

Dak Lak Province

Index

1.	Introduction.....	4
2.	Dak Lak Provincial Economy.....	6
2.1.	Vietnam and Coffee.....	6
2.2.	Dak Lak and Coffee.....	8
2.3.	Provincial Growth GDP.....	9
2.4.	Ownership and Investment in Dak Lak.....	12
2.5.	Non State sector and enterprise registrations.....	13
2.5.1.	Small and Medium Sized Enterprises in Dak Lak Province.....	14
2.6.	Foreign Investment.....	16
2.7.	Enterprise access to finance.....	16
3.	Sectorial make-up of Dak Lak's Economy.....	19
3.1.	GDP by sector.....	19
3.2.	The Agricultural sector.....	21
3.2.1.	Agricultural Cultivation.....	21
3.3.	Forestry production.....	25
3.4.	Fisheries.....	26
3.5.	Industrial production.....	27
3.6.	Dak Lak Exports.....	29
3.7.	Infrastructure and access to markets.....	31
3.7.1.	Land and Industrial parks.....	31
3.7.2.	Ports.....	32
3.8.	Airports.....	34
4.	Dak Lak's Labour force.....	35
4.1.	Employment by sector.....	35
4.2.	Enterprise employment.....	37
4.3.	Wages.....	38
4.4.	Educational structure.....	39
5.	Dak Lak's Public Finances.....	41
5.1.	Revenue.....	41
5.1.1.	Central Transfers to the province.....	41
5.1.2.	Revenue base.....	42
5.1.3.	Taxation of enterprises.....	43
5.2.	Expenditure.....	43
6.	Business Environment.....	45
6.1.	Access to land.....	46
6.2.	Investment promotion.....	47
6.2.1.	Industrial parks.....	47
6.3.	Calls for further investment.....	48
7.	Overseas Development Aid in Dak Lak.....	49
7.1.	Poverty in Dak Lak.....	49
7.2.	Selection of donor projects in Dak Lak province.....	49
7.2.1.	Asian Development Bank.....	51
7.2.1.1.	Forests for Livelihood Improvement in the Central Highlands.....	51

7.2.1.2.	Integrated Natural Resources Management Strategy for the Central Highlands	51
7.2.1.3.	Central Region Small and Medium Towns Development	51
7.2.2.	DANIDA	51
7.2.2.1.	Support to public administration reform Dak Lak Province	51
7.2.2.2.	Assistance to water resources in Dak Lak province	51
7.2.3.	GTZ	51
7.2.3.1.	Rural development in Dak Lak province	51
7.2.3.2.	Support to Reform of the Forestry Administrative System	51
7.2.4.	USAID	51
8.	District review	51

1. Introduction

This section of the Dak Lak province start-up paper analyses available data to identify where Dak Lak lies in relation to its regional neighbours, Kon Tum, Gia Lai, Lam Dong and Dak Nong as well as regional and national averages in all areas. Statistical data has been gathered from several resources including the General Statistics Office (GSO), the Ministry of Finance (MoF), Dak Lak province as well as a number of independent donor reports on the business environment in Dak Lak and poverty and socio-economic development levels in Dak Lak and Viet Nam as a whole.

The report covers several areas. Firstly the report analyses Dak Lak's economy including a brief review of the coffee sector, the driving force of Dak Lak's economy before looking in detail at the make-up and ownership structure of Dak Lak's economy and GDP, analysing the main growth producers in Dak Lak. Dak Lak was found to be the regional power house in the Central Highlands region providing the highest GDP though having one of the lowest growth levels in the region as a whole.

The report then looks closely at the sectorial make-up of Dak Lak province and finds as with many provinces in Vietnam Agriculture and forestry is the main driver of the provinces economy. Coffee exports continue to supply the majority of Dak Lak's GDP and export revenues despite some diversification in agricultural production. However this is declining due to the continued fluctuation in the coffee price and its current decline.

Thirdly, we look closely at employment and wages in Dak Lak province. Unsurprisingly we find that Dak Lak has a mainly agriculturally employed labour force with little employment in services and industry. Our analyses found that wages in Dak Lak province are amongst the lowest in the region in both registered enterprises and the state sector.

Our analyses of Dak Lak's public finances found a budget that remains reliant upon central state transfers for revenue, despite some movement towards greater reliance upon the non-state sector for revenue. While a number of enterprises have been registered in recent years they are both small in size and pay well below the national average in taxes and fees.

Finally we look at ODA spending in Dak Lak. Despite the level of poverty in Dak Lak and the apparent need for assistance little ODA is spent in the region, or not in line with its needs. Most ODA spending focuses on the management of natural resources and the sustainable use of forestry land for poverty reduction and employment.

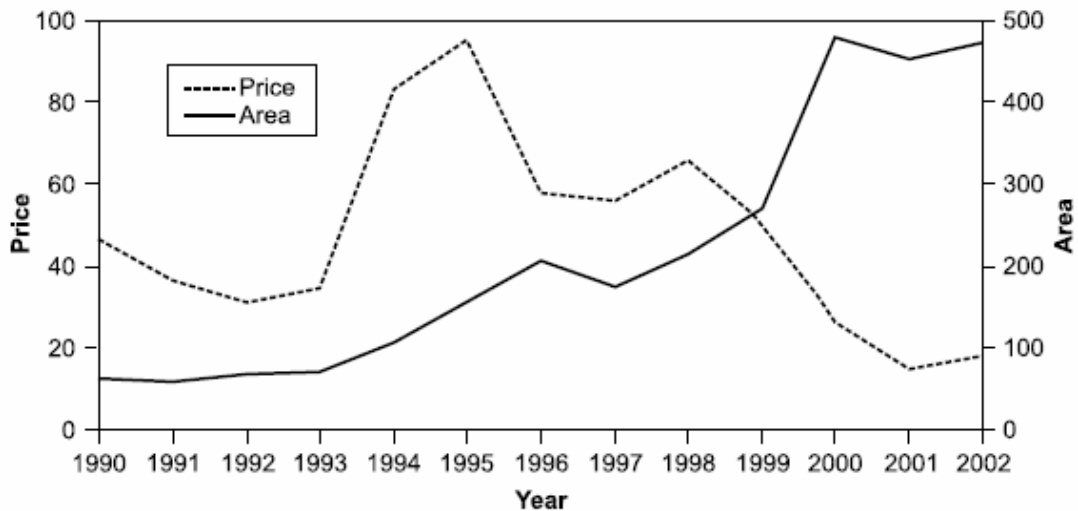
2. Dak Lak Provincial Economy

Though this paper does not focus on Dak Lak's main production area and source of income, coffee, it should be underlined and kept in mind that Dak Lak's economy, production and employment is dominated by the coffee industry. Any changes in Dak Lak's economy in recent years has often been due solely to changes in the global coffee markets, the price of coffee and exports. This report begins with a brief overview of the coffee industry in Vietnam and Dak Lak as trends here affect the further analysis of the province.

2.1. Vietnam and Coffee

Coffee production has grown significantly over the last 15 years. A disastrous coffee frost in Brazil in the early 1990s saw the price of coffee increase massively as supply was reduced. A number of coffee producing countries sought to fill the gap and benefit from the high prices, however Vietnam more than any other increased its production of substantially. Between 1992 and 2001 Vietnam's production of coffee grew from 119,000 tons to 900,000 tons.

Figure : Vietnam harvested coffee area and farm gate price, 1990 to 2002¹



The natural consequence of this increased coffee production and supply from Vietnam, other producing countries and also the recovery of Brazil's production, was a massive

¹ Dang and Shievly, 2004

over supply of coffee during the late 1990s early 2000. This hit the price of coffee considerably. The average export price fell from US\$2,393. a ton in 1995 (the time of the Brazilian freeze) to US\$400 in 2001. Coffee producers in Vietnam were now in a situation where the price for coffee was lower than the cost of production². Production began falling after 2001 as farmers stopped managing their coffee crops, due to the costs involved, as well as looking for and moving to other crops.

Table : Official coffee acreage, yields and exports, Vietnam

Year	Total Area (ha)	Productive Area (ha)	Avg. Yield (tons/ha)	Total production (tons)	Export (tons)	Value (US\$ mln)	Average Export Price (US\$/Ton)
1980	22,500	10,800	0.78	8,400		n/a	n/a
1981	19,100	9,500	0.49	4,630	4,600	n/a	n/a
1982	19,800	9,100	0.51	4,600	4,600	n/a	n/a
1983	26,500	9,100	0.44	4,000	3,400	n/a	n/a
1984	29,500	19,100	0.65	12,340	9,400	n/a	n/a
1985	44,600	19,800	1.03	20,400	23,500	n/a	n/a
1986	65,600	26,500	0.84	22,140	26,000	n/a	n/a
1987	92,300	29,400	1.15	33,820	30,000	n/a	n/a
1988	119,900	44,700	1.07	48,000	45,000	n/a	n/a
1989	123,100	65,600	0.95	62,100	56,900	n/a	n/a
1990	135,500	92,300	1	92,000	68,700	59.2	861
1991	135,000	111,900	1.06	119,000	76,800	65.4	852
1992	135,000	123,000	1.11	136,000	87,500	63.7	727
1993	140,000	135,500	1.04	140,500	124,300	113	909
1994	155,500	135,000	1.34	181,200	163,200	320	1,960
1995	205,000	135,000	1.81	245,000	222,900	533.5	2,393
1996	285,500	140,000	2	280,000	248,500	366.2	1,473
1997	385,000	155,500	2.57	400,000	375,600	479.1	1,275
1998	485,000	205,000	2	410,000	387,200	600.7	1,551
1999	529,000	285,000	1.75	500,000	646,400	563.4	871
2000	533,000	385,000	1.87	720,000	705,300	464.3	658
2001	535,000	485,000	1.86	900,000	844,452	338.1	400
2002	500,000	450,000	2	750,000	702,017	300.3	428
2003	450,000	420,000	1.71	720,000	693,863	446.6	644

Source: World Bank 2004

² Oxfam/ ICARD 2002

2.2. Dak Lak province and Coffee

Dak Lak province and its neighbours in the Central Highlands have the perfect climate, soil and topography for the production of coffee. It remains sparsely populated despite massive organized and free migration to the area over the last 20 years. Large amounts of forest land have been stripped for agricultural cultivation. The reasonable returns on coffee production led many into coffee during the early 1990s. This was further supported by the government and extension schemes. The increase in the coffee price led to many more into coffee production, and those already in coffee further expanding production.

Table : Primary coffee producing areas in Viet Nam, 2004

Robusta Coffee		Arabica Coffee	
	<i>Hectares</i>		<i>Hectares</i>
Dak Lak	234,000	Lam Dong	8,000
Lam Dong	100,000	Thanh Hoa	4,100
Gia Lai	75,000	Son La	3,500
Dong Ngai	60,000	Quang Tri	3,500
Kon Tum	11,000	Nghe An	3,000
		Dak Lak	2,200
		Lan Bai	700
		Lai Chau	500
		The Thien Hoa	500
		Gia Lai	500
<i>Robusta Total</i>	<i>480,000</i>	<i>Arabica Total</i>	<i>26,500</i>
GRAND TOTAL		506,500	

Source: VICOFA, 2004.

Dak Lak province has led the way in coffee production in Viet Nam and accounts for almost half of the coffee production and area. Agricultural production in Dak Lak, as we see in more detail in this report, is almost wholly reliant on coffee production. As a result any changes in the production of coffee due to drought or floods, or changes in the demand for coffee in the world market and the coffee price, have a significant affect on Dak Lak's economy and growth patterns. Equally domestic provincial demand for labour, and their wages, business services, industry and construction, extension services are all affected by movements in coffee

2.3. Provincial Growth GDP

Table : National, Regional and Province GDP indicators, 2003

	Viet Nam	Central Highlands	Dak Lak
Average GDP Growth,	7.34	13.17	7.50
Average Provincial GDP, VND billion	9462	3278	5545
Average GDP per person per year, VND million	7,485,390	3,470,940	3,347,256

Despite the fluctuations in the price of coffee and its importance for the economy of Dak Lak and the Central Highlands, GDP growth levels across the region have been above national averages, though not significantly. In Dak Lak in 2003, GDP growth was 7.5% compared to national growth of 7.34%. The region as a whole grew at 13.17% in 2003, due to a growth level of over 23% in Lam Dong, and growth levels over 11% in most other provinces.

Table : Growth rates in constant (1994) prices

	2001 %	2002 %	2003 %	2001-2003 %
Kon Tum	11.91	11.49	11.15	11.52
Gia Lai	7.91	9.94	11.91	9.92
Central Highlands	7.26	2.17	13.17	7.54
Dak Lak	8.23	6.54	7.50	7.42
Lam Dong	9.84	-11.46	23.47	7.28
National	6.89	7.08	7.34	7.03
Dak Nong	-4.33	12.35	12.81	6.94

Source GSO, 2005

While GDP growth levels are lower than many of Dak Lak's neighbours in the Central Highlands, its GDP amount is significantly higher than its neighbours at VND5,545 billion in 2003, up from VND4,030 billion in 2000, accounting for almost 1% of Vietnam's GDP.

Lam Dong is catching up and now has a GDP of VND4,211 billion compared to VND2,908 billion in 2000.

Dak Lak province and the Central Highlands region's GDP is well below our previous survey area of Quang Nam province and the South Central Coastal region. The GDP level of the South Central Region amounted to VND37,551 billion in 2003. Quang Nam province has a GDP level similar to Dak Lak's, at VND5,991 billion in 2003, though its growth rates were slightly higher than Dak Lak's at an average of 8.8% between 2000 and 2003, reaching 10.4% in 2003.

Table : GDP of Vietnam and the Central Highlands, current prices, VND

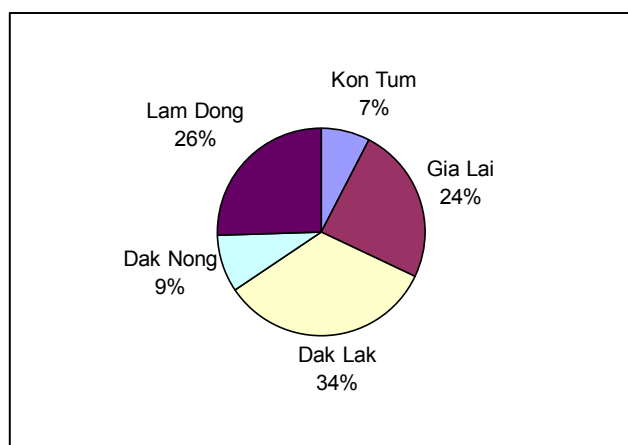
	2000		2003	
	VND Billion	% of National GDP	VND Billion	% of National GDP
National	441,646	100	605,586	100
Central Highlands	11,819	2.68	16,389	2.71
Dak Lak	4,030	0.91	5,545	0.92
Lam Dong	2,908	0.66	4,211	0.70
Gia Lai	2,905	0.66	4,009	0.66
Dak Nong	1,131	0.26	1,415	0.23
Kon Tum	845	0.19	1,209	0.20

Source: GSO 2005

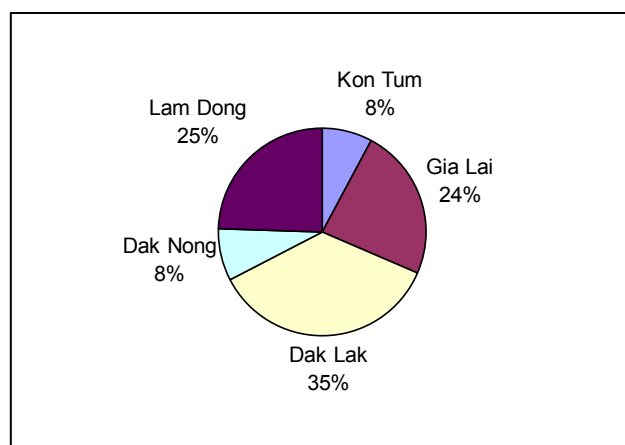
GDP and population levels are remarkably matched across the Central Highlands region, as the graph below shows. In the Central Highlands, Dak Lak province accounts for 34% of GDP and 35% of the regions population. A similar trend can be seen in other provinces. Migration, both planned and spontaneous, played and continues to play a large role in the development of the population across the Central Highlands region.

Figure : GDP and Population distribution in the Central Highlands Region.

Central Highlands GDP distribution



Central Highlands Population distribution



Source: GSO 2005

Using GSO data for Dak Lak province and the Central Highlands we can see that the region and the province has a significantly low GDP per person per year level, with most provinces in the region having GDP levels at almost half national levels. Dak Lak reached a GDP per person of VND3.4 million in 2003, the lowest in the region³. This may be due to low GDP growth rates rather than high population growth rates.

Table : GDP per person, 2000 & 2003, VND

	2000	2003	2003 US\$
National	5,688,719	7,485,390	474
Dak Nong	3,714,943	3,919,690	248
Lam Dong	2,812,186	3,759,486	238
Gia Lai	2,856,539	3,728,516	236
Central Highlands average	2,918,082	3,470,940	220
Kon Tum	2,599,754	3,382,764	214
Dak Lak	2,606,986	3,347,256	212

Source: GSO 2005

³ Calculated by the author using GSO population and GDP figures for 2000 and 2003.

Quang Nam province in contrast, with a similar GDP level, had a GDP per person of VND4.2 million in 2003, and the South Central Coastal region as a whole posted an average GDP of VND5.4 million per year per person.

2.4. Ownership and Investment in Dak Lak

The make up of Dak Lak's ownership structure showed little change between 2000 and 2003. The non-state sector remained the primary provider of GDP in 2003, providing almost 71%. The state sector provided a reduced amount in 2003, providing 28.3% and the foreign owned sector provided very little at 1%.

The ownership structure for Dak Lak province is significantly different from the national structure of ownership, but does not differ much from regional averages. Underlying this is primarily a rural population that has not seen significant investment in industry or state enterprises, though they do play a major role in the value chains and marketing of some of Dak Laks main products.

Table : GDP by ownership, 2000 and 2003

	2000			2003		
	State	Non-state	FDI	State	Non-state	FDI
National structure	38.5%	48.2%	13.3%	39.1%	46.5%	14.5%
Central Highlands Average	29.9%	69.3%	0.76%	29.7%	68.7%	1.5%
Dak Lak	29.7%	69.7%	0.6%	28.3%	70.7%	1.0%

Source: GSO 2005

If we look at growth levels for the different ownership forms, state, non-state and foreign we see Dak Lak province falls below all its regional neighbours and national averages in each area. The state sector has shown significant growth in many other provinces, giving a regional average GDP growth rate of 9% compared to Dak Lak's state sector growth rate of only 3.7%. The non-state sector bears up slightly better at 8.6%, but compare this to 14.1% across the region and 26.55% in Lam Dong province. Underlying

this is a reliance on coffee for Dak Lak's GDP by all, state and non-state, which has limited growth.

Table : GDP growth by ownership

	2003		
	State	Non-State	Foreign
	%	%	%
Gia Lai	11.9	11.4	46.2
Kon Tum	11.4	11.0	0
Dak Nong	9.5	13.0	171.4
Central Highlands Average	9.0	14.1	49.6
Lam Dong	8.6	26.5	27.7
National	7.7	6.4	10.5
Dak Lak	3.7	8.6	2.8

Source: GSO 2005

2.5. Non State sector and enterprise registrations

While the non-state sector dominates the economy of Dak Lak province, and the Central Highlands as a whole, there were generally few business registrations by 31st December 2003⁴. Though Dak Lak province has the largest economy of the region it has registered less businesses than Lam Dong province. As of the end of 2003, Dak Lak had registered 762 enterprises⁵, 33% of those registered across the region. Between 2000 and 2003 growth in registrations was around 8% per year.

The registered capital of registered enterprises in Dak Lak province was significantly higher than those of Lam Dong and the Central Highlands average. VND11 billion in 2003 compared to VND6.15 in Lam Dong and an average of VND9.38 across the region, but still below national averages of VND23.6 billion per enterprise.

⁴ The latest GSO provincial breakdowns of business registrations are available only to 31st December 2003.

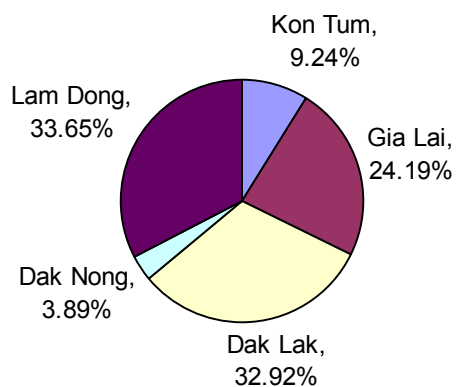
⁵ The two leading GSO publications detailing enterprise registration figures, the "Statistical Yearbook for 2004", published 2005 and "The Real Situation of Enterprises", also published 2005 differ in the number of registered enterprises in Dak Lak. We have chosen the figures from the statistical yearbook 2004 as they follow a provincial growth trend in enterprises that follows that of previous years. The enterprise publication shows a reduction in the number enterprises.

Table : Number of Enterprises, 31st December 2003

	Number of Enterprises, 31 st December 2003	Average capital per enterprise VND billion	Growth in registrations 2002/2003 %
National	72012	23.9	14.47
Central Highlands Average	2315	9.38	8
Lam Dong	779	6.15	2
Dak Lak	762	11.03	8
Gia Lai	560	10.46	13
Kon Tum	214	8.52	21
Dak Nong	90	9.39	n/a

Source: GSO 2005

Figure : Provincial share of registered enterprises in the Central Highlands region 2003



2.5.1. Small and Medium Sized Enterprises in Dak Lak Province

Decree 90 of the Vietnamese government defines SMEs to be “those business and production establishments that have registered under the current legislation, have the registered capital of less than VND10 billion at business registration agencies and/ or the average number of annual permanent employees of less than 300”. ADB estimates that

99.6% of firms have a capital under VND10billion across Vietnam and 99.7% employ less than 300 people⁶.

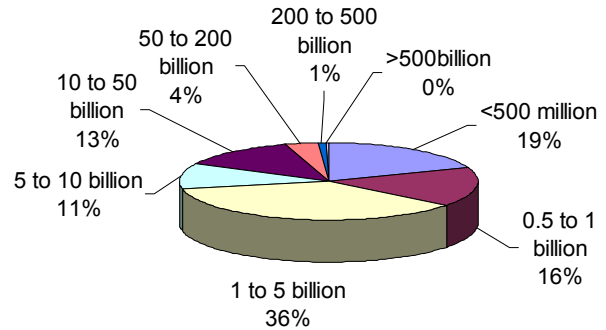
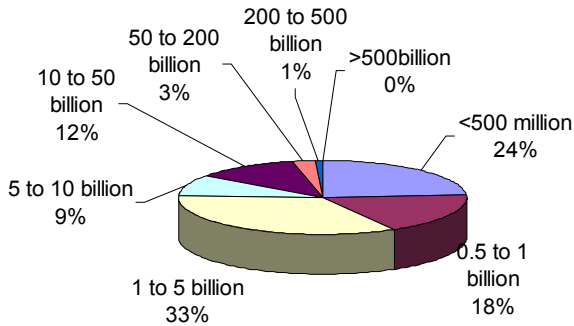
Figure : Registered capital and number of employees of enterprises in the Central Highlands and Dak Lak province

Central Highlands

Dak Lak

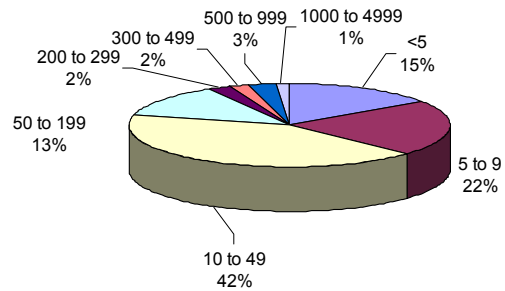
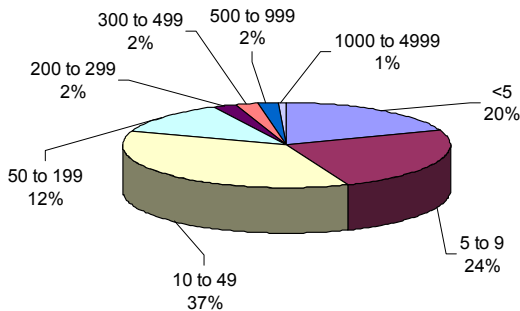
Central Highlands enterprises by capital resources

Dak Lak enterprises by capital resources



Central Highlands enterprises by employees

Dak Lak enterprises by employees



Source: GSO 2005

Under the governments Decree 90 criteria 82% of Dak Lak's registered enterprises have registered capital under VND10 billion, 625 enterprises, and 94% employ less than 300 people, 716 enterprises. This is lower than the regional average and levels in Lam

⁶ ADB, 2004 project VIE34344. These figures are based on companies that have tax codes and not solely registered companies.

Dong which has registered more enterprises. The average for the region is 84% below VND10 billion and 95% with less than 300 employees. In Lam Dong this is higher with 88% of enterprises under VND10 billion in capital and 97% of enterprises employing less than 300 people.

2.6. Foreign Investment

Few foreign companies have invested in Dak Lak province. In 2003, only 1 company invested in the province with a registered capital of US\$1.4 million. Between 1988 and 2004, according to the GSO, only 4 foreign businesses had been registered in Dak Lak with a total registered capital of US\$20.4 million.

Table : Foreign direct investment projects licensed 1998 to 2004

	FDI projects 1988 to 2004	Total registered capital million US\$
Lam Dong	80	934.5
Gia Lai	6	34.1
Dak Lak	4	20.4
Dak Nong	3	6.9
Kon Tum	1	5.2
Central Highlands total	94	1001.1

Source: GSO 2005

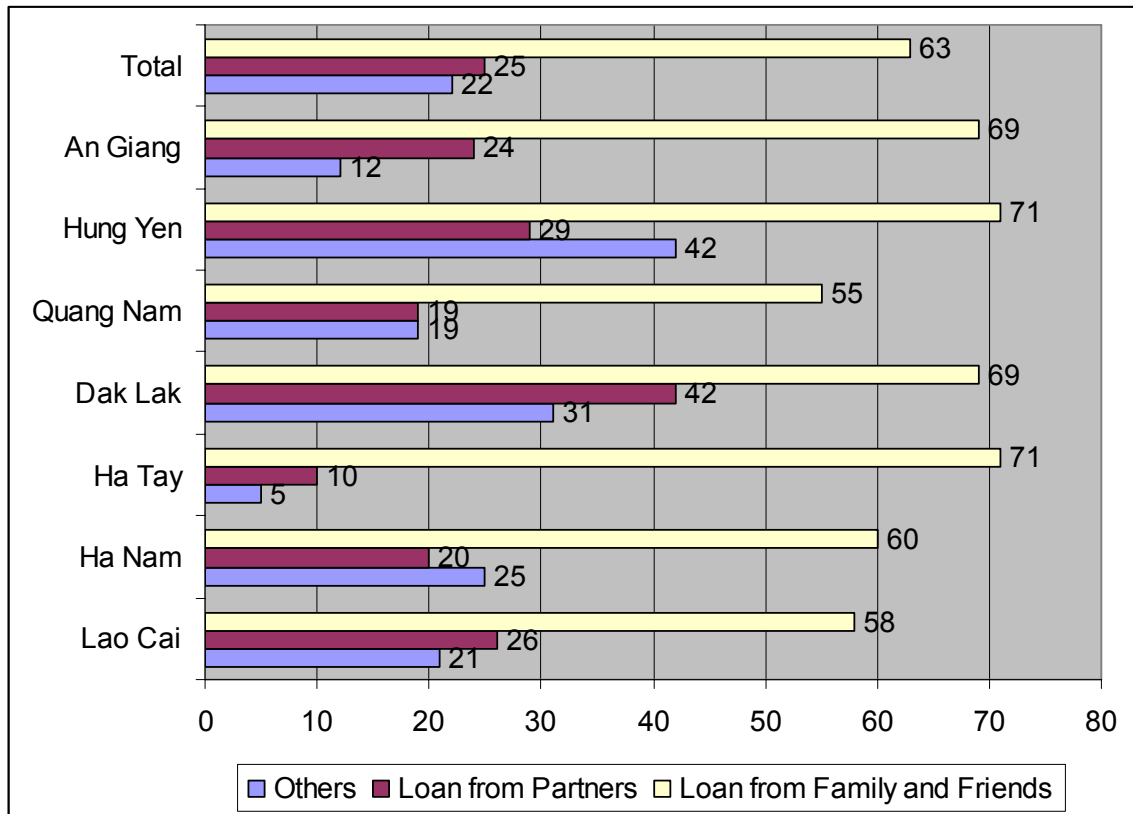
With the exception of Lam Dong province, few foreign investors have invested in the Central Highlands as a whole. Lam Dong province has been successful at attracting foreign investment, with 80 projects. This supplies 3.3% of the provinces GDP compared to 1% in Dak Lak province. This is still well below the national share of GDP provided by foreign invested sector of 14.5% .

2.7. Enterprise access to finance

In a recent GTZ, CIEM and Vision Associates survey of 175 enterprises, across 7 provinces including Dak Lak province, firms were asked about their informal and formal lending habits. In Dak Lak province 69% of enterprises surveyed said they borrowed money via friend and family networks, compared to an average of 63% across the

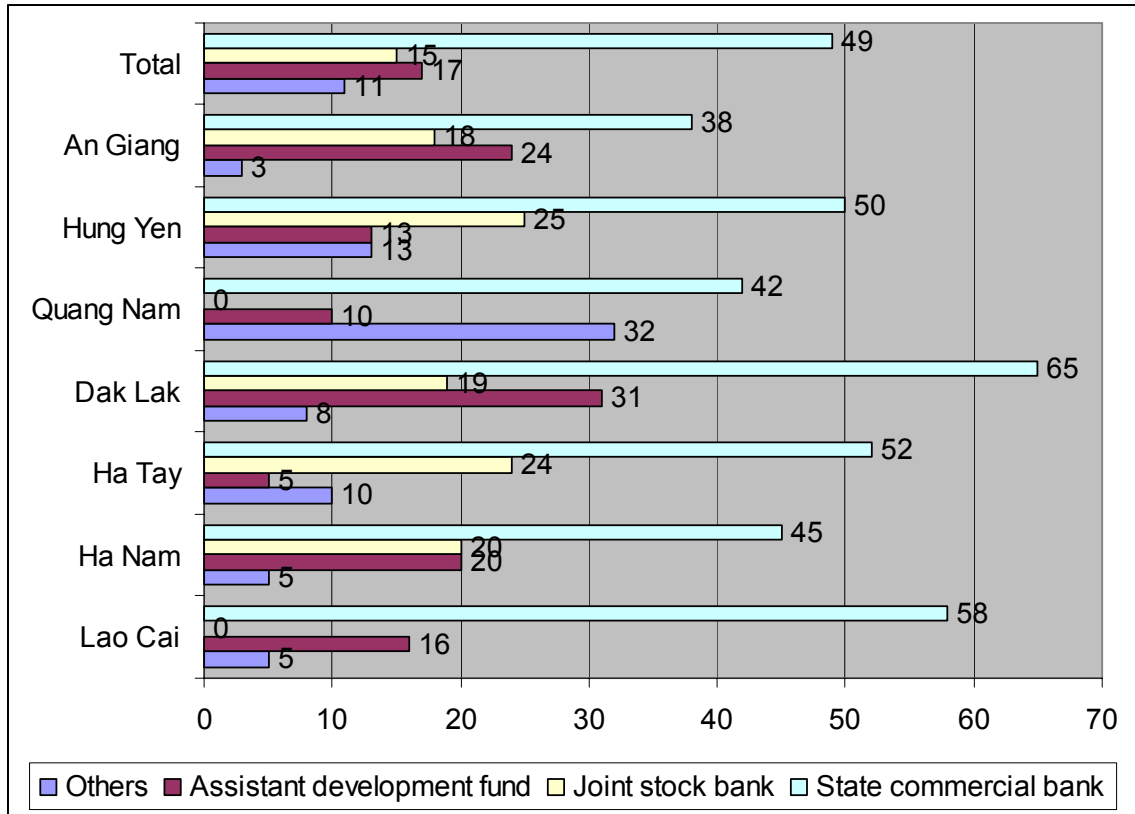
provinces. A significant number, 42%, said they borrowed from their business partners, compared to 25% across the seven provinces. Informal borrowing from family and friends is a very common means of financing in Vietnam. The banking sector is generally in its infancy and lends very little to the SME sector. The banking sector often lends based on a personal relationships and/ or demands collateral that many SMEs do not have available.

Table : Informal access to finance



We can see from the same GTZ survey that businesses in Dak Lak province when borrowing formally, borrow significantly from state commercial banks. This suggests that collateral such as land, is easier to access in Dak Lak province and relationships between borrowers and lenders may be stronger. The survey also found that loan processing times, 30 days in total for Dak Lak province were slightly below the survey average of 32days, though 4 days higher than the 26 days taken in Lao Cai province.

Table : Formal access to finance



3. Sectorial make-up of Dak Lak's Economy

Dak Lak province's population and productivity are mainly agriculturally and forestry focused, with the majority of the provinces income and GDP being generated via agriculture and the coffee sector.

3.1. GDP by sector

The structure of Dak Lak's economy changed little between 2000 and 2003. Agriculture, forestry and fisheries remains the largest sector supplying 56% of the province GDP, down slightly from 59.2% in 2000. Agriculture plays a slightly greater role than the Central Highlands regional average of 54%, and substantially more than the national reliance on agriculture, forestry and fisheries of 22% in 2003 for GDP.

Across the Central Highlands region agriculture and forestry remains the main provider of GDP for provinces. This is despite a reasonably high urbanisation rate, with 28% of the regions population living in urban areas compared to a national average of 74%. Indeed Lam Dong province has an urbanised population of 40%. No provinces have made significant reductions in their reliance on agriculture and forestry though a number have made respectable gains. Gia Lai province has seen its reliance on agriculture and forestry move from 58% to 52%, coupled with and increase in its service sector.

Table : GDP by sector, VND billions, 2000 & 2003

	2000			2003		
	Agriculture, Forestry and fishing	Industry and construction	Services	Agriculture, Forestry and fishing	Industry and construction	Services
National	24.5%	36.8%	38.7%	21.8%	40.0%	38.2%
Central Highlands average	56.8%	15.8%	27.4%	53.9%	17.2%	28.9%
Average regional GDP VND billions	1343.04	372.62	648.12	1765.40	564.50	948.04
Dak Lak	59.2%	13.9%	26.9%	56.0%	16.3%	27.7%
Dak Lak GDP	2384	559.9	1086.5	3104.4	904.7	1536.3

Source: GSO 2005

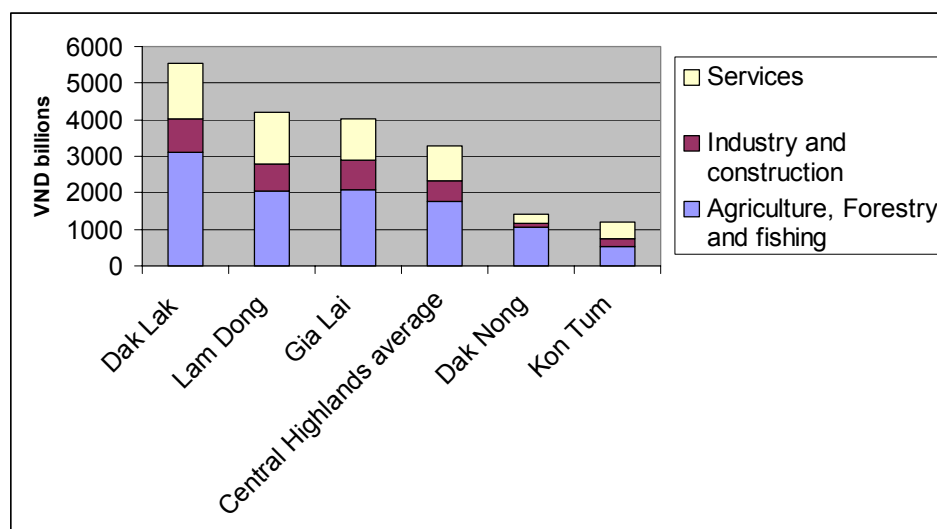
GDP growth rates in Dak Lak province, in current prices, have been highly respectable when compared to those at a national level and other regions. Agriculture grew at 11.4% in 2003, compared to 3.6% nationally, though this could be due to an increase in the price of coffee compared to the considerable lows of other years. The growth rate in industry was 26.3%, higher than regional and national averages, as was the growth rate in the service sector. These growth rates are also higher than Quang Nam province though not the South Central Coastal region as a whole.

Table: GDP growth by sector, current prices

	Agriculture		Industry and Construction		Services	
	2003	average 00-03	2003	average 00-03	2003	average 00-03
National	3.6%	3.9%	10.5%	10.1%	6.5%	6.1%
Central Highlands average	13.6%	9.7%	22.0%	15.0%	16.4%	13.5%
Dak Lak	11.4%	9.2%	26.3%	17.5%	19.5%	12.3%

Source: GSO 2005

Figure : Central Highlands GDP, by sector, 2003



We have already seen that Dak Lak province has the highest GDP levels of the Central Highlands region, sectorial analysis shows that it each of its sectors are larger than its provincial neighbours.

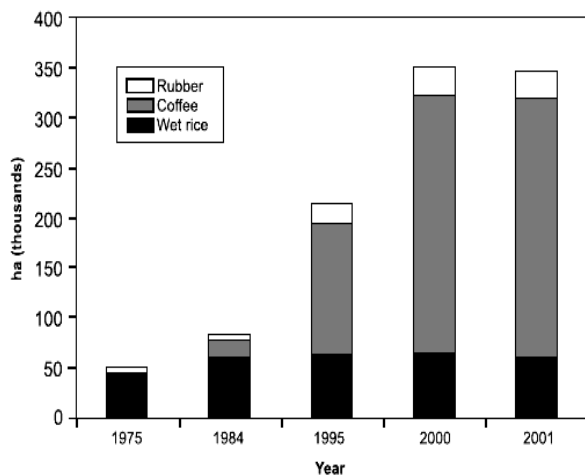
3.2. The Agricultural sector

3.2.1. Agricultural Cultivation

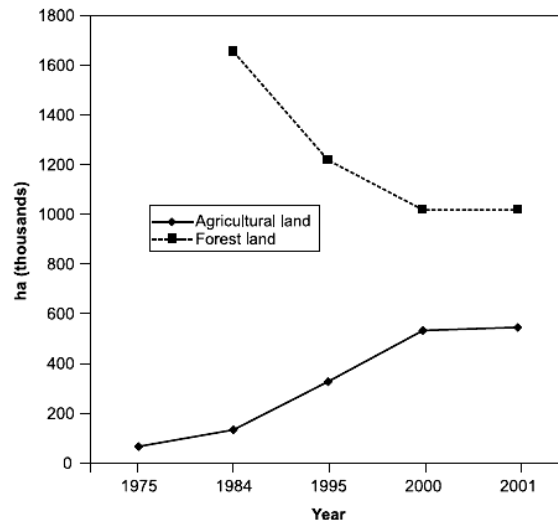
The value of agricultural output in Dak Lak province was VND6320.3 billion in 2003, up from VND4839.9 billion⁷. Cultivation makes up the majority of this, 83.9% in 2003 down only slightly from 86.2% in 2000. Livestock contributes only 12.6% of output. The reliance on cultivation for agriculture is high, especially when compared to Quang Nam province, however this reliance is normal compared to the average across the Central Highlands region, with some provinces relying on cultivation for over 90% of their agricultural output in 2003. The majority of this cultivation belongs to coffee with land being cleared from forest land.

Figure : Agricultural Land, 1975 to 2001

Changes in use of agricultural land 1975–2001



Changes in agriculture and forest land 1975–2001



Source: Dak Lak Statistical Yearbooks

⁷ Current prices

GSO figures from Dak Lak province show the majority of cultivated land to be under coffee cultivation, 69%, producing 284 thousand tons of coffee in 2003. Over the 2000 to 2003 period coffee production and area under cultivation fell by 5% and 9% respectively. These figures do show a considerable growth in area under cultivation for other products, notably cashew, cassava and maize and a similar growth in production.

Table : Dak Lak province, agricultural production and area under cultivation, 2000 to 2003

	2000	2003		2000	2003		
	Thousand tons produced		Change 2000 to 2003	Hectares under cultivation		Change 2000 to 2003	Share of cultivated area 2003
Paddy	228.7	283.1	24%	55.7	61.3	10%	0.03%
Maize	170.5	447.3	262%	39.2	97.1	248%	0.04%
Sweet potatoes	3	3.8	27%	3	3.8	27%	0.00%
Cassava	29.9	180.5	604%	3.4	9	265%	0.00%
Sugar cane	306.249	442.812	45%	6903	9135	32%	3.78%
Peanuts	12.068	1.688	-86%	11662	13098	12%	5.42%
Pepper	1.063	3.413	321%	1558	2816	81%	1.17%
Cashew	1.855	3.616	95%	3897	14730	378%	6.10%
Tea	0.041	0.122	298%	40	30	-15%	0.01%
Coffee	300.677	284.349	-5%	183329	166619	-9%	68.96%
Rubber	10.776	17.577	63%	23207	22840	-2%	9.45%
Soyabean	11.474	12.175	6%	11474	12175	6%	5.04%
Total	1076.303	1680.452		242171.3	241614.2		

Source: GSO 2005

While Dak Lak province leads the way in the production of coffee and rice in the Central Highlands region and has shown significant expansion and growth in the production of other crops such as cashew, cassava and maize it is yet to reach the levels of other provinces. Though pepper production in Dak Lak grew at over 300%, between 2000 and 2003, Dak Lak produces only 20% of the pepper in the Central Highlands with Dak Nong province leading the way producing 53%, in 2003.

Similarly in cashew, the area under production has grown substantially, by 378%, though production has risen only 95%. Lam Dong province produces the largest amount of cashew nuts, having increased its production from 1000tons in 2000, to 4100tons in 2003, while keeping its production area steady at 8.1 thousand hectares.

The Ministry of Trade recently reported that cashew nuts will be one of the key agricultural exports of Vietnam, despite concerns over quality and competitiveness of production. turnover in Vietnam as a whole was US\$430 million in 2004 and looks likely to reach US\$500million in 2005 according to the MoT. The aim is to increase this to US\$700 million by 2007 and US\$1billion by 2010. this straight line project of production is typical in Vietnam and does not seem to take into account the world market and demand for cashew or questions of quality over quantity.⁸

Lam Dong province is also the Central Highlands region's largest tea producer producing 138,000tons in 2003, compared to Dak Lak provinces production of 122tons. This amounted to an increase in tea production of almost 300% for Dak Lak province.

In Gia Lai province, which produces 77% of the rubber in the Central Highlands region, production increased from 48,678 tons in 2000 to 71,256 tons in 2003, a 46% increase, while the area under cultivation apparently stayed around the same, 55,812 hectares in 2000 and 57,307 hectares in 2003. Dak Lak has had similar success in rubber, with the area under cultivation falling by 2% and increased yields of 63%.

Table : Agricultural produce in the Central Highlands, 2003, thousand tons

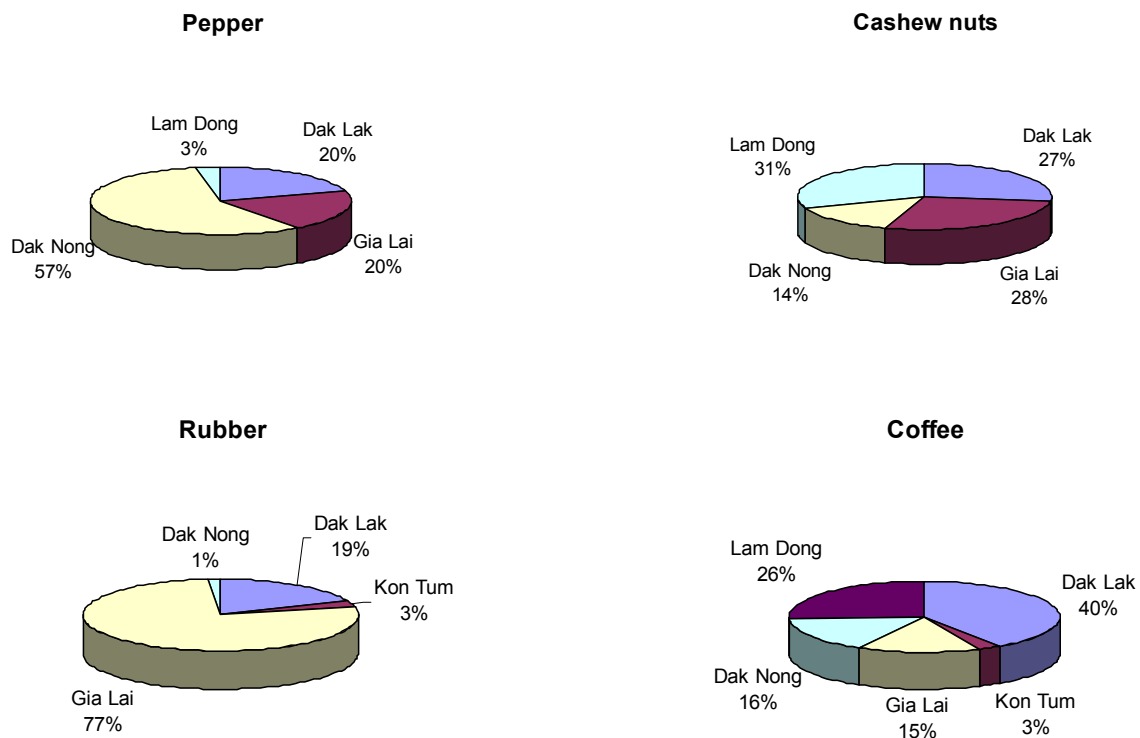
	Dak Lak	Kon Tum	Gia Lai	Dak Nong	Lam Dong
Paddy	283.1	61.9	221.2	48	123.4
Maize	447.3	28.7	140.8	837	53.1
Sweet potatoes	3.8	1.2	17.4	0.7	3.1
Cassava	180.5	23.4	260.1	7.5	1.2
Sugar cane	442.8	170.2	747.9	46.7	158.5
Pepper	3.41	n/a	3.32	9.56	.500
Tobacco	n/a	n/a	2.59	n/a	.650

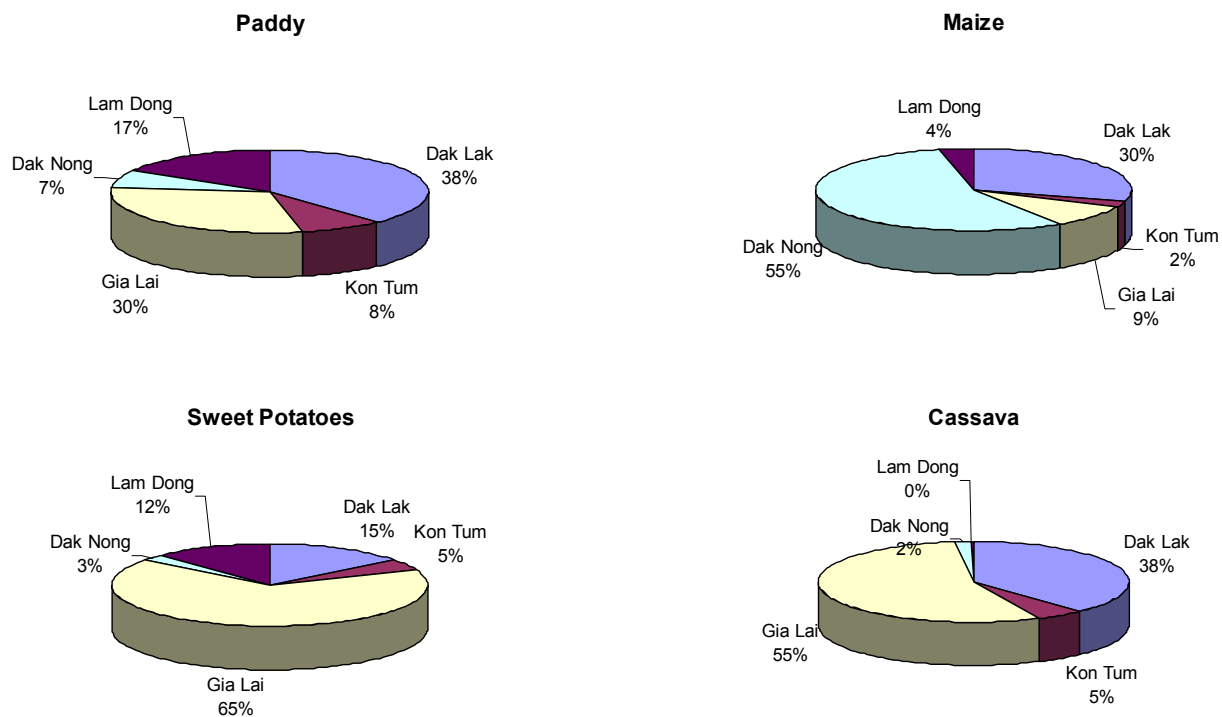
⁸ Vietnam News, October 4th 2005.

Cashew	3.62	n/a	3.75	1.93	4.10
Coconut	n/a	.19	n/a	n/a	n/a
Tea	.122	.083	3.89	.219	138.2
Coffee	284.35	19.19	104.25	114.50	179.60
Rubber	17.58	2.55	71.26	1.36	n/a
Cotton	n/a	n/a	n/a	2.87	n/a
Soybean	12.175	n/a	n/a	25.064	n/a

Source: GSO 2005

Figure : Provincial share of a number of agricultural products, 2003





3.3. Forestry production

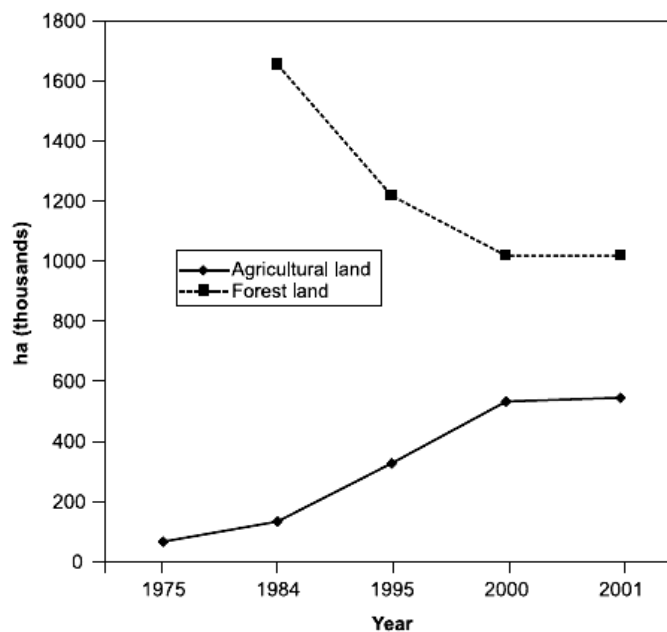
Of the 1 million hectares of used or usable land in Dak Lak province, 56% of this is classified as forestry land, 609,000 hectares. 423,000 hectares is used for agriculture, 39%.

Table : Value of forestry products in the Central Highlands, VND billions, 2003

	Kon Tum	Gia Lai	Dak Nong	Dak Lak	Lam Dong
Afforestation and forest feeding	43.9	42.3	5.6	20.1	20.5
Wood and other forest products	72.1	102.1	69.5	135.6	60.0
Services	15.4	10.9	5.1	7.0	10.5
Total	131.4	155.3	80.2	162.7	91.0

Source: GSO 2005

Figure : Changes in agriculture and forest land 1975–2001



Considerable consideration and effort has been spent in Dak Lak province to move some forest areas back to a system of community forest management and sustainable exploitation in order to raise incomes and improve the management of forests in Dak Lak province. This follows a period of substantial deforestation as land was stripped to make room for new migrants and mainly coffee production.

3.4. Fisheries

Unsurprisingly the fisheries sector plays a minor role in the Central Highlands and Dak Lak province. Dak Lak province produced VND 88.6 billion in fisheries products and services in 2003, up from VND72.8 billion in 2000. Dak Lak province has a number of rivers and lakes that could be further sustainably exploited or farmed, primarily to supply the provincial market.

Table : Value of fishery products in the South Central Region, VND billion, 2003

	Kon Tum	Gia Lai	Dak Nong	Dak Lak	Lam Dong
Farmed	5.7	n/a	13.6	63.8	38.2
Caught	2.6	n/a	4.8	22.5	4.6
Services	0.1	n/a	0.5	2.3	4.9

Total	8.4	3.7	18.9	88.6	47.7
--------------	-----	-----	------	------	------

Source: GSO 2005

3.5. Industrial production

Available figures for Industrial production in Dak Lak province show a reliance on raw materials, forestry and agricultural processing. Interestingly GSO figures show a growth in the production of footwear and to some extent in the production of clothing, an area worth further examination. Interestingly Dak Lak province also produces medical goods.

Being the largest economy in the Central Highlands Dak Lak provinces industrial production is above that of other provinces in the region. Though in the production and refinement of sugar it falls short of its regional neighbours.

Table : Industrial production in Dak Lak, 2000 & 2003

	2000	2003	Growth rate 2000-2003
Sugar (tons)	10800	12000	11%
Stone (thous. m3)	417	502	20%
Sand for export (thous. tons)	98	324	331%
Brick (mill. pieces)	111.5	133.9	20%
Footwear (thousand pairs)	100	235	235%
Saw Wood (thous m3)	24	30	25%
Milled rice, maize	293	411	40%
Cake and sweets (tons)	212	120	-43%
Clothes (thousand pieces)	1493	2244	50%
Medical ampoule (thous. Tubes)	1203	1367	14%
Medicine (mill. Pills)	14.5	10.5	-28%

Source: GSO 2005

Industrial production remains a small part of production in Dak Lak province, and the region as a whole, accounting for only 16.3% of GDP. However, in current prices the Industrial sector in Dak Lak grew at an average of 17.5% between 2000 & 2003, and

26.3% between 2002/2003. This GDP growth is slightly higher than the Central Highlands region as a whole and substantially higher than national figures.

Table : Selection of Key Industrial products in Dak Lak and the region, 2003

	Dak Lak	Kon Tum	Gia Lai	Dak Nong	Lam Dong
Sugar (tons)	12000	16200	20200	13400	n/a
Stone (thous. m3)	502	215.8	n/a	98.6	n/a
Sand for export (thous. tons)	324	n/a	n/a	36.2	n/a
Brick (mill. pieces)	133.9	79	70	50.6	117.8
Footwear (thousand pairs)	235	47.8	n/a	45	n/a
Saw Wood (thous. m3)	30	18.3	12.3	10	n/a
Milled rice, maize	411	n/a	n/a	69	n/a
Cake and sweets (tons)	120	n/a	n/a	n/a	n/a
Clothes (thous. pieces)	2244	n/a	n/a	158	n/a
Medical ampoule (thous. Tubes)	1367	n/a	n/a	n/a	n/a
Medicine (mill. Pills)	10.5	n/a	n/a	n/a	n/a

Source: GSO 2005

Other industrial production in the region also revolves around agricultural, forestry and mining, though Lam Dong province does have some silk production.

Table : Selection of other key Industrial products in other Central Highland provinces, 2003

	Kon Tum	Gia Lai	Lam Dong
Enameled tiles (thous. msq)	408	n/a	n/a
Beer (mill. liters)	478	n/a	n/a
Polywood (m3)	619	n/a	n/a
Cement (thous. tons)	n/a	107.8	n/a
Manioc (ton)	n/a	14422	n/a
Farming tools (thous. pieces)	n/a	164	n/a
Fertilizer (thous. tons)	n/a	17.1	n/a
Tea (tons)	n/a	762	22.6
Cashew nuts (ton)	n/a	n/a	1593
Boxite ore (thous. Tons)	n/a	n/a	25.8
Kaolin (thous. Tons)	n/a	n/a	17.5
Silk Yarn (ton)	n/a	n/a	821
Silk Fabric (thous. m2)	n/a	n/a	1154

Embroidery products (thous. pieces)	n/a	n/a	1489
--	-----	-----	------

Source: GSO 2005

3.6. Dak Lak Exports

Table : Central Highlands exports and provincial shares, 2000-2003, US\$

	2000		2003	
	US\$ millions	% of regional exports	US\$ millions	% of regional exports
National	14482.7		20176.0	
Central Highlands total	355.00		320.72	
Central Highlands % of National exports	2.45%			1.59%
Kon Tum	5.27	1%	8.61	3%
Gia Lai	64.54	18%	24.14	8%
Dak Lak	235.39	67%	226.02	70%
Dak Nong	-	-	2.83	1%
Lam Dong	49.80	14%	59.12	18%

Source: GSO 2005

Dak Lak province continues to export the majority of goods from the Central Highlands region, exporting 70% in 2003 or US\$226 million. The total exports from Dak Lak and the Central highlands region fell by 10% over the 2000/2003 period. Continued declines in the returns from coffee exports is the main reason behind Dak Lak province's reduced value in exports. This is despite strong growth in the export value of other goods in general though reductions were seen across the board in other exports in 2003.

Table : Selected exports, Dak Lak, 2000-2003

	2000	2001	2002	2003	% change 2000 to 2003
Coffee (tons)	340800	424800	315600	297700	-13%
Cashew Nuts (tons)	88	685	1107	271	308%
Pepper (tons)	118	627	2386	1938	1642%
Rubber (tons)	4585	6858	12546	8338	82%
Honey (tons)	670	1018	3945	2914	435%

Source: GSO 2005

Lam Dong province shows an interestingly diversified range of exports especially in Fresh Flowers for both the domestic and international markets. Not shown here is an increase in the production and export of quality fruit, especially for the Japanese market. Lam Dong does benefit from its position and its relative proximity to the southern and Ho Chi Minh City markets and export routes. Indeed Lam Dong's increasing reputation is attracting investment and seeing it develop as a fruit and flower exporting cluster region.

A recent study of Vietnam's exports by the International Trade Centre (UNCTAD/ WTO) looking at 40 export products found that Vietnam had the highest export potential in several products including cashew nuts, furniture, footwear, arts and crafts, rubber, coffee, pepper and clothing⁹. Several areas Dak Lak and the Central Highlands already operate competitively. Tea was felt only to be of a medium potential while rice and fruit and vegetables were of low potential. This contradicts slightly with the Ministry of Agriculture and Rural Development (MARD) who feel coffee, rice, tea and cashews are all high potential exports, while fruit, vegetables and rubber are of a medium potential.

Table : Central Highlands comparison of exports, 2003

	Dak Lak	Gia Lai	Dak Nong	Lam Dong
Coffee (tons)	297700	7919	1970	19600
Cashew Nuts (tons)	271			821
Pepper (tons)	1938		806	
Tea			33	8000
Silk Yarn				734
Silk Fabric (thousand metres)				728
Fresh Flowers (thous. Sprigs)				27518

Source: GSO 2005

⁹ Vietnam Investment Review, Oct 3-9. Other products in the highest category included oil, coal, fisheries, shipbuilding, glass, agricultural machinery, household utensils, toys and games

3.7. Infrastructure and access to markets

Dak Lak province is both one of the largest provinces in Vietnam as well as one of the remotest. No rail lines pass through Dak Lak provinces, no major roads pass through such as Highway 1 the back bone of Vietnam. Its airport and air routes are now developing but flights only depart for 2 destinations. It is mountainous and prone to flooding making its existing road network vulnerable and difficult to maneuver. Despite its position on the border with Cambodia there are no major international road linkages.

3.7.1. Land and Industrial parks

There is one fully operational Industrial Park in Dak Lak province. The Tam Thang industrial park in Buon Ma Thuot. Other parks and zones are under the planning stage include Sung Duc, Hoa Phu, Buon Ho and Ea Dar.

Tam Thang Industrial Park¹⁰.

The park is 251ha, which includes 142ha of production area and 11ha of office space. It also has a residential zone. The park is aimed at mainly SME scale industries with high technologies. Current and possible projects include:-

- Dak Lak Sugar Factory capacity 1000 tons of sugar cane/day (in operation)
- Cotton factory with capacity 12,000 tons/year (under construction)
- Fabric factory with capacity of 40,000 cops (under construction)

Four enterprises have registered to invest in the park

- Factory producing fresh and prefabricated concrete with capacity 3,000m³ product
- Factory of animal feeds, capacity 5,000 tons/year
- Factory producing organic microbial fertilizers with capacity of 30,000 tons/year

¹⁰ www.daklak.gov.vn

3.7.2. Ports

Obviously ,Dak Lak province does not have any of its own ports. Its positioning does place it almost equidistant from several ports on the South Central Coast such as Quy Nhon, Nha Trang and Phan Rang ports. The road network to Lam Dong province and then through to Ho Chi Minh city and its ports is one of the main highways in and out of Dak Lak province and is in good repair.

Quy Nhon

250km away along highways 14 and 19 or highway 26 and 1, The port has warehouse/shed space of 18,100 m2, open storage of 168,000 m2. and a total storage capacity of 200,000 MT, including 42,000 m2 for stacking containers.

Table : Quy Nhon cargo 2001 to 2004

	2001	2002	2003	2004
Total	1.306.324	1.548.290	2.036.729	2.415.745
Import	426.510	545.721	720.142	869.584
Export	411.665	555.765	647.128	855.485
Domestic	468.149	446.804	669.459	690.676
Container	12.518	17.781	25.532	38.751
Ship calls	648	745	1.000	1.102

Source: Vietnam Seaports Association, 2005

Table : Imports and exports passing through Quy Nhon port, 2003

Major imports	Major exports
Fertilizer 289,317 MT	Agriculture products 321,960 MT
Klinker 108,178 MT	Wood chips 268,357 MT
Wood log 348,317 MT	Titan, mineral ore 93,912 MT
Asphalt 19,926 MT	Container 156,351 MT
Container 108,178 MT	
Domestic cargoes: cement, agricultural products, wood logs, fertilizer	

Source: Vietnam Seaports Association, 2005

Nha Trang

Less than 200kms from Dak Lak province, Nha Trang port offers a total port area of 80,000 m2, of which 11,180 m2 are Warehouses/shed and 69,000 m2 is open storage.

Table : Nha Trang cargo 2001 to 2004

	2002	2003	2004
Total	548,043 MT	647,267 MT	615,222 MT
Import	19,406 MT	19,355 MT	16,041 MT
Export	92,947 MT	96,521 MT	101,817 MT
Domestic	435,690 MT	531,391 MT	487,494 MT
Ship calls	399	467	417

Source: Vietnam Seaports Association, 2005

Ky Ha- Quang Nam Port: The main port in Quang nam is situated in the south of the province about 100km from Da Nang and has one wharf though a further may be built in the future. The port covers 40,000 sqm and has covered storage of 2,000sqm and open storage of 30,000sqm. the port handled 70,000 metric tons in 2004, a significant rise since 2002.

Table : Ky Ha Port cargo 2002 to 2004

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Total	30,000 MT	54,000 MT	70,000 MT
Import	1,000 MT	15,000 MT	7,000 MT
Export	3,000 MT	5,000 MT	13,000 MT
Domestic	26,000 MT	30,000 MT	50,000 MT
Ship calls	30	54	94

Source: Vietnam Seaports Association, 2005

Da Nang port: The main port in the central region of Vietnam, Da Nang port is a deep water port with 7 wharfs. The port has a storage of 235,000sqm with covered storage of 18,152 sqm and open storage of 122,000 sqm. The port can store 350,000 metric tons. In 2004 the port handled 2.3 million metric tons of cargo.

Table : Da Nang Port cargo 2002 to 2004

	<u>2000</u>	<u>2004</u>
Total	1,410,607 MT	2,308, 973 MT
Import	333,516 MT	724,668 MT
Export	421,617 MT	739,850 MT
Domestic	655,747 MT	844,455 MT
Container	22,955 Teus	32,416 TEUs
Ship calls	757	1,026

Source: Vietnam Seaports Association, 2005

3.8. Airports

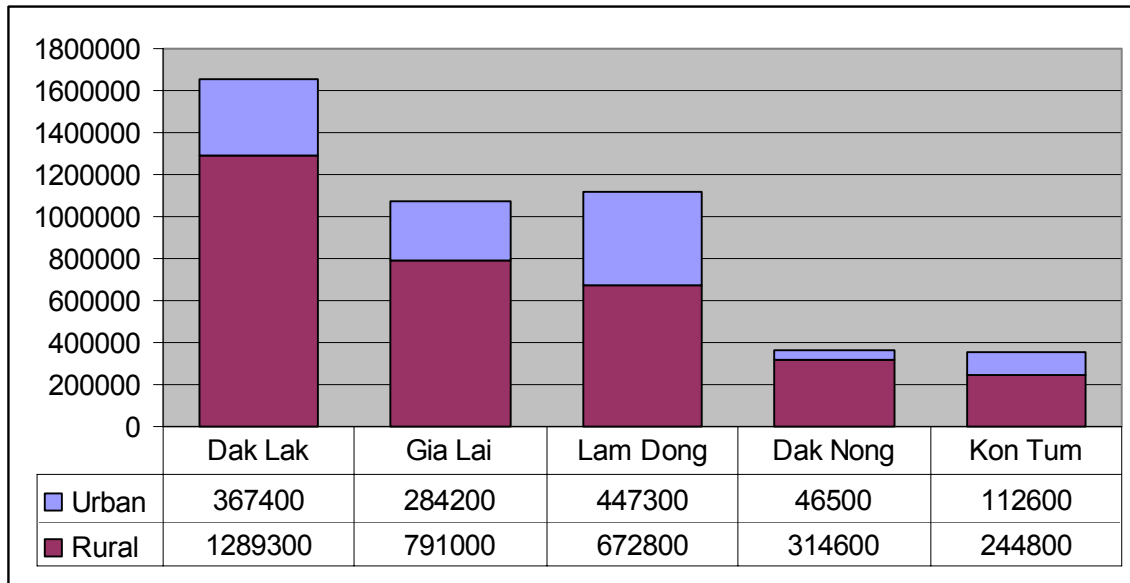
Buon Ma Thuot airport connects Dak Lak province to Ho Chi Minh city via 3 weekly flights and to Hanoi via Da Nang also 3 times weekly. There are no international flights at this time.

4. Dak Lak's Labour force

4.1. Employment by sector

The population of Dak Lak province and the Central highlands remains rurally based. Dak Lak province has one of the largest rural populations in the region, 78% compared to a regional average of 72%. As a result of this, and that most production in the area is agricultural, the majority of the population are employed in agricultural work.

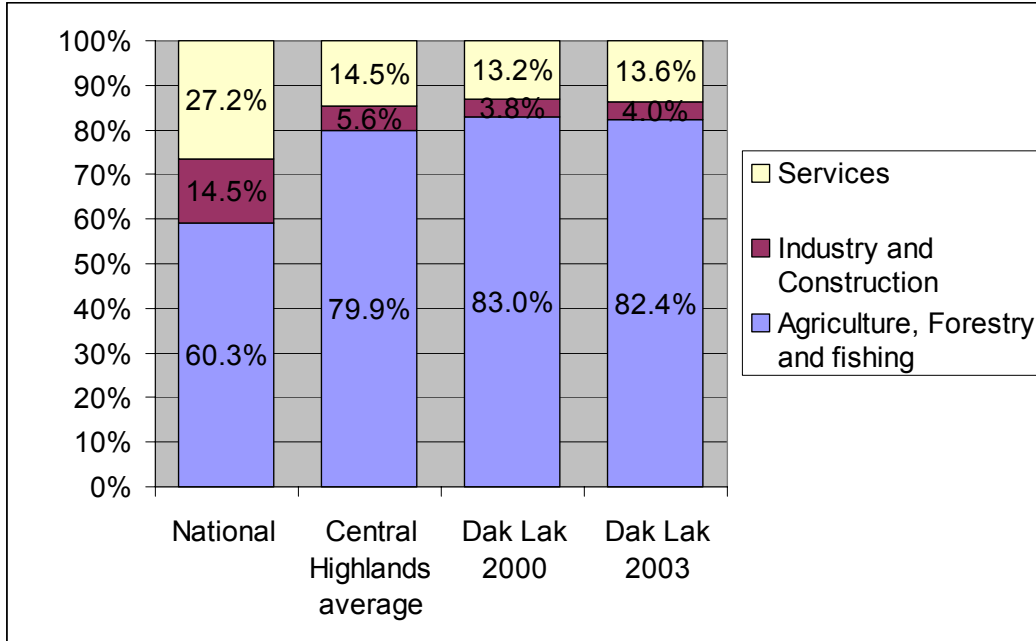
Figure : Rural/ Urban populations in the Central Highlands, 2003



Source: GSO 2005

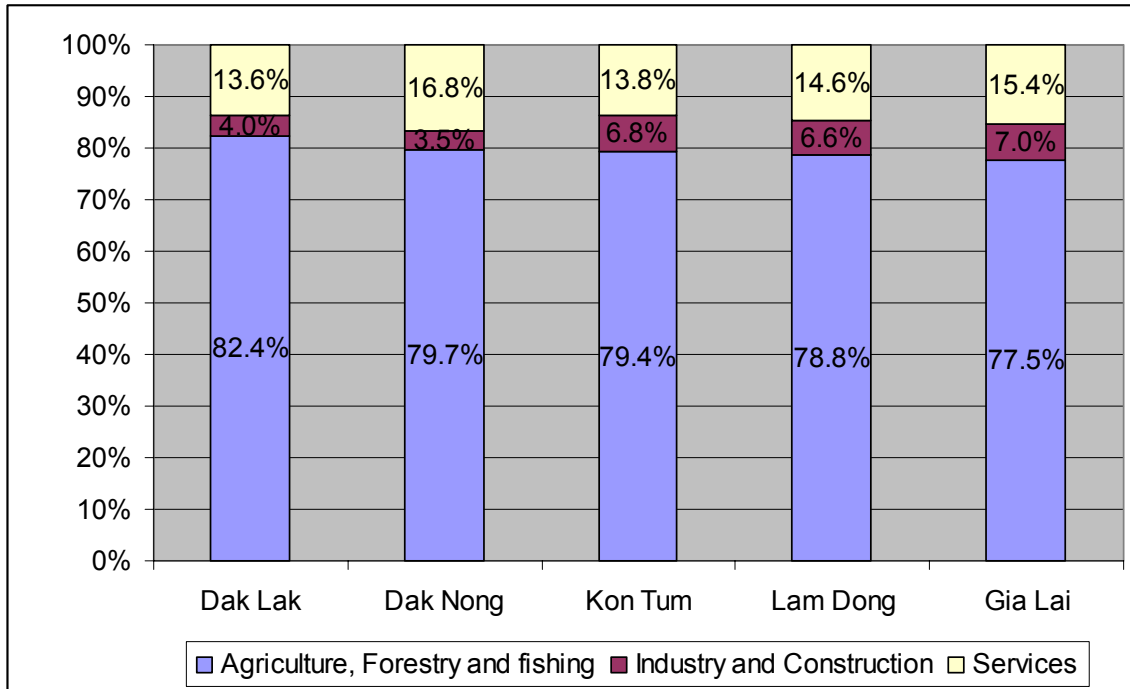
82% of Dak Lak's population are employed in agriculture, forestry or fishing, the highest number in the region and substantially higher than the national figure of 60%. Movement in employment across sectors has also been slow with very little movement seen between 2000 and 2003 in Dak Lak.

Figure : Employment by sector, 2003



Source: GSO 2005

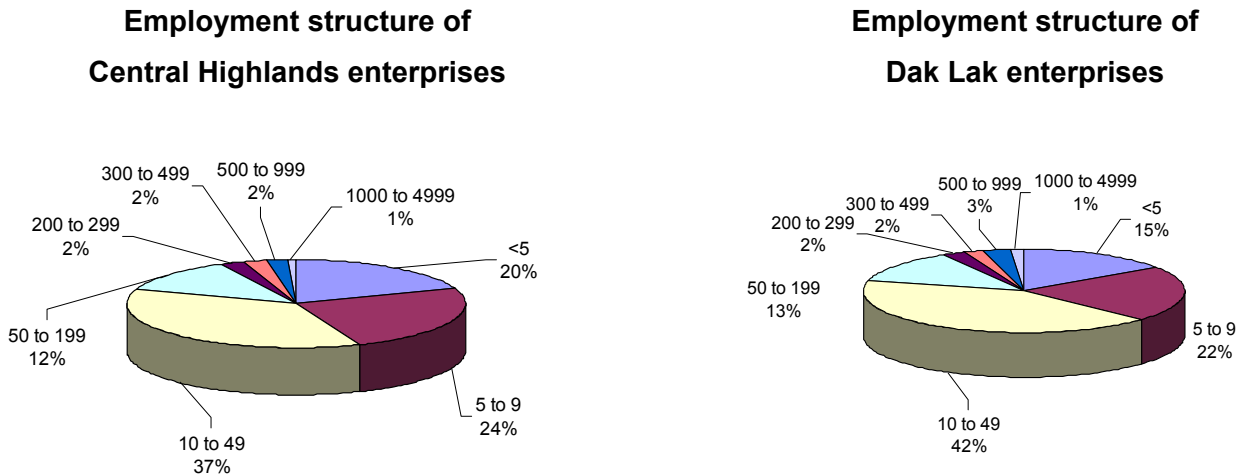
Figure : Employment structure of Central Highlands provinces, 2003, by sector



4.2. Enterprise employment

Dak Lak has the largest labour force in the Central Highlands region, 712,500 people. Of this 586,700, 82.4%, are employed in the agricultural sector, 28,600, 4% in the industrial sector and 97,200, 13.6% in services. This compares regionally with an average of 78.5% in agriculture, forestry and fisheries, 6.4% in Industry and 15% in services. The state employed 68,500 employees in 2003, in Dak Lak province. This accounts for 36% of all state employees in the Central Highlands¹¹.

Figure : Number of employees in registered enterprises



Source: GSO 2005

Registered enterprises in Dak Lak province employed 53,996 people in 2003, 39% of all enterprise employees across the Central Highlands. Employment in registered enterprises accounts for 7.5% of employment across the province. As we have seen, under the criteria set out by the governments Decree 90, 94% of Dak Lak's registered enterprises employ less than 300 people, 716 enterprises, and would be considered small or medium sized enterprises..

¹¹ This excludes Dak Nong province as figures are not available.

4.3. Wages

Monthly wage data from the GSO indicates that registered enterprises pay employees amongst the lowest wages in the Central Highlands region, only VND856,000 per month. This compares to a national monthly wage of VND1,422,000. and regional average monthly wage figures of VND951,000. This has been increasing at an average of 23% a year in Dak Lak province.

Workers in the state sector fair better with monthly wages of VND906,600. above the regional average of VND900,500.

Table : Wages in the State sector and in registered enterprises, 2003

	Registered Enterprises			State sector		
	VND thousand per month			VND thousand per month		
	2001	2002	2003	2001	2002	2003
National	1,103,000	1,249,000	1,422,000			
Kon Tum	691,000	866,000	1,170,000	727,900	786,700	966,900
Gia Lai	662,000	802,000	1,001,000	535,400	615,900	752,600
Lam Dong	816,000	881,000	965,000	882,100	981,000	1,118,000
Central Highlands average	653,000	776,000	951,000			
Dak Lak	566,000	690,000	856,000	761,100	816,900	906,600
Dak Nong			855,000	636,700	688,300	758,700

Source: GSO 2005

A recent GTZ, CIEM, Vision Associates survey of firms across 7 provinces found that 32% of surveyed firms felt that the quality of employees in Dak Lak province were of insufficient quality, one of the lowest in the survey, though all firms felt workers were easily accessible.

Table :Availability of labour forces in the provinces

Provinces	Availability in quantity		Availability in quality	
	Sufficient	Insufficient	Sufficient	Insufficient
Total	73%	27%	92%	8%
An Giang	66%	34%	89%	11%
Hung Yen	74%	26%	89%	11%
Quang Nam	71%	29%	100%	0%
Dak Lak	68%	32%	100%	0%
Ha Tay	83%	17%	100%	0%
Ha Nam	89%	11%	82%	18%
Lào Cai	71%	29%	82%	18%

Source: Vision Associates

4.4. Educational structure¹²

Dak Lak provinces education includes a university and several vocational training colleges as well as a range of pre, primary and secondary facilities.

4.4.1. The University of the Central Highlands

The University concentrates on training and scientific research of the Central Highlands. The University has 5 faculties: Pre-university, Pedagogy, Agro-Forestry, Economic and Medical. There are also 2 centers attached to the university, the Central Highlands Center for Human Sciences and the Center for Examination.

¹² <http://www.daklak.gov.vn>

4.4.2. Vocational schools

There are 3 vocational schools including the school for mechanical-technical workers, the school for vocational training youth of ethnic minorities and the center for employment services. There are also a number of vocational bodies of organizations and individuals that take large part in vocational training across the province.

Table : Education in Dak Lak province 2000

	Number of schools	Number of pupils	Teachers
Nursery	06	2,469 pupils	350
Kindergartens	109	55,489 pupils	2,418
Pre-schools	79		
Primary education schools	394	313,124 pupils	9,854
Primary schools (1 and 2 grade)	50		
Lower secondary education schools	174	160,426 pupils;	4,814
Secondary education schools (2 and 3 grade)	16	50,755 pupils; in there: 4,520 pupils are people of ethnic minorities	1,252
Upper secondary education schools	22		
Provincial standing education center	01		
Standing education centers of districts	14		
Vocational schools Buôn Ma Thuột	01	5,487 pupils	22
Provincial Center for Foreign languages and IT	01		
Pedagogical Secondary Education School for pre-school teachers	01	486 pupils	26
Dak Lak Pedagogy College	01	2,082 persons	117
Hy vọng School for disable children	01	49 pupils	06

5. Dak Lak's Public Finances

Table :Dak Lak Budget Revenue and Expenditure, 2002 and 2004, VND million

	2002	2004
Total Provincial Revenue	2,077,254	2,208,345
Total Local Budget expenditure	1,471,105	1,608,185

5.1. Revenue

5.1.1. Central Transfers to the province

Revenue in Dak Lak province is expected to increase by only 6% in 2003 compared to the budget for 2000. Dak Lak province remains reliant on central transfers for revenue, receiving 65% of its budget from the centre in 2003. This is higher than many of the other provinces in the region. Lam Dong province supplies more than 59% of its budget from taxes raise in the province compared to only 35% in Dak Lak.

Table : Central Highlands revenue sources, 2004

Province	100% local Taxes	Shared taxes	Transfer from Centre
	%	%	%
Kon Tum	17	14	69
Dak Lak	12	23	65
Central Highlands	18	24	58
Gia Lai	15	28	57
Lam Dong	29	30	41

Source: Ministry of Finance 2004

This increased reliance on central transfers contradicts with a general movement towards fiscal decentralization in Vietnam, where provinces, districts and province are allowed to retain an increasing share of the revenue they collect. The current system breaks taxes and fees into three groups, i) taxes that can be retained 100% by provinces, districts and communes, ii) shared taxes, those shared with upper levels of

government and iii) taxes sent 100% to the centre by provinces, districts and communes. Dak Lak province has one of the highest central transfer rates in the Central Highlands as well as the lowest reliance on taxes it can retain 100%.

5.1.2. Revenue base

Domestic revenue is set to increase by 17.5% in 2004 compared to 2002. The reliance on the non-state sector for revenue is set to increase from 28.25% of domestic revenue to 40.6% in 2004, while the state sectors share of revenue provision is decreasing. Both state and non-state revenues account for only 13.5% of the provinces revenue.

Table : Budget Revenue for Dak Lak 2002 and 2004, VND million

		2002	2004
Total Revenue (I + II)		2,077,254	2,208,345
I Total Provincial Budget Revenue (A+B+C)		550,582	602,000
A Domestic Revenue		441,757	519,300
Revenue from State owned enterprises	112,284		89,809
Revenue from foreign invested enterprises	239		381
Revenue from non-state sector	124,785		209,530
Revenue from Fees	23,436		85,500
Revenue from land (taxes, rent and sale)	85,081		103,780
Other Revenue	95,932		30,300
B Revenue from customs		432	2,700
C Other domestic revenue		108,393	80,000
II Local Budget Revenue		1,526,672	1,606,345
Revenue via Central Government transfer		865,410	969,699
Other Revenue		661,262	636,646

Source: MOF 2005, 2002 has been finalised, 2004 approved estimates

5.1.3. Taxation of enterprises

GSO data shows that Dak Lak's 762 registered enterprises paid VND268 billion in taxes and fees in 2003, much higher than the regional average. Each enterprise paid around VND390million. The national average is VND1.53 billion per enterprise.

These figures are also lower than those found in our previous study of Quang Nam province. Quang Nam with only 554 registered enterprises manages to extract a significantly larger fee and tax amount than Dak Lak, VND324.9 billion in 2003 or VND590million per enterprise. This suggests either a more sophisticated and effective tax and fee system or larger and more willing enterprises. However, Quang Nam's figure is also significantly below the south central coast regions average per enterprise of VND780 million. Enterprises in Dak Lak are paying half the average amount of taxes and fees as South Central Coast region provinces.

Table : Taxes and fees paid by enterprises, 2003

	Total Tax and fees paid by enterprises VND billion	Average per enterprise VND billion
National	1721.87	1.53
Central Highlands average	176.9	0.38
Dak Lak	267.6	0.39

Source: GSO 2005

5.2. Expenditure

In 2004 socio-economic expenditure will make up 64% of expenditure, an increase on 2002 when it was 61% of all spending. Overall expenditure is set to rise by only 9% in 2003 compared to 2002 expenditure budget. This includes spending on social services such as hospitals and schooling, public administration costs and a variety of other expenses such as economic services and security and defense.

Development investment is set to increase 65% compared to expenditure in 2002 and makes up 31% of expenditure in 2003 compared to 25% in 2002.

Table : Budget expenditure for Dak Lak 2002 and 2004

	2002	2004
Total Local Budget expenditure	1,471,105	1,608,185
Development investment	372,427	501,894
Socio-economic development	894,588	1,027,416
Social services	450,960	615,111
General Public Administration	151,413	194,144
Other expenditure	292,215	218,161
National Targeted programmes	73,026	78,875
Other	131,064	-

Source: MOF 2005, 2002 has been finalised, 2004 approved estimates

6. Business Environment

In the recent GTZ, CIEM and Vision Associates survey of Dak Lak and 6 other provinces, which examined the time taken at the different business administration processes, Dak Lak overall was significantly below the survey trend with 54% of firms reporting that procedures were completed within statutory time limits. This compares with 69% overall.

Only in registering for tax and also customs registration did more firms report a high rate of response from authorities, indeed higher than many of the other provinces. However official receipt purchase and business registration had worrying delays reported by firms.

The survey also reported considerable problems with the one-stop-shop system for business registration and access to tax codes and receipt books, with firms complaining that rather than shortening the registration process the one-stop shop system in Dak Lak was adding a further layer of bureaucracy to an already delayed set of administrative procedures.

Table :Findings on length of registration related procedures

Procedures	Average	Dak Lak	Quang Nam	An Giang	Hung Yen	Ha Tay	Ha Nam	Lao Cai
1. Business registration less than 15 days	66%	52%	93%	74%	59%	38%	53%	83%
2. Having the official business seal less than 7 days	67%	62%	89%	58%	81%	100%	50%	56%
3. Tax registration less than 7 days	77%	85%	95%	76%	71%	100%	56%	73%
4. Official receipt purchase less than 3 days	54%	50%	69%	57%	71%	80%	35%	25%
5. Customs registration less than 3 days	36%	67%	0%	33%	50%	0%	0%	0%
6. Completion of all these procedures less than 30 days	69%	54%	97%	63%	67%	90%	31%	60%

Source: Vision Associates 2005

6.1. Access to land

The same study found that access to land in Dak Lak province was substantially easier and quicker than the other 6 provinces in the survey, taking only 33 days to finish all procedures in accessing land. This compares to an average of 168 days across the provinces in the survey. This was the shortest time scale found in the survey.

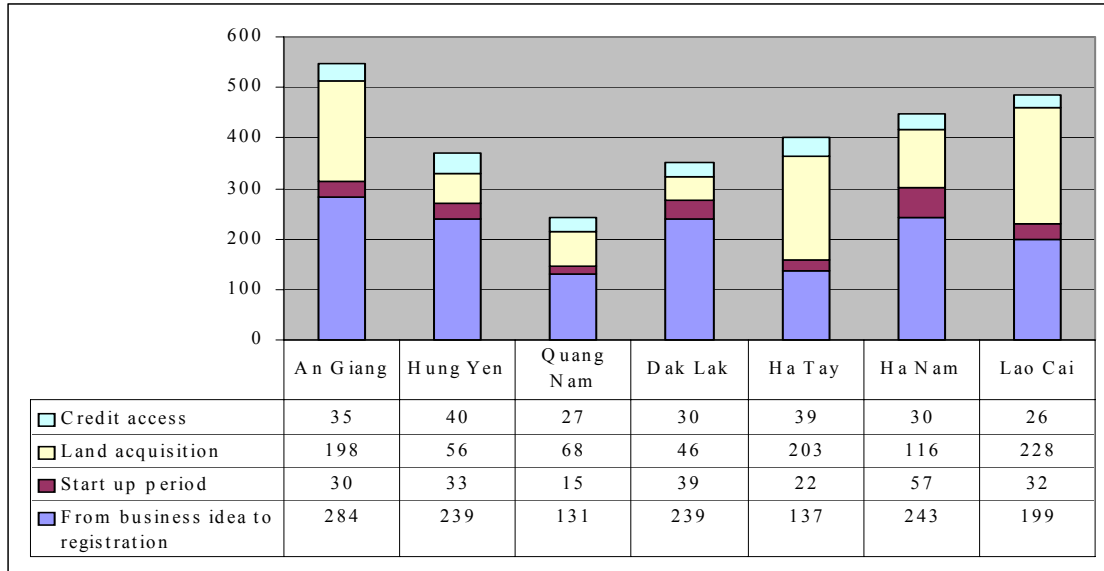
Table : Time scale in accessing land

Provinces	Total	In industrial zones/parks	Outside industrial zones/parks
	Average length (days)	Average length (days)	Average length (days)
Total	168	111	187
Ha Tay	90	NA	135
Quang Nam	86	120	75
An Giang ¹³	198	NA	518
Ha Nam	92	83	105
Hung Yen	51	53	50
Dak Lak	33	NA	33
Lao Cai	213	203	220

Source: Vision Associates 2005

¹³ This number did not include the number of the 2 enterprises mentioned above.

Figure : Total length for the whole procedures (incl. From business idea to registration, start up, land acquisition and credit access)



Source: Vision Associates 2005

6.2. Investment promotion

6.2.1. Industrial parks

Tam Thang Industrial Park¹⁴.

The park is 251ha which includes 142ha of production area and 11ha of office space. It also has a residential zone. The park is aimed at mainly SME scale industries with high technologies. Current and possible projects include:-

- Dak Lak Sugar Factory capacity 1000 tons of sugar cane/day (in operation)
- Cotton factory with capacity 12,000 tons/year (under construction)
- Fabric factory with capacity of 40,000 cops (under construction)

Four enterprises have registered to invest in the park

- Factory producing fresh and prefabricated concrete with capacity 3,000m3 product

¹⁴ www.daklak.gov.vn

- Factory of animal feeds, capacity 5,000 tons/year
- Factory producing organic microbial fertilizers with capacity of 30,000 tons/year

6.3. Calls for further investment

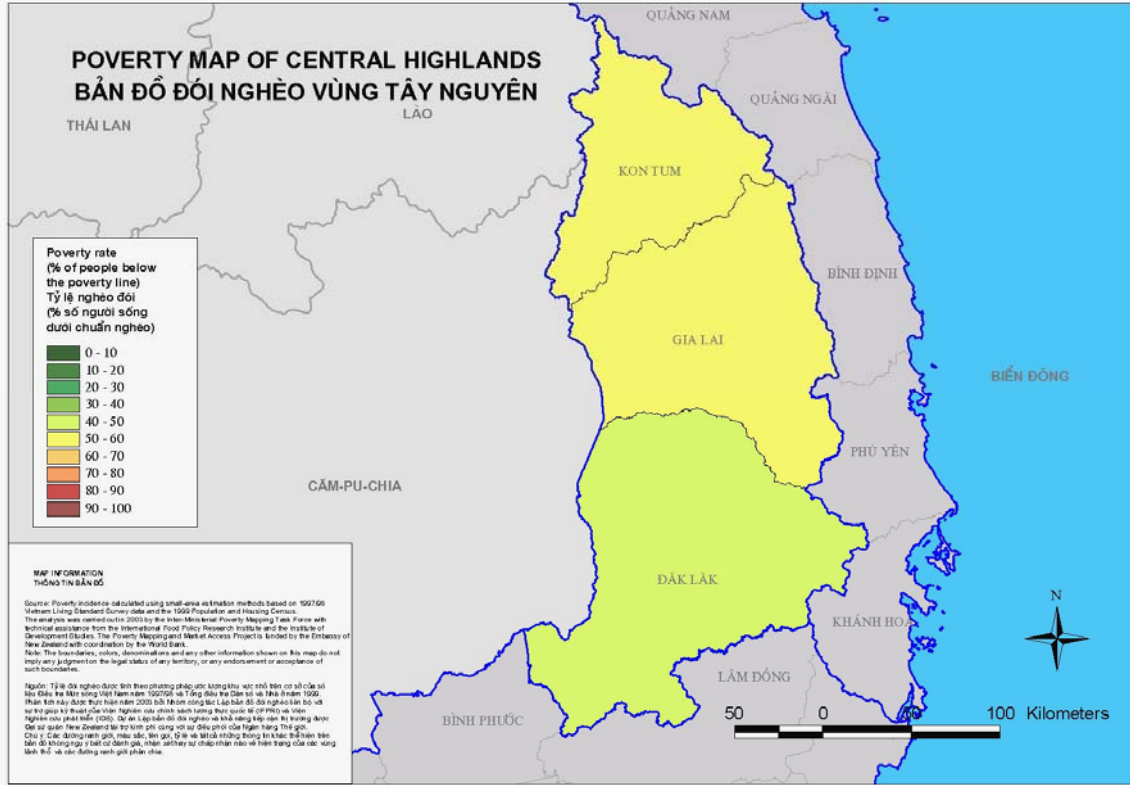
As in other provinces Dak Lak has publicised a very detailed list of investment projects it would like, including already identified districts and communes where projects are felt to be of most benefit. Projects revolve around the use of and processing of current Dak Lak produce and also include production to supply the domestic market. In total over US\$60 million in investment for the 16 projects is called for.

	Investment	Estimated investment
1.	Coffee processing project combined with organic coffee growing area in any district of Dak Lak, to produce 20,000 tonnes of instant coffee per year	US\$9.8 million
2.	Cocoa plantation on 3,000ha and plant to process 2,000 tonnes of cocoa per year in Ea Kar, M'Drak districts	US\$3.9 million
3.	Projects to make 1,000 tonnes of rubber-latex products per year in Krong Buk District	US\$7.4 million
4.	Beef and dairy processing plant in M'Drak, Lak, Ea Sup districts for domestic and export markets	US\$7.9 million
5.	Fruit processing project in Buon Ma Thuot	US\$1 million
6.	Animal feed project (30,000-50,000 tonnes per year) in Buon Ma Thuot and Krong Buk District	US\$1.9 million
7.	Woodwork and handicrafts workshop (1,500cu.m per year) in the Ea Kao District and Buon Ma Thuot	US\$446,000
8.	NPK fertiliser plant (100,000 tonnes a year) in Krong Buk District	US\$1.2 million
9.	Plastic utensils factory (200 tonnes of product per year) in Buon Ma Thuot	US\$191,000
10.	Agricultural machinery assembly plant with a capacity of 20,000 products a year in Buon Ma Thuot	US\$2 million
11.	Tile factory to make 200,000sq.m per year in Ea H'Leo District	US \$700,000
12.	Cement plant in Cu M'gar District	US \$2 million
13.	Ore exploration, mining and manufacturing project to produce ceramic bricks and granite tiles from the ore with a capacity of 2 million sq.m per year in Ea Kar District	US\$15 million
14.	Tourism projects in Lak, Buon Don, Ea Kao districts	US\$2.9-3.3 million each
15.	Proposed sports and amusement centre in Buon Ma Thuot	US\$1 million
16.	Trade and supermarket centre on 0.5ha in Buon Ma Thuot	US\$5 million

Source: <http://vietnamnews.vnagency.com.vn/2004-07/13/Columns/Investment%20Focus.htm>

7. Overseas Development Aid in Dak Lak

7.1. Poverty in Dak Lak



Source: IFPRI, ICARD, IDS 2003¹⁵

7.2. Selection of donor projects in Dak Lak province

In 2003 Dak Lak province had one of the lowest incidence of poverty in the Central Highlands with 42% of the population considered under the poverty line, though this was one of the highest in Vietnam. Other provinces in the region posted poverty rates of 34% in Lam Dong, 53% in Gia Lai and 51% in Kon Tum. Dak Nong province was included in the figure for Dak Lak province at this time.

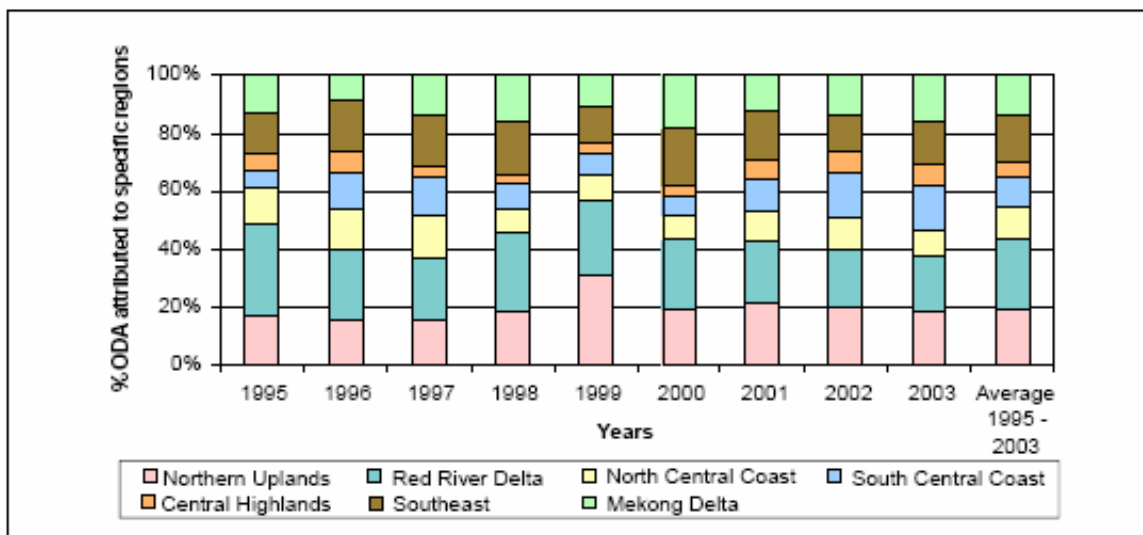
According to UNDP and rough calculations by the author, Dak Lak province has been included in Overseas Development Aid amounting to US\$950 million, though only a

¹⁵ Lam Dong province is included but not highlighted on this map. The map predates the establishment of Dak Nong province.

small percentage of this was directly received by the province itself. This has included large infrastructure projects as well as macro level health and education projects.

However, ODA directed at the Central Highlands has not matched requirements when looking at the number of poor households in the region. In 2002, the Central highlands held 10% of Vietnams poor households but received only 7.7% of ODA, this declined to 6.4% of the total ODA to Vietnam in 2003.

Figure 2.20: Regional Shares of ODA (%) in 1995 - 2003¹⁶



Source: UNDP Viet Nam DCAS

The larger projects, in more detail below, concentrate on natural resource management such as sustainable forestry management and agricultural diversification. A number of projects have also looked at water management and the development of specific agricultural products such as cocoa. There are and have been a number of public administration reform projects and urban development projects in Dak Lak.

The picture regionally is very similar with projects focusing on natural resource management and sustainable exploitation. In the past a number of provinces in the Central Highlands have received assistance in the development of other crops, especially rubber. Interestingly coffee in both Dak Lak province and the Central

¹⁶ UNDP, 2005, Vietnam Development Cooperation Report 2004

Highlands has received only limited support as many donors are wary of being involved. Support has been given in the improvement of quality in coffee in some province as well as the establishment of Arabica coffee, though mainly outside of Dak Lak province.

7.2.1. Asian Development Bank

7.2.1.1. Forests for Livelihood Improvement in the Central Highlands

This project aims to reduce poverty in several poor communes across a number of provinces including Dak Lak, by increase the sustainable use of the forest for poverty reduction, employment and diversification of income-generating opportunities.

The project comprises four components, i) sustainable forest management planning and development; ii) livelihood improvement support; and iii) capacity development; Outputs for the project include:

- an integrated forest resource development and investment plan for the entire project area.
- investment plans for the individual participating provinces to improve livelihoods and sustainable forest management
- investment plans for food and livelihood security, as well as for development of ethnic minorities
- biodiversity conservation proposals for two special-use forest sites eligible for funding from the Viet Nam Conservation Fund supported by World Bank/Global Environment Facility.

7.2.1.2. Integrated Natural Resources Management Strategy for the Central Highlands

This project focuses on the protection of both the environment in the Central Highlands as well as the reduction of poverty through integrated natural resource management and the development of an integrated natural resource management strategy for the central highlands.

The main components of the project include i) land, forest, and water resource availability, use, and development assessments; ii) assessment of inter- and intra-

sectoral policy and/or institutional, planning, and practice coherence; and iii) preparation of an integrated natural resource development and management strategy for the central highlands. From this the project will develop:-

- natural resource development assessment for the central highlands,
- a rationalized and harmonized policy and institutional framework for integrated land and forest resource development in the central highlands.

7.2.1.3. Central Region Small and Medium Towns Development

The project goal is to reduce poverty and improve the well-being of the urban population in the central region. Its purpose is to provide water supply and sanitation investments in 10–20 subproject towns in the several provinces including Dak Lak.

7.2.2. DANIDA

7.2.2.1. Support to public administration reform Dak Lak Province

This is the third phase of DANIDA's support to PAR in Dak Lak province supporting decentralisation of powers to the provincial level. The project focused on a number of areas including; -

- Support to decentralisation and delegation of responsibility.
- Support to enhance service orientation in public service delivery units
- Support to public financial management in budget revenues and expenditures
- Support to human resource development for cadres and civil servants; and to training, information, education and communication to fully implement Decree No. 79/CP on the Grassroots Democracy Statute.

7.2.2.2. Assistance to water resources in Dak Lak province

The immediate objectives of this project include the improvement of water control, the extension system and the rural financial system in Dak Lak province.

7.2.3. GTZ

7.2.3.1. Rural development in Dak Lak province¹⁷

The project aims to improve the livelihood of the rural population through the introduction of participatory procedures which help facilitate a demand-driven rural development and sustainable management of natural resources. Initially six outputs are envisaged:

- Support to DPI in coordination of rural development programs, with special focus on ethnic minorities
- Development and improvement of upland farming systems
- Assistance to forest development planning at district, commune, and hamlet levels
- Assistance to development of social organisations for community-based NRM
- Assistance to development of service delivery systems (extension, marketing, farming inputs)
- Assistance to land-use planning and land allocation

7.2.3.2. Support to Reform of the Forestry Administrative System¹⁸

The goal of the third stage of this project is to assist the MARD in constructing a forestry administrative system oriented toward provision of services and effective utilisation of natural resources, contributing at the same time to environmental protection, sustainable management of forests, conservation of bio-diversity and the improved livelihood of people in forest dependent areas. The project supports the reform process on the national, provincial and – to a smaller extent – local level and contributes methodological, professional and financial support.

The main subjects to be currently dealt with are reform issues of forest administration on central level, as well as the improvement of administrative links between the central, provincial, and district administration. Furthermore, the implementation of planning

¹⁷ Taken from http://www2.gtz.de/vietnam/projects/projects_rural_rddl_eng.htm

¹⁸ Taken from http://www2.gtz.de/vietnam/projects/projects_rural_refas_eng.htm

instruments in provincial administration and the reform of pilot forest enterprises will be important activities as well.

7.2.4. USAID

The SUCCESS Alliance for Viet Nam is designed to complement a USDA-funded sustainable cocoa production in the Central Highlands and the Mekong Delta region. The Viet Nam SUCCESS Alliance programme aims to promote integrated cocoa cropping systems and cocoa best practices to farmers in the Farmer Field Schools (FFS), monitor the FFS schools and training evaluations as well as monitor the cocoa adoption rate. The project also maximize the post-harvest value of cocoa by development of post-harvest cocoa protocols for fermentation and development of standards for cocoa for Viet Nam.

8. District review

Figure :Dak Lak Province and districts



Source: SEI 2005

Buon Ma Thuot, the capital of Dak Lak province is the largest province and has the highest level of urbanisation and the lowest level of poverty incidence. Krong Pak district in the centre of Dak Lak is the second largest district and has one of the highest incidents of poverty at 45%. However the highest incidence of poverty and also the highest rural population rate is found in Krong B'ng in the east of the province where 58% of the population are poor and only 7.79% are reside in urban centres.

Table : Poverty incidence in Dak Lak province districts

District Name	Area km2	Population	Population working in Agriculture /Forestry/ Fishery	Percent urban	Incidence of poverty (P0)	Incidence of rural poverty	Incidence of urban poverty
Buon Ma Thuot	265	244713	48564	71.64	0.19	0.34	0.13
Krong Pak	623	195119	71521	9.70	0.45	0.47	0.21
Krong A Na	645	176996	62664	12.41	0.41	0.43	0.25
Cu M'Gar	825	138129	56315	19.35	0.46	0.52	0.21
Krong Buk	642	135752	50320	12.40	0.44	0.48	0.16
Ea Kar	1019	129747	55192	18.31	0.44	0.49	0.21
Cu Jut	826	102911	43003	12.38	0.44	0.47	0.22
Krong Nang	613	97653	41893	10.73	0.47	0.50	0.23
Ea H'leo	1336	84678	37690	18.21	0.50	0.56	0.21
Dak Mil	1090	84678	37099	9.27	0.42	0.45	0.13
Krong Bong	1250	72213	27218	7.79	0.58	0.61	0.19
Dak R'Lap	1758	61891	29854	9.34	0.49	0.52	0.19
M'Drak	1348	49046	20531	9.35	0.54	0.58	0.17
Buon Don	1412	48503	20933	0.00	0.54	0.54	N/A
Krong No	989	46622	20803	10.14	0.55	0.57	0.30
Lak	1077	44604	19502	12.32	0.58	0.63	0.22
Dak Nong	2131	36089	15852	27.39	0.52	0.65	0.17
Ea Sup	1750	31391	13554	23.75	0.51	0.60	0.24

Sources: Vietnam Population and Housing Census 1999, Vietnam Living Standards Survey 1997/98, Poverty Mapping project estimates

Available budget data from the Ministry of Finance, for the draft revenue of 2004 shows Buon Ma Thuot district receiving the highest revenue, though with no provincial transfer. The poorest district, Krong Bong, has one of the lowest revenue levels and local revenue earnings, relying almost completely on provincial transfers.

Table : Dak Lak Districts Budget Expenditure and Revenue, 2004

NO	DISTRICTS	TOTAL BUDGET REVENUE OF DISTRICTS	ADDITIONS FROM PROVINCIAL BUDGET TO DISTRICT BUDGET	TOTAL BUDGET EXPENDITURE OF DISTRICTS (*)
1	BUÔN MA THUỘT	182,270	0	106,834
2	EA HLEO	22,850	17,823	38,935
3	EA SÚP	4,550	21,063	24,464
4	KRÔNG NĂNG	9,025	34,758	43,091
5	KRÔNG BUK	29,515	26,667	50,470
6	BUÔN ĐỒN	4,254	25,366	28,797
7	CƯ MGAR	20,400	43,511	61,941
8	EA KAR	17,032	35,116	48,979
9	MĐRĂK	5,309	27,314	30,537
10	KRÔNG PĂK	21,250	53,736	72,337
11	KRÔNG ANA	27,555	45,921	70,546
12	KRÔNG BÔNG	4,550	35,529	39,108
13	LĂK	2,730	28,658	31,256

Remarks: () Total district-area budget expenditure excluded authorized expenditure from upper level budget*

Source: MOF 2005

9. References

- ADB/ ActionAid, 2003, Participatory Poverty and Governance Assessment: Dak Lak Province, Hanoi
- CIEM/ GTZ, 2005, From Business Idea to Reality, Draft, GTZ, Hanoi
- Dak Lak Provincial Government website, www.daklak.gov.vn
- Freeman, N, V L Nguyen, and H N Nguyen, 2005, Business Registration and Startup in Vietnam, IFC/ MPDF, Hanoi
- General Statistics Office, 2002, Statistical Yearbook for 2000, Statistic Publishing House, Hanoi
- General Statistics Office, 2005, Statistical Yearbook for 2004, Statistic Publishing House, Hanoi
- General Statistics Office, 2005, The Real Situation of Enterprises, Statistic Publishing House, Hanoi
- Jones, R, 2002, The Development of Coffee in Vietnam, MA dissertation, Unpublished, University of East Anglia
- Lindskog, E, K Dow, G N Axberg, F Miller and A Hancock, 2005, When Rapid Changes in Environmental, Social and Economic Conditions Converge: Challenges to Sustainable Livelihoods in Dak Lak, Vietnam, Stockholm Environment Institute, Stockholm
- Minot, N, B Baulch and M Epprecht, 2003, Poverty and inequality in Vietnam: Spatial patterns and geographic determinants, IFPRI, Hanoi
- UNDP, 2005, Vietnam Development Cooperation Report 2004, Hanoi
- Vietnam Seaports Association website, <http://www.vpa.org.vn>
- Vision & Associates, 2005, Study "Domestic Investment: From Business Idea to Reality" Baseline Survey, Draft Report
- VNCI, 2005, Provincial Competitiveness Index on the Business Environment in Vietnam, VNCI, Hanoi
- World Bank, 2004, Coffee Sector Report, Washington
- ICARD/Oxfam GB/Oxfam Hong Kong. 2002. The Impact of the Global Coffee Trade on Dak Lak Province, Oxfam Hong Kong, Vietnam.