



1.9 Assessing community forest enterprises in Vietnam

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Introduction

By transferring ownership of and decision making for forest resources to local communities, community forest management was expected to help effectively conserve forests and secure local livelihoods. Most community forest management programmes emphasized forest conservation, however; local livelihoods did not improve due to a lack of business-oriented approaches (Donovan et al. 2006).

A community-based forest enterprise (CFE) was introduced in Thua Thien Hue province in central Vietnam. The goal was to strengthen the livelihoods of forest-dependent people, and build the necessary conditions for community forest management. Based on group discussions in 15 villages, all conditions were present to some extent. They included supportive policy and legislative frameworks, a high level of community interest, and adequate infrastructure and services. Challenges were a lack of access to commercial forest products and lack of business skills on the part of local villagers.

State policies need to include the rights of forest users to commercial products, and government needs to provide training in business skills and access to market information. Access to markets can be enhanced through the integration of payments for forest environmental services (PFES) and for reducing emissions from deforestation and forest degradation (REDD+).



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Background

Forests resources are an important component of the livelihoods and food security strategies for up to 25 million people in Vietnam (Prime Minister of Viet Nam 2007). For these forest-dependent people, recent policies on forest allocation and community

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forest management have improved forest use rights and offered new opportunities for local livelihoods. The country has also undergone widespread economic transitions that are creating a more conducive context for small-scale private enterprises. Given these changes at the national level, there is growing potential for a CFE approach to the development of rural livelihoods. As demonstrated in other countries, such enterprises can provide a means for forest users to generate diversified income, employment and social benefits, while improving forest conditions (Macqueen 2013; Molnar et al. 2007).

This article provides insights into the feasibility of such an approach as a sustainable livelihood strategy for forest communities in central Vietnam, reporting on a study that applied a generalized assessment framework of enabling conditions for the development of community-based forest enterprises. The specific objective was to characterize the presence, absence and strengths of these enabling factors to understand current gaps, potential opportunities and concerns associated with CFE development in the context of community forest management in the country.

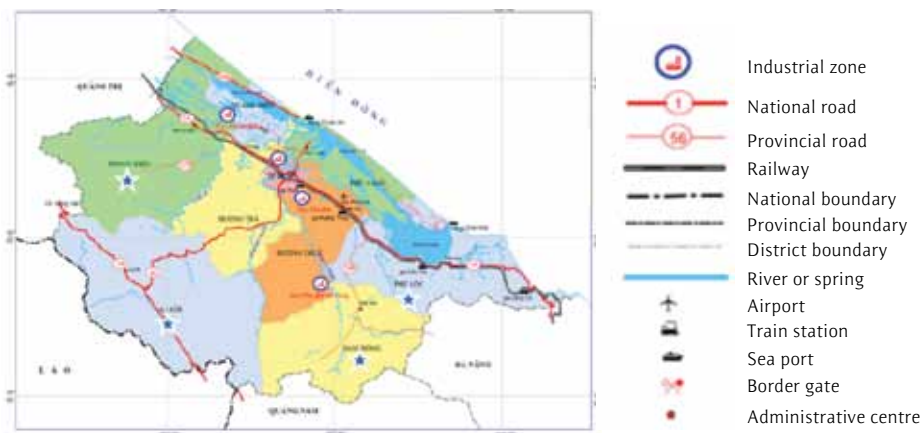
There is a large body of literature documenting cases of successful community-based forest enterprise development, but much less information about the broad conditions that are necessary for success in various contexts. This article proposes an assessment framework based on existing literature and applies it in Thua Thien Hue province. Although it is difficult to strictly define the individual combination of factors necessary in a particular context, this overview presents the conditions that are present in most successful enterprise initiatives.

Study area

Overview of selected villages

Research was conducted in four districts of Thua Thien Hue province: A Luoi, Nam Dong, Phong Dien and Phu Loc. A large amount of forest land has been allocated in these districts since the year 2000 (Figure 1).

Figure 1. Map of study districts



Source: Invest in Vietnam

Group discussions were held in 15 villages in 10 communes. In some cases, forest land had been allocated to one or more groups of households instead of the whole village (Table 1), though the number of households indicates only those members who participated in community forest management.

The sizes of local groups varied. In some villages groups worked together to manage their forests (village management); in others, groups of households participated (group management). The size of allocated forest areas also varied widely, from 53 to 585 hectares (ha), with an average of 3.2 ha managed per household. The majority of forests were classified as being in poor condition, with timber stocks below 100 cubic m/ha, as defined in Circular 34 (MARD 2009). Most of them were allocated after 2007.

Table 1. Selected villages and groups in the study area

Commune	Village	Ethnicity	No. of HH members	Forest area (ha)	ha/HH	Year allocated	Forest condition
A Luoi District							
Bac Son	Village 1-BS	Pako	54	53	1.0	2007	Poor
	Village 4-BS	Pako	64	64	1.0	2007	Poor
Hong Ha	Kan Sam	Co Tu	61	352	5.8	2012	Poor
	Pa Hy	Co Tu	40	429	10.7	2012	Poor
Hong Tien	Village 5-HT	Co Tu	16	91	5.7	2012	Poor
Nam Dong District							
Huong Loc	Village 2-HL	Kinh	27	109	4.0	2011	Poor
	Village 3-HL	Kinh	29	178	6.1	2011	Poor
Thuong Quang	Village 4-TQ	Kinh	5	60	12.1	2012	Poor
	Village 5-TQ	Kinh	8	124	15.6	2003	Poor
Thuong Lo	La Ho	Co Tu	33	226	6.8	2012	Poor
Phong Dien District							
Phong My	Tan My	Kinh	217	561	2.6	2011	Poor/medium
Phong Son	Cong Thanh	Kinh	20	61	3.1	2009	Poor
	Thanh Tan	Kinh	32	212	6.6	2003	Poor
Phu Loc District							
Loc Thuy	Thuy Yen Thuong	Kinh	331	405	1.2	2000	Poor/medium
Loc Tien	Thuy Duong	Kinh	160	585	3.7	2001	Poor/medium

Most of these forests were used for protection because of their degraded status. As stipulated by allocation policies (Decision 178/2001, Decision 106/2006, Circular 38/2007), all the villages concerned have to establish village forest management units, conduct forest inventories (with support from provincial technical agencies), prepare five-year forest management plans, and implement village regulations on forest management.

The assessment framework

The underlying theory of the CFE approach is that linking a viable community enterprise to the biodiversity or ecosystem of an area will support stakeholders and motivate them to counteract the threats to their resources (Salafsky et al. 2010). Through sustainable forest management and the processing and sale of timber or non-timber forest products, CFEs provide significant opportunities to improve household income and strengthen the livelihoods of forest-dependent people, while also conserving forest ecosystems (Donovan et al. 2006; Molnar et al. 2007). Based on a literature review, a framework of enabling conditions for a successful CFE is proposed (Figure 2).

Figure 2. Analytical framework of enabling conditions



Supportive policies and legislative framework

In general, the national policy and legislative framework is supportive of forest tenure and of procedures to establish CFEs. Most forests were allocated in the long term — 50 years — which is long enough to implement business plans for the exploitation of forest products. Almost all villages acquired their land-use certificate (“red book”) immediately

after allocation; one did not, due to administrative issues. In total, 83,300 ha, or 26% of the province's total forest area, are currently being managed by households, groups or villages.

The main challenge in tenure policy is the restriction on harvesting timber for commercial purposes. Local communities can harvest timber only for their own consumption (e.g., house construction, farming tools or community activities). They cannot sell it. In addition, official procedures for harvesting timber are complicated, and need to be approved by many authorities. In some cases, local people harvest timber for house construction without asking for permission from the local government.



The most relevant policy regarding community-based forest enterprise development is Decree No. 151-2007/ND-CP, which governs the organization and operation of cooperative groups. However, this decree was not widely known in most study villages; it was not made widely avail-

able by local authorities. Instead, households usually gather in informal forums such as interest groups or farmers clubs, or function with some of the characteristics of CFEs.

Strong local institutions and governance

Local institutions are defined as those where local people organize themselves in collective bodies (clubs, groups, cooperatives), and set up local regulations and practices related to forest use and management. Local rules can be either traditional norms or village regulations that have more recently been developed through forest allocation procedures. In some of the study areas, for example, ethnic Katu and Pako people maintained their traditional practices in terms of culture, but not in forest management.

Local forest management institutions mainly follow the guidelines of Circular 38/2007, which requires the establishment of village forest management units, plans and regulations. Villagers vote for committee members every three years. Committees often include the village head, representatives of women's and farmers' groups, and public security staff.

Only five villages of the 15 studied received external project support to collect forest and village data for forest management plans. The other ten villages could not afford the cost of this data collection, and did not have the expertise to undertake forest inventories or develop management plans. Furthermore, when forests were allocated to individual households, some local institutions were hindered by the lack of collective action in forest protection or the enforcement of village regulations on forest management.

Accessible commercial forest goods and services

In general, access to non-timber forest products (NTFPs) was allowed in all forests in the areas studied, provided that those NTFPs were not endangered or rare species (Decree

32/2006, Red List of fauna and flora of Vietnam). This open access permitted local people to harvest some commercial products, such as rattan, palm leaves, medicinal plants, wild fruits and honey. Since these NTFPs are not abundant in allocated forests, local people also collect them in protected areas.

Timber is an important and valuable forest product, but harvesting timber for sale is not allowed in forest allocation policy, for three reasons:

- poor quality allocated forests have timber volumes that are below the allowable cut stipulated by forest law;
- most commercial timber species were completely logged by state forest enterprises in the past, and only low volumes or poor-quality trees remain, which means that harvesting costs would exceed revenues; and
- some allocated forests still have substantial amounts of commercial timber, but local people could not harvest it due to complicated administrative procedures.

There is some potential for local forest management to integrate payments from ecosystem services through PFES and REDD+, but local benefits from these programmes have not been realized due to low PFES amounts; limited types of designated forest (PFES was feasible only in watershed areas); and unclear payment mechanisms and an uncertain international market for carbon credits (Vietnam Forestry Administration 2013).

Market access and appropriate incentives

One potential opportunity for CFE development was provided by the national Forestry Development Strategy for 2006–2020 (Prime Minister of Viet Nam 2007). This defined wood processing and the trade of forest products as one of the key areas that could facilitate access to markets for small and medium forest enterprises. There is a high demand for various NTFPs — including rattan, bamboo and palms — in local, domestic and export markets. Some allocated forests also have products with unrealized commercial potential, e.g., palm leaves for hats and *Morinda officinalis* (Indian mulberry) as a valuable medicinal plant.

Most allocated forests are in remote mountainous areas. In addition, local forest users have limited access to the market information that they need in order to start a business in forest products. Markets for high-value NTFPs tend to be dominated by larger traders and companies, who have better access to information and financial services. Furthermore, a lack of appropriate processing techniques has led to most harvested forest products being sold in their raw, unprocessed form, which reduces revenue. This lack of benefits from forests, combined with the high opportunity costs of not converting forests to other commercial crops (e.g., plantations of *Acacia mangium*, rubber or coffee), puts allocated forest areas at a high risk of deforestation. Cases of forest conversion in Nam Dong district, for example, resulted in some allocated forests being returned to state management.



Business and management skills

Most villagers have limited knowledge of forest management and business practices. Decisions regarding the harvesting of forest products are often ad hoc; people harvest NTFPs whenever they can, rather than maximizing product quantity and quality, or responding to market demands. Only one of the study villages has strong business skills, due to experience with an existing cooperative structure for mushroom cultivation. Other villages have received support from NGO projects, but none of these projects specialized in business development. The projects did have a positive impact, however, by helping support dialogue between stakeholders on forest management issues, which facilitates business development in some contexts.

Community interests, participation, and ownership

Local interest in establishing and operating CFEs varied. The nine villages of Kinh people showed greater interest than villages of ethnic minority communities, possibly for cultural and socio-political reasons. Ethnic minorities such as the Pako and Co Tu have traditions of sharing and exchanging products among community members, rather than trading, whereas the Kinh majority run shops and small businesses that buy and sell forest products, and have access to larger markets. Forest management plans as required by Circular 38/2007 did not tend to focus on business aspects, given the limited information on the legal framework and the restricted rights to commercial products. For these reasons, the level of local ownership and entrepreneurship was relatively low, and commercial decision making showed insufficient knowledge of markets and business processes. In addition, lack of business skills and forest management experience limited the feasibility of CFE initiatives.



Supportive infrastructure and services

With strong government support for poverty reduction, access to credit in rural areas has improved in recent years through district-level branches of state banks and People's Credit Funds. Transportation networks have also been substantially upgraded in mountainous areas through state programmes. Some district governments supported local forest management through models such as the NTFP

development strategy (2014–2020) in Nam Dong district and rattan plantations in A Luoi district. However, challenges to CFE development remain. Government services remain targeted to agro-processing industries rather than the forest sector, and to large businesses rather than small-scale and community-based enterprises.

Conclusions

The assessment framework provides a list of enabling conditions for successful community-based forest enterprises. Through forest allocation and community forest management policies in Thua Thien Hue province, government has strongly supported changes in forest tenure, although some restrictions remain in terms of property rights in certain allocated forests. People in all the surveyed villages expressed high interest in and

expectations of managing allocated forests for improved environment and livelihood outcomes. This may imply that an enterprise approach is likely to be consistent with existing forest management goals. Under strong and clearly defined legislative frameworks, local forest institutions were established and effective during the forest allocation process.

Major obstacles for community-based forest enterprises include an inability to obtain the full commercial value from forest resources due to restrictions in harvesting policies and practices. In addition, market information and appropriate incentives for forest protection were not available to most local forest users. Limited knowledge of and skills in business practices in the forestry sector mean that local people have less ability to develop and operate CFEs. These findings show that increased participation in decision making and local interests need to be considered to ensure the long-term operation of community-based forest enterprises.



Several key lessons were learned:

- access to commercial forest products is vital to the development of community-based forest enterprises;
- market information and business networks related to local forest products need to be strengthened; and
- the global trade in ecosystem services can bring a greater chance of success for community-based forest enterprises.

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