Enhancing Agricultural Enterprise Development in Hoa Binh Province-Vietnam: Challenges and Policy Considerations

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ABSTRACT

This article delves into the advancement of agricultural enterprise development within Hoa Binh Province, Vietnam, shedding light on the challenges encountered and proposing pertinent policy considerations. The geographical and topographical advantages of Hoa Binh Province for agricultural activities are highlighted, yet the complex terrain and varying climatic conditions pose challenges to enterprises. The inadequacy of water resources, susceptibility to natural disasters, and limited access to suitable production areas impede progress. In this context, policy solutions are explored, focusing on the support mechanisms offered to small and medium-sized agricultural enterprises. The study elucidates the existing policies that promote infrastructure investment, technology adoption, market access, and financial assistance. However, challenges remain in policy implementation, including regulatory complexities, resource limitations, and insufficient incentives to attract investments. Drawing from empirical data and policy analysis, this article underscores the need for streamlined policies that address challenges comprehensively and foster the sustainable growth of agricultural enterprises in Hoa Binh Province.

KEYWORDS:
Agricultural enterprise; Challenges; Policy considerations; Sustainable growth; Hoa Binh Province; Vietnam

1. INTRODUCTION

Hoa Binh province, situated in the Northwestern mountainous region, holds a significant geographical position marked by a relatively well-developed network of road and waterway transportation systems in comparison to neighboring provinces within the region (Bui, Lofman, Revhaug, & Dick, 2011). The province boasts key national thoroughfares traversing its expanse, including notable routes such as the Ho Chi Minh road, National Highway 6, Hoa Lac - Hanoi highway, and a forthcoming Hoa Binh - Son La highway (Tien Bui, Pradhan, Lofman, Revhaug, & Dick, 2013). This strategic geographic advantage contributes substantially to fostering a conducive market environment for agricultural commodities and provides a propitious setting for the integration of advanced technological practices into agricultural production (Pham & Smith, 2013).

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The topographical characteristics of Hoa Binh encompass a spectrum of geographical features such as high mountains, low mountains, hills, plains, and diverse thermal regimes, all of which contribute to a wide array of soil types. This diversity in soil composition delineates distinct agricultural production domains, with each agro-ecological region exhibiting predominant crops and livestock (Hang, Hoa, Tru, & Phuong, 2021). This diversity furnishes an advantageous platform for the cultivation of a variegated agricultural landscape characterized by specific flora and fauna, distinguishing Hoa Binh from neighboring provinces. This multifaceted context facilitates the development of a versatile agricultural sector replete with specialized cultivation and breeding practices, further propelling commodity production (Pham & Smith, 2013).

The highland region of Hoa Binh spans an area of 212,740 hectares, constituting 44.8% of the total provincial land area, which is conducive to the cultivation of forestry resources. Concurrently, the low mountainous zone covers an area of 262,202 hectares, accounting for 55.2% of the province's territory, and is particularly well-suited for rice cultivation and other crops (Pham & Smith, 2013). Upland areas are amenable to the cultivation of select vegetables, flowers, and spices within a context prioritizing safety and
advanced technologies, a possibility not universally viable in other areas. The annual temperature range of 8,000 to 8,400 degrees Celsius ensures a suitable thermal regime to accommodate diverse crop varieties, livestock, and the potential for multiple high-yield harvests annually.

Hoa Binh province, nestled within a predominantly mountainous terrain, is endowed with several natural advantages that hold the potential to propel its agricultural and industrial growth. The region’s varied sub-climate, fertile soil, abundant water sources, and strategic location conducive to investment have the potential to foster agricultural development and establish small and medium industrial zones within the agricultural sector (Nguyen et al., 2020). Effectively harnessing these advantages could position Hoa Binh as the hub of the Northwest region, facilitating the transfer of technology, information, and capital from the key economic region of Hanoi to neighboring provinces (Pham & Smith, 2013).

However, the existing scenario reveals that the agricultural industry in Hoa Binh is vulnerable to the impact of natural disasters and frequent disease outbreaks. The province’s mountainous geography contributes to challenges such as water scarcity during dry seasons, particularly in areas lacking irrigation infrastructure (Pham & Smith, 2013). Moreover, adverse climatic factors, including low temperatures, frost, and limited sunshine, detrimentally influence plant and animal growth, fostering a conducive environment for the proliferation of diseases. These challenges pose a significant hurdle that small and medium enterprises operating in the agricultural sector must overcome to mitigate risks and ensure sustainable productivity (Tran, Zeller, & Suhardiman, 2016).

2. CHALLENGES AND LIMITATIONS

The mountainous topography of the province presents constraints to enterprises seeking suitable production areas, necessitating a relatively high investment cost for land acquisition. However, limited capital availability further compounds the predicament faced by small and medium agricultural enterprises, and the constrained linkages between these enterprises and local farmers add complexity to the situation (Nguyen et al., 2020).

Although supporting policies for small and medium agricultural enterprises are critical for uplifting rural livelihoods and addressing social security concerns, Hoa Binh province encounters several limitations and challenges in their implementation (Nguyen et al., 2020). Among these, the state regulations that govern policy implementation must adhere to the legal stipulations related to business, taxation, and finance. Nevertheless, the intricate and unclear regulatory landscape in Hoa Binh hinders the effective understanding and execution of these regulations by small and medium enterprises (Cuc, 2008).

Another critical limitation pertains to the scarcity of resources dedicated to policy enforcement (Le, Tran, & Thanh Pham, 2021). The successful implementation of policies necessitates the guidance and support of local authorities. However, these agencies grapple with resource shortages, which hamper their ability to effectively implement and oversee support activities (Pham & Smith, 2013). Consequently, the quality and efficacy of support mechanisms fall short, impeding the real benefits that small and medium enterprises should derive from these policies.

Furthermore, the province struggles to attract substantial business investments into its agricultural sector. This might be attributed to the perceived lower value of agricultural products in Hoa Binh or the absence of tailored policies that incentivize investment. Consequently, businesses find insufficient motivation to invest in the agricultural domain within the province.

3. THE APPLICABLE POLICIES

3.1. Preferential policies on land

Hoa Binh province has undertaken efforts to facilitate investment endeavors within the agricultural sector by extending specific incentives, particularly in rural areas, to enjoy a range of preferential policies concerning land usage (as stipulated by Decree No. 29/2021/QD-TTg). These initiatives encompass various aspects, including the application of minimal land prices and complete exemptions for the initial 15 years for projects deemed preferential (Nguyen et al., 2020). Moreover, a similar pricing framework and an exemption of the first 11 years of land rental fees pertain to lands designated for the construction of worker residences, greenery cultivation, and lands reserved for public welfare under projects delineated within the aforementioned list.

The province has also extended financial support in the form of a 20% reduction in rent for land and water surface from households and individuals during the initial 5 years subsequent to the completion of basic construction. The province’s support approach extends to incentivizing project investors within the aforementioned domains to establish aggregated land parcels for raw materials. This is achieved through a collaborative model wherein households and individuals contribute capital alongside their land usage rights. Importantly, the allocated land for such projects is immune from state-initiated land recovery.

Furthermore, in alignment with Decision No. 62/2013/QD-TTg, Hoa Binh province has pursued exemptions and reductions in land use fees during the process of converting land use purposes for project implementation. This encompasses the full exemption of payment for special projects enjoying investment incentives, along with a 50% reduction for projects that qualify for investment incentives. Enterprises engaging in direct contracts or partnerships with other enterprises, with the objective of providing input
materials and services for production, while also procuring agricultural products from farmer households or representative farmer organizations within expansive project fields, stand to benefit (Nguyen et al., 2020). Such enterprises are required to possess a raw material area meeting a minimum of 50% of the raw material demand, supplemented by a comprehensive drying, storage, and processing infrastructure aligned with production and business requisites as specified within the contract. Additionally, enterprises equipped with an approved implementation plan for incentives and support, as certified by competent authorities, are eligible for exemptions from land use levies or land rentals when lands are allocated or leased by the State to facilitate housing construction projects, processing machinery deployment, warehousing facilities, worker accommodations, and public service premises associated with expansive field projects.

3.2. Policy on training and technical guidance for farmers producing agricultural products under contract

Enforcing the provisions outlined in Decree 210/2013/ND-CP, Hoa Binh province has demonstrated its commitment to vocational training initiatives by contributing to 70% of the overall vocational training funding nationwide. Under this scheme, each employee is eligible for training support on a singular occasion, with the training duration being financially supported for a maximum period of 6 months (Nguyen et al., 2020).

Furthermore, enterprises that engage in direct contractual relationships or collaborative ventures with other entities, facilitating the provisioning of input materials and services for production, while concurrently engaging in the procurement of agricultural produce from farmer households or representative farmer organizations within extensive field projects, stand to benefit. Eligibility criteria encompass the possession of a raw material area satisfying a minimum of 50% of the total raw material requisites. Additionally, having in place a comprehensive drying system, storage facilities, and processing infrastructure aligning with the contractual enterprise's production and business prerequisites is stipulated (Nguyen et al., 2020). A well-structured plan, endorsed by competent authorities, outlining the implementation of incentive and support components is also a prerequisite for accessing these benefits. Enterprises that meet these criteria are entitled to avail themselves of a support policy entailing a maximum of 50% funding for training and technical guidance extended to farmers engaged in agricultural production within the purview of the contract. This funding covers various aspects including material expenses, meal provisions, accommodation arrangements, transportation facilitation, and the organization of instructional sessions.

3.3. Science and technology support policy

Enforcing the stipulations enshrined in Decree 210/2013/ND-CP, Hoa Binh province has taken measures to bolster investor engagement in the agricultural domain by instituting specialized investment incentives targeting rural areas. These incentives encompass policies that offer substantial support, which includes covering 70% of the financial outlay required for the execution of research projects aimed at generating novel technological solutions. These initiatives are typically overseen by enterprises vested with the responsibility of project implementation, or by enterprises that have procured technology copyrights explicitly for the purpose of project execution (Nguyen et al., 2020). Additionally, the province extends support by facilitating 30% of the total capital investment necessary for the initiation of pilot production projects.

In concurrence with this approach, Hoa Binh province has further extended its endorsement to encompass research initiatives aimed at the creation of innovative technologies. Under this policy framework, the province commits to providing 70% of the requisite funding to facilitate the implementation of research projects that seek to develop novel technological solutions. This support is extended either to enterprises that assume a leadership role in project execution or to those enterprises that acquire the copyrights for proprietary technology for the explicit objective of integrating it into their projects (Nguyen et al., 2020). Furthermore, the province extends its commitment to advancing pilot production endeavors by availing 30% of the aggregate investment capital required for the effective realization of these projects.

3.4. Policy to support the mayor

The implementation of Resolution No. 14-NQ/TU by the Provincial Party Committee's Standing Committee, in conjunction with Decision 33/2015/QD-UBND, has brought about a pivotal engagement strategy for domestic enterprises within Hoa Binh province. This strategy is oriented towards the consumption and propagation of several key agricultural products that characterize the agricultural landscape of the region. Prominent among these are oranges, tangerines, pomelos, purple sugarcane, Da river fish, safe vegetables, chayote, purple garlic, fresh vegetables, bamboo shoots, hill chickens, native pigs, raw wood products, and medicinal herbs (Nguyen et al., 2020; Pham & Shively, 2019). These products are meticulously cultivated within specialized farming zones, adopting stringent protocols for safe production, fortified by consumption agreements and enduring production linkages. This concerted approach extends its impact to international markets.

The initiative extends its support through the subsidization of freight costs incurred in the transportation of agricultural products to overseas markets. This subsidy is
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quantified at 1,500 Vietnamese Dong (VND)¹ per kilometer per ton of agricultural produce, calculated from the point of origin to the destination of consumption. Additionally, the endeavor embraces the underwriting of the entire transportation expenditure associated with the participation of agricultural products in exhibitions, trade fairs, and promotional events within the country.

Further support is directed towards the facilitation of efficient market access for these agricultural enterprises. This encompasses the provision of a 50% reduction in fees pertaining to expedited quality inspections of products prior to their market entry. Additionally, the issuance of certificates affirming adherence to stipulated food safety conditions for establishments engaged in the production and trade of agricultural, forestry, and aquatic products is fully subsidized (Le & Nguyen, 2020). Promotional initiatives, including product advertising within the province's mass media, participation in the agricultural product trading platform in Hanoi, engagement in exhibitions, fairs, and promotional events within the country, are all subject to a 50% fee reduction.

Furthermore, this initiative ensures unimpeded access to comprehensive market information, extending from Hoa Binh. The overarching objective of these policy measures is to cultivate a favorable environment for domestic enterprises, fostering robust linkages between production and consumption, amplifying market access, and invigorating the agricultural landscape of Hoa Binh province.

3.5. Provincial Center for Investment, Trade and Tourism Promotion.

Enforcing the provisions delineated within Decree 210/2013/ND-CP, Hoa Binh province has undertaken measures to provide support to investors engaged in the implementation of agricultural projects within rural settings. This initiative is underscored by a suite of specialized investment incentives, intended to foster a conducive environment for these projects.

Particularly, this supportive framework encompasses the subsidization of 50% of the financial outlay required for advertising enterprises and their products across mass media channels (Nguyen et al., 2020). Additionally, 50% of the expenditure associated with participation in domestic exhibitions and fairs is covered under this scheme. Moreover, a substantial 50% discount on fees pertaining to accessing market information and the services offered by the State's trade promotion agency is provided.

The province’s commitment to this support structure is exemplified by its consistent extension of these subsidies across a range of key promotional activities. By facilitating reduced costs in advertising endeavors, participation in prominent events, and acquisition of vital market information, the province seeks to empower investors engaged in agricultural ventures within the region. This multifaceted approach is aimed at cultivating an environment that nurtures agricultural enterprise growth while concurrently advancing the broader economic landscape of Hoa Binh province.

3.6. Policy to support infrastructure

In accordance with the stipulations set forth in Decree 210/2013/ND-CP, Hoa Binh province has undertaken initiatives aimed at supporting investors in the implementation of various projects characterized by an infrastructure-oriented focus. Notably, these projects encompass endeavors related to the establishment of cattle and poultry slaughter facilities. The provisions outline a minimum support threshold of 2 billion VND per project, dedicated to the construction of essential infrastructure components encompassing electricity, water supply, factory structures, waste treatment systems, and the procurement of requisite equipment (Nguyen et al., 2020). For projects characterized by slaughter capacities surpassing the parameters specified in Point a, Clause 2 of this provision, a commensurate elevation in support levels is anticipated. In situations where projects lack requisite infrastructure components such as roads, electricity, water supply, and drainage systems up to the enclosure perimeter, an additional support allocation of 70% of the associated cost is envisaged, capped at a maximum value of 5 billion VND for investment into construction undertakings.

In tandem with this trajectory, the Provincial People's Council, through Resolution 116/2015/NQ-HDND dated July 3, 2015, has articulated provisions for enterprises investing within the agricultural and rural domains of Hoa Binh province. Consequently, the Hoa Binh Provincial People's Committee has subsequently issued Decision 04/2016/QD-UBND to govern the implementation of policies aligned with the aforementioned resolution.

Hoa Binh province has thus extended its support to encompass a range of investment projects centered around concentrated facilities for cattle and poultry slaughter. Notably, projects within this ambit receive funding amounting to 1 to 2 billion VND, specifically designated for the construction of core infrastructure components including electricity, water supply, factory establishments, waste management systems, and equipment procurement. Further provisions dictate that when essential infrastructure elements such as roads, electricity distribution, water supply, and drainage extend up to the enclosure perimeter, an

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¹ The Vietnamese Dong is the official currency of Vietnam. It is issued by the State Bank of Vietnam and has the symbol ₫ or informally d. The dong was unified in 1978 after the reunification of Vietnam and has undergone several revaluations since then. The dong is one of the lowest valued currency units in the world, with one US dollar equal to about 24,180 dong as of August 2023.
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augmentation of 70% in support, not exceeding 1 billion VND, is allocated.

Moreover, investment ventures pertaining to livestock and poultry production facilities warrant a 50% support allocation, capped at 1 billion VND. This allocation serves to subsidize the development of waste treatment infrastructure, road networks, electricity and water supply systems, stabling structures, and the creation of pastures, inclusive of equipment procurement.

Projects focused on the cultivation of medicinal and economically valuable industrial plants receive a support grant of 15 million VND per hectare, capped at 2 billion VND. This allocation is intended to enhance production land quality and underwrite the provision of seedlings, alongside the establishment of seedling nurseries.

Aquaculture-oriented investment projects garner a support allocation of 50%, capped at 0.5 billion VND, for the establishment of primary water supply and drainage systems, embankments, roads, electricity distribution networks, and wastewater treatment infrastructure. This allocation is elevated to 80%, capped at 1 billion VND, for projects involving cage fish farming within rivers and irrigation reservoirs.

Projects focused on the processing of timber from the dragon tree forest and the production of Medium Density Fiberboard (MDF) are eligible for a support grant amounting to 50% of costs, capped at 5 billion VND. This allocation is intended to facilitate the establishment of transport infrastructure, electricity distribution systems, water supply networks, factories, and waste treatment facilities.

Investments in establishments engaged in processing tea, vegetables, roots, fruits, preliminary processing, preservation, and the processing of purple sugarcane, as well as the processing of meat and related livestock products, attract a support allocation of 50%, capped at 2 billion VND. This allocation targets the construction of factory structures, transport networks, electricity and water supply systems, and equipment acquisition.

Aligned with the mandates of Decision No. 62/2013/QD-TTg, numerous enterprises in Hoa Binh province have embarked on direct contractual partnerships or collaborative undertakings with other entities for the provisioning of input materials and production-related services (Do et al., 2023). These enterprises are further engaged in the procurement of agricultural products from farmers’ households or representative farmer organizations involved in extensive field projects. Enterprises that fulfill these criteria and exhibit the establishment of a raw material area that satisfies a minimum of 50% of raw material demand, coupled with an infrastructure configuration encompassing drying systems, storage facilities, and processing capabilities aligned with contractual enterprise requisites, are eligible for financial backing. This support is provided in proportion to the funding required for the implementation of planning initiatives, field enhancement, improvement of in-field irrigation and transportation systems, and power systems tailored to agricultural production within expansive field projects.

3.7. Policy to support bank interest rates

Enacting the provisions set forth in Decision 68/2013/QD-TTg, numerous small and medium-sized agricultural enterprises within Hoa Binh province have been recipients of support measures tailored to their financial undertakings. These provisions encompass a stipulation of a 100% interest rate subsidy for loans within the initial two years, followed by a reduction to 50% in the third year. Furthermore, these loans are granted to enterprises that have entered into association agreements related to agricultural product production and consumption, mechanized services with cooperative groups, cooperatives, or farmers (Nguyen et al., 2020). This financial support is directed toward the procurement of machinery and equipment, with a loan ceiling equivalent to 100% of the goods’ value, spanning long-term, medium-term, and short-term loans denominated in VND. The stipulations highlight the significance of conformity to the quality standards announced in accordance with prevailing legislation concerning product quality (Do et al., 2023). This effort is aimed at mitigating agricultural losses by promoting the acquisition of machinery such as tilling and planting equipment, harvesters for various crops like rice, corn, coffee, tea, and sugarcane, as well as machinery for drying agricultural and aquatic products, salt production, animal husbandry, irrigation systems optimized for water conservation, seed production, and aquaculture (Nghi, Thu, & Dinh, 2022). The support is also extended to machinery required for fish detection, fishing net handling, communication, freezing tunnels, refrigerated product storage tanks, ice production, seawater filtration for fresh water conversion, logistics service vessels catering to offshore fishing, and machinery for processing agricultural and aquatic waste and by-products.

Moreover, warehouses and equipment for household-scale rice and maize storage and preservation, tractors, and diesel engines intended for agricultural and fishing purposes are also covered under this framework.

Focusing on the fiscal aspects, the state budget intervenes to bridge the gap between commercial interest rates applicable to long- and medium-term loans denominated in Vietnamese Dong (VND) and the interest rates corresponding to State development investment credits. This is pertinent to enterprises possessing licensed investment projects, with the competency to approve investments but not yet benefiting from other supportive policies (Chien & Thanh, 2022). Such enterprises are engaged in endeavors aimed at establishing machinery and equipment designed to curtail losses within the agricultural sector, which may encompass the establishment of factories (Do et al., 2023).
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Additionally, these measures are extended to projects centered around the fabrication of machinery and equipment catering to agricultural production, encompassing facilities like rice and maize storage warehouses, agricultural product drying systems, milling, polishing, and grading machinery for rice, greenhouse and net house systems for production, machinery for preserving and processing vegetables, flowers, fruits, and machinery for the preservation and slaughter of industrial livestock, poultry, and seafood processing. This includes refrigeration, freezing, and re-freezing equipment, ice production, and steaming and drying equipment.

Furthermore, these provisions are expanded to encompass the manufacturing of machinery and equipment for coffee, tea, cashew kernels, pepper, and salt processing (Chien & Thanh, 2022). Loans extended within this purview have a maximum value equivalent to 70% of the project's total worth, and the loan term is contingent upon the project's capacity for capital recovery and the investor's capability to service debts (Do et al., 2023). Loan tenures, however, are limited to a period not exceeding 12 years, ensuring alignment with the specific production and business characteristics of the undertaking.

4. POLICY RECOMMENDATIONS

To address these challenges and foster agricultural enterprise growth, Hoa Binh province should contemplate a series of strategic policy measures. These include offering attractive investment incentives to galvanize business interest in the sector, such as low-interest loans and exemptions from taxes and fees for agricultural investments (Pham & Smith, 2013). Additionally, creating an enabling environment for businesses to secure investment capital and promoting the identity and reputation of Hoa Binh's agricultural products on domestic and international markets can significantly bolster investment prospects (Chien & Thanh, 2022).

Collaborative efforts and consensus-building among stakeholders are essential to formulate solutions that harmonize with the economic realities and development context of Hoa Binh province (Pham & Smith, 2013). Businesses require guidance, support, and consultation to navigate investment processes, enhance products, elevate productivity, and elevate the quality of agricultural output (Nghi, Thu, & Dinh, 2022).

Moreover, the formulation of policies that support training, scientific research, and technology transfer will augment the competitiveness of Hoa Binh's agricultural sector. Moving forward, the resolution of investment limitations necessitates close cooperation among stakeholders, the provision of appealing support policies, and the strategic implementation of solutions that align with local realities (Pham & Smith, 2013). Encouraging businesses to invest in Hoa Binh's agriculture can engender sustainable socio-economic development, generate employment opportunities, and contribute to raising community living standards (Do et al., 2023).

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