



Meeting proceedings BioTrade activities with Natural Ingredients in Vietnam

Hanoi Hilton Opera Hotel, 25 March 2009

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1. Background information

Since 1996, the United Nations Conference on Trade and Development (UNCTAD), through its BioTrade Initiative, has been working with developing countries' governments and representatives from the private sector to establish programmes that aim to engage local actors to develop sustainable bio-businesses that commercialize and trade value-added products and services in the national and international markets. This Initiative aims to foster trade and investment in biodiversity to further sustainable development in line with the three objectives of the Convention on Biological Diversity (CBD).

Vietnam is rich in biodiversity and the government has been working on issues related to its conservation and sustainable use. Specifically, in the natural ingredients sector, the Ministry of Agriculture and Rural Development (MARD) has developed the Non-Timber Forest Products (NTFPs) Conservation and Development Strategy 2006-2020. The NTFPs are playing an increasing important role in rural households, particularly for the ethnic minorities living in upland areas as well as to the new national biodiversity conservation approach. In addition to this, the Prime Minister approved the Forest Protection and Development Strategy 2006-2020 which includes specific targets to promote NTFP production.

In 2008, UNCTAD has commissioned to develop a concept brief for the project *Conserving biodiversity by applying BioTrade principles for sustainable trade in Natural Ingredients from Vietnam*. This project aims to promote the conservation of biodiversity through the sustainable use of its products and the equitable sharing of benefits thereby contributing to the sustainable socio-economic development of Vietnam. This builds on the existing work previously done in the country by BioTrade/UNCTAD and the Swiss Import Promotion Programme (SIPPO) as well as by other public and private initiatives.

In order to continue with consultations to further develop the project document, the working meeting "BioTrade activities with Natural Ingredients in Vietnam" was organized in Hanoi, Vietnam, on 25 March 2009. The event aimed to present and validate the BioTrade project to national stakeholders for their comments and inputs as well as to identify possible areas of cooperation and synergies. The event brought together thirty four (34) national and international stakeholders from the government

and civil society working in Vietnam with non-timber forest products, natural ingredients and/or on development issues. The names and affiliations of the participants are given in Annex A.

2. Agenda

The half-day event was opened by Dr. Chu Van Chuong, Director of Multilateral Cooperation Division at the International Cooperation Department (ICD)/MARD. It was followed by two introductory presentations on the BioTrade Initiative of UNCTAD and the Swiss Import Promotion Programme (SIPPO) for the work developed since 2005 in Vietnam. Later, the Project Concept: *Conserving biodiversity by applying BioTrade principles for sustainable trade in Natural Ingredients from Vietnam* was presented, which was followed by an interactive discussion. The workshop agenda is given in Annex B.

Box 1. Opening speech by Dr. Chuong, Director of Multilateral Cooperation Division, International Cooperation Department (ICD), Ministry of Agriculture and Rural Development (MARD)

Distinguish guests, ladies and gentlemen,

The Ministry of Agricultural and Rural Development welcomes you to this Stakeholder workshop "BioTrade activities with Natural Ingredients in Vietnam", organized with the support of the United Nations Conference on Trade and Development (UNCTAD) and its BioTrade Initiative, as well as with the Swiss Import Promotion Programme (SIPPO).

The MARD promotes poverty alleviation, particularly in remote rural areas with high populations of poor ethnic minorities, and forestry sector development, including Non-Timber-Forest Products (NTFP). In 2007 the Prime Minister approved the Forest Protection and Development Strategy 2006-2020 which includes specific targets to promote NTFP production, value chain and increase of the labour force. In addition, MARD has approved the Non-Timber-Forest-Product Conservation and Development Strategy (2006-2020), including natural ingredients such as medicinal herbs, foods, natural fibers and dyes, and more recently approved an Action Plan for Non-Timber-Forest-Products (2007-2010).

In May 2006, MARD Vice Minister Dr. Hua Duc Nhi expressed hopes that through UNCTAD's activities, Vietnamese companies will be supported in developing export promotion strategies for natural ingredients, in line with the national policies on non-timber forest products. Natural ingredients are an important subsector of the NTFP sector, which is a significant income generator for rural based economies in 30 provinces in Vietnam.

The BioTrade Initiative was launched by UNCTAD in 1996 and aims to stimulate trade and investment in biological resources to further sustainable development in line with the objectives of the Convention on Biological Diversity, namely: 1) the conservation of biodiversity; 2) the sustainable development of biological resources; and 3) the fair and equitable sharing of the benefits arising from the its utilization.

The BioTrade Initiative is unique because it promotes the conservation of biodiversity by enhancing the value of nature-based products by linking pro-poor products and services to national and international market demand.

The purpose of today's meeting is to share with you the concept to develop a BioTrade programme in Vietnam. The programme will focus on strengthening the policy environment to enable the development of BioTrade and to stimulate and enhance and internationally, BioTrade compliant enterprise sector in Natural Ingredients.

I am very grateful to see that this topic has captured the interest of such a large number and variety of participants. I hope this meeting is beneficial to you.

I would like to thank especially the speakers, Ms. Lorena Jaramillo of UNCTAD Geneva Office, Dr. Franziska Staubli of SIPPO Zurich Office and Mr. Nathan Sage, Hanoi-based technical advisor.

We will certainly benefit from hearing your thoughts and ideas on how we can improve the development of the BioTrade in Vietnam so that it has the highest impact on increasing livelihoods and conserving our rich biodiversity.

We wish you all good health and prosperity and great success to the meeting.

2.1 The BioTrade Initiative of UNCTAD

Ms. Lorena Jaramillo, UNCTAD Biodiversity and Climate Change Project Officer, presented an overview on the BioTrade Initiative, its concept and the BioTrade Principles and Criteria that must be respected by all partners and projects (Box 2).

Box 2. BioTrade Concept and Principles

BioTrade refers to those activities of collection / production, transformation, and commercialization of goods and services derived from native biodiversity, under criteria of environmental, social and economic sustainability.

The BioTrade Principles are:

1. Conservation of biodiversity
2. Sustainable use of biodiversity
3. Fair and equitable sharing of benefits derived from the use of biodiversity
4. Socio-economic sustainability (productive, financial and market management)
5. Compliance with national and international regulations
6. Respect for the rights of actors involved in BioTrade activities
7. Clarity about land tenure, use and access to natural resources and knowledge

She explained how the BioTrade Initiative works under a value chain approach that starts from the market perspective in order to assess and address the needs of each actor in the value chain. To do so, UNCTAD BioTrade has developed the Methodology to Support Value Chains for BioTrade Products. She explained how the BioTrade Initiative has been implemented in Africa and Latin America through National and Regional Programmes as well as Sector Associations and provided examples of the products and sectors strengthened, including natural ingredients for the food, cosmetic and pharmaceutical industries (extracts and infusions from medicinal plants, and essential oils for cosmetics, creams and moisturizers), handicrafts, sustainable tourism, among others.

Her presentation concluded with an overview of UNCTAD BioTrade activities that were carried out in Vietnam since 2005. In particular, the development of a sector assessment for natural ingredients (NI); the organization of a value chain analysis workshop for NI; the training on market access for selected companies as well as sustainable management practices jointly with SIPPO; and the elaboration of concept briefs for the NI and marine ornamentals sectors. These previous activities have culminated in the development of a project document to support NI sector in Vietnam and the need to confirm and clarify the proposed indicated objective, outcomes and activities with relevant stakeholders convened at this meeting as well as individual meetings held throughout the week of 23-27 March 2009.

2.2 Swiss Import Promotion Programme (SIPPO)

Ms. Franziska Staubli, SIPPO Project Manager & Head of Food and Tourism Program, introduced how SIPPO supports export promotion in 14 countries, including Vietnam since 1998. This program works by linking the supply of emerging markets and markets in transition with market demand of Switzerland and the European Union. It has developed three instruments in this regard, namely: 1) trade and market information; 2) match-making instruments; and 3) seminars and workshops. SIPPO branch activities in Vietnam include: agricultural products and processed food, home furniture, fashion and clothes, technical products, handicrafts, and outsourcing. SIPPO has also developed a branch overview report.

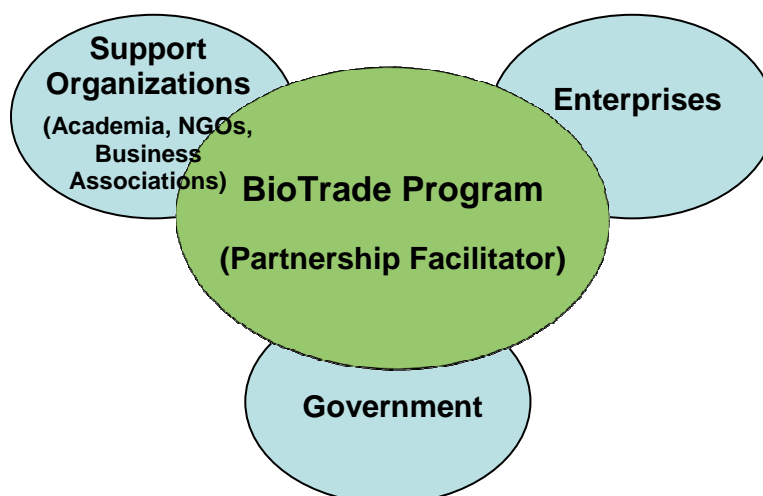
Most importantly, SIPPO engages in direct match-making via: 1) trade fair participation; 2) direct contact with Swiss and EU importers; 3) selling missions in combination with trade shows (e.g. fish); and 4) buying missions in combination with local or national activities in Vietnam. SIPPO organizes trade delegations to visit Swiss/EU as well as buyer missions for Swiss companies to travel to emerging/developing markets.

For the period 2000-2009, SIPPO's activities in the food sector included work with organic shrimp, fruit and vegetables, natural ingredients, and finished food. For the natural ingredients in Vietnam, the activities carried out by SIPPO included workshops for market access and biodiversity practices (35 companies), sourcing of companies (22); collaboration and elaboration of work plans for seven companies (2004-2007); participation at trade fairs (5 companies); and collaboration with the National Institute of Medicinal Materials (IMM) and Vietnamese Association for natural plants and ingredients (VIMAMES).

2.3 Project Concept: *Conserving biodiversity by applying BioTrade principles for sustainable trade in Natural Ingredients from Vietnam*

Mr. Nathan Sage, UNCTAD Consultant, presented an overview of the draft project document entitled *Conserving biodiversity by applying BioTrade principles for sustainable trade in Natural Ingredients from Vietnam*, with a highlight of indicative outcomes and activities. Conceptually, the BioTrade project is a three-year initiative that will: (i) focus on enabling a policy environment for NI sector; (ii) promote the development of value chains based on a market-approach; and (iii) establish a platform of partners and actors, linking to markets and the Global BioTrade Network.

Figure 1. BioTrade “platform of partners and actors”



As proposed, the project goal, objective and outcomes are as follows:

Goal - Vietnam is an internationally recognized supplier of choice for biodiversity derived natural ingredient products - sourced, processed and traded in compliance with the CBD objectives and BioTrade principles

Objective - To promote the conservation of biodiversity through sustainable trade of selected natural ingredients that increases the livelihood benefits for rural populations

Outcome 1 - An enabling policy environment for the development of BioTrade-compliant initiatives

Outcome 2 - An internationally competitive, BioTrade-compliant enterprise sector, comprising members of the Union of Ethical BioTrade (UEBT) and/or FairWild, that commercializes NI in local, national and international markets

The following Outputs and Activities would be developed to achieve these Outcomes:

Output 1.1 - Export Development Strategy for Natural Ingredients to strengthen NI value chain. **Activity 1.1** is to Consolidate and update an Export Development Strategy for NI that builds on prior experiences, market research studies, sector assessments and project reports, including those commissioned by UNCTAD and SIPPO, and utilizes the *Methodology to Support Value Chains for BioTrade Products*

Output 1.2 - National & international barriers and constraints identified and analyzed. Activities to achieve this output include:

1. Conduct assessment to overcome barriers, gaps and conflicting administrative regulations within relevant government agencies (e.g. MARD, Ministry of Health (MoH), Customs, Standards) that are affecting development and exportation of NI;
2. Conduct assessment of international regulations and regimes that could threaten the access to markets of beneficiary companies products, in collaboration with UNCTAD and other national and international partners;
3. Conduct brief training needs assessment and technical trainings to support project beneficiaries on legal requirements needed to commercialized and trade NI;

4. Conduct brief training needs assessment and technical trainings to government officials and other national-level actors involved in the sustainable use and trade of NI;
5. Develop technical guidelines and outreach materials, including case studies, for decision makers and actors; and
6. Conduct and/or participate in national and international events in order to disseminate the Vietnamese experience as well as to learn best practices that are being implemented elsewhere in the NI sector, with the aim to strengthen South-South and South-North cooperation.

Output 2.1 - Enterprises with good export potential receive business development support to strengthen their export management and knowledge on BioTrade practices of social, environmental and economic sustainability. **Activities** include:

1. Select enterprises are identified and develop individualized work plans for technical assistance;
2. Develop a training needs assessment based on these work plans and a training programme focused on quality assurance and supply of NI, according to target market requirements;
3. Provide technical assistance to strengthen management skills of NI initiatives, according to companies' work plans;
4. Considering workplans, advise companies on technologies and infrastructure needed for their production processes, including collection, harvesting and transformation of raw material;
5. Develop, train and implement a standardized format of management plan and/or sustainable practices for raw materials producing and supplying beneficiary companies;
6. Advise beneficiary companies on issues related to good social practices including the equitable sharing of benefits; and
7. Facilitate access to finance (e.g. investors & banks among others).

Output 2.2 - Selected beneficiary companies have enhanced capacity to access targeted markets at local, regional and international levels. **Activities** include:

1. Develop a market information system for NI accessible to beneficiaries & partners in BioTrade;
2. Develop a market strategy for NI in niche selected markets and/or products (e.g. trade fair participation, B2B meetings, sectoral events/trade shows as well as assistance with voluntary certification and differentiation standards (UEBT, FairWild, etc.) and advice on export logistics and costing);
3. Facilitate access to finance of project beneficiaries; and
4. Conduct a study tour for project beneficiaries to better understand, learn and share best practices with other initiatives with whom horizontal and/or vertical partnerships could be established.

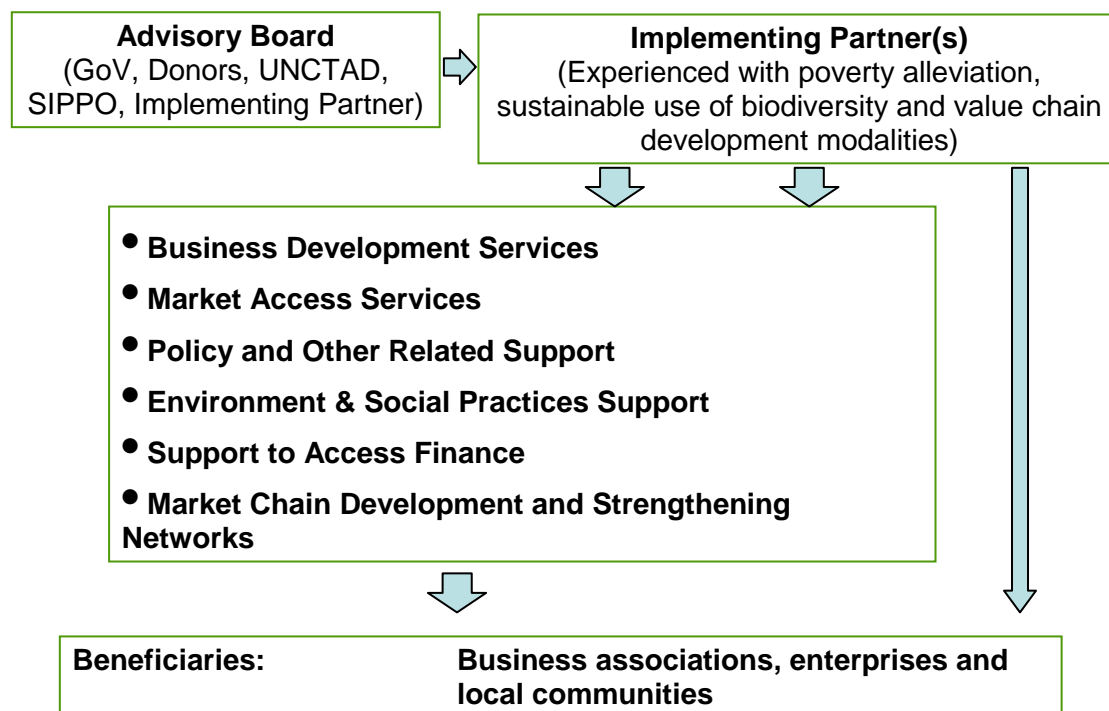
Output 2.3 - Existing business associations are strengthened or new associations formed at national and/or sub-national levels. **Activities** include:

1. Conduct an institutional assessment of existing networks of government, organizations, institutes, universities, NGOs, associations and state-owned and private enterprises interested in providing high quality services to strengthen value chains and foster high quality export business development;
2. Create/strengthen an association within an existing, legal organization that will grow over the project duration to establish the human capacity and financial sustainably to promote direct BioTrade business development support in the long-term;
3. Support the association to develop a "business plan" that will guide the growth of the institution's work in the medium and long terms;
4. Support association(s) to develop and initiate work plans focused on sector development, information sharing and policy advocacy; and

5. Support association members and staff to share lessons and network experiences with other institutions in matters of export promotion and on the development of cross cutting issues (e.g. study tours).

The **Project Structure** would resemble the following diagram:

Figure 2. Structure of the Project Conserving biodiversity by applying BioTrade principles for sustainable trade in Natural Ingredients from Vietnam



For more information on the presentations, please refer to the Annex C.

3. Results of the meeting

Following the presentations, a thorough discussion took place regarding the project document presented. Overall, the participants agreed that the project rationale, concept and design were sound and that it addressed many of their needs. The project concept, which is market oriented under a value chain approach, rather than supply oriented, is seen as a positive way to move forward; however the role and needs of producers should be more visible and clear in the project document (e.g. include activities such as organizational strengthening at producers' level, consider food security issues). In this regard, the importance of each actor in the value chain, meaning producers, processors, traders/exporters should be more visible in the project document.

That said, several **NGO representatives** commented that the project did not have adequate measures to ensure the income-benefits of poor communities *through* the activities as presently planned. Experiences on how producers have benefit from BioTrade projects in different value chains were shared with participants in order to illustrate how all value chain actors (especially communities) are involved and benefit from similar projects, highlighting some specific cases of benefit sharing, development of capacities to produce value added products and direct access to local or regional markets.

MARD is a key partner in the implementation of the BioTrade project, particularly as it is in line with the Ministry's objectives for poverty alleviation and its policies related to non-timber forest products and the forestry sector. The MARD representative emphasized the need to establish a clear monitoring mechanism for the project in order to guarantee that it meets its objectives and support poor communities.

The Viet Nam Trade Promotion Agency (Vietrade), which is a key partner organization for implementing the project, expressed interest in being involved in the BioTrade project in Viet Nam. In particular, in relation to market information and dissemination systems and methodologies used to develop sector strategies, which could be adapted to NI. These issues were later discussed in more detail in a separate meeting between Vietrade and UNCTAD representatives.

Private sector actors were also interested in the project activities, particularly those related to facilitate access to finance as well as if the project has foreseen to financially support companies to obtain certification. In this regard, the project document highlights the need to facilitate access to finance by co-funding and/or linkages with financial institutions or similar.

Two important issues that were mentioned during the discussions were the need to guarantee the **continuous supply of raw material** and **improve products' quality** (e.g. compliance with GACP and national and international quality standards/requirements). The supply of raw material by beneficiaries (communities) must go in line with the local/provincial government's priorities, particularly as the latter provide the general framework and guidance on farmers' agricultural activities. In relation to quality, VIMAMES is developing a project that aims to support a selected number of companies to comply with national and international quality standards.

Other questions and comments that need to be considered in the project document are:

- ◆ Prioritize the species that the BioTrade project will work with in Vietnam and which is the selection criteria used to prioritize them. Previous work carried out by BioTrade has defined a list of 15 promissory species considering their

market potential and available supply. However other criteria¹ should be used by the implementing partner in order to define the final species that will be supported.

- ◆ Gradual inclusion of beneficiary initiatives (producers and companies) into the market, where first steps should be in the local market, then regional and finally international.
- ◆ Consider the impact of the Global Economic Crisis on the project, and adapt the BioTrade project accordingly. UNDP is currently examining what impact the current global economic crisis will have on Viet Nam and particularly the poor and vulnerable populations.
- ◆ Poor, rural farmers often do not respect contractual obligations (e.g. selling harvests to Producer A and not Competitor B). Project might consider awareness-raising activities to support the respect of contracts by farmers.
- ◆ Specify if the project will be working on wild or cultivated species, and farmed animals. For the former, attention should be drawn on implications in terms of cost and time to domesticate wild species, which in some cases have been long and costly, particularly on species that are not short-cycle production crops – e.g. Agarwood requires at least 10 years of cultivation to cultivate good quality raw product.

4. Conclusion

The meeting was successful as it fulfilled the objective to obtain stakeholder comment on the project design, to validate and enhance the concept through technical inputs provided by various representatives of government, NGOs and enterprises, and to identify key partners and projects with whom potential partnerships could be established. The in-depth discussions were valuable in providing key feedback to the project concept, so that it responds to the needs of its beneficiaries (value chain actors) and the country's circumstances.

¹ BioTrade partners used the selection criteria included in the publication "*Methodology guidelines for the support of value chains of BioTrade products: From the selection of products to the development of sector strategies*" to select species and/or value chains supported.

Annex A. List of participants

1	Dr. Chu Van Chuong	Director, Multilateral Cooperation Division, International Cooperation Department (ICD), Ministry of Agriculture and Rural Development (MARD)
2	Mr. Alain Chevalier	International Trade Promotion Advisor, Trade Promotion Project VIE 61/94, Vietnam Trade Promotion Agency, MOIT
3	Ms. Nguyen Thi Hong Van	Deputy Director, External Communication and Relations Dept, Vietnam Trade Promotion Agency
4	Mrs. Bui Thi Bang	National Institute of Medicinal Materials, MOH
5	Mr. Nigel Smith	Advisor, Prosperity Initiative
6	Ms. Ximena Mora	Advisor, Value Chain Development/Marketing, SNV
7	Mr. Vu Minh Duc	Head, Governance and Business, IUCN
8	Mr. Daniel Valenghi	Country Program Director, Helvetas Vietnam
9	Ms. Lam Giang	Program Officer, Helvetas Vietnam
10	Dr. Nguyen Quang Tan	Associate, Regional Community Forest Training Centre for Asia Pacific (RECOFTC)
11	Dr. Dominic Smith	Agricultural Economic Advisor, International Market Development and Investment JSC (MDI)
12	Mrs. Lam Thi My Dung	Directress, My Linh Flavours and Fragrances - SIPPO company
13	Ms. Vu Thuy Hanh	My Linh Flavours and Fragrances - SIPPO company
14	Ms. Do Thi Thu Ha	Director, Sapa Essentials
15	Thomas Osborn	Expert medicinal plants and wildlife trade
16	Dr. Ta Ngoc Dzung	Secretary General, Vietnamese Medicinal Material Society (VIMAMES)
17	Ms. Nguyen Thu Ba	Programme Officer, Sustainable Development Cluster, UNDP Hanoi
18	Mr. Stephan Lauper	Head of Trade and Economic Affairs, Embassy of Switzerland (SECO Representative)
19	Mr. Aaron Becker	Advisor, MARD/World Bank Vietnam Conservation Fund (VCF/FRR)
20	Ms. Nguyen Thi Yen	Sustainable Rural Development (SRD) (nguyenthiyen@gmail.com)
21	Ms. Lavinia Poruschi	Research Assistance, Institute for Global Environmental Strategies (Japan)
22	Barbier Clémence	Director, Dame Clemece (export company based in Hanoi)
23	Thibault Ledecq	Rattan Regional Programme Manager, WWF
24	Ms. Vu Thi Que Anh	Project Manager, WWF Greater Mekong Vietnam Programme
25	Dr. Nguyen Thi Ngoc Hue	Deputy Director, Plant Resources Center (PRC), Vietnamese Academy of Agricultural Sciences (VAAS)/MARD
26	Ms. Chi Thi Ty	SNV
27	Vu Van Tuy	Researcher, Vietnamese Academy of Agricultural Sciences (VAAS)/MARD
28	Tran Quang Luc	Traphaco, a SIPPO company
29	Ms. Nguyen Thi Thui Huong	Traphaco, a SIPPO company
30	Nguyen Pi Son	PR Manager, IMC, a SIPPO company
31	Nguyen Thanh Phuong	Planning Dep. Manager, IMC, SIPPO company
32	Khuat Van Ninh	IMC, a SIPPO company
33	Mr. Mark Barnett	Owner, Son Ha Spice & Flavorings Co., Ltd.
34	Dr. Franziska Staubli	Project Manager, Head Food and Tourism Programme, SIPPO Swiss Import Promotion Programme
35	Dr. Klaus Duerbeck	Consultant SIPPO
36	Mr. Nathan Sage	UNCTAD Consultant
37	Ms. Lorena Jaramillo	Project Officer, UNCTAD
38	Ms. To Thi Thu Huong	Interpreter

Annex B. Agenda

Working Meeting BioTrade Activities with Natural Ingredients in Vietnam

25 March 2006, Hilton Hanoi Opera

- 8h00 **Registration**
- 8h30 **Welcome remarks**
Dr. Chu Van Chuong, Director, Multilateral Cooperation Division, International Cooperation Department (ICD), MARD
- 9h00 **The BioTrade Initiative of UNCTAD**
Ms. Lorena Jaramillo, Project Officer, Biodiversity and Climate Change Section, UNCTAD
- 9h20 **Swiss Import Promotion Programme / osec**
Ms. Franziska Staubli, Project Manager Head Food and Tourism Programme
- 9h40 **Project concept: Development of the natural ingredients sector in Vietnam through BioTrade activities**
Nathan Sage, UNCTAD Consultant
- 10h00 **Comments/Questions on Presentations**
- 10h30 **Coffee break**
- 10h45 **Group discussions of the proposal**
- 12h00 **Closure**
- 12h05 **Lunch**

Annex C. Presentations

Please refer to enclosed files.