



'DEVELOPMENT AND EXTENSION OF DAIRY FARMING ACTIVITIES AROUND HANOI, SECOND PHASE'

Implemented by the **Ministry of Agriculture and Rural Development**
*With technical assistance of the **Belgian Technical Cooperation***



THE 8th PROJECT STEERING COMMITTEE

- 1. Final report and Finance**
- 2. Annex**

Hanoi - 01/2010

**‘DEVELOPMENT AND EXTENSION OF DAIRY FARMING
ACTIVITIES AROUND HANOI, SECOND PHASE’**

VIE 0401612

FINAL REPORT

APPROVED BY

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Dirk Deprez

Resident Representative
BTC Vietnam

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Note:

- *This final report is made from the default format released by BTC*
- *Please have this document accompany you in the meeting*

FINAL REPORT

Development and Extension of Dairy Farming activities around Hanoi, Phase II

VIE/04/016/012

BASIC INFORMATION ON THE PROJECT

Country	:	Vietnam
DAC Sector and subsector	:	Agriculture, Livestock
National or regional institution in charge of the execution:		Ministry of Agriculture and Rural Development (MARD)
Agencies in charge of the execution	:	MARD and its provincial agencies in Hanoi, Hatay, Hanam, Vinhphuc, Bac ninh
Number of BTC international cooperation experts:		1
Duration of the project (according to SA/SC):		60 months
Start date of the project:		
according to SA/SC	:	14 February 2005
effective	:	14 February 2005
End date of the project:		
according to SA/SC	:	13 February 2010
effective	:	13 February 2010
Project management methods	:	Co – management (except TA budget line in Regie)
Total budget for the project	:	2,879,670 Euro
Period covered by the report:	:	2005 – 2010

PART ONE : APPRAISAL

Evaluate the relevance and the performance of the project by means of the following assessments:

- 1. - *Very satisfactory*
- 2. - *Satisfactory*
- 3. - *Non satisfactory, in spite of some positive elements*
- 4. - *Non satisfactory*
- X. - *Unfounded*

Write down your answer in the column corresponding to your functions during the project execution:

	National execution official	BTC execution official
RELEVANCE¹ (cf. PRIMA, §70, p.19)		
1. Is the project relevant compared to the national development priorities?		1
2. Is the project relevant compared to the Belgian development policy? Indicate your result according to the three themes below: a) Gender b) Environment c) Social economy		2 2 1
3. Were the objectives of the project always relevant?		2
4. Did the project meet the needs of the target groups?		1
5. According to its objectives, did the project rely on the appropriate local execution organs?		3

¹ According to PRIMA, §70, p.19, it is a matter "of appreciating if the choices regarding to the objectives, the target groups and the local execution organs remain relevant and consistent according to the general principles of a useful and efficient aid, and according to the execution of the local, regional, international and Belgian development policies and strategies".

	National excecution official	BTC execution official
RELEVANCE² (PRIMA, §71, pp.19-20)		
1. Did the results of the project contribute to the carrying out of its objectives ³ ? (efficiency)		2
2. Evaluate the intermediate results (efficiency)		2
3. Are the management methods of the project appropriated? (efficiency)		2
4. Were the following resources appropriated (efficiency) :		
a. Financial means?		1
b. Human resources ?		1
c. Material and equipments?		1
5. Were the project resources effectively used and optimized in order to reach the foreseen results? (efficiency)		1
6. Was the project satisfactory on a cost-efficiency approach in comparison to similar interventions? (efficiency)		1
7. According to the execution planning, assess the speed of the execution. (respect of deadlines)		2

² According to PRIMA, §71, pp. 19-20, it is a matter of "appreciate and measure the foreseen performances agreed during the preparation traineeships according to the 4 criteria and the indicators established during the formulation. (The 4 criteria are efficiency, suitability, respect of deadlines and quality of the personnel)".

³ See annex 1 for further information

Indicate your global evaluation of the project by means of the following appreciations:

- 1. - *Very satisfactory*
- 2. - *Satisfactory*
- 3. - *Non satisfactory, in spite of some positive elements*
- 4. - *Non satisfactory*
- X. - *Unfounded*

	National execution official	BTC execution official
Global evaluation of the project		2

Comment your evaluation, which can be broader than the strict framework of the abovementioned relevance and performance criteria and differ from the given evaluation.

(1 page max)

The project was very relevant to the national development strategies. It fits perfectly in the socio economic development plan, as well as in the comprehensive poverty reduction and growth strategy and more particularly in the National Dairy Development plan (NDDP).

The general objective and 1st specific objective were relevant, while the 2nd specific objective should not have been limited to the government but should have included different dairy stakeholders.

Most of the intermediate results were relevant to the objectives. However, some were not or had to be changed to become relevant. These issues are discussed later in the report.

The project had access to sufficient finance, material and equipment.

An important challenge for the project was to create a good team to implement all activities. At the time of formulation, it was expected that the ministry and its agencies would second practically all of the project's staff. At the time of implementation, however, it was considered that it would be more efficient to work with 'free market' project employed staff and keep government staff involved at the management level. Due to many other obligations, the government staff, at all levels, could only spend a relatively small amount of their time to the project. As a result, the project created a highly motivated and professional team that could engage itself 100% to achieve the project's objectives, but the capacity building of government staff was limited.

PART TWO : SUMMARY OF THE PROJECT IMPLEMENTATION

1. If necessary, describe the Specific objectives and the Intermediate results of the project, as mentioned in the project document, as well as the implemented changes (when, how and why). (max 1 page)

General objective: *"The income of the rural population is increased by sustainable growth of domestic milk production"*.

No comments.

1st Specific objective: *"The dairy production in the project area is increased"*

No comments

2nd specific objective: *"The Institutional Capacity of the government to support the Development of the Dairy Sector is strengthened"*.

The second specific objective clearly mentions the strengthening of institutional capacity of the GOVERNMENT. However, the PMU and the PSC considered that not only the government should be strengthened, but also the civil society (farmers) and the private sector. The 2008 World Development Report from the World Bank 'Agriculture for development' clearly states that support to these three pillars is compulsory for sustainable agricultural development. This new strategy is also in line with recent orientation of MARD.

Following the suggestion of the Mid Term Review, the project steering committee decided to mention the private sector in one of the results to achieve the 2nd objective, but decided not the change the objective itself (too avoid administrative procedures).

During the implementation, the PMU has tried to bring all dairy stakeholders around the table including several ministries, farmers, companies and consumers.

2. To which extent was the specific objective of the project reached, according to the accepted indicators? (1 page max.)

1st Specific Objective: *"The dairy production in the project area is increased"*.

Indicators: Milk production in the area, Cost/benefit ration of milk production

This objective has clearly been reached. The total milk production in the project area increased from 5870 to 9074kg per day (+55%) thanks to an increased number of dairy cattle and an increased productivity per animal. About 95% of the farmers report an improved cost/benefit ratio.

2nd Specific Objective: *"The Institutional Capacity of the government to support the Development of the Dairy Sector is strengthened"*.

Indicators: Level of satisfaction of primary beneficiaries, Quality of services, Level of communication between agencies in dairy management

Dairy farmers reported that the technical support and on-farm advice provided by the Project is the single most important aspect of the project. The assistance of project technicians at farm level was considered to be an 'important' or 'very important' part of the project's training program by 95% of the farmers. However, it remains unclear who

will provide such services after the project ends. About 60% of the farmers reported to be willing to pay for technical advice.

Concerning veterinary and AI services, 76% of the farmers reported that these services have improved during the implementation of the project. The quality of this service was rated as 'good' to 'very good' by 57% of the farmers, while 35% said it is 'so-so'. These services are provided by private technicians and farmers pay for the service. Practically all technicians say to be 'confident' (71%) or 'very confident' (23%) to provide their services.

"Dairy Vietnam", a new organisation created by the project, is considered as THE link in the dairy sector as well as THE source of information about the sector. Dairy Vietnam has successfully brought all dairy stakeholders closer together. Not only physically at their events, but also mentally. It is widely recognized that all stakeholders benefit from these improved connections: the public sector, the private sector, the farmers, the consumers and the companies.

3. To which extent were the intermediate results of the project reached, according to the accepted indicators? (max 2 pages)

Result 1.1: Dairy farmers groups, cooperatives and associations are created and/or reinforced.

Indicators: Number of dairy farmers group, associations/cooperatives supported by the project, Farmers' level of satisfaction on collaborative activities

Farmers in the original project are informally organized in 'trainings groups'. However, there is no interest of farmers to create cooperatives with legal foundations. The project provided short-term technical support to 1 large dairy cooperatives in the extended project area (Evergrowth cooperative in Soc Trang province).

Result 1.2: Dairy farmers have access to credit.

Indicators: Number of cows bought with credit, Number of facilities supported with credit

The project did not provide any credit to individuals or cooperatives.

Result 1.3: Dairy stock is increased.

Indicators: Number of dairy farming households increased, Average number of dairy cows per household increased

Due to the low profitability, the numbers of dairy farms decreased in the first half of the project from 463 in 2005 to 320 in mid 2007 (-31%). Since then, the number started to pick up again reaching 429 in 2008 but dropped again to 403 in 2009 (+26 % from 2006).

The number of dairy cattle decreased from 1057 in 2005 to 713 in mid 2007 (-33%), but shows an increasing trend ever since. In September 2009, the total reached 1208 (+ 69% from 2006). The project also actively promoted crossbreeding of local cows with dairy semen. By the end of the project, more than 1200 Lai Sind cows were successfully inseminated. The average number of cows per household increased from 2.2 to 3.0 (+36%). All these figures refer to the original project area (30 communes). The farms in extended project area are not included.

Result 1.4: Productivity of the dairy farm improved.

Indicators: Milk production/cow/month increased, Production cost/liter of milk decreased, Milk quality produced increased, Ration of success of Artificial Insemination increased, Death ration of calves and cows decreased, Calving intervals are shortened, Disease frequency of cows decreased.

The average daily milk production increased from 14.3 to 17.4 kg/cow (+22%). The peak milk production increased from 20.7 to 24.8 kg/day (+ 20%). Ninety five percent (95%) of the farmers reported a decreased production cost. However, the real cost of production has increased slightly due an increase of input costs. The cost of production in 2005 was calculated as 4184 vnd/kg⁴ and 4310 vnd/kg in 2009 (excluding family labor cost).

The body score (a good indicators for the cow's nutritional status) also improved a lot. In 2005, one third of the cows (33%) were too skinny or too fat, while this figured reduced to 6% in 2009. The estimated calving interval reduced from 15.4 months in 2005 to 13.6 months in 2009. The overall disease frequency decreased. Death rate of calves and cows is not monitored.

Result 1.5: Milk quality is improved and farmers have access to a market, which is transparent in the purchase process.

Indicators: FAT% and SNF% increased, BCC, SCC, AR decreased, added water decreased, Milk price is linked to quality of individual farmers, Established management service for MCP, Certification of MCP, Standards on hygiene are implemented

Farmers are paid based on individual quality.

In the past farmers would not sign any contract to sell their milk and the middlemen would determine the price. Now, thanks to the project's collaboration with the processing company, the milk of every farm is tested every day and the milk price of each farm is linked to the individual quality. After a successful collaboration with the project, the largest processing company of Vietnam is absolutely convinced about the individual incentive payment system and is already applying it all over the country.

All milk quality indicators have improved. The FAT% and SNF% increased to normal levels (3.7% Fat and 8.4% SNF in 2009 compared to 3.4% fat and 8.0% in 2006). The proportion of milk with a too high bacteria level decreased from 7.4% to 2.4%. Milk with antibiotic residue reduced to about 1%.

Practically all (99%) of the farmers said that it is important to be paid based on individual quality, a necessity to wish they had no access before the project's intervention. In 2009, 89% of the farmers are satisfied with the current payment system.

Individual milk payment is considered by the farmers as the 2nd most important innovation of the project.

Result 1.6: Dairy farming is less polluting.

Indicator: Impact of dairy farming on air, water and land

No indicators are measured. This result was only added late in the project, rather to indicate the importance of considering the environment than to make an impact. Most farmers are now using effluent as organic fertilizer, ...% of the dairy farmers has biogas and some are composting.

⁴ From Economic survey (1st PSC report): Income from milk= 20.017.000. Price of milk= 3800 vnd: 5268 L per year. Cost = 22.043.000 vnd: cost per liter= 22.043.000/5268 = 4184 vnd/L.

R2.1: Communication and coordination between dairy stakeholders is improved at national level

Indicators: number of coordination meetings, number of joint activities with coherent projects, Quality of website and newsletter

See above: 2nd specific objective

Many meetings and workshops have attracted high number of important participants. Website receives 3000 clicks daily (Vietnamese and English). Five high quality MilkMatters magazines were distributed to about 8000 readers who evaluated its quality as 'good' (52%), 'very good' (38%) and 'excellent' (2%).

R2.2: The capabilities of the public and private extension services at national, provincial and district level are improved in order to better serve/manage the development of the dairy sector

Indicators: National dairy policy and regulations applied, knowledge and practical skills level of technically trained persons increased, kinds, frequency and quality of services (artificial insemination, veterinary) improved, level of satisfaction of farmers

Most services are provided by private technicians. Level of satisfaction during the project implementation is discussed above. The project demonstrated the need for a new kind of technician, a feeding advisor.

4. Describe the follow-up evaluation system established when the project was implemented.

The TFF had foreseen a budget line for follow up and evaluation. However, no budget was foreseen for monitoring.

A complete baseline survey consisting of a general survey, a health survey, an economic survey, a credit survey and a GIS survey was conducted in the first year of the project.

The project relied on project staff to follow up indicators such as number of farms, number of cows, total milk collected in the project area. Farm practices and economics were monitored in a limited number of farms. The volume and quality of the milk delivered to the milk collection centers was closely monitored by project staff.

An external MTR was organized in 2007.

A satisfaction survey, a second health survey and an external final review took place in 2009.

PART THREE : COMMENTS AND ANALYSIS

1. What are the major problems and questions having influenced the project implementation and how did the project attempt to solve them? (max 1 page)

This project was the second phase of a dairy project around Hanoi. In that sense, it was supposed to make full use of approaches, methodologies and training material developed in the first phase. However, a period of 4 years passed between the two phases, another institution was chosen as partner and the methodology applied in the first phase, was no longer considered appropriate. Very little training material survived.

The baseline survey in 2005, showed serious constraints in the profitability of dairy farming, which was clearly reflected in the decreasing numbers of farmers and cattle in 2006. The project decided to collaborate with the public and private sector to restore the profitability of small scale dairy farming by introducing practical innovations to increase productivity, improve quality and reduce production costs as well as by guaranteeing a fair milk price based on individual quality. The project focused on getting more out of the land and cows that the farmers already had rather than providing loans to purchase more cattle.

A difficulty encountered was that farmers were used to get things for free or heavily subsidized. As a consequence, our business-oriented approach (smart investments into a bright future) was not always welcomed. Nevertheless, in the end, our approach received a lot of support and is considered as an example for the future.

The first phase had invested in milk cooling centers and we were supposed to do the same. However, our surveys showed that the cooling centers were badly managed by middlemen, who clearly got a larger share of the cake than the farmers. These middlemen were often supported by the local authority and they did not want to hear of any form of control. In order to set up a fair payment system and to improve the quality of the milk, the project collaborated with the processing companies to which the middlemen were selling. Ultimately, most of them surrendered to close supervision by the project and the processing company. Currently all farmers have a chance to be paid directly by the companies based on individual quality. Some farmers still prefer to sell to middlemen because they can get a high price for bad milk.

Although feeding was identified as the most important factor to improve profitability, no technicians were available to train and assist the farmers. This is in strong contrast to the oversupply of veterinary and AI technicians. The project decided to employ its own feeding advisors in order to prove that an important difference could be made by effective on-farm advice. In the 2009, the proof is clearly delivered, but the questions of who will provide such service in the future, is more relevant than ever.

A major challenge of the project was the involvement of the government staff. In order to get things done, the project employed many non-government staff. We believe the national and provincial level have learned a lot from their close involvement in the project. However capacity building of government staff remained a problem. Therefore, the project also collaborated with many private partners such as milk processing companies, feeding companies and equipment suppliers, who are now hopefully convinced that investing in a good technical advice for their farmers, creates win-win situations. Some of them are now increasing their effort to deliver more and better services for farmers.

2. Which factors explain the differences in relation to the awaited results? (max 1 page)

Cooperative development

There is no interest of farmers to create cooperatives with legal foundations, since they consider that no commercial benefit can be made because the feeding companies as well as the milk processing companies are very strongly established. Cooperatives should be built from the bottom up. The project did discuss the issues with the farmers and tried in many ways to encourage them to build up cooperatives, but the interest remained low.

The project considers that cooperatives are not necessary if input and output services are organised in another way.

NGO's might also be better placed to build up cooperatives than government managed projects.

Credit to purchase animals

Based on thorough investigation, the project decided not to provide credit to purchase more cows. To restore profitability, the focus was on quality of production rather than on increasing farm scale by providing credit. The high amount of outstanding loans also showed that farmers already had access to credit.

The focus of the project on profitability was expected to have a positive effect on the numbers of animals as well. And so it did. Furthermore, the project implemented an insemination campaign for local cattle with dairy semen and trained the farmers in good calf rearing practices.

Credit to purchase cooling tanks

Assessment of the current milk collection facilities showed that the average distance between the farms and the milk collection point was only 1.4 km and that the capacity of the cooling tanks was sufficient. Furthermore, the ownership of cooling tanks, which were provided by the first phase, was often unclear. Obviously, no credit was provided to purchase more equipment.

3. Which lessons can we learn from the project experience? Please give a detailed answer on the impact and the durability of the results. (max 2 pages)

There are lessons to be learned for technical approach as well as for implementation modalities.

The project deviated quite strongly from the TFF, which was mainly focused on increasing the numbers of dairy cattle by providing loans, towards a focus on profitability and an improved integration of dairy production in the dairy value chain. Furthermore, the project aimed for an impact on the whole dairy sector in Vietnam, rather than only in the project area. This ambitious approach has paid off. The lesson learned is that projects should dare to aim high!

At farm level, the project significantly improved the profitability by approaching the dairy production from a business perspective. In sharp contrast to old idea of low input – low output dairy farming, the project encouraged the farmers to invest in appropriate innovations to boost the productivity as well as the quality. By only providing partial subsidy (max 50%), the farmers were kindly forced to take responsibility and ownership of the interventions at farm level. Project technicians did not stop with providing training, but actively assisted dairy farmers to make sure their investments would pay off. The

lesson learned is that a focus on farmers that want to make a change and invest in their own future, possibly contributes more to economic development than a focus on the poorest farmers. We believe that the poorest farmers are better off as paid laborer than involving them in a risky business such as dairy.

At milk purchase level, the project collaborated with the private processing companies to create a fair and transparent payment system. This directly resulted in a formal contract between the farmers and the processing company, increasing the level of responsibility of both partners. The durability of this project component is high, since both parties are clearly convinced and the activity has already successfully been handed over. The lesson learned is that project should dare to collaborate with the private processing companies, who are too often considered as 'bad' to the farmers. It is our duty to create win-win partnership between the different links of the value chain.

We strongly believe that the success of the project at farm level cannot be linked to one single activity, but is due to the combination of changes, both at farm and milk payment level. However, there are concerns about the future of the technical advice at farm level. It is rather clear that farmers should not count on government technician to provide on-farm advice. The government does not have the resources to offer such kind of service for a specialized sector such as dairy. And although the processing companies show interest to employ such kind of technicians, the evidence to demonstrate that companies will effectively commit to providing on-farm technical advice is not yet present. Both the government and several processing companies are willing to provide trainings, however, our project demonstrated that it takes more than just trainings to really make a change.

And these changes are absolutely necessary to ensure the competitive position of Vietnamese dairy farmers in the world. Low input - low output dairy farming, which generates low income for the farmers and produce inferior quality milk, has no future. No project should focus on expanding the number of dairy farms and cattle without guaranteeing a reasonable profitability. On the other hand, our project has proven that with the appropriate support, small-scale backyard dairy farms can transform in small scale agricultural businesses that generate a relatively high income and produce high quality milk. Furthermore, collecting, processing, distributing and retailing locally produced milk generates many more jobs, which provides opportunities for people to escape poverty. Agriculture is a business and it should be approached as a business, not as lifestyle.

The responsibilities of the public and private sector in Vietnam are changing fast. The project identified that their roles are currently not clearly described. This leads to confusion, overlap and gaps. We see an opportunity for bilateral cooperation to assist the public sector to work more efficiently with the private sector. These roles should be discussed during project identification, formulation and implementation.

This project was implemented under co-management. The fact that both parties take responsibility and had to decide on how the money would be spent generated a healthy communication between the Vietnamese and Belgian side. Since many people would consider the project rather a 'Belgian' project than a 'Vietnamese' project, we were allowed to take risks, without facing a possible 'Loss of face' for the ministry. If a certain project intervention would not deliver the desired results, it would be considered as a failure of the Belgian project rather than a failure of the ministry. And this gave us the change to innovative and to 'experiment'. Particularly, the new milk payment system and sprinkler irrigation for high quality grasses were controversial. Now, when results were achieved, the ministry has a great opportunity to expand the successes to other areas.

We have concerns that the new project modalities (Budget Support, National Execution) will not allow such 'free standing position'. Probably, a similar dairy project under national execution would not have engaged itself in such risky adventures. Please note that it are exactly these risky adventures that make this project a huge success!

On a practical note, a period of more than 4 years between two phases of a project should be avoided and the expectation of Vietnamese contribution should be realistic. One cannot expect that a head of a department can commit him/herself full time to one project.

Apart from bilateral cooperation, other forms of cooperation between Vietnam and Belgium should be considered. Although considered controversial by many, we believe that a direct cooperation with the major milk processing companies to improve profitability of dairy farming (through on farm advice, fair payment, loans programs etc.) could have a huge impact. In fact, the Netherlands completed a project with Vinamilk and Campina in Vietnam. Unfortunately, it only focused on one specific area in Vietnam.

Our project tried to re-enforce dairy farmers cooperatives but failed to do so. We believe that projects should not work with the government to build up cooperatives, especially not in a country where the government tends to control the cooperatives. Cooperatives should develop from the bottom up. The government should create the conditions for cooperatives to develop and provide appropriate support once they exist, but interference of government in the operation of the cooperative should be avoided at all times. Therefore, NGO's might be better placed to support farmers in cooperative development. Vietnam has a beautiful example of a 900 member strong dairy cooperative in Soc Trang province, supported by a Canadian NGO. Bilateral cooperation should limit itself to assisting the government in creating a favorable climate for cooperative and small business development.

A combined support from 3 different angles (public, private & cooperatives), each focusing on their specific duties, but with close collaboration and coordination between them, would create the perfect recipe for sustainable agricultural development!

4. According to you, how was the project perceived by the target groups?

A satisfaction survey was organized in September 2009 showing that farmers and technicians were both very satisfied with the project. The innovations introduced by the project were very perceived. Almost all innovations were considered important to their dairy production by more than 90% of the farmers. The farmers ranked silage bags for feed storage, the individual milk payment system, the heat stress system and grass production as the most satisfying activities. All six grass species introduced by the project received a good appreciation of over 90% (satisfied and strongly satisfied).

Two aspects of our training program were particularly highly appreciated by the farmers: 'Technicians came to the farms to assist them with the innovation' and 'Training topics were relevant to their needs'. The high quality attractive training material was also much appreciated. The majority of the farmers evaluated the manuals as 'very good' (>60%), while another 35% said they are good.

Before the project, farmers received a 'group price' for their milk. Thanks to the project's intervention, farmers now receive an individual milk price based on quality. More than 99% of the farmers said that individual payment based on quality is important.

A large majority (89%) of the technicians involved in project activities, said to be satisfied or very satisfied with the project. Practically all of them (97%) considered the project

activities relevant to the dairy production in their area and 98% said they are using what they have learned to serve farmers inside and outside the project area.

5. Did the follow-up evaluation or the monitoring, and the possible audits and controls have any results? How were the recommendations taken into account?

The only external follow up evaluation mission was the Mid Term Review. The main recommendation of the MTR was to continue with most project activities as had been planned. This recommendation was obviously followed.

The MTR made some specific recommendations and suggestions. All of these were seriously considered and discussed in the 4th PSC meeting. Some were followed, others not.

The MTR suggested to scale down the activities to create cooperatives and the ambitious plan to create a large economic union. The project agreed with this suggestion and followed the MTR's advice in the second half of the project.

The MTR team agreed that it was a correct decision to delay the credit component of the project. However, given the fact that the profit margin of dairy farming increased again, the MTR team suggested to reconsidering the provision of credit to purchase animals and to invest in innovations. The PMU preferred not to provide loans for purchasing cattle within the framework of the project. Many farmers did still have outstanding loans and other sources for loans are still available and providing loans would trigger a further increase in price of cattle, which was already very high. Concerning the smart investments for innovations, the PMU preferred to provide partial subsidy up to maximum 50% of the costs. Given the limited duration of the project, it would be very difficult to set up a sustainable credit system.

The MTR came to the conclusion that the Identification and Registration (I&R) system of cattle seemed to be failing. The importance of a good I&R is strongly addressed in the MTR report.

The PMU considered that I&R should stay the responsibility of the public sector and was reluctant to set up a parallel project system. Today, there is still no functioning I&R system, which creates a lack of consistent data. For project purposes, it might have been better to have followed the MTR's recommendation.

The MTR also suggested to increase the efforts to encourage the farmers to do good data recording. Even though the project intended to follow the advice of the MTR, data recording remained a weak point.

The MTR considered that the milk payment system of the project, at the time of MTR, was the most fair, transparent and independent milk quality control and payment system in Vietnam!

The MTR suggested to create an independent non-profit, non-public entity to take over the activities from the project. The project did follow the advice of the MTR and investigated the possibility to set up an independent entity. However, this seemed impossible within the Vietnamese legal framework. Later on in the project, the collaboration with the processing company intensified and it was decided to hand over the system the processing company. Although we might have given in on the independency of the system, the project achieved its objective to set up a sustainable, fair and transparent system.

The MTR team also addresses the sustainability of Dairy Vietnam and made the

suggestion to create an independent non public organization. Initially, the project agreed with the suggestion of the MTR and considered several possibilities to create an independent non-public organisation. However, later on, the project changed its opinion and decided that dairy Vietnam should remain under the control of the ministry. Currently, it is suggested that the ministry has the overall responsibility, but the activities of Dairy Vietnam will be outsourced to a professional team. Although the MTR considered that Dairy Vietnam should be independent in order to continue to attract private sponsor, the project decided to take risk to keep Dairy Vietnam under the wings of the ministry.

The MTR strongly questioned the commitment of active involvement the public sector in the project. It considered that the time constrain of government staff and the little capacity building are reason for concern for the ownership of the project and sustainability of the public services involved. On the other hand, the MTR also recognized the changing role of the public sector. Related to these comments, nothing changed in the project.

6. Which are your recommendations for the consolidation and the appropriation of post-project period (policy to be followed or implemented, necessary national resources, make target groups aware of their responsibilities, way to apply the recommendations ...)? (2 pages max)

Farm Innovations

It is widely accepted that the innovations introduced by our project are very relevant to the dairy production in Vietnam. Some talk about the 'new dairy model', referring to a dairy farm applying all our innovative techniques.

The high adaptation rate of the farmers in the project shows that the farmers are really convinced about the benefits. This is the first step to sustainability. The higher levels (provincial and national) seem to share the idea of the farmers. The 7th PSC noted that the sustainability of the activities must be assured by MARD and the DARD's which will mainstream the innovations introduced. However, the project clearly identified that the role of the public sector in dairy development should be carefully considered. During the implementation, the project relied heavily on project employed staff and collaboration with the private sector to assist the farmers. So looking at the sustainability of the introduced innovations, both the public and the private sector should be considered.

Also the private sector (milk processing companies, feeding companies, equipment supply companies etc.) applauds the project's approach of providing relevant on-farm advice and recognises the impact on productivity and quality. They might take over some project staff when the project finishes.

In conclusion, the project absolutely achieved it's goal of proving that by introducing on-farm advisors, an important impact on the farm's profitability can be made. Furthermore, both public and private sector are convinced that this is indeed the right way forward. Nevertheless, neither the public nor the private sector is yet clearly mobilising their resources to follow in our footsteps. Our recommendation is that all parties involved should try to disseminate our results in all possible ways, in Vietnam and abroad. For this purpose, the project has develop relevant materials (manuals, magazines, brochures, videos, ...)

Milk quality control

The fair payment model introduced by the project was successfully handed over to the largest processing company in Vietnam. They currently implement the approach nationwide. Also the second largest milk processor is applying a fair individual payment system.

However, it should be noted that these companies do so voluntarily. There is currently no law to force companies to pay farmers individually or even a law that regulates the quality standards that should be applied purchasing raw milk. Some smaller processing companies don't apply sufficient quality control and refuse to sign direct purchase contracts with the producers. Unfortunately, these companies often offer a high price for poor quality milk, which clearly disturbs the fair market. Bad farmers and criminal traders still find ways to deliver their milk to processing companies, putting the consumer's health at risk.

There is a clear need for regularisation of these practices. We recommend that a direct purchase contract between producers and processor becomes obligatory. The minimum allowed quality for milk to be acceptable for human consumption and the standard tests to be carried out should be specified in the food law. A correct implemented system will make every farmer responsible for the products he/she delivers and allows processing companies to trace back any problems to the source. Vietnamese consumers demand high quality products. The Vietnamese government and the local processing companies should work hand in hand to ensure that Vietnamese milk products are safe and healthy. If they fail to do so, consumers will choose imported products. Currently, the consumers are in favour of Vietnamese liquid dairy products. But for the baby formula's (powder milk) the majority of the Vietnamese consumers does not trust the Vietnamese products. Most of the consumers are willing to pay more than double the price for imported products. We must ensure that Vietnamese remain faithful to Vietnamese liquid dairy products.

We recommend to work on the development of a legal framework that sets the standards and forces every processing company to submit their quality control system to the relevant agency. The companies themselves should be in charge of executing their quality control as in their submitted plan. The government should critically assess the proposed quality control of each company and conduct regular inspections.

Dairy Vietnam

Dairy Vietnam is a success. But its future is fragile. Given the fact that the Vietnamese Law does not provide a clear solution for a public-private organisation, the project has opted for 'outsourcing'. This allows Dairy Vietnam to be situated under the government's umbrella but to operate in a way that attracts private sponsors.

In order to survive, Dairy Vietnam will need to secure sufficient funds. The ministry made it clear that no funds should be expected from their side. Fortunately, the private sector is willing to support. However, their support will be closely linked with the performance of the organisation. In other words, if the team of Dairy Vietnam can keep up the quality, the future looks bright. If however, the quality of work deteriorates, Dairy Vietnam will quickly find itself in an uncontrollable downward spiral.

An important last minute change in the dairy sector in Vietnam is that a Vietnam Dairy Association was established. The first congress of the association will take place 2 months after the end of the project. The mission and tasks of this new organisation are similar to the one of Dairy Vietnam. Therefore, the future of Dairy Vietnam cannot be seen separately from the association.

For this practical reason, the PMU decided to delay the outsourcing until it is more clear how the possible collaboration with the association would be. The PMU already decided that the focus of Dairy Vietnam should be to support dairy production, with a particular focus on the small holders.

DOL is entrusted to take care of the future of Dairy Vietnam. The TOR for the outsourcing will be finalized after the first congress of the Association. We highly recommend that Dairy Vietnam and the Association will work together in spirit of mutual respect in search of WIN – WIN relationships!

7. Conclusions (1 page max)

The project achieved great results. The impact at farm level in the project area is remarkable. Furthermore, the impact on the whole dairy sector in Vietnam exceeded the wildest expectations. The project not only demonstrated how small holder dairy farms can become profitable, but it also played a crucial role in nationwide discussion on quality, import vs local production, raw milk price and even dairy products retail price. Two years after its launch, Dairy Vietnam is recognized as the leading national dairy organisation. Not only is it the source of information for so many dairy stakeholders, but also consumers search for relevant information of our site. There is no other organisation like it. The website of Dairy Vietnam contributed significantly to raising the awareness of the Vietnamese people about the price and quality of products. Currently the farmers in Vietnam can enjoy a relative high milk price because the consumers want fresh milk products from Vietnam. So it can be seen that Dairy Vietnam helped the farmers to get a good price and the consumers to get a better quality. It is expected that the Dairy Vietnam and the Vietnam Dairy Association will work together to continue in the same spirit!

The PSC of the project applauded the fact that project is not working in isolated project area but is very well aware of what's happening in the dairy sector in Vietnam and in the world.

The project started at a difficult time for the Vietnamese dairy sector, but it managed to navigate the rough seas. The Chinese melamine scandal was a close encounter with failure, but even that challenge was turned into an opportunity. The project has dared to take risks, and by doing so, has distinguished itself.

We have no doubt that the project already has made a long lasting impact on the dairy sector in general and on thousands of people in particular. However, the total numbers of lives affected will depend on how our lessons learned will be followed up by individuals and organisations in Vietnam and around the world!

FINANCE

EXPENSES

Up to Dec 2009

Budget Code	Description of budget headings	Task code	Sector code	Total Cost Belgian contribution	Cumulated expenses
A. THE DAIRY PRODUCTION IN THE PROJECT AREAS IS INCREASED					
1.1	<i>Diary co-operatives and associations are created and reinforced</i>				
1.1.1	Select project targets and prepare action plan			4,937	4,937
1.1.2	Conduct management training			-	-
1.1.3	Establish a revolving stock			11,170	11,170
1.1.4	Set up new dairy cooperatives			8,300	8,290
	Subtotal Result 1 - Part A			24,407	24,397
1.2	<i>Dairy farmers and associations have access to credit</i>				
1.2.1	Access the existing credit systems and facilities			4,775	4,775
1.2.2	Cooperatives and associations have access to credit for investment			-	-
	Subtotal Result 2 - Part A			4,775	4,775
1.3	<i>The dairy herd is increased</i>				
1.3.1	Identify economical viable sources for improved dairy cows			4,777	4,777
1.3.2	Set-up a unique cow identification and management system in every province			666	666
	Subtotal Result 3 - Part A				

						5,443	5,443
1.4	<i>The productivity of the dairy farm is increased</i>						
1.4.1	Train dairy cooperatives					21,365	21,365
1.4.2	Select and train an elite force of artificial inseminators					27,500	24,700
1.4.3	Strengthen commune and village veterinary service networks					25,000	28,020
1.4.4	Select and set-up a number of demonstrations farms					34,800	34,820
1.4.5	Set-up demonstration units for beef production					35,000	29,730
1.4.6	Formulate and implement a comprehensive training programme					100,000	95,130
1.4.7	Improve the quality and use of forage					19,700	19,700
1.4.8	Conduct basic surveys on common dairy diseases and disorders					6,200	6,320
	Subtotal Result 4 - Part A					269,565	259,785
1.5	<i>The post harvest losses are reduced through improved milk collection & storage</i>						
1.5.1	Survey the existing collection and storage systems and prepare action plan					3,500	3,500
1.5.2	Prepare and implement training and extension sessions					6,500	6,420
1.5.3	Set up automated collection system, including quality control and direct payment system					163,700	173,610
1.5.4	Bonus payment for GDFF farms					20,000	23,190
	Subtotal Result 5 - Part A					193,700	206,720

1.6.1	Dairy farming is less polluting				10,000	9,220
1	Set up environmental friendly models				10,000	9,220
	Subtotal Result 6 - Part A				10,000	9,220
	Subtotal - Part A				507,890	510,340
B. THE INSTITUTIONAL CAPACITY IS STRENGTHENED						
1	<i>A functional Project Coordination Committee</i>					
1	Set up an ad hoc but effective project coordination committee				-	330
2	Set up a National Dairy Board				218,300	180,060
3	Set up a Vietnam Dairy Organisation				10,000	10,080
	Subtotal Result 1- Part B				228,300	190,470
2	<i>The capabilities of the extension services are improved</i>					
1	Undertake needs assessment				28,100	28,100
2	Set up diagnosis link				300	280
	Subtotal Result 2- Part B				28,400	28,380
	Subtotal - Part B				256,700	218,850
Z. General means						
1	PMU salaries allowances				187,100	182,790

3	PMU investments				72,000	73,840
4	PMU operations				77,350	80,550
5	PMU monitoring and evaluation				95,000	78,200
6	PPMU co-ordination				47,800	45,140
7	PPMU investments				145,100	145,110
8	PPMU operations				16,400	15,800
9	Contingency				2,960	2,030
10	Project field assistant				17,700	17,640
11	Data analysis				8,000	5,710
	Subtotal - Part Z				669,410	646,810
	GRAND TOTAL				1,434,000	1,376,000

DISBURSEMENT RATE OF THE PROJECT

Up to Dec 2009

Unit: Euro

Source of financing	Cumulated budget	Real cumulated expenses	Cumulated disbursement rate	Comments and remarks
Direct Belgian Contribution	1,434,000	1,376,000	96%	
Contribution of the Counter Value Fund	639,360	626,929	98%	
Contribution of MARD	96,160			N/A
Contribution of Provinces	144,150			N/A

BUDGET FOR 2010

Unit: Euro

No	Description	Belgium Contribution	CVF
A.	Budget	1,434,000	639,360
B.	Spent	1,375,980	626,929
C.	Available from 1/1/2010	58,020	12,431
1	Severance pay and Salaries for PMU and Dairy VN staffs	15,888	
2	Salary and severance pay for Dairy Advisor	8,412	
3	Data analysis	2,000	
4	PMU Operation cost	1,000	4,533
5	Printing manual	5,000	
6	Contract with Agrifor	18,320	
7	PPMU cost	1,200	
8	Workshop in Ho Chi Minh	3,000	
9	Calf Rearing	3,200	
10	Movie		7,898
	Total	58,020	12,431
D.	Balance	0	0

ANNEXES

FINAL PROPOSAL FOR DAIRY VIETNAM

The 7th PSC meeting of VBDP has approved the outsourcing plan for Dairy Vietnam. This means that Dairy Vietnam will operate under the overall supervision of the Department of Livestock Production (DOL) of the ministry of Agriculture and Rural Development, but the operation of Dairy Vietnam will be outsourced to a professional team/organization/company.

Some steps were taken to prepare the outsourcing plan, but the lack of a different visions of several persons involved delayed the process. Right now, there it is not enough time left to complete all legal procedures to outsource Dairy Vietnam before the project's closure. But this delay however has a benefit. In December 2009, the Ministry of Internal Affairs has officially agreed with the establishment of the Vietnam Dairy Association. Their first congress will be organized in February/March and it is expected that the Association will be fully operational in June/July 2010. The intended activities of the Association are similar to those of Dairy Vietnam. Therefore, the future of Dairy Vietnam cannot be seen separately and it is very important to create a strong connection between the two organizations. It is expected that they will operate alongside each other in a spirit of mutual respect and in search of a WIN - WIN relationship. Therefore, Dairy Vietnam's activities should be readjusted to this new situation.

We suggest delaying the outsourcing of Dairy Vietnam to the period after the first congress of the Association. Nevertheless, we would like to have a consensus on the following issues:

- Dairy Vietnam should continue to promote local milk production in Vietnam and stay loyal to its vision of MORE SAFE MILK FROM PROFITABLE FARMS.
- Dairy Vietnam should focus on the production side of the dairy value chain. Dairy Vietnam will work closely together with the association to have a full understanding of the value chain.
- Dairy Vietnam will have a particular focus on small holder dairy farms

Road map of management and operation of Dairy Vietnam

The management and operation of Dairy Vietnam after the end of the Vietnam Belgium Dairy Project will involve two steps. In the first six months (Feb – July), Dairy Vietnam will operate under the direct management DOL. In this period, DOL and the association will discuss the actions plans of both organisations. In order to ensure that the work of Dairy Vietnam continues, DOL will recruit the necessary staff or hire consultants. From August 2010, the operation of Dairy Vietnam will be outsourced. A detailed Terms of Reference for outsourcing will be prepared in March/April 2010. A draft contract of outsourcing is attached for your reference.

Activities of Dairy Vietnam

In both periods, before and after the outsourcing, the activities include:

- Updating and continuously improving the quality of the website. The content of the website should focus on production:
- Publishing Milk Matters magazines for farmers and technicians.
- Maintaining an updated dairy database (persons, companies, farms, ...)

- Following up national and international dairy production developments and disseminate relevant information to the relevant stakeholders.
- Bringing people around the table to discuss about dairy production topics.
- Coordinating the dairy production development nationwide.
- Being an independent, science based source of information on dairy issues for relevant stakeholders.
- Organizing dairy events related to production.
- Participating on behalf of Vietnam in the International Farm Comparison Network (IFCN) activities and facilitate a two-way exchange of information between IFCN and to the Vietnamese dairy sector
- Collaborating with the private sector and public dairy training centers to improve the farmer's access to information and technology. The main channels to distribute information will be the website and the magazine.

Human resource

It is suggested that DOL immediately recruit the following positions to continue with Dairy Vietnam:

1. Webmaster (full time)

He/She will be in charge of the website, collect sector information and update the database. He is the one who answers all feedbacks, questions, contacts from the sector to Dairy Vietnam promptly or send them to the director of DOL.

2. Translator (full time)

He/She will be in charge of translation tasks for Dairy Vietnam; he/she will assist in collecting sector information and publishing/distributing the magazine.

3. Editor/Event organizer (full time)

He/She will be in charge of collecting articles, editing articles and deal with publishing the Milk Matters magazine. He/She will deal with distribution of the magazine as well.

4. Farm Economist (part time)

He/She will be in charge of following up dairy farm economics in Vietnam and provides relevant information to IFCN. He/She should also join the IFCN annual congress.

DOL might decide to hire more consultants for specific tasks such as writing articles for Milk Matters/website, giving training for farmers or technicians etc.

Current sponsors

The sponsors have been informed about the new situation for Dairy Vietnam. The Memorandum of Understanding signed with the current sponsors clearly states that the committed sponsorship fee will only be paid if Dairy Vietnam has an independent legal status. The current proposal of outsourcing does not provide an independent legal status. However, we believe the sponsors might be satisfied with the plan. Therefore, the sponsors are encouraged to transfer the committed budget from 2008 & 2009 directly to DOL. This money

will be used to partially finance the outsourcing contract. New agreements will be discussed between DOL and the sponsors.

Budget

The budget for the first six months is estimated as follows:

3 full time positions	7950 Euro
Consultants	4000 Euro
IFCN fee	5000 Euro
IFCN conference (travel & accommodation)	3000 Euro
Printing costs (1 milk matters)	3000 Euro
Dairy production stakeholders meeting	3000 Euro
National travel and accommodation	2000 Euro
Contingency	2050 Euro
TOTAL	30000 Euro

The budget for the outsourcing contract will be based on the budget from sponsors and the remaining budget from the project.

Financial Source

We suggest to transfer the remaining budget of the project to DOL to continue with Dairy Vietnam. However, this is estimated to be less than 10.000 Euro. The other budget should come from the private sector sponsors. DOL will send you a formal request to ask the sponsors to transfer the committed budget for 2008 & 2009. DOL will make the necessary effort to attract sufficient sponsor.

DETAIL FINANCIAL PLAN FOR DAIRY VIETNAM

#	Activities	Unit	Quantity	Total amount (EURO)
I	Salary for full time positions			
1	Webmaster	Person	1	2,650
2	Translator	Person	1	2,650
3	Editor/Even organiser	Person	1	2,650
II	Consultant (part time)			
1	Salary of a farm economist	Person	1	2,000
2	Dairy research	Times	1	1,500
3	Royalties for writing articles for Milk Matters	Articles	5	500
III	IFCN participation			
1	Annual fee	Year	1	5,000
2	Travel and accomodation for IFCN conference	Times	1	3,000
IV	Milk Matters magazine			
	Printing one issue	Copy	3000	3,000
V	Events			
	Dairy production stakeholders meeting	Times	1	3,000
VI	Travel			
	National travel and accomodation	Times	4	2,000
VII	Contingency			2,050
	Total			30,000

**MINISTRY OF AGRICULTURE AND
RURAL DEVELOPMENT
Department of Livestock**

**THE SOCIALIST REPUBLIC OF VIETNAM
Independence – Freedom – Happiness**

Hanoi,

Number:

CONTRACT – Draft version
(In company with the Final proposal for Dairy Vietnam)

Between:

Party A: Department of Livestock – Ministry of Agriculture and Rural development

- Dr. Hoang Kim Giao – Director
- Address: 2 Ngoc Ha street, Ba Dinh district, Ha Noi, Vietnam.

and

Party B:

- Mr. - Director
- Business registration number:(if company)
- Address:

The two parties have agreed to sign the outsourcing contract with the following provisions:

Article 1:

Party B operates Dairy Vietnam daily with the overall supervision of party A. Party B ensures good results of the following activities of Dairy Vietnam:

- Updating and continuously improving the quality of the website. The content of the website should focus on production.
- Publishing 3 Milk Matters magazines per year for farmers and technicians.
- Maintaining an updated dairy database (persons, companies, farms, ...)
- Following up national and international dairy production developments and disseminate relevant information to the relevant stakeholders.
- Bringing people around the table to discuss about dairy production topics.
- Coordinating the dairy production development nationwide.
- Being an independent, science based source of information on dairy issues for relevant stakeholders.
- Organizing dairy events related to production.
- Participating on behalf of Vietnam in the International Farm Comparison Network (IFCN) activities and facilitating a two-way exchange of information between IFCN and to the Vietnamese dairy sector
- Collaborating with the private sector and public dairy training centers to improve the farmer's access to information and technology. The main channels to distribute information will be the website and the magazine.

Article 2:

Party B recruits/assigns staffs with following positions at the least:

1. Webmaster (full time)

He/She should in-charge in the website, collect sector information and update the database. He is the one who answers all feedbacks, questions, contacts from the sector to Dairy Vietnam promptly or send them to the director of DOL.

2. Translator (full time)

He/She will be in-charged in translation tasks for Dairy Vietnam, assist in collecting sector information and publishing/distributing the magazine.

3. Editor/Event organizer (full time)

He/She will be in-charged in collecting articles, editing articles and deal with publishing the Milk Matters magazine. He/She will deal with distribution of the magazine as well.

4. Farm Economist (part time)

He/She will be in charge of following up dairy farm economics in Vietnam and provides relevant information to IFCN. He/She should also join the IFCN annual congress.

Party B might decide to hire more consultants for specific tasks such as writing articles for Milk Matters/website, giving training for farmers or technicians etc.

Article 3:

The role of both parties:

1. Party A:

- a. Party A is the owner of Dairy Vietnam and will decide about the main activities of Dairy Vietnam. Any change must be agreed on by Party A.
- b. Party A will monitor the Dairy Vietnam activities. Party A will not interfere in the daily operation as long as the activities are carried out in line with the contract. Only in case Dairy Vietnam activities are no longer in line with what was agreed on, Party A will interfere.
- c. Party A will join a quarterly meeting with the Dairy Vietnam Unit to review past activities and discuss future activities.
- d. Party A has the right to stop the contract before it is expired if Party B does not implement the contract correctly. First a written notice will inform Party B of their wrong doings and a meeting must take place to discuss the mistakes and corrections. Formal minutes must be signed. Only if Party B continues to make mistakes or to go out of line of the contract, Party A has to right to stop the financing.
- e. Party A must transfer the budget 2 times per year (details below)
- f. Party A must pay for the additional costs as following:
 - i. Printing of the Milk Matters magazine
 - ii. IFCN Membership fee

- g. At least 2 months before the end of the contract, Party A will make a formal evaluation of the implementation of the contract. This will be the basis of negotiations for the renewal of the contract.

2. Party B:

- a. Party B is responsible to implement the activities of Dairy Vietnam as mentioned in Article 1.
- b. Party B must manage a professional team of full time and part time staffs to make sure all of Dairy Vietnam activities are implemented correctly and with a high quality and professionalism.
- c. Party B must prepare a progress report and action plan every 3 months and submit it to Party A at least one week before the meeting with Party A (every 3 months).
- d. Party B is responsible to use the budget in a transparent and efficient way. A financial report as well as a financial planning must be included in the quarterly reports.

Article 4:

The contract has a validity of one year since the signing date. Next contract must be signed at least 30 days before the termination of current contract.

Both parties (A and B) have the right to use the data collected by Dairy Vietnam.

Article 5:

Party B will receive EURO from Party A to cover:

- Salaries of full time and part time staffs
- Office costs and consumables
- Printing cost other than the Milk Matters
- Costs for data collection and analysis
- Costs for participating in the international IFCN meeting

Party A will transfer EURO to Party B immediately after signing the contract. The last EURO will be transferred after the first quarterly meeting when both parties discuss further actions.

Article 6:

Party A and Party B will constantly look for new donors and sponsors. Contract will be signed by the Party A and the sponsor/donor. The sponsorship fee will be deposited in the account of Party A. Any sponsorship contract will be used for the expansion of the contract between Party A and Party B.

All budget gathered in 2010 will be used in 2011, and so on for the following years. The total amount available in the end of one year will determine the detailed contents of the contract between Party A and Party B.

Article 7:

The contract will be terminated in the cases of following:

- End of current contract and no new contract signed.
- Party A stops the contract due to mistakes made by Party B (mentioned in Article 3).
- Party B can terminate the contract if Party A does not respond to its responsibilities as mentioned in this contract.

Article 8:

This contract has two copies with the same value. Each party keeps one. All conflicts other than mentioned in this contract are treated by the correlate law of the S.R. of Vietnam.

Party A

Party B



Hoang Kim Giao

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