



## POSITIONING ETHNIC MINORITIES AS KEY PARTNERS IN FOREST SUPPLY CHAINS IN VIET NAM

At the Ethnic Minority Development Forum in Quang Nam province in August 2018, Viet Nam's Deputy Prime Minister Truong Hoa Binh called for the development of non-timber forest product (NTFP) value chains for the socio-economic development of ethnic minority people, who "have lived with and relied on the forests for successive generations and are the best protectors of the forest."

Small-scale success stories in Viet Nam point to the considerable potential of effective public and private investments in NTFPs that foster genuine partnership with ethnic minorities. Such approaches can contribute to forest protection, economic development of the forestry sector, poverty reduction and lasting benefits for ethnic minority people living in and around the country's forests.

Strengthening the position of ethnic minorities as partners in forest value chains requires enabling policies, laws and public investments, incentives and effective models for private sector investments, and improvements in production, processing, certification, branding and marketing in NTFP value chains.

### SITUATION OF ETHNIC MINORITIES IN FOREST SUPPLY CHAINS

#### *Ethnic minorities and their access to forest and control over forest products*

Ethnic minority groups living in and around Viet Nam's forests have built up knowledge over many generations about the types, locations and conditions for sustainable harvesting of forest products, including non-timber forest products (NTFPs) that have considerable potential for commercial

#### *Viet Nam's ambitious targets for forest cover and protection of natural forests*

Forests cover approximately 41 percent of Viet Nam's national territory. Of this, about 71 percent are natural forests, while 29 percent are forest plantations. The Government of Viet Nam has a strong political commitment to manage, protect and develop country's Viet Nam's forests, with the aim of "better forests, not just more forests".

The National Target Program for Sustainable Forest Development for 2016-2020, and the National REDD+ Action Plan for 2017-2030, supported by the Law on Forests (2017), aim to increase forest cover to 42 percent of the country by 2020 and to 45 percent by 2035, and at the same time, to stop loss of natural forests.

development and for contributing to sustainable development and conservation of forests.

Viet Nam's NTFP resources include 12,000 species of higher order plants, including 5,000 species of medicinal plants. There is strong market demand for NTFPs for pharmaceuticals and cosmetics, fibres, extracts, and food.

Currently, however, many of these ethnic minorities do not have the necessary access to forests and forest land to allow them to contribute effectively to forest protection and to participate as partners in the development of sustainable value chains for NTFPs.

On average, the income generated from forest activities by ethnic minority groups only

Vietnam currently has about 9 million poor people<sup>2</sup> with living standards equivalent to 1.25 USD/day or less. Among them, 72% are ethnic minorities, and most of them live in upland areas around Viet Nam's forests. As of 2017, only about 10.7% of EM households have forest land allocated<sup>3</sup> and 11.5% have been contracted for forest protection. Income from forests only accounts for 8.5% of the total household income of ethnic minority groups, meaning they are not yet able to earn their living from the forest.<sup>4</sup>

accounts for 8.5% of total household income. In other words, despite great potential, ethnic minorities are not yet able to earn a living from the forest.<sup>1</sup>

### *Ethnic minorities and other partners in the supply chains*

The Ethnic Minority Development Forum identified national and local authorities, banks and other sources of finance, technical institutes and experts for research and development, private enterprises, and local communities and households, including ethnic minorities as the main partners in forest supply chains.

Current NTFP production in Viet Nam tends to be small scale and fragmented. The small volume produced, together with manual production and outdated technologies, contribute to low prices. This is further compounded by challenges related to marketing and distribution, quality management, branding, labelling of Vietnamese origin, and development of, and access to international and domestic markets.

As such, ethnic minorities' income from NTFPs is constrained by these low prices which tend to reflect only their manual labour instead of the overall potential value of the products. Opportunities for income growth are further constrained by limited access to market and pricing information, as well as the lack of capacity to negotiate, process and harvest.



<sup>1</sup> Report of the Legislative Research Institute of the National Assembly of Viet Nam on Enhancing roles of Ethnic Minorities in Forest Protection (2017)

<sup>2</sup> <http://cafef.vn/world-bank-gan-9-trieu-nguoi-viet-nam-kho-thoat-ngheo-do-khong-co-tien-di-hoc-thpt-20180405170903005.chn>

<sup>3</sup> <https://laodong.vn/lao-dong-cuoi-tuan/lam-san-ngoai-go-sinh-ke-moi-cho-dong-bao-dan-toc-thieu-so-thoat-ngheo-629739.ldo>

<sup>4</sup> Báo cáo của Viện Nghiên cứu Lập pháp – UB thường vụ Quốc hội: Nâng cao vai trò của người DTTS trong việc tham gia bảo vệ rừng (2017)

### **Ethnic minorities and the enabling environment**

The annual Public Administration Performance Index (PAPI) supported by UNDP, is applied in all 63 provinces or cities of Viet Nam from 2009 to 2017, with more than 14,000 citizens interviewed annually.<sup>2</sup> While overall results between Kinh and ethnic minority respondents are fairly similar overall, specific differences can be noted. Ethnic minority people gave more negative evaluations in five of the six PAPI dimensions: participation at local levels, transparency, vertical accountability, control of corruption in the public sector, and public administrative procedures. They gave a similar evaluation for public service delivery. Overall, ethnic minorities perceive significantly less transparency in local decision making.

Both the PAPI, which measures citizens' perspectives, and Viet Nam's Provincial Competitiveness Index (PCI), which measures business perceptions, indicate that provinces with more ethnic minority people are falling behind. Balanced development is needed; solutions will be more difficult if inequality and imbalance increase.

### **Moving beyond 'one-size-fits-all' approaches**

One of the key findings of UNDP's 2016 study on ethnic minorities and the Sustainable Development Goals was that most ethnic minority or ethnic-related policies are a "one-size-fits-all". Most of these policies and programs do not reflect the diversity represented by the 53 ethnic minority groups recognized in the country, who make up 14% of the population. This diversity includes significant differences between regions, localities, ethnic groups and genders in terms of poverty rates, livelihoods, access to agricultural and forestry land and other natural resources, educational levels, ecological conditions, and other factors contributing to the specific opportunities and challenges facing different ethnic minorities.

<sup>2</sup> Centre for Community Support and Development Studies (CECODES), Centre for Research and Training of the Viet Nam Fatherland Front (VFF-CRT), and UNDP (2016). [The Viet Nam Governance and Public Administration Performance Index \(PAPI\) 2015: Measuring Citizens' Experiences](#). Ha Noi, Viet Nam

### **Enabling Environment**

The Target Program on Sustainable Forestry for the period up to 2020 (Programme #886) aims to stabilize 25 million jobs, increase incomes, contribute to hunger eradication and poverty alleviation, improve livelihoods of people working in forestry in combination with new rural programme and ensure security and defense.

The Forest Law (2017) establishes legal bases to increase the rights of local peoples to access and control forests. In particular

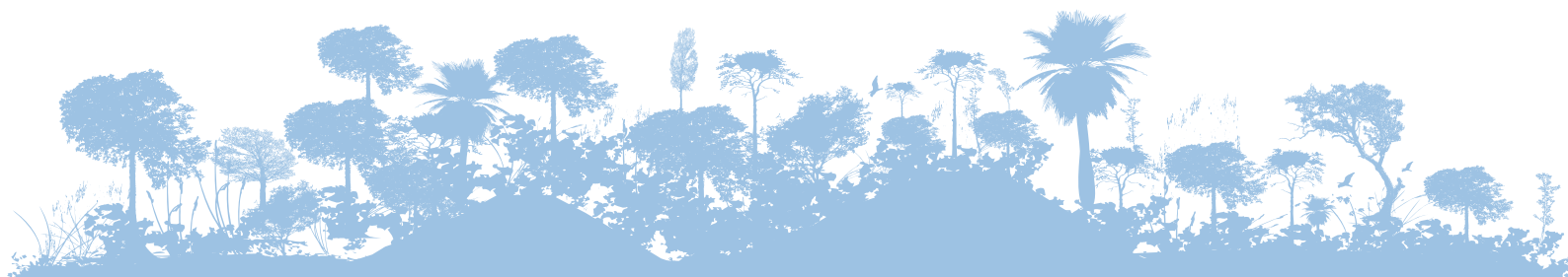
- Articles 7 and 8: For the first time, a community can be officially recognized as a forest owner.
- Article 14, Clauses 7 and 8: Forest allocation and leasing: Ensuring public announcement, transparency and participation of local people; Respecting the customs of local communities, and prioritising the allocation of forests to ethnic minorities.
- Article 16, Clause 1(d): Forest allocation: Assigning forests to communities, in relation to forests linked to their historical beliefs and practices.

## **CONDITIONS FOR ETHNIC MINORITIES TO MOVE TOWARDS BEING PARTNERS IN FOREST SUPPLY CHAINS**

### **Why Partnership is Better for both Ethnic Minorities and Businesses**

Successful forest value chain models such as Dao Bath Salts in Lao Cai province, the Meet-Match-Move initiative on forest products and eco-tourism in Bac Kan province, and the development of Ngoc Linh ginseng in Quang Nam and Kon Tum provinces, show that a partnership approach is most effective for both private enterprises and ethnic minorities.

At the Ethnic Minority Development Forum, Sam Sam Company, which has been investing in high-quality products derived from Ngoc Linh ginseng grown in high-altitude areas of Quang Nam province, shared that, "for us, we prefer to work with





ethnic minorities as a partner in supply chains since this partnership brings a number of benefits. They have the best understanding of local weather and forest conditions. They live near the forest and can conduct regular checks to make sure the ginseng is growing well and is protected.”

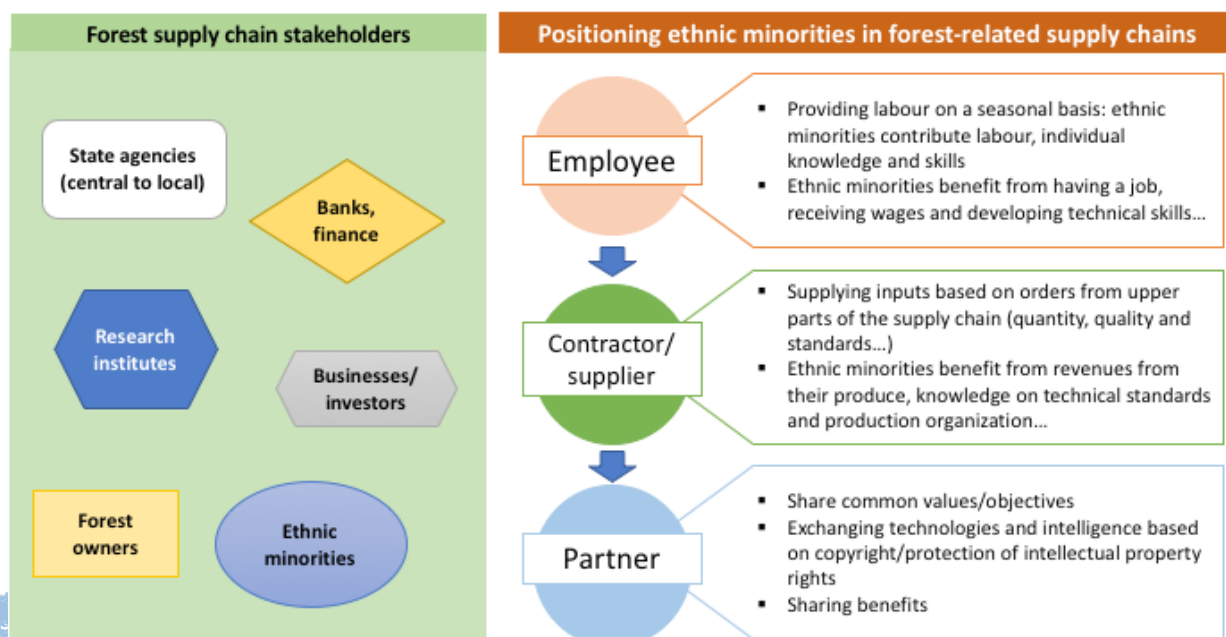
**What are the key conditions for ethnic minorities to be partners in forest-related supply chains?**

As forest value chains develop, ethnic minorities may be positioned as employees, contractors and suppliers, or as partners in forest value chains. Specific roles and benefits are associated with each of these, but becoming partners, in the truest sense of the word, offers the largest and most sustainable benefits to ethnic minorities.

For ethnic minorities to be able to exercise the rights and responsibilities of a true partner in forest value chains, they need the following key capacities:

- Economic: sufficient assets, normally in the form of land or forest land, and the minimum capital to invest in opportunities to develop their businesses.
- Technical: sound technical knowledge and skills to consistently supply high-quality products.
- Organizational: establish an effective organisation that will present a unified voice to enhance their position in dialogues and negotiations with other partners in the supply chains. This should also include the capacity to protect and promote their traditional knowledge and culture in sustainable ways.

Figure: Positioning of ethnic minorities in forest value chains





### *What are the key challenges for ethnic minorities to meet those conditions?*

For economic capacity:

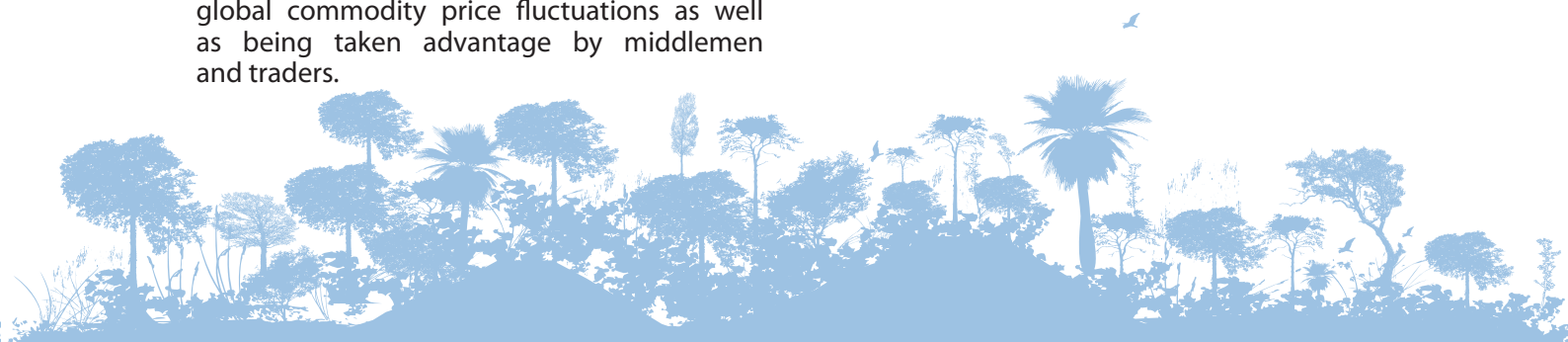
- In terms of access to credit and financial services, ethnic minority households have **access to smaller loans and are more exposed to debt cycles in the informal lending sector**.
- As noted above, **ethnic minorities' access to forest land is currently quite limited**: only 10.7 percent of ethnic minority households have forest land allocated to them. The majority still lack access to this natural capital that can be used as investments to generate returns.

For technical capacity:

- **There are varying degrees of commercialisation among ethnic minority households**: some farm for subsistence and sell the surplus to the market (low commercialization); others have multiple plots for consumption and sale which are customized based on different techniques and seeds (medium commercialization); and while yet others farm primarily for marketization (high commercialization). However, these nuances are often not recognized in the types of agricultural support and extension system.
- Ethnic minority households **lack access or ability to link to value-added processing and connection to value chains**, resulting in more low-valued products. Those that are highly commercialized are also often susceptible to global commodity price fluctuations as well as being taken advantage of by middlemen and traders.

For the organizational capacity:

- **Organising and negotiating skills** may be lacking amongst ethnic minority households, local producer groups and cooperatives.
- **Intellectual property recognition and product certification, including recognition of indigenous knowledge**, is needed to protect and strengthen the traditional products, technologies and livelihoods of ethnic minorities
- **Social and cultural considerations are not factored into policies and investments** aimed at increasing their access to markets and trading. For instance, ethnic minority communities are collective by nature and by practice, implying that decisions are made on a communal basis, aimed at preserving harmonious social relations. Correspondingly, social obligations extend beyond households to include relatives, which could affect how ethnic minority-owned businesses are run.
- **Policies and programmes aiming to support ethnic minorities often take a 'one-size-fits-all' approach**, rather than applying tailored solutions that are suitable to the specific local conditions, cultural practices and capacity of different ethnic minority groups and individual households.





## RECOMMENDATIONS

As national and local strategies are put in place, linked with policies and mechanisms to creative incentives for investment by private enterprises, specific attention is needed to the role and status of ethnic minority households and groups in these forest value chains.

Ensuring that ethnic minorities can become full partners in these value chains will require:

- **Enhancing the economic capacity of ethnic minorities**, through:
  - Policies and programmes for equitable access to credit and financial services, including guidance and support from national and local authorities to ensure that appropriate financial products are provided, and that specific barriers to access by ethnic minorities are identified and addressed.
  - Allocating and contracting forest land to ethnic minorities, within the overall policy and legal framework in Viet Nam. This should include providing training and guidance to local authorities to improve the efficiency of land allocations, where possible, taking into account traditional practices regarding the protection and use of forest land by ethnic minorities, and providing effective legal support, information and education to ethnic minority households and individuals.

### *Case study on the partnership between a private enterprise and ethnic minorities to produce and market Dao bath products*

The Hung Dung company has cooperated with Dao people in Tong Sanh Commune in Bat Xat District, Lao Cai Province to produce bath soaking products made from herbs. Dao people have established three cooperatives in different areas of the commune, with 60 households producing 15 to 16 tonnes of production materials per month.

The main challenges faced are the long distance from the company office to the commune, lack of certification or licensing of the product, and competition from counterfeit products in the market. The lack of licensing is a key barrier to market expansion.

- **Enhancing the technical capacity of ethnic minorities**, through:
  - Increased access to forestry extension services, market information and strengthened market linkages, tailored to specific local conditions. This may require, among others, specific extension services for





local ethnic minorities, including translation of extension and communication materials into local languages and other tailored approaches.

- Training and capacity building on value-added processing and development of high-quality and high-value products.
- **Enhancing the organisation capacity of ethnic minorities**, through:
  - Training and capacity building on the establishment of cooperatives and producer groups, and on organising and negotiating skills.
- **Enhancing intellectual property rights and reflecting the historical and cultural values of ethnic minorities**, through:
  - Recognition and protection of ethnic minorities' intellectual property rights, knowledge and traditional products. Tools that may promote this are product certification, and potentially geographical indication and appellation of origin.
  - Brand creation that reflects the historical and cultural values associated with the identities of different ethnic groups in Viet Nam. These products need to be complemented by effective brand management that will safeguard against counterfeits, and brand differentiation that will position them as niche products.

*Case Study on the "Meet-Match-Move" initiative, mobilising private sector resources for ethnic minority business development in forest value chains in Bac Kan Province*

Development and expansion of ethnic minority businesses in Ba Be and Bach Thong Districts of Bac Kan Province require investment in management skills, building confidence in production plans and implementation of livelihood activities, improved credit access, and better market linkages with relevant partners.

The Meet-Match-Move initiative supported by the Ministry of Labour, Invalids and Social Affairs (MOLISA) and UNDP as well as Bac Kan provincial authorities has provided training and mentoring to ethnic minority groups and supported linkages to enterprises through public-private-people partnerships. This has enhanced community strength and the confidence of ethnic minority people to develop and maintain small-scale businesses based on indigenous knowledge and local strengths. For example, the Thien An Cooperative in Bach Thong has improved and expanded their dried banana business, while the Green Forest Group in Ba Be has enhanced their branding and expanded their business activities based on natural products and tourism.

