

POLICY RECOMMENDATIONS

FOREST LAW ENFORCEMENT - GOVERNANCE - TRADE (FLEGT)

Quarter 3/2020



INCLUDING

01



Current situation of afforestation households and micro and small-sized timber processing enterprises prior to the implementation of the VPA/FLEGT

08



Developing and piloting an indicator framework for monitoring the VPA/FLEGT impacts on small and medium-sized timber enterprises in Vietnam

14



The Voluntary Partnership Agreement VPA/FLEGT and transparency in the forestry sector

Adjusting production and business plan for timber enterprises in the VPA/FLEGT context. Some affecting factors

19



30



The implications of VPA/FLEGT on women in timber processing industry

35



Forest management and mechanisms for benefit sharing in the VPA/FLEGT & REDD+ context

CURRENT SITUATION OF AFFORESTATION HOUSEHOLDS AND MICRO AND SMALL-SIZED TIMBER PROCESSING ENTERPRISES PRIOR TO THE IMPLEMENTATION OF THE VPA-FLEGT

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INTRODUCTION

The Voluntary Partnership Agreement (VPA) on Forest Law Enforcement, Governance and Trade (FLEGT) aiming to eliminate illegally produced timber in trade between the European Union (EU) and Vietnam has officially come into effect. It can be seen that the VPA-FLEGT will have huge impacts on the signatory countries, and its extent of impact among the target groups varies. The VPA-FLEGT definitely has both favorable and adverse effects on different target groups in the VPA signatory countries. Article 16 of the VPA-FLEGT, therefore, stated: “In order to minimize possible adverse effects of this Agreement, the Parties agree to assess the impacts on ethnic minorities and local communities concerned and on their way of life, as well as on the households and the timber industry”.

Impacts exerted by the VPA on household groups and micro and small-sized enterprises (MSEs) participating in the timber supply chain are often overlooked. In contrast, such household groups and MSEs themselves are fairly vulnerable to those impacts as a result of their limitation on resources and knowledge, thereby being hardly changeable towards adaptation. Consequently, there is a need for a database to monitor and assess the VPA-FLEGT’s impacts on household groups and MSEs to ensure they are less compromised by or not harmed by any possible adverse effects, but hopefully, gain benefit once the VPA-FLEGT is implemented.

In the hope of contributing positive and valuable comments to the negotiation and implementation of the VPA-FLEGT, as

well as forest management, protection and development in general, the Network of Vietnamese Non-Governmental Organizations on Forest Law Enforcement, Governance and Trade (VNGO-FLEGT) was established in January 2012. Over the course of the VPA-FLEGT negotiation, the VNGO-FLEGT Network conducted a number of community consultations and field assessments to provide the parties with comments on the contents of the VPA-FLEGT.

The VNGO-FLEGT Network determines to voluntarily monitor the VPA-FLEGT impacts on two groups, namely afforestation and harvesting households, and micro and small-sized timber processing enterprises in Vietnam, in order to form a basis for the stakeholders to introduce such policies and interventions that those two groups are not harmed, but also gain benefit from the implementation of the VPA-FLEGT. In doing so, the VNGO-FLEGT Network carried out a baseline assessment in 2018 to serve as a reference point for monitoring and assessing the VPA-FLEGT impacts in the coming years.

The research team used the Slovin’s formula with a 90% confidence level to randomly select 647 afforestation households from Kinh and non-Kinh ethnic groups for surveying purposes. It also interviewed 36 micro and small-sized enterprises in accordance with Decree No. 39/2018/ND-CP dated March 11, 2018, on micro and small-sized enterprises. In addition, data from the Forest Management Information System (FORMIS) were retrieved in the research.

SOME KEY FINDINGS FROM TEST MONITORING RESULTS

The average area of plantation forest timber per household ranged from 0.44 ha to nearly 2 ha

The average planted forest area (ha) per household varied among surveyed provinces. Quang Nam Province had the smallest average planted forest area per household, whilst Nghe An Province was the largest. The average land-areas of planted forest per household in Phu Tho and Binh Dinh Provinces were nearly the same. Once implemented, the VPA is likely to have both favorable and adverse effects on the planted forest land area. A foreseeable negative impact is that the poor and ethnic minorities may lose their own land use right as a result of their sale of land to those non-local households who have strong economic potential. Furthermore, there will also exist a land use conversion from low-economic agricultural production to afforestation, replacing polyculture with monoculture farming.

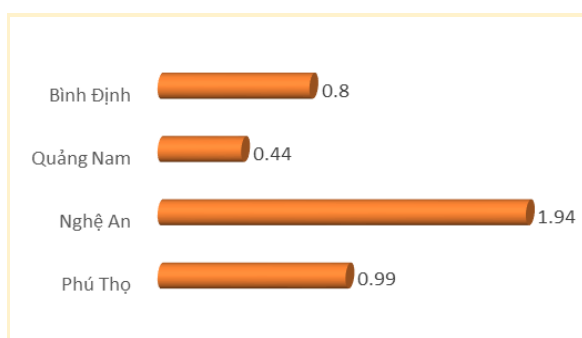


Figure 1.1. Average planted forest area per household by province

Few households planted large timber trees

Previous studies found that planting large timber trees at 10-year harvesting intervals was 2.1 times higher than that at 6-

year harvesting intervals. The VPA will affect afforestation households by forest conversion from small to large timber due to an increasing demand from the export market for plantation forest timber for the production of home wooden furniture. The research data showed that only 1.4%, 11.9%, and 16.9% of the households interviewed in Phu Tho, Nghe An, and Binh Dinh provinces respectively have planted large timber trees. The average area of large timber trees ranged from 2 to 4 ha/household.

In some localities, many afforestation households kept holding no land use right certificate.

In order to adhere to the VPA's provisions on legally produced timber, afforestation households are required to hold either a land use right certificate or its equivalent. Nonetheless, the survey outcome showed that the number of households in Quang Nam and Nghe An provinces holding no certificate accounted for 50.7% and 30.6% respectively. The main reason is due to inadequacies of the local authorities in land allocation and the overlaps between their cadastral map and actuality.

The average income from planted forests accounted for a high proportion of the household income structure

Of the six sources of household income in the four provinces, the income from forestry and agriculture accounted for the largest proportion. The data further indicated the percentage of income from forestry in each of the provinces showed no

difference. Income from forestry in Phu Tho Province accounted for 28.83%, Nghe An Province 29.41%, Quang Nam Province 30.09%, and Binh Dinh Province 34.41%. It reflects the fact that despite geographical differences, the afforestation households have to rely heavily on income from forestry as it is a source of income that largely makes up a household's economic structure.

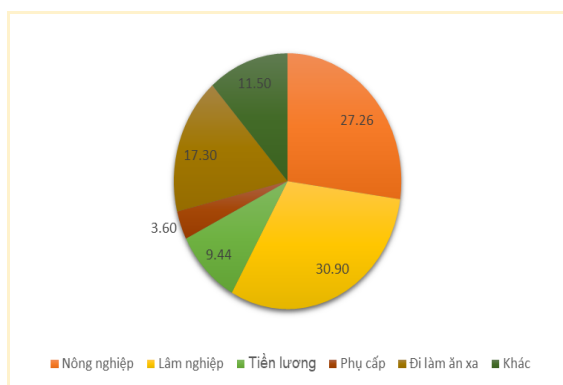


Figure 1.2. Sources of average income of afforestation households

The number and average salary of male workers in micro-enterprises were often higher than those of female workers

The number of workers in micro-enterprises reflected a huge difference among provinces, i.e. the average number of workers ranged from 6 to 25. The average salary for workers in micro-enterprises ranged from 5.2 to 7.0 million dong/month. Male workers outweigh female workers, and the average salary of male workers was also higher than that of female workers.

Few households carried out the procedures for forest harvesting on their own

When harvesting forest, households often did not carry out procedures on their own, but left them to traders. In some provinces like Quang Nam and Nghe An,

there were almost no procedures for forest harvesting. Afforestation households' doing so results from the fact that (i) they were often afraid, having no interest in working with the authorities about procedures, and (ii) the regulations on carrying out the procedures for forest harvesting were not been supervised and enforced by the local authorities.

Most afforestation households failed to fully meet the requirements for legally produced timber

In some localities, people carried out the procedures for timber logging on their own but failed to comply with the regulations on plantation forest timber fully. For example, 60 households in Phu Tho have carried out the harvesting procedures on their own. Of which 100% of households complied with the regulations on registration for harvesting, 96.6% complied with the regulations on forest product listings, 80% complied with the regulations on land-use right certification, and 68% comply with the regulations on record keeping. Accordingly, in general, such households have been complying with a part of regulations on legally produced timber, which is mainly explained by their lack of full awareness of the regulations on legally produced timber from plantation forests.

Few enterprises complied with regulations on employment and labor insurance

Approximately 100% of micro and small-sized enterprises fully comply with the regulations on business establishment, the legal origin of timber going to be processed, and taxation. However, only

about 20% of them complied with the regulations on employment and labor insurance. Enterprises were responsible for signing labor contracts and paying all kinds of insurance for those who worked for 3 months or more as a full-time worker. The regulations, however, were often not fully observed by enterprises, which caused by them and their workers as well.

Afforestation households and enterprises had no close linkage

In the four surveyed provinces, more than 88% of the interviewed households did not sell their timber directly to enterprises, but through traders. The main reasons for

that were they showed no confidence to complete all the procedures for harvesting and selling directly to enterprises. There was no specific linkage or cooperation between them and enterprises.

Only about 20% of enterprises could export timber to foreign markets on their own

The research noted a limited number of SMEs exporting timber to foreign markets. In the four surveyed provinces, only one or two enterprises in a province could export timber on their own, the others sell timber in the domestic market.

Table 1.1. Number of enterprises exporting timber to international markets

	Phú Thọ		Nghệ An		Quảng Nam		Bình Định	
	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>
Yes	2	22,2	1	10,0	2	20,0	2	28,6
No	7	77,8	9	90,0	8	80,0	5	71,4



CONCLUSION AND SOME RECOMMENDATIONS

The VPA hopefully brings many benefits; in the meanwhile, the VPA-FLEGT raises concern about undesirable adverse effects. The research provides an initial set of indicators to be used as a basis for assessing the VPA impacts on two target groups, namely afforestation households, and micro and small-sized timber processing enterprises. In order to limit/minimize the undesirable impacts of VPA implementation on afforestation households, and micro and small-sized enterprises, we put the following recommendations forwards:

Recommendations on policies and institutional provisions

1. Income from plantation forest timber accounts for a high proportion of a household's sources of income, so it should be considered as an important factor to improve people's income. In doing so, there is a need for those policies on supporting people in converting to large timber trees which focus on the planning of planting sites and seed sources for seedlings of good quality and high resistance to risks, especially weather risks in the context of worsening climate change. On the other hand, the planning will make sure that there are no adverse effects on the environment, such as forest fires, water quality deterioration over the forest harvesting.

2. Once being implemented, the VPA is also expected to improve working conditions and promote social welfare for workers. Therefore, the VPA specified that in complying with the regulations on legally produced timber, adherence to regulations on not only business establishment but also labor contracts and insurance is required. Indeed, these two are among the most difficult issues for enterprises to get

involved in. Supporting enterprises in dealing with such issues is definitely a demanding process requiring both long-term propaganda and advocacy, and supervision and monitoring to ensure their compliance.

3. Micro and small-sized enterprises often pay little attention to issues about labor safety, environmental sanitation, fire prevention and fighting. They do have written documents on all the issues in place, but in practice, there are few accompanying means of support for such issues. For that reason, support and close supervision are required so that enterprises will fully comply with these regulations.

4. Micro and small-sized enterprises are hiring land these days to do business and even arbitrarily change the land use purpose to build factories and/or warehouses. As a consequence, land planning is necessary for them to have a stable place of business.

Recommendations on forest governance

1. From a legal viewpoint, traders and afforestation households share the same harvesting procedure. However, if households carry out the harvesting procedures on their own, they will get a cost-saving. Despite that, many of them still take no initiative to go through the procedures since they are afraid of wasting time and working with civil servants. Furthermore, many of them have not been aware that record-keeping is one of the mandatory provisions on legally produced timber. It recommends that the local authorities in some provinces should further contact with their people, share information for the people's acknowledgment, and create an atmosphere of friendliness and easement to encourage their people to work with.

2. The VPA will increase workloads of the stakeholders, including enterprises, especially those who use timber from different origins. Technical assistance, therefore, is required to improve their capacity to have a supply of legally produced timber.

3. The VPA will have an impact on those both directly and indirectly involved in the timber supply chain, which is likely to lead to high corruption in classification and FLEGT licensing. Thus, it requires supervision from an independent agency which needs the involvement of civil social organizations.



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DEVELOPING AND PILOTING AN INDICATOR FRAMEWORK FOR MONITORING THE VPA-FLEGT IMPACTS ON SMALL AND MEDIUM- SIZED TIMBER ENTERPRISES IN VIETNAM

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INTRODUCTION

The Voluntary Partnership Agreement on Forest Law Enforcement, Governance and Trade (VPA-FLEGT) between the Government of Vietnam and the European Union (EU) came into effect in June 2019, marking a significant milestone in the negotiation process between the two parties since 2010.

This Agreement serves as a legal foundation for Vietnam and the EU to work together in tackling illegal timber logging and trade associated with transnational supply chains beyond the geographical territories of Vietnam or the EU. The implementation of the VPA-FLEGT also reflects how Vietnam commits to promoting “Trade and Sustainable Development” which is one of the core contents of the EU-Vietnam Free Trade Agreement (EVFTA). The VPA opens up great opportunities to boost the production development of Vietnam’s timber processing industry but possibly has undesirable effects on timber processing and manufacturing enterprises. Based on 2018 data from the Ministry of Agriculture and Rural Development, there were about 4,500 enterprises and 500,000

workers engaging in timber and forest product processing business in Vietnam.

The VPA-FLEGT comprises 27 articles and 09 technical annexes, including those provisions that have a significant impact on enterprises such as development, verification and approval of verifiers at all stages of the supply chain; organizational classification system and risk-based verification; supply chain control; verification of export; data management and storage; and several other regulations.

Based on them, an impact monitoring framework of the VPA-FLEGT (comprising 10 criteria and 25 indicators categorized into three impact groups) has been developed by the VNGO-FLEGT Network. The monitoring framework was piloted with the involvement of 86 small and medium-sized enterprises (SMEs). Those enterprises involved in the research are located over five geographical regions of the country. Of which are Hanoi and Bac Ninh Province in the Red River Delta, Bac Ninh Province in the Northeast, Nghe An and Quang Tri provinces in the North Central, Binh Dinh Province in the South Central, and Dong Nai Province in the Southeast.

SOME KEY FINDINGS FROM TEST MONITORING RESULTS

The majority of SMEs in Vietnam's timber industry were limited liability companies

Out of the 86 SMEs in the survey, 57% (49 enterprises) of them registered themselves as a limited liability company (LLC). For this type of enterprise, 20 out of 49 enterprises were one-member LLC, the other 29 were two-member LLC. 39.5% of them were joint stock companies corresponding to 34 enterprises, and the other 3 were registered as private enterprises.

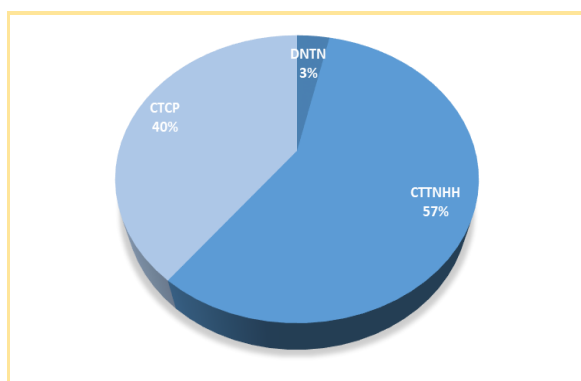


Figure 2.1. SMEs by enterprise types
Approximately 75% of SME leaders have accessed the VPA-related information at least once.

Although up to 70% of SME leaders have accessed the VPA-related information, up to 75% of them were of the opinion that their current levels of knowledge about the VPA were very poor to moderate. Those enterprises in the provinces of Bac Ninh, Binh Dinh, and Quang Tri often had a higher number of times accessing the information about the VPA-FLEGT than those in the other provinces. It somehow showed a consistency with the role and pro-

active engagement of those associations such as VIFOREST, FPA-Binh Dinh, Dong Ky Fine Art Product Association (in Bac Ninh Province) in connecting and encouraging enterprises and craft villages to take part in the events over the process of negotiating the VPA-FLEGT.

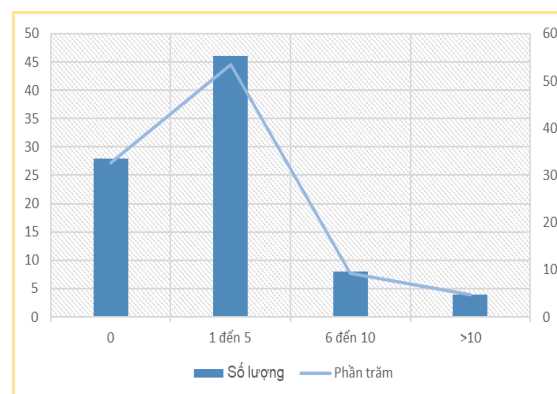


Figure 2.2. Enterprises' access to information on the VPA-FLEGT's requirements for legally produced timber
Nearly 60% of SMEs reported their revision of business production plans

Accessing the information about the VPA, many enterprises had made decisions to revise their business plans; there were 51/86 enterprises have made revisions. They focused major revisions on safe production and business, supplement/ amendment to labor reform, changes in timber inputs, etc. Such revisions were required to ensure enterprises' legitimate production from legally produced timber. The proportion of those private enterprises revising their business production plans was higher than that of other types of enterprises.

The majority of SMEs considered themselves to have complied well with the laws and policies towards female workers

More than 70% of enterprises have fully implemented the provisions on gender equality following the law. The regulations on salary payment, working time, maternity, insurance and occupational safety and health were well observed by enterprises.

Nearly 50% of SMEs pro-actively adjusted their timber inputs in order to avoid risks from illegally produced timber.

The majority of such SMEs were those enterprises in Binh Dinh and Dong Nai provinces, which were timber processing hubs where the proportion of SME leaders considers themselves to know the VPA-FLEGT well was much higher than that in the other provinces. Such revisions comprised changes in supply, type and location of timber supply location, and were considered as a consequence of the implementation and compliance with Circular No 27/2018/TT-BNNPTNT on management and tracing of forest products.

More than 55% of SMEs said that they have decided or planned to review the information management and storage, and timber records.

For those enterprises already doing so, after reviewing they have made necessary adjustments or changes, mainly in: standardizing the processes for managing information/timber records by supply chain; supplementing required forms and procedures to facilitate verification and inspection; consolidating information update/reporting; and allocating and

However, some other contents that need to be improved, like annual medical check-up, further training, unemployment and occupational disease insurance, social insurance, and occupational safety and health.

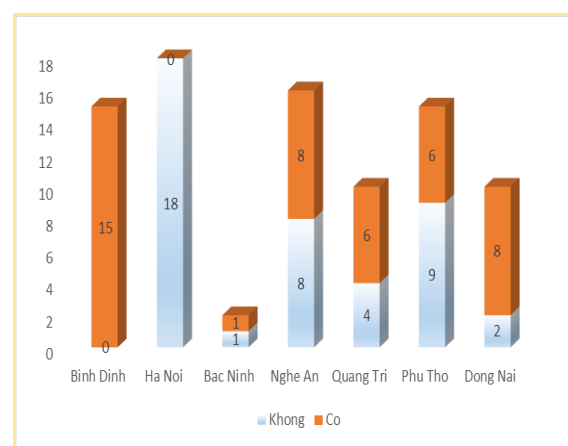


Figure 2.3. Number of enterprises adjusting their timber inputs to avoid illegal produced timber

reassigning personnel related to information/timber record management. The survey also showed that 43% of SMEs take action or plan to use technology to manage supply chain information and data such as timber and product data management software, and online forms. However, none of them has used technology on mobile devices.

There still existed risks from imported timber.

The timber used by SMEs for processing mainly comes from two main sources: plantation forest timber (55%) and imported timber (38%). Most of SMEs use timber imported from the United States, Malaysia, Brazil, South Africa and

Uruguay; whereas the others use timber imported from some countries which are thought to be at risk of timber legalities, such as Solomon, Cameroon, Congo and Laos.

A small percentage of SMEs (nearly 13%) have built and run a cooperative link between enterprises and afforestation households.

Only 13 out of 86 SMEs have established a business partnership with afforestation households. Thus, few localities or afforestation households have the opportunity to access information and practice in sustainable forest management,

forest certification or legally produced timber. It may increase the risk of illegal supply as a significant proportion of SMEs (about 30%) purchase raw timber from local intermediaries.

Few SMEs have conducted a risk assessment.

A modest number of surveyed enterprises have conducted a risk assessment. The survey results indicated that only 16.3% of enterprises (14 out of 86) have conducted a risk assessment, 57.1% of which (8 out of 14) are considered risk free. These risks were related to the failure to comply with static and dynamic verifiers. The outcome was also matching where the survey reveals that up to 50% of enterprise leaders know nothing about risk assessment.

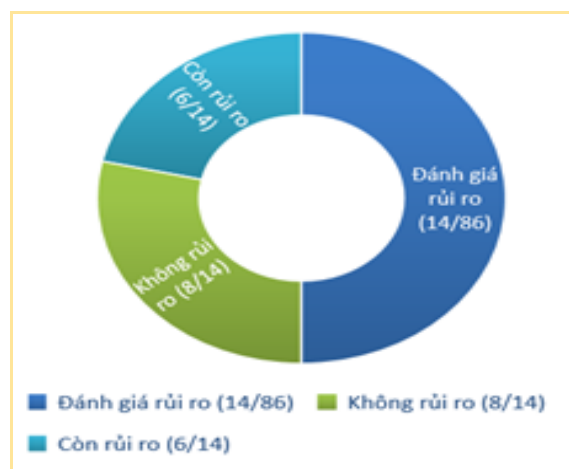


Figure 2.4. Number of SMEs already conducting a risk assessment

Information on SMEs was accessible from a variety of sources, but there was no guarantee of reliability, completeness or integrity, except for periodic reports submitted by enterprises to the competent authorities, making the approach of interested parties more difficult.

The information accessible to everyone was general information; whereas the information on monitoring, verification, and inspection such as income statement,

fulfillment of tax obligations to the State, environmental corporate social responsibility, or violations (if any) was disclosed by less than 20% of enterprises.

CONCLUSION AND SOME RECOMMENDATIONS

The level of access to information on the regulations outlined in the VPA-FLEGT considerably varies among those enterprises in different provinces. Those enterprise leaders accessing and fully understanding the requirements of the VPA-FLEGT will make significant adjustments to enhance the enterprise's adaptability and compliance with the requirements and practice the supply of legally produced timber. In order to fully monitor the VPA-FLEGT impacts on enterprises and promote SME's involvement and full compliance with the VPA-FLEGT, we put some recommendations forwards as follows:

Regarding institutionalizing the stakeholder collaboration mechanism to monitor the VPA

1. The indicator framework for monitoring the VPA-FLEGT impacts on SMEs and initial survey results are the first pilot products of the VNGO-FLEGT and FGMC project towards the implementation of Article 15 of the Agreement. The results should therefore be introduced and shared to the Multi-Stakeholder Core Group of VPA-FLEGT in Vietnam, JIC, Timber and Forest Products Associations and other interested parties;

The VNGO-FLEGT network should further consult with stakeholders to complete the Impact Monitoring Indicator Framework, develop and provide information collection forms to other target groups such as communities and local authorities;

2. The JIC and relevant Vietnamese agencies are responsible for developing a monitoring mechanism for the VPA-FLEGT implementation, which should ensure the involvement of civil social organizations.

Regarding promoting SMEs to get involved and fully meet the VPA objectives effectively

1. Information, communication, publishing, and training should be promoted to ensure that SMEs are supported with learning and dialogue, to gain sufficient understanding and improve their compliance with the legal timber regulatory system and the implementation requirements of the VPA and Vietnamese laws;

2. Projects such as FGMC need to promote the publication of small and simple tools (leaflets, manuals or references) to introduce the significance or necessity of VPA-FLEGT impact monitoring for SMEs

and afforestation households, local communities, timber dealers, trade villages, as well as providing monitoring content for businesses to get acquainted, improve understanding, and gradually raise interest, support and participate in this activity in the future;

3. Monitoring the VPA impacts on SMEs requires close cooperation between civil social organizations with timber associations and related government agencies to ensure that the monitoring mechanism is transparent and effective.

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THE VOLUNTARY PARTNERSHIP AGREEMENT VPA-FLEGT AND TRANSPARENCY IN THE FORESTRY SECTOR

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INTRODUCTION

To promote timber legality, the European Union (EU) has pursued an initiative to establish a voluntary partnership agreement on strengthening forest law enforcement, forest governance and trade in forest products (VPA-FLEGT) since 2003 - a legally binding trade agreement between the EU and timber exporting countries outside the EU. Leading one of the rich countries in forest resources, the Vietnamese government started the process of negotiating this agreement with the EU in 2010. After a process of negotiation, in 2018, the agreement was signed, and in June 2019, it was ratified and came into effect. It is expected that by 2021, Vietnam will have been exporting FLEGT-licensed timber and timber products to the EU market.

The core content of the VPA is to provide a legal framework with the aim of ensuring that all timber products imported into the EU are legally produced and from timber of legal origin. Although the VPA-FLEGT focuses on a bilateral trade agreement on legal timber, it also has further expectations.

In order to ensure transparency in forest governance, the VPA has developed annex VIII on information disclosure. Does the VPA-FLEGT significantly enhance transparency and can the benefits of transparency be achieved to the fullest extent? This requires a study to examine the current state of transparency as a basis for monitoring the impact of the VPA-FLEGT

on the transparency of forest governance in the near future. This study is based on interviews with 132 people from three different groups of people including forestry officers, timber processing enterprises, and forest planters in three provinces of Son La, Quang Tri and Ca Mau in Vietnam. Data are processed by NVIVO software and statistical software R, SPSS. Descriptive and correlated statistics were used to analyze the data. The study found that there were eight items of information that were not disclosed as required in Annex VIII of the VPA-FLEGT. Sixty percent of respondents think the information is easily accessible, and the information is very reliable, while 40% of the respondents feel the opposite. There is a huge difference in the information accessing channels. Compared to two groups of officials and enterprises, farmers have little access to the popular information channels such as websites; instead they are mainly given information through training and meetings. Some information does not guarantee the reliability due to the incomplete statistical and implementation methods. People are rarely consulted in land use plans and forestry plans. There is no unit responsible for monitoring and inspecting the implementation of information to be published according to Appendix VIII and assuring the level of accessibility and reliability of that information. Therefore, it is necessary to have solutions to ensure transparent information.

SOME KEY FINDINGS

There were still some information items that have not been published yet

According to Appendix VIII, there were 9 groups of information corresponding to 36 information items that need to be disclosed. Currently, there are 28 out of 36 information items that are available (78%), while 8 information items are being completed or not available, of which 7 items belong to the information group on the Integrated Timber Assurance and 1 item belongs to Category 6 Processing information.

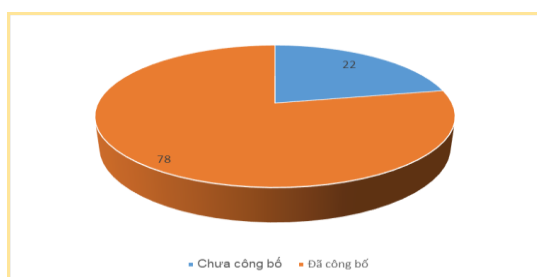


Figure 3.1. Proportion of published information items according to Appendix VIII of VPA-FLEGT

The majority of respondents commented that accessing information was easy and that information was reliable.

The researchers randomly selected six items of information and synthesized the comments of three groups of interviewees on the accessibility and reliability of the information. According to the survey results, 60% of the interviewees answered that the information was easily accessible and trustworthy. However, there were also 40% of respondents having the opposite opinion. More significantly, 55% of total surveyed

farmers were on the same side with these respondents.

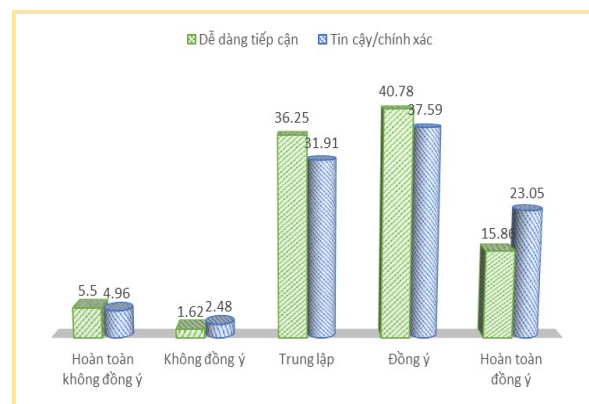


Figure 3.2. General comments on the accessibility and reliability of the information.

There was a big difference in accessing channels among the community, the officials and the enterprises

Respondents who are ministries of forestry and timber processing enterprises have access to relatively similar channels of information. They were specialized websites, online newspapers, meetings and training conferences. On the other hand, the farmer groups mainly approached information through community meetings, television, radio and training sessions. In addition, the study also found a very significant correlation between age and the respondents (officials, businesses and farmers). Types of respondents and their quick cognitive levels were positively correlated with the number of information channels accessed. At the same time, age had a negative correlation with that number, which means the higher the age, the lower the number of accessed information channels.



Figure 3.3. Main channels of information are used by officials, enterprises and the community to access information

The information items were scattered

The Information items specified in Annex VIII of the VPA-FLEGT were distributed to different stakeholders (General Department of Forestry, Department of Agriculture and Rural Development, Department of Planning and Investment, General Department of Customs and so on). This was non-united and difficult for farmers and social organizations (CSOs) to access information.

Communities were rarely consulted in forest land use planning and forest protection plan in locals

Local forest land use planning and forest protection plans were rarely consulted with the local people. This sometimes causes conflicts between one community with each other, between communities and forestry enterprises.

Women and ethnic minorities have little access to information channels

Compared to men, women often have less access to many information channels. Similarly, ethnic minorities also have less access to more information channels than Kinh people.



CONCLUSION AND SOME RECOMMENDATIONS

Conclusion

Full implementation of information disclosure regulations, especially which are stated in Annex VIII of the VPA-FLEGT, contributes to increasing transparency in forestry production, thereby significantly improving forest governance in resourceful countries, such as Vietnam. Up to 78% of the information items as specified in Annex VIII of the VPA-FLEGT are already available, some of the remaining items are in the drafting process or not. Although the information is largely existing, it is a matter

of whether this information is easily accessible or reliable or not. The result shows that 60% of the respondents agree that the information is easily accessible and reliable. However, still, up to 40% of respondents disagree with this statement. It is therefore recommended to have a number of solutions to enhance transparency in forestry production as well as ensure the fullest possible transparency of the VPA-FLEGT.

Recommendations

1. The General Department of Forestry needs to continue to update and publish the 8 missing information items compared to Appendix VIII of the VPA-FLEGT.

2. Information items are currently distributed in many different locations, by many management agencies, in many forms (documents, digitization, documents). Therefore, it is difficult for forest planting associations, micro-enterprises, social organizations and NGOs to access the necessary information.

3. The General Department of Forestry should soon develop lists of information and sites that are accessible to all who are interested.

4. The General Department of Forestry should strengthen the "digitization" of

information lists, widely disseminated them in a "completely open" form so that everyone can access.

5. Farmers often access through traditional communication channels such as community meetings and training. Therefore, in order to update information for people, FPDs and other local agencies need to have appropriate forms of direct or indirect information sharing.

6. NGOs prioritize implementation through training, hand out distribution and direct sharing.

7. Local Forest Protection Departments should strengthen community consultation in the forest land use planning and forest protection plan.

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ADJUSTING PRODUCTION AND BUSINESS PLAN FOR TIMBER ENTERPRISES IN THE VPA-FLEGT CONTEXT. SOME AFFECTING FACTORS

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ABSTRACT

The voluntary partnership agreement on the enhancement of forest law enforcement, governance and trade are one of the EU's initiative aims at dismissing illegal timber in international and internal trade from country's member, including Vietnam. The timber enterprises have to adjust their business and production plan to ensure timber and timber products are from legal sources. The majority of timber enterprises have adjusted their plan. In contrast, still, many enterprises have not done. Which factors affect the enterprise's decision about doing adjustments to their business and production plan? The study surveyed eighty-sixes enterprises locating in seven provinces in Vietnam and adopted the logistic regression model for data analysis. The study showed out of six factors, only the element of the knowledge level of

business leader about VPA-FLEGT has a significant correlation, a strong influence on the decision of business leader to adjust the business and production plan. The difference in the knowledge level among business leaders was due to their significant difference in accessing VPA-FLEGT. The study identifies the firms, in provinces with associations and NGOs that are working and supporting the enterprises through activities, such as consultation, seminars, and research, etc., have accessed information about VPAs was much higher than other provinces. This means that the operation of associations and NGOs are necessary for the implementation of VPA-FLEGT.

Keywords: Factor, decision, business and production plan, enterprise, VPA-FLEGT.

INTRODUCTION

Vietnam and the European Union have pursued a voluntary partnership initiative to strengthen forest law enforcement, forest governance and trade in forest products (VPA-FLEGT) to promote legal timber production. In 2018, after a long period of negotiation, the two sides officially signed

the ratification of the VPA-FLEGT agreement. The agreement officially took effect from 1 June 2019 (VCCI, 2019).

By the end of 2018, Vietnam had had about 4,500 enterprises (DN) trading and processing timber and forest products, including foreign-invested enterprises (600

enterprises). The rest 3900 enterprises were domestic enterprises, of which 30.3% are both processing and directly exporting (Agriculture and Rural Development, 2018). About 500,000 employees, in which trained and stable workers account for 55-60%. The rest are simple seasonal workers (40-45%) who are working in enterprises.

According to VPA/FLEGT regulations, both domestic timber and exported timber must ensure its legal origin. It is expected that the first FLEGT license will be issued by the end of 2021. Therefore, businesses

need to have a plan to adjust their production and business plans (PBP) to ensure timber legality. In fact, there are many enterprises that have made adjustments to their PBP. In contrast, there is also a large number of businesses that have not done yet. Many different factors are affecting the enterprise's decision on this adjustment. As a result, it is indispensable to understand which factors have a strong impact on the enterprise's decision to adjust PBP to ensure legal timber.



MATERIALS AND METHODS OF THE STUDY

Study site

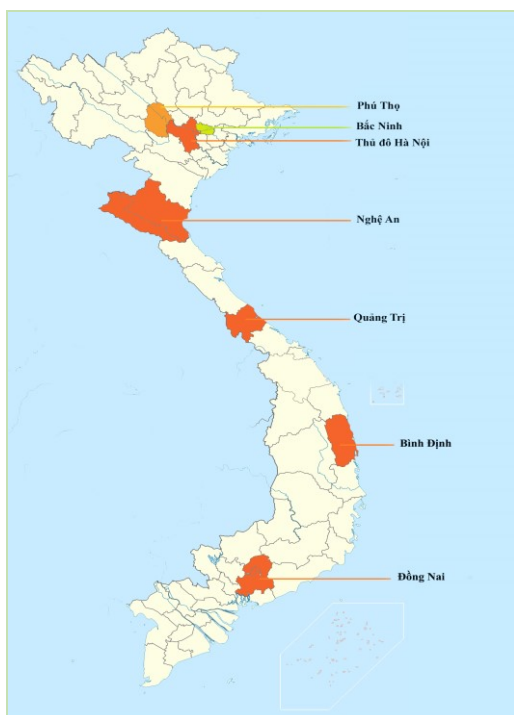


Figure 4.1. The study site

The study was conducted in 8 provinces in five geographical regions of the country: Hanoi and Bac Ninh - Red River Delta; Phu Tho - Northeast; Nghe An and Quang Tri-North Central; Binh Dinh - South Central Coast, and Dong Nai - Southeast.

Timber processing enterprises and establishments in Hanoi are mainly distributed in traditional villages such as Chang Son, Canh Nau (Thach That district), Son Dong (Hoai Duc district), Van Diem, Van Tu (Thuong Tin district), Chuyen My, Tan Dan (Phu Xuyen district), Van Ha (Dong Anh district) and Lien Ha, Lien Trung (Dan Phuong district). The whole province has about 258 enterprises and 2,641 households, while timber consumption falls about 379,123 m³ annually (Hanoi Moi, 2018).

Bac Ninh province, whose natural area is of 822.7 km², is located in the economic

growth triangle of Hanoi - Hai Phong - Quang Ninh. Bac Ninh province has five famous groups of traditional craft villages, of which the timber processing-related trade village is Dong Ky wooden handicraft village (Tu Son district), which has more than 200 enterprises processing timber (Nguyen, 2017).

Phu Tho province has a large area of forest and forest land with 188,000 ha, of which the area of production forest is about 120,000 ha. The whole province has 2,700 timber processing establishments, of which nearly 600 enterprises have investment capital. Small and medium-sized boards mainly produce particle boards and MDF boards (Phuong & Nguyen, 2019).

The land area planned for forestry development in Nghe An accounts for 71.6% of the total natural land area of the province. The whole province has more than 783,699 ha of land covered with natural forests, while the non-forested area is nearly 279,207 ha. Nearly 143 enterprises operating in the field of timber and NTFP processing are active there (Vietnam biz, 2019).

In 2019, Quang Tri province estimated concentrated planted forest area at over 112,127 ha; production forest area reached about 114,932 ha. There are over 23,400 hectares of planted forest certified FSC. There are about 115 enterprises and establishments operating in the field of timber processing, mainly in areas such as Dong Ha city, Quang Tri town and districts: Hai Lang, Trieu Phong, Vinh Linh, Cam Lo, Gio Linh. The main products are MDF, bar

joinery, bar joinery, fine art carpentry, pellets and wood chips (Investment Newspaper, 2020).

Binh Dinh has an existing forest area of over 310,634.65 ha, of which natural forest is 204,922.44 ha, plantation forest is 105,712.21 ha (plantation forest is 76,569.4 ha). In Binh Dinh province, there are currently 170 enterprises operating in wood and forest product processing with an annual production capacity of about 350,000 m³ of refined wood and nearly 1.5 million tons of dry wood chips, mostly concentrated in

Sample selection and data collection

Subjects selected for the study are small and medium enterprises (SMEs) that process timber. The criteria for determining the type of SMEs are based on the Government's Decree No. 39/2018 / ND-CP dated March 11, 2018 on detailing a number of articles of the Law on Support for SMEs. According to this decree, the basis for ranking SMEs is based on (i) the average number of employees participating in social insurance and (ii) the total revenue of the enterprise.

The study applied a non-probability sampling technique to select enterprises. In this technique, the research has used the method of sampling according to judgment, whereby enterprises are selected based on the judgment of the suitability of enterprises with sampling criteria.

89 enterprises in 7 provinces were interviewed directly, in which the number of enterprises in Hanoi was interviewed exceeded (21%). The second was Nghe An's enterprises (19%), while the number of enterprises participating in the interview at Bac Ninh is the least.

industrial zones. Phu Tai, Long My, connecting Quy Nhon International Seaport (VGB, 2014)

Dong Nai, Binh Duong and Ho Chi Minh City are the three provinces with the largest number of timber processing enterprises in the Southeast. Dong Nai's timber processing facilities are concentrated in Bien Hoa City, Trang Bom, Nhon Trach, Long Thanh and Vinh Cuu. Dong Nai province's export turnover is 1,500 million USD, accounting for nearly 28% of the country's export turnover (Tran, 2015).

Data analysis and processing

The primary data collected is entered into excel. After being put into excel, the data was checked and cleaned. As a result, although there were 89 enterprises interviewed, the research team selected 86 enterprises to continue to include in the statistical software R (R statistical software) for analysis, after checking and cleaning.

Logistic regression. The study applied Binary logistic regression to analyze for two groups of variables, including the dependent variable which is the adjustment of PBP. This variable takes value 1 if the enterprise adjusts and value 0 if the enterprise does not have any adjustments. The variables are independent, nominal variables, ordinal variables, and continuous variables.

Other analysis: The study also applied the Kruskal-Wallis test to analyze P-value among non-parametric variables to find out the differences between groups. In addition, the Pearson correlation has been applied to investigate the correlation between two variables and their correlation coefficient.

SOME KEY FINDINGS

Enterprises' characteristics

Four types of timber processing enterprises by registration in the study site were private companies (PC), single-member limited liability companies (single-member LLC) and two-member limited liability companies (two-member LLC) and joint stock company (JSC). The three forms of ownership of these companies were private company (PC), state-owned enterprise (SOE) and foreign-invested enterprise (FIE).

Table 4.1. Characteristics of surveyed enterprises

	PC	Single-member LLC	Two-member LLC	JSC	P-value
1. Forms of ownership					
SOE	0	5	1	1	0,017
PC	2	15	28	33	
FIE	1	0	0	0	
2. Size of charter capital					
Under 3 billion	0	4	1	5	0,057
More than 3 and up to 20 billion	1	14	19	17	
More than 20 and up to 100 billion	1	2	8	10	
More than 100 billion	1	0	1	2	
3. Size of revenue					
Under 10 billion	1	7	5	5	0,07
More than 10 and up to 50 billion	0	9	13	11	
More than 50 and up to 200 billion	1	4	6	13	
More than 200 billion	1	0	5	5	
4. Average number of business lines	3	2	2	2	0,63

In terms of ownership form, most enterprises were private firms, accounting for 90.7% (78/86 enterprises). Although most enterprises were private enterprises, the types of enterprises registered were very different. This means that 39.53% were JSCs, 33.72% were two-member LLCs, 23.26% were single-member LLCs, while

account for the lowest proportion is private enterprises (3.49%). It can be seen that the single-member and two-member LLC types were the two most popular types chosen by many enterprises.

The size of the charter capital of different types of enterprises was varied. There were 12/34 JSCs which owned a

charter capital of over 20 billion or more. These figures in single-member LLC, two-member LLC and PE were 9/29, 2/20 and 2/3, respectively. It could be seen that the charter capital of the JSC was usually higher than that of single-member or two-member LLC.

Study data showed that different types of enterprises have different revenue sizes. The size of the JSC revenue was over 50 billion to 200 billion (38.2%) and over 10 to 50 billion (32.4%). In the case of LLC, the most popular size of revenue was over 10 to 50 billion.

Factors that affect the enterprises' decisions

The VPA-FLEGT Agreement came into effect from June 1, 2019, while the implementation support systems (VNTLAS, FLEGT licensing) are being prepared for the first license at the end of 2021. On the other hand, Circular 27/2018/TT-BNNPTNT on management and tracing of forest products has come into effect with an aim to guide forest owners and timber production enterprises to comply with the supply of legal timber products. These regulations set

Timber processing enterprises registered many various business lines, such as timber processing and timber products manufacturing, importing and exporting timber products, providing forestry services and so on. The analysis results showed that the average numbers of occupations between types of enterprises have no differences at all. Each type of enterprises registered 2-3 occupations on average. More specifically, there were one-line registered enterprises at least and six-lines registered enterprises at the most.

out requirements for businesses to adjust their PBP to ensure legal regulations on timber. There have been 51/86 enterprises that have made adjustments. Major adjustments of enterprises focused on adjusting input timber materials, adjusting for safety in production and business, adjusting for labor reform and so on. These adjustments are necessary to ensure timber legality.

Table 4.2. Factors affecting the enterprise's decision to adjust production and business plans

	β	SE	z value
LHDN	-0.07	0.42845	-0.181
MDHB	1.616***	0.33882	4.770
HTSH	-1.73	1.22970	4.770
QMVDL	0.08	0.74929	0.113
QMDT	0.29	0.49687	0.603
SLNN	0.4	0.32339	1.323

Study data showed that 59.3% of enterprises have adjusted their PBP, while

40.7% have not yet adjusted. The difference in the enterprise's adjustment decision stems

from various factors. The assumptions made were that the adjusted decision of the enterprise may depend on the size of the enterprise's revenue (QMDT), the type of enterprise (LHDN), the form of ownership (HTSH), the size of the charter capital (QMVDL), the number of business lines (SLNN) and the level of knowledge (MDHB) of the enterprises in VPA-FLEGT.

The table showed that among the six factors (independent variables) mentioned, only the MDHB factor has a significant correlation relationship (Sig = 0.00). This means the decision to adjust PBP was affected greatly by the MDHB factor, but not by the other five factors.

The study analyzed the correlation between these two variables through a graph, as shown below (Figure 7). The horizontal axis shows the level of business leaders' knowledge. There were five levels of knowledge that were mentioned as very poor, poor, average, good, very good. The vertical axis shows whether the enterprise has a decision to adjust their PBP or not, while 0 is absolutely no adjustment decision, and 1 is the decision to adjust. The analysis data showed that 33 enterprise leaders claimed to have poor and very poor knowledge level, of which 28/33 enterprises, equivalent to 85%, have not decided to adjust their plans. On the contrary, business leaders with an average level of knowledge up to 85% have decided to adjust their PBP. In enterprises where leaders had good and very good knowledge, the percentage of enterprises making adjustment decisions was higher, which were 94.4% and 100%. This analysis showed that the higher the knowledge level, the more likely that

enterprises would make a decision to adjust their PBP.

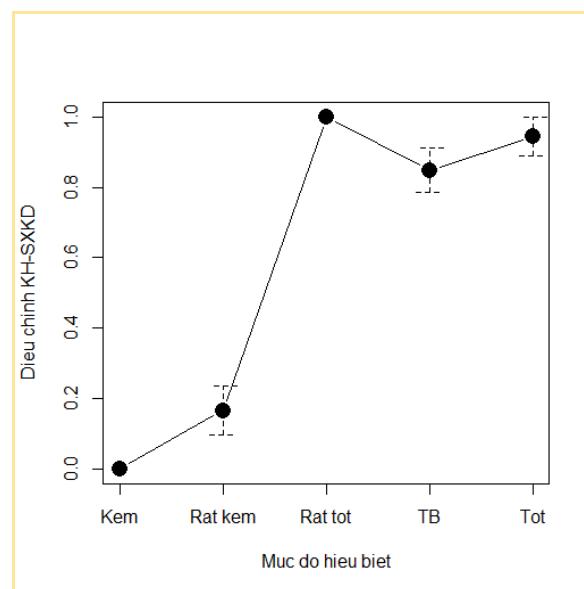


Figure 4.2. The correlation between the level of knowledge and the enterprise's decision to adjust PBP

The level of knowledge is positively correlated with the number of times enterprises accessing VPA-FLEGT information.

The high or low level of business leaders' knowledge about VPA-FLEGT was strongly correlated to their access to information about VPA-FLEGT. Encoding from 0 to 3 (vertical axis) corresponds to no approach, approach from 1 to 5 turns, from 6 to 10 turns and more than 10 turns. The results showed that in 33 enterprises whose leaders have poor and very poor knowledge, up to 75% have not approached. The remaining 25% have access from 1 to 5 turns. Enterprises whose leaders have an average, good or very good level of knowledge have access times usually of 1 to 5 times and 6 to 10 times; especially there

are business leaders who approach more than 10 times. Pearson correlation analysis also showed that the level of knowledge and the number of approaches had a very significant correlation (sig <0.01) and correlation coefficient $r = 0.66$.

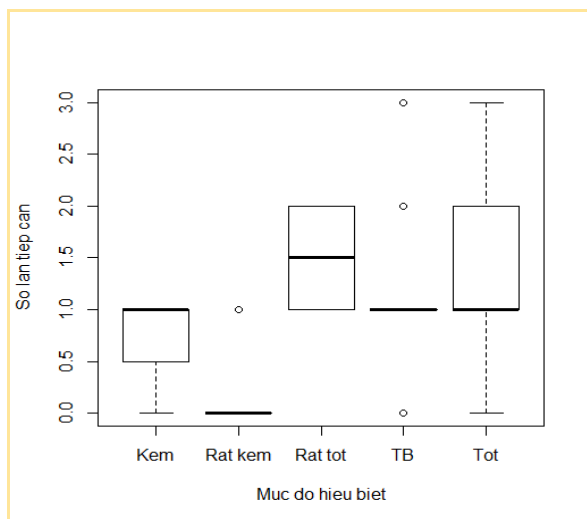


Figure 4.3. Number of approaches and knowledge level of business leaders

The statistics showed that there was a very significant difference in the number

of times of accessing VPA-FLEGT information between provinces ($P = 0.00$). In the seven studied provinces, most of the leaders of enterprises in Binh Dinh, Quang Tri and Dong Nai provinces rated their knowledge level as average (14/31), good (16/31). This result was quite consistent with the role and active participation of associations, such as VIFOREST, FPA-Binh Dinh with an effort to connect and promote businesses and craft villages to join events of consulting, giving suggestions, or cooperating with NGOs (such as Forest Trends, EFI, SRD, CRD, Panature) to conduct research or improve understanding for business leaders about the LD frameworks and VNTLAS in the VPA-FLEGT negotiation process.



CONCLUSIONS AND SOME RECOMMENDATIONS

Conclusions

1. Nearly 60% of timber processing enterprises have adjusted their production and business plans to ensure timber legality under VPA-FLEGT, while nearly 40% of enterprises have not made this decision. The level of knowledge of business leaders about VPA-FLEGT plays a key role and has a strong impact on enterprises making decisions to adjust their PBP.

2. The level of knowledge of business leaders about VPA-FLEGT increases a lot when enterprises approach more times with

it. The increase in the level of knowledge is an important driving force for enterprises to make decisions to adjust their PBP successively, to ensure compliance with legal timber regulations under VPA-FLEGT.

3. The participation of associations, NGOs and state agencies through the process of seminars, consultation, research and connection has increased the number of businesses outreach to VPA-FLEGT thereby pushing businesses to adjust their production and business plans soon.

Recommendations

1. Currently, there are also a large number of businesses that have not yet decided to adjust their PBP. One of the reasons is that the knowledge level of business leaders in some places is not high. Therefore, it is necessary to continue to improve knowledge for these enterprises about VPA-FLEGT.

2. The research results show that organizations/associations and NGOs are important components in connecting and enhancing the capacity of enterprises. Therefore, it is necessary to stimulate the participation of these organizations/associations and NGOs during the implementation of VPA-FLEGT.

APPENDIX
Describe the variables in the logistic regression model

Variable	Definition	Description
ĐC	Adjusting production and business plans	Binary variables, (1=Yes)
LHDN	Type of business	Identifier variable, 1=DNTN,2=CTNNHH1TV, 3=CTTNHH2TV,4=CTCP
HTSH	Ownership form	Identifier variable, 1=DNTN,2=DNNN,3=DNVĐTNN
MDHB	Management level of knowledge about VPA-FLEGT	Hierarchical variable, 1 = Very poor, 2 = Poor, 3 = Average, 4 = Good, 5 = Very good
QMVDL	The size of the company's charter capital	The degree variable, 1 = <3 billion, 2 = 3 billion-20 billion, 3 => 20 billion -100 billion, 4> 100 billion
QMDT	Size of revenue of the business	Hierarchical variable, 1 = <10 billion, 2 = 10 billion-50 billion, 3 => 50 billion-200 billion, 4 => 200 billion
SLNN	Number of businesses operating	Variable continuous



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THE IMPLICATIONS OF VPA FLEGT ON WOMEN IN TIMBER PROCESSING INDUSTRY

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INTRODUCTION

Voluntary Partnership Agreements (VPAs) are trade agreements between the EU and targeted timber exporting countries to enforce the supply chain of legal timber. In addition, VPAs must ensure that vulnerable stakeholders benefit from and are not negatively impacted by the sweeping reforms as a result of the VPA. In Vietnam, women are thought to be significantly affected by the VPA as they often have a vulnerable position in the timber value chain, which consists of thousands of small and micro timber processing businesses. It is therefore critical to understand women's present situation and the implications of VPA on women in this business segment.

SRD and its VNGO-FLEGT network conducted a series of baseline surveys in eight provinces across the country (Hanoi, Phu Tho, Bac Ninh, Nghe An, Quang Tri, Quang Nam, Binh Dinh, and Dong Nai) in 2018 – 2019 for the purpose of monitoring the VPA impacts on vulnerable groups. The pool of gender-disaggregated data from the two surveys comprises 647 forest smallholders / households and 122 timber-processing businesses. Past studies have identified these groups as highly vulnerable due to their sheer numbers and limited capacity to comply with strict timber industry standards.

KEY FINDINGS

Potential job loss for women holding part-time work in small and micro timber processing businesses after the VPA implementation

Vietnam has about 5,400 forest product processing enterprises in 2019, of which small and micro businesses account for 93% (VNForest, 2019). Of the 500,000 workers in this sector, 40 – 45% are low-skilled part-time workers (MOLISA, 2019). Timber processing businesses often employ both permanent and part-time workers based on specific tasks and the skills involved.

The VPA requires strict compliance with regulations related to business operation, safety, environmental protection,

and proof of timber origin. Stringent business standards could potentially increase pressure on small and micro enterprises with limited capacity. Those SMEs that are unable to comply may have to shut down or halt their operation. In this scenario, it is likely to be short-term unskilled workers that are first in line for lay-offs when stringent standards are enforced.

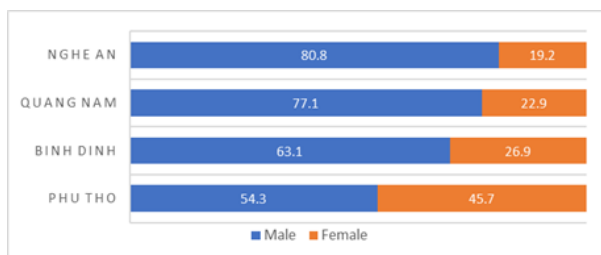


Figure 5.1. Gender distribution (%) of permanent workers in small and micro timber processing business

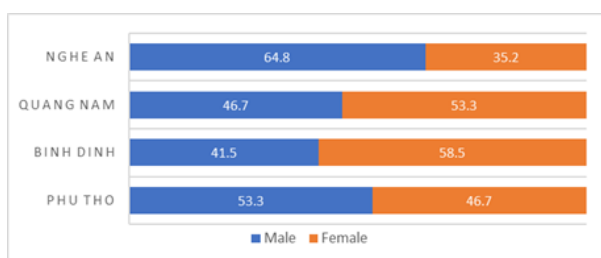


Figure 5.2. Gender distribution (%) of short-term workers in small and micro timber processing business

As stated above, part-time unskilled workers which make up to 45% of the labor force would be severely impacted by stringent standards of the VPA. While both men and women are impacted, it would likely be women who disproportionately bear the brunt, given their skew gender distribution in short-term work.

Employment benefits for women will be considerably improved

Once the VPA is implemented, businesses will need to strictly comply with regulations on health, labour, and environmental safety. All workers will benefit from improved working conditions and full compliance with existing regulations including labour rights, social insurance, health insurance, and unemployment insurance. This would benefit women considerably as they are more often on part-time jobs without contracts. Female workers are likely to benefit from well enforced labour standards required by the VPA, including social insurance benefits and maternity leave.

According to the survey of 36 SMEs in timber processing by SRD and VNGO-FLEGT in 2018, 65% of permanent workers are male. Categorized by provinces, male workers account between 54% and 80% of permanent workforce in timber processing, as presented in figure.

While women have fewer permanent jobs than men in timber processing, they often involve more in part-time unskilled work, as indicated by the same survey. In two out of four provinces, women actually outnumber men in short-term jobs.

In 2019, SRD and VNGO-FLEGT network conducted another survey of 86 timber processing enterprises across northern, central and southern Vietnam. Respondents assessed their own compliance with regulations on female workers' rights. The majority of enterprises thought they complied well with regulations on social insurance, health insurance, unemployment insurance, maternity leave, but some judged their compliance as mediocre. Overall, the assessment indicated that there is still room for improvement, and compliance could be greatly improved by offering medical check-ups and vocational training for female workers.



Figure 5.3. Assessment on compliance with regulations on female workers' rights

Thus, it is expected that the VPA will bring about positive changes to the current working condition for women, by enforcing strict compliance with labor regulations.

Female ownership in timber processing enterprises is minor

Vietnam currently has 95,906 women-owned businesses, approximately 21% of the total number of businesses in operation (Bureau of Statistics, 2014). Timber processing business owned by women is more scarce. Of the 36 small timber processing enterprises surveyed, only 3 of them are owned by women (as registered in the business registration certificate).

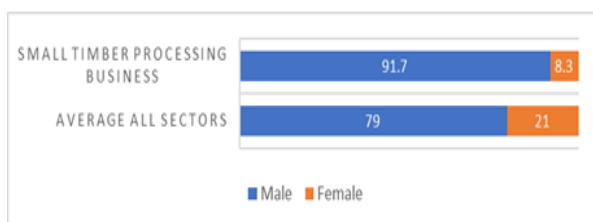


Figure 5.4. Gender distribution of business owners in timber processing

According to the survey, none of the women-owned timber processing enterprises has fully complied with regulations on labour, health, and safety. In addition, none has fully complied with regulations on

employment benefits, including paying for social insurance and health insurance for employees with contracts. The VPA, once implemented, would shut these women-owned enterprises out of business, unless they take necessary steps to comply with all regulations.

Given the limited sample size, it is suggested that further research should be undertaken on women-owned enterprises in the timber value chain in order to obtain more insights.

CONCLUSION AND RECOMMENDATIONS

Conclusion

The VPA implementation will induce dramatic changes in the timber value chain in Vietnam. Among the vulnerable stakeholders, women in timber processing business are expected to be particularly impacted by stricter regulatory enforcement, at least in the short term. In the long term, women are likely to benefit from increasing awareness of their needs, from improved worker rights and elevated business standards. It is important however not to just expect these benefits to arise, but to constantly monitor the effects of the VPA to ensure women's needs are being fully recognised.

The VPA has provisions to ensure social safeguards for vulnerable groups. This is achieved through a multi-stakeholder monitoring mechanism (VPA-IM) involving government agencies, NGOs, forest associations, enterprises, trade unions, local forest communities. This policy brief highlights some recommendations for civil society to address gender issues through the VPA-IM mechanism.

Recommendations for civil society to address gender issues through the VPA-IM mechanism:

1. Advocate for the integration of cross-cutting themes such as gender in the VPA-IM.

2. Engage in the development of the VPA M & E mechanism. There needs to be strong cooperation between VN-Forest and civil society in order to implement the VPA-IM.

3. Civil society with grassroots experiences should regularly conduct community surveys to monitor gender issues. The purpose of monitoring is to identify areas where women play a stronger or weaker role in the timber value chain, and to develop training for women on technical and business skills to enable them to meaningfully participate in the modernised timber value chain.

4. Civil society should integrate awareness raising components into their community surveys. The purpose is to educate women in rural areas about their rights and build positive attitudes towards women's land ownership among the local people. Civil society may collaborate through local mass organisations such as the Women's Union in Training of Trainers (TOT) and awareness campaigns to effectively reach the local audience.

5. Review the current forest sector legal framework and policy from a gender perspective through using multi-stakeholder mechanisms such as the Core Group to undertake national and provincial level dialogue and consultation. Particular attention should be given to regulations on enterprise, labour, health, safety and land use rights.

6. Civil society should use the VPA-IM mechanism to collect gender-disaggregated data in the forestry sector. There must be good coordination between VN-Forest and civil society to develop a gender-disaggregated database in FORMIS. This is important because inadequate gender-disaggregated statistics compounded by limited technical capacity on gender analysis hinder informed policy-making.

7. Civil society should improve the gender balance of its targeted member organisations such as forestry associations and forest user groups, and support women to participate in decision-making.

8. Encourage the development of female worker associations within timber processing enterprises.

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FOREST MANAGEMENT AND MECHANISMS FOR BENEFIT SHARING IN THE VPA-FLEGT & REDD+ CONTEXT

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INTRODUCTION

Starting in 2010, the Vietnamese Government had been in the negotiation process for VPA-FLEGT. The Agreement was officially signed in 2018, ratified and came into effect in 2019. By 2021, Vietnam will expectedly be exporting only FLEGT-licensed timber materials and products to EU.

According to FLEGT, legal timber is the timber harvested or imported in accordance with Vietnamese law, including the legal status of forest land. In Vietnam, the “forests” allocated to local people are mainly planted forests, also commonly known as “production forests”. Although Land Use Right Certificates have been widely extended to most people, there are still areas where communities have not yet been granted forest land use certificates due to disputes and overlaps between maps and reality. Timber harvested from these areas, whether planted or natural forests, is considered to be illegal under the provisions of the VPA/FLEGT.

In REDD+, payment is made based on evidence of forest land tenure. In a disputed site, a facility for payment cannot be established. Therefore, the issue of forest land use right is a big concern for REDD + and FLEGT. In many places, lands are allocated to the people by forestry companies and forest’s management boards through short-term contracts. In this type of contract, local people face the possibility of not having long-term benefits from REDD+, especially when forestry companies or the management boards change contracts and allocates forest land to other units.

In addition, REDD + and safeguarding measurements require fairness for forest-dependent entities and social groups involved in forest

management, etc. Therefore, it is necessary to consider whether existing benefit-sharing mechanisms are fair enough for the long-term interests of the forest-managing communities to be taken into account, for the transparency to be ensured throughout, and for REDD+ regulations to be complied or not.

Results of interviews with 126 people came from two different groups of people, who are forestry staffs and afforestation persons and secondary surveyed data in three provinces of Son La, Quang Tri and Ca Mau in Vietnam were processed with statistics software Excel and SPSS. The main benefit-sharing mechanisms in the study sites are Payments for Forest Environmental Services (PFES), land and forest allocation mechanism as well as forest protection by contracted mechanism. Depending on specific forest types in each study area (special use, protection or production), the research team actively focused on the main research subjects and examined the relationship between forest types and sharing benefit mechanisms in each site. The statistical results of some quantitative and qualitative indicators collected at the study sites illustrate that there are still some shortcomings in the management of forests and forest land. These shortcomings have a significant impact on the implementation of REDD + and VPA/FLEGT in Vietnam.

SOME KEY FINDINGS

The management mechanism of natural forests and forest land (especially for protection and production forests) was not consistent among the study sites.

The management mechanism of forest and forest land in the study sites is mainly conducted through the form of forest allocation and contracting, which is shown in Figure 6.1. At the first level, the State allocates and contracts forests to forest owners such as National parks, protected areas as well as protection and special-use forest management boards, forestry companies, communities and households, and land use rights holders. After that, the forest owners contracted to protect the forests to the households under signed contracts.

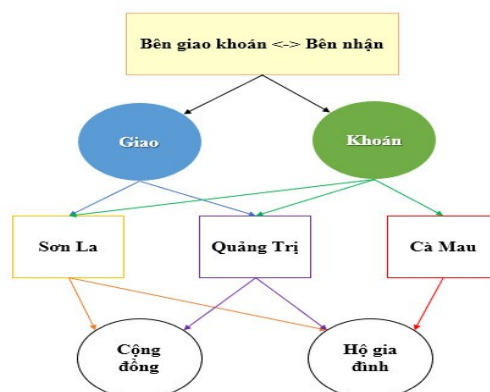


Figure 6.1. Forest and forest land management mechanism at study sites

Short-term contracts often last only 1 year

Currently, in the three provinces of Ca Mau, Quang Tri and Son La, most forests have been allocated to the Protection Forest Management Board (PFMB)s, the National Park, the forest companies (FCs) and the Commune People's Committee (CPC)s for management. These forest management entities contract forest management and protection to the people under a signed forest contract. The current contract term is usually 1 year. 100% of forest contracts in Son La have a term of 1 year, while those in Ca Mau and Quang Tri are 79%

and 68%, respectively. The contracts in which term is longer than 1 year or more than 5 years as usual are often conducted between the FCs and the households.

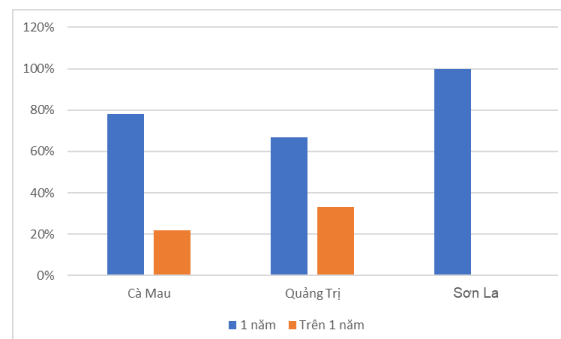


Figure 6.2: Percentage of forest contract term in the study sites

Recently, most of the households and communities allocated forest and forest land have not been granted Land Use Right Certificates (LURC) yet.

For the forest areas managed by the CPCs, the commune still develops annual plans in order to allocate forests to communities and households, but the issuance of LURCs is very slow. In

particular, at researched sites in Quang Tri province, the ratio of the area granted a LURC to the allocated forest only ranges from 10 to 50% or from 10 to 20% commonly.

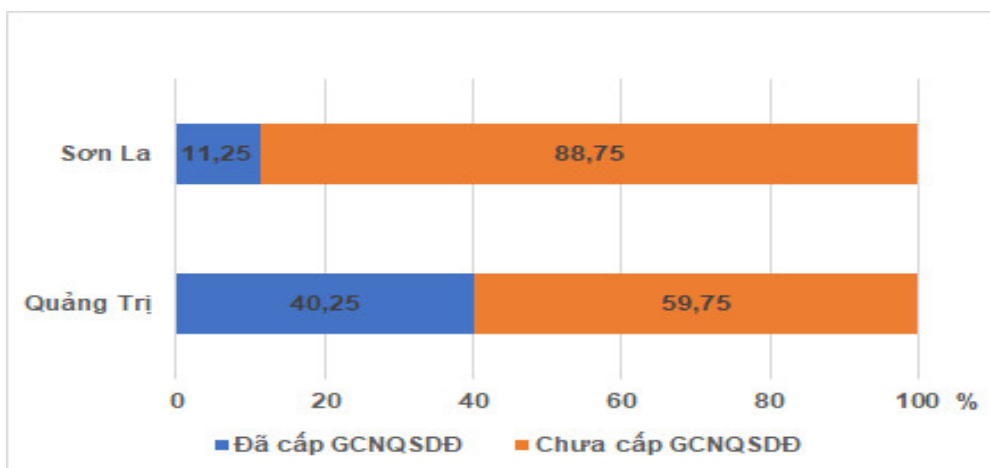


Figure 3: Ratio of LURC issuance at researched sites

There are overlaps on boundary among households. Many plots of land plotted in the household red book are not consistent with the actual area.

In practice, land and forest allocation working groups often ignore a number of steps in the regulations to save time and money. Specifically, some meetings in villages and communes are not being conducted as requested but may be shortened or omitted. In many places, these meetings are often held without the presence of full stakeholders. The land is allocated without maps attached or the maps are not up-to-date on current status of land and forest land. There are some field investigations skipped in the allocation process. Therefore, households do not clearly define their own forest plot boundaries or whether the forest plot area

on the red book does match the actual forest plot they manage or not. Figure 4 is the image of an unclear percentage of LURCs in Ba Nang commune, Dakrong district, Quang Tri province.

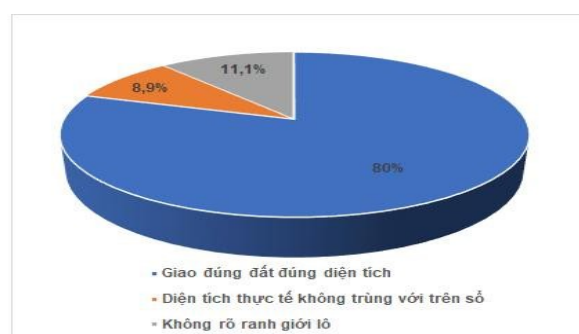


Figure 4: Current status of LURC in Ba Nang commune - Quang Tri

In some research sites, Payments for Forest Environmental Services are currently only piloted through investment projects and have not met sustainably as long as long-term requirements yet.

In the study sites in Ca Mau, payments for forest environmental services are paid by organic shrimp farming companies under the

framework of a pilot organic shrimp farming project. Initially, a benefit-sharing mechanism has been established from

community forests and households with squares of shrimp under the canopy of the forest. However, this source of money will no longer be available at the end of the project, resulting in many disadvantages for

Payments for forest environmental services are low and uneven across regions and local communities

PFES rates for households depend on location and average income. Households in some areas are paid 150,000-200,000 VND/ha/year, which is from 350,000-500,000 VND/ha/year in other locations. Significantly, in some areas, the number is only 50.000VND/ha/year. This results in rivalry among communities and households in the forest protection by contract process,

all forest owners, communities and contracted households, especially in case people neglect to protect the forests and put pressure on the forest's managers.

which partly put pressure on forest management boards.

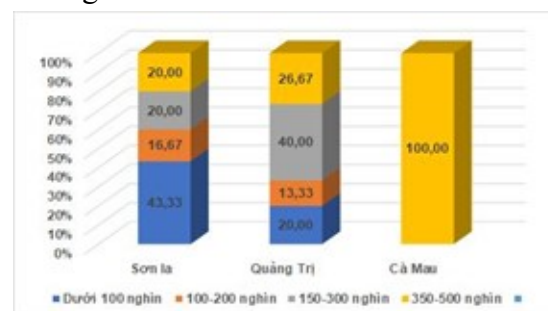


Figure 5: Current situation of PFES unit price in research sites



CONCLUSIONS AND SOME RECOMMENDATIONS

In the process of implementing the VPA, for timber legality, it is necessary to fully and strictly comply with the standards in the management and use of forests as well as forest land. In other words, this is to comply with the current legal regulations on land use rights, forest use rights, forest management and protection and harvesting regulations under the Forestry Law.

Addressing to the challenges of forest land using management is key to the successful implementation of both the REDD + initiative and the EU FLEGT Action Plan. This will contribute to reduce deforestation and address climate change. Benefit-sharing is important for creating the momentum needed to change behavior that causes deforestation or forest degradation, and in turn reduces carbon emissions. However, the implementation should also take into account the interests of communities who play an important role in the implementation of the VPA/FLEGT Agreement in line with the REDD+ safeguarding policy. In particular, the right of the community and the full participation of all parties in decision-making processes should also be enhanced.

From the perspective of a social organization engaged in forests, forest land and forest-related mechanisms in the context of preparing for the implementation of the VPA/FLEGT Agreement and towards REDD+ payments, the research team proposes some recommendations to harmonize current forest and forest land allocation with REDD+ as long as the VPA/FLEGT policy to create long-term, sustainable benefits for both communities and people. Specifications are described as below:

1. The Ministry of Natural Resources and Environment should urge localities to accelerate the process of issuing LURCs of entire forests and forest land areas for the people;

2. The General Department of Forestry should lead the development of an M&E framework in the REDD+ payment implementation process, which should focus on the consultation with stakeholders;

3. The General Department of Forestry should advise MARD to develop a general benefit-sharing mechanism for forest allocation and protection, including payments for PFES, REDD+, forest protection and development contracts;

4. The General Department of Forestry should consult in developing a separate payment policy for mangrove forest environmental services;

5. The General Department of Forestry should consult the Ministry of Agriculture and Rural Development to develop a

mechanism for social organizations/non-state units to contribute opinions and to monitor throughout the process from policy formulation to implementation in the community;

6. The role of social organizations/non-state agencies in monitoring and critical policy related to land, forests and benefit sharing should be promoted and encouraged.

7. The State should assign CSOs to raise public's awareness about mechanisms for benefits from forests such as forest allocation, contracting, payment for forest environmental services through training, handouts and direct sharing.

8. Local FPDs need to strengthen community consultation on forest management, protection and development.

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DIỄN ĐÀN ĐA BÊN LẦN 3

THE 3RD MULTI-STAKEHOLDER FORUM

GIÁM SÁT QUẢN TRỊ RỪNG VÀ THƯƠNG MẠI GỖ BỀN VỮNG

Forest Governance and Sustainable Timber Trade Monitoring

Hà Nội, ngày 21 tháng 10 năm 2020



DOCUMENTS FOR THE FORUM



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