Policy brief

A gap analysis in advancing jurisdictional sustainability and stakeholder engagement for jurisdictional sustainability governance in Lam Dong and Dak Nong provinces, Vietnam

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EUREDD Facility EFI MDRI Mekong Development Research Institute Power of Knowledge

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1. Introduction

1.1 Project introduction and objectives

The Central Highlands is a key region of Vietnam, bearing special economic, social and natural characteristics. However, through the implementation of various political and economic policies, natural forests in the Central Highlands have been gradually shrinking. Forest loss has been driven by various drivers, including: forest fires, illegal logging and the expansion of productive activities of indigenous peoples and local communities.

In that context, the EU REDD Facility, hosted by the European Forest Institute (EFI), seeks to promote three goals to address deforestation-risk production: (1) clarifying the legal framework for forest land planning, use and conversion; (2) promoting sustainable forest land development; and (3) promoting deforestation-free production in the Central Highlands. Accordingly, the EU REDD Facility collaborated with the Mekong Development Research Institute to conduct the Project "Advancing jurisdictional sustainability in Vietnam, focusing on the Central Highlands region" (hereafter the EFI Project). This EFI Project contributes to an EU-funded project 'Integrated sustainable landscape management through deforestation-free jurisdiction in Lam Dong and Dak Nong, Viet Nam' (hereafter the iLandscape project) coordinated by the United Nations Development Programme (UNDP).

Specifically, this report directly contributes to Output 1.2 of the iLandscape project: "Implementation of Master Plans in Lam Dong and Dak Nong is supported through the design and implementation of a robust cross-sector and spatialised institutional monitoring and evaluation system, serving as a control panel to track transition of landscape towards sustainability" through the following objectives:

1. To identify and analyse gaps in forest-risk commodities production in Lam Dong and Dak Nong provinces, Vietnam, in terms of sustainability and qualitatively assess the feasibility of developing a subnational jurisdictional approach to close these gaps
2. Identify and analyse key stakeholders in coffee production in Lam Dong and Dak Nong provinces, and propose a stakeholder engagement plan to promote a jurisdictional sustainability approach to managing coffee production in the provinces
3. This report provides on overview of key findings about the gaps and stakeholder engagement plan for jurisdictional sustainability governance in Lam Dong and Dak Nong. Furthermore, coffee is the commodity used as an example used in this report.

1.2 Methodology

This study adopts a qualitative research methodology with semi-structured interviews and group discussions/consultation meetings as the main data collection method. The interviewees and consulted actors represented diverse stakeholder groups: smallholders and smallholder groups (within/outside certification schemes), cooperatives, local public authorities, international non-governmental organisations (NGOs), experts from public

entities, private experts, and companies (domestic/international, small-scale/large-scale). In total, 46 interviews and consultation meetings were conducted. All participants are anonymised as much as possible. Citations of interview data will be presented in participants' codes (e.g. VN01) or as collective opinions. Also, a list of interviewed participants is not provided to protect personal information to comply with Decree 13/2023/ND-CP dated 17/4/2023 on protection of personal data. Nonetheless, to ensure research integrity, all consultation activities have been documented and reported to EFI.

Separate questionnaires were tailored to suit different stakeholder groups. However, all the questionnaires covered the following themes: i) forest management, ii) sustainable development and its associated measuring indicators, iii) international certification and/or sustainable production requirements, iv) key actors and their roles in the coffee value chain, their concerns and barriers to sustainable coffee production, and iv) their perceptions of a practical evaluation framework of jurisdictional sustainability.

Secondary data, reports and published research papers relating to coffee production and value chain in Lam Dong and Dak Nong were collected via various databases, including government websites, Vietnamese university libraries and scientific websites.

2. Gap analysis for applying jurisdictional approaches in Vietnam

2.1 Issues with land tenure and forest protection

Definition of 'forest' and regulations of forest protection

The 2017 Forestry Law defines natural forest and planted forest separately. However, the Law regulates changes to the legal status of forestland according to the classification of three types of *functions* (special-use forest, protection forest, and production forest) and to forest *quality* from natural to planted forest.

The 2017 Law on Forestry prohibits the conversion of natural forest to non-forest land uses except for '(i) important national projects, (ii) national defence and security projects or (iii) other urgent projects approved by the Government'. These exceptions are very broadly formulated, allowing for numerous natural forest conversion projects to be implemented in practice. Furthermore, there is no quantitative criterion (e.g., the size of investment capital, social costs or benefits, etc.) to decide whether to approve or reject the project.

Forest encroachment is not only due to agricultural activities. There is also legal or illegal conversion of forest and farming land for non-agricultural activities. Furthermore, not only forest land, but farming land is subject to encroachment. Therefore, the issue is not only about promoting sustainable agricultural production but also how to maintain agricultural land because farmers are shifting from agricultural production to land trading and other jobs.

The status of forest land ownership in Lam Dong and Dak Nong provinces

Since the 2003 Land Law was promulgated, the Land-use Right Certificate is the only legal document to prove the official rights of land users to their land, while other alternative documents are for reference or just to show temporary land-use rights. However, many households in the Central Highlands only hold a document called the 'Green Book' for the land they have cultivated for decades.

The Green Book in the Central Highlands originates from the history of Vietnam's economic policy. After the reunification in 1975, the centralised economic management model was applied in Southern Vietnam. Agricultural farms and forestry farms were established to organise agroforestry production activities across the country. Decree No. 01-CP of 4 January 1995 stipulates that agricultural and forestry farms must sign contracts to 'allocate' (in Vietnamese: giao khoán) land to people for cultivation, but still retain their status as landowners with those plots. A Green Book is a lease contract to regulate the legal relationship between a farm or forestry enterprise as the landowner – the lessor – and a household cultivating on that land – the lessee. Because they only hold the right to rent land, households do not fully enjoy the rights that the Land Law grants to land users. Basically, the household can only use the land and enjoy the benefits of the land, and these rights are subject to many restrictions. For example, households must:[1]

- Sell their products to farms and forestry farms.
- Cultivate according to the method specified by the contract.
- Not change the crops without the approval of the farm owners.
- Pay rent.

The Land Law does not specify how households holding Green Books can transfer, inherit, donate, mortgage or contribute land as capital. Article 167, Clause 3 of the 2013 Land Law only specifies that the notarisation and certification of contracts and documents will be done by land users or group of land users.

Regarding land-use term, Green Book holders are subject to more restrictions than holders of land-use right certificates or Red Book. Green Books signed after 2017 only have a maximum term of 20 years.[2] Meanwhile, land-use right certificates last up to 50 years – longer than the maximum term of most Green Books.

In 2014, the Government issued Resolution No. 118/2014/ND-CP, establishing the legal basis to review the activities of agroforestry enterprises. It provides for the dissolution of agroforestry farms that: are small-scale and inefficient; have experienced continuous loss for three years; or are not carrying out production activities but only leasing land for profit, also known as 'white-allocating' (khoán trắng). Land managed by these farms will be re-allocated

[1] Art. 9.2 Decree No. 168/2016/NĐ-CP.

[2] Decree No 168/2016/NĐ-CP, Art. 6.1.b.

to local authorities for management or assigned to people who are already using the land or do not have land for agricultural cultivation.

Our interviews reveal that there is a concern about eviction from previously state-owned agricultural and forestry farms in Lam Dong and Dak Nong Provinces. These projects were incentivised by a 50-year land rental period. After those companies were disbanded, the land became vacant wasteland. However, the recovery of those land areas has still been facing challenges as there needs to be re-evaluation of how much deforestation had been caused.

Another gap in land tenure is the difficulty for low-income households to access formal financial sources as loan schemes usually require proof of assets – typically land tenure and house ownership. Issues with financial gaps will be discussed in more detail in section 2.4.

2.2 Market gaps

Most farmers interviewed worried about the lack of output markets for certified/sustainably produced coffee, coupled with low selling prices compared to the work they have put in sustainable production practices. Farmers appear unconcerned about the distinction between domestic and foreign markets. Farmers from remote areas such as in Dak Nong even find it hard to access domestic markets.

While international trading companies and development projects have been supporting to bridge market gaps for sustainable agricultural products, such as coffee, the supporting coverage remains unequally distributed between Lam Dong and Dak Nong and among their districts. Apparently, production communities in more remote areas, for example Dak G'long district in Dak Nong, have received much less support to improve product quality and output markets.

The lack of output markets and decreasing motivation of farmers to adopt sustainable coffee farming practices in Lam Dong and Dak Nong relate to the following reasons as informed in the interviews and consultations:

- Sustainable coffee has lower yields than conventional coffee. Therefore, farmers who want to sell more coffee tend to compensate the shortfall with conventional coffee. The mixing of sustainable and conventional coffee means that it cannot be sold to traders who need certified sustainable coffee.
- Also due to low yields, sometimes farmers do have enough sustainable coffee to sell to traders who want a certain quantity in one transaction. Therefore, those traders opt for buying conventional coffee to reach their required quantities.
- Since small-scale farmers cannot afford the construction of their own storage, they frequently choose to consign their products to small dealers, which often results in price rigging, under-pricing and low coffee quality. As quality is not the priority of those dealers, farmers gradually quit pursuing sustainable practices.
- There is a considerable gap between prices paid by traders and market prices. For instance, since Vietnamese law does not allow foreign direct investments companies to purchase products directly from farmers, they must go through domestic local agencies. As a result, the value chain is expanded when an increasing number of

local agencies engage as middlemen. Subsequently, the initial price that farmers sell their coffee at is often not competitive because it must ensure good prices for foreign direct investments at their end purchase.

2.3 Gaps in environmental governance

There are gaps in the enforcement of environmental regulations, specifically relating to forest-risk agricultural production in the Central Highlands. For instance, although the Ministry of Agriculture and Rural Development (MARD) has prohibited glyphosate[3], the Ministry has extended the use of this chemical until 30 June 2021. At present, this substance is still sold to farmers through illegal markets and imports.

Environmental non-compliance is related to insufficient monitoring and formal inspections. Other concerns include ineffective policy communication to citizens with diverse backgrounds and understanding capacity. For example, among farmers with low education or illiteracy, fake fertilisers and leftover stock of prohibited chemicals are often being used for farming, causing damages to the market.

Furthermore, Vietnam's environmental standards are also lower than most major international requirements. For example, Vietnam does not prohibit some chemicals that are banned by some international certification schemes.

Regarding biodiversity conservation, technical management responsibilities are shared among MARD, Ministry of Natural Resources and Environment (MONRE) and the People's Committees of the provinces. However, there are often overlaps in their tasks and authority coverage. For instance, in data management, although MONRE and its sub-national Department of Natural Resources and Environment (DONRE) are responsible for official coordination and management, biodiversity and forest data are managed by MARD and local Departments of Agriculture and Rural Development (DARD). Consequently, if one follows a formal procedure for data collection, which goes through MONRE or DONRE (for local level) as focal points for biodiversity data, there might be a gap in processing time for them to obtain data from MARD or DARD or even failure in data provision.

This administrative gap in environmental governance extends beyond biodiversity conservation. Indeed, there are overlaps and conflicts in the mandates of the MONRE and MARD in many aspects of forest-related management. In Vietnam's institutions, the notion of 'forest' is broken down into various components to be managed by either MONRE or MARD. Specifically, forest land is managed by MONRE; natural environmental quality in forest such as water, underground water, soil and air, is managed by MONRE. However, everything else in the forest but above the ground such as trees, fauna and flora, agricultural plantations in forest, etc, – is managed by MARD.

Furthermore, there are authority conflicts regarding the management of greenhouse gas (GHG) reduction/emission from forests. For instance, Decree 06/2022/ND-CP dated 07/01/2022 of the Government on Regulations on GHG emission reduction and the

[3] Glyphosate is a widely used herbicide that controls broadleaf weeds and grasses.

protection of the ozone layer assigns the overall management of the carbon certificate market in Vietnam and the coordination of pilot projects to MONRE. Meanwhile, Decree 107/2022/ND-CP dated 28/12/2022 of the Government on piloting the transfer of emission reduction results and financial management of GHG emission reduction payment agreements in the Northern Central Region assigns the management responsibilities to MARD. As Vietnam is in the pilot phase of GHG management, there are potential challenges, as well as opportunities, in exploring suitable approaches for Vietnam's governance system.

2.4 Financing gaps

The following gaps in financing deforestation-free commodity production and forest protection in the Central Highlands of Vietnam were identified in the interviews:

- Limited and unsustainable public financing for deforestation-free commodity production and forest protection.
- Inappropriate/inefficient use of provincial forest protection fund may cause the risk of deforestation and forest degradation.
- Challenges to sustained access to financial support for private investments in sustainable agriculture.
- Gaps in public-private partnerships.

2.4.1. Limited and unsustainable public financing for deforestation-free commodity production and forest protection

In Vietnam, the public budget consists of the central state budget and the local (provincial) government budget. The central state budget is allocated to sector ministries under the central administrative apparatus and to local state budgets through balancing transfer (support from higher-level government to lower-level government) and targeted transfer (for the implementation of a targeted support programme or national targeted programmes). The provincial government budget is allocated to departments and agencies under the provincial administration and province's subordinate districts.

Annual budgets are usually formulated at both central and local levels. The allocation of public investment is usually regulated by a number of decisions of central and local governments. Usually, 13 sectors/areas are given priority in terms of public funding allocation, namely: 1. national defence; 2. security, social order and safety; 3. education and training and vocational education; 4. science and technology; 5. health, population and family; 6. culture and communication; 7. broadcast, television and news media; 8. physical education and sports; 9. environmental protection; and 10. economic activities, 11. operation of regulatory agencies, public service providers, political organisations and socio-political organisations, 12. social services and 13. other tasks, programmes and projects as per law. Deforestation-free commodity production and forest protection are not specified as one out of 13 prioritised sectors/areas. There are no separate, long-term and sustainable state budget lines for deforestation-free commodity production and forest protection throughout the country nor in the Central Highlands' provinces. The allocation of public funding for deforestation-free commodity production and forest protection is often

mainstreamed/integrated into the allocation of public funding for relevant sectors/areas (i.e., environment protection or economic activities) and traditionally in a small proportion.

2.4.2. Inappropriate/inefficient use of provincial forest protection fund may lead to deforestation and forest degradation

The provincial forest protection fund was established to mobilise funds from societal sources, including: an initial one-off state budget contribution (to secure the fund's long-term operation), payments for forest environmental services (PFES), payments for reforestation (linked to obtaining approval for the conversion of land from forest land use to another land-use purpose such as conversion from forested land to infrastructure for hydropower and other economic activities or to public land), and other sources (i.e. external donors' contribution).

Initially, the provincial forest protection fund was used as an additional funding source for forest management and protection activities, along with state budget. However, it now replaces state budget. This means that the larger the provincial forest protection fund's revenue, the smaller state budget allocated to forest management and protection. PFES revenue has increased in recent years. Simultaneously, public budget for rangers and forest protection units has decreased following an overall cut in public personnel budget (VN12-Forestry expert). For instance, in Lam Dong, the province and district authorities have cut down their overall budgets, including those for salaries and regular activities. Without a sufficient budget for regular operation, forest protection units cannot afford additional protective activities such as payments for citizens reporting deforestation acts.

In addition, some interviewed experts have commented on the effectiveness of using PFES revenue. According to current regulations, state forest owners (e.g., special use forest management boards, protection forest management boards, national park management boards, etc.) are allowed to retain a maximum of only 10% of PFES revenues for administrative activities and must disburse the remaining 90% to individuals/households singing contracts on forest protection. Since the number of these individuals/households in both Lam Dong and Dak Nong are large, the PFES payments received by them are negligible, thus not creating financial incentives for individuals/households to implement additional forest protection activities. Meanwhile, forests in Lam Dong and Dak Nong have still been lost and degraded. If state forest owners are allowed to retain a larger proportion of PFES revenue and organise to protect forests by themselves, it would be more effective and could stop deforestation and forest degradation in both provinces.

Payments for reforestation is another arguable financial flow for provincial forest protection. In this case, previously forested lands that were converted to other purposes (usually agriculture), are then transformed into forest plantations, which are monoculture and fast-growing plantations. In these cases, a reforestation schema is needed to restore the ecosystem services provided by these forests. Furthermore, some provincial forest protection funds receive payments for reforestation from development projects but cannot find bare land for afforestation. This causes a decline in both areas and quality of forests in the whole province.

2.4.3. Challenges to sustained access to financial support for private investments in sustainable agriculture

Sustainable agriculture practices require large and long-term investments. In Lam Dong and Dak Nong, most coffee growers are households who are cultivating over 80% of the total coffee farm areas. However, most coffee growing households cannot access preferential loans for coffee growers/farmers in general from local commercial banks and credit institutions because they do not hold a red book (for both their residential and coffee land areas). A small number of farmers are eligible for loans from banks/credit institutions (mostly from Vietnam Bank for Social Policies Bank - the only one that does not require red books as a deposit).

Coffee-growing households in Lam Dong and Dak Nong often approach local purchasing agents /input suppliers for instant loans with interest rates up to 25% per year (three to four times higher than local bank's preferential interest rate). If the coffee price or yield drops, households cannot pay back creditors. They end up having to sell part of their farm/lands to cover the loans.

2.4.4. Public-private partnerships

Public-private partnerships have been promoted in coffee production in the Central Highlands of Vietnam in recent years with projects involving both local authorities, and international NGOs and companies.[4] Some projects are heading towards a 4P model, Public-Private-Producer-Partnerships, such as SNV's projects in Lam Dong. However, these partnership programmes have been facing challenges to achieve effective practices or scale up the initiatives.

While some of the challenges relate to financial flows in the value chains, there is a noteworthy gap in understanding and consensus building among stakeholders. International NGOs and development organisations usually struggle to mediate the differences in the understandings and objectives of public and private actors vis-à-vis long-term visions for sustainability to secure their investments in sustainable commodity production projects. Furthermore, most of the current largest private investments in sustainable commodity production projects in the Central Highlands rely on the financial strength of international traders. In the long term, this sort of investment can be unsustainable given the everlasting uncertainties and volatility in global markets. Thus, there is a need to enhancing the understandings and consensus and involvement of domestic state and non-state investors for a more sustainable vision.

2.5 Technical gaps

2.5.1. Challenges in meeting international regulations

The main challenge for Vietnam's coffee industry will be meeting future compulsory sustainable standard requirements of some international markets, such as the EU. The European Commission has recently issued a new regulation which prohibits the placement

[4] Interviews: VN02-INGO; VN05-Company; VN06-INGO; VN13-Global trader.

on the EU market of agricultural products that are illegal or linked to deforestation after a cut-off date. Meanwhile, many Vietnamese enterprises that export their coffee to the EU are small and medium-sized enterprises with limited resources, unsophisticated production processes and insufficient investment in research and development.

Many interviewed stakeholders consider new international requirements as great challenges for local conditions and hence a reflection of global development gaps. Ensuring traceability is particularly daunting for the Vietnamese coffee sector.

However, our interviews indicated that non-compliant products can still find their way to the European market through different informal channels. This supports the popular opinion that unsustainable coffee can survive, even in the most regulated markets. Thus, it is critical to investigate these informal or irregular channels because they may hinder efforts to persuade farmers to adopt sustainable agricultural techniques if unsustainably produced products can still be sold on international markets. Furthermore, such situations also emphasise that responsibilities to promote sustainable agricultural production should be laid on both producing countries and consuming markets.

2.5.2. Certification and standardisation for sustainable agricultural production

Two focus group discussions were conducted for this research project, one with farmers who participated in international certification schemes and one with those who did not. Farmers who participated in international certification schemes prioritised benefits from long-term capacity building to sustain their own practices over bonuses from those schemes or the trading companies contracting them. Farmers who did not participate in certification schemes found bonuses and selling prices of certified coffee not attractive enough compared to the trade-offs from being bound to contracted responsibilities and farming practices and sales requirements. Besides, Vietnamese farmers are generally unfamiliar with management tasks and joining certification schemes is perceived as unaffordable for low-income smallholders.

There is also a gap in technical requirements between international certification schemes and Vietnam's standard systems for sustainable agriculture, particularly in coffee production.

The TCVN 4193:2014 is the latest set of Vietnamese technical standards for green coffee, but it is not compulsory. Vietnam also has its own sustainability certification called VietGAP (Vietnamese Good Agriculture Practices), issued by MARD in 2010. Producers applying this standard must use certain production techniques and comply with food safety, product traceability, and environmental and health requirements. However, participation in VietGAP is voluntary. Some efforts have been made to promote local agricultural products, notably the One Commune, One Product programme.

However, Vietnam still does not have a legal framework for sustainable agricultural production. The only compulsory requirements for all agricultural products, including coffee, are stipulated in the Law on Food Safety 2011. The Law specifies maximum residue limits in food products. Nevertheless, Vietnam's national regulations do not always match international standards. For example, cross-checking the highly hazardous pesticide

inventory in Vietnam with the Pesticide Action Network 2019 list shows that 104 active ingredients that are internationally banned are still allowed for use in Vietnam.[5]

2.5.3. Gaps in data management

Recent efforts by international NGOs and companies to enhance monitoring, tracking and reporting practices are still fragmented and based on the willingness of farmers. Each certification scheme or sustainability programme has its own monitoring and reporting requirements. However, many sustainability indicators overlap. Therefore, there might be duplications in data collection and verification among different management processes. These duplications can be identified by mapping the required indicators of major international certification schemes and other projects relating to agricultural production.

While non-state actors can promote effective monitoring and evaluation systems for sustainability progress, state actors play a crucial role in ensuring long-term operation and scaling up of fragmented local efforts. However, personnel resources and technical capacity of local authorities and social organisations to strictly operate monitoring and evaluation systems is still limited in Lam Dong and Dak Nong. There is little or no synchronisation between the provincial and multiple sub-provincial governing levels.

There are also gaps in the roles of different actors and personnel resource allocation in data management. The difficulty does not lie in monitoring only, but also and mostly in collecting and reporting data and to whom, as well as who stores and shares what data. The collection and reporting process itself currently involves many actors, leading to fragmentation and inconsistencies. Therefore, the gap between data sources and management units needs to be bridged, either by modifying the data management process with effective role assigned to all relevant stakeholders or with technological applications, or both.

2.5.4. Gaps in technical support for farmers

One of smallholders' essential need is to enhance the quality and price of coffee products through advanced technology and improved tracking system. Most farmer interviewees recognise the need for changes in their growing practices, and harvesting and post-harvest procedures, but they do not have supporting equipment. Furthermore, the use of digital traceability would allow farmers to reach more customers in domestic and international markets.

Many coffee farmers express the need for technical support for effective intercropping. Growing macadamia alongside coffee is a popular choice among Central Highlands producers. Other options for intercropping with coffee include pepper or fruit trees, such as mango, durian and avocado.

[5] Phong, L. T., & Thong, T. A. (2020). *Highly Hazardous Pesticides in Vietnam: A Situational Analysis.* International Pollutants Elimination Network.

3. Considerations for applying jurisdictional approaches in Vietnam

3.1 Introduction to jurisdictional sustainability

To address the gaps in sustainability governance for forest-risk agricultural production discussed in previous sections, EFI proposes considering a jurisdictional approach to sustainability for Lam Dong and Dak Nong provinces. **Jurisdictional sustainability** refers to the achievement of sustainability in an entire jurisdiction.[6] While sustainability is a vague concept to establish a concrete operational definition, jurisdictional sustainability aims to set a local boundary to develop contextualised definitions of sustainability for multistakeholder governance processes through **jurisdictional approaches.**[7]

The question is what defines the success of jurisdictional sustainability given that criteria for success definition is context specific. For instance, some countries may prioritise ecological and production criteria over democratic participation.[8] Therefore, a success definition should be built upon the consensus of the involved stakeholders to generally address the following issues: meeting agreed goals and milestones across the entire jurisdiction; having trackable progress; building a governance process owned and supported by local society; and gaining international recognition.[9]

The jurisdictional approach promotes three important foci. Firstly, although the jurisdictional approach is usually used interchangeably with the landscape approach[10], the distinguishable feature of the jurisdictional approach is a focus on a 'jurisdiction' in governance boundary-setting.[11] Jurisdictional boundary-setting covers an entire administrative territory instead of a geographical or social boundary.[12] It means that a local government can identify the risks associated with deforestation and other environmental factors, apply the policies and

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[6] Earth Innovation Institute. (2017). Jurisdictional Sustainability: A Primer for Practitioners.

[7] Deneir, L., Scherr, S., Chatterton, P., Hovani, L., & Stam, N. (2015). *The Little Sustinable Landscapes Book.* Oxford: Global Canopy Programme.

World Bank. (2021). *Toward a Holistic Approach to Sustainable Development A Guide to Integrated Land-Use Initiatives.* Washington, DC: World Bank.

[8] Kusters, K. (2015). *Climate-smart landscapes and the landscape approach: An exploration of the concepts and their practical implications.* Wageningen, the Netherlands: Tropenbos International.

[9] Deneir, L., Scherr, S., Chatterton, P., Hovani, L., & Stam, N. (2015). *The Little Sustinable Landscapes Book.* Oxford: Global Canopy Programme.

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[10] Deneir, L., Scherr, S., Chatterton, P., Hovani, L., & Stam, N. (2015). *The Little Sustinable Landscapes Book.* Oxford: Global Canopy Programme.

[11] Ibid.; World Bank. (2021). *Toward a Holistic Approach to Sustainable Development A Guide to Integrated Land-Use Initiatives.* Washington, DC: World Bank.

[12] World Bank. (2021). *Toward a Holistic Approach to Sustainable Development A Guide to Integrated Land-Use Initiatives.* Washington, DC: World Bank.

implement monitoring and evaluation framework to control and adjust their plans within the whole area under their jurisdiction and power.

Apart from setting governance scopes along administrative boundaries, jurisdictional approaches also require decision-making powers for local governmental actors within those jurisdictions to develop and implement local regulations and policies. This in turn requires a high level of governmental involvement.[13] From a multilevel governance[14] perspective, managing jurisdictional powers is meaningful not only to mediate vertical governance relations but also for horizontal collaboration among governmental authorities in the same jurisdiction to avoid fragmented and conflicting governance targets. This means seamless mobilisation of resources among state and non-state stakeholders to maximise local capacity in sustainability governance.

For instance, on the one hand, local authorities could help private actors with providing necessary governance information and formalising long-term cooperation, as well as the presence of their businesses, in their jurisdictions. On the other hand, private actors could support authorities in mobilising resources to implement sustainable agricultural and forestry projects, which would in turn contribute to achieving sustainability objectives and governance commitments. Importantly, local producers and smallholders would benefit the most in a jurisdictional governance model as they are, in principle, the final recipients of the mobilised resources to perform production activities at the beginning of a value chain.

Thirdly, the jurisdictional approach emphasises the essential role of legality and regulation-based commitments of stakeholders for consistent long-term participation via compliance.[15] It is especially important in this context that international regulations on deforestation and sustainable agricultural and forestry production have become more stringent, in particular with the adoption of the EUDR.[16] One important feature of the EUDR is a benchmarking system, which will classify countries or parts thereof depending on their level of deforestation risk.[17] This gives more autonomy to local actors to rip the benefits of their sustainable actions without being bound to a country's compliance status.

A key element of legality and sustainability systems is traceability. Traceability systems cannot be optimised if the governance process is fragmented. Therefore, through multilevel resource mobilisation and coordination, the jurisdictional approach can help both public and private actors to improve the traceability of commodity production from the production source throughout the whole value chain.

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[13] Denier et al. (2015); World Bank (2021).

[14] Hooghe, L., & Marks, G. (2001). Types of Multi-level Governance. *European Integration online Papers (EIoP), 5*(11).

Bulkeley, H., & Betsill, M. M. (2005). Rethinking sustainable cities: Multilevel governance and the 'urban' politics of climate change. *Environmental Politics, 14*(1), 42–63. doi:10.1080/0964401042000310178

[15] Colchester, M., Kleden, E., & Sukma, D. (2020). *Preliminary findings from a Review of the Jurisdictional Approach initiative in Seruyan, Central Kalimantan, Indonesia.* Forest Peoples Programme.

[16] REGULATION (EU) 2023/1115 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 31 May 2023 on the making available on the Union market and the export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation (EU) No 995/2010.

[17] EUDR, para. 68.

To sum up this section, projects adopting a jurisdictional approach should pursue:[18]

- Integration and synchronisation of legality and policy making.
- Credibility and transparency in governance processes
- Holistic and inclusive multistakeholder governance
- Sustainable financing

However, as a new approach to pursue sustainability based on jurisdictional powers, it opens opportunities for experimentation and conceptual development to suit Vietnam's context.

3.2 Considerations for applying the Transparency Pathway model to Vietnam

One of the influential contributions to developing the jurisdictional approach is the Transparency Pathway, which was developed by the EU REDD Facility, an institution hosted by EFI.[19] The Transparency Pathway focuses on creating transparency and traceability for supply chain management through a process based on the jurisdictional approach. The jurisdictional approach adopted in the Transparency Pathway model has the following objectives:

- Balancing the scale of a management process
- Including vulnerable actors in stakeholder participation
- Enhancing the roles of governmental actors:
    - Local actors: through an effective devolution of decision-making powers to local authorities and enhancing their roles in governing sustainable production locally.
    - Central actors: effectively involve central governmental actors to support local governance and facilitate consistent policy directions to reduce insecure and uncertain policy forecast for local actors.
- Reducing possible leakages of challenges and problems across supply chains and territories

The existing local sustainability governance challenges in the Central Highlands include: fragmented stakeholder involvement, centralised powers, insecure policy prospects and deficient compliance monitoring. Developing an effective application of the jurisdictional approach in Vietnam therefore requires:

- Regulated and enabled multistakeholder participation in the whole governance process, focusing on:

[18] Ibid.; Stickler, C., Duchelle, A., Ardila, J. P., Nepstad, D., David, O., Chan, C., Warren, M. (2018). *The state of jurisdictional sustainability.* Earth Innovation Institute/Bogor, Indonesia: Center for International Forestry Research/Boulder, USA: Governors' Climate & Forests Task Force Secretariat. San Francisco, USA: Earth Innovation Institute/Bogor, Indonesia: Center for International Forestry Research/Boulder, USA: Governors' Climate & Forests Task Force Secretariat.

[19] EU REDD Facility, & EFI. (2021). *The Transparency Pathway.* EFI.

    - Enabling multistakeholder interactions and participation in local governance processes and supporting them by regulations.
    - Ensuring equity and inclusivity among participating stakeholders.
    - Empowering stakeholders' engagement through capacity building and effective policy communication. Empowering stakeholders can enhance informed autonomous participation rather than coerced compliance. This point raises the need for transparency and stakeholder communication.
    - Enhancing the roles of governmental actors to proactively support the whole process.
    - Enhancing the roles of international state cooperation agreements and NGOs.
    - Sharing knowledge, respecting and understanding indigenous values and conditions.
- Effective distribution and harmonisation of powers and mandates, including:
    - Supportive involvement of central governmental actors in local governance.
    - Effective decentralisation of decision-making powers to local governments to enhance their roles in local governance processes, especially relating to usually high-level policy-making fields, such as land-use planning and sectoral planning.
- Secured and consistent legal basis and management instruments, including:
    - Domestic regulation: consistent and synchronised legality across governing levels (central policy directions versus local interpretation and implementation) and sectors/fields (avoid conflicts and gaps among policies in different management fields) to reduce policy fragmentation and uncertain policy directions.
    - International regulation: align domestic regulations and standards to the most common international requirements.
- A reliable and transparent data management system to increase the traceability and credibility for the governance process through:
    - Participatory monitoring and reporting to enhance transparent and peer pressure via cross-checking, also to empower all local actors, especially the most vulnerable.
    - Public-private collaboration in data management systems for seamless information sharing.
- Sustainable financial mechanisms to enable long-term operation, including:
    - Diversifying market access: reaching out to diverse international and domestic markets for sustainably produced commodities.
    - Supporting small producers who cannot afford joining international certification schemes to prove the sustainability of their products (through a traceable system), then help them find domestic market outputs.
    - Enhancing the roles of domestic businesses and mobility of resources besides international financial aid.

3.3 Stakeholder engagement strategy

To address the challenges with sustainable deforestation-free coffee production in the Central Highlands, and more specifically in Lam Dong and Dak Nong Provinces, one

important step is to establish a governance framework that can help track the implementation of sustainability policies and practices, and the progress towards sustainability from the lowest jurisdictional level to higher levels. Following EFI's Transparency Pathway, the foundation for the development of such a jurisdictional sustainability governance framework consists in engaging multiple stakeholders to discuss and collaboratively address local problems.

3.3.1. Overview of Vietnam's coffee value chain

In the global coffee value chain, Vietnam is the world's second-leading coffee exporter, with 30 million bags of coffee (or 1.8 million tons) exported in 2021.[20] More than 90% of Vietnamese coffee is Robusta, which makes the country the world's first Robusta exporter. The other type of coffee grown in Vietnam is Arabica, and both are grown mostly in the Central Highlands.[21] However, Vietnam is mainly engaged in low-value-added stages, which are production and preliminary processing of raw coffee. Vietnam's share of deep-processed and high-value-added coffee accounts for only 10% of total green coffee production, while raw coffee exports account for 90%.[22]

According to Nguyen and Sarker (2018)[23], the supply chain of Vietnam's coffee can be illustrated by the figure below. The main actors include coffee growers, local collectors, processing and export companies, and domestic and overseas end users. The authors argue that in this chain the weakest and most vulnerable actors are coffee growers. Although they receive some support from government agricultural extension and are well experienced in planting coffee, their farming techniques are still below certification standards for coffee.

[20] GCP (2021), Annual Report: https://www.globalcoffeeplatform.org/wp-content/uploads/2022/12/AnnualReport-2021-EN.pdf.

SUFICANA (2023): https://sucafina.com/apac/origins/vietnam?price=USD

[21] Mercantile Exchange of Vietnam (2023), *Coffee Export: A highlight among the challenges*: https://mxv.com.vn/tin-tuc/xuat-khau-ca-phe-diem-sang-trong-nhieu-thach-thuc-n4163.html

[22] Ministry of Finance (2017), *Coffee Export in 2017: Decreased production, Increased prices*: https://mof.gov.vn/webcenter/portal/vclvcstc/pages_r/l/chi-tiet-tin?dDocName=MOFUCM103282

[23] Nguyen, G.N., Sarker, T., 2018. Sustainable coffee supply chain management: a case study in Buon Me Thuot City, Daklak, Vietnam. International Journal of Corporate Social Responsibility 3, 1-17.

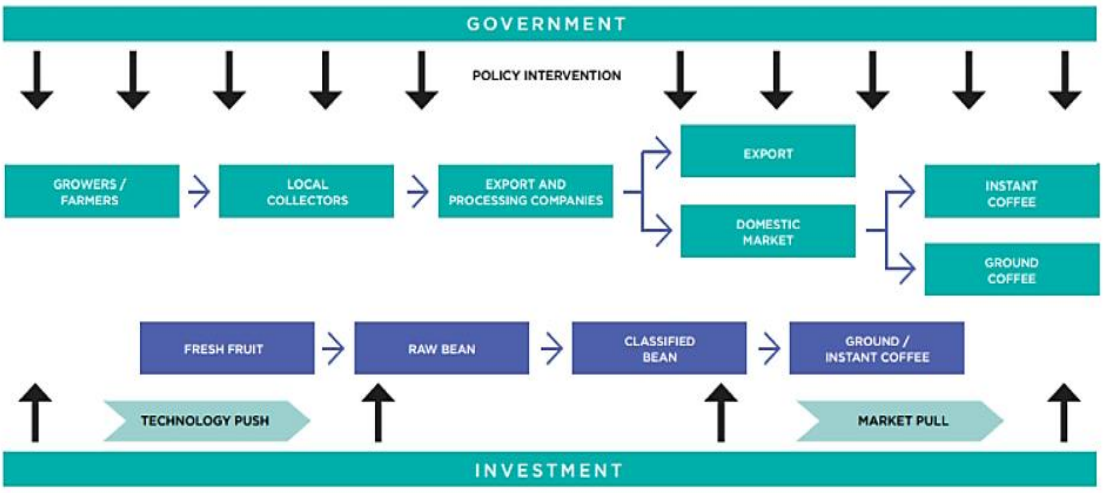

Figure 1. General supply chain of Vietnam's coffee

Source: Nguyen and Sarker (2018)

3.3.2. Perceived benefits and risks of each stakeholder when joining jurisdictional sustainability initiatives

An important part of analysing stakeholder engagement in jurisdictional sustainability is to understand how stakeholders perceive possible benefits and opportunities they might gain from joining sustainable agricultural production systems, as well as potential risks and challenges they are concerned about. Table 1 summarises stakeholders' perspectives when responding to our survey of opportunities and challenges regarding joining jurisdictional sustainability initiatives.

Table 1. Summary of stakeholders and their perceived benefits and risks when joining the initiative of jurisdictional sustainability

(Source: 46 interviews and consultations through three iLandscape Project's events)

Stakeholders	Benefits/Opportunities	Risks/Challenges
Local input suppliers	Emerging market of organic input materials	Farmers becoming less dependent on processed fertilisers as they shift towards incorporating cattle-feeding in their farming system for self-funded organic fertilisers
Farmers	Improvement of knowledge and practices in sustainable coffee production Income increases if market demand for sustainable coffee increases.	Being more dependent on qualified certification, production inputs and techniques Concerns about increased labour costs

Stakeholders	Benefits/Opportunities	Risks/Challenges
	Diversified income sources from intercropping and incorporating livestock-raising in farming. Increased employment opportunities for local people	Doubts about coffee productivity when shifting to sustainable farming techniques. There is no long-term guarantee of sustained demand for certified coffee products at profitable prices. Possibly increased debts Being left behind – ineffective support to gain access to support and funding schemes (e.g., being inadequately uninformed)
Local collectors/traders		May be dropped out of the value chain or need to modify business structures/practices when the coffee value chain is shortened to enhance traceability
Local, domestic roasters	Stable, high quality material supply Transparent and easy traceability Meeting high standards from EU and other international markets Profits and branding	Farmers may not follow standard production and harvesting techniques in case of market fluctuation. Costly monitoring and verifying system, and product leakage in and out of the supply area. Difficulties in product traceability Increased prices of green coffee beans
International coffee traders/roasters and exporters	Stable, high quality material supply Transparent and easy (lower cost of) M&V, traceability	Product traceability challenges Costly monitoring and verifying system. Product leakage in and out of the supply area Higher prices of material coffee (bonus to farmers) Needing increased market demand for certified/sustainable coffee

Stakeholders	Benefits/Opportunities	Risks/Challenges
International development organisations and NGOs	Opportunities to mobilise resources and advocate policies toward social welfare and environmental improvement in agricultural production	Challenges in seeking additional resources to scale up sustainable practices. Engaging local stakeholders, especially authorities to take leading responsibilities in establishing and maintaining sustainable governance systems
Governmental authorities/agencies	Meeting governance targets in master plans Promoting overall development of agricultural commodities in the jurisdiction, towards promoting jurisdictional branding for the commodities Protecting forests, pursuing green growth, and responding to climate change To increase income and welfare for local people	Limited personnel, resources, and technical capacity to establish and maintain effective monitoring and evaluating systems to track jurisdictional sustainability progress. Receiving additional workload and responsibilities in addition to frequent/business-as-usual assignments

3.3.3. Stakeholders mapping of the coffee value chain in Lam Dong and Dak Nong

3.3.3.1. Overall mapping analysis

The analysis of the coffee value chain in the Central Highlands of Vietnam, places coffee growers at the heart of the chain. Three main challenges to promoting sustainability governance of the coffee value chain were identified from the conditions of coffee growers in Lam Dong and Dak Nong.

Firstly, in Vietnam, most individual coffee growers are smallholders with the average cultivation area of 1 ha/smallholder, i.e. 650,000 smallholders cultivate 680,000 hectares of coffee.[24] However, the four pilot districts in the iLandscape project has slightly larger average coffee cultivation area from 1.5-2.5 ha/household.[25] This situation leads to administrative

[24] GCP (2021), Annual Report: https://www.globalcoffeeplatform.org/wp-content/uploads/2022/12/AnnualReport-2021-EN.pdf.

Nguyen, G.N., Sarker, T., 2018. Sustainable coffee supply chain management: a case study in Buon Me Thuot City, Daklak, Vietnam. International Journal of Corporate Social Responsibility 3, 1-17.

[25] CIAT (2023, working paper) 'Report: Baseline Farming System Survey'. Project: *Integrated sustainable landscape management through deforestation-free jurisdiction project in Lam Dong and Dak Nong, Vietnam (iLandscape)*.

burdens for all stakeholders because there is a large number of smallholders involved in any value chain or event.

Secondly, ethnicity is diverse in Lam Dong and Dak Nong, with each ethnic community having their own farming and collaboration traditions. However, a common trait among them is evidence-driven consensus building (i.e., they only trust what they see). Consequently, two conditions are needed to effectively communicate with local ethnic communities in the region and persuade them to engage in sustainable agricultural practices. The first is clear guidance on sustainable farming techniques, along with demonstration of the added value. The second condition is the involvement of gatekeepers of those communities (usually ethnic community leaders or priests) and local middlemen with profound knowledge of local societal characteristics.

Thirdly, ethnic minority farmers in Lam Dong and especially Dak Nong cultivate in remote areas.[26] That makes it difficult and costly to collect products from farms. Therefore, most value chains in Lam Dong and Dak Nong are long and complex with the involvement of multilevel collection systems.

It was found in the case studies that the actual value chains vary depending on specific business models of each chain or area. However, as illustrated in the following figure, a simple value chain could include local input suppliers, farmers and their cooperatives, collectors/traders, local roasting companies, international roaster companies, domestic and international retailers and end users.

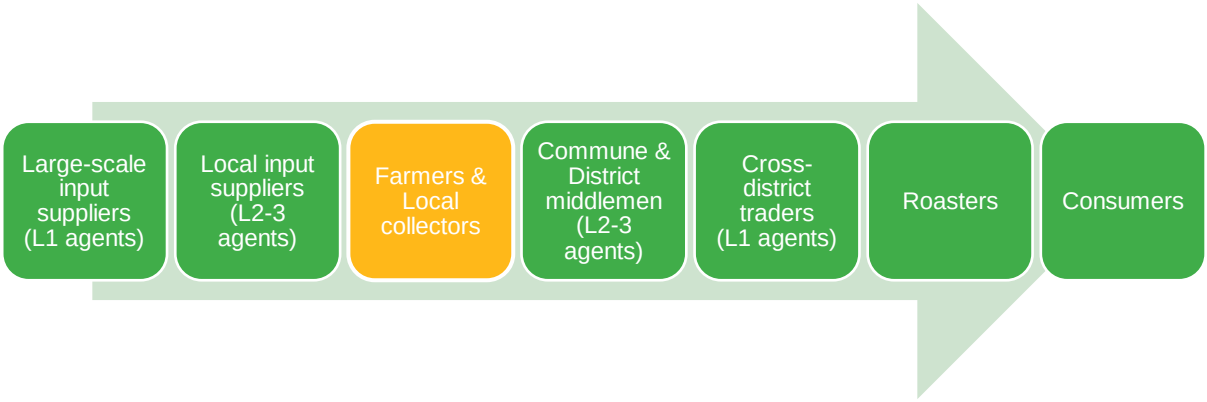

Figure 2. A simple coffee value chain in the Central Highlands, Vietnam

In addition to stakeholders directly involved in the coffee value chain as illustrated above, other stakeholders also serve as supporting or coordinating actors to facilitate the interactions and power relations in the value chain. These coordinating actors include:

- Governmental organisations/agencies (national to subnational levels) (e.g., local authorities, state research institutes, etc.)

[26] EFI's field trips and interviews with smallholders in those areas.

CIAT (2023, working paper) 'Report: Baseline Farming System Survey'. Project: *Integrated sustainable landscape management through deforestation-free jurisdiction project in Lam Dong and Dak Nong, Vietnam (iLandscape)*.

- Producer associations/groups (e.g., VICOFA)
- Certification schemes (e.g. 4C, Rainforest Alliance, Fairtrade, etc.)
- International development organisations/international NGOs (e.g., UNDP, IDH, SNV, Global Coffee Platform, etc.)
- Banking system (notably the Social Policy Bank and Agribank)

On the basis of the simplest value chain and the identification of key supporting/coordinating actors, this study has investigated some specific value chain models in Lam Dong and Dak Nong. A matrix of stakeholder analysis was applied in the interviews to identify drivers/concerns, barriers and power of each stakeholder in the value chain. Each dimension is qualitatively indicated as strong, medium or low. A summary of the key findings is presented in the following table, which also incorporates the findings from the previous section.

Table 2. Summary of stakeholders' drivers/concerns, barriers and power in the existing coffee value chain

NB: L1, L2, L3 – level-1, level-2, level-3 (agents). Level-1 agents are at a district or cross-district scale and sell products directly to international companies. Level-2 and level-3 agents are smaller agents and collectors at the sub-district scales (level-2 is higher than level-3).

Stakeholders	Drivers/concerns	Barriers	Power
Large-scale input suppliers (L1 agents)	**Strong** Large sale profits	**Strong** Farmers cannot access L1 agent directly. There is no direct access to local markets, thus they need to go through local agents (L2-3 agents)	**Low** Having low financial and power relations with L2-3 agents Having no direct connection with farmers
Local input suppliers (L2-3 agents, sometimes also act as local collectors)	**Strong** Profits Local market share High interest loans for farmers	**Medium** Local competition Risks of being unable to collect high-interest debts from farmers, especially in case of harvest losses. Small agents facing risks of being cut off in some value chains that aim to reduce middlemen	**Medium to Strong** Having close connections to farmers, acting as a close financial source for farmers Providing fertiliser loans to farmers and locking early product prices in exchange Driving local input market preferences
Farmers (smallholders)	**Strong**	**Strong**	**Weak**

Stakeholders	Drivers/concerns	Barriers	Power
	Income increase To reduce input costs (Dak Nong: fertilisers, watering costs; Lam Dong: fertilisers, labour costs)	Some lacking knowledge of sustainable farming techniques, literacy of investments and sustainability – knowledge in Dak Nong is lower than in Lam Dong. Lacking sustainable low-interest/safe financial resources Lacking access to the output market	Having small production scales, cannot decide selling prices. Easy to be affected by market fluctuations. Stronger collective actions in some communities (e.g. the North 54 immigrant communities[27], the Protestant communities)
Local collectors/traders (L2-3 agents)	**Medium** Local market share	**Strong** Lacking knowledge and motivation to perform traceability. Lacking incentive to perform traceability (and even demotivate). Risks of being unable to collect high-interest debts from farmers, especially in case of harvest losses. Small agents facing risks of being cut off in some value chains that aim to reduce middlemen.	**Medium** Having close connections to farmers, acting as a close financial source for farmers Low financial capacity and risks of uncollectable debts from farmers Also rely on larger middlemen in the value chain to secure output markets. ***This actor knows the product sources the best.***
Large-scale local collectors/traders (L1 agents, sometimes also act as local input suppliers)	**Strong** Large profits Can benefit from an effective traceability system. Promotion of sustainable product	**Medium** Risks of being unable to collect high-interest debts from farmers, especially in case of harvest losses. May lack knowledge and motivation to	**Strong** Having close connections to farmers, acting as a close and significant financial source for farmers The main gatekeeper between international

[27] Communities of people migrating from the North to the Central Highlands during the 1950s following a national policy of promoting the establishment of 'New Economy areas'.

Stakeholders	Drivers/concerns	Barriers	Power
	can help enhancing output market and values	engage in sustainability governance	stakeholders (companies and NGOs) and local private stakeholders, especially farmers
Local, domestic coffee roasters	**Strong** Profits Branding Stable product sources Low-price material supply	**Medium** Limited traceability capacity and willingness Limited knowledge, technical capacity, and financial capacity to promote sustainable agriculture by themselves. Those pursuing sustainable agriculture are facing unfair competition compared to others who do low-cost/high-profit unsustainable production	**Medium** They can establish their own small-scale coffee supply regions and develop its own supply chain. They cannot ensure farmers' commitment in case of price competitiveness
International coffee traders/roasters and exporters	**Strong** Profits Branding Stable product sources High quality material supply to meet international market requirements	**Medium** Farmers cannot access traders/roasters and exporters agent directly. So, they use local agents to secure access to local markets. Relying on middlemen to run collection systems. They are not allowed to purchase products directly from farmers. Some do not want to do this either.	**Strong** They can establish their own large coffee supply regions and develop their own supply chain. Having strong financial capacity to support farmers in the value chain to promote sustainable agriculture. Develop standards and processes for sustainable coffee production, motivate and train sustainable coffee farmers. Having branding, and large and stable output market Can influence market prices

Stakeholders	Drivers/concerns	Barriers	Power
Domestic and international retailers	**Medium** Profits Stable product sources	**Low** Not having direct interactions with farmers and local middlemen	**Medium** Not having direct interactions with farmers and local middlemen Only purchase products that meet the requirements of their market
Domestic producer association (e.g. VICOFA)	**Low** Role not yet clear	**Low** No specific barrier is found	**Low** Acting as a networking platform Not yet influential
Certification schemes	**Medium** Profits Promoting sustainability and other good practices	**Medium** Low coverage due to high cost of certification Too diverse and fragmented	**Strong** Having independent operation Having international reputation Providing farmers with opportunities to access highly regulated international markets such as the EU market
International development organisations and NGOs	**Strong** Promoting sustainability Enhancing farmers' social welfare Empowering coffee producers and their associations	**Medium** Having limited and short-term resources for farmers Projects are term-based, so it is hard to sustain post-project commitments. Duplicated activity scopes	**Strong** Connecting stakeholders, especially supporting farmers and enterprises towards sustainable practices Active in networking and policy advocacy
Governmental authorities/agencies	**Strong** To meet governance targets in master plans To promote overall development of	**Strong** Limited personnel and technical capacity to promote sustainability governance besides other frequent responsibilities.	**Strong** Making decisions on policy making and policy enforcement Leading the orientation of commodity production

Stakeholders	Drivers/concerns	Barriers	Power
	agricultural commodities To protect forest, pursue green growth and respond to climate change. To increase income and welfare for local people	Challenging public budget mechanisms Weak policy enforcement and monitoring capacity, e.g., in pesticide control Remaining bureaucratic and working in silos	Controlling the access to public data
Banking system	**Low** Social Policy Bank: to circulate public funding for agricultural development to the farmers in need. Agribank: to gain customers in the agriculture sector	**Medium** Hard to assess the creditability of loanees. Bearing the risks of uncollectable debts in case of harvest losses Agribank: cannot lend money to farmers who do not have land-use right certification	**Medium** The largest formal financial source for farmers if they can access it

From the above analytical matrix, we identify ***two weak knots*** in the chain (highlighted in light-red colour): farmers and local collectors. ***Farmers*** were identified as the weakest actor that need the most support in the value chain to be able to engage in sustainable coffee production. Meanwhile, ***local collectors*** know the product sources the best, but they may also be the weakest in terms of knowledge and willingness/motivation to promote sustainability via enhanced traceability.

As for traders, the two ***most influential*** levels (highlighted in light-green colour) are ***Level-1 traders*** and ***international traders/roasters***. Domestic level-1 traders are strong in having both local connections and financial capacity to promote local sustainability. However, they need to be empowered with more technical knowledge and motivation to play their part. If district and cross-district level-1 traders are motivated to join sustainability initiatives and willing to collaborate with each other, they can be a key catalyst to scale up the jurisdictional sustainability ideas to the entire jurisdiction. In contrast, if level-1 traders prioritise profits over sustainability, they may hinder sustainability efforts as they have the power to affect the supply areas.

Meanwhile, international traders and roasters are the strongest in financial capacity and knowledge to transform agricultural landscape on a large scale and in the long term. Nonetheless, as foreign entities, they are not allowed to directly buy products from farmers.

Therefore, international companies need to seek closer connections to farmers. Some companies have established their own value chains and coffee supply areas in the Central Highlands. These are usually shorter than business-as-usual cases as they contract directly with some farmer groups to participate in the companies' sustainable projects. Farmers participating in those projects have formal contracts with the companies to sell high-quality coffee with bonus prices to the companies' value chain (via the companies' domestic agents) and receive technical support in exchange. It means that even if international companies want to shorten value chains, they still need to rely on key local actors to bridge the connection gaps.

In terms of supporting/coordinating actors, ***international development organisations*** and ***governmental authorities/agencies*** (highlighted in light green colour) can influence the operation of the value chains and the development of the commodities.

3.3.3.2. Value chain examples in Lam Dong and Dak Nong

Specific components and roles of actors within a value chain vary by model and area in Lam Dong and Dak Nong. This study presents three examples of models in Dak Nong and Lam Dong.

(1) Small-scale cooperative

In the ***Dak Nong example***, the cooperative – hereinafter referred to as ***Small-scale cooperative 1*** (Figure 3) – acted as a networking agent to connect its member farmers to other supporting actors and the output market.

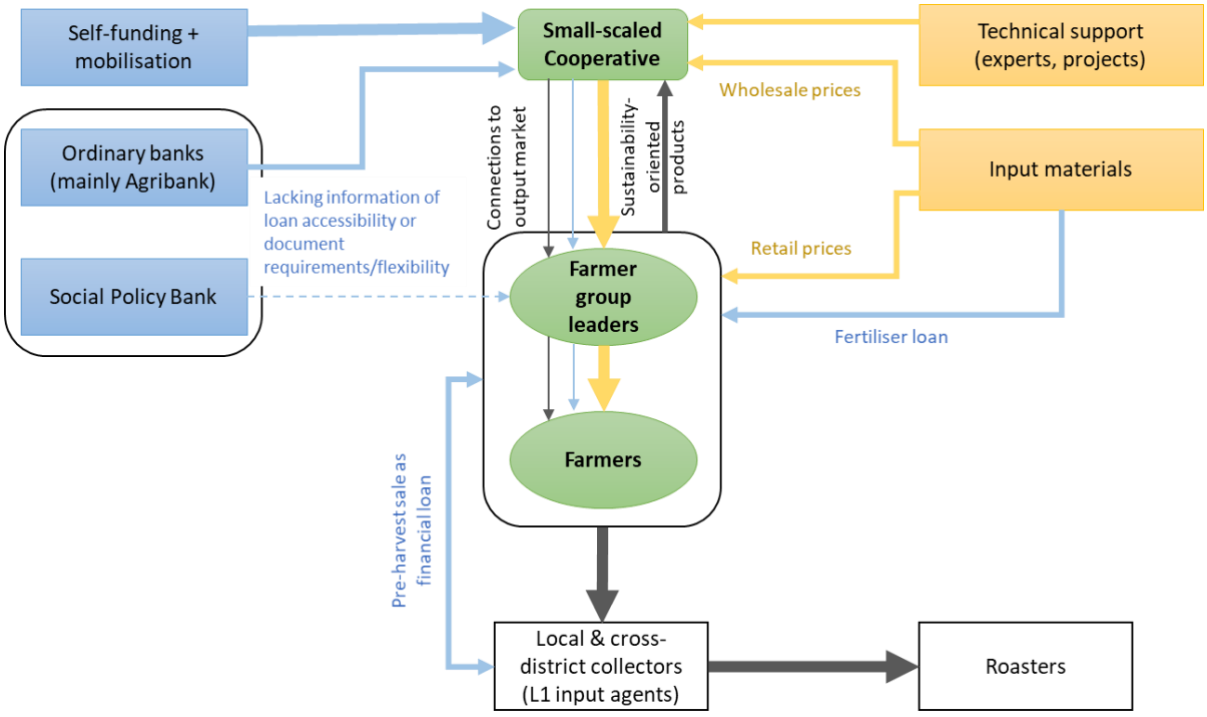

Figure 3. Small-scale cooperative 1 value chain model in Dak Nong

Small-scale cooperative 1 did not collect or sell products for farmers. Instead, it mobilised resources to empower farmers' production capacity and enhance their opportunities to seek output market. Small-scale cooperative 1 then shared the profits with its member farmers to sustain its business model.

Regarding the banking system, most farmers in the Dak Nong cooperative case study could not access loans from Agribank or other ordinary banks as they lack formalised land-use rights. Additionally, most farmers in that area also had little or no knowledge of the possibility and procedure to seek loans from the Social Policy Bank with fewer guarantee requirements. Consequently, most farmers access loans either from Cooperative 1 or informal credit agents with high interests. The latter came in two forms: (1) fertiliser loan with early coffee deposit (between farmers and local input agents/collectors), and (2) high-interest money loans (black credit market).

(2) Large local enterprise

The large local enterprise in ***Lam Dong*** – ***Large local enterprise 2*** (Figure 4) took a more hybrid role than the small cooperative in Dak Nong.

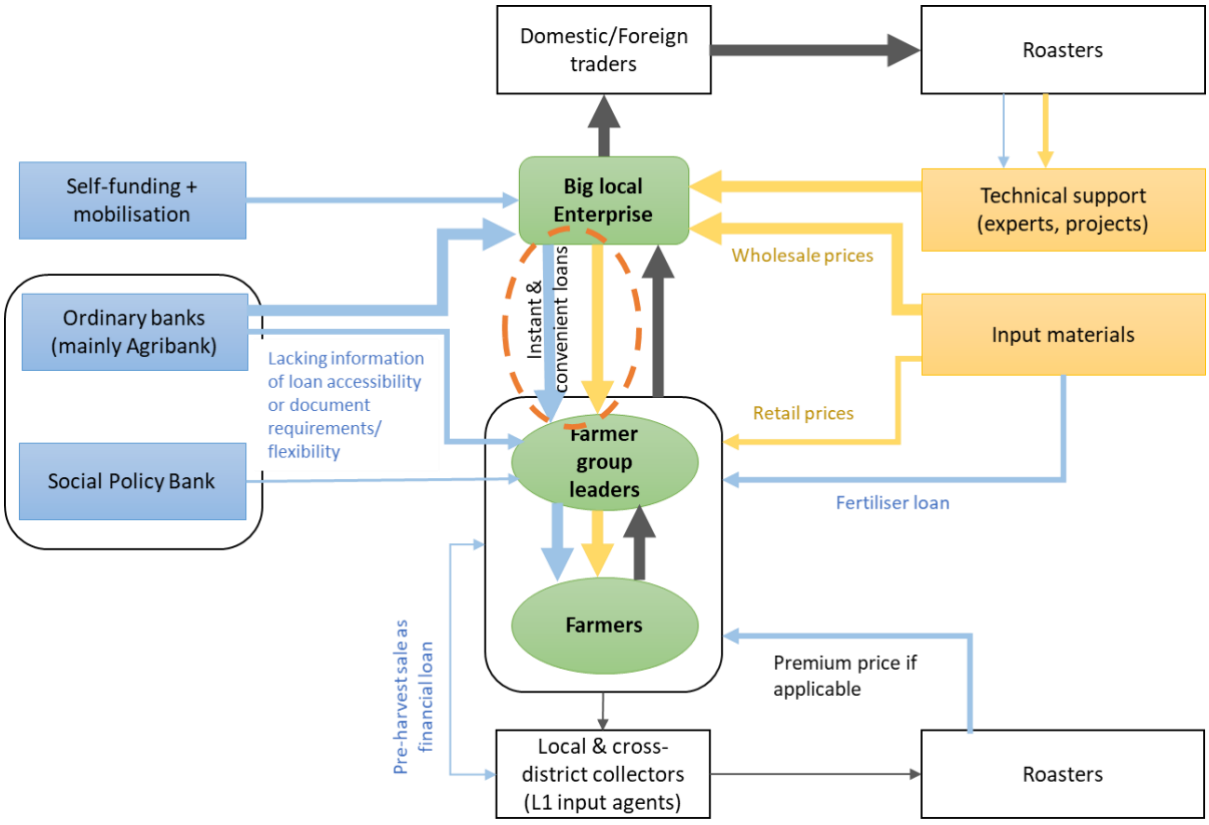

Figure 4. Large local enterprise 2 value chain model in Lam Dong

On the one hand, the enterprise mobilised resources from other stakeholders to farmers (level-2 input agent) like Cooperative 1 in Dak Nong. However, Local enterprise 2 in Lam Dong also collected products from farmers to sell to international traders/roasters like a level-1 trading agent. In other words, most material and financial flows in that value chain went through Local enterprise 2, making them a crucial and powerful actor therein.

Due to its scale, Local enterprise 2 had more influence on farmers than Small-scale cooperative 1 as it could provide more financial loans and direct support to member farmers in Lam Dong than Small-scale cooperative 1 did in Dak Nong. Interviews with smallholders who were members of this enterprise showed that instant and flexible financial loans from the enterprise and a guaranteed output channel via that enterprise created a strong and sustainable business relationship between them, even without formal contracts. Therefore, this model is found to be able to secure better sales from smallholders to the enterprise rather than leakages to other local collectors.

(3) International company project

A third model researched in this project is an international company project model. In this model, international companies provided support to local producers and smallholders for them to create project areas to produce and sell products to the companies. As illustrated in the figure below, international companies' projects mainly mobilise and support technical inputs and access to affordable input materials rather than direct financial support. Particularly, those companies do not provide instant and informal loans to smallholders like local enterprises. Financial inputs for smallholders come in the form of premium prices for qualified products and guarantee of output buy-in. In other words, business relationships between international companies and smallholders, as well as other local actors such as intermediate agents, are regulated by formal contracts.

According to the regulations imposed by the Law of foreign trade management ant the circular 08/2013/TT-BTC, "*the foreign-invested enterprises already licensed for right to export are entitled to directly purchase only goods of Vietnamese traders who have business registration or right to import, right to distribute such goods for export*". Due to this constrain, international companies can only to build commercial connections with recognized Vietnamese traders and not directly with farmers, creating a dependence of smallholders on traders. To bridge that relationship gap, international companies may collaborate with a key local enterprise in a project area to act as their contracted intermediary.

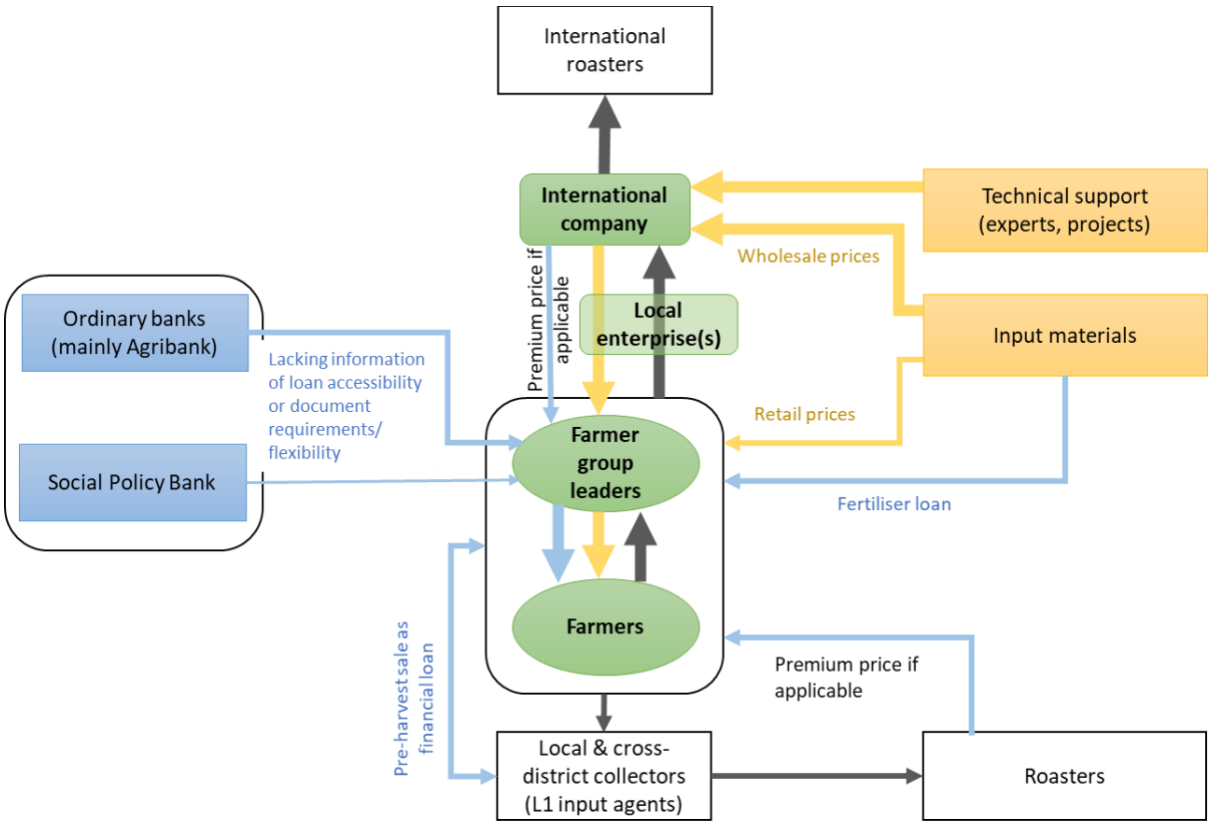

Figure 5. International company project value chain model

A common challenge for farmers in the above cases was the barrier to access formal loans from ordinary banks because of they do not hold land-use right permits. Some interviewed farmers were also uninformed of possible funding sources from the Social Policy Bank. This situation was even worse in Dak Nong.

4. Stakeholder engagement strategy

Engaging with stakeholders helps deepen the understanding of important issues in the coffee sector and facilitates effective collective actions. Together, stakeholders should develop a shared vision for sustainable coffee production (and other commodities), decide on an approach to achieve their goals, and address critical challenges that could derail their progress towards sustainability. Convening all relevant actors in a fair and transparent deliberative process could help build trust and encourage stakeholders' buy-in.

However, the key issue is ensuring the participation of a wide range of stakeholders in a jurisdictional sustainability governance framework. The main challenges were identified as follows:

- The concept of jurisdictional sustainability is too complex for stakeholders to grasp quickly. It is especially difficult to distinguish it from existing sustainability efforts in the region. In other words, it is easier to identify overlaps than to explain differences

between the approaches to promote sustainable agricultural production in the Central Highlands.

- This research component is part of the iLandscape project coordinated by UNDP. While UNDP coordination gives the project partners access to local state actors through formal procedures, the project dynamic is complex and requires effective communication and cooperation among partners to synchronise the understanding among partners. In this process, UNDP's coordination plays a crucial role in bridging understanding gaps between the partners and to promote seamless collaboration for optimal resource mobilisation.
- The initial idea of EFI's jurisdictional sustainability approach was to encourage autonomous engagement of local stakeholders under the leadership of local authorities. However, after almost a year of interacting with local authorities in both provinces, the vertical approach in local administration was found to hinder the ability of the project team to directly engage with local stakeholders, hence creating the need to modify the initial engagement approach.

Given the above challenges, the EFI team adjusted the original strategy and took the following steps:

1. Introducing the jurisdictional sustainability approach to Provincial Project Management Units (PPMUs)
2. Having discussions and engaging with UNDP as the overall project coordinator. It is crucial that UNDP's coordinators understand and support the jurisdictional sustainability approach.
3. Having separate discussions and engaging with relevant partners in the iLandscape project to build mutual understanding and consider how to fill each other's gaps.
4. Having discussions and engaging with the PPMUs to collect their advice on how to proceed the coordination with other local actors. Further to these consultations, one measure taken was to link the sustainability approach with the current strategies and regulations.
5. Identifying key private actors at the district and commune levels. Consulting them and seeking further connections with other private actors. Two companies were identified as key local private actors in Lac Duong and Dak G'long.
6. Instead of presenting the approach and requesting the PPMUs to lead the development of the indicators of jurisdictional sustainability governance, the EFI team first developed an indicators framework and guiding examples. This task was conducted with the support of data provided by the PPMUs through UNDP's coordination.
7. Discussing the indicator framework with the PPMUs and other stakeholders in consultation meetings.
8. Working with the PPMUs to revise the indicator framework and cooperate to pilot the data collection.

5. Conclusion and recommendations

5.1 Conclusion

There have been an increasing number of programmes and projects to promote sustainable and deforestation-free agricultural production in the Central Highlands involving international actors, enterprises, and provincial to local authorities. Some projects have been successful at small-scale landscape levels. Nonetheless, it remains to be determined why these successful sustainable agricultural production pilots cannot be scaled up to the district and provincial levels.

This report draws a non-exhaustive list of gaps and challenges hindering such a scale-up. It shows that most of the gaps and challenges are interconnected. For instance, some programmes (such as those coordinated by IDH and the SNV) have successfully engaged all stakeholders in their pilots and involved the provincial and district level in steering committees. However, there is still a gap between the high-level steering committees and grassroot multistakeholder engagement. This is due to the lack of representatives of domestic non-state actors, sub-provincial authorities, and farmers on those steering committees. It may be cumbersome to include many actors in a provincial steering committee. Nonetheless, activities should be planned and prioritised through a multilevel governance structure to engage state and non-state actors in vertical governing levels.

These gaps and challenges in multi-level governance arrangements lead to fragmented perceptions of sustainability objectives and values among stakeholders. Knowledge and information can be conveyed through training and communication. However, if stakeholders are not equally supported to enhance knowledge to share common viewpoints of jurisdictional sustainability, some actors could be marginalised as power imbalance exists. Our interviews with smallholders and those working closely with them revealed that farmers' requests for support were constantly postponed. Other actors complain about farmers' resistance to changing their farming practices, even in a minor way. This vicious cycle is due to the lack of relevant and meaningful support. As a result, farmers are both the most affected and the most blamed.

Furthermore, an important concern in multistakeholder engagement is the role of local authorities and their performance. Many actors still view approvals and support from authorities as key to ensuring successful sustainability governance. However, in some cases, ineffective engagement and performance of local authorities stem from other gaps in the institutionalisation and public financing mechanisms for forest protection and sustainable agriculture promotion.

5.2 Recommendations

Given the interlinkages of the gaps analysed in this report, they need to be addressed simultaneously. Moreover, building on the experience of previous landscape projects in Vietnam and elsewhere, the pursuit of jurisdictional sustainability in the Central Highlands region should take advantage of jurisdictional aspects to tackle existing gaps in local

sustainability governance. A way forward could be, not only to engage, but to empower local authorities and communities to shape their own priorities and tackle their own problems. This way reflects a subtle difference between landscape and jurisdictional approaches that lies in the capacity and power of local authorities at each jurisdictional level to make the choices that suit their local contexts and needs.

Therefore, local empowerment should be done with the involvement of actors from different levels and sectors, including central state actors to decentralise appropriate decision-making powers and supporting instruments for local authorities to perform their roles. International actors, from NGOs to enterprises and certification schemes, have laid a helpful foundation for the introduction of sustainable agriculture in Vietnam and create markets for sustainable products. However, domestic resources and capacity are indeed the fundamental key to sustain local sustainability governance systems. local sustainability governance systems.

Another recommendation relates to promoting jurisdictional sustainability governance processes in the Central Highlands. Based on the barriers to multistakeholder engagement mentioned above, it is not realistic for any research group without advanced long-term collaboration connections and documented approvals from provincial authorities to establish state-involved institutional arrangements at sub-provincial levels such as an advisory committee for jurisdictional sustainability. It is even more difficult to conduct time-consuming activities as local authorities already have limited personnel to undertake their regular responsibilities. Meanwhile, some projects have already established different management committees in the Central Highlands. Therefore, it would be more effective to make use of these arrangements and enhance their operational approaches by:

- Including more types of actors
- Empowering bottom-up decision making
- Gradually motivating the role of higher-level authorities in supporting and facilitating local actors while choices are made at lower levels to suit specific local contexts.

Cover photo: Scene of deforest for agriculture at Vietnamese highland as Lam Dong, Daklak. Shutterstock/xuanhuongho.

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