

The project “Growing economic forest together with high-yield cassava” at Tran Yen district, Yen Bai province has great social and economic meanings. The model and tech-





The project has generated 34,350 days of labor (not including the mining, transport labor) in five years. Employees income per day are higher compared with normal local income, which is (70.000 - 50.000 = VND 20.000). The higher income compensates for the high technical process required (as mentioned above) of the project. In addition, be aware of significant impact from the huge success of the project, the Fund has approved high pay day to the improved living standards for workers.

nique of the project should be multiplied in order to rapidly fill up bare land, treeless hills and at the same time improve welfare for local people.

The project has attracted many workers who mainly come from ethnic minorities and local. The project has created jobs for hundreds workers, women and children of ethnic minorities in remote areas, contributing to reducing poverty, maintaining security and social order.

Furthermore, the project is also contributed to improve natural environment. Forest coverage has been increased with 150 hectare being covered by green trees on impoverished soil, which help to reduce natural calamity, control erosion, maintain soil fertility and enhance ecological environment, creating beautiful landscapes for tourism. The project established their water source for forests irrigation. With huge amount of water the other small electric machine was added for the purpose of irrigation, fire prevention. The mountainous residents' life also benefit from stable source of water.

The project is successful because of its active and innovative characters. Besides, a good project manager and the technical staff also contributed for the success. This project has achieved economic efficiency which helps to ensure the sustainability of the project and motivate the development of the project participants.

## QUICK PROFILE

**Project:** "Growing economic forest in combination with high - yield cassava at Tran Yen Commune- Yen Bai Province".

Implemented by : 327 Forest Production and Service Company  
Address: Group 7, Yen Binh District, Yen Bai Province , Tel: 029.885.308, Fax: 029.887.886

**Project Manager :** Mr. Do Thap, Director of 327 , Mobile: 0914.930.057

**Project Area:** 150 hectare at Khe Bong , Khe Tung , 3b Commune, Viet Cuong, and Da Gai, Khe Commune, Kien Thanh, Tran Yen, Yen Bai Province.

**Timeline:** September 2008 - April 2010

**Grant Value :** VND 820.000.000 (in the total of VND 2.595.000.000)

**Organizational structure :**

+ Director, Vice- Director

+ Operational Department: (i) Organizational Dept.; (ii) Technical Dept.; (iii) Financial Dept.; (iv) Forest Supervisor Dept. ; (v) Producing Groups

**Objectives:**

+ Effectively utilize bare soil, choose suitable trees, and create jobs for local residents to improve living standards.

+ Increasing forest coverage, protect ecological environment, control erosion, mitigate natural disasters and create beautiful landscape as well as aquatic resources

+ Protect national security and keep social order.

+ Provide stable source of raw materials for wood processing factory in and outside the province.



06

# A Social Enterprise

[ MANH HUNG- THE VOCATIONAL TRAINING CENTRE FOR THE DISABLED PEOPLE ]





## STARTING FROM A WARM HEART

Starting as a small private company, Manh Hung Vocational Centre - a subsidiary of Hung Hiep Commerce and Trading Co.Ltd located at Luc Nam district, Bac Giang province, became a reliable address for job training and job creations for employees both inside and outside the province. From 2004 to present, Manh Hung has trained over 5,000 employees, of which 95% of labors have found stable jobs.

Ms Nguyen Thi Hiep, Director of Hiep Hung a dynamic businesswoman is enthusiastic and has a high social responsibility for vocational training. She has desired for expanding Manh Hung centre in order to provide more vocational training for the poor, disabled and disadvantaged people. But the big question is how to develop this kind of social project while in reality many same projects had failed?

One day, she got information about VNCF when participated in the meeting held by Bac Giang SMEs Association. Understanding the roles of VNCF in assisting companies to implement innovative projects, which directly contribute to social development and poverty reduction, she applied the project of Manh Hung and after three assessment rounds, the project has successfully received a grant.

## THE IMPLEMENTATION PROCESS OF THE PROJECT

The process is divided into three phases. In the first phase, Hung Hiep used their capital to build infrastructure, factory, workshops and classrooms including a three-store office, workshop houses and classrooms in the area of 300m2. In the next phase, the enterprise purchased machinery, equipments and tools of garment and engineering. The grant from VNCF will be used to by 100 garment



According to statistics published by the Department of Luc Ngan Labour- Invalids and Social Affairs, there are around from 3000 to 4000 labours every year which are in demand for jobs, of which 500 graduated from universities and colleges; from 1000 to 1500 from technical school and 2.000 people entering the working age.

Besides, the statistic also reveals the poverty rate in Bac Giang province in 2009 was 13.7%. This rate is targeted to reduce to below 10% in 2010.

However, the living standards in Bac Giang are not equal, in particularly, in Luc Nam, the poverty rate is up from 30% to 35%.



machines including one-needle sewing machine, two- fixed needle sewing machine, and overlock sewing machines, 30 engineering machines consisted of Tig welding machine, hand-held grinding machines, drilling machines, cutting machines, tables welding machines ... Final phase is the recruitment and training activities. The centre opens four courses every year and each course, the center provides training for 20 children who have difficult circumstances.

## THE INNOVATION OF THE PROJECT

The project received grant due to its innovation and stability. Besides, it also received technical supports from VNCF's staff in management activities. During the implementation process, the staff is enthusiastic and supervise in-depth each step of the project. Thanks to the fund's prestige, Manh Hung Vocational Centre has been supported and received favorable conditions from local authorities, which enhance the trust of new labor to the center.

**New approach: providing vocational training for the poor.** The project shows its innovation when choosing the poor and disadvantaged people who have unstoppable desire to overcome difficult circumstances. After basic

training they will become skilled and conscious employees. Thus, they become typical examples for the other apprentices.

**Effective cooperation with the local authorities:** To successfully select the candidates Ms. Hiep has to actively cooperate with the local-level units. The participation of local authorities in the project will enhance the centre's prestige.

**Customized training courses on demand:** Regularly participating in business groups such as Young Businessman Association, Enterprise Club etc Ms Hiep has found the real demand for labour recruitment, and skilled labour of many businesses. Therefore, she actively approached neighbour enterprises and offered them labour supply on demand. The centre focuses on training workers with the appropriate technique, which specified and in line with the business need and technology. Thus, all employees introduced to the enterprises are able to be immediately involved in enterprise production line. This critical factor helps Manh Hung gain the trust of students and employers in the province, where there are more than 70 vocational training institutions.

The program has significant meanings, not only for the poor and the disabled people, but also for the society. The poor after being trained could earn more income and reduce the burden for the family and society. The project has provided free training for 80 children in difficult circumstances among 1000 students.

VNCF commits to assist a part of tuition fees for the poor group. Each student belongs to this group has to pay only VND 900.000 for three months course applied for all kind of vocational training, while the required fee for garment



training is VND 1.200.000 and VND 3.500.000 for engineering course. VNCF commits to support the project in purchasing machine, when the company has finished infrastructure and builded factories.

Thanks to the specific objectives, the project has achieved a positive contribution to vocational training and jobs creation for the local rural workers, contributing to poverty reduction and social evils. This is really a good project which has a very rich meaning for economic, social development.

## QUICK PROFILE

**Project:** "Investment on building infrastructure, factories at the Manh Hung vocational training centre, subsidiary of Hung Hiep Commerce and Trading Co., Ltd"

**Implemented by:** Hung Hiep Commerce and Trading Co., Ltd  
- Address: No.80, Thanh Xuan, Doi Ngo, Luc Ngan District, Bac Giang  
- Tel: 0240.884.767, Fax: 0240.884.767, Email: hunghieptrade-company@yahoo.com.vn

**Project manager :** Ms. Nguyen Thi Hiep , Director of Hung Hiep Commerce and Trading Co., Ltd

**Project area :** Luc Nam and other districts of Bac Giang Province

**Timeline :** April 2009 - June 2010

**Grant Value :** VND 697.392.000 (in the total of VND 1.826.992.000)

### Organizational structure

- + Director of Hung Hiep cum project manager: Ms Nguyen Thi Hiep
- + Chief accountant : Nguyen Van Phuc
- + Vice-director, Director of Manh Hung vocational training centre: Mr. Vu Manh Hung
- + Executives - management board: Mr. Nguyen Ngoc Sam
- + Accountant - member of management board: Mr. Hoang Van Khoa

### Objectives:

- + Provide vocational training on garment and engineering to the poor in rural area.
- + Supply skilled labor for industrial enterprises operating on Bac Giang and surrounding area.
- + Create employment and increase extra income for the poor and rural workers.
- + Promote local social and economic development and at the same time pushing back social evils

07

# Learner-Centered Training Methodology

[ IMPROVING THE TRAINING METHOD FOR ENTERPRISES ]







## WHEN MICRO ENTREPRENEURS GO FOR TRAINING

Aiming at enhancing management capacity for the VNCF's grantee, new business start-ups and very small business in remote and underprivileged areas, the SME Promotion Centre (under VCCI), has closely cooperated with local agencies to provide 30 training courses in 15 northern provinces of Vietnam, which are former Ha Tay, Ninh Binh, Thai Binh, Thanh Hoa, Bac Giang, Quang Ninh, Lang Son, Hoa Binh, Phu Tho, Thai Nguyen, Yen Bai, Tuyen Quang, Cao Bang, Bac Kan Province, Nam Dinh, Hanoi. 1,400 students have benefited from the training courses. Among them, 70% of total are female students and nearly 30% of students are of ethnic minorities.

The courses are designed with different contents aiming at enhancing the capacity of leaders, managers and employees of small and very small enterprises such as starting a business, business planning and business management. Topics covered in the courses include marketing, cost projection, human resources management, accounting, communication skills, sales skills etc. These courses are designed on the basis of the needs and suggestions from business, local partners in conjunction with the advice of experts and senior lecturer of VCCI.

The SME Centre's courses have been widely appreciated and have received positive feedbacks from the students about the quality of training programs. The courses are evaluated on the basis of the following criteria:

**Interview students from Hiep Thanh**

**Mr. Than Dai Nhan - Sales Executives said that after the course, he understood the values which a manager should possess. He also got to know more about business ethics and social responsibility.**

**Ms Ho Thi Tuyet realized the important of "business culture" in business management and developing relationship between the enterprise and farmers.**

- + Knowledge provided
- + Interest/ excitement it brought about.
- + Training material
- + Usefulness of the courses

Notably, the majority of students commented about the usefulness of course. According to the collected feedbacks, the participants confirmed that that the knowledge provided in the courses are not only helpful for their business but also for their lives. This is the first time that many of the students have had a chance to access to a training program held by VCCI and by VNCF in particular.

After a number of courses, many students who participated said that they actually used the knowledge gained from this course. They feel more confident with the ideas, plans and projects of their business because they have been provided for the methods, tools, know-how, trade secret. They feel more confident when judging their business idea. Some businessman said they would restructure their business models, rework their marketing plans and management methods to streamline operational processes to make the business to be more professionally run.

The program has been implemented in 15 provinces in the north with the close cooperation of local partners. The

training is often organized not only in one location, but also in the communes and districts of the province in order to facilitate student travel. This is particularly helpful in the case of the districts and communes which are located far away from the centres of city or towns.

Many factors contributed to the success of "Training Program on starting a business" can be applied for other programs.



**According to Vu Huu Kien, a lecturer of the program:**

**The training is essential for small and very enterprises in provinces, particularly in remote areas such as the Yen Bai, Tuyen Quang, Bac Kan ... Businesses are "hungry" for information and awareness of corporate governance. Therefore, training provided by VCCI and VNCF was very crowded and fully participated. The program also creates conditions for women entrepreneurs to participate in training. This is absolutely right approach because most small business households are run by women, but they lack updated information as compared with businessman. They therefore should get additional support.**





### According to Bac Giang Young Business Enterprises.

With the technical support of VNCF, the training course held by VCCI this time was placed at Luc Ngan, a commune of Bac Giang, far from the centre of the city. With this convenience, the registered number of students rised up to 100 people. Fifty businessmen were chosen for the first course.

### According to Lang Son Women Union

Even though the club is newly established; it continuously organized activities for women. However, the training course held in March 2010 is the first training course was held in Lang Son for female entrepreneurs. The content and teaching method of the courses are appreciated by all students. Training materials are simple, easy to understand and the lecture is good at attracting attention of students. Women in Lang Son province hope to continue receive more support from VCCI and VNCF in order to implement other training courses to improve knowledge and capacity for enterprises in the province.

## DEMAND-BASED TRAINING

Understanding trainees are managers of small and very small enterprises in provinces outside of Hanoi, which mainly come from ethnic minorities and majority of business owners have limited ability to access information on corporate governance. Therefore, the staff of the SME Centre has developed training programs which is close to reality and is highly pragmatic. With the teaching method of "join to learn", all students are very much involved in the course. Moreover, the Centre usually has meetings with the trainers before the course to discuss specific subjects, types of students, business areas, in order to design exercises and case studies which are most close to the actual situation of participants.

Many students gave very positive feedbacks on the training program, as the course content is very rich and pragmatic. Before participating in the course, most students do not understand a specific legal responsibility in business,

### Content of the course "Start up business and business ethics"

1. Characters of a businessman.
2. Human Resource Management
3. Legal Responsibilities
4. Marketing Plan
5. Business Plan, Cost and Revenue Estimation
6. Revenue Plan.
7. Art of communication
8. Leadership Style.
9. Team works skills and effective management methods.
10. Corporate culture and the role of leader.

leadership style, organizational skills for teamwork, corporate culture, environmental responsibilities etc.

## INNOVATION IN TRAINING METHODS

***Many innovative methods have been applied with the aim to implement the training program effectively***

In order to approach micro-businesses located in remote areas, especially where the transportation condition is in difficulty, VNCF and Small and Medium Enterprise Promotion Center have coordinated with local partners such as Women's Union, Cooperative Alliance, Business Association, etc. to organize training courses. Specifically in Cao Bang Province, the Center has collaborated with Department of Politics - The commander of the Frontier Military Garrisons to hold a training class to on entrepreneurship training for over 30 trainees coming from small businesses as well as frontier military soldiers.

### ***Simple but effective training materials***

Materials of the course also were prepared very carefully and fully delivered to all students including books, notebooks, pens and handbags to ensure that all students are in comfortable mood and ready to study. The materials can be used as handbook, which guides each step in the process of business planning and business management. Materials are constructed logically, simply and easily to understand. In addition, the students not only have chance to learn theory case but also can do real case study. Practical exercises in the course also built close to reality, true to the situation of the business.

The VCCI staff understands that training materials are very important for students. They therefore are designed in a

manner that that help the students to continuously improve their knowledge after completing the course. More over the Center develop the special training kits for students in remote areas and the border guard soldiers so that they can use them to train others.

### ***Training methods and quality of teacher are important factors***

Training Programs of the Centre support small and medium enterprises have carefully selected teachers for the training programme. They have been carefully selected in terms of expertise. Participants attended these courses are actually engaged in business activities, business management. They have business experience but lack of ability to structure the problem and knowledge on corporate governance issues. Moreover the levels of the students are very different in age, experience and business lines. Selected lecturers are both newly qualified and experienced teachers. They made up a good team which has both practical knowledge about business operations, business management experience. More importantly they know how to transfer the knowledge to provincial companies. In many courses, the program requires that trainers must have a good sense





of humor, good grasp of the psychology of ethnic minorities. This is particularly important since ethnic minorities account for about 30% of participants.

Learner-centered teaching method is applied throughout the training programme. Lecturer used various methods such as group discussion, practical exercises, role-play to deliver learning contents in more easy way to understand.

Students highly appreciated teaching methods of teachers. Many students believe that all complex theoretical concepts are absolutely simplified through the story of daily events that students are still undergoing, which they have encountered in life or in their business. The case studies are familiar with students. Students have participated actively in the learning process in classrooms with these teaching methods. Many of the students really maintain good relations with the trainers and ask for advice after the courses are ended. Many of them even compose poems to express gratitude to the trainers.

The training is focused on the personal achievement of students. In each of the modules, trainers always summarized key points after discussion of each issue and help learners to deepen their knowledge and skills. For contentious issues which trainers and learners might find hard to find common voice, all voices are respected and discussions are encouraged. Trainers always take time to provide practical examples in day to day business, making sure that they are most helpful to daily business management of learner. Result-oriented is the key principle for all of the training courses. Teaching methods for students helped themselves to come up with their own decision under the coaching of the trainers. Healthy competition based on skills and efforts in all circumstances always emphasized.

### ***Creativity in selecting students is expanding the impact of program***

In addition learners were initially identified as small business owners, very small households. Learners from larger businesses were later on included in order to maintain sustainability and expand the impact of the training programme.

The SME Centre found that the demand for training of small and micro businesses is enormous, especially in remote areas. However, the support of the program and the number of classes is limited. The program can not organize training courses for small businesses in the areas near the border due to its distance, or if training courses were provided, they could not be held on a regular basis.

Besides, the Center also clearly see the positive role of border guards and soldiers, officials and advocacy women helping people in developing economic and reduce poverty. Therefore, the Center has invited some soldiers, officials and advocacy women participate in some economic training with local businesses. Through the courses, knowledge of business communication skills and consultancy skills are offered for them to propagate their self-confidence so that they can become active teachers and advisors. They will use gained knowledge to provide advice and assistance to residents for economic development, maintain the sustainability of the project.



## IMPROVING THE QUALITY OF BUSINESS ACTIVITIES THROUGH APPLYING KNOWLEDGE FROM THE COURSES

Ms. Gia Trieu Thi, owner of a very small business in Bac Kan province, started to do business in June 2009. Her business is raising and selling chicken and it has created stable income for 5-6 people. The idea of the business came when Ms. Gia realized that there was high demand for chicken in daily life, especially in holiday, wedding season while there was shortage of supply for chicken in the region. She bought chicks from Bac Ninh province and raised at her garden and then resell at the region market. The business depends much on the supplier as well as natural conditions, so it stays at small scope. When she was informed that there was a course name 'art of marketing', aiming at improving sales skills and business management, which is organized by VCCI in order to support SMEs, she immediately participated.

**Actively findings new suppliers to ensure a stable input:** Before participating in the course, she supposed that a small scope business do not need many suppliers, and she maintained only one supplier, who she knew passively through some local advertising without comparing prices to other suppliers. But after the course, she understood the need to survey market in order to find best price and quality provider. She said she would frequently carry this activity.



**Enhancing marketing activities and customer care:** Previously, Ms Gia supposed that a small business need not pay attention on marketing activities, so, the customers are local people. But now, she has understood the importance and the result of making her business distinctive from other competitors through marketing activities. The effort to make "my chicks are different" is evidence for changing in her awareness of building brand name for the products. Ms Gia set up detail plans and at the same time enhance consulting and talking with the customer about chicks sources, method raising chicks to get the best results. The customers can feel secure when they bought chickens from her because they can be sure that they would get enthusiastic advices and consultancy.

**"Think bigger, dare to do greater", enhance sharing experience with neighbor businesses:** she has more confidence with her desire to get rich because she has accessed to new knowledge. Ms Gia said she would consider a bank loan to expand her business. In order to achieve the goal, she plans to visit other companies to actively exchange information, assist each other and compete healthily.



08

# A Warning from the Environment

[ ENVIRONMENTAL RISK IN CULTIVATING  
WHITE SPOTTED OCTOPUS ]





White spot octopus is seafood which is of high economic value. This type of seafood is processed into a nutritious food and is a favorite cuisine for many customers. It is not only to serve the domestic market, white octopus also in great demand from foreign markets, especially from China.

White spot octopus is naturally grown. However, due to the rampant exploitation, octopus in the waters of Van Don District, Quang Ninh province is being endangered. The exploitation of fisheries resources while it gradually exhausted also lead to difficulties in the lives of island's residents. Creating long-term stable life for residents on the island while protecting and developing fisheries resources remains a major challenge for local authorities.

Viet Hang Construction and Service Co., Ltd (located at Zone 7, Cai Rong Town, Van Don District, Quang Ninh Province) with

experience in the field of breeding seafood, has proposed the project "Creating jobs for Quan Lan's residents on Van Don island through a project raising white octopus. Mr. Pham Dinh Nhen, director of Viet Hang, also took the role of the project manager. The project is operated on Quan Lan island, Van Don, Quang Ninh. The project lasts from August 2008 to August 2009. In particular, the value of grants from VNCF project is VND 745 million, accounting for 47.1% of the total project value, which is USD 1.580 billion.

The objectives of the project include: (a) maintaining and planning the effective exploitation of octopus species, (2) Create jobs for 80 women and adults in working age, raising the living standards of fishermen on the island, contributing to local economic development, and (3) improve and protect marine resources.

## ENVIRONMENTAL POLLUTION - UNESTIMATED RISK

---

In the first year, the project invested heavily in equipment. The cages for catching octopus were carefully selected from Bat Trang, Hanoi. Fishing equipment such as boats, lights, nets and other instruments also were newly equipped.

Outside the island, a team of about ten people are responsible to care and put the cages to protect octopus from the illegal hunting. In harvest season, the project hired more workers on the island for fishing and then ships would transport them to inland to sell in the market of Van Don District.

## ADVANTAGES OF THE PROJECT

---

White spotted octopus is popular seafood for tourists to Quang Ninh in general and Quan Lan Island in particular. In addition, this kind of seafood is gradually depleted so its price rose sharply. Therefore, if the project succeeds, it will generate large output of octopus and bring significant benefits for the participants.

The project manager, an aquatic specialist, Mr. Pham Dinh Nhien, was born and grew up in the island, so he knows a lot about the life and natural condition in the island. When a child, he was involved in fishing and spent more time to study various type of seafood, the method to catch them ect .Also, his friends and relatives are experienced fishermen, so the project can receive the support in practical farming technique. Before conducting the project, an integrated test was successfully carried out.

The operating area for the project was granted by local authorities from 2006 is also a great advantage.

## DISADVANTAGES AND SOLUTIONS

---

This is a biology project which is highly dependent on natural condition and harvesting season, additionally, islanders are often fish with destructive methods such as electrical impulses, blasting, poison... likely to cause adverse impacts to the octopus.

The raising methods mainly derived from actual experience of those involved in projects rather than through training, therefore, it sometimes has technology and techniques mismatch in the implementation process.

The project area is located in Quan Lan Island, a desolate island, while the project management staffs and Viet Hang's headquarter located on shore. Separated by geography makes monitoring work more inconvenient, and that incurred huge expense for inspective activities by officials from the mainland to the island. It takes an average of 3 hours to travel, handling matters, uncertainties risks outside the island also increase more time consuming.

To overcome these difficulties, the enterprise has arranged a team of about 10 people on the island, which has 2 to 3 direct supervisors, who are responsible for reporting to the mainland timely when the problem occurred.

However the project faced unforeseen problem, which is the natural environment in Quan Lan is heavily polluted due to sewage released by factories. The company reflects to the local authorities many times to require factories to comply with regulations on sewage treatment and environmental protection, but the situation has not improved. Therefore, the project has failed in practice.





## THE ROLE OF VNCF

---

VNCF plays very important role to the project, which can be seen through the following issues:

VNCF has shared a large financial burden for the enterprises, especially, when capital access for business expansion and business development is very limited. The project can borrow loans from policy banks, however, the loan amount was too small and not enough for company to implement the project. Therefore, VNCF has an important role in realizing the projects. The close contact between the Fund and the company also ensure better project progress timeline.

## FIRST RESULTS

After one year receiving the grant from VNCF since October 2008, the revenue earned from the project was nearly 8% (VND70 million) of the initial plan (VND900 million). The project has created regular job each month for 10-13 workers responsible for taking care of the white octopus for the salary of VND1.5 to 2 million/month. In addition, in the breeding season, the local residents are hired to fish for the daily wage of VND70,000 to 80,000/day.

The heavily polluted natural environment in Quan Lan sea, ineffective management, and almost no solutions to overcome difficulties and risks from external conditions are the main reasons of the project failure.

At first, one serious issue is the sea water around Van Don Island, which has been seriously affected by sewage released from jelly fish processing factories.

In addition, project managers and staffs were quite passive in farming methods. When the project encountered above problems, the management board just proposed to the dis-



trict agencies to prevent jellyfish factory, the main causes leading to these unexpected consequences. Instead of finding urgent remedies, they waited for change from the local government. The passive action led to the unsustainability of the project. While the octopus only grows well in quiet environment, the project management has not found any solution for the illegal and uncontrolled catching using electricity or dynamite of fishermen, which strongly affects the reproduction and development of the octopus.



## CONCLUSION

After a year of implementation, the management board of the project realized that the project depends heavily on natural condition, environment, and epidemic diseases while the staff has not found solution yet.

Stop receiving financial assistance from VNCF is a major difficulty for the project. However Viet Hang has prepared a new business plan. With the equipment available, businesses turn into raising oyster and snout otter clam. They lives in the sand, thus, they will not be affected so much by external factors such as octopus. Despite this, if there are no specific plans of actions, effective management, and good farming methods the likelihood of success of the project is also expected slim. In such a circumstance, flexibility does matter.

Although the project has significant meanings for the poor on Quan Lan Island, e.g. it has introduced new way of octopus farming and has attracted large investment initially;

the project has not achieved the desired results. First, this is biological project, it requires that workers have good understanding of the species, its living conditions, the influence of the surrounding environment, rather than basing only on practical experience. In addition, the project has not developed value chain or coordinated with other packaging enterprise for high quality output, in fact, after farming on island, octopus simply move to the mainland and sold at wholesale markets.

Although the project is not successful from the perspective of investors, both the company and VNCF got lessons learned to ensure the success of future projects. Environmental risks, climate change affect should be carefully considered along with other risk such as financial risks, product competition, market changes ... when deciding to invest in the project. This is something that both Viet Hang and VNCF desire to share with other businesses.





## QUICK PROFILE

**Project :** "Creating jobs for Quan Lan's residents on Van Don Island through farming white spotted octopus"

**Implemented by :** Viet Hang Construction and Service Co., Ltd

-Address: 7 Lot Cai Rong Town, Van Don District, Quang Ninh Province

-Tel::033.874314, Email: saihikaru54@yahoo.com

**Project manager:** Pham Dinh Nhen, Director of Viet Hang,

Mobile : 0912000207, email: saihikaru54@yahoo.com

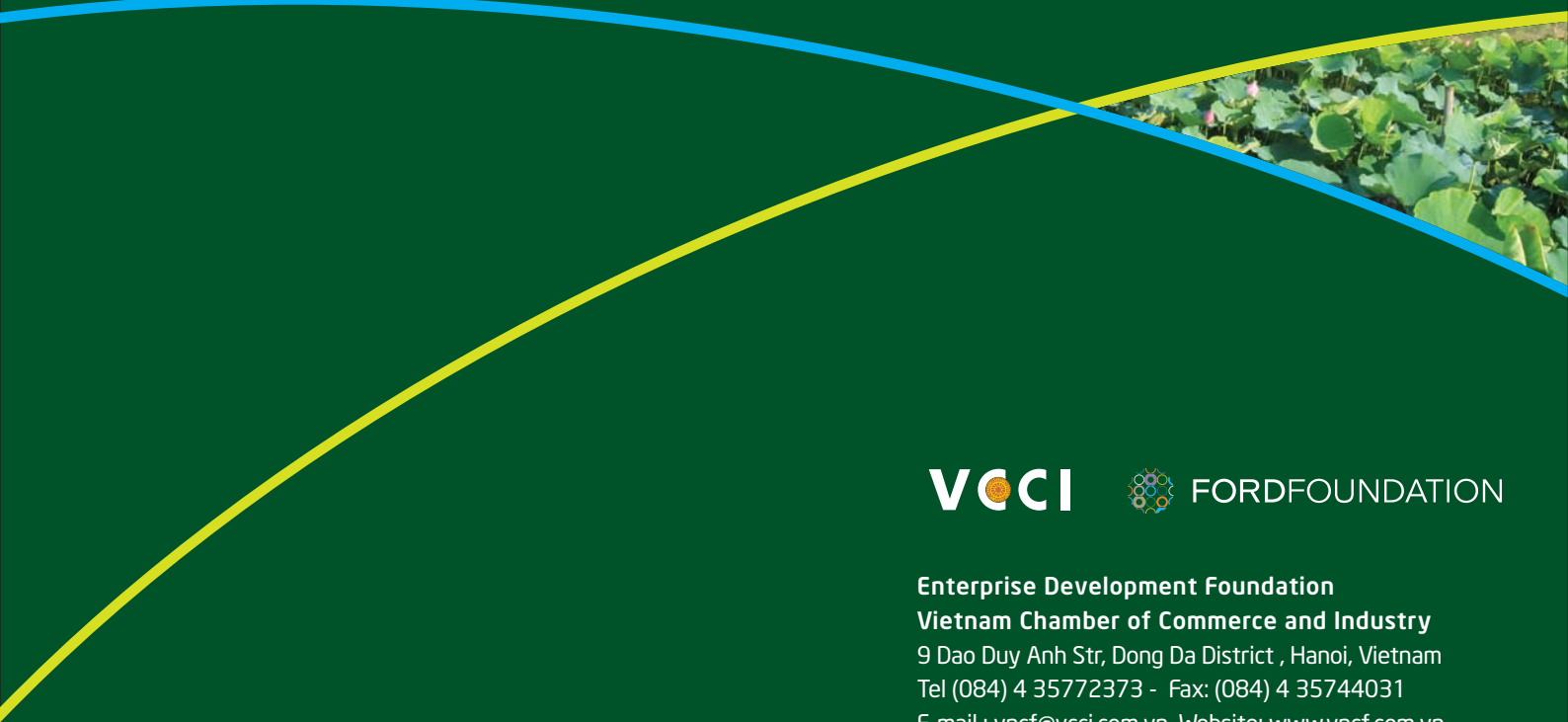
**Project Area :** Quan Lan Island, Van Don, Quang Ninh

**Timeline :** August 2008 - August 2009

**Grant Value :** VND 745,000,000 ( in the total of VND 1,580,000,000)

### Objectives :

- + Maintain and effective exploitation of while octopus
- + Create jobs for 80 labors: women and young people in working age on the island contribute to improve living standards and local economic development.
- + Improve and protect marine resources.



**Enterprise Development Foundation**  
**Vietnam Chamber of Commerce and Industry**  
9 Dao Duy Anh Str, Dong Da District , Hanoi, Vietnam  
Tel (084) 4 35772373 - Fax: (084) 4 35744031  
E-mail : [vncf@vcci.com.vn](mailto:vncf@vcci.com.vn), Website: [www.vncf.com.vn](http://www.vncf.com.vn)