



How good governance has transformed an agroforestry cooperative in Vietnam into a thriving business

Producer organisation:
Binh Minh Agroforestry Cooperative



Internal Governance Case Study 6: Vietnam



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Acronyms

BMAC	Binh Minh Agroforestry Cooperative
DARD	Department of Agriculture and Rural Development
FAO	Food and Agriculture Organization of the United Nations
FFF	Forest and Farm Facility
FFPO	Forest and farm producer organisation
FGD	Focus group discussion
FSC	Forest Stewardship Council
FSC-CoC	FSC Chain of Custody certification
HDPE	High-density polyethylene
IIED	International Institute for Environment and Development
IUCN	International Union for Conservation of Nature
NAFOCO	Nam Dinh Forest Products Joint Stock Company
VNFU	Vietnam Farmers' Union

Summary

Collective action takes shape in diverse forms, such as associations and cooperatives, where members collaborate by pooling their knowledge, products and financial resources to drive meaningful change. In Vietnam, forest and farm producer organisations (FFPOs) such as agroforestry cooperatives play a crucial role in fostering positive impacts on the socioeconomic development of the country, especially in regions facing challenging conditions, with limited livelihood resources and restricted market access. In Vietnam, many models of agricultural and forestry cooperatives have been established that both provide services and organise aquaculture, livestock, poultry and safe vegetable production, as well as forest planting and conservation and developing medicinal plants.

In Vietnam, the Forest and Farm Facility (FFF) has been working in collaboration with the Vietnam Farmers' Union (VNFU) to implement its FFF-VNFU programme. Established in 2017, the Binh Minh Agroforestry Cooperative (BMAC) in Yen Binh district, Yen Bai province in northern Vietnam was a beneficiary of the FFF-VNFU programme, receiving both technical and market access support. BMAC is a cooperative whose members consist of 18 households in Lem Village, Phu Thinh Commune, Yen Binh District, Yen Bai Province.

This case study of BMAC underscores the vital role played by good internal governance and strong relationships with external actors in ensuring the sustainability of value chains of forestry products. The cooperative stands out as a model of successful agroforestry practices, community development and sustainable business operations, paving the way for replication and contributing to the overall growth of the forestry sector in Vietnam. After over six years of functioning, the cooperative has undergone substantial growth, evolving from its initial seven members to currently accommodating 18 households. Furthermore, BMAC has forged affiliations with more than 2,000 households participating in planting forests to supply raw timber to the cooperative. In total, these households cover a planting area of about 8,000 hectares (an increase of 5,000 hectares from 2022) including 6,000 FSC-certified hectares. Besides this, BMAC also signed contracts with local farmers to supply high-quality acacia seedlings for planting in 650 hectares across 24 communes and towns in Yen Binh district and these acacia farmers will supply timber to the cooperative once they begin harvesting acacia trees. Over a five-year period (2018–2022), the cooperative has generated significant revenues of VND 6 billion and averaging VND 1.2 billion (US\$53,000) in net profit per year.

BMAC has strategically leveraged external relationships with market actors, government entities and international development supports. The cooperative serves as a hub for farmers, collaborating with Nam Dinh Forest Products Joint Stock Company (NAFOCO) and Hoa Phat Forestry Joint Stock Company, participating in government initiatives, and engaging in international development programmes. These initiatives have not only improved forest productivity but also provided access to innovative technical support and market opportunities. The cooperative's diversification of products, partnerships with forestry companies and participation in certification programmes such as FSC's chain of custody certification (FSC-CoC) have positioned BMAC as a key player in the local market.

The cooperative has implemented a comprehensive set of tactics to enhance trust and foster a sense of belonging with its members, and to achieve its organisational objectives to enable its members to manage their forests sustainably while helping to grow their businesses. BMAC stands out for its internal governance innovations, showcasing a commitment to excellence in cooperative management. The key features of its successful governance approach include developing a clear leadership structure with dedicated resource access, fostering cooperation and respectful relationships with members and other stakeholders, developing transparent financial management practices and a comprehensive risk-management strategy, and fostering a continuous learning culture for skills improvement.

Actively participating in local training programmes and seeking knowledge-sharing initiatives domestically and internationally keeps the cooperative adaptable and well-informed in the dynamic landscape of cooperative management. BMAC also offers employment opportunities and services to the entire commune.

However, challenges persist in addressing disparities in benefits between some cooperative members, potentially impacting engagement and influence in decision-making processes. For example, only founding BMAC members who contributed towards the cooperative's initial capital investment currently receive dividends (out of 18 members, only five contributed capital to set up the sawmill). As BMAC provides job opportunities and other services to the whole commune, there is very little difference in the benefits received by non-members and BMAC members who collect no dividends. Consequently, members who do not receive dividends have a limited interest in or influence over the cooperative's decision-making processes (Le *et al.* 2022).

Despite this, the replication of BMAC's model has shown promise, with success stories from other cooperatives and timber-processing sawmills in the region that have followed guidance from BMAC in developing their cooperatives and businesses. However, challenges such as a shortage of capital and effective internal management must be addressed for successfully scaling up the Binh Minh Agroforestry Cooperative model.

1 About the Binh Minh Agroforestry Cooperative (BMAC)

1.1 Background: cooperatives and collectives in Vietnam

In Vietnam, cooperatives – particularly those in agriculture – play a crucial role in fostering positive impacts on the socioeconomic development of the country, especially in regions facing challenging conditions with limited livelihood resources and restricted market access. According to data from the General Statistics Office of Vietnam (GSO 2022), as of the close of 2021, the nation boasts a total of 27,342 cooperatives, with agricultural cooperatives constituting approximately 66% of this figure (19,431 agricultural cooperatives) (MPI 2022). Notably, around 3.8 million individuals are actively engaged in these agricultural cooperatives (Thin 2022). During 2013–2020, the collective economy sector, inclusive of cooperatives and cooperative unions (but excluding individuals and households), made an average annual contribution of roughly 3.84% to the country's gross domestic product (GDP) (GSO 2022).

The whole country has 2,293 trade and service cooperatives involved in forestry-related activities such as afforestation, forest management, exploitation, processing and consumption of forest products. By the end of 2022, the country had about 15,000 collective groups involved in forestry-related activities (Phuong Thu 2022). In Yen Bai, according to the Cooperative Alliance of the province, by the end of August 2023, the whole province had 714 cooperatives of which there are 415 cooperatives operating in the agricultural sector, accounting for 58% of the total number of cooperatives in the area. Many models of agroforestry cooperatives provide services and organise aquaculture, livestock, poultry and safe vegetable production, as well as planting, conservation and the development of medicinal plants (Nguyen Van 2023).

1.2 BMAC's involvement with the Forest and Farm Facility

The global shift towards addressing global challenges such as climate change and biodiversity loss with locally led solutions has gained momentum. But smallholder forest and farm producers, when acting individually, lack the capacity to combat these global crises effectively. However, by uniting in self-organised groups, they can wield significant influence to address these challenges on a larger scale. Collective action takes shape through diverse forms, such as associations and cooperatives, where members collaborate by pooling their knowledge, products and financial resources to drive meaningful change. An umbrella term used for these various farmer organisations and groups representing Indigenous Peoples and local communities is forest and farm producer organisations (FFPOs).

The Forest and Farm Facility (FFF) programme is dedicated to empowering FFPOs that represent smallholders, rural women, forest communities and Indigenous Peoples. These groups are recognised as crucial agents in attaining the Sustainable Development Goals (SDGs) and implementing effective climate action. Established in 2012, the FFF is currently in its second phase (2018–2025). Its strength lies in the robust collaboration among its four founding agencies: the Food and Agriculture Organization of the United Nations (FAO), the International Institute for Environment and Development (IIED), the International Union for Conservation of Nature (IUCN) and AgriCord (FFF 2022). The FFF programme has been implemented in Vietnam in collaboration with the Vietnam Farmers' Union (VNFU). The underlying principle of the FFF-VNFU programme is grounded in the theory of change positing that robust, locally managed FFPOs possess the capacity to exert influence over various aspects, including local rights to forest farm resources, market entry, technical assistance and discussions on development goals at both national and global levels.

In Vietnam, the FFF-VNFU programme operates in four provinces: Yen Bai, Bac Kan, Hoa Binh and Son La. In Yen Binh district in Yen Bai province, since 2015, over 1,000 smallholders have been assisted in obtaining Forest Stewardship Council (FSC) certification for a total of more than 7,000 hectares of acacia trees. Binh Minh Agroforestry Cooperative (BMAC) in Phu Think commune, Yen Binh stands out as one of the initial FFPOs to benefit from support provided by the FFF-VNFU programme (Le *et al.* 2021).

Formerly known as the Lem village acacia growers' group (a registered collective group), BMAC's main production and business activities include producing timber products, afforestation, managing forest-product seedling nurseries and producing plastic products. Initially, the group included 15 families as members managing 57 hectares of forest. Members sold their timber individually, had no funds to invest in value-added processing, had a weak bargaining position with intermediaries and made little profit (Le *et al.* 2022). Realising the importance of having linkages in production along the value chain, one of BMAC's directors Mr Phung Binh Minh advocated that the Lem village acacia growers' group formed a cooperative. BMAC was established in 2017 with seven members and a charter capital of VND 1 billion (approximately US\$47,000). In 2019, membership increased to 10 members (six men and four women) and to 18 members by 2023.

To enhance the value of planted forests and to develop sustainable forests, the cooperative has participated in the FFF-VNFU programme that proactively links with and provides technical training to over 2,000 households in Yen Binh district participating in the FSC-CoC programme (the Forest Stewardship Council's Certificate of Custody programme).¹ Thanks to that, in Yen Binh district, there are hundreds of hectares of planted forests that have been granted FSC certification. Currently, the cooperative works in production with nearly 500 forest-planting households in Yen Binh.

The cooperative's members own 60 hectares of forest plantation along with an FSC-CoC-certified sawmill with a processing capacity of 700m³ per month. The cooperative's members also grow more than three hectares of rice and some members grow fruit trees (grapefruits), and raise honey bees and chickens under the forest canopy, which helps them to diversify income from agroforestry systems. BMAC is managed by a board of directors including Mr Phung Binh Minh, who holds the largest investment in the cooperative, along with two deputy directors and one supervisor, aligning with the provisions of the 2012 Law of Cooperatives. The cooperative's main products include acacia and FSC-certified acacia sawn logs, catering to major clients such as Hoa Phat Joint Stock Forestry Company, one of the largest timber-processing companies in northern Vietnam and a supplier for Ikea. Furthermore, branches and tree tops are transformed into charcoal and pellets. These products are then supplied to factories that cater to Quang Ninh province and others located in the Doan Hung district of Phu Tho province. The materials serve as crucial inputs for paper production, fuel and export purposes and are also used to produce timber products such as pallets used for domestic packaging. By 2021, 526 households in the district had verbal (as opposed to written) contracts with BMAC to provide FSC timber for its sawmill (Le *et al.* 2022). In 2022, the cooperative contracted to supply and exploit 358,000m³ of timber/year from these households and produce 155,000 timber products, earning VND 9,041 million (over US\$390,000) in revenue with a net profit of VND 850 million/year (over US\$36,000), creating jobs for 15 full time workers (see also Table 3, Section 3.2).

According to Bijman *et al.* (2014), the growing interest in governance control within agricultural cooperatives can be attributed to two primary factors. Cooperatives are undergoing expansion, increases in complexity, and strategic reorientation and restructuring processes

¹ FSC Chain of Custody certification verifies that forest-based materials produced according to rigorous FSC standards are credibly used along the value chain from forests to becoming finished goods. See <https://fsc.org/en/chain-of-custody-certification>

(Nilsson 1999). The introduction of new ownership forms (Chaddad and Cook 2004) has further fuelled heightened involvement of various partners, leading to an expansion in both product diversity and geographical reach. Consequently, there is an increased emphasis on addressing the challenge of ensuring that cooperative managers prioritise the interests of members over the needs of the management/officials in leadership positions. In the context of agroforestry cooperatives in Vietnam, there is a heightened focus on cooperative governance to align the benefits and profits of both the cooperative entity and its members.

This case study aims to evaluate how internal governance of the BMAC cooperative can help harness the collective action of smallholder farmers to facilitate effective decision-making in pursuit of the cooperative and its members' objectives. This helps to identify practical tactics that characterise good internal governance, especially in a rapidly changing socioeconomic and environmental context. The study also aims to highlight the main innovations in BMAC's internal governance and overall lessons learnt that can be shared with other FFPOs.

The case study utilised a desk review to collect secondary data on BMAC and its developmental trajectory. Primary data was obtained from in-depth interviews with BMAC and local stakeholders, including cooperative leaders and a leader from Yen Binh District Farmers' Union; a focus group discussion (FGD) was also held with 6–8 members of BMAC (see appendices). Secondary data was drawn from existing policies and literature related to agricultural cooperatives, as well as documents and records from BMAC. Unstructured observation was also carried out during the fieldwork. Data analysis involved the application of descriptive statistics and content analysis.

2 Evolution of internal governance structures, systems and practices

2.1. Organisational structure

BMAC's membership is based on the farmer groups that were initially supported by the FFF-VNFCU programme. In 2014, FFF commenced its activities in Vietnam, partnering with VNFCU as the national implementing agency. The initiative selected the Lem Village acacia growers' group to collaborate with. Group members participated in training sessions covering various topics, including market analysis and development, acacia plantation, timber-processing techniques, facilitation skills and proposal writing. By August 2015, they formalised their association as a collective group as outlined in Decree 151/2007/ND-CP issued in October 2007 of the Vietnamese government on the organisation and operation of collective groups. Subsequently, they visited successful forestry enterprises in northern and central Vietnam and engaged with commune, district and provincial authorities to discuss their specific needs.

In 2017, BMAC was established in accordance with the Cooperative Law of 2012. Its management board and board of supervisors are elected at annual general meetings (AGMs), of the general assembly, which is comprised of all cooperative members who each have a vote. Additionally, significant matters such as the dissolution or merger of cooperatives are decided through this voting process. The members' AGM assumes the responsibility of overseeing completed activities, including the approval or rejection of the annual financial report. The overall organisational structure of the cooperative is presented in Figure 1 and the historical development of BMAC and its membership is summarised in Table 1.

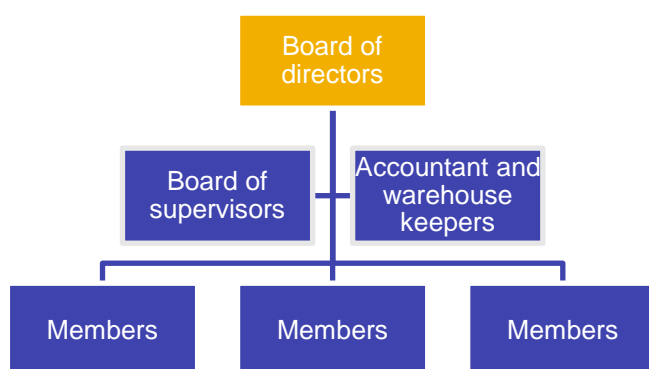


Figure 1. Organisational structure of Binh Minh Agroforestry Cooperative

Table 1. Timeline and growth of Binh Minh Agroforestry Cooperative

Time	Activities, organisational initiatives and resource mobilisation	Number of BMAC members
2014–2016	<ul style="list-style-type: none"> ➤ FFF began work in Vietnam with VNFU as the national implementing agency and chose to work with the Lem village acacia growers' group. ➤ The collective attended training courses on market analysis and development, managing acacia plantations, timber-processing techniques, facilitation skills, organisational management skills and proposal writing, and participated in exchange visits to other timber-processing facilities. ➤ In August 2015, farmers formalised their group as a cooperative according to Decree 151/2007/ND-CP of 2007. Seven of the 15 households contributed VND 30–200 million each to build an initial capital of VND 500 million (US\$21,500) to invest in a 400m² sawmill. ➤ After an exchange visit to the FSC-certified acacia group in Quang Tri province organised by FFF, Yen Bai Farmers' Union (a local union affiliated to VNFU) proposed a pilot programme for FSC certification in Yen Binh district to both the Yen Bai Forest Protection Department and the Provincial People's Committee. The committee then delegated the Yen Binh Farmers' Union to collaborate with various agencies in mobilising farmers to join FSC groups. Additionally, the private sector (represented by NAFOCO) was tasked with covering the FSC fees. ➤ Members of the new Lem village acacia growers' group were actively encouraged to register and participate in the FSC programme. ➤ By November 2016, a total of 494 households in Yen Binh district, which included all the members of the Lem village 	N/A

	acacia growers' group that had previously visited Quang Tri, were awarded FSC certificates for their forests.	
2017–2018	<ul style="list-style-type: none"> ➤ In 2016–2017, Phu Thinh commune was preparing to be recognised by the National Target Programs for New Rural Development and Sustainable Poverty Reduction Support Program (NTPSP), a national programme to improve the rural economy. A requirement is to have at least one cooperative in the commune. At the time, the commune had only one potential cooperative, so the commune supported the registration. Group members established BMAC in July 2017 with an initial capital of VND 1 billion (approximately US\$43,000). ➤ In 2017, the Yen Bai Department of Agriculture and Rural Development (DARD) issued a decision to endorse FSC initiatives in the province and sanctioned a pilot programme in Yen Binh district involving the cooperative, NAFOCO and Hoa Phat. This marked a pivotal moment for numerous members who recognised a significant business opportunity and realised that organising themselves would enable them to leverage FSC certification and collaborate effectively with other enterprises. ➤ Getting support from NAFOCO and its sub-contractor Hoa Phat, BMAC was then hired by Hoa Phat to buy and process all FSC-certified timber in the area. In 2017–2018, Hoa Phat invested in four more sawmills for BMAC to secure FSC-CoC certification. 	8
2019	<ul style="list-style-type: none"> ➤ In 2019, the district's FSC forest management board was established (including the People's Committee, vice chairman of the People's Committee as head, forest ranger as deputy head, DARD and the district's farmers' union) originating from the FSC's forest establishment campaign committee. ➤ In 2019, with growing sales, BMAC financed the purchase of four more timber-processing sawmills and leased further land to expand the sawmill capacity to 700m³/month. 	10
2020–2021	<ul style="list-style-type: none"> ➤ During the COVID-19 pandemic in the initial half of 2020, BMAC's director Mr Minh was trained and employed by Hoa Phat as a technical officer, conducting household visits to evaluate FSC suitability, organising training sessions and overseeing monitoring on behalf of Hoa Phat to ensure compliance with their requirements. 	10
2021–2023	<ul style="list-style-type: none"> ➤ In 2021, the number of members of the cooperative increased to 18 and the cooperative built a forest tree seedling nursery with support from the FFF-VNFCU programme. 	18

	<ul style="list-style-type: none"> ➤ In 2022, an area of 7,000m² was issued to communes in the district for Australian acacia seed production, according to Yen Bai Provincial Resolution 69 of the province.² ➤ More than 2,000 farmer households participated in planting forests to supply raw timber to the cooperative with a planting area of about 8,000 hectares (an increase of 5,000 hectares from 2022) including 6,000 FSC-certified hectares (however, not all of these households have signed contracts with BMAC). 	
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Source: Le *et al.* (2022) and in-depth interviews with cooperative leaders, members and a leader of Yen Binh District Farmers' Union (2023).

2.2 Organisational systems and practices

After more than six years of operation, the cooperative has expanded significantly, growing from the original seven members to include 18 households. BMAC not only provides services for its members but also proactively establishes linkages with households with large areas of forest hills. Furthermore, BMAC has forged affiliations with more than 2,000 households participating in planting forests to supply raw timber to the cooperative. In total, these households cover a planting area of about 8,000 hectares (an increase of 5,000 hectares from 2022) including 6,000 FSC-certified hectares. Besides this, BMAC has also signed contracts with local farmers to supply high-quality acacia seedlings for planting in 650 hectares across 24 communes and towns in Yen Binh district and these acacia farmers will supply timber to the cooperative once they begin harvesting acacia trees.

These households are not members of BMAC but they have agreed voluntarily to follow the FSC process and to sell forest products to the cooperative at a higher premium price, 2–5% higher than normal timber (Le *et al.* 2022). Notably, a substantial portion of these households belongs to various ethnic minorities, including Kinh, Cao Lan, Dao, Tay and others. BMAC also helps these households to establish collective groups. The collective groups act an extension of BMAC, enabling the cooperative to reach each household at all stages of production, from supplying seedlings and transferring technology to purchasing raw materials and pre-processing planted timber. This collaborative effort enables the cooperative to prepare the harvested timber for export and ensures that it meets the standards required to produce high-quality timber products.

The cooperative has contracts to sell finished timber products (such as sawn wood and pallets) with many households in the district, including households that are members of the cooperative. The number of farming households signing written contracts to sell their timber products to cooperatives increased from 12 households in 2018 to 40 households in 2023. BMAC purchases all products from these households at a rate surpassing the prevailing market prices. Following the deduction of the cooperative's initial investment, each participating household engaged in afforestation enjoys an annual income ranging from VND 60 to 80 million per hectare.

The main characteristics of BMAC's organisational systems and practices are summarised in Table 2.

² Yen Bai People's Committee, through Resolution 69, has established a goal to achieve 100,000 hectares of FSC-certified forest by the year 2025. The entire governmental system, from province to commune level, is tasked with expanding FSC certification. This expansion is to be facilitated by mobilising resources from the private sector, donors and the provincial budget.

Table 2. Main characteristics of BMAC's organisational system

Key contents	YES	NO	Description
Statements of vision, goals and development strategies			
Statements of vision and goals	✓		<ul style="list-style-type: none"> The cooperative has set its own vision and goals that its members and leaders want to pursue in their development processes.
Cooperative development plans and strategies	✓		<ul style="list-style-type: none"> BMAC has an annual business plan through contracts with enterprises such as NAFOCO, Ikea and farmers. BMAC intends to annually enlarge its FSC-certified area, with the goal of establishing timber-processing factories in accordance with FSC-CoC standards.
Leadership and membership			
Rules, responsibilities and procedures for membership	✓		<ul style="list-style-type: none"> BMAC has developed internal regulations that are displayed on the walls of its timber-processing factories where the leaders, members of the cooperative and workers regularly work as well as at the cooperative office.
Membership changes	✓		<ul style="list-style-type: none"> Membership has increased from 7 in 2018 to 10 in 2019 and 18 in 2021.
Diversity in products and employment	✓		<ul style="list-style-type: none"> BMAC members now produce timber products, plant forests, manage seedling nurseries and produce plastic products. The cooperative has offered consistent employment opportunities for local residents, including women, youth and the elderly – a feat that other sawmills in the community have been unable to achieve. The cooperative is currently hiring a part-time chief accountant and a full-time warehouse manager with salaries of VND 7 million/month (US\$300) and VND 11 million/month (US\$480) respectively.
Leadership changes		X	<ul style="list-style-type: none"> BMAC's leadership has remained stable over the past six years with one director and one deputy director.
Engagement of leaders in decision-making processes	✓		<ul style="list-style-type: none"> Regular meetings of cooperative leaders are held at BMAC's office due to the nature of fulfilling frequent contracts by external buyers in all months of a year. BMAC also holds regular meetings with its members and with commune, district and provincial People's Committees to discuss the

			progress of value-chain projects and plans to upscale FSC implementation (about 30 meetings annually).
Engagement of members in decision-making processes		X	<ul style="list-style-type: none"> Only founding BMAC members who contributed to the cooperative's initial capital to set up the sawmill receive dividends. Consequently, members who do not receive dividends have less voice and feel less incentive to engage in the cooperative's decision-making processes.
Coaching for members and employees on management		X	<ul style="list-style-type: none"> BMAC's leadership would gain valuable insights through mentoring and coaching in financial and human resource management, as well as organisational development. However, except for technical training, other training opportunities are limited.
Focus on human resources policies, ethnicity, gender and youth programmes	✓		<ul style="list-style-type: none"> While there is no specific programme for women or youth, the cooperative has created consistent employment opportunities for residents, including women, youth and the elderly (something that other sawmills in the commune have yet to achieve). About 30% of groups participating in FSC-certified timber production include Kinh, Cao Lan, Tay and Dao ethnic-minority households. To meet FSC-CoC requirements, the cooperative prioritises labour safety, ensuring that all workers are equipped with personal protective gear.
Changes in resource used			
Land-use planning processes, forest land use and rules	✓		<ul style="list-style-type: none"> BMAC's members own 60 hectares of forest plantation and an FSC-CoC-certified sawmill with a processing capacity of 700m³/month. In 2022, BMAC collaborated with the farmers' union to provide technical assistance and support to more than 2,000 households for forest cultivation (specifically acacia) spanning 650 hectares. This initiative covered 24 towns in Yen Binh district, aiming to establish sustainable raw material zones that adhere to both domestic and export standards.
Financial management and social issues			
Financial accounting system	✓		<ul style="list-style-type: none"> The cooperative has an accounting department including a part-time chief accountant and a full-time warehouse manager. The chief accountant is responsible for synthesising revenues and

			expenditure and making monthly tax reports for the cooperative.
Communication and productivity			
Communication	✓		<ul style="list-style-type: none"> • BMAC has a Zalo chat group (the most popular mobile messaging app in Vietnam) to quickly share information with its members on markets, policy and disease control.
Increasing productivity for members and employees	✓		<ul style="list-style-type: none"> • Due to the impact of COVID-19, Hoa Phat substantially decreased its orders in the initial half of 2020. In response, Mr Minh proactively engaged with domestic markets, establishing contracts with seven companies for the sale of non-FSC sawn logs. As a result, BMAC experienced a profit increase from 2019 to 2020.
Work environment and safeguarding practices	✓		<ul style="list-style-type: none"> • As per the FSC-CoC requirements, due regard is consistently given to labour safety and personal protective equipment is supplied to all workers. • The cooperative has generated positive environmental impacts by guaranteeing the use of legally sourced timber and prohibiting the use of most herbicides, as well as preventing pollution and littering. These measures contribute to enhancing the living and working environments for farmers, including cooperative members.

Source: Le *et al.* (2022) and in-depth interviews with cooperative leaders, members and a leader of Yen Binh District Farmers' Union (2023).

3 Tactics that have improved Binh Minh Agroforestry Cooperative's internal governance

3.1 Tactics that improve members' trust and sense of belonging

To enhance trust and a sense of belonging for its members, BMAC ensures it provides continuous technical support and transparent benefit-sharing mechanisms. The creation of a positive social environment has also helped to foster relationships between members and the cooperative's leaders. The key strategies for fostering trust and commitment among members are outlined below.

BMAC provides technical support and training to its members, particularly those involved in the FFF-VNFU programme. Members receive training on production and business knowledge, state agriculture policies, and have opportunities to engage with organisations and businesses both within and outside the province.

BMAC has also consistently benefited from the FFF-VNFU programme, facilitated by the Central Vietnam Farmers' Union, Yen Bai Provincial Farmers' Union and Yen Binh District Farmers' Union, which connects the cooperative to external support for production and product sales.

Regarding the role of leadership excellence, the success of the cooperative is significantly attributed to Mr Phung Binh Minh, the cooperative's founder and director. Mr Minh's outstanding leadership qualities, including determination, enthusiasm, trustworthiness and a sense of responsibility, have played a crucial role. He mobilises members for both human and financial contributions, successfully attracts investments from enterprises such as Hoa Phat and Ikea, and demonstrates a proactive commitment to the development of BMAC for the collective benefit of its members.



FSC forest production and BMAC's FSC-CoC timber processing factory © Mr Phung Binh Minh

In terms of BMAC's adaptability and diversification, despite challenges (such as a substantial reduction in orders from Hoa Phat in the first half of 2020 due to the impacts of COVID-19), Mr Minh has taken proactive measures. He has explored domestic markets, secured contracts with other companies for the sale of non-FSC-certified sawn logs, and successfully increased the cooperative's profits. His leadership skills also extend to organising training sessions and monitoring activities to meet the requirements of partner enterprises.

In relation to community support, the cooperative actively contributes to the welfare of the Phu Thinh commune by allocating funds for various projects, including rural road construction,

cultural houses, communal structure restoration, and COVID-19 prevention efforts. This demonstrates BMAC's commitment to community development and wellbeing.

BMAC also maintains a transparent benefit-sharing mechanism and internal governance structure, with the director holding the highest share and influence. Over a five-year period (2018–2022), the cooperative generated the significant revenue of VND 6 billion, averaging VND 1.2 billion (approximately US\$53,000) in net profit per year.

Finally, BMAC's active participation in afforestation activities has gained recognition, and its experiences and achievements are shared within the community. This has contributed to building trust with cooperative members as well as with households engaged in production alongside the cooperative, and the local government.

However, challenges persist in addressing disparities in benefits between some cooperative members, potentially impacting engagement and influence in decision-making processes. For example, only founding BMAC members who contributed towards the cooperative's initial capital investment currently receive dividends (out of 18 members, only five contributed capital to set up the sawmill). As BMAC provides job opportunities and other services to the whole commune, there is very little difference in the benefits received by non-members and BMAC members who collect no dividends. Consequently, members who do not receive dividends have a limited interest in or influence over the cooperative's decision-making processes (Le *et al.* 2022).

3.2 Tactics that improve external relations with banks, markets and government

To enhance its business, BMAC employs strategic approaches to leverage support from local government and international development programmes to expand markets and diversify its product offerings.

The cooperative serves as a pivotal hub for farmers seeking to benefit from government and donor initiatives, such as sapling support programmes. Households interested in participating in the FSC long-rotation timber plantation certification scheme for acacia can register through the cooperative. BMAC efficiently gathers and organises all applications in collaboration with Hoa Phat and government agencies. By implementing protective measures and adhering to technical procedures, the forest's productivity has increased, averaging over 150 tonnes of timber per hectare. Active involvement in the FSC programme not only grants access to innovative technical support but also replaces traditional, less efficient afforestation techniques.

In December 2020, the Yen Bai People's Committee released Resolution 69, outlining policies to bolster the growth of agriculture, forestry and aquaculture in the province from 2021 to 2025. To qualify for subsidies, households are required to become cooperative members. The resolution prioritises the FSC-certification programme, offering forest growers a subsidy of up to VND 2 million per household for seedlings if they are affiliated with a cooperative or collective group, or if the household has a contract with a private company. This initiative has fostered collaboration among individuals, motivating them to invest in sustainable forestry practices. Moreover, participation in the FSC programme typically results in households selling timber to the cooperative for a higher price than the market average, elevating the brand of forest timber products and facilitating entry into discerning markets such as Europe and the United States.

BMAC has also maximised substantial support from the FFF-VNFU programme. It has played a crucial role in raising awareness, fostering trust, supporting market analysis, facilitating

organisational management, linking farmers with technicians and businesses for technology transfer, and advocating for policy changes. The FFF-VNFU programme has organised training on market analysis and development, as well as organisational management for the group. It has also facilitated roundtable discussions at commune, district and province levels to connect local FFPOs with scientists, private actors and decision-makers. Additionally, the FFF-VNFU programme has assisted the cooperative in signing contracts with companies that produce wooden furniture.



FFF-VNFU programme team members at the cooperative's timber-processing factory © Mr Phung Binh Minh

BMAC has also actively forged partnerships with Hoa Phat and NAFOCO. These collaborations have involved knowledge transfers and training to over 2,000 households in Yen Binh district. The FSC-CoC certification has validated that timber products traded from certified origins encourage sustainable forest management globally. The cooperative also directly operates timber-processing factories for timber products with certificates for Hoa Phat's Yen Bai branch. From 2018 to 2023, the cooperative has consistently expanded cooperation, signing supply contracts with various companies and businesses, including Hoa Phat's Yen Bai branch, Yen Bai European Plastic Joint Stock Company, Yen Bai Industrial Mineral Joint Stock Company, Rainbow Stone Joint Stock Company, Binh Minh Stone Company, Van Phuc Yen Bai Import Export Joint Stock Company, Filler Masterbatch Joint Stock Company, and Bao Lai White Stone Company.

According to Le *et al.* (2021), the progression of BMAC from an informal group to a registered cooperative was supported by multiple stakeholders (Figure 2).

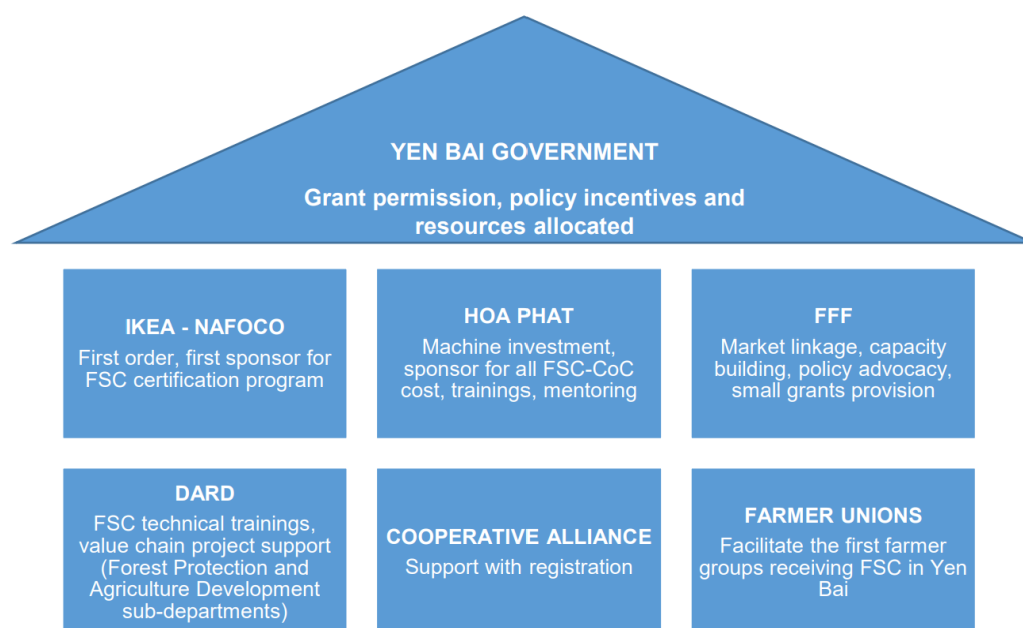


Figure 2. Multistakeholder support for the formation of Binh Minh Agroforestry Cooperative

Source: Le *et al.* (2022).

BMAC entered into a collaboration with Hoa Phat to establish a contract with households to purchase forest timber products cultivated in 24 communes and towns across Yen Binh district. Hoa Phat also provided support for growing acacia seedlings and afforestation. Between 2017 and 2018, Hoa Phat strategically invested in four supplementary sawmills, specifically designed to ensure FSC-CoC certification for the cooperative. Capitalising on the growing sales, in 2019 BMAC's members contributed financial support for the acquisition of four additional timber-processing sawmills. Simultaneously, the cooperative secured additional leased land to expand the sawmill capacity to an impressive 700m³ per month. The main achievements between 2018 and 2022 are presented in Table 2.

Table 3. Timber production, revenues and net profit (2018–2022)

Year	Total timber production of households (m ³)	Quantity of finished timber products produced	Total revenue (US\$)	Net profit (US\$)
2018	200,000	410	104,364	6,818
2019	200,000	710	180,727	455
2020	200,000	980	252,091	22,727
2021	200,000	118,000	290,391	23,913
2022	358,000	155,000	393,087	36,957

Source: Binh Minh Agroforestry Cooperative (2023)

BMAC has also generated employment locally. Prior to 2023, BMAC created regular jobs for about 15 local workers and helped them to earn a stable income worth VND 7 million/month or more. In 2023, the cooperative purchased 408,000m³ of timber/year, producing 204,000 finished products for an income of over VND 10 billion to create regular jobs for 20 workers

with a stable income of VND 12–13 million/month each (US\$550). Figure 3 shows the number of workers (including seasonal workers) who have worked for BMAC in 2018–2023.

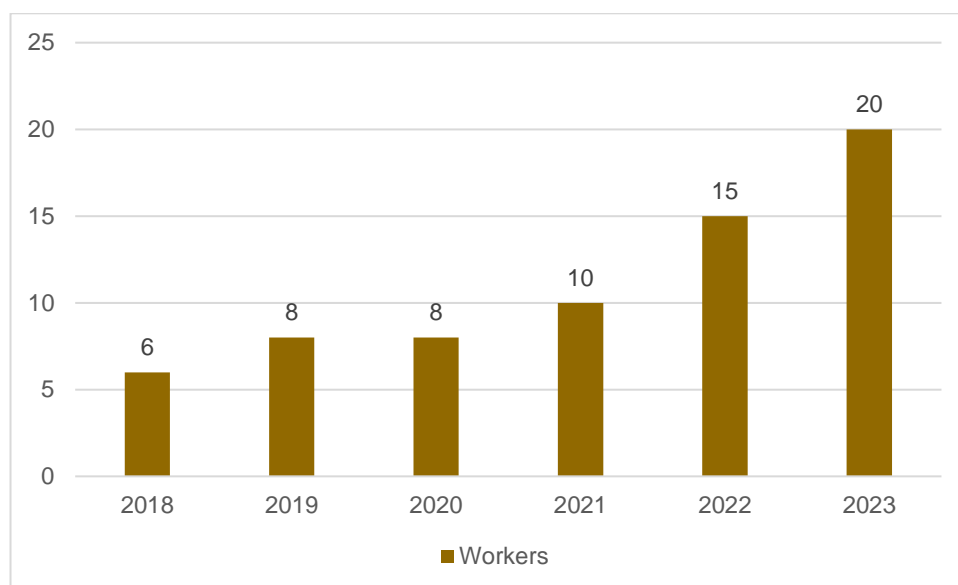


Figure 3. Employment creation of Binh Minh Agroforestry Cooperative



Women members of Binh Minh Agroforestry Cooperative planting forest seedlings © Mr Phung Binh Minh

BMAC has also diversified its production outside of timber products, producing high-density polyethylene (HDPE) pipe products. HDPE plastic pipe products have many advantages: they are able to withstand strong chemicals without leaking or corrosion and are superior in terms of durability and safety compared to other plastic pipes. In 2018, the cooperative only produced and sold 350 tonnes of HDPE plastic pipes with a turnover of VND 7 billion/year (US\$318,000) and a profit of VND 700 million/year (US\$31,800). By the end of 2022, the cooperative has produced and sold 600 tonnes of HDPE plastic pipes with a turnover of VND 12 billion (US\$521,000) and a profit of about VND 1 billion (US\$43,000), while also creating more jobs for local workers.

The total revenue of the cooperative from 2018 to 2022 is about VND 64 billion, with a profit of VND 6 billion (an average of VND 1.2 billion/year). However, with this level of growth, the amount of tax owed by BMAC every year is very high and increasing rapidly. The amount of business tax of the cooperative contributed to the state increased from VND 2 million (nearly US\$100) in 2018 to VND 818 million (US\$35,000) in 2022.

3.3 Tactics that improve the delivery of the cooperative's vision and purposes

After nearly six years of operation, the cooperative has grown to 18 members and forged ties with more than 2,000 collaborating households, approximately 30% of whom are from diverse ethnic minorities. Many women are also engaged in forest seedling production and earn a stable income from this work. The expansion of acacia forestation areas to 650 hectares ensures a stable supply of timber inputs for processing by the cooperative, contingent on a stable output market in the upcoming years. Additionally, the cooperative collaborates with 30 collective groups involved in the production and processing of timber sourced from cultivated forests. Furthermore, it has expanded production to include plastic products.

Due to its consistent growth, BMAC has been able to offer steady employment opportunities to residents (about 15–20 full time workers throughout the year), encompassing women, youth and the elderly in the neighbouring communes. According to Mr Nguyen Duc Vuong, chairman of Yen Binh District Farmers' Union,

The production model of BMAC is gradually creating a centralised afforestation and timber-processing area, creating jobs and generating stable income for hundreds of households to plant forests, increase the value of planted forests and contribute to protecting the ecological environment according to international standards.

Mr Phung Binh Minh, director of BMAC, has also been invited to participate in many local and national-level policy dialogues facilitated by local and district People's Committees and the FFF-VNFU programme concerning local product value chains, the promotion and adherence to FSC standards, and the encouragement of extended rotation periods for acacia plantations. This cooperative owns the only FSC-CoC sawmill in the district that offers specialised services for the processing of high-value and FSC-certified products.

As a dynamic person who dares to think and dares to do, Mr Phung Binh Minh has received many certificates of merit and awards from the central government, and from Yen Bai province and Yen Binh district. In December 2023, Mr Minh was honoured to be voted as one of the 100 Outstanding Vietnamese Farmers of 2023, organised by the Central Vietnam Farmers' Union.

4 Future plans to improve internal governance

4.1 Future plans

BMAC intends to annually enlarge its FSC-certified area, with the goal of establishing more timber-processing factories in accordance with FSC-CoC standards. However, the cooperative has no intention to expand its membership. According to the cooperative leaders, membership expansion will only be considered when there is a requirement to augment investment capital for production and business purposes.

In 2023, to be proactive in production, the cooperative returned the 2,500m² FSC-CoC factory area it had borrowed from the commune to buy new land. The cooperative invested VND 2.2 billion (US\$95,000) to buy 2.5 hectares and invested about VND 400 million (US\$17,300) to level one hectare of land to convert it to production land. Currently, the cooperative office is still located at the cooperative director's house.

Approximately 30% of collective groups engaged in FSC-certified timber production within BMAC are from ethnic minority households, residing in 24 communes across Yen Binh district. This not only enhances production and business for the cooperative but also fortifies the network of partner farmers, creating potential for expanding both membership and production in the future.

4.2 Prospects for replication

BMAC not only transfers techniques for planting and caring for forestry trees towards sustainable development, but also helps to train and share experiences of business management with more than 40 timber-processing sawmill owners in the province. BMAC leaders and members also provide detailed instructions to workshop owners on subjects ranging from factory design, technology selection, timber pre-processing techniques and purchasing raw materials, to income and expenditure accounting.

According to Vietnam News Agency (2023), benefiting from the expertise and advice provided by BMAC in cultivating and nurturing forestry trees over the last five years, the Huong Ly Cooperative Group in Dai Dong commune, Yen Binh has successfully enlisted the participation of 16 households. Together, they have cultivated a combined forested area exceeding 70 hectares.

The in-depth interviews with the cooperative leaders also revealed that Duc Quan sawmill (in Tich Coc commune, Yen Binh) also benefited from Mr Minhs' guidance in 2019 in relation to the procedures for opening a factory and securing contracts. BMAC also provided interest-free loans to Mr Quan to invest in building infrastructure, as well as sharing knowledge of technology transfer and management methods. Although the consumer market is difficult, the Duc Quan sawmill still employs six workers, with a capacity of 35–40m³ of timber per day, generating an income of VND 6.5–8 million per person per month.

Nevertheless, duplicating the BMAC model presents its own set of difficulties and challenges. Studies indicate that a shortage of capital stands out as a primary hurdle for many agroforestry cooperatives in Vietnam. The expansion of production and business operations necessitates substantial financial resources for investments in machinery, equipment, technology and training. Moreover, cooperatives often face challenges in effectively managing internal politics. Achieving a shared understanding and consensus in management decisions becomes increasingly complex with a growing membership, potentially explaining the gradual growth of BMAC's member base.

5 Main conclusions

5.1 Innovations

Some internal governance innovations of BMAC can be emphasised in the following sections.

5.1.1 Clear leadership and resource access

Cooperative leaders and members have unequivocally designated the individual responsible for overseeing and managing the cooperative. They actively support the cooperative director in accessing both internal and external resources, and fostering robust connections with businesses along an effective value chain that adheres to international standards.

5.1.2 Promotion of cooperation and respectful relationships

The cooperative has cultivated an environment that fosters cooperation and mutual respect among its members. Additionally, it has established positive relationships with businesses, farmers (including ethnic minorities) and other stakeholders. This collaboration focuses on joint efforts in afforestation to ensure a sustainable supply of raw timber materials for the cooperative.

5.1.3 Transparent financial management

Since its inception, the cooperative has implemented and sustained a transparent and efficient financial management system. This includes a well-organised system for income and expenditure management, incorporating professional accounting practices and meticulous warehouse maintenance, contributing to effective financial oversight.

5.1.4 Comprehensive risk-management strategy

The cooperative has developed a well-defined strategy for managing risks associated with human resources and capital. This involves leveraging both cooperative members and hired workers, diversifying business activities (such as timber processing, plastic pipe production, and tree-seedling production), and adapting to changing markets, including responding to challenges posed by the COVID-19 pandemic. The cooperative is agile in adjusting its product offerings to meet both domestic and export demands.

5.1.5 Continuous improvements in governance, learning and skills

The leaders of the cooperative prioritise ongoing learning to enhance their management skills. They actively participate in local training programmes designed for cooperatives. Additionally, they engage in knowledge-sharing initiatives by visiting and learning from experiences both domestically and internationally. This commitment to continuous improvement ensures the cooperative stays adaptable and well-informed in the dynamic landscape of cooperative management.

5.2. Lessons learnt

5.2.1 Leadership and resource mobilisation

- Having a determined, enthusiastic, trusted and responsible leader is crucial for managing the cooperative and establishing partnerships with the private sector to secure markets for the cooperative's members. Mr Minh stands out as one of the decisive factors contributing to the successes of BMAC. However, BMAC must also have plans in place for when Mr Minh retires, to ensure continuity within its leadership.
- Establishing the cooperative as a central hub to represent farmers receiving support from government and donor projects, such as sapling assistance programmes, can effectively mobilise resources for the cooperative's production and business

endeavours. This central hub needs to ensure the good governance of the cooperative and an enabling environment where the cooperative and its members and enterprises can all agree and benefit.

- Close cooperation associated with sharing economic benefits among members is an important factor promoting the development of the cooperative. In addition to the cooperation between BMAC members, BMAC has formed linkages with farmer households outside the cooperative to ensure the supply of raw materials for production and to gradually expand membership and mobilise resources.
- Effective communication with pertinent stakeholders, including consistent engagement and meetings with government representatives such as People's Committees at the commune, district and provincial levels, can streamline interactions. BMAC has established a platform for discussing support policies, exchanging aspirations and identifying opportunities and challenges in developing value chains. It has also facilitated the formulation of plans to scale up successful initiatives, such as the FSC-CoC initiatives.
- The development of agroforestry cooperatives will contribute positively to community development by creating employment opportunities and supporting community development projects for both cooperative members and others outside the cooperative, including both men, women and ethnic minority groups.

5.2.2 Cooperatives as lead actors in agroforestry value chains

- Strengthening production governance in farmer cooperatives and complying with international standards (such as FSC for forest products) helps expand export opportunities and creates credibility for products and services. FFPOs such as cooperatives like BMAC can be lead actors in developing and expanding production along a sustainable value chain and improving economic conditions for farmer households.
- For FFPOs to expand production, attain international standards of quality and successfully expand value chains for timber products, they need material and political support from provincial and district authorities in addition to technical support from international organisations.
- Managing cooperative growth in a gradual and planned manner helps ensure that changes do not affect performance. Consensus is one of the steps that help cooperatives develop sustainably. BMAC's experience in gradually growing its number of members associated with diversifying activities and taking a leading role in cooperating with farmers to develop forests that meet FSC standards and market requirements is a step in the right direction, helping to minimise its business risks.

5.2.3 Diversification and flexibility in production and business

- BMAC has engaged in diverse production activities such as manufacturing timber products, cultivating forests, tending to forest-product seedling nurseries, and producing plastic items. This has enabled the cooperative to generate varied income streams for its members. This approach has also provided stable employment opportunities for local residents, including women, youth and the elderly. However, it necessitates significant investment. Based on their available capital, other cooperatives should strategically determine the stages and types of investments they require, following the example set by BMAC.
- Adapting to risks and uncertainties is crucial for an FFPO to sustain its business. Amid the challenges posed by the COVID-19 pandemic in the first half of 2020, BMAC's director proactively explored domestic markets. This effort led to the successful acquisition of contracts with seven companies for the sale of non-FSC sawn logs. This strategic manoeuvre contributed to a notable increase in profits for the cooperative from 2019 to 2020.

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Appendix 1. Interview questions for leaders of Binh Minh Agroforestry Cooperative

General information

Date:

Full name of interviewee:

Age:

Gender:

Ethnicity:

Position:

Organisation:

Objectives

The in-depth interviews with cooperative leaders aimed to achieve the following objectives:

- To learn about the establishment and development of BMAC and its production and business activities.
- To understand how BMAC's collective action through its nature and evolution of internal governance structures, systems and practices can help to pool knowledge, products and finances to achieve socioeconomic and environmental change at both individual household member level and cooperative and community level.
- To identify the tactics that have had beneficial organisational impacts on the cooperative's and its members' development as well as advantages and disadvantages in production and business activities, especially in relation to changing socioeconomic and environmental contexts.

Key questions

- 1) General information about BMAC: year of establishment, vision and mission, its membership (formal, informal, gender and ethnicity, management boards), main types of production and entrepreneurial services.
- 2) What have been the biggest changes in production and business of the cooperative in the past three years? For example, changes in trends/innovations, organisational management, linkages with actors in forestry product and other value chains, empowering marginalised groups (such as women, ethnic minority communities, the poor). Why and how have these changes taken place? Have they been positive or negative?
- 3) What internal and external resources (human resources, agricultural and forestry land, access to credit, financial accounting systems) has BMAC utilised and developed to achieve outcomes that contribute to its sustainability?
- 4) What are BMAC's organisational structures (membership, and membership criteria, structural innovations, and changes in management and membership)? How do these organisational structures improve the inclusion of both men and women and marginalised groups?
- 5) How has BMAC strengthened its internal governance to offer its members better support services? What specific tactics has BMAC used to improve its internal governance in pursuit of the cooperative's and its members' objectives?
- 6) Does BMAC share knowledge and expertise with other FFPOs to develop agroforestry services? How is the cooperative linked with other FFPOs in local and external districts and provinces?

- 7) What has BMAC done to enhance conditions for women, ethnic minorities and youth to participate in production and entrepreneurship activities, especially in decision-making processes?
- 8) What are the main advantages and disadvantages of the cooperative in production and business in the current rapidly changing socioeconomic context? What challenges is BMAC facing? What are the potential solutions to these challenges?
- 9) What recommendations would you make to other FFPOs who would like to replicate this model? What problems might other FFPOs encounter and would be your advice?

Thank you very much!

Appendix 2. Interview questions for leaders of Yen Binh district farmers' union

General information

Date:

Full name of interviewee:

Age:

Gender:

Ethnicity:

Position:

Organisation:

Objectives

The in-depth interviews with local leaders and extension workers aimed to:

- Understand the role of farmers' unions in supporting BMAC's development process
- Identify advantages and disadvantages in production and business activities of cooperatives like BMAC at local district level, especially in a rapidly changing socioeconomic and environmental context, and
- Ask for suggestions for how the cooperatives and their members can sustain successful governance practices, agroforestry production and entrepreneurship.

Key questions

- 1) Please provide an overview of the local district/commune's socioeconomic development plans, agricultural extension programmes and livelihood development policies for local communities, especially women.
- 2) What development strategies and programmes/efforts from local government, development organisations and non-governmental organisations (NGOs) support the development of agroforestry cooperatives?
- 3) What is the role of farmers' unions, women's unions and cooperatives involved in establishing BMAC and supporting it in its development process (activities such as communication, facilitating access to credit, connecting with market actors and access to support from the government or NGOs)?
- 4) How are BMAC's processes, outputs and outcomes of initiatives communicated to farmers' unions at district and communal levels as well as local government and extension services?
- 5) What are main advantages and disadvantages of the cooperative in production and business in the current rapidly changing socioeconomic context? What challenges is BMAC facing? What are the potential solutions to these challenges?
- 6) What development policies or programmes are being planned to enhance the outputs and outcomes of BMAC and to scale up this successful model?

Thank you very much!

Appendix 3. Focus group discussion guidelines

General information

Date:

Number of participants for this FGD (fill in the exact number):

	Full name	Age	Gender	Ethnicity	Years of being a cooperative member
1					
2					
3					
4					
5					
6					

Objectives

The study organised one FGD consisting of 6–8 cooperative members (regardless of their ethnicity, gender and age) at the research site. The FGD aimed to:

- Learn about the formation and development processes of BMAC, especially for local livelihood development and human empowerment.
- Understand the current situation of organisational structures and local resources mobilised for the development of the cooperative and its members
- Identify advantages, disadvantages and challenges faced by members of the cooperative and potential measures to deal with these challenges, and
- Understand the expectations of BMAC's members on how it should sustain its successful governance practices, agroforestry production and entrepreneurship activities towards the sustainable development of the cooperative and its members.

Key questions

Use of resources (human resources, land and use planning, credit access, business plan development, financial accounting systems...) for the development of BMAC and its members to achieve outcomes towards sustainability.

- What have been the biggest changes in production and business of the cooperative in the past three years? For example, changes in trends/innovations, organisational management, linkages with actors in forestry product and other value chains, empowering marginalised groups (such as women, ethnic minority communities, the poor). Why and how have these changes taken place? Have they been positive or negative?
- What are BMAC's organisational structures (membership, and membership criteria, structural innovations, and changes in management and membership)? How do these

organisational structures improve the inclusion of both men and women and marginalised groups?

- What are the key benefits of becoming a member of BMAC? What do members contribute to the development of the cooperative to achieve its and its members' objectives? Are there any negative impacts?
- How has BMAC improved the engagement of members or household members (women, ethnic minorities and youth) in decision-making processes for production and business?
- What are the main advantages and disadvantages of the cooperative in production and business at present? What challenges are being faced by cooperative members in the current rapidly changing socioeconomic context and digital transformation context?
- What suggestions or recommendations would you like to make to other FFPOs who would like to replicate BMAC? What problems might other FFPOs encounter and what would be your advice?

Thank you very much!