

**POLICY IMPACT ASSESSMENT OF
THE VOLUNTARY PARTNERSHIP AGREEMENT ON
FOREST LAW ENFORCEMENT, GOVERNANCE AND TRADE
(VPA-FLEGT)**



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1. THE NECESSARY OF IMPLEMENTING POLICY IMPACT ASSESSMENT

In May 2017, Vietnam Government and the European Union (EU) concluded the negotiation of a Voluntary Partnership Agreement on Forest Law Enforcement, Governance and Trade (VPA-FLEGT). This is a bilateral trade agreement that was signed to improving the forest management, addressing illegal logging and promoting the export of legally-controlled and regulated timber products by Vietnam Timber Legality Assurance System (VNTLAS). As a result, Vietnam timber and timber products are ensured to export to the European Union with a legal wood source and contribute climate change mitigation efforts, biodiversity conservation, protection of rights, and increase the transparency in timber trade.

According to Vietnamese law, the VPA/FLEGT is an international agreement which is subject to **Law on International Treaties (2016)** which states that, prior to ratification, it requires an report of implementing political, secure, eco-social impact assessment and other impacts of International Treaties (*Article 17, clause 3 and 5*). The Ministry of Agriculture and Rural Development is responsible for preparing this report and submitting it to the Government prior to the approval of the Agreement. Therefore, within the scope of this task, the impact assessment focuses on the following aspects: Economic – Society - Environment - Administrative procedures - Legal framework for four new focus contents of the Agreement that include: (1) Management and Control of imported timber; (2) Classification of industrial enterprises; (3) Verification of exports; and (4) FLEGT License.

It is expected that the VPA/FLEGT Agreement will be fully implemented by 2020, when the first FLEGT licenses will be issued to Vietnamese legally-exported timber products exported to the European Union.

Therefore, the objective of the review is to clarify the new effects of the Agreement and to propose mitigation measures for the most negative impacts; At the same time, to provide input information for preparing a summary report to the Government for ratification of the Agreement, supplementing and finalizing a number of normative legal documents.

2. AIMS

- Assessing Policy Impacts of new commitments under the VPA-FLEGT Agreement on Economic – Society - Environment - Gender - Administrative Procedures - Legislation to identify potential negative impacts to each groups and proposed mitigation measures.

- Reviewing and identifying current legal documents that need to be amended or supplemented to implement the Agreement.
- Providing input information for the development of brief summary to the Government for ratification of the Agreement.

3. SCOPE OF IMPACT ASSESSMENT

The scope of political impact assessment of the Agreement focuses on four new areas, including:

- Management and control of imported timber is one of the new contents of the VPA / FLEGT Agreement which is implemented by using species and geographic risk management tools for imported timber lots. If the imported timber lots have been granted CITES or FLEGT licenses, they will be cleared according to the current regulations without self-declaration (declaration table) on the origin of timber. If timber lots are not licensed for CITES or FLEGT, the enterprises must make self-declaration lists on the source of such timber lots. If timber shipments are of low risk and come from low risk geographical regions, no additional documentation is needed; if the shipment is of low risk and comes from a high risk geographical area; high risk species and low risk geographic regions; High risk species and coming from high risk geographic areas must meet the requirements for addition of documents showing the legal origin of timber (voluntary certificate or national certificate recognized by VNTLAS; materials of exploitation that are lawfully exploited in accordance with the regulations of the exploiting country; Replacement documentation indicates the legality of the timber in accordance with the law of the exploiting country)
- Company Classification is implemented by the Organizational Classification System (OCS), which is an integral component of risk-based verification methodology of VNTLAS and is operated continuously by the self-assessment mechanism, appraised and verified by the Provincial FPD or other entities authorized by the Government. Criteria for classifying organizations are summarized in Table 1, as follows:

Table 1. Criteria for organizations classification

Criteria	Evaluation Evidences	
	Type 1	Type 2
1. Observe the dynamic proof/proof of supply chain control to ensure legal timber.	Fully compliant	Not fully compliant, even if only one proof
2. Meet the requirements for declaring and reporting supply chain controls	Fully compliant	Non-submission and non-disclosure of reports as prescribed by legislation
3. Comply with static evidence (according to LD)	Fully compliant	Not fully compliant, even if only one proof
4. Violation status (based on violation database in accordance with the law)	There is no violation or violated but violators have complied with the handling of violations according to the legislation	There is a violation or not or not to comply with the handling of violations according to the legislation
5. Other criteria		Newly established organization

Wood industry enterprises (WIEs) will be classified into two categories: enterprises that comply with all the rules will be a type 1 enterprise, enterprises that do not fully comply with the criteria and the new wood enterprises will belong a type 2 enterprise. This will enable the companies of timber industry to comply with the VPA/PLEGT Agreement if they want to continue their business in this area. The purpose of the classification is to assess the risk level of all enterprises in complying with legal timber requirements under the Vietnam timber legality assurance system (VNTLAS). This is a fairly complex content, based on four criteria, illustrated by dynamic evidence of supply chain control requirements to ensure that only legal timber is used in the supply chain; Meet the requirements for declaring and reporting on supply chain controls; Comply with evidence of establishment and operation such as business license, environment, tax, labor, fire protection...; data on the status of law violations and other criteria. For

organizations that do not meet the criteria, the process of inspection and supervision of the relevant authorities will be more closely.

- Verification for export is an activity that adequately assures verification of the legality of timber in order to ensure that any non-compliance with the rules from the harvest stage in forests to the next stages of the supply chain will be detected and implemented corrective measures in time. This activity is done by type of enterprise but it does not follow the source of timbers. Verification levels are applied to each type of business by group. Type 1 enterprises do not additionally verify; Type 2 enterprises and households are subject to document inspection and actual inspection of shipments with the minimum of 20% of each shipment volume. Wood is verified at all stages of supply chain before export. At the export stage, exporters (enterprises and households) will prepare and submit an exported forest product file. This is a new content compared to the current reality of Vietnam because Vietnam is implementing the verification for export by the source of the wood, not by the type of enterprise.
- FLEGT licensing is an activity that Vietnamese Government will be assigned full responsibilities for FLEGT licensing to the Licensing Authority. FLEGT licenses will be issued for each export shipment. Type 1 enterprises are not required to carry out export verification procedures prior to being licensed. Type 2 enterprises must carry out export verification procedures before being licensed.

In addition, the review contents also considered the new points of the supply chain control of the Agreement. These contents are expected to have a major impact on the forestry activities of smallholders, small-scale wood processing and plantation enterprises.

- Supply chain control is aimed to prevent the entrance of illegal timber or unverified timber into the supply chain of VNTLAS. The control activities of supply chain cover the whole chain of products from the exploitation or import to final consumption in the Vietnamese market or the export of wood and wooden products. The evidence of supply chain control is documented and ensured that this process is systematic, evidence-based, periodically conducted, and the entire supply chain was identified, including the regular and timely reconciliation of data between stages in the supply chain.

4. OBJECTS OF APPRAISAL

The main target groups are likely to be affected by the four new contents of the Agreement, including:

- Government agencies and agencies are responsible for state management
- Wood processing and trading companies (including small and medium enterprises)
- Households and small-scale plantation and wood processing organizations

5. EVALUATION METHODOLOGY

5.1. Analytical Framework for Impact Assessment

Policy impact assessments will use the Transmission Channels Analysis (TCA) variables. This method is designed and used in the World Bank social impact analysis to analyze the positive and negative effects of new policies that affect different groups. Based on the impact criteria and key questions or hypotheses, the TCA is designed to be used in a multi-stakeholder context. The strength of this method is to provide quick and effective results through group discussions to get the expertise of the participants.

The new points of the Agreement are described in Figure 1, which forms the basis of new commitments. These commitments will impact on the political, security, socio-economic and other aspects. Specifically, the scope of an impact assessment focuses on the following aspects: Economics – Society - Environment - Administrative procedures - Legal framework. Criteria for evaluating these aspects are described in Figure 1.

Whereby:

- A transmission channel is the path through which a policy or intervention or support influences stakeholders.
- Transmission channel analysis is a tool for assessing and analysing the impact that a policy or intervention or support has on livelihood or rights or obligations of stakeholders.
- Type of impact: Positive or negative impact, depending on how the affected stakeholders are involved

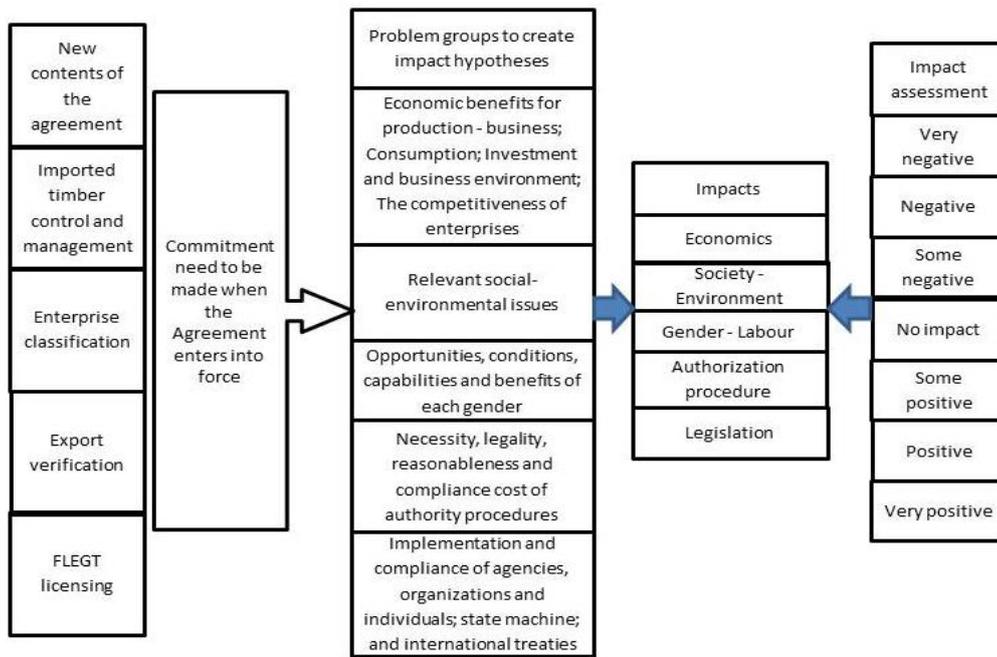


Figure 1. TCA Framework for assessing the impact of the TCA Agreement

5.2. Method of performing assessment steps

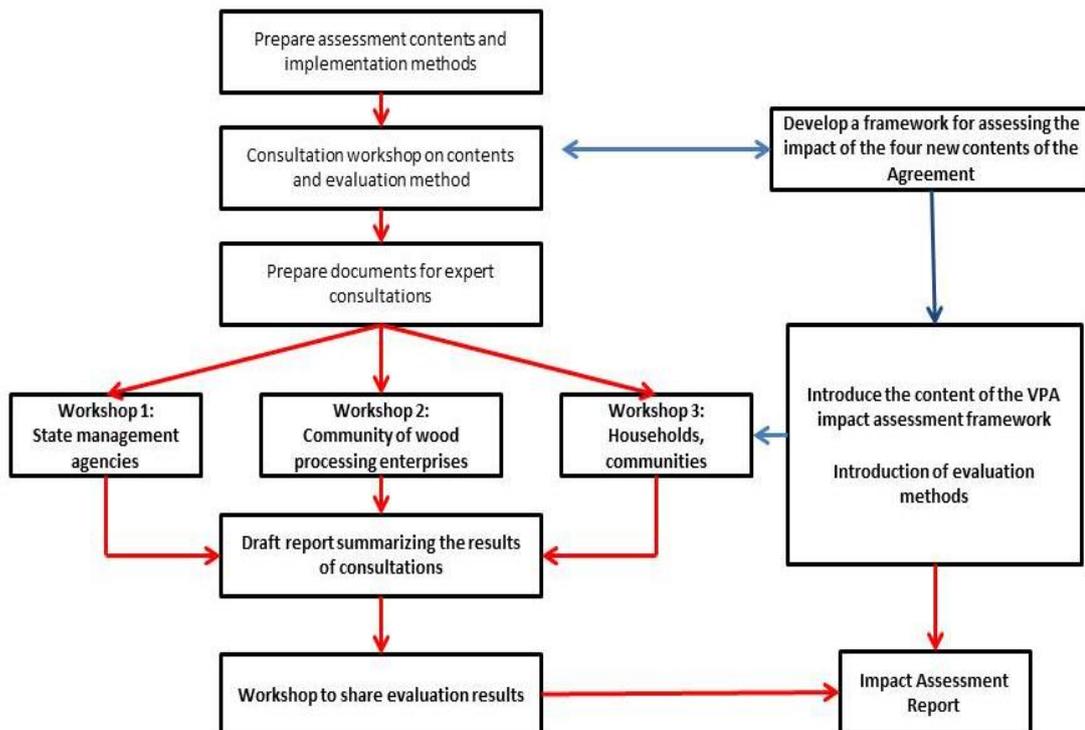


Figure 2. Steps to impact assessment and product requirements

Assessment steps are described in Figure 2, including:

(1) *Developing criteria and hypotheses for the impact of the Agreement*: This step is carried out by 3 activities: (1) Research on TCA methodology in impact assessment; (2) Identify focus criteria, based on hypotheses and possible impact questions; (3) Startup workshop discusses details of criteria or hypotheses and evaluation methods.

(2) *Organizing expert consultation workshops*: 3 expert workshops were organized, including:

- Workshop 1: State management agencies at the central and local levels, in units having the function and responsibilities of state management in relation to the implementation of the Agreement. The number of participating agencies and participants is described in Table 2.

Table 2. Participants in the consultation workshop of the state management agency

Participants	Number	Percentage
Central Authority	10	34,5%
Ministry of Foreign Affairs	1	
Ministry of Agriculture and Rural Development	5	
CITES	1	
General Department of Vietnam Customs	3	
Local authorities	11	37,9%
Regional and Provincial FPDs	11	
International organizations and NGOs	8	27,6%
International organizations	5	
NGOs	3	
Total	29	100,0%

Source: Consultation workshop of state management agencies, Do Son 24-25 Aug 2017

- Workshop 2: Timber processing and trading companies (including small and medium wood industry enterprises)

Table 3. Structure of participants in the business consultation workshop

Participants	Number	Percentage
Representatives of enterprises	15	50,0%
Representative of the Enterprises Association	7	23,3%
Representatives of state agencies	3	10,0%
Representative of Institute - School	3	10,0%
Other organizations	2	6,7%
Total	30	100%

Source: wood industry enterprises consultation Workshop, Da Nang, 30-31 Aug 2017

- Workshop 3: Households and small-scale afforestation and wood processing establishments.

Table 4. Structure of participants in household and community consultation workshops

Participants	Number	Percentage
owner	10	22,2%
Afforestation households	11	24,4%
Timber processing-trading village	3	6,7%
International organizations	4	8,9%
Ministry of Agriculture and Rural Development	1	2,2%
NGOs	16	35,6%
Total	45	100,0%

Source: Household and community consultation Workshop, Hanoi, 6 Sep 2017

The results of consultation and assessment with experts in these workshops are the inputs to the impact assessment draft. The experts were selected from these three groups are very familiar with the contents of VPA/FLEGT and VNTLAS. Thus, their contributions are a source of information that is consistent with the potential impact of the four new contents of the Agreement.

3) *Preliminary workshop*: Preliminary workshop was held on 8 November, 2018, presented by the evaluation experts to members of the "Core" group, including representatives from the private sector, timber associations, civil society organizations, research institutes and verification agencies, as a full member. Representatives from development partners act as observers.

4) *Final workshop*: Preliminary results will be presented in the report by a consultant and discussed during a review meeting with the Vietnam Administration of Forestry, partners and participators of expert groups, as well as representatives of civil society organizations.

5) *Impact assessment report*: is a final product that must ensures the following contents: (1) Results of impact analysis of 4 new contents of the Agreement: Economic - Society - Environment - Procedures administrative - law; and (2) Provide the basis information for developing brief summary to the Government for ratification of the Agreement.

6. THE RESULTS OF CONVENTIONAL IMPACTS EVALUATION OF THE VPA/FLEGT AGREEMENT

6.1. Consultation with state management agencies on the impact of the Agreement

The theoretical implications for consultation with state management agencies include two groups: (1) the general hypothesis of positive impacts, including: the supply of imported timber; Core values and Vietnamese wood brand; Competing capability; Access to the EU market; Awareness of wood enterprises; The relationship among enterprises in the supply chain; Enforcement of Safeguard (social - environment) of enterprises; and comply with international treaties. And (2) Group of hypotheses of specific negative impacts on socio - economic - environment - Gender - Labour - Administrative procedures and Laws. These hypotheses are evaluated in detail as follows.

6.1.1. General assessment of the positive impact of state management

Synthesize the results of positively impact assessment from the side of state management agencies for basic hypotheses which have assessment information in Table 5, show that:

- The most obvious positive impact assessed by state management agencies is that the management and control of imported timber is an opportunity to encourage the development of domestic planted forests, especially for big timber plantations.

Table 5. Synthesizing the positive impact assessment of the state management agencies

Problem groups are positively impacted	Level of impact of the 4 new contents of the Agreement			Positive impact determines index
	Management and control of imported timber	Organization Classification System (OCS)	Export verification and FLEGT licensing	
Wood suppliers	(+) (+) (+)	0	0	<ul style="list-style-type: none"> Encouraging the development of plantation forests for raw material timbers.
Core values and Vietnamese wood brand	(+) (+)	(+) (+)	(+) (+)	<ul style="list-style-type: none"> Ensuring a stable, long-term value chain, minimizing risks for enterprises, accessing and adapting to international integration. Enhancing the prestige of the wood industry in the international market

Problem groups are positively impacted	Level of impact of the 4 new contents of the Agreement			Positive impact determines index
	Management and control of imported timber	Organization Classification System (OCS)	Export verification and FLEGT licensing	
				<ul style="list-style-type: none"> Wood export turnover increases
Competing capability	0	(+)	(+)	<ul style="list-style-type: none"> Negligible improvement of the competitiveness of enterprises
Access to the EU market	0	0	(+)	<ul style="list-style-type: none"> Increasing the market share of Vietnamese wooden products exported to the EU
Awareness of wood enterprises	(+) (+)	(+) (+)	(+) (+) (+)	<ul style="list-style-type: none"> Ensure the origin of wood is transparent and legal Enterprises do not have to explain to the EU
The relationship among enterprises in the supply chain	(+) (+)	(+) (+)	(+) (+)	<ul style="list-style-type: none"> Encouraging enterprises to build chain of custody (CoC) systems and find certificate. Creating a competitive, trustworthy and sustainable supply chain. Increasing prestige, increasing cooperation between Vietnamese and EU businesses
Safeguard implementation (Society – Environment) of enterprises	(+) (+)	(+) (+)	(+) (+)	<ul style="list-style-type: none"> Entrepreneurs will fulfill their obligations, responsibilities to society, the environment and labor.
Compliance with international treaties	(+) (+)	(+) (+)	(+) (+)	<ul style="list-style-type: none"> Contributing to the implementation of other related treaties and agreements

Source: Synthesis from the Impact Assessment Workshop on the new content of the Agreement in Do Son, Hai Phong, August 2017.

- Implementing the new contents of the Agreement does not have a clear positive impact on improving the competitiveness of enterprises. This is confirmed when over 95% of enterprises are small and super small, but most of them do not meet social-environmental-labor standards to be classified as group 1 - the group does not have to make additional verification when exporting

wooden products to the EU market. However, some comments also suggest that due to the need to improve capacity to strive for group 1, many small and very small enterprises are expected to upgrade their organization, improve their capacity to meet standards of type 1 enterprises in the long term.

- Access to the EU market is positive, especially when exported timber products from Vietnam are FLEGT licensed, which will contribute to enhancing the prestige of the Vietnamese timber industry in the international market. The EU market and other markets will increase and be more stable and sustainable.

- Positive impacts on the business model mutation of wood enterprises; implementing administrative procedures; legal capacity and coordination mechanism of relevant State management agencies; and other issues related to gender - labor have not been evaluated positively, apart from the fact that enterprises have to fulfill their obligations and responsibilities to society, environment and labor.

- Major impacts, with positive to very positive impacts, are as follows: (1) Raising awareness of the legitimate use of timber through the establishment of a competitive, reliable and sustainable supply chain; (2) The enforcement of safeguard by timber enterprises; and (3) Contribute to the observance and enforcement of international treaties.

6.1.2. Positive impacts according to state management agencies

The transmission assessment matrix for the 4 new contents of the Agreement is clearly defined by the State Authorities with macro-level effects. The results are summarized in Table 6, as follows:

Table 6. Summarize the positive impact assessment findings of the state management agencies

Problem groups are positively impacted	Potential positive effects of the Agreement			
	Management and control of imported timber	Organizations Classification System (OCS)	Export verification	FLEGT Licensing
Economics	Good imported timber control and management will stimulate increasing use of domestic timber, increasing plantation, especially large timber plantations, and	Changing the way and process of corporate governance in the direction of professionalism, transparency, perfect, and at the same time type 2	Type 1 enterprises do not have to make additional verification when exporting wooden products to the EU market, they enjoy many procedural advantages so they	Having long-term positive impact on assessment and expansion of the EU market for Vietnamese timber

	increase income for the poor households.	enterprises have the motivation to develop to become a type 1 enterprise.	do not have to spend time and money for export verification, economic benefits of these businesses are guaranteed.	enterprises and access to markets in other regions.
Society – Environment	<ul style="list-style-type: none"> - The content of imported wood imports will have a positive impact on the transparency and accountability of government agencies. - Positive impact on long-term environmental protection 	Having positive impacts indirectly contributing to protecting the forest environment, limiting the deforestation	Raising awareness of compliance of enterprises and people in compliance with legal regulations on the legality of timber.	Strengthen the public service activities of the FLEGT Licensing Authority for the purpose of supporting business growth and business development.
Gender – Labor		For people participating in wood businesses will be more secure in terms of insurance, fire safety, signed employment contracts so the work is more stable and safe.	- Ensure more stable livelihoods for workers.	The licensing procedure is not complicated and faster for Type 1 enterprises
Administrative procedures	Increasing the volume of timber with CITES or FLEGT permits, positively impacting on administrative procedures as it is easier and more convenient for Customs and Forest Protection agencies to implement imported timber control.	Reducing administrative procedures, the time and cost of compliance with administrative procedures for Type 1 enterprises.	The Forest Protection Department does not have to carry out a physical inspection of timber lots for export of Group 1 enterprises, so it also reduces the time and costs of this procedure.	
Legislation	<ul style="list-style-type: none"> - Ensure compatibility in supporting of compliance with relevant international treaties - The control of imported timber is in line with the Customs Law of 2014. - Contributing to the compliance and enforcement of international treaties on trade and forest products to which Vietnam is a contracting party. 			

6.1.3. Negative impacts assessed by state management agencies

Negative impacts are aggregated⁴ and classified into five categories: (1) economics; (2) Society - Environment; (3) Gender - Labor; (4) administrative procedures; and (5) legislation on the management and control of imported timber; Classification of enterprises; Export verification and FLEGT licensing. The analysis results in Table 7 illustrate that:

- All new contents and commitments have negative impact on economic content in the short term. Specifically, the price of imported wood material can increase, reduce the profit of enterprises; Negative impact on the competitiveness of small and micro enterprises; Access to the EU market of small and micro enterprises is very small and very difficult; In addition, auditing services for the import of raw material wood, the classification of enterprises and export verification for FLEGT licensing have led to an increase in the costs of the enterprise, the price of the product is enhanced, reducing the competitiveness and efficiency of production - business of the enterprises.

- Social – environmental - gender and labor issues are all negatively affected by the new commitments and contents of the agreement. In particular, there are negative impacts on small and micro enterprises when the classification of enterprises will lead to some enterprises may have to stop production and business. In addition, businesses will find many different ways, including the lack of honesty and transparency to be classified group 1. This greatly affects the prestige and brand name of Vietnamese exported wooden products.

Table 7. The magnitude of negative impacts on 5 groups of problems according to state management agencies

Affected factors	Level of impact of the four new contents of the Agreement			Negative impact determination Index
	Management and control of imported timber	Organization Classification System (OCS)	Export verification and licensing FLEGT	
Economy	(-) (-) (-)	(-) (-) (-)	(-) (-) (-)	<ul style="list-style-type: none"> Increasing costs for businesses, rising raw material prices, high costs, reducing competitiveness and reducing profits Great impact on the competitiveness of small and micro wood industry

⁴ Describe the detailed assessment results in Annexes 1, 2 and 3.

Affected factors	Level of impact of the four new contents of the Agreement			Negative impact determination Index
	Management and control of imported timber	Organization Classification System (OCS)	Export verification and licensing FLEGT	
				<p>enterprises (WIEs).</p> <ul style="list-style-type: none"> Limiting ability to operate and participate in non-EU markets of small, micro-enterprises in group 2 Establishment of audit services for accountability of timber importers.
Society – Environment	(-) (-)	(-) (-) (-)	(-) (-)	<ul style="list-style-type: none"> Incorporating fraudulent reporting of risk species and areas It is difficult to implement social security regimes due to the characteristics of workers in the wood processing industry. Negative impact on the environment, labor, social safety and performance of tax and fee obligations of enterprises, in terms of 95% of the total about 4500 small and micro scale production and business establishments of processing and producing in Vietnam.
Gender – Labor	0	(-) (-) (-)	0	<ul style="list-style-type: none"> Many small businesses may stop producing because they cannot afford to meet the certain environmental and social criteria for workers.
Administrative procedures	(-) (-) (-)	(-) (-) (-)	(-) (-) (-)	<ul style="list-style-type: none"> Increasing administrative procedures for all four entities: enterprises, forest rangers, CITES and Customs, such as the list of species and procedures for risk species and geographical regions; Accountability for imported timber; and Business Classification; Export verification and FLEGT licensing for type 2 enterprises. Three simultaneous risk

Affected factors	Level of impact of the four new contents of the Agreement			Negative impact determination Index
	Management and control of imported timber	Organization Classification System (OCS)	Export verification and licensing FLEGT	
				<p>management and control systems were developed, but lacking coordination among the above four entities.</p> <ul style="list-style-type: none"> • The risk of high negative, harassment, corruption. • Possible adverse impact on the environment between the business and the verification body.
Legislation	(-)	(-) (-)	(-)	<ul style="list-style-type: none"> • Inadequate compliance with the revised Forest Protection and Development Law on the functions and duties of forest rangers.

- The dossier is generated, and at the same time, three compliance and risk control systems are implemented, leading to an increase in the transit time of imported raw material timber. In particular, the species and geographical risk filter will generate more *components of administrative procedures*. However, up to now, there have been no studies to review the system of relevant legal documents to complement and complete the contents of commitments. This would greatly affect the performance of duties by Customs, Forest Protection and CITES, which would lead to passivity when the Agreement is officially enforced.

- The negotiating principles for signing the VPA/FLEGT Agreement are legal timber and timber products that must be controlled, managed and complied with in accordance with the law of Vietnam. Therefore, the conclusion of the negotiation process is an important result of the recognition that the European Union has adopted Vietnam's legal timber management legislation, or VNTLAS. The remaining issues for the effective implementation of the Agreement are "harmonization" and "compatibility" in the implementation and compliance of all the parties. Therefore, the biggest challenges and difficulties that have a very negative impact on the State management agencies are administrative procedures for *controlling and managing compliance to prevent risks* for both parties: Enterprises and agencies performing duties, such as: Customs, Forest Protection and CITES. These challenges and difficulties, if not "eliminated", will have a great negative

impact on the functions and tasks of the relevant state management agencies, and the production and business enterprises as well as the wood processing establishments for domestic and exported market. On the other hand, if controlling and compliance management is not implemented or weakly implemented, it will have a negative impact on Vietnam's reputation and brand of timber and timber products, causing economic losses for exporters of wooden products to the EU market.

- When control and management of compliance is weak, there is a potential danger of negative and harassing of some relevant state agencies. This impact is considered to be very negative for the management and control of imported timber, corporate classification, export verification and FLEGT licensing.

6.1.4. Mitigation solutions proposed by the state management agency

Mitigation measures are proposed by the representatives of the state management agencies through the consultation workshop are summarized in Table 7 below, including four main solutions for the four new HEPR for problem groups: 5 groups of issues: (1) Economics; (2) Society - Environment; (3) Gender - Labor; (4) Administrative procedures; and (5) Law.

Group of solutions for law enforcement agencies

- Implementing state management measures to limit the harassment and corruption of civil servants committing administrative procedures.
- Providing information on criteria for classification of organizations.
- Develop an ISO procedure to carry out verification and enforcement in the classification of organizations
- Applying information technology in the classification process.
- Building database and investing equipment to computerize classification of organizations.
- Social mobilization of additional resources in the classification as evaluation of classification results or socialization of public service delivery.
- Developing projects, plans, capacity building, especially corporate governance (calling for support from overseas)
- Unifying the implementation of vertical administrative procedures from the central to local level to the rangers when the agreement

comes into effect, reviewing the structure of the Forest Ranger to ensure sufficient resources to implement the tasks related to the Agreement

- Improving the capacity, professional qualifications and sense of responsibility of civil servants in performing public duties
- Developing a mechanism to coordinate, implement three risk control systems, and strengthen exchanges and cooperation between competent state management agencies, specifically: Rangers and customs.

Group of solutions to supplement and improve the legal framework

- The Government needs to supplement and promulgate new, clarified, specific and transparent legal normative documents in implementing the law on classification of organizations, export verification and FLEGT licensing.
- Some legal norms should be revised immediately after the National Assembly ratifies the amended Forest Law to supplement the functions and tasks of the organization classification and verification and FLEGT licensing.
- Adopting policies to encourage the plantation forests and use of domestic timber raw materials
- Having clear policies and regulations on issues related to workers' interests and gender issues

Group of technical - technology solutions

- Electronic licensing to minimize the costs incurred
- Setting up a system of export verification and licensing for transparency, speed and convenience of production and business of the enterprise.
- Establishing a database of imported species and identification tools

Table 8. Mitigate negative impacts of state management agencies measures

Problem groups are negatively affected	Measures/solutions mitigate negative impacts		
	Management and control of imported timber	Organization classification system (OCS)	Exporting verification and Licensing FLEGT
Economics	<ul style="list-style-type: none"> • Encourage afforestation and use of domestic timber • Implement measures to manage and control the origin of imported timber, avoiding risky and risky species. • The enterprise should fully and correctly process the procedures for timber imported legally 	<ul style="list-style-type: none"> • Small and micro enterprises need to increase their capacity and resources to contribute to the creation of a better competitive environment. • Medium, small and micro sized enterprises, including large ones, need to cooperate in the supply chain to grow and develop 	<ul style="list-style-type: none"> • Electronic licensing to minimize the costs incurred • Setting up an export verification and licensing system that is transparent, fast and convenient for businesses.
Society - Environment	<ul style="list-style-type: none"> • Strengthen bilateral and multilateral cooperation in monitoring and verification of the Region and Species of Risk, ensuring that information on the legal origin of timber. • Promoting trade, linking the supply and demand of wood materials through the Vietnamese overseas Vietnamese trade union network and trade. • The company must build a more stringent wood procurement system, selecting the wood supplier to meet the VPA/FLEGT's requirements 	<ul style="list-style-type: none"> • Propagation, training for enterprises to raise awareness of legal timber, create a business environment civilized in production and trading of imported wood. 	<ul style="list-style-type: none"> • Propagate for enterprises to comply with the law in accordance with the criteria for classifying organizations in Type 1. • Enhancing monitoring and auditing • Strengthening training and training for small and medium enterprises

Problem groups are negatively affected	Measures/solutions mitigate negative impacts		
	Management and control of imported timber	Organization classification system (OCS)	Exporting verification and Licensing FLEGT
Gender – Labor		<ul style="list-style-type: none"> Implementing Clause 1, Article 124 of the Social Insurance Law in 2014, workers who work under labor contracts with a term of from one month to under three months, shall be entitled to compulsory social insurance from 1 January 2018. 	
Administrative procedures	<ul style="list-style-type: none"> There should be a mechanism for coordinating and implementing 3 risk control systems, strengthening exchanges and cooperation between competent state agencies, specifically: forest protection and customs. Establishment of a database of imported species and identification of timber species Capacity building, professional qualifications, sense of responsibility of civil servants in performing public duties 	<ul style="list-style-type: none"> Implementing state management measures to minimize the harassment and corruption of civil servants in the administrative procedure. Information on classification criteria is widely publicized. Maximizing the transparency of process and organization/enterprise classification results Developing an ISO procedure to carry out verification and enforcement in the classification of organizations Applying information technology in the organization classification process. Building database and investing equipment to computerize classification of organizations. Socializing power sources or public services functions in the implementation of enterprise classification. 	<ul style="list-style-type: none"> Authorize the licensing of organizations and individuals who are qualified and capable and responsible before the law FLEGT licensing fees Have internal inspection and supervision. A third party that is assigned by the EU, oversees FLEGT export verification and licensing process Application of information technology in FLEGT export verification and licensing Increasing overtime payment or a reasonable salary scheme for local forest rangers Establishment of centralized database and classification of enterprises, export verification and licensing.

Problem groups are negatively affected	Measures/solutions mitigate negative impacts		
	Management and control of imported timber	Organization classification system (OCS)	Exporting verification and Licensing FLEGT
		<ul style="list-style-type: none"> • Developing projects, plans, and capacity building, especially corporate governance (calling for support from overseas) • Unifying the organization of forest rangers from the central to local levels 	<ul style="list-style-type: none"> • Training and human resources for verification and licensing (CITES and rangers) • Have a reasonable salary system
Law	<ul style="list-style-type: none"> • Develop clear legal normative documents, transparent procedures and guide the enterprises to comply to ensure the legitimacy of imported raw material timber. • Develop normative legal documents in accordance with international treaties 	<ul style="list-style-type: none"> • The Government needs to supplement and promulgate new, clarified, specific and transparent legal normative documents on the classification of organizations, export verification and FLEGT licensing. • Some legal normative documents should be revised immediately after the National Assembly approves the revised Forest Law to supplement the functions and tasks of the organization classification and verification and FLEGT licensing. 	

6.2. Consultation results of wood industry enterprises on 4 new contents of the Agreement

6.2.1. General assessment of positive impacts by wood processing enterprises

The positive impact assessment of wood enterprises (DNNG) shows that the signing of the VPA / FLEGT Agreement will have a positive impact on the supply of imported timber; core values and national brands; and competitiveness of enterprises. Indicators that identify these impacts, including:

- Management and control of imported timber will facilitate the establishment of a secure imported wood supply chain for risk species and geographic areas.

- Encouraging the planting and using of planted-forest timber in the country. Particularly encourage small forest owners to change their business plans and objectives to increase the proportion of timber for export processing.

- "Clean" wood of input will enhance the brand name of wood and wooden products of Vietnam; and

- VPA/FLEGT image of Vietnam will positively affect other export markets.

However, most of the comments of the foreign enterprises in the conference still fret and showed the issues such as: access to the EU market; awareness of the majority of foreign enterprises; the relationship between businesses in the timber industry; safeguard the social and environmental security of the enterprise; and there are many challenging international treaties. Therefore, the implementation of the VPA / FLEGT Agreement will have less positive impact on enterprises, namely:

- Only have positive long-term impact on access to and expansion of the EU market.

- Changing the basis of awareness of legitimate enterprises, however, requires persistence and long-term.

- Social-environmental safeguards throughout the chain of custody (CoC) are a great challenge for all juveniles.

- Contribute to the development of supporting industries. However, for the wood processing industry, this is not clear.

Table 9. Summary of positive impact assessment by Association and Wood industry enterprises

Basic hypothesis of positive impact	New contents of the Agreement			Positive impact determination Index
	Imported timber Control & Management	Organization Classification Systems (OCS)	Exporting verification and FLEGT licensing	
The source of wood supply	(+) (+) (+)	0	0	<ul style="list-style-type: none"> • Creating a safe chain of imported wood • Good timber management and control will stimulate increased use of domestic timber from forest plantations; increasing income for the poor communities. • Supporting for large timber plantation forests.
Core values and Vietnam wood brand	(+) (+) (+)	(+)/(-)	(+) (+) (+)	<ul style="list-style-type: none"> • Having positive impact on the transparency and enforcement responsibilities of the law enforcement agency. • Legitimate wood (clean wood) will raise the national brand/reputation. • Vietnam's FLEGT image has a positive impact on other markets.
Competing capability	(+) (+)	(+)	(+) (+)	<ul style="list-style-type: none"> • Increasing the value of Vietnamese wooden products on the international market led to an increase in non-EU markets
Access to the EU market	0	0	(+)	<ul style="list-style-type: none"> • Increasing access to and expansion of the EU market in the long term
Awareness of wood enterprises	(+)	(+)	(+)	<ul style="list-style-type: none"> • Genuine businesses will grow stably
The relationship of enterprises in the supply chain	(+)	(+)	(+)	<ul style="list-style-type: none"> • Contributing to the development of supporting industries.
Safeguard (Society-Environment) of enterprises	(+)	(+)	(+)	<ul style="list-style-type: none"> • Practicing safeguard will get involving all WIEs as the whole supply chain of wood commodity
Compliance with international treaties	(+)	(+)	(+)	<ul style="list-style-type: none"> • Support Vietnam in the implementation of international conventions

Source: Synthesis from results of Impact assessment workshop, in Da nang, Sep 2017

6.2.2. Positive impact assessment by Association and wood industry enterprises

Wood processing Associations and enterprises have the positive effects of the VPA/FLEGT Agreement. The synthesis of the impact assessment by transmission channel is summarized in Table 10, which shows that Type 1 enterprises have benefited greatly from the positive impact of a series of activities from compliance with the monitoring, control and manage imported timber, enterprises classification, exported verification and FLEGT licensing. In addition, the positive impacts on the economy of these contents also leads to the remaining 4 groups are: (1) Society - Environment; (2) Gender - Labor; (3) Administrative procedures; and (4) Law.

Table 10. A summary of the positive impacts of Association and Wood industry enterprises

Affected problems	Potential positive effects of the Agreement			
	Management and control of imported timber	Organization classification system (OCS)	Exported verification	FLEGT licensing
Economics	- Ensuring that the origin of timber is legally imported and limit the market risk for the whole system - Create a safe wood import chain,	Type 1 enterprises will be very convenient in production and business activities	- Increasing the output and market share of Vietnamese wood in the EU and world markets, stable, sustainably and increase export turnover in the long term. - Saving time for customs clearance of timber exports to the EU market.	Affirming Vietnamese wood brand in the international market
Society – Environment	Positive impact in ensuring transparency through accountability, the number of legitimate businesses will raise up	Changing the way and process of corporate governance in the direction of professionalism, transparency, and more.	Creating motivation for the type 2 enterprises will gradually strive to become a type 1 enterprise, thereby enhancing the law observance of enterprises.	FLEGT licensing is synonymous with business that contributes significantly to environmental protection.
Gender – Labor				
Administrative procedures	Businesses raise awareness of lawful use of	Reducing administrative procedures, time	Type 1 enterprises do not take much cost, time for	FLEGT licensing is fast

	timber for businesses	and compliance costs for Type 1 enterprises.	compliance with export verification procedures that will be quick and convenient.	
Legislation	<ul style="list-style-type: none"> - Ensure compatibility in support of compliance with relevant international treaties - The control of imported timber is in line with the Customs Law of 2014. - Contribute to the compliance and enforcement of international treaties on trade and forest products to which Vietnam is a contracting party. 			

However, the opinions show that the proportion of type 1 enterprises, accounting for a very small proportion, about 5% of the 4,500 in total wood processing enterprises and households. Thus, about 95% of these are small and micro-scale, which will be negatively impacted from low negative, negative and very negative, depending on each new content of the Agreement. Specifically, the results of the evaluation are analyzed in detail in the next section.

6.2.3. Negative impact assessed by the Association and the wood processing enterprises

Table 11 summarizes the consultation on negative impacts of new contents on management and control of imported timber; classification of organizations; export verification; and FLEGT licensing of the Agreement on DAS.

Table 11. Negative impact on 5 problem groups by DNNG

Problem groups are negatively affected	New contents of the Agreement			Indices of negative impacts
	Management and control of imported timber	Organization Classification System	Exporting verification and FLEGT licensing	
Economic	(-) (-)	(-) (-) (-)	(-) (-)	<ul style="list-style-type: none"> • Lack of wood materials, high price of imported woods, increase of input costs, affecting profit and the competition of enterprises. • Risk filters are ineffective because of the lack of information on risk areas and risk species. • Reducing the number of type 1 enterprises, increasing the number of type 2 enterprises

Problem groups are negatively affected	New contents of the Agreement			Indices of negative impacts
	Management and control of imported timber	Organization Classification System	Exporting verification and FLEGT licensing	
				<ul style="list-style-type: none"> • Economic difficulties/risks of enterprises due to lack of information from the exporting country • Increasing risks of delivery delays, contract penalties, goods are not cleared by customs.
Society & Environment	0	(-) (-)	(-) (-)	<ul style="list-style-type: none"> • Affecting start-up businesses because they belong to group 2 • In the immediate future, it is difficult for enterprises to organize production and business activities for SMEs.
Gender - Labor	0	(-) (-) (-)	0	<ul style="list-style-type: none"> • Enterprises in both groups have to comply with insurance, so there is no need to recruit seasonal workers, many workers will not have a job.
Administrative procedures	(-) (-)	(-) (-) (-)	(-) (-)	<ul style="list-style-type: none"> • For years, businesses have complied with to reducing costs and finding ways to adhere to documents. Therefore, when starting OCS implementation will be difficult to implement essentially. • The risk of negative behavior in handling administrative procedures, causing inconvenience to enterprises, can be used to profit. • It is difficult for enterprises to prove transparency to local authorities when standards are not clear to demonstrate transparency.

Problem groups are negatively affected	New contents of the Agreement			Indices of negative impacts
	Management and control of imported timber	Organization Classification System	Exporting verification and FLEGT licensing	
				<ul style="list-style-type: none"> Type 2 enterprises will be suffered greatly when carrying out export procedures due to increased administrative procedures for this group. Enhancing the specialized examination procedures
Legislation	-	(-) (-) (-)	(-)	<ul style="list-style-type: none"> The role of private, social and political organizations in OCS has not been recognized There is not enough legal basis for OCS implementation.

Detailed assessment of the negative impacts on wood processing enterprises, short term production and business establishments, as follows:

- Economic:
 - Difficulties/economic risks of enterprises due to lack of information from exporting countries
 - Increasing the risk of delay delivery, penalty due to procedural bottlenecks, goods are not cleared by customs.
- Social and environmental issues:
 - In the immediate future, it is very difficult for SMEs to organize production and business activities.
- Gender and labor:
 - The enterprises in both groups must comply with insurance, so there is no demand to recruit seasonal workers. As a result, many labors will not have a job.
- Administrative procedures:
 - The risk of negative behavior in handling administrative procedures, causing business inconvenience, can be taken advantage of for profit.
 - Type 2 enterprises will be suffered greatly when carrying out export procedures due to increased administrative procedures
 - Enhancing the specialized examination procedures
- Legislation:
 - There are not enough legal bases for OCS implementation.

In addition, according to the association and wood processing enterprises most noteworthy point is a commitment to classifying organizations (enterprises) will impact negatively on small and micro small wood industry enterprises, accounting for over 95% out of the total of 4,500 wood processing enterprises and household enterprises. A majority of these, about 99%, will not be able to fully comply with all criteria to qualify for Type 1 enterprises. Therefore, when the Agreement enters into force, some of this group can be bankrupt, especially, businesses have large volume of goods such as timber and wooden products exported to the EU market.

6.2.4. Mitigation solutions are provided by the wood industry enterprises

Problem groups are negatively affected	Mitigation measures/solutions		
	Management and control of imported timber	Organization Classification System	Verification and FLEGT licensing
Economic	<ul style="list-style-type: none"> • Management agencies must timely update and publish information on risk species and areas. • Guiding business enterprises to implement and fully comply with the law on management and control of imported timber • Assisting enterprises in expanding wood import markets from countries with sustainable forest management. • The state management agency develops the process and guides timber import enterprises for the accountability. • Supporting domestic plantation development, reducing the pressure on imported timber supply. • Allowing enterprises to get clearance of the timber in warehouses when the imported timber species is not yet identified, to reduce the costs of storages and yards of the enterprises. 	<ul style="list-style-type: none"> • Supporting SMEs to join in the supply chain through mechanisms and policies on cooperation, linkage in production and trading of timber and wooden products. • The state and CSOs should support start-up businesses, specifically reducing the classification criteria required by the Agreement. • Extend the road map for at least two years on the criteria for rating of small and micro enterprises classification. • Defining the necessary, priority and important criteria for enterprises to focus on supplementation and completion. • Enterprises should guide and require suppliers and workers to comply with commitments. 	<ul style="list-style-type: none"> • Transparency: reform of administrative procedures, reduction of direct contact between enterprises and civil servants. • Publishing information: use of online tools, limited contact between businesses and the licensing agency.
Society & Environment		<ul style="list-style-type: none"> • Enterprises must take an appropriate interest approach to implement social responsibilities. • Enterprises must simultaneously implement solutions to meet the requirements that do not 	
Gender &			

Labor		<p>harm to society, economics, environment and the interests of workers.</p> <ul style="list-style-type: none"> • Involvement of stakeholders is necessary, including: NGOs; CSOs; and socio-political organizations. 	
Administrative procedures	<ul style="list-style-type: none"> • Enhancing information provision on risk geographic areas by commercial affair officers from abroad. • State management agencies should take transparent measures in approval so that the enterprises are satisfying about their legitimate interests. • Negotiating national legal standards for timber. • Guiding the implementation of self-enumeration to add on components of administrative procedures for risk species and geographical areas. • Improving coordination among state management agencies, such as: Customs - Forest Rangers - CITES, etc. 	<ul style="list-style-type: none"> • Publishing information; Applying information technology in the organization classification; Limiting contact between companies and the export verification agencies. • Transparency, shortening administrative procedures and do not consider small administrative violations 	<ul style="list-style-type: none"> • Applying information technology for all administrative procedures • Transparency of all steps in work to reduce administrative procedures.
Law	<ul style="list-style-type: none"> • Understand the laws of the country exporting wood materials through the Commercial affair/Embassy System. 	<ul style="list-style-type: none"> • Promulgating normative legal documents of criteria, dossiers and classification procedures of enterprises because they are new contents of agreements and Vietnamese laws have not stipulated; • To amend and supplement existing regulations on exploitation and forest product dossiers in circulation • Issuing regulations on FLEGT criteria, dossiers and procedures • Amending, supplementing current regulations on export verification 	

The mitigation measures of negative impacts are summarized above, which shows that the opinions of enterprises are expected to be supported by the State, Ministries, agencies, and international and national organizations in implementation and complying with each new contents of the Agreement. However, the basic points of solutions can be summarized as follows:

- Enhancing the provision of information on risk species and geographic areas by commercial affair officers
- Applying information technology to all administrative procedures to clarify and shorten steps of work to reduce administrative procedures.
- Promulgating normative legal documents on criteria, dossiers and classification procedures of enterprises because they are new contents of agreements and Vietnamese laws have not stipulated;
- Promulgating regulations on FLEGT criteria, dossiers and procedures, and amend and supplement current regulations on export verification.

6.3. Results of households and community consultation

6.3.1. Impact assessment on households and community

Table 12 summarizes the opinions of households and communities on the positive impact on the activity chain from the planting, tending, harvesting, transportation and consumption of plantation timber by households and communities. The procedures from planting and harvesting are subject to Circular 21, now Circular 17 (amending Circular 21) of MARD; and transported in accordance with Circular 01 of MARD. The new points of the VPA/FLEGT Agreement do not have anything new negative impact in comparison with what the forest owners and small households need to comply with in this circular.

Table 12. Results of households' consultations and community

Chain of Production – Business of household forest plantation	Positive impacts
Afforestation and forest tending	Changing the habit of planting forest without silvicultural techniques (Do not burn vegetation, planting forest in time, protecting soil, preventing erosion ...) Encourage households to plant large timber forests, certified plantations by household groups It is beneficial for household groups own certified

	<p>forests, higher selling price of raw material timber, and saving on the cost of investment in plantation protection.</p> <p>Plant varieties are managed with quality and clearly source.</p> <p>The land use right is determined and forest planting complies with the land use planning.</p> <p>Land allocation associates with the identification or granting of land use rights</p>
Harvesting and Transportation	<p>Encourage compliance by households to make enumerations and pay forest protection fees in accordance with the current Laws (Circular 21, now Circular 17 of MARD)</p> <p>Enhance the role of local authorities (CPCs) in the exploitation of households' plantation forests</p> <p>Comply with the replanting after cutting (100% compliance).</p> <p>Afforestation for 5 years period (the selling stand trees, $D \leq 15$, has not yet regulated)</p> <p>Complying with regulations on the timber transportation with legal timber files</p>
Consumption/Market	<p>Have a stable wood consumption market</p> <p>Create a transparent wood market</p>

However, almost participants indicated that there are some major limitations to households as following

- The plantation forests and business of households mainly focus on small-scale production forest plantation. Thus, it is costly for households in additional compliances of administrative procedures on legal timber requirements.

- The greatest limitation and challenge of compliance of forest owners is the lack of strict household control. This is due to the way of smallholder production and the limited knowledge and capacity of major plantation communities, especially in remote areas. Therefore, the compliance of procedures about planting, caring, harvesting and transportation are very

challenging. And these are the issues that have a negative impact on the implementation of the VPA/FLEGT.

Regarding for household scale of wood industry and supper wood industry enterprise, the negatives impacts of VPA/FLEGT are moderately affecting them in short period. The assessment results were shown at Table 13, as following

- The increasing of administrative procedures leads to increase production and business costs, reduce the profit of wood processing enterprises;

- Most of these establishments have violated the principle of social insurance, rural labor, and seasonal jobs which are not entitled to benefits when participating in production and business activities.

- Domestic enterprises will be treated unfairly in the global game of value chain integration of wooden products

- The majority of households in craft villages are not interested in the impact of the agreement.

- Households do not have enough capacity to do/list their forest products. Therefore, there will appear smuggled "forces" servicing providers do these procedures.

- Increasing informal or other fees that may arise from local governmental agencies.

- It is not feasible to establish a household enterprise that satisfies criteria of a Type 1 enterprise. Hence, opportunities are limited in the development of domestic enterprises in the production, processing and trade of timber and timber products.

Table 13. List of Potential Impacts on Household-scale Wood Processing Enterprise, Co-operative Groups and Cooperatives

N°	Type of impacts
1	Incurring cost during legal timber verification
2	Rising costs (travel, photo, ...)
3	Increasing the cost of obtaining paperwork from the CPC (formal and informal)
4	Increasing the cost of social insurance contributions and accidents for laborers
5	Appearance of smugglers who specialize in doing procedures, papers for the cultivation and processing when selling products

6	Processing/outsourcing/selling standing forest plantations of households are forced to make product prices by their buyers
7	Owing to the fact that they do not have to carry out the harvesting and transporting procedures, the households have to sell to the collectors that leads to profit decrease
8	Most of the households do not have the capacity to make the table of harvested forest and the inventory of forest products
9	Processing households in craft villages do not know clearly or difficult to implement verification requirements
10	Establishing a company is hardly feasible for a household
11	Households improve by themselves
12	The natural process of raising awareness through practical compliance
13	Many enterprises, households and workers lose their jobs
14	Increasing the competitiveness of legal wood
15	Linkage between households
16	A feasibility of a migration to another area
17	The risk of increasing CO ₂ emissions because of more processes and procedures
18	When switching to other occupations, women can be lost their traditional jobs

7. CONCLUSION AND RECOMMENDATIONS

7.1. Summary of evaluation results

- Using Transmission Channels Analysis (TCA) variables to assess the positive and negative effects of new policies that impact on different target groups is consistent with the context of multiple stakeholders. The strength of this approach is to provide quick and effective results through group discussions to get the expertise of the participants.

- The new points of the Agreement include four contents: (1) the management and control of imported timber; (2) Enterprises classification; (3) Export verification; and (4) FLEGT licensing is hypothesized to have an impact on the Economic - Social - Environmental - Administrative procedures - legal framework aspects.

- Consultation results through 3 workshops, including: Consultation workshop for state management agencies at central and local levels, units having the functions and tasks of state management related to implement the Agreement; consultation workshop for timber processing and trading companies (including small and medium enterprises); and workshops on households, small scale afforestation and wood processing facilities. The total number of consulted respondents was 104.

- Results of positive impact assessment show that:

- The implementation of the VPA/FLEGT Agreement will have positive impacts on the supply of imported timber; core values and national brands; and the competitiveness of enterprises.
- Encouraging planting and using domestic timber of planted-forests. Particularly encourage small forest owners to change their business plans and objectives to increase the proportion of timber for export processing.
- Vietnam's VPA/FLEGT image will have a positive impact on other export markets.

- In addition, negative impacts which are aggregated and classified into five categories: (1) Economics; (2) Society - Environment; (3) Gender - Labor; (4) Administrative procedures; and (5) Law, show that:

- The content of the organization classification of the Agreement is believed to have a very negative impact on the production and business of the enterprise. Without policy improvements, capacity

building support, and awareness of wood industry enterprises (WIEs), there will be many negative impacts on small and micro enterprises leading to a number of firms that may have to stop production and business.

- Type 2 enterprises will be greatly affected by the export performance due to increased administrative procedures for this group.
- Increasing the specialized inspection procedures, leading to increased production and business costs of enterprises
- Increasing in workload of administrative procedures for all four stakeholders, including: Customs Offices, Forest Protection Offices, CITES and enterprises, timber industry, but no capacity building support, technical equipment and legal bases to enhance coordination and reduce time spent on administrative procedures as incremental work steps.
- The risk of negative and potential corruption is assessed to have a very negative impact on the civil servants of law enforcement agencies on the management and control of imported timbers.

7.2. Conclusion

7.2.1. Long-term positive effects

- The implementation of the VPA/FLEGT Agreement will have a positive impact on the supply of imported timber; core values and national brands; and competitiveness of enterprises.

- Encouraging planting and using domestic timber of planted-forests. Particularly encourage small forest owners to change their business plans and objectives to increase the proportion of timber for export processing.

- Vietnam's VPA/FLEGT image will have a positive impact on other export markets.

- Promoting the development of a supply chain that is consistent with the criteria and legal timber control and management system.

- Contributing to comply with and implement international treaties as Vietnam is a member.

7.2.2. Short-term negative impacts

Economy: The content of the organization classification of the Agreement is believed to have a very negative impact on the production and business of enterprises, leading to increased costs and reduced profits of enterprises due to the following reasons:

- Small and micro businesses will be hit hard when directly exporting to the EU market, in case they are categorized into type 2 enterprises.
- Increased steps of administrative procedures for specialized inspection for group 2 companies.

Society - Environment - Gender - Labor: There will be many negative impacts on small and micro enterprises, leading to some enterprises may have to stop producing and trading for wood export and wooden products.

Administrative procedures: Increasing in workload of administrative procedures for all four stakeholders, including: Customs Offices, Forest Protection Offices, CITES and enterprises, timber industry, but no capacity building support, technical equipment and legal bases to enhance coordination and reduce time spent on administrative procedures as incremental work steps.

Legislation: Increase the workload of reviewing, analyzing and evaluating the appropriateness and compatibility with the new contents of the Agreement.

7.3. Solutions for mitigating negative impacts

- Enhancing the provision of information on risk species and geographic areas through overseas commercial affair officials.
- Applying the information technology to all administrative procedures in order to clarify and shorten the work steps to reduce administrative procedures.
- Promulgating normative legal documents of criteria, dossiers and classification procedures of enterprises because they are new contents of agreements and Vietnamese laws have not stipulated.
- Promulgating regulations on criteria, dossiers and procedures for FLEGT licensing, amending and supplementing current regulations on the export verification.

7.4. Propose additional framework and complete some legal documents

New contents of the agreement	New commitment must be implemented	Risks and impacts	Proposing, supplementing and finalizing some normative legal documents
<p>MANAGEMENT AND CONTROL OF IMPORTED WOODEN PRODUCTS</p>	<p>Carry out accountability</p> <p>Simultaneous Compliance 3 Control Filters (<i>custom requirements; risk species; and geographic risk</i>) through Principle of Risk Management</p> <p>Procedure of Enumeration "<i>additional compliances of administrative procedures on legal timber requirements</i>"</p>	<p>Brought new administrative procedures, but weak legal basis when implementing commitments because it is not compatible with the current system of legal normative documents; The capacity of law enforcement has not been strengthened; Lack of coordination among the authorities to operate simultaneously 3 filters (custom requirements; risk species; and geographic risk); and Lack of guidance on carrying out accountability and uniting the contents of "incurred compliant" enumeration</p>	<p>- Amending and supplementing circular 04. number: 04/2015 / TT-BNPTNT on guiding the implementation of a number of contents of the government's Decree No. 187/2013/ND-CP 20 Nov 2013. It regulates detail implementation of the Commercial Law regarding the international sale and purchase of goods and the activities of agency, purchase, sale, processing and goods in transit with foreign countries in agriculture, forestry and fishery.</p> <p>- Supplementing Article 16 of the Minister of Finance's Circular No. 38/2015 / TT-BTC dated March 25, 2015 stipulating the customs procedures; Customs inspection and supervision; export tax, import tax and tax administration for export and import goods.</p>
<p>ORGANIZATIONAL CLASSIFICATION SYSTEM</p>	<p>Made for all agents and wood processing</p>	<p>- Poor compliance of forest owners, agents in the supply chain.</p> <p>- Many households do</p>	<p>- Supplementing and guiding tabulating the households self-declaration table in forest</p>

	<p>enterprises in the wood and wooden products supply chain</p> <p>Self-enumerating on the implementation and compliance of enterprise classification criteria.</p> <p>Declare and clear organizational classification information of the Forest Ranger Agency from the local to the Central; Decentralization of implementation and declare information</p>	<p>not know, do not comply, but lack of guidance on self-declaration tables of timber harvesting in plantation forests of households.</p> <ul style="list-style-type: none"> - The self-declaration tables of transportation for planted timber is not feasible according to current guidelines. - The People's Committee has not paid enough attention to the compliance with and verified the self-declaration tables of timber harvesting in the household plantation forests. - 95% of processing enterprises is small and micro-scale processing enterprises that are much negatively impacted, which can lead to production discontinuity due to lack of adherence to evidence of supply chain participation, and gender-environmental - labor requirements. - Lack of "Unified, Synchronized" guidelines for implementation and compliance; and evidence of compliance with the 	<p>product exploitation and transportation, or changing the mode of supply chain management in Circular No. 21/2016/TT-BNNPTNT and Circular No. 17/2016/TT- BNNPTNT amending and supplementing the Circular No. 21/2016/TT-BNNPTNT of Minister of Agriculture and Rural Development, dated 28 June 2016 regulating the main exploitation and utilization of forest products.</p> <ul style="list-style-type: none"> - Promulgating normative legal documents about criteria, processes and procedures for enterprise classification; Application of information technology to categorize online businesses; Improve the capacity of ranger team from central to local level about criteria, processes and procedures for classification of enterprises.
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		<p>classification criteria of businesses.</p> <ul style="list-style-type: none"> - Lack of information technology solutions to classify online businesses. - There is no clear solution to improve the capacity of the ranger team from the central to local level on the criteria, processes and procedures of enterprise classification. 	
<p>VERIFYING THE EXPORT AND FLEGT LICENSE</p>	<p>Type 2 business and households: Check the records and check the actual shipment. The actual inspection rate of at least 20% of each consignment volume shall be carried out by the local rangers.</p> <p>Authorized FLEGT licensing authority with IT application for OSS licensing and database management.</p>	<ul style="list-style-type: none"> - In general, there are about 500,000 enterprises as whole country, of which 98% is small and middle enterprises, but these enterprises create 77% of total job opportunities and generate about 25-30% of GDP. However, the forestry sector has got about 4000 enterprises, occupied 0.8 percentages in total of enterprises. Of which small and micro enterprises is occupied about 95% and most of them will be Type 2 enterprises (excluding households), so the volume of administrative 	<ul style="list-style-type: none"> - Promulgating new normative legal documents on timber export verification and FLEGT licensing of the assigned competent authorities. - Amending new Decree on solutions to support small and micro enterprises and households involved in import and export of timber. This policy will contribute to stipulate the Law of supporting development of small and micro enterprises

		<p>procedures to check 20% of export shipment volume will be huge and costly large amount to negative impact on economic, in particular, increasing cost for exporting furniture products. And most small, micro enterprises and households do not have human resources and do not apply IT.</p> <ul style="list-style-type: none"> - In VPA/FLEGT implementation, the workload is not commensurate with the number of local rangers, as traditionally "wherever many forests there are strong forest rangers" just the opposite. - There is no IT solution to apply in the direction of OSS, management and distribution of database shares by the value chain of wood and wooden products. 	
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PICTURES OF THREE WORKSHOPS



The first consultant workshop with officers of the state management agencies



Some participants of the first workshop



The second consultant workshop with Association and Wood Industry Enterprises



The third consultant workshop with Households and community