

THE VIETNAMESE NON-GOVERNMENT ORGANIZATION NETWORK ON
FOREST LAW ENFORCEMENT, GOVERNANCE AND TRADE
(VNGO-FLEGT)



Livelihood Impact Assessment of Vietnam's Proposed Voluntary Partnership Agreement



Hanoi, March 2015

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Hanoi, March 2015

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Vu Thi Bich Hop



**Chair of VNGO-FLEGT Network Steering Committee
Executive Director of SRD**

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CONTENTS

1. Introduction	14
2. Methodology	17
3. Stakeholder analysis and problem trees	20
3.1 Furniture manufacturing (woodworking) households.....	20
3.1.1 General information.....	20
3.1.2 Main features of household livelihoods.....	21
3.1.3 Constraints/ problems of furniture manufacturing households	23
3.2 Plantation timber processing households	25
3.2.1 General information.....	25
3.2.2 Main features of household livelihoods.....	25
3.2.3 Constraints/ problems of plantation timber processing households.....	26
3.3 Forest dependent ethnic minorities	28
3.3.1 General information.....	28
3.3.2. Main features of household livelihoods.....	29
3.3.3 Constraints/problems of forest-dependent ethnic minority households.....	29
3.4 Timber growers without Land Use Resource Certificates (LURCs).....	18
3.4.1 General information.....	18
3.4.2 Main features of household livelihoods.....	18
3.4.3 Constraints/problems of timber growers without LURCs	19
4. Impacts of the VPA on the livelihoods of vulnerable stakeholder groups	22
4.1 Furniture manufacturing (woodworking) households.....	22
4.4.2 Plantation timber processing households	24
4.3 Forest dependent ethnic minorities	27
4.4 Tree planting households without LURCs	29
5. Strategies to reduce negative impacts and promote benefits	31
5.1 Furniture manufacturing households	31
5.2 Plantation timber processing households	34
5.3 Forest dependent ethnic minorities	37
5.4 Tree planting households without LURCs	40
6. Conclusions and recommendations	43
6.1 Conclusions	43
6.1.1 Furniture producing households	43
6.1.2 Plantation timber processing households.....	43
6.1.3 Forest dependent ethnic minorities.....	44
6.1.4 Farm forest households without LURCs	44
6.2. Recommendations and suggestions.....	45
6.2.1 Social safeguard issues.....	45
6.2.2 Legal issues	46
REFERENCES	47
ANNEX: Research team	49

LIST OF TABLES

Table 1. LIA workshops undertaken 2013-2014	17
Table 3. Potential impacts of the VPA on furniture manufacturing households	23
Table 4. Potential impacts of VPA on plantation timber processing households	26
Table 5. Potential impacts of VPA on forest dependent ethnic minorities	28
Table 6. Potential impacts of the VPA on timber growers without LURCs	30

LIST OF FIGURES

Figure 1. LIA research areas	16
Figure 3. Problem tree of plantation timber processing households	28
Figure 4. Problem tree of ethnic minority groups	31
Figure 5. Problems faced by timber growers without a LURC	21
Figure 6. Solutions tree of furniture manufacturing households	33
Figure 7. Solution tree of the plantation timber processing households	36
Figure 8. Solution tree of the forest-dependent ethnic minority households	39
Figure 9. Solution tree of the non-LURC timber planters	42

ABBREVIATIONS

CPC	Commune People's Committee
CSOs	Civil Society Organizations
EU	European Union
FLEGT	Forest Law Enforcement, Governance and Trade
FPD	Forest Protection Department
LD	Legality Definition
LIA	Livelihood Impact Assessment
LURC	Land Use Right Certificate
NTFPs	Non-Timber Forest Products
TCA	Transmission Channel Analysis
TLAS	Timber Legality Assurance System
VAT	Value Added Tax
VNGO-FLEGT	Vietnamese Non-government Organization Network on Forest Law Enforcement, Governance and Trade
VPA	Voluntary Partnership Agreement

EXECUTIVE SUMMARY

This report presents the results of an investigation of the potential implications of Vietnam's proposed Voluntary Partnership Agreement (VPA) on vulnerable stakeholder groups and households using a Livelihood Impacts Assessment (LIA) method. Vietnam is in the final negotiation stages towards signing a VPA with the European Union (EU) as part of the FLEGT (Forest Law Enforcement, Governance and Trade) Action Plan. When the VPA is implemented, it will impact all enterprises engaged in timber harvesting, transport, processing and marketing, including households engaging in timber production and living on forest resources.

The main objectives of this ex-ante study were to:

- assess the likely impacts of the VPA on vulnerable stakeholders
- identify key social safeguard issues and responses
- explore opportunities for enhancing livelihood outcomes
- identify implementation risks and risk reduction and mitigation measures

The LIA methodology involves four main sequential stages, comprising Stage 1: Stakeholder and institutional analysis; Stage 2: Policy impacts analysis (also called Transmission channels analysis -TCA); Stage 3: Participatory theory of change analysis; and Stage 4: Development of a monitoring plan with an appropriate set of indicators; Stage 4 was not undertaken for the LIA of Vietnam.

The LIA focused on four vulnerable stakeholder groups, prioritized at a VNGO-FLEGT Network Workshop in March 2013:

- Furniture manufacturing households
- Plantation timber processing households
- Forest-dependent ethnic minority households
- Forest growers without a Land Use Right Certificate (LURC).

The investigation identified some major constraints or problems for these stakeholder groups as follows:

Furniture manufacturing households:

- Poor quality equipment and land area;
- Lack of required documents due to complicated legal procedures;
- Violation of labor regulations;
- Lack of management and economic knowledge and working skills;
- Lack of information of potential markets;

- Difficult access to loans and finance;
- Poor working conditions due to poor law enforcement.

Timber plantation processing households:

- Shortage of raw materials;
- Poor physical production conditions, including the risk of accidents;
- Legality problems;
- High risks of business loss due to unstable markets and production;
- Lack of information on production technology and laws;
- Low management knowledge and skills;
- Lack of access to long-term capital.

Forest-dependent ethnic minorities households:

- Reduced access to natural resources including high risk of losing land;
- Limited access to market, infrastructure, capital, and information;
- Lack of confidence due to social and cultural marginalization.

Timber growers without a LURC:

- Lack of information and weak knowledge of laws and regulations for harvesting, combined with low awareness by growers without LURCs of the importance of obtaining the LURC for future timber legality;
- Lack of investment capital and other sources of income leading to low productivity and profit;
- Difficulty of obtaining LURC due to weak coordination of land administration agencies;
- Risk of losing land due to weak legal status and land grabbing.

Based on the constraints and problems identified for each vulnerable group, the policy impacts analysis revealed some likely adverse impacts when the VPA is implemented:

Furniture manufacturing households:

- Production costs will increase due to a price increase of legal raw materials;
- Reduced productivity and household income, although households with the capacity to adapt and with a stronger legal basis will benefit in the long term;
- Households that are not legally compliant face the risk of closure;
- Increased powers of relevant authorities may lead to higher transaction costs, at least in the short-term.

Timber plantation processing households:

- Shortage of raw material as illegal timber is excluded from the market;
- Price of legal wood will increase leading to higher costs of production and reduced incomes of processing households;
- Access of many households to institutional credit will be lost since their production facilities do not comply with new regulations;
- Increased fees and tax payments;
- Processing households that do not achieve legality will close, and laborers, especially women, face losing jobs;
- Increased power of local authorities may cause more difficulties for households;
- Establishment and strengthening of cooperatives and interest groups with the aims of improving production capacity, reducing transaction costs, and, in general, take advantage of the better legality and governance context.

Forest- dependent ethnic minority households:

- Increased demand for land for timber plantations may cause minority households to sell their ancestral lands, and increase forest encroachment due to their need for farmland;
- Where the expansion of timber plantations occurs on forest land previously accessed by ethnic groups, the latter will no longer benefit from non-timber forest products (NTFPs) and timber.
- Potential increase in employment by plantation companies in some localities
- Increasing reliance on off-farm employment;
- Increased powers to forest rangers, forest companies and forest owners over forest management could further weaken customary rights and institutions.

Timber growers without LURCs:

- The sale price of legal timber will increase, but timber from non-LURC land will fall in price, reducing household incomes;
- Higher transaction costs (including for bribes) if a mechanism for legalising non-LURC timber is developed;
- Reduced employment as non-LURC households discontinue tree growing, particularly affecting female laborers who provide most of the forest-based labor;
- Increasing land inequity due to the high risk of losing land (weak land ownership);
- Restricted access of non-LURC households to loans, forestry extension and other agricultural services would continue;
- In the mid to longer term, issuance of LURCs should speed up leading to more stable markets and production;
- Increased power of authorities and strict enforcement of legal requirements would place non-LURC timber growers in an increasingly weak situation.

In order to assess how the potential negative impacts of the VPA can be mitigated and positive impacts enhanced, a set of ‘solution trees’ were developed for each stakeholder group using the ‘participatory theory of change’ approach. This resulted in identification of a set of key results or strategies that would enable each vulnerable group to be able to avoid or mitigate adverse impacts or be able to benefit from the VPA¹:

Furniture manufacturing households:

Strategy 1: Markets for wood products improved

Strategy 2: Production capacity strengthened to meet legal requirements and market demand

Strategy 3: Practical regulations developed and applied

Timber plantation processing households:

Strategy 1: Markets for processed wood (veneer, wood chips, artificial boards, etc.) stabilized

Strategy 2: Sources of raw materials stabilized

Strategy 3: Production in accordance with legal requirements

Forest- dependent ethnic minority households:

Strategy 1: Income from forest resources secured

Strategy 2: Agricultural livelihoods improved

Strategy 3: Other livelihood options developed

Timber growers without LURCs:

Strategy 1: Forest land secured, providing a basis for long term investment

Strategy 2: Increased yields from forest plantations

Strategy 3: Legality of non-LURC timber trade recognized and realized

¹ In other words these results or strategies comprise the theory of change for each vulnerable group to reduce its vulnerability to negative effects.

The LIA reveals that the VPA could result in a range of positive and negative impacts on vulnerable stakeholder groups. To reduce the negative impacts and risks, and promote social benefits, various interventions and activities are needed at the national and local levels:

- n Legal issues (national level actions)
 - i. Change or simplify regulations so that they are appropriate to local conditions, especially simplified regulations or modified specific regulations for wood processing households and woodcraft villages, as well as for non-LURC timber. It would be better if planted timber is considered as ‘normal goods’ without special legal trading requirements;
 - ii. Recognise and institutionalise customary laws so that traditional forest-dependent people’s rights are respected.
 - iii. Build a roadmap for non-LURC planters to apply for LURCs
 - iv. Build a roadmap and provide financial and technical support for furniture manufacturing households and timber plantation processing households to adapt to the new legal conditions.
 - v. Establish a database on the legal compliance of households that would allow better monitoring.
 - vi. Establish an effective monitoring system for the VPA.
 - vii. Establish a mechanism for all stakeholders to access necessary information.
 - viii. Establish a program and policies to enable vulnerable households to obtain long-term credit on favourable terms.

- n Social safeguard issues (local and national level actions)

Furniture manufacturing households:

- i. Establish cooperatives or production groups.
- ii. Conduct training to strengthen the capacity of processing households.
- iii. Improve market information systems.
- iv. Promote access by households to more legal and stable sources of raw materials.
- v. Work with financial sources to access credit for long-term or technology investment.
- vi. Establish adequate production sites or areas, especially for woodcraft villages.

Timber plantation processing households:

- i. Establish cooperatives or production groups.
- ii. Improved market information system, e.g., on new market opportunities.
- iii. Support the establishment of plantation areas.
- iv. Improve the balance of timber supply and processing capacity through the issue of production licenses and socio-economic development planning.

- v. Conduct training to strengthen the capacity of managers and laborers.

Forest- dependent ethnic minority households:

- i. Increase the production of NTFPs by developing and piloting NTFP growing and management models.
- ii. Recognize and integrate indigenous knowledge into agricultural and forestry extension training as a means of promoting sustainable NTFP management.
- iii. Allocate/secure more forest and farmland to communities, clans or groups.
- iv. Conduct training to improve agricultural and NTFP knowledge and management practices.
- v. Provide vocational and language training to help increase job opportunities, using indigenous languages as much as possible.
- vi. Establish improved market information systems.
- vii. Improve market access roads, market and business infrastructure.

Timber growers without LURCs:

- i. Raise household plantation yields, timber quality and therefore sale prices through better quality seedlings, appropriate planting and harvesting techniques, management training, access to long-term low interest credit, etc.
- ii. Speed up the process of issuing LURCs, for example, by providing training to cadastral and forestry officials, streamlining the process, flyers on the importance of LURCs, and possibly a system of results-based incentives for officials.
- iii. Educate timber growers without LURCs of the importance of obtaining the LURC for timber legality.
- iv. Develop mechanisms for land conflict management and resolution with clear and practical guidance and incentives.

1. Introduction

Vietnam is in the final stages of negotiation towards signing a Voluntary Partnership Agreement (VPA) with the European Union as part of the Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan, which aims to promote the legal timber trade and equitable and effective forest governance. This report presents the main findings and recommendations of a Livelihood Impact Assessment (LIA) of the VPA conducted during 2013-2014 by the Vietnamese Non-government Organization Network on Forest Law Enforcement, Governance and Trade (VNGO-FLEGT)² with the support of Forest Trends.

VPAs, and the processes through which they are developed, have considerable potential to bring policy reforms that can result in the empowerment of vulnerable community groups. With the implementation of the VPA, the timber production and processing industry has to adapt to changing market demands and export regulations, and an action plan to ensure timber legality is required by Vietnam. This action plan must focus on raising awareness, amending and reviewing legislation, encouraging enterprises to import certified timber, developing and implementing a timber legality assurance system, and strengthening international cooperation with export countries such as Laos and Cambodia and with markets in EU countries.

However the processes of formalization and legalization, together with stricter enforcement of laws and regulations, could also have negative impacts on those whose livelihoods are dependent on formally “illegal” use of the forest (Kaimowitz 2009). The VPA process and its implementation inevitably results in winners and losers, and there are likely to be a range of social or equity effects, some positive and others negative.

The livelihood risks of the VPA are recognized in various FLEGT policy statements. For example, the FLEGT Action Plan (European Commission 2003), for example, stresses that “the challenge is to ensure that actions to address illegal logging, particularly enhanced law enforcement, do not target weak groups, such as the rural poor, while leaving powerful players unscathed.” These risks are recognized in the VPA agreement in the form of a social safeguards article that commits the signatories to understand, monitor, and mitigate any adverse impacts of the VPA on local communities or other stakeholders.

Two central components of a VPA are the Legality Definition (LD) of Timber and the Timber Legality Assurance System (TLAS), since these attempt to systematize the timber-producing country’s laws and regulations on timber legality and governance in a way that allows field inspections and decisions on timber and wood product legality. Timber

² Established in January 2012, it comprises 40 member organizations (at January 2015) led by the Centre for Sustainable Rural Development (SRD, Hanoi).

products are considered legal only if they meet the regulations in the LD and TLAS. When the VPA is implemented, requirements on timber legality will also be applied to products sold in the domestic market, which will impact all enterprises engaged in timber harvesting, transport, processing and marketing. Failure to meet these requirements will cause problems for households³ engaging in either the domestic or export market.

To develop a better understanding of the impacts of VPA, the VNGO-FLEGT Network (see Annex 1) has been investigating the possible implications of the VPA for potentially vulnerable groups and households by carrying out a Livelihood Impacts Assessment (LIA). In Vietnam, the LIA was conducted *ex ante* - prior to finalization and agreement of the VPA, with the aim of influencing its design. LIA can contribute significantly to the design of the VPA, including the identification of key social safeguards issues and responses, i.e., potential adverse livelihood impacts and how to mitigate them, and exploring opportunities for enhancing livelihood outcomes. A second key aim of the LIA was to help build the capacity of Civil Society Organizations (CSOs) to engage in VPA negotiation and implementation, and to undertake LIA work.

This report describes research⁴ that has been geographically distributed over the Northern, Central and Southern regions of Vietnam (Thai Nguyen, Yen Bai, Hoa Binh, Phu Tho, Red River Delta, Thanh Hoa, Thua Thien Hue, Dak Lak, Lam Dong and Dong Nai Provinces, see Figure 1). It was undertaken from April 2013 to September 2014 with a focus on four vulnerable stakeholder groups, identified and prioritized at a VNGO-FLEGT Workshop in Ho Chi Minh City in March 2013:

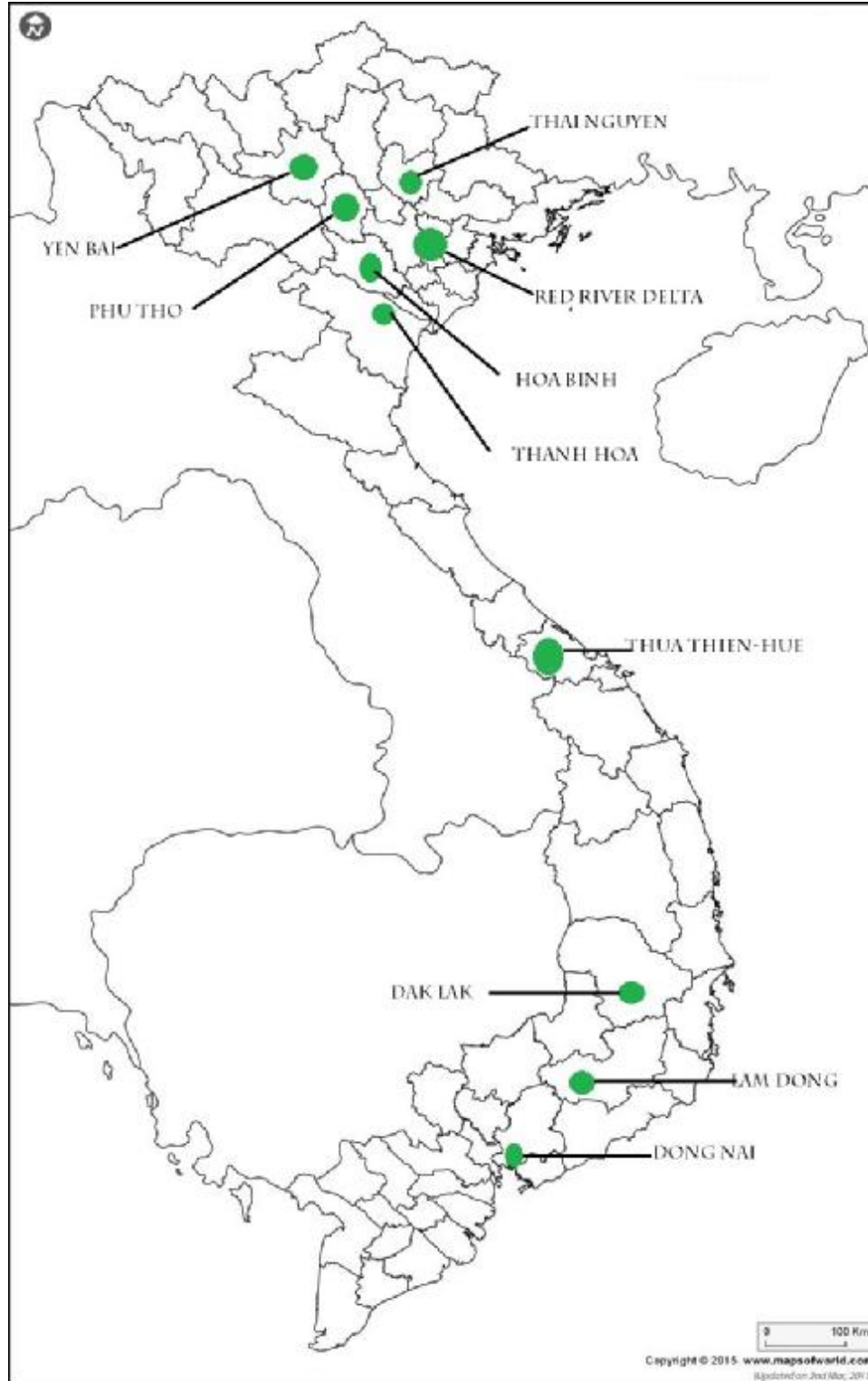
- Furniture manufacturing households
- Plantation timber processing households
- Forest-dependent ethnic minority households
- Timber growers without a Land Use Right Certificate (LURC).

Although the VPA will have beneficial impacts for Vietnamese timber exports to the EU and other more discerning markets such as Japan, United States and Australia, as well as improving forest governance, the studies found that the VPA processes of formalization and legalization, combined with a stricter enforcement of laws and regulations, also have the potential to negatively impact households involved in timber production and wood product supply chains.

³There are very large numbers of single household firms engaged in all aspects of the Vietnamese timber trade, so the term “households” is used as a generic term for the small firms that are the subject of this report, as in the Draft Technical Glossary for the VPA.

⁴ Including i) VPA impacts on forest-dependent community (Trần Nam Thắng, 2013), ii) VPA impacts on forest growers without LURC (Đương Thị Liên, 2013), iii) VPA impacts on vulnerable groups in Yên Bái (Nguyễn Kim Trọng, 2014), iv) VPA impacts on vulnerable groups in Thái Nguyên (Lý Văn Trọng, 2014), and v) VPA impacts on small woodworking households (Phan Triều Giang 2013) and vi) VPA impacts on woodcraft households in Dong Ky and Huu Bang villages (Phan Triều Giang, 2014).

Figure 1. LIA research areas



2. Methodology

This research was conducted using the ‘Livelihood Impact Assessment’ (LIA) methodology developed by Forest Trends and based on a combination of methods drawn from the ‘Poverty and Social Impact Analysis’ approach of the World Bank (2012), the ‘Poverty Impact Assessment’ approach of OECD (2007) and ‘Social and Biodiversity Impact Assessment’ (Richards & Panfil 2011)⁵. The LIA has four stages, of which only the first three were undertaken in this set of studies (see Box 1 for a fuller description):

- i) Identification and prioritization of vulnerable stakeholder groups through stakeholder analysis, and an institutional analysis to assess institutional incentives⁶;
- ii) Policy impacts analysis using the Transmission Channel Analysis (TCA) tool to identify the direct and indirect impacts of the proposed VPA, especially as regards impacts on the livelihoods of vulnerable groups;
- iii) Development of theories of change and identification of strategies for mitigating negative impacts and enhancing positive ones. This stage includes analysis of the challenges and causes (problem trees) and how to counteract them (solutions trees or results chains);
- iv) Development of a monitoring plan with appropriate indicators for the social mitigation and enhancement measures identified in stage (iii).⁷.

Box 1 Overview of LIA methodology

Stage 1: Stakeholder and Institutional Analyses

The first main stage of the LIA is stakeholder and institutional analysis. A major goal of the stakeholder analysis is to gain an understanding about who could be negatively affected by a VPA. The stakeholder analysis typically includes descriptions of the coping strategies of vulnerable stakeholder groups and a gender analysis. An institutional or political economy analysis focuses on the likely distributional effects of a VPA and its behavioral incentives on institutional stakeholder groups who could oppose or support key VPA strategies.

Stage 2: Policy impact analysis (also called Transmission channels analysis -TCA)

VPA impacts are assessed through transmission channels. These are pathways through which policy implementation, such as under a VPA, affects vulnerable stakeholder groups. Transmission channels analysis is a tool for assessing the potential distributional impacts of a policy or intervention on the livelihoods of the stakeholder group(s). Six primary

⁵ Richards M. & Hobley M. 2012

⁶ The research focussed on the regulations and the local formal or informal organizations that can affect the vulnerable groups.

⁷ Since this is an *ex ante* analysis, and the VPA has not yet been fully designed, it was decided that it was premature to develop a monitoring system.

transmission channels are generally considered: employment, prices, transfers and taxes, authority, assets, and access to goods and services.

Stage 3: Participatory theory of change analysis (solution analysis)

A theory of change is a hypothesis of how an intervention such as a VPA, will achieve its intended objectives and goals. As with any theory, there is no guarantee it will work. It is based on a set of plausible cause-and-effect assumptions that proponents hope will hold true. Participatory theory of change analysis involves workshop participants, divided into working groups representing different vulnerable stakeholder groups, developing a cause and effect understanding of the main problems, or causes of vulnerability in the form of ‘problem trees’, and then developing ‘solution trees’ or results chains that counteract the problems and from which a set of risk mitigation and benefit enhancement measures can be defined.

Stage 4: Development of a monitoring plan with an appropriate set of indicators

Developing a monitoring plan of the implementation of the mitigation and enhancement measures identified in Stage 3 requires the identification of appropriate indicators. These are defined on the basis of SMART (Specific, Measurable, Attainable, Relevant, Time – Bound) objectives derived from key results in the results chain or solutions tree. The monitoring plan outlines what data is needed, and how it can be collected, for each indicator.

A series of eleven workshops were held altogether, including three ‘central’ LIA workshops involving analysis of all four stakeholder groups, and a further eight regional or stakeholder group specific workshops as set out in Table 1. Most of the workshops had 25-30 participants, representing groups of affected people (both men and women), local government representatives and other stakeholders. Before the regional workshops, legal provisions in the TLAS relating to the vulnerable groups were presented to the participants to provide them with a basis for comparison and analysis.

Table 1. LIA workshops undertaken 2013-2014

<i>Date</i>	<i>Place</i>	<i>Stakeholder groups</i>	<i>LIA stages</i>
Mar 22-26, 2013	Ho Chi Minh City	VNGO-FLEGT members	LIA training, Stakeholder analysis, Problems analysis
Sept 24-26, 2013	Hue	VNGO-FLEGT and three vulnerable stakeholder groups	Policy impacts analysis (TCA)
Nov 18-20, 2013	Vinh Phuc	VNGO-FLEGT and three vulnerable groups (but some representatives absent)	Solutions analysis
April 19-20, 2014	Ha Noi	All four vulnerable groups (from Dong Ky, Huu Bang, Thai Nguyen, Yen Bai)	LIA training, Stakeholder analysis, Problems analysis
June 3-4, 2014	Dong Ky	Furniture manufacturing group	LIA introduction, Stakeholder analysis
June 3-4, 2014	Huu Bang	Furniture manufacturing group	LIA introduction, Stakeholder analysis
June 25-27, 2014	Dong Ky	Furniture manufacturing group	Policy impacts analysis (TCA)
June 30-July 2, 2014	Huu Bang	Furniture manufacturing group	Policy impacts analysis (TCA)
August 5-7, 2014	Ba Vi, Ha Noi	Furniture manufacturing group	Solutions analysis
June 22-23, 2014	Yen Bai	Timber growing and processing groups	Policy impacts analysis (TCA)
August 16-18, 2014	Yen Bai	Timber growing and processing	Solutions analysis

		groups	
June 28-29, 2014	Thai Nguyen	Timber growing and processing groups	Policy impacts analysis (TCA)
August 7-9, 2014	Thai Nguyen	Timber growing and processing groups	Solutions analysis

3. Stakeholder analysis and problem trees

3.1 Furniture manufacturing (woodworking) households

3.1.1 General information

Woodworking households are an important stakeholder group because of their large number and production of traditional wood products, especially in peri-urban areas all over the country. They are scattered individual households or small firms or concentrated in woodcraft villages, for example, in the Red River Delta area near Hanoi.

According to GSO (2013), there were 3,221 such enterprises and businesses employing over 280,000 laborers of which 119,000 were female. About 1,400 firms had less than 10 laborers and 1000 had from 10 to 49 laborers. However, there are no formal data on the number of unregistered woodworking households which would change the number significantly. According to To Xuan Phuc (2012), there are about 20,000 households with 300,000 laborers and 302 woodcraft villages throughout the country.

Woodworking households process about 1 million cubic metres (m³) timber per year. Of this, about 35-40% is used in woodcraft villages, about 40% in timber industry clusters, and about 20% by small households (To Xuan Phuc, 2012). The volume used by a woodworking household varies from under 10 to hundreds of cubic meters per annum. A household with 2-3 laborers typically uses about 10-20 m³ of timber per year.

The income of this group varies widely but in general it is above the average wage. The income of a carpentry laborer varies from 2 to 4.5 million dong (about US \$100-220) per month, while a typical workshop owner may have an income of 10 to 13 million dong (about US \$500-600) per month. In Dong Ky and Huu Bang woodcraft villages in the Red River Delta area, owner incomes are much higher due to their larger size of business.

Woodworking households are monitored by the Commune/ Ward People's Committee (CPC) and are also supposed to be inspected and/ or licensed by a range of agencies such as the District Economic Section, the Natural Resources and Environment Section, the Department of Taxation, the Forest Protection Station, the environmental police, the Fire Prevention and Fighting Police Department, and economic police. However, in general, the supervision of woodworking households is lax and there is no or weak coordination between agencies.

The legal foundation of households differs depending on the level of production. While companies and large production households have business licenses, most other households do not have a license or only have a certificate from local government. In Dong Ky

woodcraft village for instance, while ‘full production households’⁸ have licenses, thousands of smaller out-sourced households have no licence or certification.

To avoid the risk of being declared illegal, many households build special relationships with influential people, such as wood suppliers, responsible officials, employees and creditors. These informal relationships help producers avoid many regulations and restrictions. Partly due to unclear and complicated legal requirements, many small producers work in difficult or covert conditions. In some areas, households often lock their doors and operate internally, or build covered workshops behind their houses to avoid inspection by the authorities.

3.1.2 Main features of household livelihoods

The owners of woodworking households are often highly skilled. They understand all the production stages, and need to coordinate and inspect each stage. Most woodworking households have the capacity to produce a finished product. In woodcraft villages, due to the larger scale, sub-contracts are made with households to produce part(s) of a product.

Most timber used by this stakeholder group is high value⁹. Raw material sources for woodworking households are quite complicated. In remote areas, most of it is purchased from illegal loggers and middle men, often at prices as low as half the normal market price in areas close to the timber sources. Most small-scale households have no record of timber purchases. In woodcraft villages, timber is bought from trading companies with business and transport licenses. However, the legality of these companies is doubtful¹⁰.

Timber is mainly imported from Southeast Asian countries, such as Laos, Thailand, Cambodia, Malaysia, Indonesia, and Myanmar, mostly via Laos with some transported by sea via Hai Phong port. In addition, many households use timber from unidentified sources, pallet timber, and auctioned illegal timber confiscated by Forest Rangers. Imported plantation timber is increasingly used, including sapele, oak, ash, and walnut from Russia, USA, France, Denmark and Belgium, as well as domestic plantation acacia from Hoa Binh and Tuyen Quang, Nghe An Provinces in northern Vietnam, and Da Nang in Central Vietnam.

The diverse range of products from wood processing households includes: tables, chairs, sofas, shrine cabinets, wardrobes, beds, office furniture, shelves, stair handrails, stair pillars, wood flooring, cladding for ceilings and walls and interior decorative products. Some households also sell sawn timber. Most woodworking households produce for the

⁸A ‘full production’ household is a household that produces a finished product.

⁹ Such as huong (*Pterocarpus macrocarpus*), trac (*Dalbergiacochinchinensis*), cam lai (*Dalbergiaoliveii*), mun (*Diospyros* sp.), Gụ (*Sindoramartima*), cam xe (*Xylocarpus*), chieu lieu (*Terminaliachebula*), lim (*Erythrophloeumfordii*) and cho chi (*Parashoreachinensis*).

¹⁰ More information on the operations of timber trading companies can be found in EIA (2014) and related links <http://www.tienphong.vn/Phap-Luat/thong-believe-chan-dong-ve-magnate-far-hoi-den-smart-sam-751265.tpo>

local market, selling directly to individuals, companies and shops in other provinces or surrounding areas.

In Northern woodcraft villages, it has been estimated that about 83% of the products are consumed in Vietnam and the rest is exported to China (Forest Trends 2012). However from Dong Ky woodcraft village in the Red River Delta area, about 65% of output is exported to China. Of this about 25% is in the form of unfinished products¹¹ and 40% is sawn timber. Of the 35% consumed domestically, about 30% are finished products and 5% is sawn timber.

The scale of production facilities and equipment varies considerably. Most producers have made minimal investment in production facilities and technology. The workshop area is typically 100-200m². Machinery is basic. Tools commonly used include saws, planers, paint blowers, large band saws, etc.

Few households record their inputs, outputs and revenues. There are usually no transaction documents, such as VAT invoices or receipts, forest product lists and forest protection hammer stamp records (for regulated timber). This is because customers and authorities do not require strong compliance. Many registered households pay only a fixed tax per month and buy receipts from the Department of Taxation when needed. Most households do not provide receipts to customers. According to a report on the Northern woodcraft villages, 30- 78% of households sell their products without product records or invoices (Forest Trends, 2012).

Households are supposedly responsible for periodic reporting of timber inputs and production to the local Forest Ranger, or when the timber arrives at the workshop. Timber from natural forests must be reported immediately. However, in practice households hardly report and Forest Rangers do not often check.

Environmental problems like pollution and fire prevention are pressing issues, especially if woodworking households are located in residential areas such as woodcraft villages. But there is often a lack of appropriate industrial area for wood processing due to other land-absorbing projects and a lack of support from local authorities. Households are aware of pollution and try to manage it. Environmental, fire prevention and fighting and waste issues are addressed by households in an unplanned, reactive manner, depending on the urgency, availability of equipment and local context. Compliance with environmental regulations is almost impossible as the majority of households do not receive guidance and training.

Small households often employ 2-10 workers depending on the season. The relationship between owners and workers is rarely formalised. Most workers, including foremen, are paid weekly and do not have contracts, employment insurance or social insurance. Due to

¹¹The unfinished products will be assembled, coloured and finished in China.

the informal working relationship, workers assume the risk when accidents happen. During the low season, many workers are laid off, starting with unskilled labour. Verbal contracts are preferred by both owners and employees because of their flexibility. Workers can switch employers when presented with higher salary opportunities, while owners can choose the right person.

With the exception of larger production units such as in the Red River woodcraft villages, there is a very low ratio of female to male labor in most woodworking households. Labor allocation follows traditional Vietnamese gender roles. Women undertake simple work, such as sanding, or lighter detailed work such as carving, although almost all painting work is by men. However in households that market the products, women play a major role in trading.

While the wage of mostly male workers is 200,000-250,000 dong (\$10-12) per day, women undertaking lighter work only receive 80,000-150,000 dong (\$4-8) per day. There were no issues raised in the stakeholder workshops about the gender roles, although it is clear that the health of women and children can be adversely affected by the pollution.

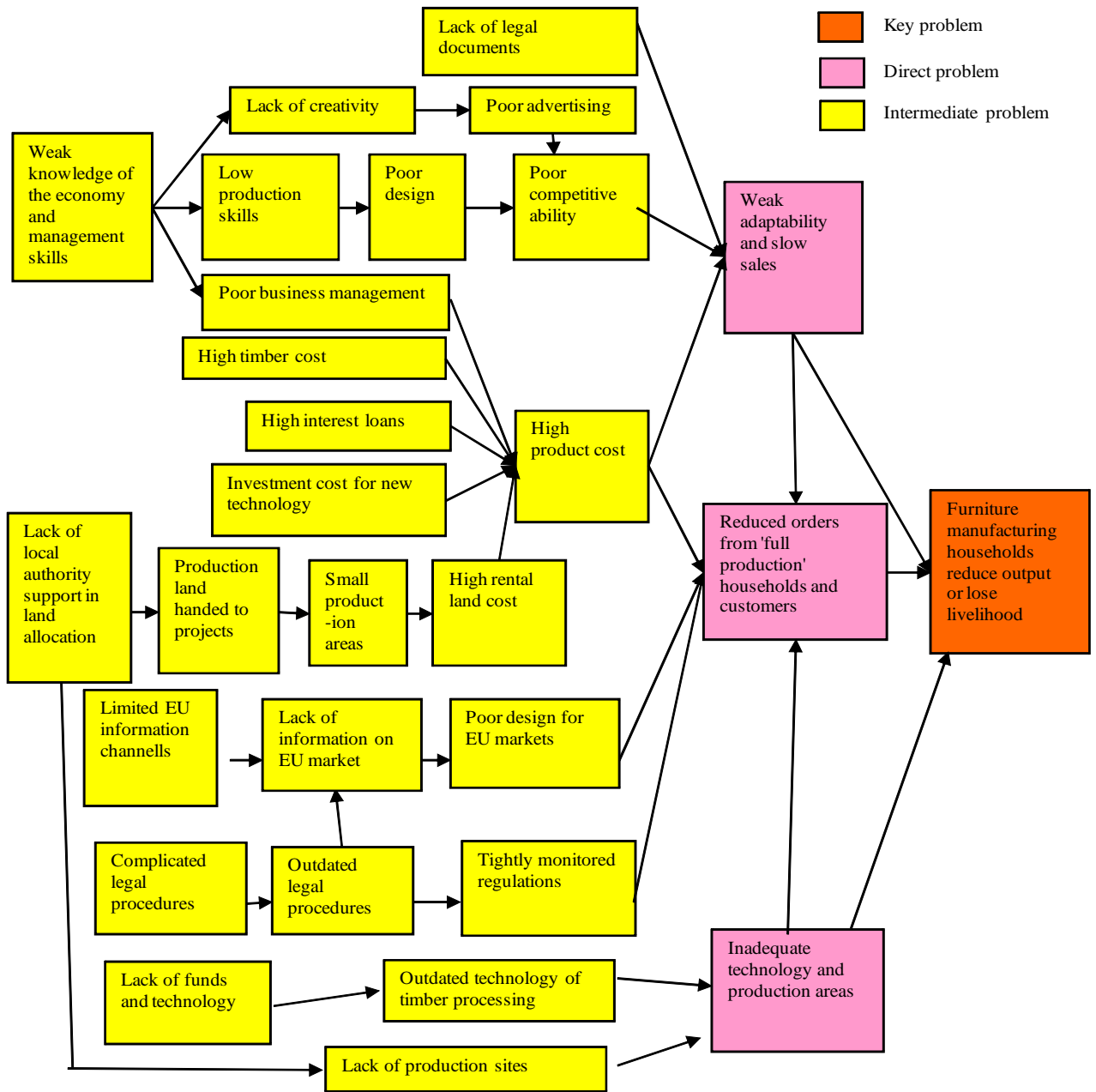
3.1.3 Constraints/ problems of furniture manufacturing households

The main constraints or problems for furniture producing households, many of them appearing in the problem tree (Figure 1) developed in a participatory stakeholder workshop, are:

- Lack of appropriate production equipment and land area.
- Complicated legal procedures and inadequate documents to meet legal requirements. Most production households have no business license, timber legality records¹² or invoices for their products.
- Failure to meet production requirements for environmental protection, fire protection, and sanitation.
- Violation of labor regulations with no labor contracts with workers, partly due to the seasonality of employment.
- Weak management and economic knowledge. Most woodworking households have no formal management knowledge.
- Lack of market information and skills to produce legally recognized products to meet market requirements.
- Difficulty of access investment finance for improvements.
- Passive or negative State management, especially by local authorities.
- Problems are not heard by the responsible authorities due to weak connections with civil society organizations (CSOs) and the media.

¹²Timber legality records comprise various legally required documents (ref. Circular 01/2012/TT-BNNPTNT)

Figure 2. Problem tree of furniture manufacturing households (Dong Ky Village, Red River Delta area)



3.2 Plantation timber processing households

3.2.1 General information

This stakeholder group is important both due to the large number of households, and its role in the timber industry. Timber processing firms have grown rapidly in northern Vietnam since the mid 2000s following a decade of plantation development. Timber processing households are concentrated mainly along the main roads around forest plantation areas, especially in the northeast, northern and southern coastal provinces.

At present, Vietnam has over 3 million hectares of plantation (mainly Acacia and Eucalyptus) of which 78% (2,270,000 hectares) is 'production forest' producing 17 million m³ annually. Half of this is processed by timber processing households before going further up the supply chain (Tran Le Huy and To Xuan Phuc 2013). As of 2013, Vietnam had about 4,000 timber processing enterprises and individual businesses employing about 117,000 laborers, of which about 40% were female. Of these enterprises, about 46% have less than 10 laborers and 40% have 10- 49 laborers (GSO, 2013).

Most plantation timber processing households are relatively prosperous, often with high school graduates. In Northern Vietnam, the ratio of ethnic minorities in this stakeholder group is high. Depending on the region, their timber-derived income accounts for about 50-70% of net household income. Its household importance is partly due to the large lump sum payments.

Similar to the furniture producing stakeholder group, plantation timber processing households are under the supervision of the local People's Committee and relevant departments, especially the Forest Protection Department (FPD). The ratio of registered businesses is over 80%. In general, only small, remote and seasonal firms are not registered. Most of the registered households pay a fixed tax (200,000-500,000 dong (\$10-25)/month) and a business tax (1,000,000 dong (\$50)/year).

3.2.2 Main features of household livelihoods

Owners of the timber plantation processing factories do not engage in direct processing tasks, but act as managers, including sourcing the inputs and marketing. Input supply is mostly from nearby forest plantations of Acacia, Eucalyptus and *Styraxtonkinensis*. Workshop areas are usually about 500-1,000 square meters. For veneer production, they also need several thousand square meters, either around their houses or on nearby public land, often beside a main road, for drying the veneer sheets.

On average a factory or firm has 5-10 permanent workers, who are mainly male, to manage the machines. They also hire many seasonal workers, most of whom are women

and children, for drying products like artificial boards. Many of these are relatives or neighbours. Partly due to this, firms do not feel obliged to provide the legally required benefits like labor contracts, accident and social insurance, or protective wear¹³. In many areas, seasonal laborers are paid by the day.

Processing households (especially factories in the North) use simple machines, including one or two veneer processing machines, saws and a few other machines made locally or in China. These are unsafe and wasteful with wood conversion ratios of about 30%. A typical household processes about 1,100-1,200 m³ round wood during the dry season from August to January, and earns a net annual income of about 200-300 million dong (\$10,000-15,000)¹⁴.

The main products are wood slats, rotary veneer sheets and woodchips that are sold to furniture, paper, and woodchip processing factories (from firms located in coastal and southern provinces) and to Chinese customers (from firms in north eastern provinces). Some big timber processors, who have trucks, can transport products to factories, while most rely on middlemen to supply the China market.

Most owners are aware of the legal requirements on wood legality, fire prevention, environmental protection and labor safety. However they do not comply much with them, especially as regards wood legality and production conditions, due to such factors as legal complexity, weak law enforcement and cost implications. Wood source or product records are produced only if buyer require them - the cost of this is regarded as the buyer's responsibility. For small-scale processors and those in remote areas with little access to information on legal requirements, there is a low level of legal compliance.

3.2.3 Constraints/ problems of plantation timber processing households

The main problems identified for plantation timber processing households, most of them reflected in the problem tree (Figure 2) developed in a multiple stakeholder workshop, are:

- Increasing shortage of wood inputs. The development of processing factories and plantation areas are out of balance at both the national and local levels, leading to strong competition for inputs and supply shortages. At the local level, weak regulation is resulting in strong competition between registered and non-registered households. Sourcing problems are also due to weak relationships between processing households and local forest owners, low forest productivity and lack of capital to buy wood.¹⁵

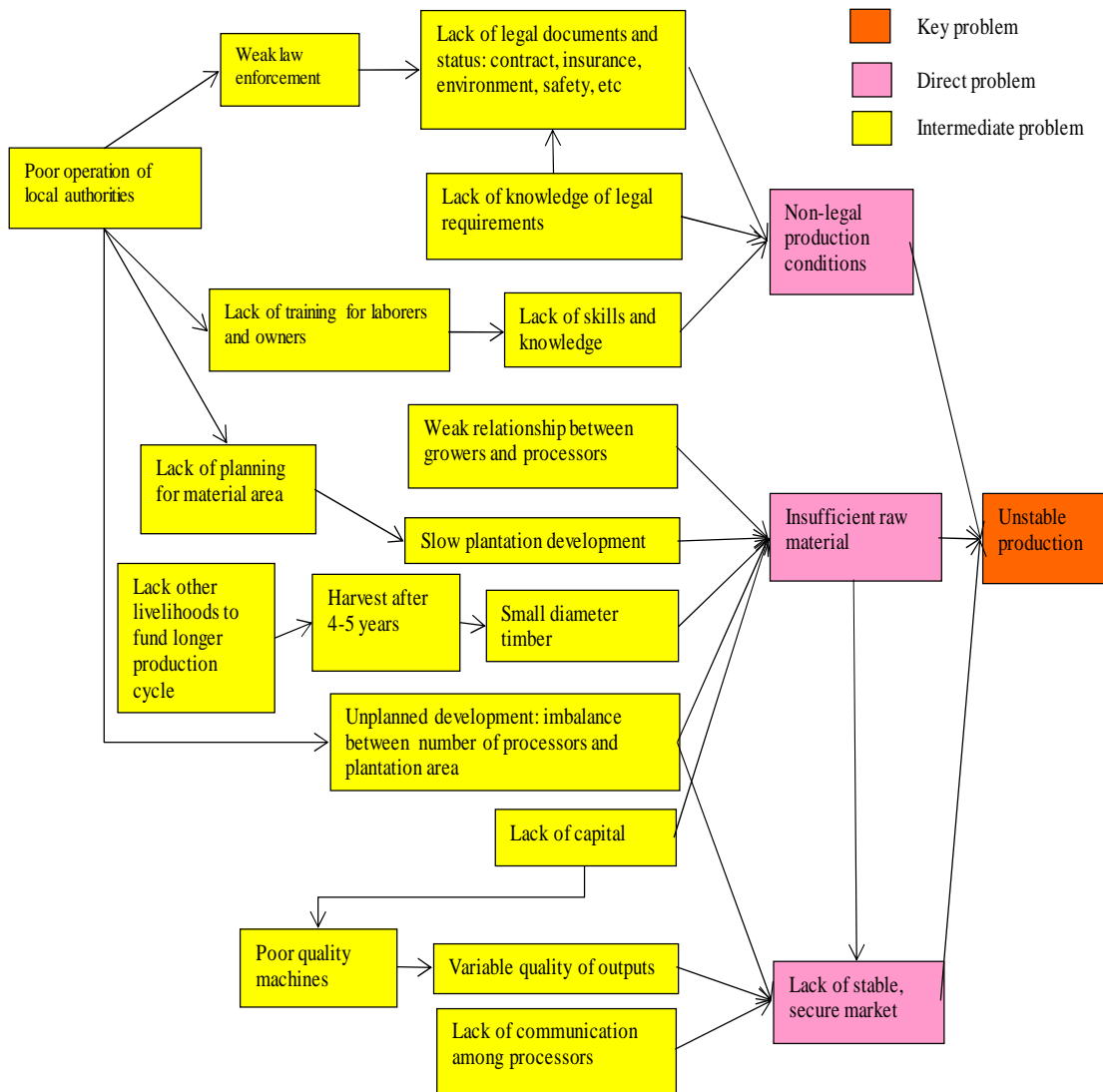
¹³In Thai Nguyen province, it is found that about 90% of the laborers have no contract with the employers.

¹⁴In July 2014, the price of Acacia material was 1.2 million dong/m³ and of the product (rotary veneer sheets) was about 2.1 million dong/m³.

¹⁵ In Yen Binh of Yen Bai province in northern Vietnam, few households operate at full capacity while in Phu Luong, Thai Nguyen province also in the north, about 60% of the raw material is from other districts or provinces.

- Most households have poor production conditions, legally and physically (including their small scale). Most are violating regulations such as business registration, labor contracts and insurance, environmental protection, fire safety, etc. This exposes households to a number of risks including fines and losses due to accidents and unstable markets.
- Weak information on, and knowledge of, technology, technical skills, management practices, finance, etc.
- Lack of access to long-term credit for capital investment.
- Marketing problems associated with low production capacity, the supply and demand imbalance partly associated with weak regulation by local authorities, and lack of collaboration and communication among processing households.

Figure 3. Problem tree of plantation timber processing households



3.3 Forest dependent ethnic minorities

3.3.1 General information

Vietnam has 53 ethnic minorities with 14 million people distributed throughout the country. Over 90% of ethnic minorities live in uplands or mountainous areas and are dependent on forest resources. In 2010, two-thirds of ethnic minority people were classified as ‘poor’, compared to 13% of the Kinh majority. The proportion of ethnic minority people in the poor category has increased from 20% in 1993 to 47% in 2010 (World Bank, 2012).

A study of minorities¹⁶ in Thua Thien Hue Province in Central Vietnam appears typical of other ethnic areas, including the description of forest-dependent households with and without legally allocated forest land. In this area, just under 30% of ethnic minority households were 'poor' and 15% were just above the poverty line. Annual statistics show the very high risk of falling back into poverty for such households (Tran Nam Thang, 2013).

3.3.2. Main features of household livelihoods

For ethnic minorities in Thua Thien Hue (Central Vietnam), forests and forest products have a very important role, including due to their substantial contribution to household income and subsistence (Wetterwald et al, 2004). For example, commonly harvested forest products include rattan, bamboo, palm leaves, honey, broom grass, as well as timber, various kinds of wild animals and fish from forest streams. Forest products are often sold in local markets. According to research on the dependency of local people on forest resources in Nam Dong and A Luoi Districts of Thua Thien Hue Province in 2004-2005, household economic dependence on forest resources ranged from 30% to 70% in 2004 to 2005 (Tran Nam Thang, 2004), although by 2009 it had fallen to an average of 18% (Tran Nam Thang, 2010).

Among some ethnic groups, customary laws and institutions are still active in parallel with State regulations. Traditionally, forest resources are managed by community clans. The head of the clan allocates or assigns agricultural land and forest to its households. In the state system natural resources are managed by local People's Committees and relevant departments such as the FPD. Local authorities allocate some forestland (commonly including upland fields of ethnic minorities) to households and organizations for protection and development. However, the proportion of forest and forestland allocated to institutions and companies or enterprises is much higher. In many areas, because customary law is still respected and people depend heavily on forest resources, conflicts occur between local people, state agencies and legal forest owners when land is allocated to outsiders.

Ethnic minorities perceive forests through a lens of culture, use values and religion. Forest and forestland belongs to the whole community (or clan) to be used by all members of the community with the exception of ancestral, sacred forests. All community members are treated equally as regards land use and forest access following customary laws and are also responsible for protecting community land and forest. No-one has the right to sell community property. However, this tradition is overruled when land is privatized and allocated to outsiders.

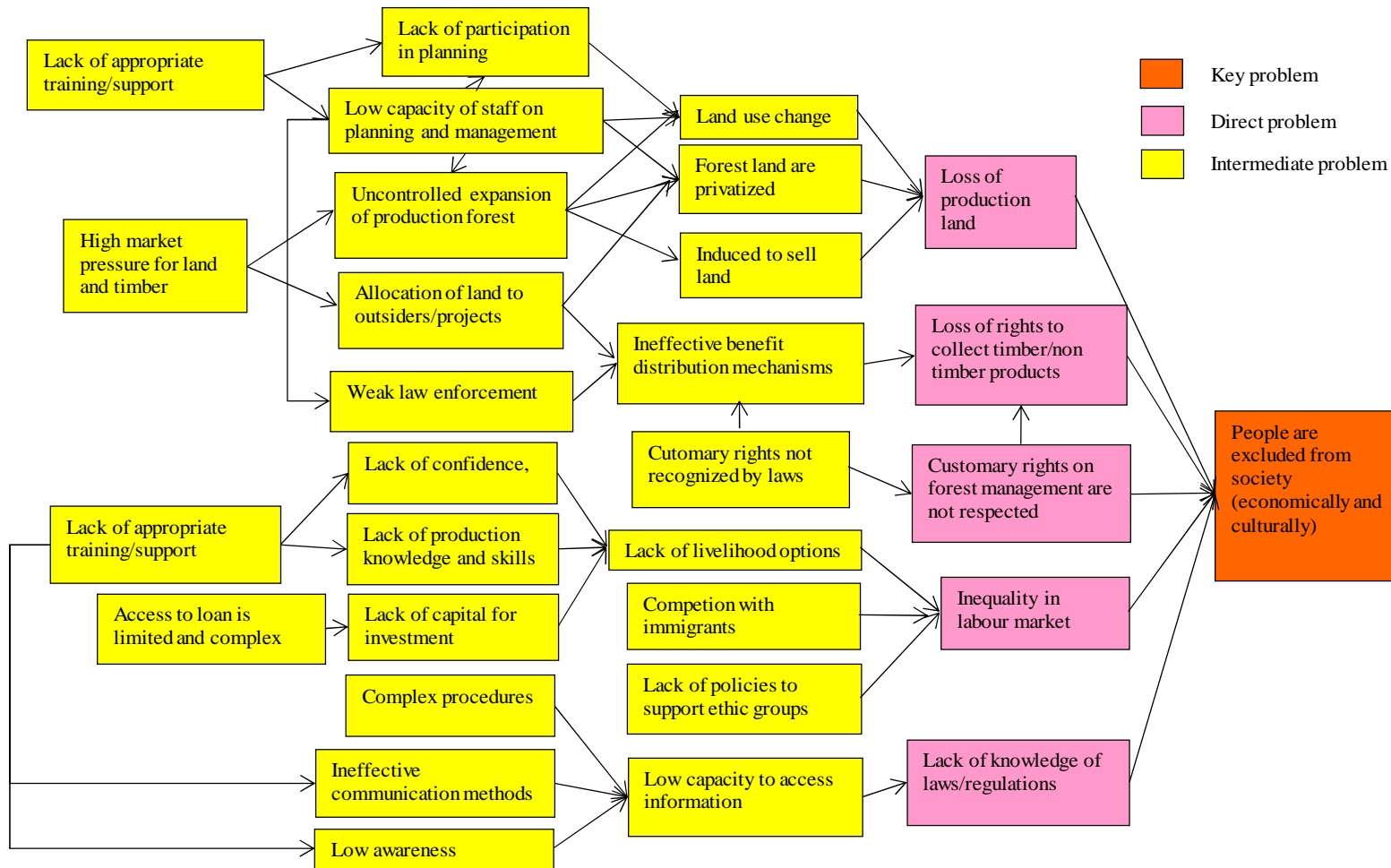
3.3.3 Constraints/problems of forest-dependent ethnic minority households

The main problems faced by forest-dependent ethnic minorities, many of which are reflected in the problem tree (Figure 3) developed in a multiple stakeholder workshop, include:

¹⁶The Pakô, Cotu, Ta Ôi, Vân Kiều and Pahy groups.

- Reduced access to natural resources, including fertile land and forest resources. Most ethnic minority households derive a significant part of their living from forests, but their forest-based livelihoods are unstable due to the recent expansion of protected areas, which prohibit harvesting of NTFPs and shifting cultivation.
- Limited access to markets, infrastructure, capital, and information. Remote ethnic minorities have little or no knowledge of financial management, science and technology, which limits their ability to adapt to modern life.
- Lack of confidence due to social and cultural marginalization. In most upland communities, ethnic minorities live side-by-side with more sophisticated Kinh people. Ethnic minority people have low levels of formal education, their indigenous knowledge and customary laws are not respected, and their forest-dependent cultures are fading in the context of state-managed forest governance.

Figure 4. Problem tree of ethnic minority groups



3.4 Timber growers without Land Use Resource Certificates (LURCs)

3.4.1 General information

The legal requirements for plantation timber growers involve land or forest use rights and various timber harvesting or extraction related documents¹⁷ depending on the type of timber, land area, and sources of investment (private or state). A Land Use Resource Certificate (LURC) is a formal land use document issued by the land administration authority under the Ministry of Natural Resources and Environment. LURCs are also known as ‘red books’ so that there are households with and without ‘red books’. Households may have forest land allocated to them, but have not yet obtained LURC certificates. Sometimes these households have other types of papers confirming the legality of the land allocated to them, such as land allocation decisions of the Commune People’s Committee, or forest land allocation papers previously issued by FPD (‘green books’). In the draft Legality Definition under the VPA, these other papers are recognized as legal proof of land use rights.

According to a recent study (Phan Trieu Giang, 2014) about 74% of household plantations had an LURC, 19% had some kind of land document but had not started the process of LURC issuance, and 7% were completely without legal documents due to ‘impediments’, disputes, changes in administrative boundaries or overlapping boundaries. As things stand, timber from 26% of household plantations could be classified as illegal. Thousands of households that have not started the LURC application process due to a combination of low confidence that their application will be successful, low understanding of the importance of the LURC for future timber legality since currently there is no problem in selling their timber, and the complex paperwork.

3.4.2 Main features of household livelihoods

A recent study of forest growers in North, South and Central Vietnam (Phan Trieu Giang, 2014) reveals that about 45% of forest planting households derive their main livelihoods from agriculture, while 33% depend more on forestry. The proportion of forest planting households under the poverty line is 8%, while 13% are only slightly above the poverty line. The average net household income in North and South Vietnam is about 50-60 million dong (\$2,500-3,000) per hectare, but only 25-30 million dong (\$1,200-1,500) in Central Vietnam, where a large proportion of household plantations are located (op cit). Average annual income from forest plantations may be quite modest, but it is important because it comes as a large lump sum thereby allowing households to pay for items such as weddings, investments, machines and buildings.

¹⁷Timber harvest related documents include the harvesting design and other parts of the forest management plan, a table of expected products, a packing list of products, and environmental protection commitments. Because of the complexity of administrative procedures, at least in some areas of North Vietnam, local authorities provide administrative support to forest plantation households when harvesting their timber, although many forest growers choose to leave harvesting to professional timber harvesters and log traders.

The timber grown is mostly fast growing species such as hybrid Acacia, *Acacia species orbo de (Styraxtonkinensis)* planted in the 1990s. The household timber plantations in this study had an average area of 5 hectares (Phan Trieu Giang, 2014). The growing cycle was usually 5-7 years depending on the household economy - the poorer is the household, the shorter is the cycle. Because of the short cycle, most harvested timber is small diameter (under 12cm). Hence most timber from household plantations is used as low value raw material for pulp and paper mills, wood chips and artificial board exports.

In forest production, heavy work like timber harvesting is undertaken by men (90%), but women are more important than men in other plantation tasks. Men have the main responsibility for business activities, such as buying seedlings (men 85%, women 15%) and selling timber (men 90%, women 10%), while women are more important in nursery work (women 76%, men 24%), planting and weeding. But women participate less in meetings and trainings, which limits their acquisition of technical and business skills and understanding of legal and policy issues.

3.4.3 Constraints/problems of timber growers without LURCs

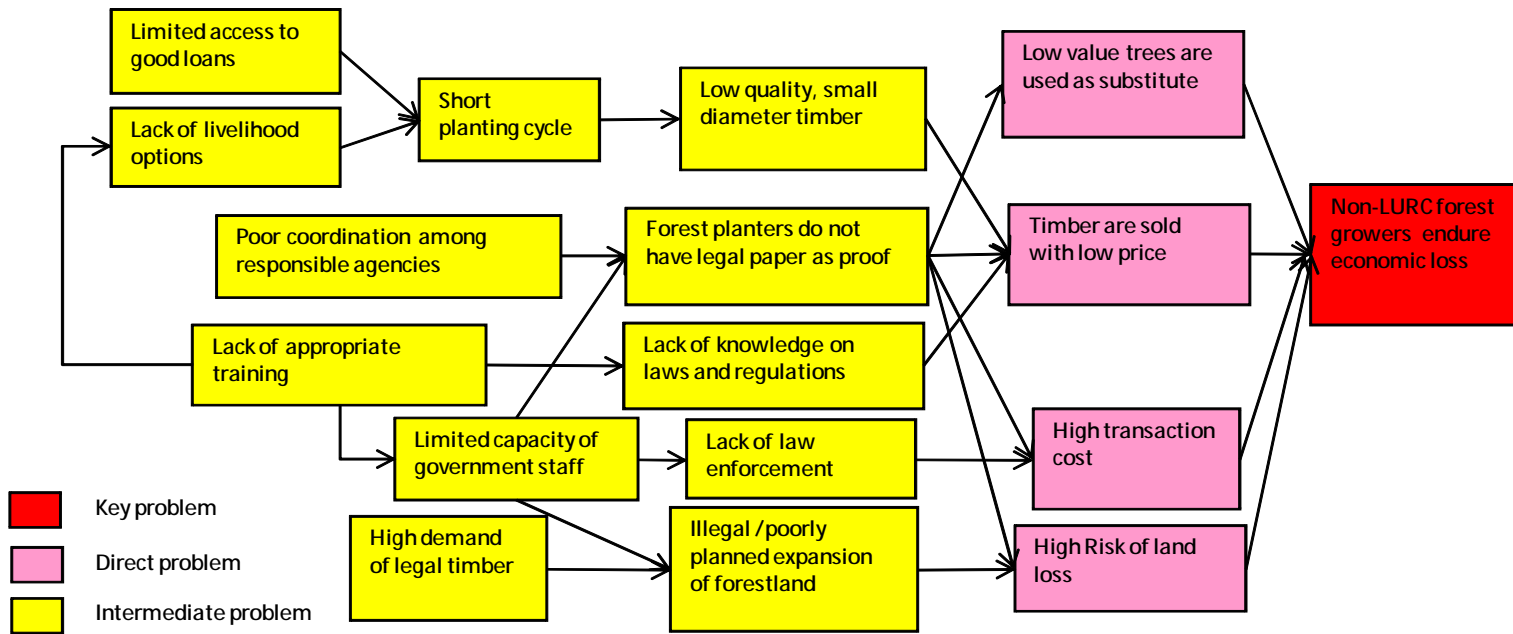
The problems faced by timber plantation grower without LURCs, many of them reflected in the problem tree (Figure 4) developed in a multiple stakeholder workshop, include:

- Lack of information and understanding of laws and regulations, combined with low awareness by non-LURC growers of the importance of the LURC for future timber legality. Complex administrative procedures for harvesting create difficulties for forest growers, although in some areas, local authorities provide assistance. Without support many forest growers do not harvest themselves due to the complex regulations, resulting in lower prices. These difficulties are greater for forest growers without LURCs.
- Lack of investment capital and other sources of income. Many households lack other sources of income, so that they are forced to harvest their trees early. The short production cycle leads to low grade small diameter timber and significantly lower prices and profit margins.¹⁸
- Weak coordination between the land administration agency (under the Ministry of Natural Resources and Environment) and forest regulation agencies (including the FPD) resulting in slow or in efficient implementation of boundary demarcation and dispute resolution. Forest land plots allocated to households are sometimes not measured or recorded accurately, causing disputes or overlapping land use issues, so that non-LURC households may not receive their papers in the near future.

¹⁸In a pilot WWF project in Gio Linh, Central Vietnam, if the growing cycle is extended to 10 years with a density of 600-800 Acacia trees per hectares, households could harvest 100-125 m³ of larger sized logs (10->20 cm in diameter) and 60 tons of woodchips mainly from the branches, thereby bringing the households a gross income of 190-230 million dong (\$9,500-11,500) in 2013 (based on telephone interviews with farmers following an introduction by WWF).

- Increased demand for plantation timber will lead to concentration of forest land and plantations in the hands of forestry companies, and households without LURCs are most vulnerable to loss of their land.

Figure 5. Problems faced by timber growers without a LURC



4. Impacts of the VPA on the livelihoods of vulnerable stakeholder groups

As explained in Box 1, Transmission Channels Analysis (TCA)¹⁹ was conducted with local resource people to investigate the potential impact of a VPA on vulnerable stakeholder groups. These impacts are analyzed by assessing consequences of changes in six ‘transmission channels’: prices and costs; employment; livelihood assets; access to goods and services; transfers (fees and taxes); and power or authority relationships.

4.1 Furniture manufacturing (woodworking) households

Strict and effective implementation of the VPA would have significant impacts for furniture producing households, especially small-scale units. The VPA would require them to obtain a business license, develop timber legality records, comply with environmental sanitation and fire safety, develop formal labor contracts, etc.

Costs and prices. The perception of the stakeholder group is that implementation of the provisions of the VPA will probably increase both market prices (due to reduced supply and higher costs) and costs (production and transaction costs, at least in the short-term). The net effect will be to reduce household income at least in the short term before market prices rise. Costs of production for furniture making households would increase due to the reduced supply of precious timber as illegal sources are stopped or reduced. Households would also have to pay VAT to comply with timber legality requirements, and especially those households in woodcraft villages would incur the costs of remediating polluted environments (e.g., by upgrading equipment and/or production space) and ensuring production safety, fire prevention and workers’ rights.

Employment. Most households, who it is predicted will not be able to meet the legal requirements (timber records, invoices and receipts, environmental pollution, production conditions, fire safety, etc.) will reduce levels of production and employment. Unskilled and seasonal labourers will be the first to lose their jobs. In the worst case scenario, unregistered and illegal producers will close down.

Livelihood assets. In the short-term many households would reduce production to adapt to the new environment. Small-scale and remote households that would find it most difficult to adjust would be most affected and possibly have to close. If properly implemented, the VPA would create a fairer but more competitive business environment. Forward thinking households may associate with large production firms or join/ establish interest groups or networks to benefit from the changes. The use of plantation timber from both imported and domestic sources would increase.

¹⁹ See “Report: The Livelihood Impact Assessment”. The Vietnamese Non-Government Organizations Network on Forest Law Enforcement, Governance, and Trade (VNGO-FLEGT) on <http://loggingoff.info/countries/vietnam>

Power relationships. Stricter application of regulations could increase the powers of relevant authorities such as those related to business registration (Department of Planning and Investment), forest inspection (Forest Rangers) and environmental regulation (Department of Natural Resources and Environment). Transaction costs would likely increase to meet the requirements of legal documents, at least in the short term, including 'official' and 'unofficial'²⁰ costs. This will be problematic for producers if the corruption observed in many places is not addressed and if there is not a good law enforcement monitoring system. On the other hand, increased cooperation between households would help balance the relationship with authorities and reduce transaction costs.

Table 3. Potential impacts of the VPA on furniture manufacturing households

Transmission channel	Primary impacts (direct or short-term impacts)		Secondary impacts (indirect or medium-term impacts, including due to changes in stakeholder behavior)	
	Description	Level ²¹	Description	Level
Costs and prices	► Transaction costs increase to meet requirements of legal documents, including 'official' and 'unofficial' ²² costs. Product prices and production costs increase, probably leading to reduce profitability.	-	► Price of timber increases, potential benefits of legal certainty	++
	► Production costs increase because of paperwork requirements and raw material price increases.	-	► Prices will establish new floor price based on input costs and supply scarcity. Larger households can enhance production capacity and benefit from transparency and stable production conditions.	++
Employment	► Employment reduced as production level reduced to meet legal requirements. Unskilled laborers will lose jobs ► Employment decreases due to reduced input supply and production.	--	► Some high skill households will change production methods, associate with large production firms, move to new premises etc. ► Loss of jobs due to non-compliance	+/- -
Livelihood assets	► Household income may fall. Many households will reduce output or change jobs because timber sources are reduced and households cannot meet	--	► Livelihood change forced on households with insufficient capacity to adapt to new situation (these households currently have insufficient documentation).	--

²⁰ According to some experts, this depends on whether the legal assurance system is simple or complex. Costs may not increase if product prices go higher and the verification process is simple.

²¹ The level of impacts is assessed on five levels: --, -, 0, +, ++ representing respectively very negative, negative, neutral or insignificant, positive and very positive. This system is used in all subsequent tables.

²² This depends whether the legal assurance system is simple or complex; it may also be different in the short-term, when there will be more opportunities for taking advantage of confusion or poor understanding, and the mid to longer term when systems are operating more smoothly and effectively.

	regulations of timber legality documents.		► Some households could expand or cooperate as they adapt successfully to the new situation with a more certain legal basis and reduced competition.	++
Goods and services	► Timber supply and production will fall	-	► The service, business and production environment will improve. Production structure will be better balanced. ► Natural timber supply will fall, but plantation timber (domestic & imported) may increase. ► Producers using precious timber from natural forests in Lao selling to the Chinese market are likely to be most affected	++
Fees, taxes	► Some fees (official and unofficial) and tax collected will likely increase as legal requirements in the distribution of timber and wood products increase.	+/-	► If weak monitoring system of officials, 'unofficial fees' could increase ► It is likely that local authorities and inspection agencies will impose additional requirements and costs.	-
Relationships of power and authority	► The power of government and departments will increase, as will production and transaction costs.	-	► Production costs will reduce and the power of parties will be balanced if households link/cooperate to develop and adapt to new production rules.	+/-

4.4.2 Plantation timber processing households

The results of the policy impacts analysis or TCA for this stakeholder group were as follows:

Costs and prices. When the VPA is implemented, illegal and non-LURC timber will be excluded from the market. This will significantly reduce the amount of domestic timber in the supply chain. The price of legal timber will increase, leading to higher costs of production for processing households. Transaction costs are also likely to rise. There should also be an increase in wood product prices that will compensate to some extent the increased costs and lower output. Small processors are likely to be most affected. The Central Highlands, where the ratio of forestland allocated is low, and the North East, where timber plantations are more developed, but with a complicated history of forestland allocation, forest zoning, and changes in administrative boundaries, could be more affected than other regions. In the mid to longer term, a smaller number of processors relative to the plantation area would lead to a more balanced situation as regards supply and demand for raw materials, and market prices should become more stable.

Access to goods and services. Timber processing households will face shortages of inputs due to the fall in timber volume because non-LURC timber is excluded. Access to legal timber will be limited and competition will be high in the short term. Access of many households to

loans for adapting and strengthening their production systems may be difficult for firms that are deemed not to be legal. In the long term, many small timber processors may not be able to compete and will close, while others, probably larger ones that have more access to information and support services, may flourish.

Livelihood assets. Individual households who cannot survive the challenge would sell their assets. Larger households may be able to take advantage of the changes, possibly through horizontal integration. Middlemen may shift to buying products from larger processors to secure their businesses, creating further difficulties for small processors. Remaining firms are likely to become stronger by joining or establishing cooperatives and interest groups, for example, to upgrade their workshops to meet legal requirements. They will have better access to services and loans. The assets, capital, and livelihoods of remaining households would increase.

Employment. In general, there will be a reduction and redistribution of job opportunities in the timber processing sector. Small households who cannot meet the new requirements (environmental and hygiene conditions) will close down. Remaining households may also reduce production to adapt to the new conditions. In either case, there will be fewer jobs, especially for women since they are generally hired seasonally, and seasonal jobs are likely to be the first to go.

Fees and taxes. Fee and tax payments will increase.

Power and authority. The power of local authorities will increase due to the VPA. If the increased power is not monitored, this could result in higher unofficial fees. But in the longer term, assuming effective implementation of the VPA, the governance environment should improve. Fees and tax payments would stabilize and informal fees fall. However, if the VPA is not well enforced, it could be extremely difficult for processing households since they would have to face both the new transaction costs and continued informal payments.

Table 4. Potential impacts of VPA on plantation timber processing households

Transmission channel	Primary impacts (direct or short-term impacts)		Secondary impacts (indirect or medium-term impacts, including due to changes in stakeholder behavior)	
	Description	Level	Description	Level
Costs and prices	<ul style="list-style-type: none"> ▶ Price of legal wood increases due to reduced illegal (and non-LURC) timber. 	+/-	<ul style="list-style-type: none"> ▶ Market price of raw material will become more stable, combined with higher product prices 	++
	<ul style="list-style-type: none"> ▶ High cost of production for small processors unable to compete for legal timber. 	-		
Employment	<ul style="list-style-type: none"> ▶ Reduced production to meet regulations. Smallscale processors will be impacted more. Some households and many laborers, especially women, will lose their jobs 	--	<ul style="list-style-type: none"> ▶ Job numbers in the processing sector will fall but then stabilize. 	++/-
Livelihood assets	<ul style="list-style-type: none"> ▶ Livelihoods will be more difficult because of reduced production. Smaller scale households may sell their assets. 	--	<ul style="list-style-type: none"> ▶ Some households able to collaborate and upgrade their workshops to meet requirements. ▶ Assets and livelihoods of remaining households improve. 	+/-
	<ul style="list-style-type: none"> ▶ Income of processing households falls due to increased costs of production, and product prices may not increase quickly. 			++
Goods and services	<ul style="list-style-type: none"> ▶ Timber volume will fall because illegal and non-LURC timber is excluded. ▶ Access to legal timbers is limited and competitive. 	--	<ul style="list-style-type: none"> ▶ Access to legal timber becomes easier over time. 	+
		--	<ul style="list-style-type: none"> ▶ With a better legal environment, households get access to better services. 	++
	<ul style="list-style-type: none"> ▶ Access of many households to loans fail due to their timber legality situation 	-	<ul style="list-style-type: none"> ▶ After being strengthened, remaining households have better access to loans 	+
Fees, taxes	<ul style="list-style-type: none"> ▶ Fee and tax payments to increase due to stricter enforcement of laws and more households comply 	+	<ul style="list-style-type: none"> ▶ Fee and tax payments become stable over time. 	+

			▶ If VPA is not well enforced, unofficial fees will increase.	--
Relationships of power and authority	▶ The power of local authorities will increase. Informal transaction costs may increase if weak monitoring of officials.	-	▶ Households empowered from collaboration and training on legal issues. ▶ Relationship between households and local authorities becomes more balanced.	-

4.3 Forest dependent ethnic minorities

This stakeholder group is not involved in timber supply or processing for export markets, but traditionally depend on forest resources; therefore, the impacts of the VPA and FLEGT on forest resources will have an indirect effect on them. These impacts are potentially serious and include:

Costs and prices. With the implementation of the VPA, the price of legal timber will increase, as will the demand for land for timber plantations. The increased price of forest land, which often contains key agricultural production land, will tempt people to sell their land resulting in severe livelihood problems.

Employment. With the expansion of timber plantations, there may be increased employment opportunities in some places, but it is more likely that ethnic minority households will increasingly rely on agricultural or off-farm work, especially if they sell or lose their land. But off-farm employment is hard to find in remote areas with poor infrastructure, and where ethnic peoples have limited formal education, lack vocational skills and attitudes, experience language barriers, and feel inferior due to cultural differences. All these factors reduce the bargaining power of ethnic minority households with employers.

Livelihood assets. If the expected growth in plantations leads to a loss of land, including natural forest, to other forest owners, income and subsistence benefits of NTFPs would significantly fall. Normally in the land concentration process, upland fields of ethnic minorities are purchased or there is a 'planned allocation' to outsiders (individuals, state enterprises or private companies). Landless ethnic minorities will then be likely to clear forest in other places for agriculture, although it is anticipated that the VPA will result in stricter limitations on forest dependent people as regards harvesting or marketing forest products. The weak understanding by most ethnic minorities of current regulations on forest products renders their situation even more vulnerable.

Power and authority. The VPA may give extra powers to forest rangers, forest companies, and forest owners over forest use and management. In many places, the traditional rights of ethnic minority peoples to forest use and products are not respected. If their customary rights are not recognized, their political power will also decline labor

Table 5. Potential impacts of VPA on forest dependent ethnic minorities

Transmission channel	Primary Impacts (Direct and short-term impacts)		Secondary Impacts (Indirect and medium-term impacts – including due to changes in stakeholder behavior)	
	Description	Level	Description	Level
Prices and Costs	▶ Price of land increases due to high demand for timber, tempting ethnic households to sell their land.	--	▶ Landless people will encroach and clear more forest for agriculture.	--
Employment	▶ Potential increases in employment opportunities on forest plantations in some localities, and decreased employment in others.	+/-	▶ Increased reliance of ethnic minority households on off-farm employment (e.g. in Central Highlands and Central Coast). ▶ Ethnic minority laborers less able to access labor markets.	+/-
Livelihoods and assets	▶ Income loss due to reduced access to collect NTFPs - stronger forest protection while customary laws are not recognized. ▶ Increased demand for domestically grown timber and land for forest plantations.	--	▶ Loss of livelihood assets and reduced access to forest resources ▶ Land loss of minority people due to land grabbing or sale due to increased demand of timber plantation leading to land concentration. ▶ Ethnic minorities likely to clear other forest areas to grow upland crops and collect NTFPs	--
Access to goods and services	▶ Stricter requirements and more complicated procedures for forest dependent groups to harvest or market forest products. Many people will lack information about new regulations.	+/-	▶ Reduced access to forest resources if rights of ethnic minorities are not recognized.	--
Relationships of power and authority	▶ VPA may give extra powers to forest rangers, companies and forest owners over forest use and management. ▶ If customary laws are not respected, weaker position of ethnic minorities in negotiations for resource access.	+/-	▶ Better and more effective regulations on forest management; traditional livelihoods of ethnic minority people could be recognized.	+

4.4 Tree planting households without LURCs

The primary evidence of wood legality for forest growers is land or forest use rights, and various harvest-related documents for certain types of timber plantations²³. A stricter legal framework and enforcement could prejudice the livelihoods of timber planting households without LURCs. Non-LURC timber may be considered illegal, adversely affecting already poorhouseholds.

Costs and Prices. Prices for timber from non-LURC households could be much lower than households with LURCs.

Employment. Employment would fall because non-LURC timber growers may stop growing trees. Women, who do most of the forest-based work, would lose employment. On the other hand jobs could increase if households with LURCs expand their plantation areas.

Livelihood assets. Household income from tree growing will fall due to lower timber prices, and households shift to farming or substitute market-oriented trees species with substance-oriented ones. Household assets could change significantly. There is a high risk of non-LURC households losing their land due to weak land ownership. Households with little hope of obtaining an LURC due to the complexity of their land holding origins could opt to sell their land cheaply, e.g., to 'land-grabbing' entities that are able to use their connections to legalise the land. Land without a legal owner or proof, or where it is 'ancestral' is most at risk of being confiscated or subject to 'planning' decisions involving state-owned companies or private enterprises.

In the long run, the LURC application process and issuance could speed up as local authorities speed up LURC issuance in order to avoid or reduce the mixture of legal and illegal timber. Successful households able to adapt to the new situation or engage in horizontal or vertical integration could then benefit from improved forest governance, higher prices, etc.

Access to goods and services. Non-LURC households find it difficult to access loans and forestry extension programs.

Fees and taxes. There is potential for local forest authorities and inspection agencies to impose extra fees or bribes, if there is no effective monitoring system, for legalizing non-LURC timber and/or speeding up the issuance of LURCs.

²³ Depending on the sources of investment, forest area, tree species etc, the required papers include a harvesting plan, harvesting permits, a list of products, minutes of forest ranger's hammer marks, environmental impact documents, etc.

Power and authority. The power of authorities will increase with stricter legal enforcement, while timber growers without LURCs would become more dependent and weaker. The VPA process could also increase the power of middle men and traders who with their better understanding of the TLAS process, as well as their superior market information, are likely to be in a strong position as regards setting farmgate prices for non-LURC timber. Social differentiation between households with and without LURCs could also increase.

Table 6. Potential impacts of the VPA on timber growers without LURCs

Type of Impact	Primary Impacts (Direct and short-term impacts)		Secondary Impacts (Indirect and medium-term impacts – including due to changes in stakeholder behaviour)	
	Description	Level	Description	Level
Prices and Costs	▶ Price of non-LURC timber falls while legal timber price increases	+	▶ Proportion of timber area with LURCs will increase leading to improved incomes for tree growers.	+
	▶ High price of forestland leading to land grabbing by entities that can legalize non-LURC land.	-	▶ Reduced access of local households to forestland, and increased inequality in land distribution.	--
Employment	▶ Mixed effect: less jobs in non-LURC plantations, more jobs in new or expanded plantations labor	--	▶ As more households obtain LURCs, livelihoods/jobs become more stable	+
Livelihood and Assets	▶ Lower incomes due to low price of non-LURC timber.	--	▶ Abandoning timber and shifting to new crops or livelihoods may expose households to high costs and the risk of failure	-
	▶ Sale of non-LURC land at a low price to invest in other livelihood options.	--	▶ Potential for land concentration and increased inequality in land distribution; potential for increased land use conflicts.	--
Goods and Services	▶ Increased demand for LURCs. Possibility of institutional incentives to accelerate LURC issuance.	+	▶ More stable production conditions and better legal status for households with LURCs, leading to more stable production/markets.	++
	▶ Access of non-LURC households to loans, mortgages, forestry extension programs, etc., is limited.	-	▶ Households that obtain LURC gain access to support programs, credit, etc.	+
Fees and taxes	▶ Potential increase in formal and informal payments for obtaining LURCs, or selling non-LURC timber.	--	▶ Depending how well VPA is implemented, potential for local forest authorities and inspection agencies to impose extra fees, but also potential to reduce red tape and transaction costs	+/--

Relationships of power and authority	▶ Non-LURC households in very weak situation –socio-economic differentiation could increase with LURC holders	+/-	▶ As more households obtain LURCs, they can benefit from wider governance benefits of VPA, e.g., transparency, independent monitoring, etc.	+/-
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5. Strategies to reduce negative impacts and promote benefits

In order to develop strategies to reduce negative impacts, and enhance positive impacts of the VPA, the participatory theory of change approach was applied (Richards &Hobley, 2012). In response to the problem trees, the cause-and-effect relationships are presented in a set of ‘solution trees’ (Figures 5-8) from which practical strategies can be developed. The implementation risks or constraints associated with these solutions were identified and corresponding risk reduction measures analyzed and added to the solution trees.

5.1 Furniture manufacturing households

In order to reduce the vulnerability of furniture manufacturing households to negative impacts of the VPA, and enhance beneficial impacts, three main strategies were identified:

Strategy I. Improving access to markets and legal wood sources

This strategy can be achieved through activities such as:

- i) improved market information and understanding of the requirements the EU and other potential markets;
- ii) training in marketing strategies and how to access and use market information;
- iii) establishing cooperatives or producer groups (horizontal integration)
- iv) information about how to access legal sources of raw materials.

Strategy II. Improving production capacity to meet legal and market requirements

Activities identified for this strategy were:

- i) working with different actors to gain access to technology investment funds;
- ii) establishing cooperatives or groups of households with the aim of strengthening production capacity;
- iii) training in how to develop improved production capacity;
- iv) working with relevant stakeholders (authorities, CSOs, media) to advocate for the establishment of appropriate production sites, especially, for woodcraft villages.

Strategy III. Advocacy for the approval of practical regulations

Currently proposed regulations are considered to be impractical for furniture producing households. This strategy can be achieved through the following activities:

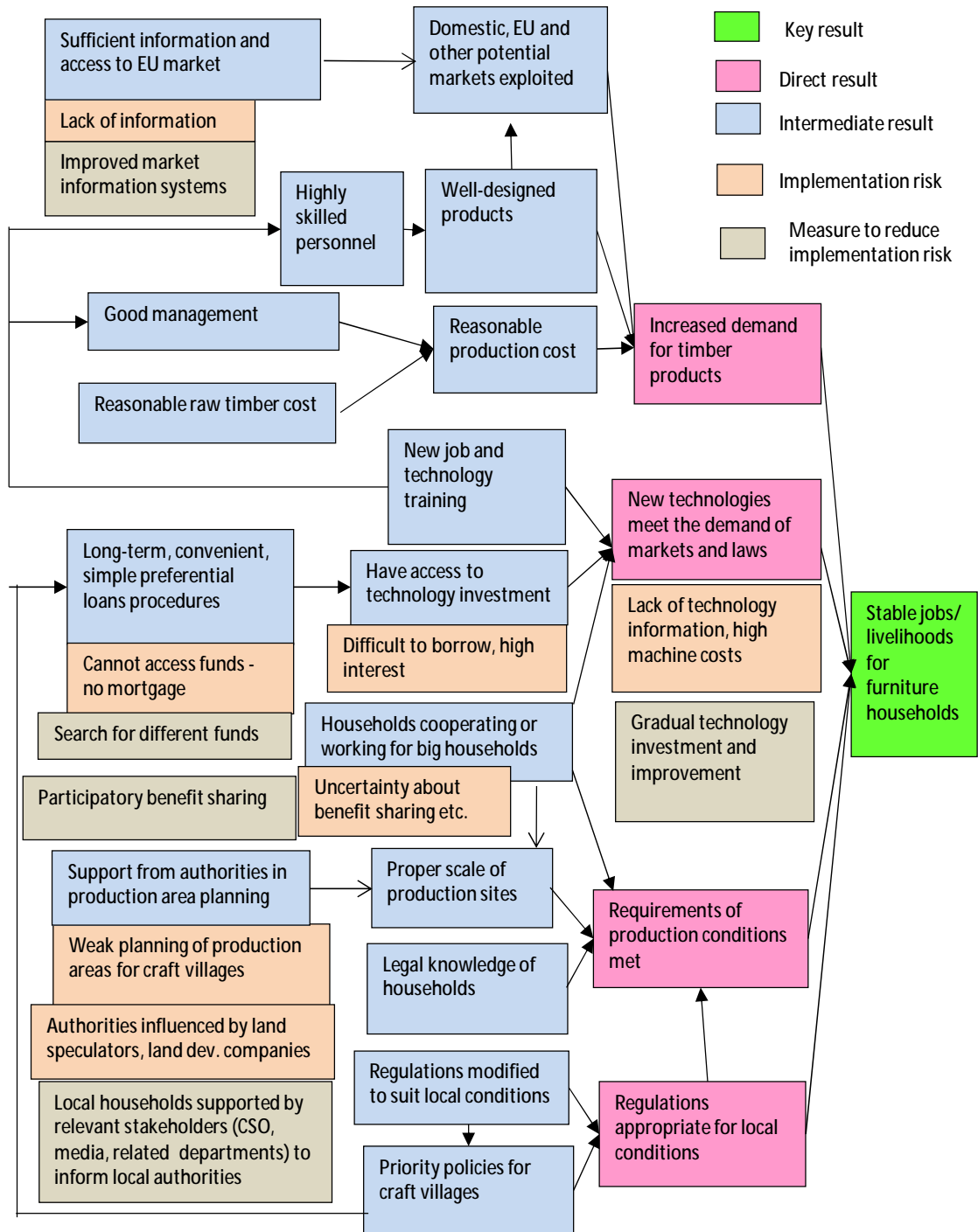
- i) studying the legal information and regulations on wood production;
- ii) working with other stakeholders to advocate appropriate regulations and policies for furniture manufacturing households and woodcraft villages, and developing a roadmap for change. For example, the solution to pollution issues should include community level planning.

It can be noted that a key strategy is to form interest groups or cooperatives. This would help increase production capacity, reduce production costs, the negotiation of better sale prices, and help balance the power relationship with state agencies, local authorities and other forest owners. Trainings should be conducted bottom-up, based on real needs of production households. But the implementation of such strategies could be impeded by obstacles such as:

- Alternative production sites are difficult to establish because of the rising price of land, unless the local authorities are supportive.
- The influence of external land investors on local authorities, resulting in delays or negative responses to proposals for appropriate industrial areas.
- Limited willingness of households to cooperate due to uncertainties surrounding their responsibilities and benefit sharing.

Risk reduction measures for these implementation risks include seeking support from relevant stakeholders (CSO, media and government departments) to lobby local authorities to plan for appropriate production sites and the participatory establishment of benefit sharing mechanisms. The solutions tree or results chain from which the strategies, implementation risks and risk reduction measures are derived, is presented in Figure 6.

Figure 6. Solutions tree of furniture manufacturing households



5.2 Plantation timber processing households

Based on the solutions tree (Figure 7), plantation timber processing households trying to develop stable and viable production systems will need to pursue the following strategies:

Strategy I. Promotion of market access and stability

This strategy requires the following activities and/or results:

- i) improved quality and more diversified products by strengthening the capacity of plantation managers of laborers and improving production facilities;
- ii) sourcing market information on new potential markets;
- iii) improved socio-economic planning to improve regional supply and demand balance;
- iv) limiting or reducing production and transaction costs.

Strategy II. Accessing more stable sources of raw materials

This strategy comprises:

- i) establishing sufficient plantation areas;
- ii) raising plantation yields through better quality seedlings and appropriate planting and harvesting techniques;
- iii) balancing the supply capacity and processing capacity through socio-economic development planning and control of business license issuance by local authorities.

Strategy III. Meet the requirements for production conditions

The activities and/or results necessary for achieving this strategy are:

- i) developing streamlined and clear regulations that are practical for local conditions;
- ii) improving knowledge and skills of laborers and staff in production techniques, management skills, and laws; and,
- iii) obtaining favourable long-term credit for improving production capacity.

It is noted that the establishment of career associations, networks or groups of timber processors can improve communication between processors that should improve their market negotiating power, reduce transaction costs, and lead to self-organised training courses for themselves and their workers. These trainings should include wood processing techniques, business management, and legal issues.

Implementation risks that were identified included:

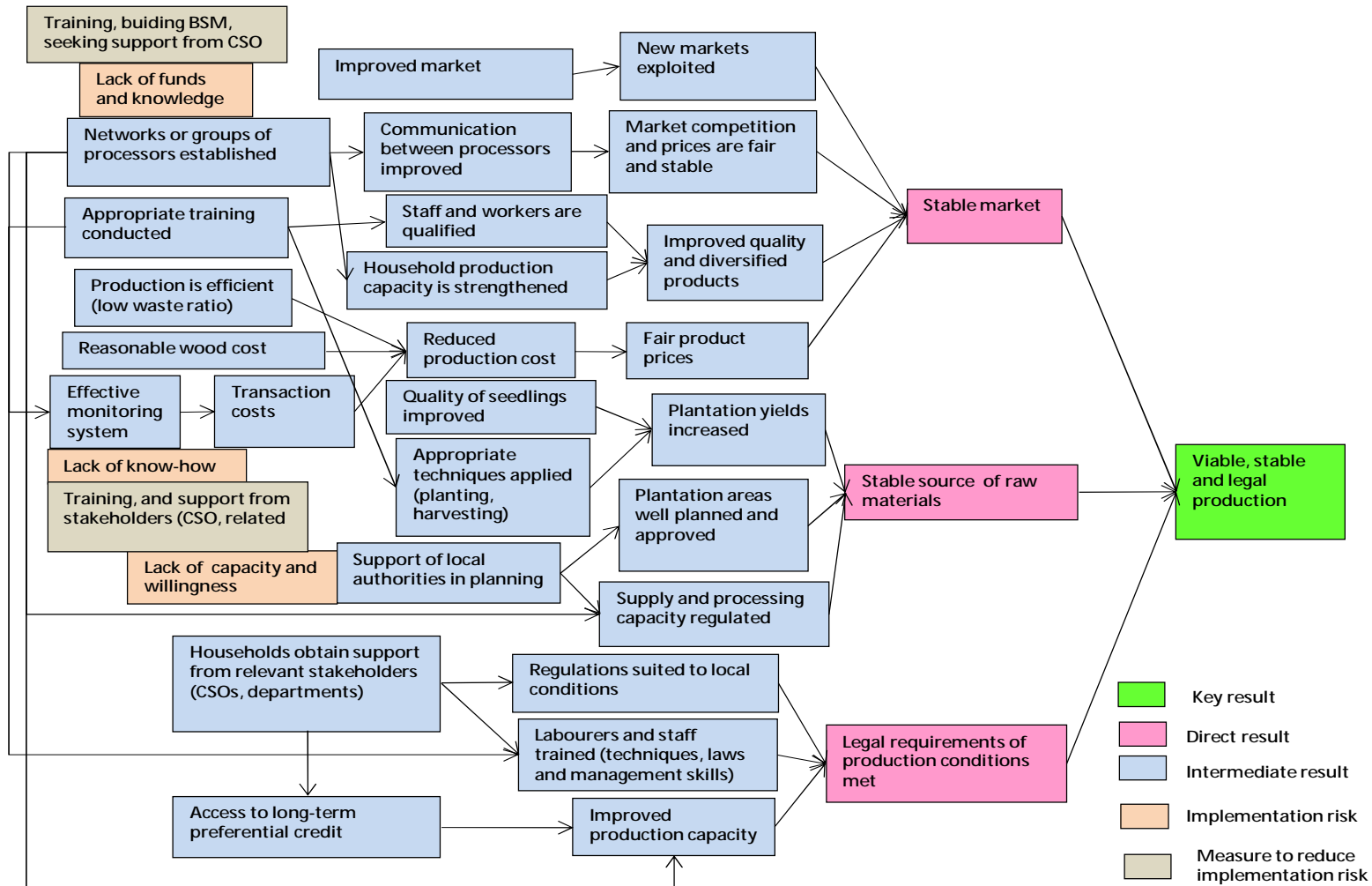
- lack of finance to upgrade production capacity;

- difficulties in establishing career networks or groups;
- households with insufficient knowledge or capacity to establish and maintain a network;
- lack of capacity or willingness of local authorities to plan plantation areas and reduce the number of processors in order to achieve a better balance between raw material supply and processing capacity.
- weak capacity or willingness to create an effective monitoring system of law enforcement agencies.

Risk reduction measures identified included:

- appropriate training for production capacity improvement;
- developing appropriate building regulations;
- establishing an equitable and effective benefit distribution system;
- establishing group funding mechanisms with the support of stakeholders including relevant CSOs;
- providing vocational training and stimulating alternative livelihood opportunities for non-compliant processing households.

Figure 7. Solution tree of the plantation timber processing households



5.3 Forest dependent ethnic minorities

For forest-dependent ethnic minorities to be able to safeguard their livelihoods, the following three strategies were identified:

Strategy I. Income from forest resources secured

This strategy is difficult to achieve because forestland is in such high demand and traditional use rights are not respected. It would require the following outcomes:

- i) secure access rights to forest resources through participatory forest management following the acknowledgement and institutionalisation of customary laws;
- ii) increased sources of NTFPs through developing and piloting NTFP growing models;
- iii) sustainable management of NTFPs through recognition and integration of indigenous knowledge into extension trainings.

Strategy II. Improved agricultural livelihoods

Ethnic minorities can help ensure their livelihoods if agricultural production is improved through:

- i) securing ancestral farm land by getting traditional laws recognised and integrated into State laws. This will require the analysis of traditional laws and strong advocacy since it is common practice for their agricultural land or upland fields to be subject to planning and confiscation for forestry purposes;
- ii) training and education to improve agricultural knowledge and techniques;
- iii) improved access to market information by establishing suitable channels (internet, mobile phones, etc.) or mechanisms (farmer associations, extension offices, etc.)

Strategy III. Alternative livelihood options

In view of the pressures on forestry and agriculture based livelihoods, there is a need to diversify livelihood options through:

- i) local authority policies and project to promote economic activity, such as improved roads and market infrastructure, micro-credit programs, etc.;
- ii) training and education to raise people's capacity to take up these jobs;
- iii) improved access to market information.

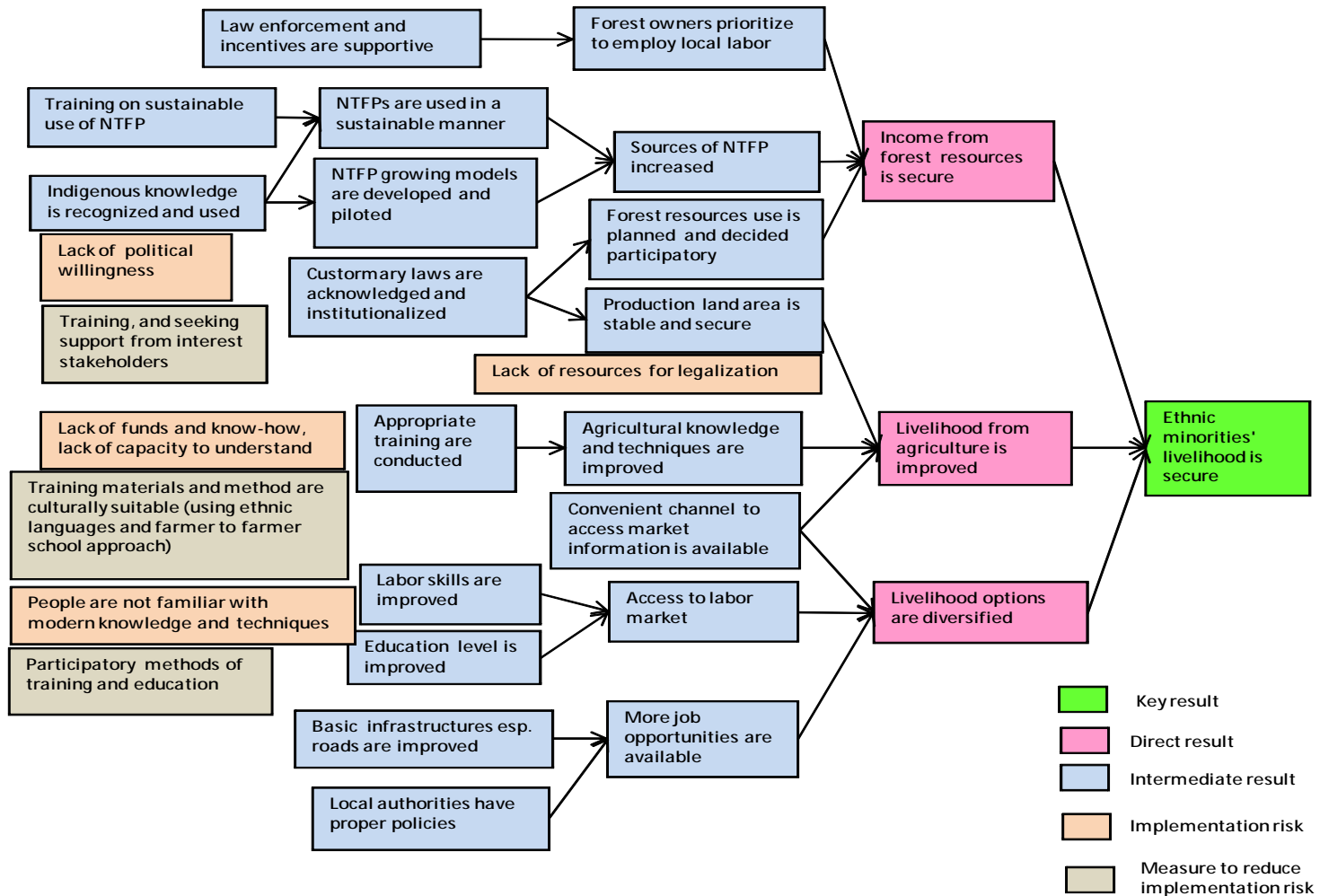
Risks associated with these strategies include:

- Insufficient political will to recognize and institutionalize traditional laws and ethnic people's rights, although indigenous knowledge and local traditions are some what recognized and used, including allocation of some forestland to ethnic households and communities.

- Ethnic minorities are often unfamiliar with formal education and the Kinh culture.

These risks can be counteracted or reduced to some extent, for example, by raising awareness amongst agricultural and forestry extensionists of the role of indigenous knowledge, putting training materials and communications into indigenous languages and using culturally appropriate training methods (e.g. farmer to farmer schools).

Figure 8. Solution tree of the forest-dependent ethnic minority households



5.4 Tree planting households without LURCs

Three strategies were identified to help non-LURC tree growers avoid economic losses:

Strategy I. Speeding up the process of issuing LURCs

In order to speed up LURC issuance, the following actions or outcomes are required:

- i) land conflicts are resolved;
- ii) the LURC issuance procedure is simplified;
- iii) local authorities have enough qualified staff and equipment;
- iv) cadastral staff have sufficient capacity;
- v) tree growers need to be convinced that of the importance of getting the LURC.

For resolving land conflicts, local authorities and other relevant stakeholders, such as CSOs, need to use mechanisms for conflict management and resolution based on clear and practical guidance. Because solving land conflicts takes a lot of time and effort, local authorities could provide incentives for the relevant communal officials such as a reward per case resolved, or according to their success rate in getting LURCs issued. Training, including in mapping and the use of GPS, could also strengthen the capacity of relevant officials.

Strategy II. Improved forest plantation yields

Improving yields will require appropriate knowledge and techniques (e.g., in silviculture, harvesting practices, agroforestry systems), better quality seed, and improved liquidity or capital of planters to be able apply these techniques and enable a longer growing cycle necessary for better quality and larger diameter timber.

Strategy III. Improved legal situation for non-LURC timber

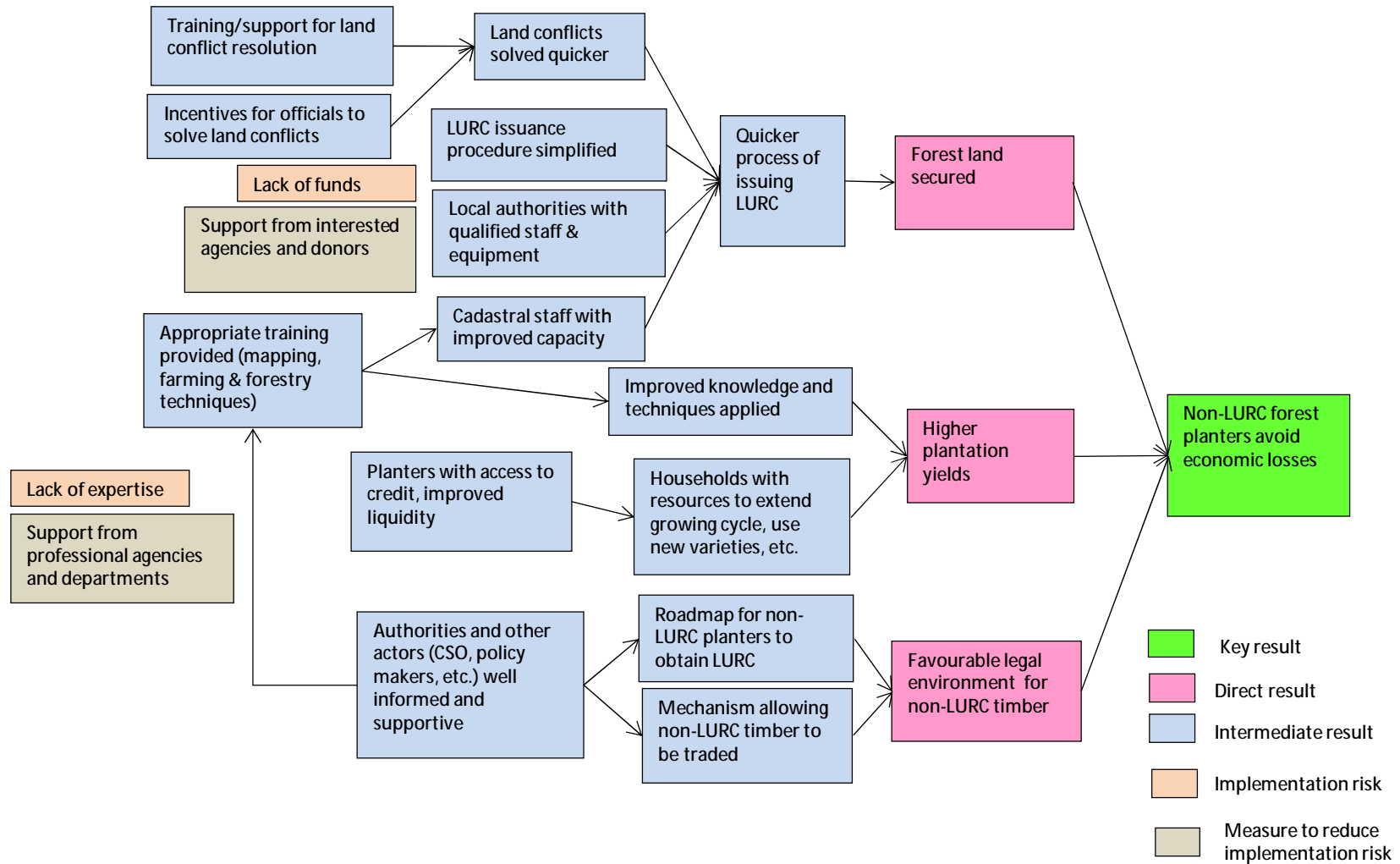
At present non-LURC timber is usually brought to the market place with the support of the local authorities. This may not be possible when the VPA is implemented. Furthermore it may take a long time for some growers to get their LURC. It is therefore important, in the meantime, to have favourable policies for non- LURC timber. Required actions are:

- i) establishing regulations allowing non-LURC plantation timber to be traded, for example, considering planted trees as common goods with fewer required documents, and decentralizing simpler regulatory issues to the Commune Peoples Committee and forest rangers;
- ii) developing a roadmap for non-LURC planters to be able to apply for LURCs and adapt to the new conditions. This will require support from local authorities and other relevant parties (CSOs, policy makers, etc.).

The implementation risks included lack of finance for providing incentives and equipment to land management staff and to conduct trainings in land conflict resolution. Local key

informants revealed that the lack of regionally available expertise to provide appropriate training in mapping, GIS, improved agricultural methods, etc., has reduced the effectiveness of capacity building programs. To mitigate this risk, the advice and support of professional agencies, state departments and/ or CSOs should be obtained.

Figure 9. Solution tree of the non-LURC timber planters



6. Conclusions and recommendations

6.1 Conclusions

The LIA conducted by the VNGO-FLEGT Network focused on four vulnerable stakeholder groups: furniture manufacturing households, plantation timber processing households, forest dependent ethnic minorities, and forest growers without LURCs. The characteristics and potential impacts of the VPA on these four groups are quite distinct. It is clear with the implementation of the VPA there would be a period of transition as timber growers and processing households adapt to the new situation, such as adjusting production systems to meet the legal requirements and new market constraints and opportunities.

Although forest-dependent ethnic minorities will not be directly affected by the VPA, since they are not involved in timber production or processing, they are vulnerable to changes in forest laws and regulations that do not acknowledge and protect customary rights, and to the likely increased demand for forest plantation land as sourcing from natural forest becomes more problematic.

6.1.1 Furniture producing households

The main problem for furniture producing households is that they will no longer be able to use high value species imported illegally from Laos or other unknown origins or can only do so illegally, and for some markets, such as the high value China furniture market, they would not be able to substitute plantation timber.

Furniture producing households will need to make major changes as regards their production system and products, but it is unclear what proportion would attempt this, close down or try to continue operating illegally. Rising production costs due to the higher cost of wood, transaction costs and the investment needed to develop a compliant production system will probably cause many to shut down, especially smaller operations, and laborers to lose jobs, including seasonal female labor.

More adaptable and larger scale households may be able to change their production structure by associating with large production firms or joining cooperatives or interest groups to reduce transaction costs.

6.1.2 Plantation timber processing households

Most plantation timber processing households have poor production conditions both legally and physically, are violating various regulations, lack market and legal information, have little access to long-term credit and limited management knowledge and skills, especially over finance. Such problems make plantation timber processing households vulnerable to various impacts and risks when the VPA is implemented, and they are likely to reduce production while they improve their operational conditions or close their operations in the face of sharply

rising costs. This will also cause job losses, especially of unskilled and seasonal laborers, including women hired to dry artificial boards.

As with furniture processing households, surviving households are likely to have established or joined cooperatives or interest groups. In the longer term, better planning by local authorities could bring about a better balance between processing households and plantation areas, transaction costs should fall as procedures become more streamlined and efficient, and the market should become more stable.

6.1.3 Forest dependent ethnic minorities

Although they are not significantly involved in supplying or processing timber, ethnic minorities tend to have a high dependence on access to forest resources for NTFP collection and shifting cultivation farming. But with the dwindling respect for customary tenure and indigenous knowledge their forest-related cultures are fading. The impacts of the VPA on this stakeholder group will be mainly indirect, but substantial, such as losing their farming or forestland due to the increased demand for plantation land as product prices rise – either because they are tempted to sell their land, due to land grabbing or because the state confiscates it on the basis that it is needed for plantations.

The VPA could also give extra powers to forest rangers, companies and owners over forest management to be able to exclude ethnic minorities from forest access and benefits. On the other hand, there may be increased employment opportunities on timber plantations in some areas.

6.1.4 Farm forest households without LURCs

This stakeholder group, comprising several thousand households, is directly involved in the timber supply chain. Their plantation production is uncertain because of the lack of LURCs. This is partly due to low awareness by tree growers of the importance of obtaining the LURC for legal timber production, slow and complex procedures, weak coordination between government agencies and land conflicts. These households rely largely on timber traders and the flexibility and support of local authorities to sell their non- LURC timber, resulting in low farmgate prices. Their weak legal situation results in low access to loans, forestry extension programs and agricultural services, and means there is a high risk of them losing their land or selling it cheaply if they think there is little hope of obtaining an LURC. It seems likely that this group would abandon tree growing when the VPA comes into force.

6.2. Recommendations and suggestions

6.2.1 Social safeguard issues

In order to reduce negative impacts and promote positive impacts of the VPA on these stakeholder groups, the following recommendations can be made for the four vulnerable stakeholder groups:

- Establish and support cooperatives or interest groups to help balance the power with local authorities and other stakeholder groups, reduce transaction costs, strengthen production capacity, negotiate better prices and develop marketing strategies, access credit, organise trainings, etc.
- Conduct training and provide extension support in a range of topics such as: understanding legal requirements; strengthening or modifying production systems for legal compliance; sourcing of legal raw material; how to process different types of raw materials and diversify outputs; how to establish and manage cooperatives or producers' networks; business and finance management; developing marketing strategies; designing and implementing benefit sharing mechanisms; technical training for improved plantation management, wood working methods, etc.
- Helping local authorities plan and regulate plantation development and processing capacity;
- Improving access to market information, including on EU markets and their requirements and other potential new markets;
- Improved access to long-term credit for developing legally compliant production systems.

More specific recommendations for forest-dependent ethnic minorities are:

- Recognition of customary rights, including allocation of forestland to communities, clans or groups;
- Training and extension support in NTFP management and processing, and improved farming methods;
- Recognizing and integrating indigenous knowledge into agriculture and forestry extension training.
- Providing formal education and vocational training to help ethnic minorities find jobs.

For the non-LURC timber growing households, additional recommended measures include:

- Measures to speed up the process of issuing LURCs such as simplifying the issuance process, appropriate staffing and training of cadastral staff and local authorities, and clear guidance and training in conflict resolution.
- Training to help tree growers understand LURC procedures and the importance of getting the LURC for future timber legality.

- Measures to raise plantation yields including through the provision of certified seedlings and extension/ training in planting and harvesting practices.

It seems inevitable that with the VPA many household operations will not become legally compliant, either because they are unable to make the transition in their production systems (for example, due to capital or knowledge constraints) or because they will be competing for a much smaller legal natural resources base – mainly plantation output from Vietnam. If Vietnam wishes to minimise the poverty impacts of the VPA, it should consider introducing programs of vocational training and off-farm business development in high vulnerability areas such as the Red River Valley area where it is expected that there will be a significant increase in the labor pool.

6.2.2 Legal issues

At present, some legal requirements for wood working households are complicated and/ or impractical. Simplifying these regulations and making them easier to understand and implement, is essential for successful implementation of the VPA. The following recommendation can be made:

- Develop a specific legal framework for wood processing households and woodcraft villages. It is impractical for households to comply with requirements such as packing lists, records of forest hammer marks on valuable or rare timber, environmental protection and fire protection. Business registration is inappropriate for out-sourced or small producers. It is recommended that many of the requirements (e.g. environment, hygiene, fire protection and labor safety) be integrated as required conditions for the business license or production permit and decentralized to local authorities for approval and monitoring.
- Develop more favourable regulations for non-LURC timber, for example, by considering planted timber²⁴ as ‘normal goods’ involving fewer documents.
- Legal recognition and institutionalization of customary rights and traditional laws to safeguard access to land and forest resources for local people, and stimulate a longer term interest in timber growing.

²⁴ This should include regulated species (groups IA and IIA) to encourage people to grow these rare or precious species.

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ANNEX: Research team

No.	Researchers	Name of organizations	Research
LIA in 2013			
1	Pham Thi Bich Ngoc	SRD	General Coordinator for LIA 2013 and in the team of Institute analysis
2	Phan Trieu Giang	SRD	Research on Furniture manufacturing households in woodcraft village
3	Nguyen Chi Thanh	FORWET	
4	Dinh Van Tai	FORWET	
5	Truong Quang Hoang	CRD	Research on Forest-dependent ethnic minority households
6	Tran Nam Thang	CORENARM	
7	Duong Thi Lien	SFMI	Research on Forest growers without a Land Use Right Certificate
8	Dang Ngoc Toan	CHCC	
9	Nguyen Kim Trong	CARTEN	
10	Le Thanh Yen	CRD – Thanh Hoa	
11	To Dinh Mai	CECoD	Research on Institute analysis
12	Pham Anh Tuan	SRD	
13	Nguyen Xuan Lam	PanNature	
14	Michael Richards	Forest Trends	Technical support
15	Mary Hobley	Consultant	
16	Edwin Sharks	Mandala Consultant Company	
17	Duong Quoc Hung	Mandala Consultant Company	
18	Stephanie Higgs	SRD	Research Assistants
19	Juliane Sander	SRD	
LIA in 2014			
1	Phan Trieu Giang	SRD	General Technical support for LIA in 2014 and consolidated all sub reports
2	Pham Thi Bich Ngoc	SRD	Research in Dong Ky, Huu Bang
3	Do Thi Ha An	SRD	

4	Nguyen Truong Quan	SRD	
5	Dang Viet Quang	Forest Trends	
6	Juliane Sander	SRD	
7	Ly Van Trong	NORFOR	Research in Thai Nguyen and Yen Bai
8	Nguyen Kim Trong	CARTEN	
9	Hoang Quoc Chinh	SRD	
10	Hoang Thi Huong Tra	SRD	