

# Evaluation of the integration of decent work into the development of value chains



## Country report Vietnam

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The opinions expressed in this document represent the views of the authors and do not necessarily reflect the position of the FPS Foreign Affairs, Foreign Trade and Development Cooperation.

Disclosure: This report is public. All references to individual respondents and companies have been anonymised.

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## Abbreviations and acronyms

ANGS	Non-Governmental Actors
B2B	Business to Business
BIO	Belgian Investment Company for Developing countries
CLA	Collective Labour agreement
DARD	Department of Agriculture and Rural Development
DGD	Directorate-General for Development Cooperation and Humanitarian Aid
ESAP	Environmental and Social Action Plan
ESDD	Environmental & Social Due Diligence
ESRS	Environmental and Social Review Summary
EVFTA	European Union-Vietnam Free Trade Agreement
FSC	Forest Steward Council (Certificate)
ILO	International Labour Organisation
LEISA	Low External Input Sustainable Agro-ecology
MOLISA	Ministry of Labour, War Invalids and Social Affairs
OSH	Occupational Safety and Health
PEFC	Programme for Endorsement of Forest Certification
PPE	Protective Personnel Equipment
SEO	Special Evaluation Office of the Belgian Development Cooperation
SI	Social Insurance
SHI	Social Health Insurance
SRP	Sustainable Rice Platform Standard for Sustainable Rice Cultivation
TA	Technical Assistance
TDC	Trade for Development Centre
VFCO	Vietnam Forest Certification Office
VND	Vietnamese Dong

# 1 Introduction

## 1.1 Objective and subject of the evaluation

The Special Evaluation Office (SEO) of the Belgian Development Cooperation took the initiative in 2022 to organise an evaluation of the integration of decent work into Belgian Development Cooperation interventions that focus on economic development and, more specifically, on the development of sustainable value chains. Decent work has been highlighted as one of the priority themes of Belgian Development Cooperation since the Belgian Development Cooperation Act of 19 March 2013, referring to the achievement of inclusive, equitable and sustainable economic growth, prioritising local entrepreneurship, the social economy and the Decent Work Agenda of the International Labour Organisation.

The objective of this evaluation is to examine how decent work is integrated - explicitly or implicitly - into the interventions of Belgian Development Cooperation actors such as the Belgian Development Agency (Enabel), the Belgian Investment Company for Developing Countries (BIO-Invest), Actors of Non-Governmental Cooperation (ANGS), including specific programs on private sector development Trade for Development Centre (TDC), Beyond Chocolate, Better Jobs Accelerator Fund) that address value chains at both the design and implementation levels, assessing the corresponding results.

This evaluation is primarily formative and it is intended to be strategic and to support policy, with the aim of drawing lessons and formulating specific recommendations to refine or adjust the Belgian approach to decent work in the support of private sector development (value chains), including concrete recommendations to strengthen due diligence. It is also necessary to examine how results-based management can be improved. This requires, among other things, a coherent understanding of the approaches and/or levers used (that can) lead to significant results and the critical success factors in this regard.

The subject of this evaluation is the integration of decent work into the interventions of Belgian Development Cooperation actors; mainly in interventions that promote the development of (some) value chains. The development of value chains includes both their economic and social valorisation. It is necessary to generally distinguish four types of economic upgrading: product upgrading (producing a better-quality product); process upgrading (introducing more efficient technologies and processes to perform a task); functional upgrading (taking over higher value-added functions in the global value chain); and cross-sector upgrading (moving production into related or new higher value-added industries). The latter two forms have been found to contribute most strongly to value creation. Social upgrading of value chains has a strong normative link to the ILO's Decent Work Agenda and refers to "the process of improving workers' rights that enhances the quality of their employment". Value chain development can also specifically aim to optimise the interaction and relationships between actors in a value chain (value chain governance) and to increase the sustainability of the whole value chain.

The ToR refer to the ILO definitions of decent work and value chains and the four pillars of the Decent Work Agenda: a) creation of sustainable employment and livelihoods, b) labour rights, c) social protection (social security, occupational health and safety) and d) social dialogue.

## 1.2 Brief introduction of the cases visited

This country report Vietnam was produced based on desk research of literature and project-related documents. In addition, a mission to Vietnam took place during which three projects/cases were researched and visited. The three cases covered different value chains, particularly rice, cocoa, and wood furniture. Two of the three cases examined are companies that were supported by BIO through investment loans and technical assistance subsidies. These companies operate in the cocoa and wood furniture sectors. A third case concerns a DGD subsidy within the framework of a five-year Rikolto rice programme. Below we briefly describe the cases/projects.<sup>1</sup>

### **Case Rikolto Rice Project**

The Rikolto Rice project in Vietnam targeted 13 cooperatives and their members, which are smallholder farmers. The main objective of the project is to increase the quality of labour and the income of smallholder farmers. The focus of the project is to improve sustainable rice production process and to decrease the production costs. All cooperatives were based in the Mekong Delta (provinces: Dong Thap and Kien Giang). The five-year budget of the project was 347.500 EUR (2017-2021).

The main intended strategy of the Rikolto Rice Project was to test the feasibility of using Participatory Guarantee Systems (PGS) as a quality assurance mechanism for rice produced according to the SRP standard: SRP looks for various way to monitor compliance with the SRP standard, be it through third party certification, companies' internal monitoring systems or participatory farmer-centered mechanisms. The SRP standard (Sustainable Rice Platform Performance Indicators for Sustainable Rice Cultivation) includes indicators on labour rights (16% of the indicators) and Health and Safety regulations (14% of the indicators).

### **Case Wood Furniture Factory**

In 2020, BIO provided a wood furniture factory also a loan of 2.9 million USD to create a new production plant which would allow the creation of 170 direct jobs and the know-how transfer and promotion of good ESG practices. In the period 2020-2021, three subsidies have been provided to the factory (see table below). Intended development impacts are creating local economic growth (employment effect, supply chain effect, net export effects), private sector consolidation/innovation (upgrading value chain, know-how and technology transfer), fight against climate change and preservation of natural resources, promotion of ESG standards. The wood furniture factory is located in the Binh Duong province (20 km NE of Ho Chi Minh City).

The loan was accompanied by an external ESDD (Environmental and Social Due Diligence) audit that resulted in an ESAP (Environmental and Social Action Plan). A total of 23 concrete action points were provided. Four action points concerned the assessment and management of Environmental and Social Risks, seventeen action points were identified for the labour and Working conditions (e.g. actions on OHS including PPE, developing grievance register, paying salaries via bank transfer, etc.). Finally two actions have been developed to increase resource efficiency and Pollution Prevention (e.g. secondary containment for oils, performing energy audit). These actions were followed up by BIO. The wood furniture factory was able to adequately remedy all 23 action points.

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<sup>1</sup> The Rikolto 2017-2021 programme in Vietnam had a budget of EUR 1,746,837.98 (operational costs) and was divided into 2 parts: a vegetable programme and a rice programme.

## Case Chocolate Manufacturer

The chocolate manufacturer received a first senior loan facility of EUR 650.000 in March 2008. The aim of the facility was to finance half of the company's expansion and machinery for a new line of products (of a total investment amounted to EUR 1.25 million). A second loan has been provided in 2017. The purpose of this BIO's intervention was to finance 60% (USD 1.5 million out of USD 2.5 million) of investment in the phase of the Ben Tre project: a liquor grinding line to process dry cocoa bean into cocoa mass (cocoa liquor). BIO's intervention was considered relevant since it supported the vertical integration of cocoa processing in Vietnam.

The chocolate manufacturer is present in the following geographical sites:

- Chocolate factory in Binh Duong and Innovation & Distribution Center (20 km NE of Ho Chi Minh City)
- Cocoa fermentation and drying plant in Ben Tre province since 2013 (90 km South of Ho Chi Minh City)
- Sales offices & warehouses in Ho Chi Minh City, Da Nang, Hanoi & Phnom Penh (Cambodia).

As was the case with wood furniture factory, the Cocoa factory was asked to provide a number of standard operating procedures in order to better align with BIO's E&S policy in a formal set of documents such as: overreaching E&S policy, Emergency Preparedness and Response, grievance mechanism and stakeholder engagement plans as well as monitoring and review systems which resulted in an ESAP, which was fully implemented by the cocoa factory.

BIO loans are accompanied by technical assistance (TA) projects. Below is a summary of the projects that were funded to both companies. We discuss this in more detail during the analysis of the findings.

*Table 1. Overview of BIO TA projects for both companies.*

Project Name (year)	Total budget	BIO subsidy	% BIO support
Health & Safety Management system (ISO 45001:2018) + Environment Management System (ISO 14001:2015) (year 2020)	9881 €	5929€	60%
To improve the quality of the products and to make manufacturing processes more reliable and efficient by using Lean 6 Sigma Methodology. (Year: 2021)	56400 \$	28200 \$	50%
Increase business efficiency and responsiveness to market needs by introducing lean production management in the whole organization. (Year: 2021)	61.000 \$	36.500 \$	60%
Assist Vietnamese cocoa supply chain development by providing farmers with sustainable farming techniques increasing crop's quality and profitability. Design and implementation of new risk management policy and procedures. (Year: 2012)	100.400 €	68.600 €	68,3%
LEISA-project. The goal of the project was to validate and establish the LEISA closed-loop farming model. The combination of livestock and cacao production could form an ecologically sustainable model with little waste and no need for external inputs, resulting in an increased income for the farmers (Year: 2018)	130.434 €	104.347€	80%

During the mission, for the cocoa and wood furniture sectors, factories were visited, and interviews were conducted with management and staff members. Focus groups were also organised with operators in the factories.

For the Rikolto-project in the rice sector, which was implemented by local authorities, interviews were conducted with representatives of the Department of Agriculture and Rural Development (DARD) and focus groups were held with farmers from different cooperatives.

In addition, the evaluation team had several discussions with other stakeholders such as 'Oxfam in Vietnam', ILO, and IDH. Restitution workshops have been organised the last day of the mission and the week after the mission was completed. A detailed agenda of the mission and people interviewed can be found in annex 8.1.

### **Limitations**

The mission was also characterised by several limitations, which we summarise below:

1. The focus in this evaluation was on an analysis of the decent work dimensions in the cocoa factories, the wood furniture factory and the rice cooperatives. The entire value chains for each of these sectors could not be examined. Indeed, the evaluators had only three days for each case. The findings for suppliers to the factors are therefore rather fragmented. For the rice value chain, it was not possible to examine all intermediate links from rice farmer to consumer.
2. The evaluation team could only speak to a limited number of rice farmers and cocoa farmers. Moreover, the evaluation team was unable to select the farmers itself. We can assume that the farmers who were best supported by the cacao company and achieved the best results from the Rikolto-project were presented to the evaluators.
3. Besides that, the evaluation team only visited farmers in the Mekong Delta. Several sources indicate that the profile of rice farmers in the Mekong Delta is thoroughly different from the profile of rice farmers in northern Vietnam. So, the farmers involved in this evaluation study cannot be considered a representative sample. This will of course be considered when interpreting the collected data.
4. Official Vietnamese statistical data on the production and trade of some products is inconsistent and sometimes contradictory. This is especially the case for the cocoa value chain, which is a niche sector in Vietnam. The data presented should therefore be treated with the utmost caution.

## 2 Context of the value chains in Vietnam

### 2.1 Brief description of the cocoa value chain in Vietnam<sup>2</sup>

The cocoa value chain (see figure below) starts with the cocoa farmer harvesting cocoa pods in the cocoa garden. In most cases (in Vietnam), the cacao pods are then collected by a collector who cuts up the cacao pods and takes the wet beans to the fermentation centre. There, the beans are then fermented and dried. The dried beans can then be traded on the world market (and thus exported) or further processed in a factory to cocoa liquor and chocolate raw material used to produce finished products that reach consumers through distributors and retailers. The factory visited in Vietnam follows this value chain. Although in some cases, farmers also carry out the fermentation process (primarily during the dry season) and have the beans dried and then sell them to the chocolate factory.

The actors in the cacao value chain in Vietnam can be identified in the graph below.

Figure 1. Actors in Cacao Value Chain in Vietnam



The cocoa sector in Vietnam should rather be considered a niche sector. The total dry cocoa bean production is estimated at about 4,500 metric tonnes per year (Department of Horticulture). This is only 0.10% of total world cocoa bean production. According to the Vietnam Cocoa Development Coordinating Board (2019), Vietnam's cocoa cultivation area was highest in 2012 with 25,700 hectares, then continuously decreased, until 2019 to 5,028 hectares. The provinces with a much-reduced area are Ben Tre, Dak Lak, Binh Phuoc, Lam Dong, Ba Ria - Vung Tau, Tien Giang. In particular, Ben Tre is the province with the largest decrease in cultivated area, from 9,727 ha (in 2012) to 273 ha (in 2019).

The company visited engages 1,600 cocoa farmers in Ben Tre province, the central highlands and in northern Vietnam. According to the company involved, it purchases 75 per cent of all beans produced in Vietnam. The volume of Vietnamese cocoa beans is not sufficient to produce the various chocolate products of the company concerned. Therefore, it also imports beans from the Philippines and Malaysia. The company in this regard produces various chocolate products that are processed into finished products by other companies. The company thus operates in the B2B market and does not sell finished products directly targeted at individual consumers.

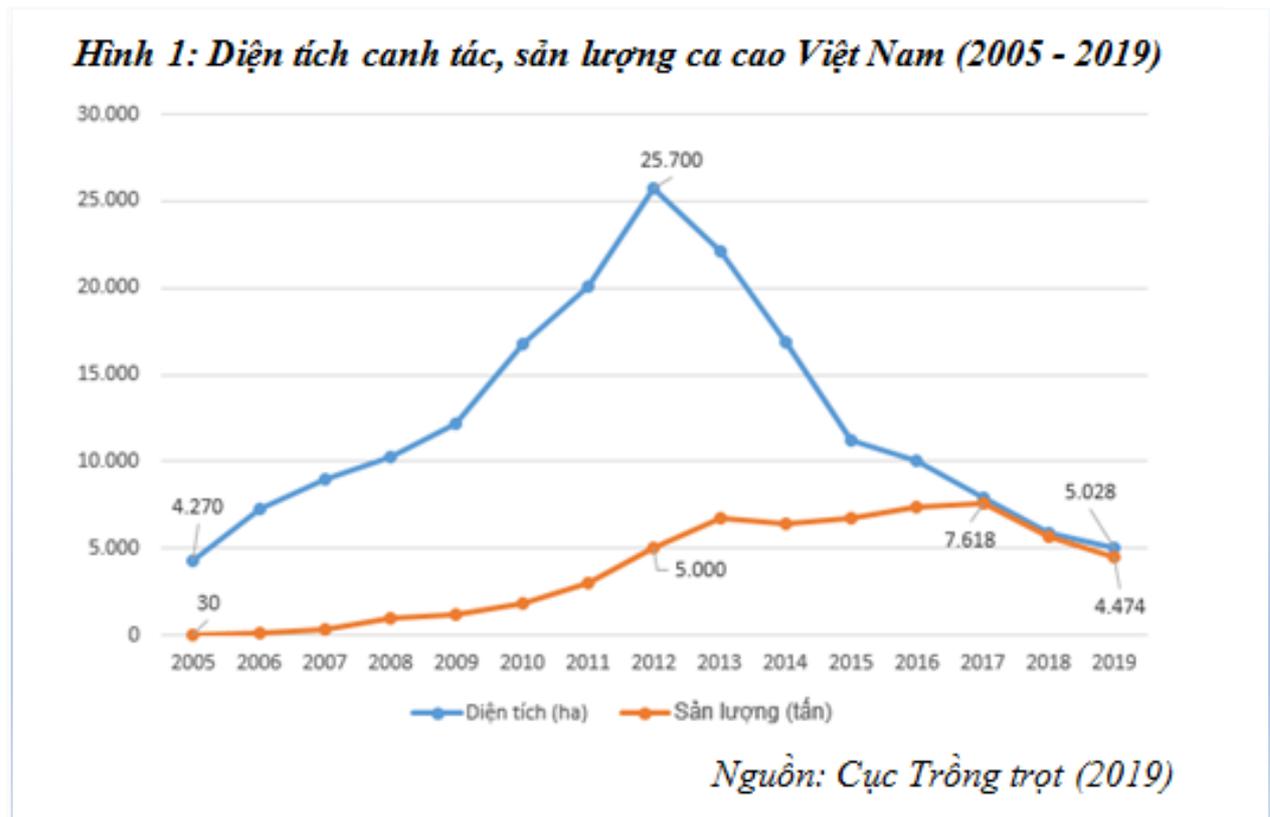
Production of cocoa beans in Ben Tre province has declined dramatically (see above) in recent years because of two main reasons. The first reason concerns conversion to other crops, such as pomelo and coconut. These crops generate a higher income for farmers than cocoa. A second reason concerns the salination of the soil in Ben Tre province. Due to rising sea water levels, the Mekong delta is affected

<sup>2</sup> There are no official statistics on cacao area, output and number of households growing cocoa trees.

by contamination of soils by salt water. Cocoa trees are said to be especially susceptible to this salination, causing them to be destroyed.

The figure below presents the total production of cacao beans since 2005 and the planted area with cacao beans. As the figure shows, cocoa production in Vietnam is a recent phenomenon. Only since 2009 production has gradually increased to 5,000 tonnes in 2012 with a peak of 7,600 tonnes in 2017 before gradually declining again to a production of around 4474 tonnes in 2019.

Figure 2 Planted area and cacao yields In Vietnam



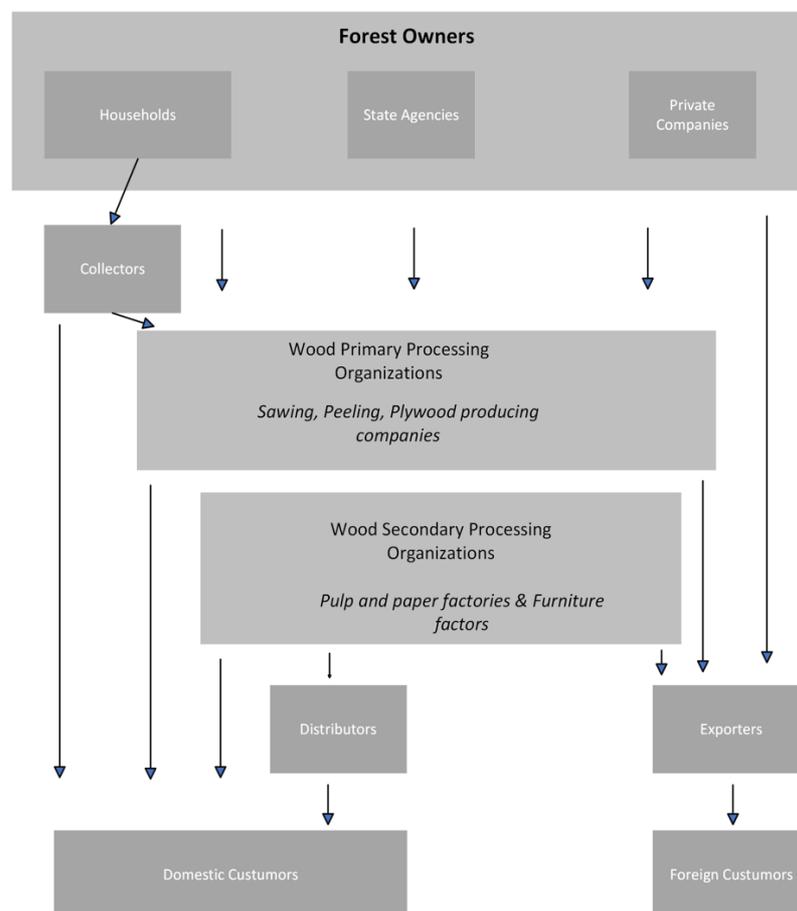
Source: Department of crops, Ministry of Agriculture and Rural Development, 2019

Note: (yellow line: yield (ton) – blue line: planted area (ha))

## 2.2 Brief description of the Wood value chain in Vietnam

In Vietnam, largely three types of forest owners can be distinguished (see the figure below): smallholder households, state agencies and private companies. All three supply roundwood for wood primary processing organisations. Collectors often act for collecting wood from the small households. Besides roundwood, these small households also supply fuel wood. The wood primary processing organisations/companies do initial processing of the roundwood (sawing, peeling, plywood production...). Subsequently these organizations/companies deliver panel, plywood and saw logs to the wood secondary processing organizations/companies (like furniture companies and pulp and paper companies). Furniture companies export to international markets (like USA, Europe, ...) or distribute to domestic consumers. It is important to note that in addition to domestic wood supply, a significant proportion of wood for processing, is also imported (not visualized in the figure below). This is especially the case for processing in the furniture sector.

Figure 3 Actors in the Wood Value Chain Vietnam



In 2016, wood processing and furniture manufacturing enterprises attracted nearly 500 thousand employees, accounting for about 7 percent of the total labour of the manufacturing sector. Wood products flourished in the past few years, with more than 8,000 wood processing and furniture manufacturing enterprises. The wood sector is a key export industry of Vietnam, ranking fifth after

electronics, textiles, footwear, and machinery. According to the Vietnam Chamber of Commerce and Industry, by the end of 2022, the export value of wood and wood products reached 16 billion USD, an increase of 8% compared to 2021, of which the export of wood products reached more than 11 billion USD. The major markets for Vietnam's wood and wood products are the U.S., Japan, China, South Korea, and the EU. Vietnam's main exports of wood and wood products are: wooden furniture, seats, particle board, plywood, and veneer.

Vietnam currently has over 14,491,295 hectares of forest and forest land, of which the natural forest area accounts for 10,255,525 hectares and 4,235,770 hectares are planted forests<sup>3</sup>.

Vietnam's policy on sustainable forest management sets out three basic objectives: i) Maintain stable and long-term forest production and achieve high economic efficiency; ii) Protect and maintain the area and productivity of forests, prevention of polluting habitats; iii) Contribute to local socio-economic development such as job creation, poverty alleviation, income increase and social security.

In 2020, Vietnam has officially joined the EVFTA free trade agreement with the EU where the market strictly requires the legal origin of wood and furniture. Wood and wood furniture is one of big export sources for Vietnam. Vietnam sets a goal to achieve a total export value of wood and forest products of 20 billion USD by 2025<sup>4</sup>. To achieve this goal, the Government has developed many policies to support afforestation according to sustainable standards. Policy solutions implemented in recent years include solutions to support forest owners to access financial and technical assistance in planting in compliance of sustainable standards, information sharing to support and guidance for forest owners to practice according to FSC and PEFC certification standards. By the end of March 2022, Vietnam has 226,429 hectares of FSC certified forests and 54,529 hectares of VFCS/PEFC certified forests. This FSC-certified area includes some areas that are natural forests; the rest are planted forest<sup>5</sup>. Despite these efforts, there is an annual net loss of Forest in Vietnam. This net loss has been declining slightly in recent years.<sup>6</sup>

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<sup>3</sup> Department of Forest management, annual report 2020

<sup>4</sup> Master plan on development of sustainable forest, Ministry of agriculture and rural development, 2016

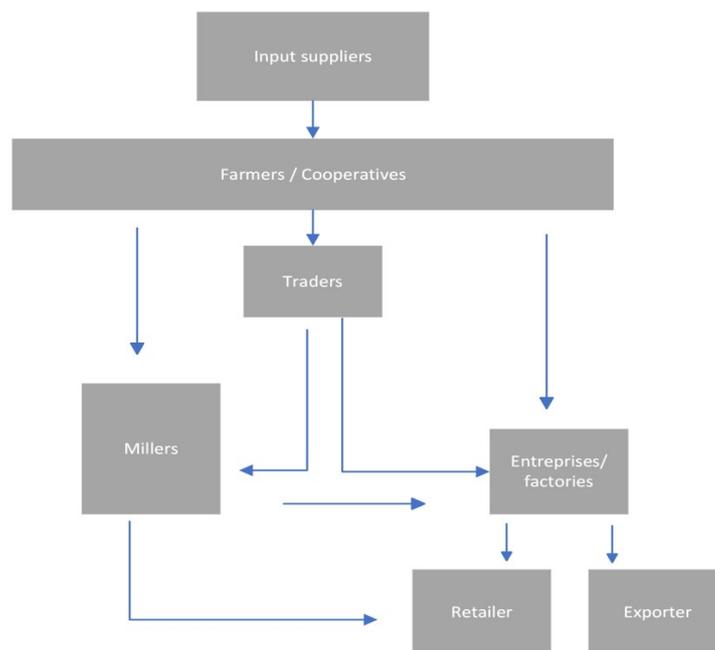
<sup>5</sup> Current situation and some barriers in sustainable plantation timber production in Vietnam – Viforest Report, 4/2022 – To xuan phuc, Tran Le Huy, Cao Thi Cam

<sup>6</sup> [See global Forest Watch](#)

## 2.3 Brief description of the Rice value chain in Vietnam<sup>7</sup>

To produce rice, rice farmers and cooperatives buy input products (such as seed, fertilizers, pesticides...) from big suppliers. In the Dong Thap area (but probably also in most places in Vietnam), farmers sell the wet newly harvested rice to traders/collectors who then resell the rice to millers and large rice milling companies. The millers, in turn, sell the processed rice to large rice milling companies after which the rice is exported or reaches domestic retailers. Only a limited proportion of wet rice is traded by farmers and cooperatives directly to millers and large rice processors (see figure below for visualization of the actors in the value chain)

Figure 4. Actors in the Rice Value Chain Vietnam



Rice is one of the most important agricultural commodities in Vietnam. In 2020, Vietnam exported 6.25 million tons of rice, worth approximately US\$3.12 billion, accounting for 7.6% of export turnover of agro-forestry-fishery (GSO, 2020). Vietnam is one of the three major exporting countries in the world with total rice exports accounting for 13.6% of the world. Not only that, but rice is also a very important commodity for the livelihood of more than 15 million farming households and it plays an important role in ensuring national food security and contributes to ensuring world food security. According to the Project on restructuring Vietnam's rice industry to 2025 and 2030, Vietnam is re-orienting the restructure of this industry in the direction of improving efficiency and sustainable development. This project is aiming to improve the efficiency of the rice value chain in terms of adaption and mitigation with climate change, and farmers' incomes improvement as well as the consumer's welfare.

<sup>7</sup> The description of the rice value chain in Dong Thap province is largely based on: Nguyen Thi Thuy, Ho Thi Thoan and Dao The Anh (2022). *Rice Value Chain Operations in Dong Thap Province*.

Dong Thap is a province which ranked 3rd in the country both in terms of rice cultivation area and rice output (GSO, 2020). During the years of restructuring (since 2014) the rice industry of Dong Thap has achieved many achievements: rice productivity, which increased by 140kg/ha; average profit reached US\$557/ha; 70% of cultivated area developed towards specialised production of high-quality seeds; and many safe rice production models attached with the consumption link which thus formed the value chain (Dong Thap DOIT, 2020). However, Dong Thap province is in the area which is most heavily affected by climate change, in which saltwater intrusion and incidences of drought increase, greatly affecting the sustainable development of the province's rice industry (Dong Thap DARD, 2020). Another difficulty is that the production capacity of farmers is still low, and do not meet the requirements of product quality required by enterprises and the market (IPSARD, 2018). The linkage between actors in the value chain is loose, with rice farmers usually going through two main channels: traders and millers according to the principle of buying and selling and at market prices, which is done mainly orally without any contract or commitment (IPSARD, 2017). The fact that 100% of surveyed farmers sell fresh rice indicates that there is a clear division of labour in the value chain of rice production - processing - trading. Value chain research indicates that 60 % of the farmers (through the cooperatives) are selling their rice to traders (collectors), 11% to millers and 29% directly to enterprises.<sup>8</sup>

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<sup>8</sup> Nguyen Thi Thuy, Ho Thi Thoan and Dao The Anh (2022). *Rice Value Chain Operations in Dong Thap Province*.

## 2.4 The dimensions of decent work

### 2.4.1 Income security

#### Some basic employment and income facts

Employed workers (aged 15 to 60 for men and to 55 for women in 2022)<sup>9</sup> are 50.6 million, of which, the number of employed workers in urban areas is 18.6 million, workers in rural areas is 31.9 million. The number of unemployed people of working age in 2022 was nearly 1.07 million, accounting for 2.32%. The proportion of workers in informal employment in 2022 is 65.6%. The average monthly income of employees in 2022 is 6.7 million VND, an increase of 759 thousand VND over the same period in 2019. The average monthly income of male employees is 7.6 million VND, an increase of 830 thousand VND over the same period in 2019; while the average monthly income of female employees is 5.6 million VND, an increase of 709 thousand VND compared to the same year in 2019. The number of self-employed workers in 2022 is nearly 4.4 million. These workers are mainly in rural areas. Nearly two-thirds of self-employed workers are women (accounting for 63.1%).<sup>10</sup>

#### Income security according to the labour Code

In accordance with section 91 of the Labour Code 2019, workers' salary must at least be equal to the minimum wage. The region based minimum wage levels are applicable to the labourers working under labour contract for companies, enterprises, cooperatives, cooperative groups, farms, households, individuals, agencies, and organisations employing labourers.<sup>11</sup>

The minimum salary for the social insurance contributions is the regional minimum wage, which is as follows:

Region	Minimum salary for the social insurance contributions (since July 1st, 2022)
Region I	VND 4,680,000
Region II	VND 4,160,000
Region III	VND 3,640,000
Region IV	VND 3,250,000

In accordance with the provisions of the Labour Code, normal working hours cannot exceed 8 hours per day or 48 hours per week. The weekly rest day must be clearly stated in internal regulations (of the enterprise) or the collective agreement. The state however encourages the employers to implement 40-hour working week. In case of weekly work, the total of normal and overtime working hours shall not exceed 12 hours per week. The overtime hours should not exceed 40 hours per month. The total overtime hours cannot exceed 200 hours a year except in special cases. The 300-hour overtime limit

<sup>9</sup> The pension age is full 60-years and 03 months, and for female is 55 years and 04 months old. The limits shall increase by 03 months and 04 months for males and females respectively after every year to reach the 62 for males by 2028, and the 60 for females by 2035. From 2021, the retirement ages of employees in normal working conditions is 60 years 03 months for males and 55 years 04 months for females. It shall increase by 03 months for males and 04 months for females after every year.

<sup>10</sup> General Department of Statistics, 2022

<sup>11</sup> Ahmad I, Dong H (2021), p.4

per year is applicable to manufacture and processing of electronic products, textile, garment, and footwear. The extended overtime limit is applicable to work that requires highly skilled workers. The compensation for working overtime is: at least 150% of the normal wage rate on weekdays; at least 200% of the normal wage rate on weekly days-off; and at least 300% of the normal wage rate on public holidays and days-off with pay (annual leave)..<sup>12</sup>

Workers, after 12 months of service, are entitled to fully paid annual leave of following duration: 12 working days for employees working in normal working conditions; 14 working days for persons working in heavy or dangerous work; and 16 working days for workers doing extremely heavy or hazardous work. Workers are entitled to 11 fully paid public holidays..<sup>13</sup>

## 2.4.2 Employment security

Employment contract must be in writing except for temporary jobs of under 3-month duration. The fixed term contracts may be renewed only once. The required notice period for contract termination by either party is 3 working days in the event of a fixed term contract with a duration less than 12 months; 30 working days for termination of fixed term contracts; and 45 days for indefinite term contracts. Labour Code provides for both severance allowance and employment loss allowance. Severance allowance of worker's half month's (15 days) salary plus allowances is paid in all cases of termination of employment. The employment loss allowance/redundancy pay is payable by the employer in case of employment termination. The employee will be eligible if he/she has worked for a consecutive 12 months. In case of redundancy, a worker is entitled to one-month salary for each year of service (the minimum is two months' salary) as employment loss allowance..<sup>14</sup>

## 2.4.3 Social protection

The social security system of Vietnam includes 4 pillars as: the job settlement support system, the social insurance system, the social support system, the basic social service guarantee system.

Within the framework of this evaluation study, it is important to briefly elaborate on the social insurance system. Here, it is important to distinguish between the compulsory social insurance system, which is valid for all workers employed in the formal sector, and the voluntary social insurance system, which applies to self-employed people and people employed in the informal sector.

Compulsory social insurance covers employees working under indefinite/definite duration labour contracts, or for specific jobs from 3 months to under 12 months. Benefits covered by compulsory Social Insurance include: sickness scheme; maternity scheme; work-related accidents and occupational diseases scheme, pension scheme and mortality scheme. By the end of 2022, about 17.5 million people participated in social insurance, reaching 38.08% of the formal labour workforce..<sup>15</sup>

According to data published by the Vietnam Social Insurance Agency, by the end of 2020, the number of people participating in voluntary social insurance reached about 1,013,000 people, very small amount compared to the about of 35 million informal workers currently participating in voluntary social insurance under the law (see below for more information on the voluntary social insurance)..<sup>16</sup>

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<sup>12</sup> IBID, p.8

<sup>13</sup> IBID, p.11-12

<sup>14</sup> IBID, p.16-17

<sup>15</sup> Vietnam social insurance agency, the 2022nd annual report,

<sup>16</sup> Overview of social insurance in Vietnam, publication by Oxfarm, December 2021, Giang Thanh Long

Compulsory social insurance is a critical aspect of labour law in Vietnam, and companies (formal employment) operating in the country must comply with the regulations. For compulsory SI, contributions are required of both employer and employee. There are three types of mandatory contributions that all domestic and foreign companies are required to pay: Social, Health insurance and unemployment insurance. Social Insurance covers employee benefits including sick leave, maternity leave, allowances for work-related accidents and occupational diseases, pension allowance, and mortality allowance. The Social Health Insurance (SHI) covers services as examination and treatment by a doctor indoor and outdoor of hospital treatment, rehabilitation services and advanced diagnostic and curative services. In the table below an overview is given of the contributions of employers and employees of the contribution to the global social security system. Important to mention, these contributions are only applied to formal employment.

Employer					Employee				
Social insurance			Unemployment	Social health insurance	Social insurance			Unemployment	Social health insurance
Pension	Sickness	Accidents occupational diseases			Pension	Sickness	Accidents occupational diseases		
14%	3%	0.5%	1%	3%	8%	N/A	N/A	1%	1.5%
<b>Total = 21.5%</b>					<b>Total = 10.5%</b>				
<b>Total = 32%</b>									

However, the situation for self-employed and people working in the informal sector is less favourable. They can participate in the voluntary social insurance system. The government encourages people in the informal sector to join these voluntary schemes. For example, the central government provides an advantage to local authorities if they let their population working in the informal sector participate in the voluntary health scheme to a large extent. For rural areas, income security and participation in health insurance are 2 of the 17 basic criteria for rural development programmes, under the National Target Programme on "New Rural Development". Among these 17 criteria is Health insurance contribution of all people in the community and the creation of cooperatives in the commune. If a commune is reaching all the 17 indicators, it is awarded subsidies from the national government to be invested in the community (like roads, bridges, etc...). The minimum cost of the health insurance is about 42 USD per year/per person. This insurance is not including sick leave, pension, maternity leave. An additional voluntary insurance is needed to cover those dimensions of social protection which cannot be afforded by most farmers and informal workers.

#### 2.4.4 Working conditions and occupational safety and health.

Vietnam has promulgated the Law on Occupational Safety and Health" (Law No. 84/2015/QH13). It provides provisions related to OSH solutions, rights and responsibilities of organisations and individuals in ensuring OSH measures in the workplace. Rights for employees and obligations for employers are described in detail, including the right for protective personal equipment, safe and hygienic working conditions, training, etc.

### 2.4.5 Fair treatment

Men and women have to be treated equally at the workplace. Workers have the right to work and to freely choose the type of occupation or employment they want to. They may also freely choose the vocational training they want to participate in and have the right to improve their professional skills. It is strictly prohibited to discriminate on the grounds of sex, race, social class, marital status, belief, religion, HIV status, disability or participation in the union activities at the workplace.

Sexual harassment and maltreatment of employees and domestic workers is prohibited under the Labour Code.

The Constitution strictly prohibits employment of children under minimum age. Minimum age for employment is 15 years. Employer may hire a person under 15 years of age (minimum 13 years is required) to perform light work as provided in the list circulated by the MOLISA. When hiring workers under 15 years, employer is required to sign the contract with legal representatives in agreement with the underage worker; arrange the working hours as such that it does not affect the worker's schooling; and ensure that the working conditions, labour safety and hygiene is appropriate with the age of the underage worker.

### 2.4.6 Voice and representation

Vietnam has a single state-led union federation, the Vietnam General Confederation of Labour (VGCL). The VGCL is a sole and unified trade union organisation in Vietnam made up of the 18 National Industrial Unions and Federations of Labour in all 63 cities and provinces under the Central Government. Since the 2019 Labour Code, worker organisations which are not affiliated to the VGCL have the right to operate. This is the first time the country has allowed any formal freedom of association.

Within the framework of the European Union-Vietnam Free Trade Agreement, Vietnam has agreed to ratify ILO Convention 87 (Freedom of Association and Protection of the Right to Organise). As described above, adjustments to labour laws have already been made, but Vietnamese authorities fear a proliferation of unions. Hence, implementation of the legislation and ratification are still pending. It is expected that Vietnam will ratify ILO Convention 87 in early 2024 ~~2014~~.

Trade union at enterprise level usually acts as a representative of employees in negotiating with employers on the terms and contents of collective bargaining agreements. Trade union fee is a compulsory contribution of an enterprise to the trade union (fee is paid by the employer). The regulation related to the trade union fee took effect in January 2013. The trade union fee equals 2% of total Social Insurance salary of all employees per month.

## 3 Analyses of the contribution of the selected cases to the promotion of decent work

### 3.1 Income security

#### 3.1.1 Farmers

The introduction of the SRP standard (Sustainable Rice Platform Standard for Sustainable Rice Cultivation) in the Rice sector by Rikolto has resulted in the 1,700 rice farmers (5.000 ha) now applying the SRP standard. This has resulted in higher income due to the reduction in production cost. Normally, the production cost is between 20 to 22 million VND/ha/harvest. By applying SRP, the farmers can save 2.5 to 3 million VND per yield/ha. Since there are three cropping seasons, this means a saving of 7.5 to 9 million VND. The reduction in production cost is mainly due to the less and different use of fertilizers and pesticides. As SRP is a new standard, it is not yet recognised by the market and only very recently (in 2023) recognized as a sustainable practice in the project “sustainable development of 1 million hectares specializing in high-quality rice cultivation associated with green growth in the Mekong Delta” of the Vietnamese government. So, applying SRP does not yet affect the selling price of rice. As consequence, the income of the rice farmers applying SRP increased on average about 7,5 to 9 million VND/ha/year (296-355€/year), due to the production cost savings.

On average, the net profit of rice cultivation is 20-25 million VND/ha/season, as there are three seasons, the net profit is about 60 to 75 million VND/ha/year (2.364-2.950 €/year), reported by the farmers met by the evaluation team. That is about between 197€-245€/month, which is above the official minimum wage of 3.250.000 VND/month (127€/month). Although rice farmers seem to earn an income from rice cultivation above the minimum income, farmers' reports show that they can barely save if they have rice fields totalling about 1 ha.

Some small rice farmers can save a bit, especially these who have more than 1 ha of paddy fields. Others must take on debt in the off-season to meet household expenses. These farmers also have to fall back on credit to buy fertilizers and pesticides. According to some cooperatives, more than 50 percent of the farmers face these difficulties. To increase their income, several rice farmers are also starting to switch to other crops such as mango.

From a farmers survey conducted in 2021 in the Dong Thap province, 26 percent of the farmers have less than 1 ha of rice plots available (see graph below). It means that one out of four rice farmers are not able to earn a minimum income from rice cultivation. <sup>17</sup>

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<sup>17</sup> Nguyen Thi Thuy, Ho Thi Thoan and Dao The Anh (2022). *Rice Value Chain Operations in Dong Thap Province*

Figure 5. Distribution of rice farmers by plot size.

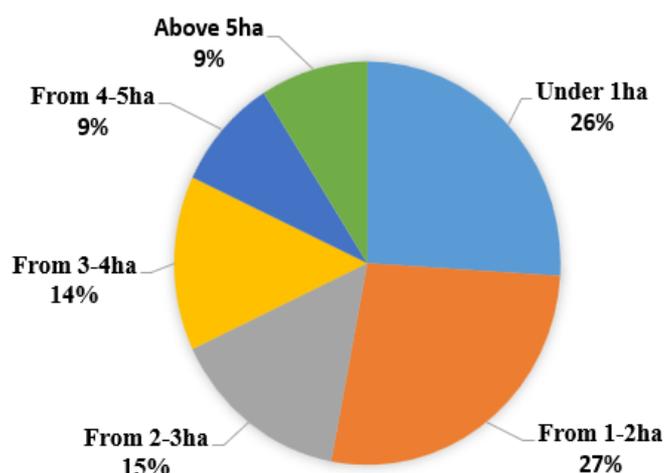


Figure 1: Size of rice farming households in Dong Thap  
Source: Summary of survey data, 2021

If we take the reduction in production cost ranging between 7.5 to 9 million VD/ha/year (296-355€/ha/year), corresponding to an increase in net income of 25-30€ per month/ha, the introduction of the SRP standard, has improved the net income of rice farmers. On average, the introduction of the SRP standard per ha/year means an increased net income of about 10-15%.

The evaluation team also had the opportunity to visit a cooperative (Dong Thanh cooperative, My Dong Commune, Thap Muoi district, Dong Thap province) where farmers cultivate large plots of 5-10 ha. Some of them even had access to 20 ha of paddy fields. These rice farmers work extremely professionally using drones to spray their fields (with pesticides). Planting and harvesting are done entirely by machine.

These rice farmers also confirmed that it lowered their production cost by 5 million VD/ha/season thanks to the Rikolto project's trainings. Their consumption of pesticides dropped by 60% on average, they use less fertilizers and seedlings. This cooperative also produces its own rice seeds, which yielded and additional net profit of VD 5 million/ha/season. These farmers reported having an income of around VD 250 to 500 million VD (9600-19200 euro) yearly that is perceived as decent. It seems that these rice farmers were able to reduce their production cost even more than the smaller farmers. As the number of farmers, we could interview was rather limited, these findings could not be further validated. We therefore assume the most conservative scenarios in our calculations.

All farmers, both small and large, confirmed that the selling price of their better rice has not increased. All farmers met by the evaluation team say they have no impact on the selling price. They have to sell their just-harvested wet rice immediately to collectors/traders or milling plants that give them a price to take or leave. Farmers expressed that they have no visibility at all on how pricing is established. Moreover, some buyers keep the rice until the world price rises and only then resell the rice. Farmers

see nothing of these profits. Some farmers indicated that cooperatives should be given more bargaining power or be more involved by the government to achieve correct pricing.

Finally, rice farmers who hire extra labour tend to pay these workers a low daily allowance: VD 200,000 (7,9€) for women and VD 300,000 (11,9€) for men. The stakeholder explained the difference in payment between women and men by women only doing light work such as seeding or weeding while men will do harder and more dangerous works such as pesticide spraying. These labourers work only a few days during a season and have no contract. The evaluation team could not ascertain the scale at which this type of labour is hired. However, from the recently conducted survey study of rice farmers in Dong Thap province, we can assume that 'up to 49% of surveyed households have only 2 household workers engaged in rice cultivation, 18% of households engaged 3 labourers in rice cultivation and 19% of households engaged 4 labourers.'<sup>18</sup>

Cocoa farmers are also in a vulnerable income situation. Unfortunately, the evaluation team could only visit one cocoa farmer selected by the cacao factory. Moreover, this cocoa farmer was one of the few directly supported by the cacao factory. But based on this cocoa farmer's data, income vulnerability could be identified.

The farmer who the evaluation team could interview, gets 5.700.000 VD/Ton cacao pods or 224 EUR and bonus of 300.000 VD/ton or 11,8 EUR/ton. As the farmer owns 2 ha cacao trees and 900 trees, he produces on yearly basis 20 tonnes of cacao pods. It means a 114 million VD/Year (4388 EUR/Y), plus bonus of 6.000.000 VD/year (236 Euro/Year) and, so a total yearly gross income of 120 million VD (4727 EUR). His total costs are about 20 million per year (787€), so his net yearly income is 3,940 EUR or 328 EUR/month. This is about 2,5 times the minimum income for the rural areas in Ben Tre province.

The bonus given to farmers is done within the framework of the sustainable cocoa trace programme and verification standard developed by the company. This programme contains seven dimensions: legal responsibility, economic responsibility, best agriculture practices, environmental responsibility, health and safety, social responsibility, and quality & traceability. More explanation of this framework can be found in annex 6.3. Although this framework is mainly intended to guarantee the quality of cocoa beans, a bonus (see above) is also given to farmers if they can guarantee the quality of wet (and dry) beans.

It is important to mention that the cacao factory visited also supports the farmers in other ways. The farmer visited testified that a technical consultant comes to work 15 days a year in the cocoa garden to help maintain 150 new trees planted by the cacao factory on the farmer's land. As far as the evaluation team could find out, only a few cocoa farmers are supported in this way.

It should be noted that Vietnamese cocoa farmers are paid, more for their beans (through the bonus trace programme), than is common on the world market, at least if we assume the price of dry beans. However, as the cacao factory largely controls the fermentation process itself, this calculation is not conclusive. From the cacao factory, the evaluation team received different amounts paid for wet beans and dry beans, making conclusive calculation impossible.

The farmer<sup>19</sup> interviewed is in an exceptional situation. He owns a cocoa garden with 900 trees covering 2 ha. According to the technical expert of the cacao factory, most of the cacao farmers own only 1 ha or less. If we then use the calculations above as a starting point, the annual income of the farmer interviewed should be halved, arriving at an income of 164€ per month. This is just above the official minimum income. Moreover, since most cocoa farmers do not receive the support that the

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<sup>18</sup> Nguyen Thi Thuy, Ho Thi Thoan and Dao The Anh (2022). *Rice Value Chain Operations in Dong Thap Province*

<sup>19</sup> Cocoa pods are the only income for this farmer. He has no income from growing other crops.

farmer interviewed receives, it can be assumed that the cost of production is higher among the other farmers, which further reduces the net income mentioned above.

The cocoa farmer and factory technical advisers also cited several other issues related to income from cocoa pod production. It appears that many cacao farmers are switching to other crops such as pomelo and coconuts. This guarantees higher incomes. In addition, the region is plagued by salination causing many cacao trees to die (see more under environment). It seems that the overall production of cocoa pods in the Ben Tre province is declining in volume as a result, which is offset by the Cacao factory by cocoa beans in other regions of Vietnam (Central Highlands and the East of Southern Region). The decline of cacao production in Ben Tre is confirmed by the Vietnam Cocoa Development Coordinating Board reporting that cultivated cacao area decreased from 9,727 ha (in 2012) to 273 ha (in 2019).

### **3.1.2 Employees and operators in the factories**

The minimum monthly wage at the Cacao factory is 6,5 million VND (252€). A thirteenth month's salary is paid every year. A four-tenth month can be paid as a bonus based on three KPI: 1/ Cacao factory group financial results; 2/ Cacao factory financial results; 3/ personal results. A salary increase is provided every year, based on the inflation rate. Operators work six days a week and have a 48-hour work week, with 26 days a month to be worked. Administrative staff and management have a 5-day 40-hour (check) work week. The cocoa factory has a personnel policy of not requiring its employees to work overtime, although in exceptional circumstances staff may work overtime. As a rule, staff members are entitled to have 14 days annual leave in addition to public holidays.

The wood furniture factory, at the time of the evaluation team's visit, employs 300 people. 230 of these people are workers/operators, 117 of whom perform unskilled labour. The wood furniture factory has 7 salary levels, with level 1 covering unskilled labour. All workers enter the factory at this level. After positive evaluation, they can advance to the next level. An operator at level 1 gets a wage of VND 4.8 million with an additional allowance of VND 0.9 million. This makes a total income of VND 5.7 million. Operators in level 7 get a salary of VND 8 million (VND 7.1 million salary + VND 0.9 million allowances). Some operators get additional bonuses on top of that for working in high-risk environments (e.g. operators operating paint plants, maintenance staff...). All operators get free lunch. There may also be an annual bonus depending on profits made. The bonus can amount to a maximum of 70 per cent of monthly income. Operators work 8 hours a day 6 days a week (48-hour week). Workers have a lunch break of 30 minutes, before noon and the afternoon they have a short break of 8 minutes. The number of overtime hours is around 20 to 44 hours per month, with a maximum of 300 hours per year. Overtime is paid by a factor of 1.5. At the wood furniture factory, the skills of operators are yearly reviewed. In case of positive skills evaluation, the operators can move to a next salary scale. Male workers have 12 days annual leave, while women have 14 days. Some male workers, in position with more responsibilities, have also 14 days annual leave.

All factories apply a monthly minimum wage (4.680.000 VND / 183€). Especially in the wood furniture factory, the minimum factory wage is very close to the official monthly minimum wage. 1/3 of the workers are in the lowest income scale. It takes at least a year for them to move from the lowest income scale to the second wage scale. For 2023, the salary of workers at the lower levels, level 1 or 2 of the salary scale, is more or less 6 million / worker / 1 month, including monthly allowances (average 900,000 VND / month/person) and efficiency bonus of 300.000 VND (11,7€). In fact, the income of operators in the wood furniture factory is higher than the minimum income because many of them work overtime and these are obviously compensated.

## Summary table

Province	Monthly Minimum Wage	Wood Factory	Cacao Factory	Rice Farmer (estimates)	Cacaofarmer (estimates)
Binh Duong	4.680.000 VD (183€)	5.700.000 VD (222€) + lunch	6.500.000 VD (252€)		
Ben Tre	Chau Thanh: 4.160.00 VD (162€) Other districts: 3.640.000VD (142€)		6.500.000 VD (252€)		Net profit 50.000.000 VD/Year/ha, monthly average of 164€
Dong Thap	3.250.000VD (127€)			60 to 75 million VD/ha/year (2364-2.950 €/year)= 197€-245€/month/ha (3 seasons)	
Official poverty line is very low: 2.250.000 (78€)-3.000.000 (117€)/month/ <b>person household</b> / Living wage?					

## 3.2 Job Security

At cacao factory and wood furniture factory, all employees have a written contract..<sup>20</sup> Both companies follow labour laws. This means, among other things, that only two terms of temporary contracts can be given, and they are subsequently converted into open-ended contracts. In case staff members are dismissed, they will receive severance pay of at least two months' wages. For every year worked, an additional one month's pay is added. Employees cannot be dismissed without reason. The dismissal must be justified.

There is hardly any staff turnover at the cacao factory while at the wood furniture factory it is about 18% among operators on an annual basis. According to BIO's reporting, the explanation for this relatively high staff turnover is due to low minimum wages which was confirmed during several interviews. Another explanation is due to the covid situation in 2021. Workers went back to their hometown taking care of their children and they did not resume to work.

<sup>20</sup> The evaluation team was informed that informal workers and casual workers are not employed in the factory, as a rule.

### 3.3 Labour market security

Rice farmers indicated that many young people are no longer interested in becoming rice farmers. They prefer going to work in the city and or in the factories as workers. As a result, the population of farmers is rather old. Sometimes people in the 35-45 age group return to the countryside because the work in the factories has become too hard or they have not been able to retrain sufficiently. They often then want to establish themselves as rice farmers but lack the skills to do so successfully.

As for the Rikolto project, it is very clear that the training on rice production was particularly successful. These trainings were funded by Rikolto and carried out by technicians from the Provincial Departments for Agriculture and Rural development (DARD). These trainings have thus resulted in an increase in net income per ha of rice production. Some rice farmers had previously been introduced through the World Bank-funded VNsat project. However, the farmers interviewed indicated that the Rikolto project was more effective and convincing. By working with demo plots, farmers could immediately experience an increase in net income after one season. This convinced many farmers to adopt the SRP standard.

Workers are trained in the cacao and wood furniture factories. At the cacao factory, these trainings seem to be more extensive than at wood furniture factory, which is largely explained by the nature of the production process.

### 3.4 Social protection

Most farmers in the visited communes (98%, according to the Cooperative management boards) seem to have basic public health insurance. This insurance allows them to access public health care for free services of doctor check and treatment of common diseases. In the case of medical examination and treatment at upper-level hospitals (e.g., provincial hospitals), they must co-pay 20% of the cost of medical examination and treatment.

However, most of farmers have no social security insurance. So, they are not insured in case of loss of income due to illness, accidents, unemployment, or pension. Social security insurance is unattainable for most farmers as the monthly premium starts at 330,000 VND /month or 3,960,000 VND/year (about EUR 158 per year at the lowest rate). 'Oxfam in Vietnam' indicated that only 1 to 2 percent of rice farmers have social security insurance. It is mainly under pressure from local authorities that farmers take out health insurance. Neither the cocoa factory nor Rikolto have taken specific actions to give farmers wider access to the social security system.

All cacao factory-employees can rely on the government health insurance in case of illness and in case of medical assistance is needed. In addition, the cacao company has taken an extra Health insurance with a private company that pays back higher costs and premiums than the government insurance. The insurance also covers the health expenses of family members (children and partners). It also gives staff members the option of using healthcare on the private market. This additional health insurance, which also applies to family members, is a very good practice that can serve as an example for other companies. After all, it increases the number of people who have access to good health care and it shows the company's commitment not only to the well-being of an individual employee, but also to his/her family.

At wood furniture factory also the compulsory governmental insurances are guaranteed to all workers (Health insurance and social security insurance). Additional commercial accident and medical care insurance is purchased for the workers as well.

As outlined in the context chapter, both employees and employers pay social security contributions that provide people working in the formal sector with protection in terms of sickness, retirement and unemployment. BIO investments have then indirectly helped more people find work in the formal sector.

### **3.5 Working conditions and occupational safety and health**

The rice farmers the evaluation team met are quite old (60+). There is a big difference between the very small rice farmers with plots ranging between 0.5 and 2 hectares and those working larger plots between 5 and 20 hectares. Since machine support is limited in the smaller plots, the work must be entirely met by manual labour. This is very hard work for longer periods during a season. For the large plots where machine processing is brought in, hand labour seems to be limited. The latter group of farmers indicated that they work intensively for only about 14 days per season during harvesting and that in pre-harvest periods they are present in the rice fields one day a week.

The SRP standard includes several indicators related to the use of chemical fertilizers and pesticides. The rice farmers clearly indicate that the trainings have contributed to better practices regarding chemicals and pesticides. This includes several components, such as storing them more safely, eliminating the most harmful chemicals and pesticides during the production process and collecting residues in safe places.

Rice farmers are also aware that protective equipment is important. However, farmers admit that wearing protective gear is not often applied. Protective gear does not seem to be adapted to the extremely hot climate. Working in the rice fields is very hard work, wearing protective gear for some activities often means an additional extra burden.

The same observations could be made at the wood furniture factory. Although operators have had several training sessions on wearing protective equipment, this is not always rigorously applied. Management seems to be aware of this and wants to put even more effort into training to make operators aware of the importance of wearing protective equipment. Notwithstanding, it should be mentioned that the number of work accidents recorded in the register last year was limited to four minor incidents.

The visit to the wood furniture factory also revealed that the paint department is not completely isolated from the other processes in the factory. As a result, the whole factory was permeated with the paint smell. It has been reported that the factory is using water-based paint for most of its customers, which are considered less harmful to health. The evaluation team also noted that operators have two short breaks of 8 minutes before noon and in the afternoon. A longer lunch break of 1 hour has been reported.

The evaluation team also visited one of the wood furniture factory's main rubberwood suppliers. Some operators were doing dangerous wood cutting work without protective equipment.

The cacao factory at Binh Duong is very sophisticated, and new investments have very recently been implemented improving working conditions of the operators. As the heat in the production facility at the cacao factory can be high, a ventilation system has been installed that meets the highest requirements in the food sector (type F7 filters). The cacao factory recently installed a vacuum lifting machine that eliminates the need for heavy cases of food materials to be lifted by operators. This makes the work less demanding. Dust filters were installed to remove the dust released from the addition of sugars. These filters act as a kind of suction machine that sucks the dust away above the machines.

The investments to improve labour conditions at the cocoa factory are good examples to follow and leverage for better working conditions. The company organises feedback sessions with the operators on a very regular basis where risks can be raised, and actions developed to reduce risks.

BIO has also had an impact to improve working conditions, mainly through the latest loan provided to the wood furniture factory. The ESDD (Environmental & Social Due Diligence) analysis conducted at the factory and resulting in an ESAP (Environmental and Social Action Plan) has directly contributed to better working conditions and OSH in the company concerned. In total, 23 action points were formulated as a commitment to obtain the agreed loan terms. No fewer than 16 action points were related to labour and working conditions. Such as, for example, the availability of PPE, development OHS Hazard Identification book, incident/accident management and reporting procedures, air emission treatment systems, occupational noise, ...). The evaluation team could find that for each of these action points, the company concerned took appropriate actions and documented them extensively. The ESAP can be seen as an important lever for BIO to improve working conditions and OSH in the factories it supports. It is also important to mention that BIO's technical assistance has the potential to contribute to better working conditions and OSH. For example, BIO supported ISO 45001:2018 (Health & Safety Management system) certification in the wood factory.

The evaluation team also noted that the various trainings that happened on OSH contributed to a better understanding of safety and health risks. But especially in the Wood sector, the application of safety measures is not yet fully established among workers.

### **3.6 Fair treatment**

In terms of remuneration of hired day labourer in the rice fields, inequality was observed between men and women. Women are paid only VD 200,000 per day of labour while for men it is VD 300,000. The difference in wages between men and women was explained by the farmers interviewed by the different tasks men and women must perform in the rice fields. Men are said to perform heavier tasks which makes them receive higher daily wages.

Child labour could not be identified in any value chain visited. The factories employ only operators who are 18 years or older. For the rice sector and SRP standard introduced by Rikolto, there is one specific indicator related to child labour. According to Rikolto and farmers consulted, child labour is not a problem in Dong Thap province.

Also in the cocoa value chain, at least in Ben Tre province, the evaluation team did not observe any child labour, nor was it reported. Several stakeholders interviewed reported that child labour is not a major problem in the province. The cacao factory has also set clear criteria in its Cocoa Trace programme that states that child labour is not allowed in the value chain and in case it is reported, farmers can be excluded of the supply chain.

As for the wood/wood furniture value chain, no child labour takes place in wood furniture factory. No child labour was observed in the rubber wood supply chain, which the evaluation team visited. The wood furniture factory also has written agreements with all its suppliers that child labour is not allowed. The evaluation team could not verify whether all parties in the supply chain comply with these agreements.

No discrimination based on gender could be found in both factories. On the contrary, women are strongly represented in the management of both organisations (on average 40 percent). Also in the production units, it was found that women are often given slightly more responsibility than men, especially in terms of quality control. Heavy labour in production units is often reserved exclusively for male workers.

At both factories, overtime is strictly regulated under Vietnamese labour laws. Operators do not perform overtime more than allowed by law. At the cacao factory the management is discouraging overtime.

At the cacao factory heavy work is sometimes required at higher temperatures. This is less suitable for women, according to HR director as female operators are mainly working in the packing division.

### **3.7 Voice and representation**

At the factories, the government trade union is represented. The frequency of meetings with the trade unions is rather limited, but officially the CLA's are negotiated/signed with the trade union. Besides that, several other mechanisms have been installed at the factories of both companies. E.g. quarterly meetings between top managers and operators in order to answer specific questions and to listen to suggestions for improvement. At the cacao factory, there is also a safety committee that meets every month. The idea had been launched by the cacao factory group. The main purpose is to listen to concerns, identify risks and map suggestions. In both factories visited, the chain of command seems to be short, and management seems to be accessible to staff members. At the wood furniture factory for example, a Comment/Question Box has been installed in the factory. Most questions, according to the HR director, are related to insurance, health checks, and time sheets.

For both cocoa and rice farmers, even when organised in cooperatives, it is extremely difficult to defend their interests. Rice cooperatives, for example, indicated that they had no influence on pricing. They could only accept the price as set by the other actors in the value chain.

## **4 Analysis of cross-cutting themes**

### **4.1 Coherence and synergy**

BIO investment loans were combined with technical assistance projects for the two factories visited, which were largely funded by BIO (see table below). Unfortunately, no external or internal audits of these projects are available, so it is difficult to assess whether these technical assistance funds have effectively achieved their objectives and whether the funds have been used efficiently. Within the framework of this evaluation, the evaluation was not able to evaluate these projects in depth.

An interesting collaboration between Rikolto and the Cocoa Factory could be identified. The LEISA (Low External Input Sustainable Agro-ecology) project's, which was co-financed by BIO, main objective was to validate and establish the LEISA closed-loop farming model. However, this collaboration has not led to sustained implementation, as at most 2 families still seem to be using the technique. Moreover, the knowledge gained has largely been lost due to the resignation of employees at both Rikolto and the cocoa factory who were directly involved in the project. It is unfortunate that no independent evaluation was conducted on this project so that lessons could be drawn on possible synergies and cooperation between the non-profit and for-profit sectors.

Besides Rikolto, 'Oxfam in Vietnam' is also active with a DGD programme that focuses, among other things, on advocacy for broad access for farmers to the government social security system. Taking rice farmers as a starting point, both organisations seem to be focusing on different aspects of decent work. Rikolto mainly focuses on increasing farmers' income through lower (ecological) production costs and influencing market mechanism so that rice farmers get a higher price for their better-quality rice.

Although there is no problem with different organizations focusing on different dimensions, it seems important that they also reinforce each other's strategies and are aware of this. However, the evaluation team found that both NGOs were not very well informed about each other's focus and activities. As a result, they are both missing opportunities to create synergies in terms of lobbying and advocacy on key elements of decent work, for example on widening farmers' access to the social security system.

## 4.2 Gender

BIO investments, with the linked ESAP and Technical Assistance grants, had no objectives that included gender aspects.

Although the Rikolto programme intends to be gender and youth inclusive, the evaluation team was not able to thoroughly evaluate this aspect. The evaluation team did not have the permission to randomly select farmers themselves to conduct interviews and focus group discussions. As a result, the evaluation team met mainly older male rice farmers. This selection bias may thus be the reason why the evaluation team could not conclude that women are strongly involved in the programme. From the final evaluation of the programme, we know that there have been positive changes during the five-year programme in that total targeted beneficiaries (smallholder farmers) that have been benefited from this project were 2,198 individuals (224.3% compared to the adjusted target of 980 in 2021). In which, female farmers (1,337) accounted for 60.8%.<sup>21</sup>

## 4.3 Environment

From the farmers' perspective, climate change is having a major impact. Cocoa farmers in Ben Tre province are facing salination of their lands, causing cocoa trees to die. As a result, cocoa bean production is declining dramatically in Ben Tre province. This decline is not due to salination only. In addition, growing other crops (such as pomelo and coconut), which generate higher yields, would also be an explanation. Nevertheless, it is abundantly clear that salination, resulting from higher sea levels, is negative for cocoa production. Climate change with sea level rise, temperature rise, drought, and increasingly severe natural disasters affecting rice yield and quality, is also the most difficult challenge for rice producers. For example, in the first half of 2020, the Mekong Delta experienced a historic drought, affecting hundreds of thousands of hectares of rice cultivation in the provinces near the sea mouth. In the previous year, there were floods again, causing many rice cultivation areas to be flooded when nearing harvest, causing great damage to farmers. Several model simulations show that the rice yield will decline in the medium to long term because of climate-induced weather events.<sup>22</sup>

The agriculture sector is the second highest contributor to GHG emissions in Vietnam at about 19 percent of total emissions in 2020, with an estimated 104.5 million tCO<sub>2</sub>e, almost triple the emission level in 2000. Rice contributes about 48 percent of agricultural emissions. This sharp rise in emissions may be due to both the increase in paddy output of more than 43 million tons and the relatively high carbon intensity, estimated at about 0.9 kg of CO<sub>2</sub>e per kg of paddy between 2010 and 2017, with an increasing trend since 2016. The increased intensity is likely due to the increased intensification in rice production. Increased water use (3,000–5,000 litres of water per kilogram of rice) and increased application of nitrogen, phosphorus, and potassium (NPK) fertilizers (estimated at about 400 kg per ha) are some of the reasons for the increased carbon intensity in rice production in Vietnam.

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<sup>21</sup> ADE, End-line impact assessment of the 2017-2021 DGD-Funded programme implemented by Rikolto

<sup>22</sup> World Bank. (2022). Spearheading Vietnam's Green Agricultural Transformation: Moving to Low-Carbon Rice. Washington, DC: World Bank, p.13

Five key drivers increase GHG emissions in Vietnam's rice production (a) unsustainable agricultural intensification and forest clearing, (b) high fertilizer application rates, (c) high levels of water use for irrigation, (d) improper management of rice residues such as rice straw and husks, and (e) poor energy use and efficiency in agriculture. Each of these drivers is essential to address as part of the LCT for rice.<sup>23</sup>

From the perspective of the Rikolto project, it is clear that they are contributing to lower CO2 emissions by focusing heavily on reducing the use of pesticides and chemical fertilisers.

At the level of factories in Binh Duong supported by BIO, the evaluators could see that strong efforts are being made to significantly reduce CO2 emissions. Both factories have installed solar panels that led to more sustainable and cheaper use of energy. Energy-friendly aircons were also installed in one factory. The factory has also expressed its ambition to roll out an equal water balance system by 2023 and to be carbon neutral by 2025. The factories employ only operators who are 18 years or older.

Another aspect, which can be immediately related to environment, is the certification mechanism in the wood sector, where two certification types are most used, namely FSC and PEFC. These certificates aim at sustainable models for the use of wood. BIO has made it clear in its ESAP that the wood furniture factory concerned has to buy certified wood if available. It also suggests buying wood that is available on the local market rather than wood that needs to be purchased on the international market (for more info, see below chapter sustainability).

BIO ESAP has again been a strong leverage to force environmental actions on the wood furniture company it supported. Concrete actions included, for example, implementing environmental recommendations and obtaining environmental compliance certificates, using certified wood (if available).

## 4.4 Sustainability

Both companies visited have created additional jobs since BIO's support. These are jobs in the formal sector. Both companies respect labour laws guaranteeing access of employees to health insurance and social security insurance. Although it was not the focus of this evaluation study, we can logically assume that both factories have also created indirect employment in supply chains of materials processed in the factories of both companies. Both companies weathered the Covid-19 period well and have been able to recruit additional staff since the end of the lockdown. These are indications that both companies have created sustainable employment.

In one of the companies/factories, PEFC certified beechwood is imported from France to be processed at the factory into finished furniture that is then re-exported to Europe and the US. The ecological footprint is particularly high and affects the sustainable nature of production. The evaluation team also noted that the rubberwood, which is purchased from the local market, is not certified. In discussions with a rubber wood supplier, the evaluation team found that recently certified rubber wood (FSC certificate) is available, at an additional cost of 10-20%.

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<sup>23</sup> IBID., p.14-17.

The importance of certified wood in the supply chain cannot be underestimated. For example, the FSC standard starts from 10 basic principles, four of which can be directly related to aspects of decent work, namely:

- Comply with all applicable laws (including labour laws, health, and social security laws)
- Maintain or improve the social and economic well-being of workers
- Uphold rights of Indigenous people
- Maintain or improve the social economic well-being of workers.

Besides the social components of the certificate, there is also a strong emphasis on ecological and environmental aspects to maintain the forest ecosystems. The fact that these certificates are externally assessed by independent auditors should be seen as positive.

Another good practice is the Cacao Sustainable Trace Program/standard applied by the cacao factory. The cocoa trace programme is structured along 7 principles, namely: 1/ legal responsibility and management, 2/ Quality & Traceability, 3/ Economic Responsibility, 4/ Social Responsibility, 5/ Health & Safety Responsibility, 6/ Agriculture Best Practices and 7/ Environmental Responsibility. Each of these principles is then translated into subcategories of conditions. The certificate contains elements relating to environmental and social components that directly relate to the sustainable nature of cocoa farming. This standard was developed by the cocoa company itself and is externally audited. This standard should be considered good practice and a leverage to monitor various components of decent work. Moreover, the company is developing a digital platform where all farmers are registered and monitored according to these principles and sub-categories. This should then make it possible to closely monitor the situation among cocoa farmers and remediate any problems (including on decent work dimensions) more quickly.

The Rikolto programme has contributed to sustainability from several perspectives. First and foremost, fewer chemicals and pesticides are used and their handling has also been made safer. The damage on environment and people is therefore reduced. We could see that farmers are continuing to adopt these practices even after training has been over for quite some time. In addition, farmers' incomes have been sustainably increased by adopting more environmentally friendly techniques.

## 5 Conclusions

### **Implicit or indirect inclusion of some dimensions of decent work by BIO and Rikolto.**

The Vietnam country report is based on a context analysis and three cases that were examined in depth. Two cases are private enterprises that were supported by BIO by granting loans and subsidising technical assistance projects. These enterprises operate in the cocoa and wood furniture sectors. The third case concerns a rice programme subsidised by DGD within the framework of the Rikolto five-year programme 2017-2021. The Rikolto rice programme was only one pillar of a more extensive 5-year programme focussing on Vegetables and rice.

The main impact objectives for BIO in supporting the companies relate to local economic growth (employment effects, indirect job creation, export of finished products), know-how and technology transfer and upgrading value chain. In addition, BIO's objective was for the company to promote ESG best practices. On the latter topic, BIO is having an Environmental Social Due Diligence analysis carried out. Based on this, an Environmental and Social Action Plan (ESAP) is then developed that includes concrete actions by the company to improve environmental and mainly working conditions of employees. Progress and continuity are monitored by BIO. The ESAP actions are monitored on quarterly basis. Annually the companies are sending an E&S monitoring report that aims to identify if any new EIS risks that might have appeared.

The Rikolto programme's objective included the income dimension of decent work. Other dimensions of decent work received only limited attention in the programme design. The income dimension of the concerned rice farmers was closely monitored by the stakeholders and Rikolto.

### **Income and Job creation.**

The introduction of the SRP standard by Rikolto is a leverage to generate higher incomes for rice farmers. A major limiting factor is that the SRP standard is currently not yet recognised by the market, so the selling price of this rice has not increased. There are several indications that there is a market for this healthier rice. The demand for it would mainly come from the larger group of middle-income families in the cities. It is therefore important that Rikolto remains committed to the recognition of the SRP standard and, above all, closely monitors developments in rice certification in general. It seems that MARD has set up an official, alternative certification scheme (VietGAP), which will be difficult to compete with. It remains to be seen how Rikolto's certification system can be integrated in one way or another.

The story of cocoa farmers is a little more complicated. With the support of the Chocolate manufacturer, farmers can increase their income. The technical support and help lower the cost of production on the one hand. On the other hand, the application of the bonus system (which is strongly linked to the quality of the cocoa beans) slightly increases income. Although the bonus system seems quite widely rolled out, direct support to farmers is rather limited. Climatic conditions and the fact that other crops generate higher yields seem to put Vietnam's cocoa sector at risk. This is confirmed by a trend towards less area for cocoa cultivation and lower overall cocoa production in Vietnam.

For factory workers and staff in the companies concerned, all rules on minimum income and working hours are respected. The minimum income in the chocolate factory is substantially higher than the legal minimum wage. In the wood furniture factory, a substantial part of the operators only has an income barely higher than the regional minimum wage.

In any case, the BIO loans helped both companies to be successful in developing their business models resulting in additional formal employment in the factories. As outlined above, formal employment comes with several important social security benefits.

### **Job and Labour Market Security**

BIO-supported companies follow job security regulations included in labour laws that protect employees from arbitrary dismissal and dismissal without notice and severance pay. Employee turnover in one of the companies is particularly low, while it is relatively high in the other. These differences are most likely due to the minimum working conditions offered by the company.

### **Social Protection**

In the formal sector, i.e., for both BIO-supported factories, Vietnam has a well-developed social security system covering health insurance, unemployment insurance and pension. Maternity leave is also covered by the social security system. The social security system is paid for by contributions from both employees and employers. The additional jobs created by both companies meant that more workers gained access to the social security package offered by the government, if we can assume that these jobs meant additional formal employment at the macroeconomic level.

Workers in the informal sector or self-employed people, such as cocoa and rice farmers, for example, can join system of voluntary insurance. Through efforts by local and central governments, most farmers have access to health insurance. However, the evaluation team found that most of them do not have access to pension insurance. Access to unemployment insurance or insurance against loss of income is also unattainable for most farmers.

The cases analysed have not developed activities or shown tangible ambitions to increase farmers' access to a wide range of social protection measures.

### **Working conditions and Occupational Safety and Health (OHS)**

The evaluation team found that OHS received a lot of attention within the three cases and this was due to the explicit and direct approach of BIO and Rikolto. Through the concrete elaboration of an Environmental and Social Action Plan (ESAP) directly linked to the granting of loans, BIO was able to make a footprint for concrete improvements in working conditions in at least one factory. The factory in question received no less than 16 action points from BIO to improve working conditions. Within the period of one year, the company had completed all the action points. This example shows that with the ESAP, BIO has a tool in its hands that does allow it to have a major impact on the dimensions of decent work (see general recommendation 1 above).

The evaluation team found that training on wearing PPE was organised at both factories and rice farmers. Nevertheless, the evaluation team found that in many cases the workers and farmers do not wear PPE, during sometimes very dangerous operations. One of the main reasons for not wearing PPE has to do with the equipment not being suitable for the hot climatic conditions.

### **Fair Treatment and Gender**

The evaluation team found no child labour during the various visits to farmers and factories. Our visits were announced in advance and so may have caused bias. Nevertheless, from various interviews with different types of stakeholders, the evaluation team received the response that child labour (according to the definition of Vietnamese labour law) no longer exists in the Mekong Delta.

The labour law bars discrimination based on gender, religion, and ethnicity. In the formal labour circuit, wage scales are worked out and applied to both men and women. In this sense, there are no wage differences between men and women for similar jobs. However, some jobs are preferentially assigned to men (heavy manual labour, for example), while other jobs are more likely to be assigned to women (e.g., packing, quality control).

The evaluation team could not observe explicit attention to gender themes (e.g., harassment, gender-based violence...) in the different cases.

### **Voice and Representation**

Vietnam has a single state-led union federation, the Vietnam General Confederation of Labour (VGCL) and is represented in all companies with formal employment. It is also this union that concludes CLAs with the management. The evaluation team could also see that besides union representation, other channels for consultation and information sharing were organised in the factories, which is considered as very good practise

As part of the EVFTA, Vietnam made a commitment to ratify ILO Convention 87 that opens way to allow multiple unions. Ratification is scheduled for early 2024. Vietnamese authorities' major concern is that there would be a proliferation of unions. So, it remains to be seen whether the freedom of association will be implemented as announced.

Farmers, even if organised in cooperatives, do not seem to have a voice. Prices for inputs (seeds, pesticides, chemicals) are often supplied by large companies where farmers get hardly any bargaining margin on the purchase price. But they have no influence on the selling price either. This is determined higher up the value chain without farmers' involvement (see also specific recommendation Rikolto-case).

### **Coherence and Synergy**

BIO investment loans are accompanied by Technical Assistance project which consists of a subsidy covering a significant part of the total cost of technical assistance. These technical assistance projects can relate to the creation of increased production, working towards certain certifications. Unfortunately, these technical assistance projects are not critically assessed.

In terms of synergy, the evaluation team noted the absence of information exchange and systematic consultation between Rikolto and 'Oxfam in Vietnam'. Although they both engage in different dimensions of decent work, it is nevertheless a missed opportunity to strengthen each other.

### **Environment**

The Vietnamese rice sector contributes about 48 percent of agricultural emissions and has direct and substantive impact on climate change. By initiating the SRPs standard among farmers using fewer chemicals and pesticides, Rikolto has helped reduce emissions among the farmers involved in the Rikolto programme.

BIO-supported enterprises are also making significant efforts on environmental measures, although in both cases there were no direct BIO loans or technical assistance projects related to environmental aspects, except for the LEISA technical assistance project. Indirectly, BIO did influence environmental aspects by linking loans to the ESAP that included clear environmental actions.

## **Sustainability**

Certification makes an important contribution to various aspects of decent work and the sustainable production of commodities such as wood, cocoa and rice. Besides the environmentally sustainable aspects of production, most of these certificates (such as the Cocoa Trace standard, SRP, FSC and PFEC) also include important elements of decent work. On their own, these certificates are not enough. After all, they do not cover all dimensions of decent work. Nevertheless, as a starting point and in the absence of full-fledged alternative, they are often, in different value chains, the best option.

## 6 Annexes

### 6.1 List of documents consulted.

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## 6.2 Description and analysis of cases

### 6.2.1 Wood furniture factory and Chocolate Manufacturer | BIO loan and technical assistance

#### Case Wood Furniture Factory

In 2020, BIO provided a wood furniture factory also a loan of 2.9 million USD to create a new production plant which would allow the creation of 170 direct jobs and the know-how transfer and promotion of good ESG practices. In the period 2020-2021, three subsidies have been provided to the factory (see table below). Intended development impacts are creating local economic growth (employment effect, supply chain effect, net export effects), private sector consolidation/innovation (upgrading value chain, know-how and technology transfer), fight against climate change and preservation of natural resources, promotion of ESG standards. The wood furniture factory is located in the Binh Duong province (20 km NE of Ho Chi Minh City).

#### Case Chocolate Manufacturer

The chocolate manufacturer received a first senior loan facility of EUR 650.000 in March 2008. The aim of the facility was to finance half of the company's expansion and machinery for a new line of products (of a total investment amounted to EUR 1.25 m). A second loan has been provided in 2017. The purpose of this BIO's intervention was to finance 60% (USD 1.5 m out of USD 2.5 m) of investment in the phase of the Ben Tre project: a liquor grinding line to process dry cocoa bean into cocoa mass (cocoa liquor). BIO's intervention was considered relevant since it supported the vertical integration of cocoa processing in Vietnam.

The chocolate manufacturer is present in the following geographical sites:

- Chocolate factory in Binh Duong and Innovation & Distribution Center (20 km NE of Ho Chi Minh City)
- Cocoa fermentation and drying plant in Ben Tre province since 2013 (90 km South of Ho Chi Minh City)
- Sales offices & warehouses in Ho Chi Minh City, Da Nang, Hanoi & Phnom Penh (Cambodia).

BIO loans are accompanied by technical assistance (TA) projects. Below is a summary of the projects that were funded to both companies. We discuss this in more detail during the analysis of the findings.

*Table 2. Overview of BIO TA projects for both companies.*

<b>Project Name (year)</b>	<b>Total budget</b>	<b>BIO subsidy</b>	<b>% BIO support</b>
Health & Safety Management system (ISO 45001:2018) + Environment Management System (ISO 14001:2015) (year 2020) (Wood Furniture)	9881 €	5929€	60%
To improve the quality of the products and to make manufacturing processes more reliable and efficient by using Lean 6 Sigma Methodology. (Year: 2021) (Wood Furniture)	56400 \$	28200 \$	50%
Increase business efficiency and responsiveness to market needs by introducing lean production management in the whole organization. (Year: 2021) (Wood Furniture)	61.000 \$	36.500 \$	60%
Assist Vietnamese cocoa supply chain development by providing farmers with sustainable farming techniques increasing crop's quality and profitability. Design and implementation of new risk management policy and procedures. (Year: 2012) (Cacao Factory)	100.400 €	68.600 €	68,3%
LEISA-project. The goal of the project was to validate and establish the LEISA closed-loop farming model. The combination of livestock and cacao production could form an ecologically sustainable model with little waste and no need for external inputs, resulting in an increased income for the farmers (Year: 2018) (Cacao Factory)	130.434 €	104.347€	80%

**Project strategies, leverages and bottlenecks to promote decent work.**

Dimension DW	Strategies	Results or current situation	Leverages for DW (= means, instruments to boost DW)	DW obstacles
Income	<ul style="list-style-type: none"> <li>• Creating additional formal employment</li> <li>• Creating local economic development</li> <li>• TA to increase productivity.</li> </ul>	<ul style="list-style-type: none"> <li>• Increased formal employment</li> <li>• Increased productivity thanks to TA support (external evaluations are lacking)</li> <li>• Formal employment is important because it is associated with important access to the formal Vietnamese framework of social protection.</li> </ul>	<ul style="list-style-type: none"> <li>• The investment loans have allowed both companies to grow.</li> <li>• It can be assumed that investment in companies producing finished products has created additional employment in the supply chain.</li> </ul>	<ul style="list-style-type: none"> <li>• Low wages for unskilled labour in the Wood furniture factory</li> </ul>
Job security	<ul style="list-style-type: none"> <li>• Open ended contracts applied and protection against unfair dismissal (as stipulated in the labour law)</li> <li>• The organisation of training programmes through which employees acquire better and more skills.</li> </ul>	<ul style="list-style-type: none"> <li>• Application of Labour Law</li> <li>• Better skilled workers</li> </ul>	<ul style="list-style-type: none"> <li>• Well-developed labour law, which is enforced by the authorities.</li> <li>• BIO ESAP, which is monitored by BIO.</li> </ul>	<ul style="list-style-type: none"> <li>• Migration of workers from other parts of the country to the industrial zones, with children often left behind with grandparents. Poor housing of workers (these elements could not be verified/triangulated by the evaluation team). This could be one of the factors leading to high staff turnover in the wood furniture factory (besides the low minimum wage)</li> </ul>

Dimension DW	Strategies	Results or current situation	Levers for DW (= means, instruments to boost DW)	DW obstacles
				<ul style="list-style-type: none"> <li>• Covid-19 crisis and as consequence operators went to their home cities and did resume.</li> </ul>
A	<ul style="list-style-type: none"> <li>• Growing companies producing finished products for the export market and high-end local markets</li> <li>Increasing quality of production by TA projects</li> </ul>	<ul style="list-style-type: none"> <li>• Growing exports and sales to local clients</li> <li>• Production of higher quality products &amp; wide range of products</li> </ul>	<ul style="list-style-type: none"> <li>• Increasing quality production</li> </ul>	<ul style="list-style-type: none"> <li>• Negative developments in international markets, such as global recession, pandemics reducing international trade.</li> </ul>
Social protection	<ul style="list-style-type: none"> <li>• Formal employment leads to access to social protection plans of the Vietnamese government, which are soundly developed (including health insurance, pension, maternity, sick leave)</li> </ul>	<ul style="list-style-type: none"> <li>• Application of social protection laws</li> <li>• Additional private health insurance for employees and family member (chocolate manufacturer)</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Well-developed social security laws, which are enforced by the authorities (with contributions of employer and employees</li> <li>• In case skilled workers are needed, the employer has a strong interest in reducing staff turnover and thus presenting good conditions, such as additional private health insurance</li> </ul>	<ul style="list-style-type: none"> <li>• It is unclear whether all suppliers in both companies' supply chains use formal employment as a principle, although both companies require their suppliers to apply minimum legal conditions on wages, OSH and labour and social security legislation. These requirements are formalized and included in the contracts.</li> </ul>

<b>Dimension DW</b>	<b>Strategies</b>	<b>Results or current situation</b>	<b>Levers for DW (= means, instruments to boost DW)</b>	<b>DW obstacles</b>
Working conditions + health and safety	<ul style="list-style-type: none"> <li>• OSH training in the factories</li> <li>• ISO Certificate on OSH (as concrete action of the BIO ESAP, wood furniture factory)</li> <li>• Availability of PPE (as concrete action of BIO ESAP, wood furniture factory)</li> </ul>	<ul style="list-style-type: none"> <li>• Strategies have been achieved.</li> <li>• Investment in levers to lift heavy weights (chocolate factory)</li> <li>• Investments in dust &amp; noise reduction</li> <li>• PPE is not always used in the wood furniture factory.</li> </ul>	<ul style="list-style-type: none"> <li>• ESAP instrument of BIO has had a strong leverage for the improvement of OSH in the wood furniture factory.</li> </ul>	<ul style="list-style-type: none"> <li>• Working conditions remain difficult for suppliers to the factory (especially in the wood sector)</li> <li>• PPE is not adapted to hot climatic conditions</li> <li>• Strong paint smell present throughout the wood furniture factory</li> </ul>
Fair treatment	<ul style="list-style-type: none"> <li>• Discrimination is not allowed according to the labour law</li> <li>• No Child labour allowed</li> </ul>	<ul style="list-style-type: none"> <li>• Equal payment although women and men are tended to fulfil different positions.</li> <li>• No Child labour.</li> </ul>	<ul style="list-style-type: none"> <li>• Well-developed labour law</li> <li>• ESAP instrument including GBV and sexual harassment analysis and actions.</li> </ul>	<ul style="list-style-type: none"> <li>• No serious activities and strategies could be identified to address potential Gender Based violence and sexual harassment.</li> </ul>
Voice and representation	<ul style="list-style-type: none"> <li>• BIO ESAP instruments calling for actions to increase consultations</li> </ul>	<ul style="list-style-type: none"> <li>• Besides the presence of the governmental linked union, several committees and instruments have been installed in both factories to increase consultation with employees and to address specific work related problems</li> </ul>	<ul style="list-style-type: none"> <li>• Willingness of management to listen to and address employee grievances.</li> <li>• The BIO ESAP tool that pays attention to grievance mechanism and calls companies to action to increase it.</li> </ul>	<ul style="list-style-type: none"> <li>• One Labour union approach within the Vietnamese political system.</li> </ul>

## 6.2.2 Rikolto Rice Project in Dong Thap Province

### **Brief description of the case**

The Rikolto Rice project in Vietnam targeted 13 cooperatives and their members, which are smallholder farmers. The main objective of the project is to increase the quality of labour and the income of smallholder farmers. The focus of the project is to improve sustainable rice production process and to decrease the production costs. All cooperatives were based in the Mekong Delta (provinces: Dong Thap and Kien Giang). The five-year budget of the project was 347.500 EUR (2017-2021).

The main intended strategy of the Rikolto Rice Project was to test the feasibility of using Participatory Guarantee Systems (PGS) as a quality assurance mechanism for rice produced according to the SRP standard: SRP looks for various way to monitor compliance with the SRP standard, be it through third party certification, companies' internal monitoring systems or participatory farmer-centered mechanisms. The SRP standard (Sustainable Rice Platform Performance Indicators for Sustainable Rice Cultivation) includes indicators on labour rights (16% of the indicators) and Health and Safety regulations (14% of the indicators).

Although the programme also sought to increase the management skills of the cooperative board and aimed to introduce SRP rice in the market at a higher price, the activities primarily focused on the implementation of the SRP standard among rice farmers and cooperatives. Implementation activities were carried out by the Provincial Department of Agriculture and Rural Development, with technical support from Rikolto.

## Project strategies, leverages and bottlenecks to promote decent work

Dimension DW	Strategies	Results or current situation	Leverages for DW (= means, instruments to boost DW)	DW obstacles
Income	<ul style="list-style-type: none"> <li>Reduction of Rice production cost by introducing SRP Standard by Technical agricultural advisory support to DARD/Farmers &amp; Cooperatives</li> <li>Achieve premium price for SRP Rice</li> <li>Increase management capacities of Cooperatives in order to support farmers' needs</li> </ul>	<ul style="list-style-type: none"> <li>Reduction of productions costs resulted in higher income per ha/yield. Income of small rice farmers (less than 2 ha remains vulnerable)</li> <li>Higher price for SRP has not been achieved.</li> <li>Partly increased management capacities of cooperatives.</li> </ul>	<ul style="list-style-type: none"> <li>Reduction of production cost can be seen as leverage for producing healthy rice and generating higher incomes for farmers</li> <li>Technical assistance project with demo-plots worked very well. Results could be demonstrated after only one season.</li> <li>Strong cooperation with local authorities making support for the SRP standard outstanding.</li> <li>(see also recommendations)</li> </ul>	<ul style="list-style-type: none"> <li>National pricing for wet rice purchase which cannot be easily changed due to limited availability of SRP rice.</li> <li>SRP rice is not yet recognized as certified rice in Vietnam</li> <li>Negotiating power of cooperatives/farmers within the value chain remains limited. No negotiating power on price setting of SRP rice and purchase of inputs.</li> </ul>
Market security	<ul style="list-style-type: none"> <li>Professional training of management boards of cooperatives</li> <li>Exploring access to new markets (healthy rice /middle class income households in the major cities</li> </ul>	<ul style="list-style-type: none"> <li>Not yet achieved</li> </ul>	<ul style="list-style-type: none"> <li>Once SRP is recognized as certificated rice and market access has been opened, higher prices will be paid for SRP-rice, generating a better market security.</li> <li>Advocate SRP rice at regional and national level</li> </ul>	<ul style="list-style-type: none"> <li>SRP rice is not yet recognized as certified rice in Vietnam because of several available certification alternatives</li> </ul>
Social protection	<ul style="list-style-type: none"> <li>Implicitly: higher income will generate better social protection</li> </ul>	<ul style="list-style-type: none"> <li>Farmers have access to health insurance but not because of the project,</li> </ul>	<ul style="list-style-type: none"> <li>Advocate and lobby for better access to all pillars of existing social security system,</li> </ul>	<ul style="list-style-type: none"> <li>Access to all pillars of the social security systems seems to be to expensive for</li> </ul>

Dimension DW	Strategies	Results or current situation	Leverages for DW (= means, instruments to boost DW)	DW obstacles
		<p>but because of local and national policies.</p> <ul style="list-style-type: none"> <li>Farmers have no access to other aspect of social insurance (like pension, income loss, ...)</li> </ul>	<p>together with other stakeholders</p>	<p>self-employed and informal workers</p> <ul style="list-style-type: none"> <li>Budget constraints of Vietnamese governments to deliver access</li> </ul>
Working conditions + health and safety	<ul style="list-style-type: none"> <li>SRP standard include indicators on OHS (like PPE, Careful handling of residues and safe storage of chemicals and pesticides)</li> <li>OHS training related to the indicators.</li> </ul>	<ul style="list-style-type: none"> <li>Increased knowledge of OHS</li> <li>Better storage/handling of pesticides and chemicals</li> <li>But PPE is not always used</li> </ul>	<ul style="list-style-type: none"> <li>OHS training (creating awareness and behavioral change)</li> <li>Including OHS components in the SRP standard/certification process</li> </ul>	<ul style="list-style-type: none"> <li>Wearing PPE is not always done because of hot climatic conditions.</li> <li>The price of PPE</li> </ul>
Fair treatment	<ul style="list-style-type: none"> <li>Focus of the programme on Youth and Women</li> <li>Child Labour not allowed (indicator in the SRP standard)</li> </ul>	<ul style="list-style-type: none"> <li>Women's processing unit management skills, better understanding of expenses and income</li> </ul>	<ul style="list-style-type: none"> <li>Literacy combined with management and entrepreneurship</li> </ul>	<ul style="list-style-type: none"> <li>See income box - low income</li> <li>Discrimination against women (negotiating prices with buyers, workers)</li> </ul>
Voice and representation	<ul style="list-style-type: none"> <li>Capacity building/increasing management skills of members of cooperative boards</li> </ul>	<ul style="list-style-type: none"> <li>Limited support of cooperatives to farmers who (want to) apply the SRP standard.</li> <li>Cooperatives have no negotiation power to change price setting in the value chain.</li> </ul>	<ul style="list-style-type: none"> <li>Advocate and Lobby in consortia on giving a voice and real representation of farmers at regional/national level.</li> </ul>	<ul style="list-style-type: none"> <li>National global price setting of Rice</li> <li>Cooperatives are too small to have any influence on the price setting of state agencies and big companies.</li> </ul>

## 6.3 Sustainable Cacao Programme & Verification Standard

The cacao trace bonus programme essentially boils down to the fact that the company wants to monitor and enhance the quality of cocoa produced through the entire process of producing cocoa pods, harvesting, cutting the cocoa pods, the fermentation and drying process, and the processing of dry beans into cacao products.

The requirements to comply with the cocoa (bonus) trace programme consist of 7 principles, which are operationalized in 60 requirements. These requirements are internally evaluated. The certification is implemented by an external internationally recognized certification body. Below we give a short description of the seven principles.

### Principle 1: Legal Responsibility and Management.

Briefly, this principle entails setting up an Internal Management Committee within the company responsible for implementing the Cocoa Trace Standard and that the company is committed to complying with all national laws obligations.

### Principle 2: Quality and Traceability

This principle entails full quality control and procedures to guarantee quality cocoa products (from tree maintenance, to cocoa pod production, wet beans, dry beans, storage,...)

### Principle 3: Economic Responsibility

This principle may be considered one of the most important principles for the cocoa farmer. The company makes a commitment that the production and selling of cacao beans must be economically sustainable for farmers.

This principle includes also the chocolate Bonus programme, which is supported by a foundation. Customers who buy Cacao-Trace chocolate products directly support the long-term sustainability of the chocolate supply. For every kilo of chocolate purchased, Cacao-Trace collects a "Chocolate Bonus" of €0.10 (ten Euro cents) to be paid back to the farming community. As mentioned in the principle, 100% of the Chocolate Bonus collected is redistributed among the first layers of the supply chain at the farming community level, (farmers, collectors, farmer groups, cooperatives) in a fair and transparent way. The guidance on distribution may vary according to each supply chain's specificities.

### Principle 4: Social Responsibility

This principle includes the company's commitment to respect all national and international labour laws, no child and forced labour, no discrimination and gender equality. The latter also implies that gender-based violence and sexual harassment should be preventively addressed and monitored.

In this principle, the company makes the commitment that it is responsible that any third-party contractors (including farmers & collectors) and/or service providers are engaged in accordance with national OHS/labor requirements.

Principle 5: Occupational health and Safety

According to this principle, the factory should carry out context assessments and adopt preventive and protective measures to ensure health and safety with respect to workplaces, machinery, equipment, chemicals, tools and processes. The Entity should ensure dissemination of information, appropriate training, supervision and compliance, including special protection for youth and pregnant/breastfeeding women workers and coverage against occupational injuries and disease.

From the description of this principle, it is not clear whether this principle also applies to suppliers including farmers.

Principle 6: Agriculture Best Practices

This principle includes procedures for pest control techniques, which provide advice and information on types and frequency of pests (and diseases). Adoption of Integrated Pest Management (IPM) regimes should be encouraged, according to this principle, in order to minimize the use of chemicals and promote the use of biological control wherever possible. In this respect, the company aims to inform farmers how to implement these principles.

Principle 7: Environmental Responsibility

The purpose of this principle is to protect natural resources and biodiversity by managing environmental risk and monitoring long term impact. This principle means that the company should respect all environmental laws and is responsible that no production takes place in protected forests and land. Besides that, the company should be engaged in preventing soil erosion, water conservation, recycling.